Pioneer Credit Pty Ltd

ABN 44 103 003 505

Annual report for the year ended 30 June 2013

Pioneer Credit Pty Ltd ABN 44 103 003 505
Annual report - 30 June 2013

Contents

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Pioneer Credit Pty Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2013.

Directors

The following persons held office as directors of Pioneer Credit Pty Ltd during the financial year:

Mr Keith John
Mr Mark Dutton (Chairman)
Mr James Singh

Principal activities

Pioneer Credit is an Australian financial services provider, specialising in acquiring and servicing retail debt portfolios. These portfolios consist of individuals with financial obligations to Pioneer Credit and as such become the cornerstone of our customer relationships. We value and respect our customers greatly. We work with them over time so that they can meet their obligations and progress toward financial recovery, and through this process evolve as a 'new consumer'.

No significant change in the nature of these activities occurred during the period.

Dividends

No dividends have been paid during the financial year. The directors do not recommend that a dividend be paid in respect of the financial year (2012: $nil).

Review of operations

The profit from ordinary activities after income tax amounted to $3,520,000 (2012:$1,785,000).

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years; or
(b) the results of those operations in future financial years; or
(c) the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Likely developments in the operations of the Group and the expected results of operations in future financial years have not been included in this annual report because the directors believe that the inclusion of such information may result in unreasonable prejudice to the Group.

Environmental regulation

The Group is not affected by any significant environmental regulation in respect of its operations.

Insurance of officers

During the financial year, Pioneer Credit Pty Ltd paid a premium of $7,075 (2012: $5,705) to insure the directors and secretaries of the Company and its Australian-based controlled entities.

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.*

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PwC Australia Firm continues in office in accordance with section 327 of the *Corporations Act 2001.*

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

Mr Keith John
Director

Perth

15 November 2013

Auditor's Independence Declaration

As lead auditor for the audit of Pioneer Credit Pty Ltd for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been:

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

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

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

William P R Meston
Partner
PricewaterhouseCoopers

Perth
15 November 2013

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Annual report - 30 June 2013

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These financial statements are the consolidated financial statements of the consolidated entity consisting of Pioneer Credit Pty Ltd and its subsidiaries. The financial statements are presented in the Australian currency.

Pioneer Credit Pty Ltd is a company limited by shares, incorporated and domiciled in Australia.

Its registered office is:

Pioneer Credit Pty Ltd
Care of Parkinson Chartered Accountants and Business Advisors
Level 1, 322 Hay Street
Subiaco Western Australia 6008

The financial statements were authorised for issue by the directors on 15 November 2013. The directors have the power to amend and reissue the financial statements.

	Notes	2013 $'000	2012 $'000 Restated
Revenue from operations	5	**16,673**	9,587
Employee expense		**6,135**	4,170
Direct expenses		**1,306**	914
Rental expenses		**1,014**	335
Finance expenses	6	**973**	658
Other expenses		**643**	453
Professional expenses		**616**	209
Information technology and communications		**555**	186
Depreciation and amortisation expense	6	**376**	99
Profit before income tax		**5,055**	2,563
Income tax expense	7	**1,535**	778
Profit from continuing operations		**3,520**	1,785
Total comprehensive income for the period		**3,520**	1,785
Total comprehensive income for the period is attributable to:			
Owners of Pioneer Credit Pty Ltd		**3,520**	1,785

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

Pioneer Credit Pty Ltd
Consolidated balance sheet
As at 30 June 2013

	Notes	**2013 $'000**	2012 $'000	Restated 1 July 2011 $'000*
ASSETS				
Current assets				
Cash and cash equivalents		**967**	887	1,635
Trade and other receivables	8	**778**	138	398
Other current assets		**144**	121	50
Financial assets at fair value	9	**21,081**	9,709	2,784
Total current assets		**22,970**	10,855	4,867
Non-current assets				
Receivables	10	**223**	58	1
Property, plant and equipment	11	**715**	229	204
Deferred tax assets	12	**203**	245	518
Financial assets at fair value	9	**17,850**	9,539	4,667
Total non-current assets		**18,991**	10,071	5,390
Total assets		**41,961**	20,926	10,257
LIABILITIES				
Current liabilities				
Trade and other payables	13	**2,481**	1,305	2,140
Borrowings	14	**6,571**	1,718	114
Current tax liabilities		**1,223**	538	20
Accruals, provisions and other liabilities	15	**1,276**	588	292
Total current liabilities		**11,551**	4,149	2,566
Non-current liabilities				
Borrowings	16	**8,838**	3,356	-
Other financial liabilities	17	**8,497**	4,193	5,760
Total non-current liabilities		**17,335**	7,549	5,760
Total liabilities		**28,886**	11,698	8,326
Net assets		**13,075**	9,228	1,931
EQUITY				
Contributed equity	18	**9,091**	8,764	3,252
Retained earnings / (Accumulated losses)	19	**3,984**	464	(1,321)
Total equity		**13,075**	9,228	1,931

* See note 4 for details regarding the restatement.

