Appendix 4D and Half-year Report

For the half-year ended 31 December 2021

pioneer credit

Pioneer Credit Limited ABN 44 103 003 505
Half-year Report - 31 December 2021

Lodged with the ASX under Listing Rule 4.2A

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This interim financial report does not include all the notes of the type normally included in an annual financial report.

Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2021 and any public announcements made by Pioneer Credit Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Pioneer Credit Limited is a Company limited by shares, incorporated, and domiciled in Australia. Its registered office is:

Level 6, 108 St Georges Terrace
Perth WA 6000

Pioneer Credit Limited shares are listed on the Australian Securities Exchange (ASX).

Pioneer Credit Limited ABN 44 103 003 505

Appendix 4D – Results for announcement to the market

For the half-year ended 31 December 2021
(previous corresponding period is the half-year ended 31 December 2020)

The Pioneer Credit Limited Group comprises Pioneer Credit Limited (ABN 44 103 003 505) and its controlled subsidiaries.

Results for announcement to the market

Key information	31 Dec 2021 $'000	31 Dec 2020 $'000	Change $'000	%
Net revenue from ordinary activities	28,360	26,408	1,952	7.39%
(Loss) / Profit from ordinary activities after tax attributable to members	(22,860)	(8,400)	(14,460)	(172.1%)
Net (loss) / profit for the period attributable to members	(22,860)	(8,400)	(14,460)	(172.1%)

Full commentary on the figures presented above and on the results for the period and other significant information is contained in the half year presentation, media release and the financial statements that accompany this Appendix 4D.

Dividends per ordinary share / distributions

There is no provision for an interim dividend in respect of the half-year ended 31 December 2021.

Key ratios

	31 Dec 2021 (cents)	31 Dec 2020 (cents)
Net tangible assets per fully paid ordinary share*	39.34	90.65

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

Financial Statements

Released with this Appendix 4D are the following statements:

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

Corporate Directory

Directors	Mr Michael Smith (Chairperson) Mr Keith John (Managing Director) Ms Andrea Hall Mr Peter Hall Mr Stephen Targett Ms Michelle d'Almeida
Company Secretary	Ms Susan Symmons
Principal Registered Office	Level 6 108 St Georges Terrace Perth WA 6000 +61 1300 720 823
Share Registrar	Link Market Services Limited Level 12 250 St Georges Terrace Perth WA 6000 +61 1300 554 474
Auditor	Deloitte Touche Tohmatsu Brookfield Place Tower 2 123 St Georges Terrace Perth WA 6000 +61 8 9365 7000
Solicitors	K&L Gates Level 32 44 St Georges Terrace Perth WA 6000 +61 8 9216 0900
Bankers	FCCD (Australia) Pty Ltd (Fortress Investment Group) Suite 19.02, Level 19, Gateway 1 Macquarie Place Sydney NSW 2000 +61 2 8239 1900
Stock Exchange Listings	Pioneer Credit Limited shares are listed on the Australian Securities Exchange (ASX).
Website	www.pioneercredit.com.au

About Pioneer

Pioneer is an Australian company, focused on supporting our customers to become debt free. We strive to provide every customer with the best possible experience through a generally difficult personal time, and our customers' wellbeing is always front of mind.

Our service ethos runs through every part of our business. From the way we hire, train, and incentivise employees, to the way we design and build our channels to connect with customers. Exceptional customer service is our mission and this, together with our enviable regulatory and compliance record, is what differentiates us from others.

We consistently place people at the centre of our priorities and decisions – these are our customers, employees, vendors, stakeholders, and shareholders. Our approach has held us in good stead over the journey and has been even more critical in the last two years as we have responded to the COVID-19 (**'COVID'**) pandemic.

Directors' Report

The Board of Directors present their report on the Consolidated Entity ('the Group' or 'the Company') consisting of Pioneer Credit Limited ('Pioneer') and the entities it controlled at or during the half-year ended 31 December 2021.

Directors

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

Mr Michael Smith (Chairperson)
Mr Keith John (Managing Director)
Ms Andrea Hall
Mr Peter Hall
Mr Stephen Targett
Ms Michelle d'Almeida

Principal activities

Pioneer acquires portfolios of customers experiencing financial difficulty, from quality vendors such as the big Australian banks. By building a genuine relationship with each customer we support them to pay down their debt using an empathetic, ethical, human approach.

Customers are acquired in tranches that we call Purchased Debt Portfolios **('PDPs')** and our business model relies on generating returns through our differentiated customer service approach and by carefully managing our cost to service **('CTS')**. We are disciplined in our investment, relying on our extensive industry expertise, vendor relationships and considerable data analytics capability to only acquire where we know we can service those customers appropriately.

The returns that we generate are invested back into the business to grow our position as the preferred option for employees, vendor partners and investors. We aim for long term, sustainable growth, and communicate to all with transparency and fairness.

These metrics tie back to our strategic objectives and ensure that we have clear and consistent understanding of how we are performing as a business:

- Customer experience is measured through Net Promoter Score ('**NPS'**);
- Our ability to generate positive and sustainable customer outcomes is measured through liquidations, and the growth of our Performing Arrangement **('PA')** portfolio;
- The efficiency of our business is measured through CTS;
- Purchasing discipline and capability is measured through Return on Investment ('**ROI'**);
- Employee satisfaction is measured through employee engagement and employee Net Promoter Score ('**eNPS'**).

1H22 Performance review

Pioneer performed strongly in 1H22 with liquidations of $48.6m, in line with the prior corresponding period ('**pcp**') (1H21: $50.0m), and up a significant 9% on 2H21 ($44.7m).

The liquidations performance is a solid result against a backdrop of frequently changing consumer sentiment and trailing 12 month PDP investment of $37.8m. CY21 was Pioneer's lowest level of PDP investment in 7 years.

In an environment of lower investment, it is crucial to drive strong performance from the existing portfolio. Our operational strategy has led to a 22% increase from 1H22 liquidations from older vintages, with 34% of total liquidations now coming from vintages more than three years old.

The PA portfolio grew by over 6% across the half, surpassing $400m for the first time and includes almost 35,000 customers. The PA portfolio is the most sustainable and reliable form of liquidations we have and in 1H22 contributed 50% of total liquidations.

Total operating expenses for the period were $23.8m (1H21: $22.9m), includes significant one-off expenses in relation to the refinancing. Strong EBITDA performance for the period of $25.1m (1H21: $27.1m). The net loss for the period is $22.9m (1H21 $8.4m loss).

Market

The volume of portfolios in the Australian debt sale market has been impacted throughout the pandemic, with many financial institutions suspending or adjusting debt sale programmes. This has resulted in lower volumes of portfolios being available, though pricing has remained relatively stable among Pioneer's quality vendors, who are generally more focused on compliance and customer outcomes.

