Half-year Report

for the period ended 31 December 2019

pioneer credit

Pioneer Credit Limited

ABN 44 103 003 505

Half-year report
for the period ended 31 December 2019

Lodged with the ASX under Listing Rule 4.2A

Contents

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 2019 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
for the half-year ended 31 December 2019
(previous corresponding period half-year ended 31 December 2018)

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 2019 $'000	Restated 31 Dec 2018 $'000	Change $'000	%
Revenue from ordinary activities	31,728	38,124	(6,396)	(16.8)%
(Loss) / Profit from ordinary activities after tax attributable to members	(8,729)	3,758	(12,487)	(332.3)%
Net (Loss) / profit for the period attributable to members	(8,729)	3,758	(12,487)	(332.3)%

Dividends per ordinary share / distributions

There is no provision for an interim dividend in respect of the half-year ended 31 December 2019.

The Dividend Reinvestment Plan (DRP) was suspended effective 13 February 2020.

Key ratios

	31 December 2019 (cents)	Restated 31 December 2018 (cents)
Net tangible assets per fully paid ordinary share *	134.71	156.74

* 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 Comprehensive Income together with notes to the Statement
- Consolidated Statement of Financial position together with notes to the Statement
- Consolidated Statement of Changes in Equity, showing movements
- Consolidated Statement of Cash Flows together with notes to the Statement

No review dispute or qualification on the financial statements

The Consolidated Financial Statements as 31 December 2019 and accompanying notes for Pioneer Credit Limited have been reviewed in accordance with *ASRE 2410 Review Engagements* and the Review Report is not subject to any modifications. The Independent Auditor's Review Report has been provided with the Statements released today.

Changes to previous corresponding period

The half-year report to 31 December 2018 was prepared on the basis of purchased debt portfolios being classified and measured at fair value through profit and loss.

Subsequently and following the receipt of further technical advice, the Group announced in June 2019 that pursuant to AASB 9 *Financial Instruments*, it would adopt amortised cost ("AC") for the classification and subsequent measurement of purchased debt portfolios. The most recent annual financial statements disclosed that AASB 9 *Financial Instruments* was adopted by the Group with effect 1 July 2018 and purchased debt portfolios were reclassified from financial assets at fair value through profit or loss to financial assets measured at amortised cost as reflected in the 30 June 2019, consolidated statement of financial position and the consolidated statements of comprehensive income, changes in equity and cash flows respectively.

Since the half-year report to 31 December 2019 is required to be prepared using the same accounting policies and methods of computation as compared with the most recent annual financial statements, the Group has restated elements of the corresponding information.

Basis of preparation

Material Uncertainty Related to Going Concern

The financial statements have been prepared on the going concern basis.

In reaching their view the Directors have considered the Group's forecast net cash flows including the expected liquidations, acquisitions and cash sales of purchased debt portfolio ("PDPs") as well as the following:

Pioneer have entered a Scheme Implementation Agreement (the Scheme), under which, it is proposed that Robin BidCo Pty Ltd, part of the group of entities doing business as "The Carlyle Group" ("Carlyle"), will acquire 100% of the fully diluted Pioneer ordinary shares.

On 20 December 2019, Pioneer announced that an entity within The Carlyle Group had acquired the $129.7 million debt outstanding under Pioneer's senior debt facility and had agreed to the provision of additional interim funding of up to $28 million (together "the Replacement Facilities"). The agreement is for an initial term of nine months (Initial Term) and at an interest rate of 20%, payable on maturity of the Initial Term. The Replacement Facilities are provided to fund ongoing investment in purchased debt portfolios ("PDPs"), payment of the Special Dividend referred to in the Scheme Implementation Agreement and working capital as required. The Scheme is expected to implement within the Initial Term (ending 20 September 2020).

If Carlyle obtains control of Pioneer on or before the maturity date of the Initial Term under the Replacement Facilities, then the initial maturity date will automatically extend to the date that is the 3rd anniversary of the Replacement Facilities, being 20 December 2022. If the initial maturity date is automatically extended in this manner, any interest which accrued during the Initial Term at 20% prior to the initial maturity date will not be payable and will be regarded as not having accrued. Instead interest at 5% pa will apply to the Replacement Facilities from the date of the change of control and for the duration of the Replacement Facilities.

In order for the Scheme to complete the following conditions precedent (Scheme conditions) must be met:

- All the conditions set out in Schedule 1 of the Scheme, a publicly available document, (other than the condition in Item 3 of Schedule 1) satisfied or waived in accordance with the terms by 8.00am (AWST) on the Second Court Date;
- No termination: As at 8.00am (AWST) on the Second Court Date (as defined in the Scheme), neither the Scheme nor the Deed Poll have been terminated in accordance with their terms;
- Court approval: The Court approving the Scheme under section 411(4)(b) of the Corporations Act;
- Additional Conditions: Such other conditions made or required by the Court under section 411(6) of the Corporations Act (and agreed to by parties to the Scheme) have been satisfied or waived; and
- Court orders effective: The Court orders made under section 411(4)(b), and if applicable section 411(6) of the Corporations Act approving the Scheme coming into effect pursuant to section 411(10) of the Corporations Act, on or before the Sunset Date (or on any later date that parties to the Scheme agree in writing).