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

	Notes	Contributed equity $'000	Convertible Redeemable Preference Shares $'000	Retained earnings $'000	Other reserves $'000	Total $'000
Balance at 1 July 2011		3,014	-	83	3,231	6,328
Adjustment on correction of error (net of tax)	4	238	-	(1,404)	(3,231)	(4,397)
Restated total equity at the beginning of the financial year		**3,252**	**-**	**(1,321)**	**-**	**1,931**
Profit and comprehensive income for the year		-	-	2,054	-	2,054
Adjustment on correction of error (net of tax)	4	-	-	(269)	-	(269)
Total comprehensive income for the period		**-**	**-**	**1,785**	**-**	**1,785**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs and deferred tax	18	89	5,538	-	-	5,627
Adjustment on correction of error (net of tax)	4	-	(115)	-	-	(115)
		89	5,423	-	-	5,512
Restated balance at 30 June 2012		**3,341**	**5,423**	**464**	**-**	**9,228**

	Notes	Contributed equity $'000	Convertible Redeemable Preference Shares $'000	Retained earnings $'000	Other reserves $'000	Total $'000
Balance at 30 June 2012		3,341	5,423	464	-	9,228
Total comprehensive income for the period		**-**	**-**	**3,520**	**-**	**3,520**
Transactions with owners in their capacity as owners:						
CRPS B accrued interest conversion	18	333	-	-	-	333
Deferred tax through equity	18	-	(6)	-	-	(6)
		333	(6)	-	-	327
Balance at 30 June 2013		**3,674**	**5,417**	**3,984**	**-**	**13,075**

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

Pioneer Credit Pty Ltd
Consolidated statement of cash flows
For the year ended 30 June 2013

	Notes	**2013 $'000**	2012 $'000 Restated
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**22,571**	14,485
Payments to suppliers and employees (inclusive of goods and services tax)		**(8,788)**	(6,734)
		13,783	7,751
Interest received		**32**	22
Interest paid		**(411)**	(119)
Income taxes paid		**(792)**	(17)
Net cash inflow from operating activities	26	**12,612**	7,637
Cash flows from investing activities			
Payments for property, plant and equipment	11	**(911)**	(124)
Loans from related parties	24(e)	**4,291**	3,066
Payments for financial assets at fair value through profit or loss		**(26,456)**	(16,581)
Repayment of loans from related parties		**(4,223)**	(3,274)
Net cash (outflow) from investing activities		**(27,299)**	(16,913)
Cash flows from financing activities			
Proceeds from issues of convertible redeemable preference shares		**4,250**	3,405
Proceeds from borrowings		**21,123**	5,474
Repayment of borrowings		**(10,606)**	(440)
Proceeds from issue of ordinary shares	18	**-**	89
Net cash inflow from financing activities		**14,767**	8,528
Net increase (decrease) in cash and cash equivalents		**80**	(748)
Cash and cash equivalents at the beginning of the financial year		**887**	1,635
Cash and cash equivalents at end of period		**967**	887

Non-cash investing and financing activities see note 28

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

Contents of the notes to the consolidated financial statements

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Pioneer Credit Pty Ltd and its subsidiaries (the 'Group').

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Pioneer Credit Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

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

(ii) Basis of measurement

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

(iii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(iv) Changes to presentation

The Group decided in the current financial year to change the financial statements presentation from special purpose financial statements to general purpose financial statements. As a result, certain classifications on the consolidated statement of comprehensive income and consolidated balance sheet have been reclassified. The Group believes that this will provide more relevant information to stakeholders as it is more in line with common practice in the industry the Group is operating in. The comparative information has been reclassified accordingly.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pioneer Credit Pty Ltd ('Company' or 'Parent entity') as at 30 June 2013 and the results of all subsidiaries for the period then ended. Pioneer Credit Pty Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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.

The acquisition method of accounting is used to account for business combinations by the Group.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

Subsidiaries (continued)

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.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Debt purchase income

Net gains on financial assets are disclosed in the consolidated statement of comprehensive income as cash flows from purchased debt ledgers net of any change in fair value of the ledgers. The Group classifies purchased debt ledgers as financial assets at fair value through profit or loss.

The net gain on these assets is disclosed as revenue in the consolidated statement of comprehensive income.

Net gains or losses on financial assets are recognised as they accrue.

(ii) Interest income

Interest income is recognised using the effective interest method.

(iii) Services

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

(d) Income tax

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

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

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

1 Summary of significant accounting policies (continued)

(d) Income tax (continued)

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.

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.

(e) Cash and cash equivalents

For the purpose of presentation in the consolidated 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 consolidated balance sheet.

(f) Trade & other receivables

Trade receivables are recognised initially at fair value, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

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

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

(g) Property, plant and equipment

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

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.

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 or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Furniture, fittings and equipment	15 - 50%
- Leasehold improvements	20 - 50%
- Machinery and vehicles	25%
- Plant and equipment	15 - 66.7%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

1 Summary of significant accounting policies (continued)

(g) Property, plant and equipment (continued)

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.

(h) Trade and other payables

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

(i) Borrowings

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

Convertible redeemable preference shares (CRPS) comprise of two components, the financial liability in respect of the principal raised and the dividend earned, and an equity instrument. This classes them as compound financial instruments. AASB 132 requires that the liability component be measured first and the difference between the proceeds of the issue and the fair value of the liability is assigned to the equity component. Under the current terms of the shares, there is no residual element to be assigned as an equity component and the full amount of the proceeds of the issue is carried as a liability. The dividends on these preference shares are recognised in profit or loss as finance costs, and where payable in arrears, is accrued over the period it becomes due, recorded at the contracted rate as part of borrowings.

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

(j) Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick 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 employee's 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 and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(k) Contributed equity

Ordinary shares are classified as equity.