For Pioneer, the low level of PDP investment was also driven by a combination of:

- Caution on our part, choosing not to participate where portfolio characteristics did not align to our business model, and
- Some portfolios which we were attracted to, where pricing was a key factor for the vendor, and the price sought was beyond Pioneer's tolerance.

Pioneer invests in PDPs that liquidate over the medium term (substantially 4 to 6 years from investment), and the returns from these typically start in the period following investment. Pleasingly, the number of quality vendors returning to market is increasing, and Pioneer expects to grow its PDP investment materially from now. For FY22, $23.7m investment has been completed, with $16.0m contracted for the remainder of the period. Our PDP investment guidance of >$41m for the FY has not changed, and there is opportunity to this investment guidance, which if achieved will likely deliver returns commencing next financial year.

Our strong focus on governance, operational risk and compliance is a critical driver of our continued opportunity to grow PDP investment. This focus underpins a servicing strategy that is exceptionally well regarded by leading financial institutions. As the financial services sector continues to increase its focus on positive customer outcomes, we expect more opportunities, at fair price points, will be offered to Pioneer, leading to a return to historical PDP investment levels, and more, in outer years. This will drive increased liquidations and profitability.

Customer difference

During the half Pioneer invested significantly across a range of initiatives to support a greater understanding of customers, and to delivering services and solutions in a way that has continued to prioritise their best interests.

Improved customer data, as well as investment in customer segmentation and customer journeys are enabling more personalised and tailored experiences.

Supporting these experiences is the continued development of our self-service customer portal and digital channels, providing customers a greater choice in the way they engage with Pioneer. In addition to improving customer experience, our investment in digital is reducing our CTS, contributing to margin improvement. Much of this improvement has been reinvested into programmes supporting our customers, and those that continue to differentiate Pioneer from others around compliance, governance, and operational risk.

Our customer service ethos is encouraged through improved employee onboarding and training programs as well as a revised employee incentive program, aligning employee success with achieving customer outcomes.

These initiatives provide the structural and systemic foundations of Pioneer's business model, to underpin our customer experience advantage in the market.

Pioneer continues to measure NPS across its entire customer base, which remains in a market-leading position of +24 for the half (1H21: +14).

Continued investment in people

A happy and healthy workforce is critical to Pioneer being there for customers in difficult circumstances. We are committed to providing our people with a strong sense of belonging in the workplace, and the support they need to be at their best. In addition to providing competitive remuneration, Pioneer offer unique financial and non-financial benefits, including a Certificate III business traineeship for frontline employees.

In 1H22, Pioneer implemented a Human Resource Information System to better support our growing business and people needs. 2H22 will see expanded functionality, including an upgraded Learning Management System, focused on improving the employee experience and gaining operating efficiencies, including delivery of quality content to remote (generally work from home) employees and locations.

As a result of Pioneer's commitment to its people, and the unique culture grounded in the Pioneer Principles, employee engagement reached 83% in the half, and eNPS was +32. These are results we are proud of.

Digital and technology transformation

We recognise that better digital experiences and technology integration across key enabling systems will greatly improve the customer experience and strengthen our position in the market. It will also improve our CTS by automating and redesigning business processes.

In 2021 we invested considerably in building out our technology function, including a robust strengthening our infrastructure, expanding the technology team and the appointment of our inaugural Chief Information

Officer. In 2022 we will embark on a transformation of our business-facing technology environment, including our core application stack and data analytics platform.

Digital liquidations continue to grow with increased functionality available to customers and more of them opting to self-serve each month. Importantly, while meeting our customers' needs in the way they prefer to be served, we are also reducing our cost to service. We have a target cost to service of 35% which we aim to achieve by the end of FY25. As we advance our operational efficiency, we achieve improved gross margins, and presently use that internally generated financial capacity to invest back into the growth and further efficiency of the business, at an increasing rate.

COVID impact

COVID continues to have an impact on the Australian economy and our customers. Pioneer's strong and steady performance during this period has highlighted the customer quality in our portfolio, as well as the success of our customer service strategies.

During 2020, Pioneer expanded its offering to its customers and increased its support where required. Through the recovery period, while others have re-commenced their traditional practices, Pioneer has further expanded and extended its more sensitive approach, continuing flexible payment terms, reducing interest rates, and providing payment moratoriums. In some instances we have provided debt waivers. Pioneer ceased the defaulting of customer credit bureau histories, and litigation in March 2020, and has kept these suspensions in place for the duration of the half.

Pioneer employees have been supported through the expansion of our work from home program as well as in-office support. In recent months, the WA Government mandated a COVID Vaccination Policy for many WA businesses, including Pioneer. We have worked hard to ensure our people were supported through this process, including providing time off for people to receive a vaccination, leave for those impacted by the vaccination and an increase in our work from home programme to support those employees that chose not to be vaccinated at this stage.

Risk

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

Our risk governance framework is embedded in all our practices. Pioneer uses a combination of different and complementary skills in assessing the material risks faced and our framework is built on the 3 lines of defence model with accountability from our employees, risk compliance through our processes, policies and procedures and independent oversight via internal audit reporting through to our Board.

Pioneer's risk processes are reviewed bi-annually by its Board with the goal of aligning risk taking with its statutory requirements, strategic objectives, and capital planning.

Corporate governance

Pioneer is a good corporate citizen, committed to sound corporate governance practices that see each of our customers, employees, vendors, shareholders, and other stakeholders treated with empathy, respect, and transparency. We take these responsibilities, and our accountability, seriously.

Pioneer continues to adopt all ASX Corporate Governance Council Guidelines and Recommendations.

Our corporate governance framework is established to ensure effective engagement with all our stakeholders. This framework is underpinned by our Pioneer Principles, which are a set of values that we work and live by. The Pioneer Principles are embedded throughout the Company and underpin every interaction we have with our customers and stakeholders. They assist us to produce an inclusive and empowering culture.

Regulation and compliance

Pioneer operates in a highly regulated environment.

Our regulatory landscape includes Australian Securities Exchange, Australian Securities and Investments Commission **('ASIC')**, Australian Competition and Consumer Commission **('ACCC')** and Australian Financial Complaints Authority **('AFCA')**, among a broad range of other regulators.

Pioneer welcomed the recommendations made by the Financial Services Royal Commission of 2017-2019, which has resulted in stronger laws and a focus on culture and putting customers first.

We believe the substance of the recommendations have been hallmarks of the Pioneer business since commencement and have highlighted our differentiation to our vendor partners and stakeholders. This is serving us well.

In 2021 Pioneer re-joined the Australian Collectors & Debt Buyers Association, who work to improve the environment in which we operate. Membership includes a positive commitment to its Code of Practice, which is administered by an independent Code Monitoring Committee. These standards generally go beyond the minimum legislative requirements. Pioneer has internal standards and policies in many instances substantially beyond these again.

We are of course, not without fault, and our policy and response to mistakes remain very certain. That is, where we are at fault or error, we will call that out without question, and we will honestly and expeditiously remedy that fault to return our customer, or any other impacted party, to at least the position they were in prior. We care deeply for people, and we work hard to demonstrate that daily.