Pioneer consider the likelihood of shareholders to vote in favour of the Scheme to be highly probable for the following reasons:

- Under the Scheme, it is proposed that BidCo will acquire 100% of the shares on issue for consideration representing a total realised cash value of $1.82 per Scheme Share (the Total Cash Consideration)
- Management believe that Lonergan Edwards, in their Independent Expert's Report, will conclude that the Scheme is fair and reasonable and in the best interests of Pioneer Shareholders in the absence of a superior proposal
- The Pioneer Directors unanimously recommend, based on the Total Cash Consideration, that Pioneer Shareholders vote in favour of the Scheme and intend on voting all Pioneer Shares held or controlled by or for them in favour of the Scheme, subject in both instances to no superior proposal emerging and the Independent Expert's Report concluding at all times that the Scheme is in the best interests of the Pioneer Shareholders

The Directors are not aware of any circumstances that would cause the outstanding Scheme conditions not to be satisfied and in conjunction with the reasons noted above, consider the likelihood of the Scheme completing and Carlyle acquiring control to be highly probable.

If however, the Scheme does not successfully complete for any reason, Pioneer will have until 20 September 2020 to refinance the Replacement Facilities and the interest payment due on 20 September 2020 will be approximately $21,713,020 in addition to the balance drawn at 31 December 2019 of $144,095,494.

In this event, which is considered unlikely by Directors, Pioneer would re-engage corporate advisors to seek and assess proposals which include:

- a sale of the Company as a going concern;
- pursuing financing options including refreshed alternatives from the debt funding proposals previously considered concurrently with the initial assessment of Carlyle's proposal; and/or
- raising funds through an equity issue; and/or
- realisation of value by way of sale of some of the assets.

If Pioneer were unable to repay its obligation under the Replacement Facility on maturity of the Initial Term, and without any forbearances from Carlyle, an event of default would occur, and until remedied would subsist under the senior debt facility resulting in a cross default under the Medium Term Notes (Notes). Such a cross default could in some circumstances cause the Notes to become due and payable. Under the possible circumstances outlined above, in the event that Carlyle takes no action, and an event of default occurs and continues, the Noteholders are not able to take any Enforcement Action other than in a limited set of circumstances where various conditions must first be satisfied. The Notes have a face value of $40,000,000 as at 31 December 2019.

The possibility of the Group not achieving its forecast cash flows, and the Scheme not successfully completing gives rise to a material uncertainty with respect to the Group's ability to continue as a going concern, which may cast significant doubt as to whether the Group will be able to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements do not include any adjustments relating to the realisation and classification of asset and liability amounts that may be necessary if the Group is unable to continue as a going concern.

Pioneer Credit Limited

ABN 44 103 003 505

Half-year Report
for the year ended 31 December 2019

Contents

Directors' Report

Your Directors present their report on the Consolidated Entity consisting of Pioneer Credit Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2019. Throughout the report, the Consolidated Entity is referred to as 'the Group'.

Directors

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

Mr Michael Smith (Chairperson)
Mr Keith John (Managing Director)
Mr Mark Dutton
Ms Andrea Hall
Ms Ann Robinson

Principal activities

Pioneer Credit Limited (Pioneer or the "Company") is a financial services provider, specialising in acquiring and servicing unsecured retail debt portfolios. Today, with more than 200,000 customers across Australia and New Zealand, we continue to focus on helping people get their finances back on track and achieve their goals.

Review of operations and results of those operations

As has been well disclosed by the Company over the course of the past year, Pioneer has experienced a challenging operating environment that persisted throughout the half year to 31 December 2019. The period was one where the Board and Management were heavily engaged on a range of processes to ensure maximum value was both preserved and potentially realised for shareholders. This included the running of an extensive refinancing and change of control process during a period that saw the Company's securities voluntarily suspended from trading and the imposition of a lengthy Standstill Arrangement with its senior financiers.

Pleasingly, during December 2019 the Company announced the execution of a Scheme Implementation Agreement ("Scheme") with the group of entities doing business as The Carlyle Group ("Carlyle") along with the replacement of its senior debt facilities with Carlyle.

The impact of the constraints imposed during the period, most notably from the Standstill Agreement, were significantly negative on the Company's ability to operationalise its portfolio appropriately. In addition, the Company incurred significant one-off costs under the Standstill Agreement, in running its change of control process and generally in relation to the events relating to the FY19 year-end reporting period including the audit of the annual financial statements.

For the year ended 30 June 2019, Pioneer implemented AASB 9 *Financial Instruments* and adopted the amortised cost method of accounting for the measurement of its Purchased Debt Portfolios ("PDPs") for the first time, which has resulted in the comparative results for 1H19 being restated in this interim financial report.

At a statutory level, and prior to adjusting the effect of one-off items, for the half-year ended 31 December 2019, Pioneer incurred a loss after tax of $8.7m. Receipts from Liquidations of Purchased Debt Portfolios was $52.5m, up 4.0% on the prior period equivalent of $50.5m.