1 Summary of significant accounting policies (continued)

(l) 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 this 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.

(m) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(n) Financial assets at fair value through profit or loss – Purchased debt ledgers (PDL)

Purchased debt ledgers have been included in this category of financial assets as it is managed and its performance is evaluated on a fair value basis.

Purchased debt ledgers are initially recorded at acquisition cost and thereafter at fair value in the balance sheet, transaction costs are expensed as incurred. In the absence of a sufficiently active market the fair value of a particular ledger is determined based on a valuation technique. The valuation is based on the present value of expected future cash flows. Note 2(d) explains how the fair values of purchased debt ledgers are determined, including information regarding the key assumptions used.

The fair value gains or losses on financial assets are disclosed in the statement of comprehensive income as part of cash flows from purchased debt ledgers net of any change in fair value of the ledgers.

Purchased debt ledgers are included as non-current assets, except for the amount of the ledger that is expected to be realised within 12 months of the balance sheet date, which is classified as a current asset.

(o) 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.

(p) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

1 Summary of significant accounting policies (continued)

(p) New accounting standards and interpretations (continued)

(i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9*, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* and AASB 2012-6 *Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures* (effective from 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Group recognised $Nil of such gains in other comprehensive income.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt AASB 9.

(ii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the consolidated financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 31 December 2014.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group uses different methods to measure the different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, preparation and review of aging analysis for credit risk and projected cash flow analysis across portfolio categories to manage the risk associated with the purchased debt ledger portfolio.

Risk management is carried out by senior management under policies approved by the board of directors to ensure that total risk exposure of the Group is consistent with the Group strategy, is in line with Group covenants and is within the risk tolerance guidelines of the Group. To manage interest rate and credit risk arising from the investment in purchased debt ledgers the Group undertakes pricing analysis at tender stage. Pricing is determined by a bidding process in a tender market place with each purchaser relying on their own analysis. Analysis by the Group includes consideration of information supplied under due diligence at tender stage, as well as macro and micro economic elements to which senior management experience and judgement is applied. In many cases there exists in-house knowledge of performance of portfolios with similar characteristics and in other cases data analysis is restricted to the information supplied at due diligence. Purchased debt ledgers are subsequently managed and performance is evaluated on a fair value basis.

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.

During the year under review, there has been no change to the Group's exposures to the above risks or the manner in which these risks are managed and measured.

The Group holds the following financial instruments:

	2013 $'000	2012 $'000
Financial assets		
Cash and cash equivalents	**967**	887
Trade and other receivables	**1,001**	196
Financial assets at fair value	**38,931**	19,248
	40,899	20,331
Financial liabilities		
Trade and other payables	**2,481**	1,305
Borrowings	**15,409**	5,074
Accruals, provisions and other liabilities	**1,276**	588
Other financial liabilities	**8,497**	4,193
	27,663	11,160

Summarised sensitivity analysis - Interest rate risk

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

2 Financial risk management (continued)

		-100 bps	+100bps
At 30 June 2013	Carrying amount $'000	Profit $'000	Profit $'000
Financial liabilities			
Borrowings	11,882	79	(79)

		-100 bps	+100bps
At 30 June 2012	Carrying amount $'000	Profit $'000	Profit $'000
Financial liabilities			
Borrowings	5,074	30	(30)

Financial assets sensitive to interest rate risk comprise cash and cash equivalent only, for which the sensitivity is too insufficient to warrant meaningful disclosure.

(a) Market risk

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

(i) Foreign exchange risk

The Group has no financial instruments associated with foreign exchanges and as such there is no risk associated with fluctuations in foreign exchange rates.

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risk

This is the 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 variable interest rates. The Group's fixed rate borrowings and receivables are carried at amortised cost and not subject to interest rate risk.

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

	30 June 2013		30 June 2012	
	Weighted average interest rate %	**Balance $'000**	Weighted average interest rate %	Balance $'000
Bank overdrafts and bank loans	**5.02%**	**11,882**	3.27%	5,074

2 Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

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 simulation is done on a half yearly basis to verify that the maximum loss potential is within the limit set by management.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, credit exposures to customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. For customers, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The compliance with credit limits by corporate customers is regularly monitored by management.

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

The Group is also exposed to investment credit risk from the significant investment in purchased debt ledgers. Risk limits are set based on internal ratings in accordance with limits set by management. The compliance with investment credit limits on the purchased debt ledgers is regularly monitored by management.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the dynamic nature of the businesses, management maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow. Cash flow is forecast on a day-to-day basis to ensure that sufficient funds are available to meet requirements on the basis of expected cash flows. Liquidity risk is further managed through maintaining a reputable credit profile.

(i) Financing arrangements

The Group had access to a $21,750,000 facility during the year (2012: $11,250,000). The facility comprises a commercial advance, overdraft facility and a bank guarantee limit. The facility is subject to the Group meeting a number of financial undertakings, all of which have been met to date. The facility will expire on the 30th June 2016. Management has no reason to believe that the facility will not be renewed and / or extended beyond this date.

The Group is required to keep the finance provider fully informed of relevant details of the Group as they arise.