Sustainability and corporate responsibility

At Pioneer's November 2021 AGM, shareholders approved an amendment to the Company's Constitution by adopting Purpose and Stakeholder Statements **('Statements')** that specifically require its Directors to achieve the delivering of returns to shareholders, whilst having an overall positive impact on society and the environment. These are important statements and are commitments to all stakeholders in Pioneer. The full Statements are:

> ***Purpose***
>
> *The purpose of the Company is to deliver returns to shareholders whilst having an overall positive impact on society and the environment.*
>
> ***Stakeholders***
>
> *In discharging their duties under this Constitution, the Corporations Act 2001 (Cth) and the general law, the Directors and Officers of the Company:*
>
> *a) will include in their consideration the following factors:*
> - *i. the likely consequences of any decision or act of the Company in the long term;*
> - *ii. the impact of the Company's operations on the community and the environment;*
> - *iii. the interests of the Company's employees;*
> - *iv. the need to foster the Company's business relationships with suppliers, customers and others;*
> - *v. the desirability of the Company maintaining a reputation for high standards of business conduct;*
> - *vi. the interests of the shareholders of the Company;*
> - *vii. he ability of the Company to create an overall positive impact on society and the environment; and*
>
> *b) need not give priority to a particular factor referred to in paragraph (a) over any other factor (included in paragraph (a) or otherwise).*

These Statements are a strong acknowledgment that our practices will likely have an impact on those we come in touch with, especially our customers. Keeping our commitment to our customers front of mind at every level within the organisation, ensures that we will always commit to make that impact positive.
With a customer base that is truly representative of Australia's population, having a diverse and engaged workforce naturally enhances the way we interact with those customers.

Pioneer welcome team members from all walks of life and promote inclusion and belonging. The Pioneer Principles underpin each interaction our team has with our stakeholders and Pioneer commits to:

- Treating every person with empathy and respect;
- Non-discriminatory, non-exploitable and safety conscious employment practices;
- The highest ethical and professional standards from its team and any parties we engage; and
- Always trying to make a positive contribution to the community.

While Pioneer operates in a non-carbon intensive environment, we adopt sustainable options as part of our day-to-day business. These include efficient energy consumption at our premises, responsible waste recycling and disposal, increased use of electronic communication to reduce our carbon and gas emissions and operating to an environmentally preferable purchasing policy.

Pioneer recently commenced B Corp certification which is available to for-profit companies to recognise their commitment to a high level of environmental and social performance.

There are approximately 4,600 B Corp organisations across 78 countries, with certification providing an independent verification of a company’s environmental, social and governance practices. Companies are subjected to a rigorous certification process and will assess the positive impact of Pioneer in areas including governance, the environment, its workforce and the broader community, as well as the service Pioneer provides. The assessment process is expected to take up to 9 months.

Should Pioneer be accepted as a B Corp organisation, we will be required to self-audit every twelve months, and formally recertify every three years. We expect B Corp certification to ensure our employees remain focused on our footprint, and to continuing to improve that wherever possible.

Debt facilities and capital management

On 8 November 2021, Pioneer completed financial close on a $200m four-year senior debt facility (expiring November 2025) with global investment manager Fortress Investment Group. The facility, full details of which are disclosed in Note 4 of the Financial Statements hereafter, is supported by $59.5m in subordinated Medium Term Notes with a five year expiry (expiring November 2026).

In total Pioneer has senior secured, and subordinated facilities of $259.5m. At reporting date and now, these facilities are drawn to $227.5m, with $32.0m headroom capacity for growth, beyond the internally generated cashflow of the Company.

During the period the Company completed an equity issue, subscribed for by institutional and high net worth investors, including the Company’s former bankers Nomura (~$1.1m), Mr James Simpson, a founding partner of Platinum Asset Management ($2.0m), and the Company’s Managing Director Mr Keith John (~$1.15m), totalling $5.4m at $0.60 per share.

This equity issue was at a 28% increase to the then prevailing share price and reflected the strong value fundamentals of the Company’s Balance Sheet, operational performance, and prospects.

Pioneer’s current equity structure includes 82,573,933 fully paid ordinary shares with the Company's Top 20 shareholders representing approximately 45% of all issued shares.

Events since the end of the reporting period

On 31 January 2022, the Company entered into a Lease extension agreement with Brookfield Funds Management Limited extending the non-cancellable period of premises leased at 108 St Georges Terrace, Perth to 30 June 2029 (previously 30 June 2023). As a result of this extension, deferral of payment under COVID relief has been waived by the lessor. The extension of the lease has not resulted in adjustments to the financial statements for half-year ended 31 December 2021, and results in an incentive package of $6.4m over the remaining term of the lease.

As part of the Company's COVID disaster recovery strategy on 3 February 2022, the Company entered a 12 month lease with Avy Nominees Pty Ltd, a company owned by Managing Director, Keith John for 10/188 Bennett Street, East Perth. The Lease was entered into following an assessment by the Independent Directors of the Company that the lease was at arms length, that the commercial benefit was to the Company, and that it was a necessary step to protect the Company from the vast changing environment that the omicron variant of COVID presented in Western Australia at the time. This event has not resulted in adjustments to the financial statements for the half-year ended 31 December 2021, however, will result in an approximately $42,000 expense over the lease term.

Refer to Note 12 for further details on Leases.

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

Environmental regulation

The Company is not affected by any significant environmental regulations.

Rounding of amounts

The Company is of a kind referred to in ASIC *Corporations Instrument 2016/191* (Rounding in Financial/Directors' Reports) relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

Keith John
Managing Director

Perth
28 February 2022

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

28 February 2022

Dear Directors

Auditor's Independence Declaration to Pioneer Credit Limited

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

As lead audit partner for the review of the financial statements of Pioneer Credit Limited for the half year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

L Karamfiles
Partner
Chartered Accountants

Pioneer Credit Limited ABN 44 103 003 505
Half-year Report
for the half-year ended 31 December 2021

Financial Statements

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Perth WA 6000

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Consolidated statement of financial position

	Note	31 Dec 2021 $'000	30 Jun 2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents	10	7,600	10,373
Trade and other receivables		1,511	855
Other current assets		1,024	818
Current tax asset		2	53
Purchased debt portfolio	11	78,232	73,397
Total current assets		88,369	85,496
Non-current assets			
Property, plant, and equipment		235	351
Intangible assets		1,252	1,558
Right of use assets	12	3,666	4,930
Other non-current assets		2,291	2,286
Purchased debt portfolio	11	174,034	175,697
Total non-current assets		181,478	184,822
Total assets		269,847	270,318
LIABILITIES			
Current liabilities			
Trade and other payables and liabilities		5,833	4,558
Borrowings	13	706	425
Provisions		2,731	2,427
Lease liabilities	12	3,382	3,060
Total current liabilities		12,652	10,470
Non-current liabilities			
Borrowings	13	218,653	200,656
Lease liabilities	12	1,730	3,327
Provisions		953	1,196
Total non-current liabilities		221,336	205,179
Total liabilities		233,988	215,649
Net assets		35,859	54,669
EQUITY			
Contributed equity		88,514	81,755
Reserves		9,192	11,874
Accumulated losses		(61,847)	(38,960)
Capital and reserves attributable to owners of Pioneer Credit Limited		35,859	54,669
Total equity		35,859	54,669