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

Sale of Consumer Loan book

As disclosed in the FY19 Annual Report, Pioneer made the decision to cease lending under the Consumer Loan product offering and had commenced a formal sales process. The Consumer Loan portfolio was sold during the half-year at a loss of $2.3m. The Consumer Loan operation is presented as a discontinued operation.

Appointment of external auditor

On the 25 November 2019 Pioneer announced that PricewaterhouseCoopers had resigned as Pioneer's external auditor and that Deloitte Touche Tohmatsu Limited had been appointed as external auditor following shareholder approval of the appointment at the Annual General Meeting and the approval of the resignation of PricewaterhouseCoopers by the Australian Securities and Investments Commission.

Capital management

The adoption in FY19 of the amortised cost classification for PDPs resulted in a material difference in the expected Net Profit after Taxation ("NPAT") which also flowed to the calculation of Earnings before Interest and Tax ("EBIT") for the period end 30 June 2019. The reported NPAT, and as a result the difference in EBIT, caused a breach of the interest cover financial covenant under the senior financing facility and resulted in a cross default under the Medium Term Notes ("Notes"). Following this breach, the Company entered into a Standstill Arrangement with its senior financiers.

On 20 December 2019, Carlyle acquired Pioneer's senior debt facility from its existing financiers and the existing defaults were waived.

In addition to Carlyle's acquisition of Pioneer's senior financing facility a further facility of up to $28.0 million was provided by Carlyle including to fund ongoing investment in PDPs and payment of a Special Dividend, if declared, under the terms of the Scheme of Arrangement ("Replacement Facilities"). The key terms of the Replacement Facilities were disclosed to the ASX on 20 December 2019.

Events since the end of the reporting period

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

Outlook

Pioneer is currently undergoing a change of control process with Carlyle which is expected to be implemented in May 2020, following the lodgement of the Scheme of Arrangement Booklet.

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 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 2020

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

28 February 2020

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 2019, 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

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Half-year Report
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Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 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*.

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Level 6, 108 St Georges Terrace
Perth WA 6000

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Consolidated statement of comprehensive income

	Note	Half Year 31 Dec 19 $'000	Restated 31 Dec 18 $'000
Continuing operations			
Interest income at amortised cost		**29,306**	21,488
Net impairment gains on purchased debt portfolios at amortised cost		**1,408**	14,672
Other income		**727**	1,432
		31,441	37,592
Employee expenses		**(19,017)**	(18,425)
Finance expenses	4	**(6,017)**	(4,076)
Information technology and communications		**(2,224)**	(1,751)
Direct expenses		**(2,203)**	(1,289)
Office facility expenses		**(674)**	(1,551)
Depreciation and amortisation	4	**(1,744)**	(1,172)
Other expenses		**(1,469)**	(1,015)
Professional expenses		**(3,308)**	(554)
Travel and entertainment		**(414)**	(402)
Net impairment losses on other financial assets		**(15)**	(192)
(Loss) / Profit before income tax		**(5,644)**	7,165
Income tax expense		**(381)**	(2,027)
(Loss) / Profit for the period from continuing operations		**(6,025)**	5,138
Discontinued operations			
Loss for the period from discontinued operations	7	**(2,704)**	(1,380)
(Loss) / Profit for the period		**(8,729)**	3,758
Total comprehensive (loss) / income for the half-year is attributable to:			
Owners of Pioneer Credit Limited		**(8,729)**	3,758
Earnings per share			
From continuing and discontinued operations			
Basic (cents per share)		**(13.80)**	6.11
Diluted (cents per share)		**(13.80)**	5.80
From continuing operations			
Basic (cents per share)		**(9.52)**	8.35
Diluted (cents per share)		**(9.52)**	7.93

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

Consolidated statement of financial position

	Note	31 Dec 19 $'000	30 Jun 19 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	**2,160**	11,184
Trade and other receivables		**985**	2,185
Consumer loans	7	**-**	1,472
Other current assets		**890**	762
Current tax asset		**9,140**	5,404
Financial assets - Purchased Debt Portfolios	6	**99,738**	92,711
Total current assets		**112,913**	113,718
Non-current assets			
Consumer loans	7	**-**	6,738
Property, plant and equipment		**1,815**	4,054
Deferred tax assets		**-**	212
Intangible assets		**1,077**	1,502
Other non-current assets		**667**	720
Right of use assets	8	**8,697**	-
Financial assets - Purchased Debt Portfolios	6	**165,076**	157,065
Total non-current assets		**177,332**	170,291
Total assets		**290,245**	284,009
LIABILITIES			
Current liabilities			
Trade and other payables		**2,509**	4,356
Borrowings	9	**137,718**	169,394
Provisions		**-**	373
Lease liabilities	8	**2,803**	-
Accruals and other liabilities		**5,365**	4,586
Total current liabilities		**148,395**	178,709
Non-current liabilities			
Borrowings	9	**39,292**	-
Lease liabilities	8	**6,270**	-
Provisions		**1,272**	841
Other liabilities		**-**	1,720
Total non-current liabilities		**46,834**	2,561
Total liabilities		**195,229**	181,270
Net assets		**95,016**	102,739
EQUITY			
Contributed equity		**79,628**	78,131
Reserves		**3,541**	4,032
Retained earnings		**11,847**	20,576
Capital and reserves attributable to the owners of Pioneer Credit Limited		**95,016**	102,739
Total equity		**95,016**	102,739