(ii) Maturities of financial liabilities

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

2 Financial risk management (continued)

(c) Liquidity risk (continued)

At 30 June 2013	Within 1 year $'000	1 and 2 years $'000	Over 2 years $'000
Trade payables	2,481	-	-
Borrowings (excluding finance leases)	7,090	6,886	3,124
Accruals, provisions and other liabilities	1,276	-	-
Other financial liabilities	-	-	8,497
Total non-derivatives	10,847	6,886	11,621

At 30 June 2012			
Trade payables	1,305	-	-
Borrowings (excluding finance leases)	1,928	3,693	42
Accruals, provisions and other liabilities	588	-	-
Other financial liabilities	-	-	4,193
Total non-derivatives	3,821	3,693	4,235

(d) Fair value measurements

(i) Fair value hierarchy

AASB 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at financial year end on a recurring basis:

30 June 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at FVTPL	-	-	38,931	38,931
Total assets	-	-	38,931	38,931

30 June 2012	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at FVTPL	-	-	19,248	19,248
Total assets	-	-	19,248	19,248

2 Financial risk management (continued)

(d) Fair value measurements (continued)

(i) Fair value hierarchy (continued)

(ii) Valuation techniques used to derive level 3 fair values

If one or more of the significant inputs is not based on observable market data (unobservable inputs), the instrument is included in level 3. Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. This is the case for purchased debt ledgers for which there is not considered to be a sufficiently active secondary market due to contractual restrictions and barriers to entry in the industry.

The fair value of financial instruments that are not traded in an active market, the purchased debt ledgers, is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

The specific valuation technique used to determine the fair value of financial instruments is a Discounted Cash Flow (DCF) approach, which incorporates the following variables:

- Expected recovery rate - expressed as a percentage of the face value
- Face value - of purchased debt ledgers acquired
- Cash flow liquidation period - the period over which cash flows liquidate
- Discount rate - factors in a risk free interest rate and appropriate credit adjustment

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the year ended 30 June 2013:

Opening balance 1 July 2012	**19,248**
Payment for financial assets	**26,456**
Fair value measurement	**(6,773)**
Closing balance 30 June 2013	**38,931**

Transfers between levels and changes in valuation techniques

There were no transfers between the levels of the fair value hierarchy in the year to 30 June 2013. There were also no changes made to any of the valuation techniques applied as of 30 June 2013.

Valuation inputs and relationships to fair value

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

2 Financial risk management (continued)

(d) Fair value measurements (continued)

(iii) Fair value measurements using significant unobservable inputs (level 3) (continued)

Valuation inputs and relationships to fair value (continued)

Description	Fair Value $'000	Valuation Technique	Unobservable Inputs	Range of Inputs	Relationship to Fair Value
Financial Assets at FVTPL	38,931	Discounted Cash Flow and Validation	Expected recovery rate and face value	1% change in recovery rate and / or face value	A reduction in recovery rate by 1% results in a decrease in fair value on total estimated cash flows by $344,320, an increase results in an increase in fair value on total estimated cash flows of $344,320.
			Cash flow liquidation period	Impact of a seven year liquidation period versus a six year liquidation period	Results in a decrease in fair value of $762,890.
			Discount rate	Variance in risk-adjusted discount rate by 100bps	The higher the risk-adjusted rate the lower the fair value. A reduction in rate by 100 bps results in an increase in fair value by $548,378, an increase results in a decrease in fair value of $532,998.

Valuation Process

The key assumption in valuation of the purchased debt ledgers is in determining the recovery rate. Assumptions about the recovery rate are made based on product characteristics, payment history, market conditions and management experience.

At time of purchase the price paid is determined by an open market tender process in which participants perform their own due diligence and determine the price they are willing to pay. Existing in house knowledge of the portfolio under offer or similar equivalents is utilised along with a consideration of macro and micro economic factors and are assessed using the experience of senior management.

Subsequent to purchase, fair value adjustments are made in line with revenue liquidations and the carrying value reviewed at reporting periods to ensure it is not in excess of fair value based upon a discounted cash flow model. Acquisitions made in the last three months are carried at cost net of cash received unless there are clear indications of other factors indicating a change in the fair value. In the current period there are no such indications. An assessment of gross nominal future cash flow is made over periods varying from six to eight years depending on the level of liquidation history within a portfolio. Discount rates used to present value the gross nominal future cash flows incorporate a risk free rate and appropriate credit adjustment which is calibrated from the original liquidation curve produced at purchasing due diligence.

The main level 3 inputs used by the Group in measuring the fair value of financial instruments are derived and evaluated as follows:

- Expected recovery rate: Product characteristics, payment and liquidation history and management experience with historic performance of comparable portfolios.

- Face value: Determined at the date the purchased debt ledger was acquired.

2 Financial risk management (continued)

(d) Fair value measurements (continued)

(iii) Fair value measurements using significant unobservable inputs (level 3) (continued)

Valuation Process (continued)

- Cash flow liquidation period: Periods range from six to eight years depending on liquidation history.
- Discount rate: incorporate a risk free rate and appropriate credit adjustment which is calibrated from the original liquidation curve produced at purchasing due diligence.

Consistent with the manner in which purchased debt ledgers are managed, performance is evaluated on a fair value basis, independent validation of the fair value determined under the DCF approach is undertaken. The validation comprises an overall review of key elements contributing to cash liquidations including analysis of the quantum, tenure and qualitative characteristics of the payment arrangements performance as well as assessment of performance on other key observable customer statuses.

3 Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

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

Fair value measurement of financial instruments

The fair value of financial instruments that are not traded in a sufficiently active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions, including considering market conditions existing at the end of each reporting period. The Group uses its judgement and makes assumptions as to the allocation of purchased debt ledgers between current and non-current asset allocations. For details of the key assumptions used and the impact of changes to these assumptions see note 2.