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

Consolidated statement of profit or loss and other comprehensive income

	Note	Half-year 31 Dec 2021 $'000	Half-year 31 Dec 2020 $'000
Continuing operations			
Interest income at amortised cost		30,743	28,971
Net impairment (loss) gain on PDPs		(2,670)	(2,734)
Other income		287	171
		28,360	26,408
Employee expenses[1]		(16,854)	(15,609)
Finance expenses	7	(26,488)	(10,019)
Direct liquidation expenses		(1,150)	(1,131)
Information technology and communications		(1,934)	(2,181)
Depreciation and amortisation	8	(1,826)	(1,864)
Consultancy and professional fees		(1,340)	(1,726)
Other expenses[2]	9	(1,582)	(1,830)
Gain on lease modification		7	145
(Loss) / Profit before income tax		(22,807)	(7,807)
Income tax (expense)/benefit		(53)	(593)
(Loss) / Profit for the period from continuing operations		(22,860)	(8,400)
Total comprehensive (loss) / income for the year is attributable to:			
Owners of Pioneer Credit Limited		(22,860)	(8,400)
(Loss) / Earnings per share			
Basic (cents per share)		(29.07)	(13.25)
Diluted (cents per share)		(29.07)	(13.25)

[1] *Government grants of $1.042m in 1H22 (1H21 $2.801m) were received and have been presented as a reduction of the related employee expenses and not as revenue.*

[2] *Immaterial amount disclosed in prior year as "Travel and entertainment expenses", "Occupancy costs" and "Impairment of tangible and intangible assets" have been consolidated to "Other expenses" for the current reporting period. Refer to note 9 for further details.*

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

Consolidated statement of changes in equity

	Contributed Equity	Share Based Payment Reserve	Warrant Reserve	Retained Earnings	Total Equity
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2020	80,049	3,870	-	(19,960)	63,959
Total comprehensive (loss)/income for the year	-	-	-	(8,400)	(8,400)
	80,049	3,870	-	(28,360)	55,559
Transactions with owners in their capacity as owners:					
Treasury shares acquired	(745)	-	-	-	(745)
Treasury shares and share based payments	-	208	-	362	570
Warrants issued	-	-	7,484	-	7,484
Warrants converted	580	-	(580)	-	-
Options issued	-	2,325	-	-	2,325
Issue of treasury shares to employees	426	(426)	-	-	-
	261	2,107	6,904	362	9,634
Balance at 31 December 2020	80,310	5,977	6,904	(27,998)	65,193
Balance at 1 July 2021	81,755	6,414	5,460	(38,960)	54,669
Total comprehensive (loss)/income for the year	-	-	-	(22,860)	(22,860)
	81,755	6,414	5,460	(61,820)	31,809
Transactions with owners in their capacity as owners:					
Issue of shares	4,740	-	-	-	4,740
Treasury share acquired	(1,270)	-	-	-	(1,270)
Deferred tax in equity	-	-	-	(27)	(27)
Share based payments	-	607	-	-	607
Issue of treasury shares to employees	524	(524)	-	-	-
Warrants converted	2,765	-	(2,765)	-	-
	6,759	83	(2,765)	(27)	4,050
Balance at 31 December 2021	88,514	6,497	2,695	(61,847)	35,859

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

Consolidated statement of cash flows

	Note	Half-year 31 Dec 2021 $'000	Half-year 31 Dec 2020 $'000
Cash flows from operating activities			
Receipts from liquidations of PDPs and services (inclusive of goods and services tax)		48,841	51,374
Payments to suppliers and employees (inclusive of goods and services tax)		(23,813)	(20,359)
		25,028	31,015
Interest received		5	13
Interest paid		(15,872)	(33,112)
Other cash outflows[1]		-	(2,418)
Net income taxation (paid) refund		(2)	581
Net cash flow from operating activities		9,159	(3,921)
Cash flows from investing activities			
Payments for property, plant, and equipment		(23)	(55)
Payments for intangible assets		(74)	(422)
Proceeds on sale of other assets		1	-
Acquisitions of purchased debt portfolios - financial assets		(22,111)	(15,073)
Net cash flow from investing activities		(22,207)	(15,550)
Cash flows from financing activities			
Proceeds from borrowings	13	186,413	169,000
Repayment of borrowings	13	(172,600)	(141,726)
Payments for third party financing transaction costs		(3,140)	(8,892)
Proceeds from equity raise		2,300	-
Lease payments		(1,428)	(1,009)
Payments for Treasury shares and KMP loan		(1,270)	(745)
Net cash flow from financing activities		10,275	16,628
Net increase / (decrease) in cash and cash equivalents		(2,773)	(2,843)
Cash and cash equivalents at the beginning of the period		10,373	11,019
Cash and cash equivalents at the end of the period	10	7,600	8,176

[1]Other cash outflows from operating activities include payment of rental guarantee deposit.

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

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1. Reporting entity

The Consolidated Financial Statements for the half-year ended 31 December 2021 comprise Pioneer Credit Limited (the **'Company'**), which is a "for-profit entity" and a Company domiciled in Australia and its subsidiaries (collectively, referred to as the **'Group'**) and the Group's interest in associates and jointly controlled entities. The Group's principal activities over the financial year were acquiring and servicing Purchased Debt Portfolio's (**'PDPs'**). The Company's principal place of business is Level 6, 108 St Georges Terrace, Perth, Western Australia.

2. Basis of preparation

a) Statement of compliance

This condensed consolidated interim financial report of the Group for the half-year reporting period ended 31 December 2021 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

b) Basis of measurement

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

c) Functional and presentation currency

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

d) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Going concern

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

At 31 December 2021, the Group generated a net loss before tax of $22.8m (31 December 2020: loss $8.4m) and has a positive working capital of $75.7m (30 June 2021: $75.0m).

On 8 November 2021, the Company completed a refinancing of its debt facilities giving the Company access to debt funding comprising senior facilities ('SFA') and subordinated medium term notes ('MTN') totalling $260.0m with undrawn facilities of $32.0m available to fund the acquisition of additional PDPs. The key terms of the SFA and MTN are outlined in Note 4.

The Directors believe that it is appropriate to continue to adopt the going concern basis of preparation as the detailed cash flow forecast prepared by Management, using their best estimate assumptions, indicated the Group will meet its ongoing compliance with its financial undertakings and does not indicate any covenant breaches in the thirteen-month period to 31 March 2023.