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

Consolidated statement of changes in equity

	Contributed Equity $'000	Share Based Payment Reserve $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 July 2019	**78,131**	**4,032**	**20,576**	**102,739**
Total comprehensive loss for the half-year	**-**	**-**	**(8,729)**	**(8,729)**
	78,131	**4,032**	**11,847**	**94,010**
Transactions with owners in their capacity as owners				
Employee share scheme	**229**	**-**	**-**	**229**
Treasury shares and share based payments	**-**	**777**	**-**	**777**
Issue of treasury shares to employees	**1,268**	**(1,268)**	**-**	**-**
	1,497	**(491)**	**-**	**1,006**
Balance at 31 December 2019	**79,628**	**3,541**	**11,847**	**95,016**
Balance at 1 July 2018	71,779	2,969	26,966	101,714
Impact of adopting AASB 9 (net of tax)			(3,195)	(3,195)
Total comprehensive income (Restated) for the half-year	-	-	3,758	3,758
	71,779	2,969	27,529	102,277
Transactions with owners in their capacity as owners				
Contributions of equity, net of transaction costs	166	-	-	166
Employee share scheme	61	-	-	61
Dividend reinvestment plan	4,581	-	-	4,581
Treasury shares and share based payments	-	541	-	541
Issue of treasury shares to employees	793	(793)	-	-
Equity plans	1,052	-	-	1,052
Dividends declared and paid	-	-	(4,753)	(4,753)
	6,653	(252)	(4,753)	1,648
Balance at 31 December 2018 - Restated	78,432	2,717	22,776	103,925

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

Consolidated statement of cash flows

	Half Year 31 Dec 19 $'000	31 Dec 18 $'000
Cash flows from operating activities		
Receipts from liquidations of PDPs and services (inclusive of goods and services tax)	**54,324**	51,598
Payments to suppliers and employees (inclusive of goods and services tax)	**(29,933)**	(28,383)
	24,391	23,215
Interest received	**13**	33
Interest paid	**(4,263)**	(3,358)
Net income taxation paid	**(3,905)**	(4,484)
Net cash inflow from operating activities before Consumer Loans	**16,236**	15,406
Cash flows from Consumer Loans		
Proceeds on sale of Personal Loan book	**5,344**	-
Net consumer loans recovered / (advanced)	**846**	(5,975)
	6,190	(5,975)
Net cash inflow from operating activities	**22,426**	9,431
Cash flows from investing activities		
Payments for property, plant and equipment	**(8)**	(378)
Proceeds on the sale of property, plant and equipment	**-**	782
Receipts/(Payments) for intangible assets	**-**	(1,816)
Acquisitions of purchased debt portfolios - financial assets	**(37,726)**	(29,550)
Net receipts from other investments	**-**	937
Net cash outflow from investing activities	**(37,734)**	(30,025)
Cash flows from financing activities		
Proceeds from borrowings	**139,313**	21,263
Repayment of borrowings	**(130,100)**	(823)
Dividends paid to Company's shareholders	**-**	(4,753)
Proceeds from issue of ordinary shares and DRP	**-**	5,633
Lease payments	**(1,062)**	-
Replacement Facility transaction costs	**(1,867)**	-
Net cash inflow from financing activities	**6,284**	21,320
Net (decrease) / increase in cash and cash equivalents	**(9,024)**	726
Cash and cash equivalents at the beginning of the half-year	**11,184**	3,410
Cash and cash equivalents at the end of the half-year	**2,160**	4,136

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

Contents of the notes to the consolidated financial statements

1. Basis of preparation

This condensed consolidated interim financial report of the Pioneer Credit Limited Group for the half-year reporting period ended 31 December 2019 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 2019 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.*

At 31 December 2019, the Group has net current liabilities of $35.5m. The working capital deficit is primarily caused by the classification of $137.7m of borrowings as current liabilities, due to the senior debt facility having an Initial Term ending on 20 September 2020.

Material Uncertainty Related to Going Concern

The financial statements have been prepared on the going concern basis.

In reaching their view, the Directors have considered the Group's ability to meet its forecast net cash flows including the expected liquidations, acquisitions and cash sales of purchased debt portfolio ("PDPs") as well as the following:

Pioneer have entered a Scheme Implementation Agreement (the Scheme), under which, it is proposed that Robin BidCo Pty Ltd, part of the group of entities doing business as "The Carlyle Group" ("Carlyle"), will acquire 100% of the fully diluted Pioneer ordinary shares.

On 20 December 2019, Pioneer announced that an entity within The Carlyle Group had acquired the $129.7 million debt outstanding under Pioneer's senior debt facility and had agreed to the provision of additional interim funding of up to $28 million (together "the Replacement Facilities"). The agreement is for an initial term of nine months (Initial Term) and at an interest rate of 20%, payable on maturity of the Initial Term. The Replacement Facilities are provided to fund ongoing investment in purchased debt portfolios ("PDPs"), payment of the Special Dividend referred to in the Scheme Implementation Agreement and working capital purposes as required. The Scheme is expected to implement within the Initial Term (ending 20 September 2020).