4 Correction of error, revision of estimates and variation from preliminary report

Correction of error - previous year

With the first time preparation of General Purpose accounts and the application of AASB 138 Intangible Assets, the Group retrospectively eliminated all internally generated intangible assets and their related transactions that had historically been recorded as assets on the balance sheet.

The application of AASB 132 Financial Instruments: Presentation requires transactions costs of equity and other financial liabilities now be recorded as a deduction from equity or other financial liabilities respectively, net of any income tax benefit.

Tax effect accounting requires the recognition of a deferred tax asset, under AASB112 Income taxes.

The error has been corrected by restating each of the affected financial statements line items for the prior periods as follows:

4 Correction of error, revision of estimates and variation from preliminary report (continued)

Correction of error - previous year (continued)

	30 June 2012 $'000	Increase/ (Decrease) $'000	30 June 2012 (Restated) $'000	30 June 2011 $'000	Increase/ (Decrease) $'000	30 June 2011 (Restated) $'000
Consolidated balance sheet (extract)						
Intangible assets	5,009	(5,009)	-	5,023	(5,023)	-
Prepaid borrowing expenses	32	(32)	-	1	(1)	-
Deferred tax assets	-	245	245	-	518	518
Financial liabilities	3,419	(14)	3,405	5,538	(115)	5,423
Net assets	**14,009**	**(4,781)**	**9,228**	**6,328**	**(4,397)**	**1,931**
Other reserves	3,231	(3,231)	-	3,231	(3,231)	-
Retained earnings	2,137	(1,673)	464	83	(1,404)	(1,321)
Total equity	14,009	(4,781)	9,228	6,328	(4,397)	1,931

	2012 $'000	Profit Increase/ (Decrease) $'000	2012 (Restated) $'000
Consolidated income statement (extract)			
Depreciation and amortisation expense	127	(28)	99
Finance costs & amortised borrowing costs	8	32	40
Profit before income tax	**2,565**	**(2)**	**2,563**
Income tax expense	(511)	(267)	(778)
Profit for the period	**2,054**	**(269)**	**1,785**
Profit is attributable to:			
Owners of Pioneer Credit Pty Ltd	2,054	(269)	1,785

5 Revenue

Revenue from operation	**2013 $'000**	2012 $'000
From continuing operations		
Operating revenues		
Liquidation of cash flows from purchased debt ledgers	**22,621**	13,539
Change in fair value of purchased debt ledgers	**(6,773)**	(4,784)
Net gain on financial assets - purchased debt ledgers	**15,848**	8,755
Services	**793**	810
Other revenue		
Interest	**32**	22
	16,673	9,587

6 Expenses

	2013 $'000	2012 $'000
Profit before income tax includes the following specific expenses:		
Finance costs		
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	**973**	658
Depreciation		
Furniture and fixtures	**12**	7
Plant and equipment	**229**	86
Motor vehicles	**4**	6
Leasehold improvements	**131**	-
Total depreciation	**376**	99
Net loss on disposal of property, plant and equipment	**49**	-

7 Income tax expense

(a) Income tax expense

	2013 $'000	2012 $'000
Current tax	**1,499**	511
Deferred tax	**36**	267
	1,535	778
Income tax expense is attributable to:		
Profit from continuing operations	**5,055**	2,563
Deferred income tax expense included in income tax expense comprises:		
Decrease in deferred tax assets	**36**	267

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2013 $'000	2012 $'000
Profit from continuing operations before income tax expense	**5,055**	2,563
Tax at the Australian tax rate of 30.0% (2012 - 30.0%)	**1,517**	769
Non-deductible entertainment costs	**35**	22
Non-deductible provision for fringe benefits tax	**1**	-
Assessable interest not recognised in P&L	**2**	-
Deductible interest not recognised in P&L	**(2)**	-
Deduction for entertainment expenses	**(12)**	(7)
Deferred tax expenses recognised directly in equity	**(6)**	(6)
Income tax expense	**1,535**	778

(c) Amounts recognised directly in equity

	2013 $'000	2012 $'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Net deferred tax - debited directly to equity	**6**	6

8 Current assets - Trade and other receivables

	2013 $'000	2012 $'000
Trade receivables	**778**	138

Impaired trade receivables

As at 30 June 2013, no current trade receivables of the Group were impaired, nor overdue.

9 Financial assets at fair value through profit or loss

The following table presents the Group's assets which are measured and recognised at fair value at 30 June 2013. The assets below are financial instruments which are classified as level 3 under the hierarchy set out in AASB 7 - Financial Instruments: Disclosures. Further details are set out in note 2.

	2013 $'000	2012 $'000
The amount of the financial assets at fair value is classified as follows:		
Current	**21,081**	9,709
Non-current	**17,850**	9,539
	38,931	19,248

	2013 $'000	2012 $'000
Current and non-current		
At beginning of year	**19,248**	7,451
Additions for the year	**26,456**	16,581
Liquidation of cash flows from purchased debt ledgers	**(22,621)**	(13,539)
Fair value gain disclosed in profit	**15,848**	8,755
	38,931	19,248

Changes in fair values of financial assets at fair value through profit or loss are recorded in the statement of comprehensive income.

Risk exposure and fair value measurements

Information about the Group's exposure to price risk associated with financial assets at fair value through profit and loss is produced in note 2.