This is highly dependent on the ability of the business to operate in line with the detailed cash flow forecasts and future market conditions which are out of the control of the Group and, as a result, may be subject to change.

Management have prepared a detailed cash flow forecast, using their best estimate assumptions based on historical performance which includes:

- Ongoing PDP acquisitions funded from a combination of the SFA finance facility, and free cash;
- Liquidations and portfolio sales as required to meet the Group's working capital requirements and covenant compliance; and
- An equity raise in March 2023 coinciding with the reduction in the MTN LVR covenant to allow the Company to pay down a portion of debt at that time.

The Directors have assessed the detailed cash flow forecast based on their expectation of PDP drivers including liquidations, acquisitions, CTS, and financing.

The current SFA and MTNs contain covenants which are closely linked to the carrying value of the PDPs and are highly sensitive to the level and timing of PDP acquisitions, liquidations, and sales. If, subsequent to the signing of this report, a breach of a finance covenant or undertaking appeared likely to occur or did occur, the Group has options available to prevent any such breach, beyond increasing liquidations of PDPs. These include, but are not limited to:

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

In the event that a breach of a covenant is not waived by the financiers or prevented through one or a combination of the above options, an event of default would occur and the financiers could declare all or part of the SFA debt to be due and payable on demand. In addition, any default under the SFA would cause a cross default under the MTNs. The Group's ability to meet its ongoing operational and financial obligations is primarily dependent on:

- Achieving the detailed cash flow forecast for the period through to March 2023 which is dependent on achieving the key assumptions in relation to EBITDA, including those in respect of ongoing PDP acquisitions, liquidations, portfolio sales and an equity raise by March 2023;
- The ongoing compliance with the financial debt covenants and other undertakings under the SFA and MTNs; and
- the continued support of the current SFA and MTN financiers including, if necessary, these financiers waiving any future breach of financial debt covenants and other undertakings.

The key assumptions underpinning the Group's cash flow forecasts are inherently uncertain and are subject to variation due to factors which are outside the control of the Group. For example, Government or debt vendor policy changes could impact on the Group's ability to acquire or liquidate PDPs.

Notwithstanding this, the Directors believe that it is appropriate to continue to adopt the going concern basis of preparation.

4. Significant events occurring in the current reporting period

On 8 November 2021, the Company completed financial close on its refinancing of debt facilities. With completion of the refinance, Pioneer's access to debt funding comprises senior and subordinated facilities totalling $260.0m with undrawn facilities of $32.0m for growth.

The refinance included:

- A $200.0m four-year Facility with global investment manager Fortress Investment Group (**'Fortress'**);
- Extending the maturity of its MTN's to 5 years expiring in 2026, and upsized to $60m through a fully subscribed offer; and
- Completing an equity raise of $5.4m ($0.66m issued 20 January 2022) from institutions and high net worth investors at a premium to the prevailing share price.

Senior Facility Agreement

The key terms of the Facility comprise:

- Facility Amount up to A$200.0m, consisting of:
  - Tranche 1: A$125.0m Term Facility (fully drawn at inception)
  - Tranche 2: A$50.0m Revolving Facility (partially drawn at inception)
  - Tranche 3: A$25.0m Growth Facility (undrawn at inception)
- Initial term of four years expiring November 2025;
- The Facility has a first ranking fixed and floating charge over all the assets of the Group; and
- Variable interest rate plus BBSY (minimum 0.25%). The variable interest rate is set by the Advance Rate on the facility. The Advance Rate refers to the aggregate principal amount in respect of all facilities divided by the aggregate book value of the PDPs.

Advance Rate	**Margin**
<= 60%	7.25% per annum
> 60% and <= 65%	7.75% per annum
> 65% and <= 70%	8.25% per annum
> 70%	8.75% per annum

- The default rate is an additional margin of 4.0% p.a. over the applicable interest rate;
- Establishment fee of 2.5% of facility total;
- Unused line fee of 1.5% per annum (not applicable to the growth facility until first drawdown);
- Funding by Pioneer will be limited to the Borrowing Base. The Borrowing Base is calculated monthly, as PDP value as a percentage to each tranche based on nature of the underlying receivables;
- The Company has 2 prepayment options on the Facility:
  - Make whole interest payment applies to tranche 1 of the Facility if it is repaid up to 24 months post financial close; and
  - Early repayment premium of 1% applies to tranche 1 of the Facility if it is repaid in the period 24 to 30 months post financial close.
- The financial covenants are tested monthly and shall include:
  - compliance with the Borrowing Base;
  - a minimum Interest Cover Ratio of 2.0x to apply;
  - no equity is to be released to the shareholders during the term of the Facility; and

    - Group change of control covenant.
- The Collateral Performance Triggers are tested monthly and shall include but not limited to:
    - Actual-to-Expected Collections Ratio for each individual cohort (financial year vintage) is not less than 85%; and
    - Actual-to-Expected Collections Ratio (total) is not less than 75%.

Medium Term Notes ('MTN')

On 8 November 2021, in conjunction with the Facility, Pioneer completed financial close on the $60.0m MTN's.

Pioneer received noteholder support to amend the terms of the MTNs by Special Resolution as follows:

- an extension of the Maturity Date of the Notes to 30 November 2026;
- an increase to the Margin to +8.75% per annum;
- revised optional redemption dates and pricing;
- an increase to the Loan Book Value Ratio (Total) to 87.5% for the period to 30 March 2023; and
- an early redemption call option as follows:
    - 20% of MTN can be redeemed at face value at any time prior to Maturity Date
    - 80% of MTN can be redeemed as follows:
        - 104% of face value for redemptions prior to and including 31 October 2022
        - 103% of face value for redemptions in the period 1 November 2022 and 31 October 2023
        - 102% of face value for redemptions in the period 1 November 2023 and 31 October 2024
        - 101% of face value for redemptions in the period 1 November 2024 and 31 October 2025; and
        - 100% of face value for redemptions after and including 1 November 2025.

On 22 October 2021, the majority of the registered holders of the outstanding MTN, voted in favour of the Special Resolution. The beneficial holders that voted in favour were entitled to receive a fee of 0.5% of the outstanding principal amount to each MTN.

On 23 December 2021, Pioneer held a general meeting of shareholders for the exchange of 500 MTN held by Managing Director, Keith John, for a face value of $500,000 in consideration for the issue of 833,333 shares at $0.60 per share. The 500 MTNs were cancelled upon exchange, reducing the total amount of the MTN outstanding to $59.5m.

COVID pandemic

COVID continues to have a significant impact on the Australian economy and in particular the customers of our business. Pioneer's strong and steady performance during this period has highlighted the value in the underlying portfolio, as well as the success of our customer treatment strategy.