If Carlyle obtains control of Pioneer on or before the maturity date of the Initial Term under the Replacement Facilities, then the initial maturity date will automatically extend to the date that is the 3rd anniversary of the variation, being 20 December 2022. If the initial maturity date is automatically extended in this manner, any interest which accrued during the Initial Term at 20% prior to the initial maturity date will not be payable and will be regarded as not having accrued. Instead interest at 5% p.a will apply to the Replacement Facilities from the date of the change of control and for the duration of the Replacement Facilities.

In order for the Scheme to complete, the following conditions precedent (Scheme conditions) must be met:

- All the conditions set out in Schedule 1 of the Scheme, a publicly available document, (other than the condition in Item 3 of Schedule 1) satisfied or waived in accordance with the terms by 8.00am (AWST) on the Second Court Date;
- No termination: As at 8.00am (AWST) on the Second Court Date (as defined in the Scheme), neither the Scheme nor the Deed Poll have been terminated in accordance with their terms;
- Court approval: The Court approving the Scheme under section 411(4)(b) of the Corporations Act;
- Additional Conditions: Such other conditions made or required by the Court under section 411(6) of the Corporations Act (and agreed to by parties to the Scheme) have been satisfied or waived; and
- Court orders effective: The Court orders made under section 411(4)(b), and if applicable section 411(6) of the Corporations Act approving the Scheme coming into effect pursuant to section 411(10) of the Corporations Act, on or before the Sunset Date (or on any later date that parties to the Scheme agree in writing).

Pioneer consider the likelihood of shareholders to vote in favour of the Scheme to be highly probable for the following reasons:

- Under the Scheme, it is proposed that BidCo will acquire 100% of the shares on issue for consideration representing a total realised cash value of $1.82 per Scheme Share (the Total Cash Consideration)
- Management believe that Lonergan Edwards, in their Independent Expert's Report, will conclude that the Scheme is fair and reasonable and in the best interests of Pioneer Shareholders in the absence of a superior proposal
- The Pioneer Directors unanimously recommend, based on the Total Cash Consideration, that Pioneer Shareholders vote in favour of the Scheme and intend on voting all Pioneer Shares held or controlled by or for them in favour of the Scheme, subject in both instances to no superior proposal emerging and the Independent Expert's Report concluding at all times that the Scheme is in the best interests of the Pioneer Shareholders

The Directors are not aware of any circumstances that would cause the outstanding Scheme conditions not to be satisfied and in conjunction with the reasons noted above, consider the likelihood of the Scheme completing and Carlyle acquiring control to be highly probable.

If however, the Scheme does not successfully complete for any reason, Pioneer will have until 20 September 2020 to refinance the Replacement Facilities and the interest payment due on 20 September 2020 will be approximately $21,713,020 in addition to the balance drawn at 31 December 2019 of $144,095,494.

In this event, which is considered unlikely by Directors, Pioneer would re-engage corporate advisors to seek and assess proposals that would include:

- a sale of the Company as a going concern;
- pursuing financing options including refreshed alternatives from the debt funding proposals previously considered concurrently with the initial assessment of Carlyle's proposal; and/or
- raising funds through an equity issue; and/or
- realisation of value by way of sale of some of the assets.

If Pioneer were unable to repay its obligation under the Replacement Facility on maturity of the Initial Term, and without any forbearances from Carlyle, an event of default would occur, and until remedied would subsist under the senior debt facility resulting in a cross default under the Medium Term Notes (Notes). Such a cross default could in some circumstances cause the Notes to become due and payable. Under the possible circumstances outlined above, in the event that Carlyle takes no action, and an event of default occurs and continues, the Noteholders are not able to take any Enforcement Action other than in a limited set of circumstances where various conditions must first be satisfied. The Notes have a face value of $40,000,000 as at 31 December 2019.

The possibility of the Group not achieving its forecast cash flows, and the Scheme not successfully completing gives rise to a material uncertainty with respect to the Group's ability to continue as a going concern, which may cast significant doubt as to whether the Group will be able to realise its assets and discharge its liabilities in the normal course of business. The consolidated financial statements do not include any adjustments relating to the realisation and classification of asset and liability amounts that may be necessary if the Group is unable to continue as a going concern.

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars.

Changes to presentation

The half-year report to 31 December 2018 was prepared on the basis of purchased debt portfolios being classified and measured at fair value through profit and loss.

Subsequently and following the receipt of further technical advice, the Group announced in June 2019 that pursuant to AASB 9 *Financial Instruments*, it would adopt amortised cost ("AC") for the classification and subsequent measurement of purchased debt portfolios. The most recent annual financial statements disclosed that AASB 9 *Financial Instruments* was adopted by the Group with effect 1 July 2018 and purchased debt portfolios were reclassified from financial assets at fair value through profit or loss to financial assets measured at amortised cost as reflected in the 30 June 2019, consolidated statement of financial position and the consolidated statements of comprehensive income, changes in equity and cash flows respectively.