10 Non-current assets - Receivables

	2013 $'000	2012 $'000
Security deposits	**223**	58

Impaired receivables and receivables past due

None of the non-current receivables are impaired or past due but not impaired.

11 Non-current assets - Property, plant and equipment

	Plant and equipment $'000	Furniture, fittings and equipment $'000	Machinery and vehicles $'000	Leasehold improvements $'000	Total $'000
At 1 July 2011					
Cost or fair value	266	36	41	-	343
Accumulated depreciation	(118)	(3)	(18)	-	(139)
Net book amount	148	33	23	-	204
Year ended 30 June 2012					
Opening net book amount	148	33	23	-	204
Additions	118	6	-	-	124
Depreciation charge	(86)	(7)	(6)	-	(99)
Closing net book amount	180	32	17	-	229
At 30 June 2012					
Cost or fair value	384	42	41	-	467
Accumulated depreciation	(204)	(10)	(24)	-	(238)
Net book amount	180	32	17	-	229
Year ended 30 June 2013					
Opening net book amount	180	32	17	-	229
Additions	495	84	-	332	911
Disposals	(40)	(9)	-	-	(49)
Depreciation charge	(229)	(12)	(4)	(131)	(376)
Closing net book amount	406	95	13	201	715
At 30 June 2013					
Cost or fair value	702	110	41	332	1,185
Accumulated depreciation	(296)	(15)	(28)	(131)	(470)
Net book amount	406	95	13	201	715

12 Non-current assets - Deferred tax assets

	2013 $'000	2012 $'000
The balance comprises temporary differences attributable to:		
Employee benefits (annual leave)	62	33
Retirement benefit obligations (superannuation payable)	40	12
	102	45
Other		
Other expenses (audit, accounting, payroll tax)	50	-
Short Term Incentive	16	-
Share issue expenses	13	16
ACA Adjustment (tax consolidation) / PDL Fair Value	-	171
Other (Formation Costs, Blackhole Costs)	22	13
Sub-total other	101	200
Net deferred tax assets	203	245

Movements	**Tax Losses $'000**	**Employee Benefits $'000**	**Retirement Benefit Obligation $'000**	**Other $'000**	**Total $'000**
At 1 July 2011	164	27	19	308	518
(Charged)/credited					
- to profit or loss	(164)	6	(7)	(102)	(267)
- directly to equity	-	-	-	(6)	(6)
At 30 June 2012	-	33	12	200	245
(Charged)/credited					
- to profit or loss	-	29	28	(93)	(36)
- directly to equity	-	-	-	(6)	(6)
At 30 June 2013	-	62	40	101	203

13 Current liabilities - Trade and other payables

	2013 $'000	2012 $'000
Trade payables	2,481	1,305

Risk exposure

Information about the Group's exposure to foreign exchange risk is provided in note 2.

14 Current liabilities - Borrowings

	2013 $'000	2012 $'000
Secured		
Bank loans	**3,044**	1,718
Other loans - non-interest bearing	**3,527**	-
	6,571	1,718

Note 2(c)(i) outlines the financing arrangements of the Group.

15 Current liabilities - Accruals, provisions and other liabilities

	2013 $'000	2012 $'000
Employee benefits	**208**	111
Other accruals and liabilities	**1,068**	477
	1,276	588

16 Non-current liabilities - Borrowings

Secured	2013 $'000	2012 $'000
Bank loans	**8,838**	3,356

The Group had access to a $21,750,000 facility during the year (2012: $11,250,000). $7,118,000 of the commercial advance available to the Group remained available at 30 June 2013.

(a) Secured liabilities and assets pledged as security

Unlimited commercial guarantee and indemnity by Pioneer Credit Pty Ltd & Sphere Legal Pty Ltd. Security over all property of Pioneer Credit Acquisition Services Pty Ltd, Pioneer Credit Pty Ltd and Sphere Legal Pty Ltd.

All property of the Group comprises the Group total assets of $41,961,000 (2012: $20,926,000)

(b) Risk exposures

Information about the Group's exposure to interest rate and foreign exchange risk is provided in note 2.

17 Non-current liabilities - Other financial liabilities

	2013 $'000	2012 $'000
Convertible redeemable preference shares - B	**3,419**	3,419
Convertible redeemable preference shares - C	**4,250**	-
Transaction costs	**(14)**	(14)
Convertible redeemable preference share dividend payable	**842**	788
	8,497	4,193

Convertible redeemable preference shares are convertible by the holder or redeemable by the company at any time before possible future events not wholly in the control of the Company or holder (exit date). All shares not converted or redeemed by the exit date, must be redeemed by the company at such time.

Convertible redeemable preference shares confer on their holders the right to receive notices of and to attend and vote at general meetings of the Company. The holder of each convertible redeemable preference share present in person or by proxy or by representative will on a show of hands be entitled to one vote and on a poll to one vote for each Ordinary Share into which it is convertible at the meeting date.

Convertible redeemable preference shares rank in preference to ordinary shares.

Convertible redeemable preference shares accrue a dividend at a fixed 8% per annum. The Company has discretion over payment of accrued dividends, except where an event giving rises to an exit date occurs, at which point they become payable in cash.

During the year $333,000 in accrued dividends were converted to ordinary shares.