During 2020, Pioneer endorsed flexible payment terms and increased support to customers impacted by COVID. Through the recovery period, while others within the industry have re-commenced traditional practices, Pioneer maintained a more sensitive approach, continuing flexible payment terms and cessation of defaulting and litigation until 31 December 2021.

Pioneer employees have been supported through the expansion of our work from home program as well as in-office support. In recent months, the WA Government mandated a COVID Vaccination Policy for many WA businesses, including Pioneer. This required all Pioneer 'office' employees to be fully vaccinated by 31 January 2022. It also required that employees comply with a first dose vaccination deadline of 31 December 2021. 98.2% of employees complied with the first vaccination deadline. Pioneer will continue to take steps to ensure the health and safety of all employees and will continue working towards our goals of bringing out the best in our people, in a hybrid workplace setting.

5. Critical accounting estimates and judgments

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 Company's accounting policies.

The Group makes estimates and assumptions concerning the future. The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. The Group also exercises judgement in applying the Group's accounting policies.

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

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

a) Purchased debt portfolios

The measurement of PDPs at amortised cost and the use of the Effective Interest Rate **('EIR')** method requires the Group to estimate future cash flows from PDPs at purchase date and at each balance sheet date.

Cash flow projections are made at the tranche level, which are assumed to have a maximum life of 10 years. For a small segment of the PDP assets (approximately 4% of the carrying value) that have been part of the portfolio for at least 3.5 years, the maximum expected life (and therefore future expected cash flows) is extended based on demonstrated consistency in customer payment behaviour. This extension in the cash flow projection period to a maximum of up to 11.5 years increases the carrying value of the asset by $11.1m. PDPs are considered at a tranche level because these are substantially homogeneous based on shared credit risk characteristics exhibited by purchased credit-impaired debt.

Estimating the timing and amount of cash flows for both the calculation of EIRs and subsequent re-measurement of the carrying amount of PDPs requires significant management judgement regarding key assumptions. The underlying estimates that form the basis for amortised cost accounting depends on variables including how the customer accounts were originated, serviced by which financial institution, the quality and depth of information on the customer, if a customer has a scheduled payment arrangement, how much time has elapsed since a payment was made against the accounts, outstanding amounts due, the time elapsed since acquisition and the personal circumstances and characteristics of the customers. The Group adjusts the carrying amount of the portfolios to reflect the revised estimated cash flows. Events or changes in assumptions and management's judgement will affect the recognition of revenue in the period.

The Group has used information and data obtained from debt vendors at acquisition and observation of PDP attributes to determine expected cash flow forecasts for the calculation of EIRs. In addition, the Group applies judgement and considers long term expectations of performance informed by historical data to ensure the setting of EIRs is based on the best estimates that incorporate the lifetime expectation of credit losses for the PDP. Once the EIR is determined, it is locked in and not revised. Any changes to PDP attributes from that point on, when additional information and data is sourced or becomes available, will result in changes to cash flow forecasts and impairment gains or losses. The Group has a policy of continually reviewing its estimation of cash flow forecasts.

If total forecasted cash flow projections utilised in determining the value of the portfolio were to change by ±5%, the carrying value of PDPs at 31 December 2021 of $252.3m would change by $12.6m in a downside scenario and $12.6m in an upside scenario. If resolution of any uncertainty results in an increase or decrease in the carrying value of PDPs, this is recognised in the statement of profit or loss at that point in time as an impairment gain or loss.

The model continues to be enhanced with minor adjustments incorporated since the full year reporting period, in particular:

- Improvements to the criteria for tranches to qualify to use underwriting cash flows to support the model forecast where evidence of under-prediction is apparent;
- Expansion of the operational overlay to allow for application at the vintage level rather than at the total portfolio level; and
- Routine changes in macroeconomic and operational overlays to respond to changes and expected changes in the external economic and internal operational environments, respectively.

b) Borrowings

Early repayment options within the Group's borrowings give rise to embedded derivatives under AASB 9. The group assesses any potential embedded derivatives resulting from early repayment options within its borrowing facilities. Any embedded derivatives considered not closely related to their host instrument give rise to a separate derivative carried at fair value through the profit and loss at each reporting date. The Group's likelihood to exercise such options is assessed at each reporting period.

c) Taxation

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

6. Financial risk management

The Group's activities expose it to a variety of risks and its overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group uses different methods to measure the different types of risk to which it is exposed which include sensitivity analysis of interest rates, preparation, and review of ageing analysis for credit risk and projected cash flow analysis across the portfolio to manage the risk associated with financial assets and liabilities.

With the completion of the refinance, and the increase in borrowings, the main risks the Group is exposed to through its financial instruments are interest rate risk and liquidity risk.

Interest rate risk

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

The Group's main interest rate risk arises from long term loans and borrowings issued at both fixed and variable interest rates. The new Senior Finance arrangement contains variable interest rate comprised of BBSY plus a variable margin set by the Advance Rate on the facility. The Medium term notes contain a variable interest rate comprised of BBSY plus a fixed margin. Refer to Note 4 for further details in relation to these borrowings.

The Group's fixed rate PDPs and receivables are carried at amortised cost and not subject to interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions. The simulation is done on a half yearly basis to verify that the maximum loss potential is within the limit given by management.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with financial liabilities that are settled by delivering cash or another financial asset, including the risk of compliance with covenants. A breach in covenant could potentially result in financiers calling the debt, if not remedied within the agreed timeframe. The covenants in relation the borrowings after the refinance are set out in Note 4.

Prudent liquidity risk management requires maintaining sufficient cash reserves and debt funding to meet obligations when due and through maintaining a reputable credit profile.
Management monitors forecasts of the Group's liquidity reserve and compliance with debt covenants based on expected cash flow. Cash flow and covenant compliance is forecast on a day-to-day basis to ensure that sufficient funds are available to meet requirements.

Maturities of financial liabilities

The following table reflects an undiscounted contractual maturity analysis for financial liabilities. The timing of cash flows represented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

	Within 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Carrying amount $'000
At 30 June 2021				
Trade and other payables	4,558	-	-	4,558
Borrowings (incl. interest and make-whole)	425	200,656	-	201,081
	4,983	200,656	-	205,639
At 31 December 2021				
Trade and other payables	5,833	-	-	5,833
Borrowings (incl. interest and make-whole)	706	-	218,653	219,359
	6,539	-	218,653	225,192

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.