Since the half-year report to 31 December 2019 is required to be prepared using the same accounting policies and methods of computation as compared with the most recent annual financial statements, the Group has restated the consolidated statement of comprehensive income and the consolidated statement of changes in equity for the 31 December 2018 corresponding information.

The impact of the restatement is summarised below:

	Prior to the restatement	After the restatement
Consolidated statement of comprehensive income		
	Half-year 31 Dec 18 $'000	**Half-year 31 Dec 18 $'000**
Interest income at amortised cost	-	21,488
Net impairment gains on purchased debt portfolios at amortised cost	-	14,672
Liquidation of P purchased debt portfolios	50,489	-
Change in value of purchased debt portfolios at fair value	(11,905)	-
Revenue from operations	38,584	36,160
Effective income tax expense at 30%	11,575	10,848
Consolidated statement of changes in equity		**1 Jul 18**
Impact of adopting AASB 9 (net of tax)		(3,195)

In addition to the change above, certain classifications on the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements have been reclassified. The Group believes that this will provide more relevant information to stakeholders. Comparative information has been restated accordingly.

Pioneer continuously refines and enhances its techniques to improve the accuracy of the estimated future cash flows that underpin the measurement of the PDPs. At 31 December 2018 a refinement of the valuation technique to more accurately reflect expected cash flows resulted in improvements to the profile of the cash flows leading to a reversal of impairment as a result of using more accurate information. Subsequent to 31 December 2018 the impairment gains on purchases debt portfolios have stabilised in line with the enhanced estimating techniques.

The same accounting policies and methods of computation are followed in this half-year report as compared with the most recent annual financial statements, except for the adoption of new and amended standards.

New standards adopted and interpretations not yet adopted

AASB 16 *Leases*

The Group adopted AASB 16 effective 1 July 2019. The new standard has resulted in changes in accounting policy which, along with the impact on the financial statements are disclosed in note 8.

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

Amendments to References to Conceptual Framework in IFRS Standards

The *Conceptual Framework for Financial Reporting* is the foundation on which the IASB develops new accounting standards. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. The *Conceptual Framework* may be used as a reference for selecting accounting policies in the absence of specific IFRS requirements.

The changes are applicable to annual reporting periods commencing on or after 1 January 2020 and would be effective for the 30 June 2021 year-end. The potential impacts to the Group have not yet been determined.

Other amendments to existing standards that are not yet effective are not expected to result in significant changes to the Group's accounting policies.

2. Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Board to exercise its judgement in the process of applying the Group's accounting policies.

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

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

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

Purchased debt portfolios (PDPs)

Classifying purchased debt portfolios at amortised cost and the use of the credit-adjusted effective interest rate method requires the Group to estimate future cash flows from purchased debt portfolios loans at purchase date and at each balance sheet date.

Estimating the timing and amount of cash flows for both the calculation of credit-adjusted effective interest rates (“CAEIRs”) and subsequent re-measurement of the carrying amount of PDPs requires significant management judgement regarding key assumptions. The underlying estimates that form the basis for amortised cost accounting depends on variables including how the customer accounts were originated and managed and by which financial institution; the quality and depth of information on the customer; how much time has elapsed since a payment was made against the accounts; amounts due; the time elapsed since acquisition and the personal circumstances and character 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 vendors at acquisition and observation of PDP attributes in the month of acquisition to determine expected cash flow forecasts for the calculation of CAEIRs. In addition, the Group applies judgement and considers long term expectations of performance informed by historic analysis to ensure the setting of CAEIRs is based on the best estimates that incorporate the lifetime expectation of credit losses for the PDP. These cash flow forecasts are reviewed by management, with model overlays used to address modelling anomalies observed. Any changes to PDP attributes following the determination of CAEIRs, 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 CAEIRs and cash flow forecasts.

Cash flow forecasts are generated using statistical models incorporating a number of factors, including predictions of probability to pay, which is informed by customer and account level data, credit agency data and our historical experience with accounts which have similar key attributes. Operational factors, that may impact future estimated cash flows, are also considered such as improved collections processes and systems.

Management also review the model on a portfolio basis to take into account external factors, which have impacted historical, or will impact future performance and where necessary portfolios are calibrated to take into account these known factors. The assumptions and estimates made are specific to the particular characteristics of each portfolio.

If cash flow forecasts were to change by ±5%, the carrying value of PDPs at 31 December 2019 of $264.8m would change by $13.2m in a downside scenario and $13.2m in an upside scenario. If resolution of any uncertainty results in an increase or decrease in carrying value of PDPs, this is recognised in the income statement at that point in time. The estimated future cash flows are most sensitive to observed payment history, as well as timing of future cash flow receipt.

Total undiscounted expected credit losses at initial recognition of PDPs recognised during the period is $147.4m. This figure is the difference between the outstanding debt amount of PDPs acquired by the Group and the Total Expected Liquidations of those portfolios at 31 December 2019.

New Lease standard

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

Judgement has been applied in determining the lease terms and incremental borrowing rates. See note 8.