18 Contributed equity

(a) Share capital

	Notes	**2013 Shares**	2012 Shares	**2013 $'000**	2012 $'000
Ordinary shares - fully paid	18(b)	**6,366,745**	6,088,965	**3,674**	3,341
Convertible Redeemable Preference "A" shares (net of costs & tax)		**5,537,851**	5,537,851	**5,417**	5,423
		11,904,596	11,626,816	**9,091**	8,764

(b) Movements in ordinary share capital

Date	**Details**	**Number of shares**	**$'000**
1 July 2011	Opening balance	6,000,000	3,252
	Shares issued in lieu of fee for services	88,965	89
	Amendment of CRPS A (net of transaction cost and tax)	5,537,851	5,423
	Closing balance	11,626,816	8,764
1 July 2012	Opening balance	11,626,816	8,764
	Shares issued in lieu of CRPS B interest payable	277,780	333
	Deferred tax through equity CRPS A	-	(6)
	Closing balance	11,904,596	9,091

In September 2011 the rights attaching to CRPS A were amended with the accrual of preference dividends ceasing with effect 31 January 2012.

(c) Ordinary shares

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. This is subject to the prior entitlements of the convertible redeemable preference shares, which are classified as liabilities (refer to note 17), and share capital above.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. The ordinary shares have no par value.

All authorised ordinary shares have been issued.

18 Contributed equity (continued)

(d) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, and to provide adequate returns for shareholders and benefits for other stakeholders.

Although the Group is not subject to any externally imposed regulatory requirement, it has adopted a conservative and proactive capital management strategy. The Group has taken a prudent approach to gearing with the significant sources of funding being supplied by shareholder equity and convertible preference shares aligned to variable rate financier borrowings, as well as appropriate trade working capital arrangements. All major capital related initiatives require board approval.

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

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

As far as possible, asset purchases are funded from operational cashflow, allowing undrawn balances to be maintained. Cash is monitored on a daily basis to ensure that immediate and short term requirements can be met. By maintaining a balance of undrawn funds, the company reduces the risk of liquidity and going concern issues.

Details of financing facilities are set out in note 2(c)(i).

The Group has met all covenant obligations of the financier at all times during the current and prior years.

This strategy was followed during both the financial years.

19 Retained earnings

Movements in retained earnings were as follows:

	2013 **$'000**	2012 $'000
Balance 1 July	**464**	(1,321)
Net profit for the period	**3,520**	1,785
Balance 30 June	**3,984**	464

20 Key management personnel disclosures

The specified directors of Pioneer Credit Pty Ltd during the financial year were:

Mr Keith John

Mr Mark Dutton (Chairman)

Mr James Singh

The specified key management personnel of Pioneer Credit Pty Ltd during the financial year were:

Mr Keith John	Managing Director
Mr Leslie Crockett *	Chief Financial Officer
Mr Bernard Prefumo	Chief Information Officer

* Appointed on 1 December 2012, the prior incumbent was Mr Bernard Prefumo.

Key management personnel compensation

	2013 **$**	2012 $
Short-term employee benefits	**721,389**	427,119
Post-employment benefits	**64,132**	52,928
	785,521	480,047

21 Remuneration of auditors

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

(a) PwC Australia Firm

	2013 $	2012 $
Audit and other assurance services		
Audit and review of financial statements	85,000	-
Total remuneration for audit and other assurance services	85,000	-

(b) Network firms of PwC Australia Firm

	2013 $	2012 $
Other services		
Smartstats - General purpose accounts	30,000	-
Benchmarking services	59,029	-
Total remuneration for other services	89,029	-
Total remuneration of network firms of PwC Australia Firm	89,029	-

(c) Non-PwC Australia Firm related audit firms

	2013 $	2012 $
Audit and other assurance services		
Audit and review of financial statements	53,000	27,500
Other services		
Other tax, compliance and accounting advice	127,090	89,489
Total remuneration of non-PwC Australia Firm audit firms	180,090	116,989
Total auditors' remuneration	354,119	116,989

22 Contingencies

As at 30 June 2013, the Group has determined that a contingent liability exists for a pending legal action of approximately $420,000 (inclusive of legal fees). The claim has been made in respect of outstanding fees, which has been counterclaimed.

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

23 Commitments

Lease commitments: group as lessee

(i) Non-cancellable operating leases

	2013 $'000	2012 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	769	537
Later than one year but not later than five years	459	571
	1,228	1,108

(ii) Finance leases

	2013 $'000	2012 $'000
The present value of finance lease liabilities is as follows:		
Within one year	-	40
	-	40

24 Related party transactions

(a) Parent entities

The Parent entity within the Group is Pioneer Credit Pty Ltd.

(b) Subsidiaries

Interests in subsidiaries are set out in note 25.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 20.