7. Finance expenses

	Half-year 31 Dec 2021 $'000	Half-year 31 Dec 2020 $'000
Bank fees and borrowing expenses	1,366	550
Gain on modification of MTN	(122)	-
Loss on derecognition of SFA	1,332	1,067
Break fees	6,300	-
Commitment fees	166	137
Interest and finance charges paid / payable for financial liabilities not at fair value	17,256	8,010
Lease liability	190	255
	26,488	10,019

8. Depreciation and amortisation

	Half-year 31 Dec 2021 $'000	Half-year 31 Dec 2020 $'000
Depreciation	222	441
Amortisation	340	164
Right of use asset amortisation	1,264	1,259
	1,826	1,864

9. Other expenses

	Half-year 31 Dec 2021 $'000	Half-year 31 Dec 2020 $'000
Occupancy costs	463	570
Administration expenses	932	1,050
Travel and entertainment	182	104
Impairment of tangible and intangible assets	5	106
	1,582	1,830

10. Cash and cash equivalents

	31 Dec 2021 $'000	30 June 2021 $'000
Cash at bank	7,600	10,373

11. Purchased debt portfolios

	31 Dec 2021 $'000	30 June 2021 $'000
Current	78,232	73,397
Non-current	174,034	175,697
	252,266	249,094

PDPs are recognised at fair value at the date of purchase and are subsequently measured at amortised cost. The fair value of PDPs at 31 December 2021 approximates the carrying value measured under amortised cost as the discount rate applied to determine fair value would be similar to the effective interest rate.

PDPs are reported in accordance with the rules for purchased or originated credit–impaired assets, that is, at amortised cost applying the EIR with the lifetime expected credit losses incorporated into the calculation of the EIR at inception. This EIR is the rate that exactly discounts the estimated future cash receipts of the purchased portfolio asset to the net carrying amount at initial recognition (i.e., the price paid to acquire the portfolio). All changes in lifetime expected credit losses after the assets' initial recognition are recognised as an impairment change (gain or loss).

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

Movement on PDPs at amortised cost is as follows:

	Half-year 31 Dec 2021 $'000	Half-year 31 Dec 2020 $'000
At beginning of period	249,094	260,047
Debt portfolios acquired	23,650	16,862
Liquidations of PDPs	(48,551)	(50,033)
Interest income accrued	30,743	28,971
Net impairment (loss)/gain	(2,670)	(2,734)
	252,266	253,113

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

In calculating the carrying value of the assets based on expected future cash flows, inclusive of an impairment charge, the Company evaluates a range of possible outcomes and considers the time value of money, past events, and current and future economic conditions.

Recovery methods include implementation and management of payment plans and communication with the customer to tailor an appropriate outcome. When the Group has exhausted all practical recovery methods, and there is no reasonable expectation of recovering cash flows from the financial asset, the financial asset is sold or written off.

Impacts of an uncertain macroeconomic environment

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

Through the past two years, the most significant factor affecting the current and future macroeconomic environment has been COVID. The full effects of COVID on the Australian economy are beginning to be well understood and economic forecasts in the past six months have become more certain.

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

The scenarios modelled at 31 December 2021 considered the potential impacts of a deferral in cash flows over a period of between 12 to 18 months, with varying periods of recovery of those deferred cash flows. Reflecting the uncertainty in the economic outlook driven by the omicron COVID strain but overall optimism on Australia's long term economic future, a period of dampened short-term performance is followed by a partial recovery of the variance and no outperformance considered over the longer term.

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

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

	2021	2022	2023
	%	%	%
Unemployment rate	5.0	4.1	3.8
Headline CPI	3.0	2.3	2.0
Domestic demand growth	5.6	4.0	3.6
RBA cash rate	0.10	0.10	0.75

The Company has applied a probability-weighted view capturing various scenarios which is the generally accepted method of producing a macroeconomic overlay. This has resulted in the inclusion of a negative macroeconomic overlay of $3.9m as at 31 December 2021 ($1.7m as at 30 June 2021):

Scenario	Weighting	Deferred Cashflows	Period of Impact	Recovery Rate	Recovery Period	Future outperformance	Impact $'m
Low impact	30%	(5%)	12 months	100%	6 months	nil	(0.5)
Medium impact	65%	(10%)	18 months	90%	18 months	nil	(4.6)
Severe downside	5%	(15%)	18 months	50%	24 months	nil	(11.7)

Model Risk

Valuation model risk arises where key judgements may impact on the appropriateness of model outputs. Commensurate with the complexity, materiality and business use of the model, the Group mitigated model risk through:

- Effective challenge and critical analysis involving objective, qualified and experienced parties in the line of business in which the model is used; and
- Output verification to ensure that the model performed as expected in line with design objectives and business use.

Additional analysis is performed through back testing, stability testing and sensitivity analysis. The results, outcomes and actions affirmed the conceptual soundness of the model. However, given the inherent limitations of historic information predicting future liquidations, additional model risk mitigation is achieved through appropriate downward calibration of the expected future cash flows, resulting in a negative model risk overlay of $2.6m as at 31 December 2021 ($2.6m as at 30 June 2021).

Operational Risk

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

During 1H22 Pioneer saw the continuation of operational impacts identified in FY21 that impacted the Groups ability to meet the liquidation cash flows expected over the period.

Considering these impacts, management has considered the flow-on effect into the initial periods of the 31 December 2021 forecast, adjusting to better align forecast cash flows produced by the model with the best estimate of liquidations expected to be receipted. Initially this is reflected in a further dampening of short-term cash flows through to the end of 2022 calendar year.

Part of management's assessment also included consideration of the initiatives underway and in the pipeline to drive improvements in liquidations performance, such as:

- Continued focus on creating long term value through creation of payment arrangements and reduced settlements;

- Operational incentive schemes and workflow sequences that are applied consistently over long-term periods; and
- A ramp-up of recruitment in the Manila, Philippines operation.

Continuation of benefits generated through operational improvements including the overhauled team leader coaching framework, new incentives scheme and leadership restructure undertaken in FY21. This has resulted in the inclusion of a negative operational overlay of $6.9m at 31 December 2021 ($3.5m as at 30 June 2021).

12. Leases

Right-of-use assets

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

The Group applies the low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases (less than 12 months) and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

a) Right of use assets

	$'000
Balance at 1 July 2020	7,440
Leasehold improvements and lease incentive	-
Amortisation	(2,510)
Balance at 30 June 2021	4,930
Balance at 1 July 2021	4,930
Leasehold improvements and lease incentive	-
Amortisation	(1,264)
Balance at 31 December 2021	3,666

b) Lease liabilities

	31 Dec 2021 $'000	30 Jun 2021 $'000
Current lease liability	3,382	3,060
Non-current lease liability	1,730	3,327
Total lease liabilities	5,112	6,387

Maturity analysis - undiscounted

	$'000
Lease commitments (principal and interest) at 31 Dec 2021	
Within one year	3,382
Later than one year but no later than five years	1,730
	5,112

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

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

The present value of the cash flow discounting related to the COVID rent deferral has been adjusted in the financial statements for half-year ended 31 December 2021.

Also refer to Note 14 Events after reporting date for subsequent information on the premises lease.

13. Borrowings

All borrowings are initially recognised at fair value which is usually their principal amount, net of directly attributable transaction costs incurred, and subsequently measured under amortised cost. Given the Facility has a variable interest rate, it is classified as a floating instrument and the transactions costs are expensed under the simplified approach on a straight-line basis. The MTN's are measured 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 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 the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the Facility to which it relates.