3. Significant changes in the current reporting period

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

Pioneer has been operating under constraints due to the Standstill Agreements that had been entered into with the previous senior financiers. Without access to additional funding and with requirements that limited its operational flexibility, Pioneer's growth strategy has been on hold and this has reflected in the performance as reported in this interim report.

Pioneer announced on 5 December 2019 that it had entered into a Scheme Implementation Agreement with Robin BidCo Pty Ltd (BidCo) and Robin HoldCo Holdings Limited (HoldCo). BidCo and HoldCo are part of the group of entities doing business as 'The Carlyle Group' (collectively "Carlyle"). Under the Scheme Implementation Agreement, it is proposed that BidCo will acquire 100% of the fully diluted Pioneer shares by way of scheme of arrangement (the Scheme).

On 20 December 2019, Pioneer announced that an entity part of The Carlyle Group had acquired the $129.7 million debt outstanding under Pioneer's senior debt facility from the then existing senior financiers.

Pioneer also advised that it had agreed with the new senior financier (being an entity part of The Carlyle Group) to vary the key terms of the senior debt facility to include the provision of additional interim funding of up to $28 million to fund ongoing investment in PDPs, payment of the Special Dividend referred to in the Scheme Implementation Agreement and working capital and general corporate purposes as required (the "Replacement Facilities"). With an initial nine-month term (Initial Term), the Replacement Facilities are expected to provide sufficient time and flexibility for the Scheme to be implemented.

Further information is disclosed in note 1 Basis of Preparation and note 9 Borrowings.

4. Other expense items

This note provides a breakdown of specific costs included in profit before income tax.

	Half year	
	31 Dec 19	31 Dec 18
	$'000	$'000
Finance expenses		
Bank fees and borrowing expenses	**1,230**	745
Interest and finance charges paid	**4,480**	3,331
Lease liability	**307**	-
	6,017	4,076
Depreciation and amortisation		
Depreciation	**87**	377
Amortisation	**398**	795
Right of use of asset	**1,259**	-
	1,744	1,172

5. Cash and cash equivalents

	31 Dec 19	30 Jun 19
	$'000	$'000
Cash at bank and in hand	**2,160**	11,184

6. Financial assets at amortised cost – Purchased Debt Portfolios

	Half-year	
	31 Dec 19	30 Jun 19
	$'000	$'000
Purchased Debt Portfolios		
Current	**99,738**	92,711
Non-current	**165,076**	157,065
	264,814	249,776
Fair value (comparative disclosure)	**286,812**	275,600

Purchased debt portfolios are recognised initially at fair value at the date of purchase and are subsequently measured at amortised cost.

Purchased debt portfolios are reported in accordance with the rules for purchased or originated credit–impaired assets, that is, at amortised cost applying the credit-adjusted effective interest method with the expected credit loss established at inception included in the calculation. This credit-adjusted effective interest rate 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).

Cash flow projections are made at the portfolio level, since each portfolio of receivables consists of a small number of homogeneous amounts.

The carrying amount of each portfolio is determined at each reporting period by discounting projecting future cash flows to present value using the credit-adjusted effective interest rate as at the date the portfolio was acquired.

Movement in the carrying value between reporting periods includes the acquisitions of new purchased debt portfolios on which the Group invested $36.8m during the period, receipts from liquidations of PDPs of $52.5m reported within the cash flow statement as well as the accumulation of interest earned under the effective interest rate method of $29.3m and the reassessment of expected cash flows that are adjusted in the carrying amount and are recognised in the profit or loss as net impairment gains on purchased debt portfolios at amortised cost, capturing the movement in lifetime expected credit losses since the assessment made at inception.

A detailed analysis of the key critical accounting estimates and judgements in note 2 outlines the elements considered in the application of judgement to estimate future cash flows at the time the credit-adjusted effective interest rate is determined and at each subsequent reporting date, including the key underlying variables that are analysed.

7. Consumer loans (Discontinued operations)

Following the decision to cease lending under the Consumer Loan product offering, the performing Consumer Loan portfolio was sold during the half-year. The Consumer Loan operation is presented as a discontinued operation.

	Half-year	
	31 Dec 19	31 Dec 18
	$'000	$'000
Loss for the period from discontinued operations		
Revenue and other income	**287**	532
Operating expenses	**(728)**	(2,502)
Loss on disposal	**(2,263)**	-
Loss before income tax expense	**(2,704)**	(1,970)
Income tax benefit	**-**	590
Loss after taxation	**(2,704)**	(1,380)

Net assets at date of disposal during the half-year	**$'000**
Net assets	**7,607**
Loss on disposal	**(2,263)**
Total consideration	**5,344**

8. Right-Of-Use Assets and Lease Liabilities

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

Impact of adoption of AASB 16 as at 1 July 2019

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

	31 Dec 19 $'000
Right-of-use assets	
Initial right-of-use assets recognised on adoption of AASB 16 *Leases*	10,135
Leasehold improvements and lease incentive	(179)
Depreciation charge	(1,259)
Closing right-of-use assets as at 31 December 2019	8,697
Cost	9,956
Accumulated depreciation	(1,259)
Closing right-of-use assets as at 31 December 2019	8,697