24 Related party transactions (continued)

(d) Transactions with other related parties

The following transactions occurred with related parties:

	2013 $	2012 $
Rental expenses and other services		
Other related parties	**274,653**	237,880
Superannuation contributions		
Contributions to superannuation funds on behalf of directors	**28,576**	31,606
Other transactions		
Remuneration paid to directors of the ultimate Australian parent entity	**317,512**	199,208

(e) Loans to / (from) related parties

	2013 $	2012 $
Loans to/(from) other related parties, short term rolling credit facility		
Beginning of the year	**13,119**	(194,813)
Loans from related parties	**(4,290,757)**	(3,065,990)
Loan repayments to related parties	**4,223,583**	3,273,922
End of period	**(54,055)**	13,119

(f) Contributed capital held by related parties

Ordinary shares (note 18)

The movements during the reporting period in the number of ordinary shares in the Parent entity held directly, indirectly or beneficially by key management person, including their related parties are:

Year ended 30 June 2013	Opening balance at 1 July	Shares issued during the year	Closing balance at 30 June
Alana John	3,735,523	139,334	3,874,857
Bernard Prefumo	580,363	7,817	588,180
James Singh	140,187	4,394	144,581
Avy Nominees Pty Ltd	336,449	–	336,449
Banksia Management Pty Ltd	–	103,784	103,784
	4,792,522	255,329	5,047,851

24 Related party transactions (continued)

(g) Convertible redeemable preference shares held by related parties

The movements during the reporting period in the number of convertible redeemable preference shares in the Parent entity held directly, indirectly or beneficially by key management person, including their related parties are:

CRPS A (note 18)

Year ended 30 June 2013	Opening balance at 1 July	Shares issued during the year	Closing balance at 30 June
Alana John	1,195,367	-	1,195,367
Bernard Prefumo	185,716	-	185,716
James Singh	30,000	-	30,000
Avy Nominees Pty Ltd	107,664	-	107,664
Banksia Management Pty Ltd	3,779,440	-	3,779,440
	5,298,187	-	5,298,187

CRPS B (note 17)

Year ended 30 June 2013	Opening balance at 1 July	Shares issued during the year	Closing balance at 30 June
Alana John	1,720,818	-	1,720,818
Bernard Prefumo	100,000	-	100,000
James Singh	51,626	-	51,626
Banksia Management Pty Ltd	1,265,514	-	1,265,514
	3,137,958	-	3,137,958

CRPS C (note 17)

Year ended 30 June 2013	Opening balance 1 July	Shares issued during the year	Closing balance at 30 June
Alana John	-	287,530	287,530
Midbridge Investments Pty Ltd	-	337,470	337,470
James Singh		208,333	208,333
BC Fund II Pty Ltd	-	2,033,915	2,033,915
	-	2,867,248	2,867,248

25 Subsidiaries

Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1(b):

25 Subsidiaries (continued)

Significant investments in subsidiaries (continued)

Name of entity	Country of incorporation	Class of shares	Equity holding * 2013 %	2012 %
Pioneer Credit Acquisition Services Pty Ltd	Australia	Ordinary	**100**	100
Sphere Legal Pty Ltd	Australia	Ordinary	**100**	100

* The proportion of ownership interest is equal to the proportion of voting power held.

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

	2013 $'000	2012 $'000
Profit for the period	**3,520**	1,785
Depreciation and amortisation	**376**	99
Write off of assets	**49**	-
Accrued interest on convertible redeemable preference shares	**387**	457
Fair value losses on financial assets at fair value through profit or loss	**6,773**	4,784
Change in operating assets and liabilities:		
(Increase) decrease in trade debtors	**(842)**	137
Decrease in deferred tax assets through profit or loss	**36**	267
(Decrease) increase in trade creditors	**917**	(679)
Increase in provision for income taxes payable	**708**	494
Increase in accruals and other liabilities	**688**	293
Net cash inflow (outflow) from operating activities	**12,612**	7,637

27 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to period 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.

28 Non-cash investing and financing activities

	2013 $'000	2012 $'000
Shares issued in lieu of CRPS B dividend payable	**333**	-
Acquisition of plant and equipment by means of finance leases	**-**	40
Convertible redeemable preference share A amended terms	**-**	5,538
	333	5,578

29 Parent entity financial information

(a) Summary financial information

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

	2013 $'000	2012 $'000
Balance sheet		
Current assets	**340**	303
Non-current assets	**16,735**	10,715
Total assets	**17,075**	11,018
Current liabilities	**2,924**	1,317
Non-current liabilities	**8,496**	4,192
Total liabilities	**11,420**	5,509
Net assets	**5,655**	5,509
Shareholders' equity		
Issued capital	**9,091**	8,764
Accumulated losses	**(3,436)**	(3,255)
	5,655	5,509
Loss for the period	**(181)**	(1,695)

(b) Guarantees entered into by the Parent entity

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

(c) Contingent liabilities of the Parent entity

The Parent entity did not have any contingent liabilities as at 30 June 2013 or 30 June 2012.

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

The Parent entity has no contractual commitments for the acquisition of the property, plant or equipment at 30 June 2013 (2012: Nil)

In the directors' opinion:

(a) the financial statements and notes set out on pages 4 to 39 are in accordance with the *Corporations Act 2001*, including:
  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 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 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Mr Keith John
Director

Perth

15 November 2013

Independent auditor's report to the members of Pioneer Credit Pty Ltd

Report on the financial report

We have audited the accompanying financial report of Pioneer Credit Pty Ltd (the company), which comprises the balance sheet as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Pioneer Credit Pty Ltd (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We 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 judgement, 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 consolidated entity's preparation and fair presentation of the financial report 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.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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Independent auditor's report to the members of Pioneer Credit Pty Ltd (cont'd)

Auditor's opinion

In our opinion:

(a) the financial report of Pioneer Credit Pty Ltd is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Pioneer Credit Pty Ltd (the company) for the year ended 30 June 2013 included on Pioneer Credit Pty Ltd's web site. The company's directors are responsible for the integrity of Pioneer Credit Pty Ltd's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

William P R Meston
Partner

Perth
15 November 2013