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

Secured liabilities and assets pledged as security

Security has been pledged over all the assets and undertakings of each of Pioneer Credit Limited, Pioneer Credit Solutions Pty Limited, Sphere Legal Pty Limited, Pioneer Credit (Philippines) Pty Limited, Pioneer Credit Connect Pty Ltd, Pioneer Credit Broking Services Pty Ltd, Credit Place Pty Ltd, Pioneer Credit Connect (Personal Loans) Pty Ltd and Switchmyloan Pty Ltd and unlimited cross guarantees and indemnities from each of these entities.

All property of the Group comprises the Groups total assets of $269,848,000 at 31 December 2021 (30 June 2021: $270,318,000).

The Group has complied with the financial covenants of its borrowing facilities during all periods reported.

	31 Dec 2021			30 June 2021		
	Current	Non-current	Total	Current	Non-current	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Secured						
Senior debt facilities	-	161,129	161,129	-	153,571	153,571
Medium term notes	-	57,524	57,524	-	39,575	39,575
Interest and make-whole payable	706	-	706	425	7,510	7,935
Other loans	-	-	-	-	-	-
	706	218,653	219,359	425	200,656	201,081

Changes in borrowings arising from the financial activities

	Opening Balance 1 July 2021 $'000	Cash inflow $'000	Cash outflow $'000	Non-cash flow $'000	Closing Balance 31 Dec 2021 $'000
Borrowings	201,081	231,600	(212,600)	(722)	219,359

Financing arrangements

Senior Facility

During the period, the Group refinanced with Fortress. The Group has access to a Senior Facility of $200.0m at 31 December 2021 (30 June 2021: $189.0m) comprised of a $125.0m term facility, $50.0m Revolving Facility, and a $25.0m Growth Facility.

The undrawn limit of the Senior Facility is $32.0m at 31 December 2021 (30 June 2021: $20.0m). The Senior Facility maturity date is 5 November 2025.

On derecognition of the Group's former senior facility, a loss of $1.3m and break costs of $6.3m were incurred.

The Senior Facility contains the following embedded derivatives:

- Make whole payment relates to the 24 month period after financial close on tranche 1 of the Senior Facility. This early redemption option has been assessed and considered not closely related and it has therefore been separated and measured at fair value through profit and loss. Management have concluded that early redemption will not occur within the 24 month period and the separate derivative has been valued at zero.

- Call Option related to the early redemption of tranche 1 of the Senior Facility. The call option relates to the period 24 to 30 months after financial close and will incur a 1% premium on tranche 1 balance. This call option has been assessed and considered not closely related and it has therefore been separated and measured at fair value through profit and loss. Management have concluded that early redemption will not occur within the 30-month period and the separate derivative has been valued at zero.

MTN

In addition to the refinance of the Senior Facility, the Company required to amend and extend the MTN, and then sought to upsize the existing facility by $20m to $60m. The maturity date was extended from 22 March 2023 to 30 November 2026.

Upon modification, a quantitative assessment to determine if the terms of the amended MTN were substantially different was completed. The assessment result of 17% difference exceeded the threshold of 10%, meaning the original MTN liability of $40m was derecognised resulting in gain of $122k and the remaining transaction costs of $254.0k were expensed through the profit or loss. A new MTN liability of $60.0 m was subsequently recognised.

The Company's exchange of 500 MTNs held by Managing Director, Keith John, for a face value of $500,000 in consideration for the issue of 833,333 shares, at $0.60 per share, was approved at a general meeting of shareholders of 23 December 2021. The 500 MTNs have been extinguished as part of the Liability and ~$12,000 of transaction costs relating to the 500 MTNs have been derecognised and expensed as part of the swap. The balance of MTNs was reduced to $59.5m.

The MTN contains the following embedded derivative:

- Call Option related to the early redemption of the MTNs. Under the agreement, Pioneer may redeem 20% of the aggregate principal amount of the face value of the MTN's at no additional cost. The call option premium relates to the remaining 80% and steps down over the life of the MTNs:

Redemption Date	**Redemption Amount**
Falling any time prior to (and including) 31 October 2022	104 per cent
Falling any time from (and including) 1 November 2022 to (and including) 31 October 2023	103 per cent
Falling any time from (and including) 1 November 2023 to (and including) 31 October 2024	102 per cent
Falling any time from (and including) 1 November 2024 to (and including) 31 October 2025	101 per cent
Falling any time after (and including) 1 November 2025	100 per cent

This call option has been assessed and considered not closely related and it has therefore been separated and measured at fair value through profit and loss. Management has concluded that early redemption on the applicable 80% of the MTN's will not occur prior to 1 November 2025 and the separate derivative has been valued at zero.

Further information on borrowings following the refinancing of the Company senior debt facility and amendment and extension of the MTN's can be found in Note 4.

Changes in liabilities arising from the financing activities

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

	Opening balance at 1 July 21	Cash flow	Other non-cash flow	Closing Balance at 31 Dec 2021
	$'000	$'000	$'000	$'000
Borrowings	201,081	18,500	(222)	219,359
Lease liabilities	6,387	(1,428)	153	5,112
	207,468	17,072	(69)	224,471

14. Events occurring after the reporting period

On 31 January 2022, the Company entered into a lease extension agreement with Brookfield Funds Management Limited extending the non-cancellable period of premises leased at 108 St Georges Terrace, Perth to 30 June 2029 (previously 30 June 2023). As a result of this extension, deferral of payment under COVID relief has been waived by the lessor. The extension of the lease has not resulted in adjustments to the financial statements for half-year ended 31 December 2021, and results in an incentive package of $6.4m over the remaining term of the lease.

As part of Management's COVID disaster recovery strategy on 3 February 2022, the Company entered a 12 month lease with Avy Nominees Pty Ltd, a company owned by Managing Director, Keith John for 10/188 Bennett Street, East Perth **('Lease')**. The Lease was entered into following an assessment by the Independent Directors of the Company that the lease was at arms length, that the commercial benefit was to the Company, and that it was a necessary step to prepare the Company from the vast changing environment that the omicron variant of COVID presented in Western Australia at the time. This event has not resulted in adjustments to the financial statements for the half-year ended 31 December 2021, however, will result in an approximately $42,000 expense over the lease term. The lease expires on 10 January 2023.

This event has not resulted in adjustments to the financial statements for the half-year ended 31 December 2021.

Directors Declaration

The Directors declare that:

a) in the Directors' opinion, 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

b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors,
Keith John
Managing Director

Perth
28 February 2022

Deloitte.

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Independent Auditor's Review Report to the members of Pioneer Credit Limited

Conclusion

We have reviewed the half-year financial report of Pioneer Credit Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 16 to 39.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Directors' Responsibilities for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

L Karamfiles
Partner
Chartered Accountants
Perth, 28 February 2022