	31 Dec 19 $'000
Lease liabilities	
Current lease liabilities	2,803
Non-current lease liabilities	6,270
Total lease liabilities	9,073

Accounting policy

Right-of-use assets

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

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

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

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

Adjustments recognised on adoption of AASB 16 *Leases*

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

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

	$’000
Maturity analysis - undiscounted	
Lease commitments (principal and interest) at 31 December 2019	
Within one year	**2,803**
Later than one year but no later than five years	**7,324**
	10,127

Practical expedients applied

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

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

How leasing activities are accounted for

From 1 July 2019, the Group applied a single recognition and measurement approach for all leases, except for leases of low-value assets and with terms of less than one year. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liabilities and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable and variable lease payments that are based on an index or a rate. In the consolidated statement of cash flows, the lease interest expense is included within interest paid while the principal portion of the lease liability is included within financing activities.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liabilities;
- Any lease payments made at or before the commencement date less any lease incentives received; and
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or fewer.

9. Borrowings

Pioneer announced on 5 December 2019 that it had entered into a Scheme Implementation Agreement with Robin BidCo Pty Ltd (BidCo) and Robin HoldCo Holdings Limited (HoldCo). BidCo and HoldCo are part of the group of entities doing business as 'The Carlyle Group' (collectively Carlyle). Under the Scheme Implementation Agreement, it is proposed that BidCo will acquire 100% of the fully diluted Pioneer shares by way of scheme of arrangement (the Scheme).

On 20 December 2019, Pioneer announced that an entity, within The Carlyle Group acquired the $129.7m debt outstanding under Pioneer's senior debt facility and varied the key terms of the senior debt facility, as set out below. The agreement includes the provision of an additional interim funding facility of up to $28 million to fund ongoing investment in PDPs, payment of the Special Dividend contemplated under the Scheme Implementation Agreement and working capital purposes as required (the "Replacement Facilities").

With an initial nine-month term (maturity of 20 September 2020), the Replacement Facilities are expected to provide sufficient time and flexibility for the Scheme to be implemented.

The key terms of the Replacement Facilities are as follows:

Key Terms	Details
Facilities	$129.7 million replacement facility + up to $28 million incremental facilities for interim funding (up to $16 million of which is to fund the Special Dividend, if paid)
Arrangement fee	1.5% of total limits of facilities (capitalised on the variations to the senior debt facility taking effect) (being approximately $2,370,000)
Term	9-month term expiring on 20 September 2020 (Initial Term), automatically extending to a 36-month term (inclusive of the Initial Term) if Carlyle acquires control of Pioneer (Extended Term)
Interest	20% per annum during the Initial Term, which accrues during the Initial Term but is only payable on the maturity date of the Initial Term unless the term is extended to the Extended Term, in which case no interest will be taken to have accrued or required to be paid for the Initial Term and the interest rate during the Extended Term will be 5% per annum
Make whole	A make whole applies in respect of any repayment or prepayment of the outstanding amount under the Replacement Facilities made during the Initial Term requiring Pioneer to pay an amount equal to interest that would have accrued for the balance of the Initial Term but for early repayment of outstanding amount

Under the terms of the Replacement Facilities agreement, the Group is required to comply with Replacement Facility financial covenants at all times, tested monthly. There have been no breaches under the Replacement Facilities.

On 20 December 2019, The Carlyle Group waived each of the Existing Defaults at time of entering into the Replacement Facilities.

Part of the additional incremental facilities were utilised in funding the renewal of the rental and fit out guarantees through a Bankwest Cash Collateral account of $2,412,062.

At the balance date, the amount drawn under the Replacement Facilities is reflected in current liabilities.

The annual financial statements for the year ended 30 June 2019 disclosed the carrying value of the Medium Term Notes of $39.128 million as a current liability. The Notes have a maturity date of 22 March 2022. The disclosure as a current liability arose as a result of the events of default under the Medium Term Notes as described in the financial statements, being the voluntary suspension of Pioneer's securities from trading on ASX for 5 consecutive trading days, and the cross default with respect of the defaults under the Senior Debt Facility.

As these circumstances are no longer applicable, the carrying value of the notes, which has not materially changed, is disclosed as non-current at 31 December 2019.

10. Events occurring after the reporting period

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

Directors' declaration

In the Directors' opinion:

a) the financial statements and notes set out on pages 4 to 20 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 31 December 2019 and of its performance for the half-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

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

Keith John
Managing Director

Perth
28 February 2020

Deloitte.

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

We have reviewed the accompanying half-year financial report of Pioneer Credit Limited, which comprises the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of 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 of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 4 to 21.

Directors' Responsibility 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 Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 consolidated entity's financial position as at 31 December 2019 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*. As the auditor of Pioneer Credit Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Pioneer Credit Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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 Pioneer Credit Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 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*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial report, which indicates that the Group incurred a net loss of $8.72 million for the half year ended 31 December 2019 and had negative working capital of $35.48 million at 31 December 2019. These conditions, along with the other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in relation to this matter.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

L Karamfiles
Partner
Chartered Accountants
Perth, 28 February 2020