

13 July 2006

«Name»
«Addr1»
«Addr2»
«Addr3»

Dear Shareholder/Noteholder

ASX LISTING

Please find enclosed a copy of the Information Memorandum required for our listing on the Australian Stock Exchange (ASX). This document is for information only. No new securities are to be issued in connection with the listing.

The ASX is currently considering our application for listing and we should receive a reply within the next couple of weeks.

As previously advised, when we receive our formal notification of our admission to the ASX our Shares and Notes will be suspended from trading on the NSX and should commence trading on the ASX approximately ten business days later.

In changing from the NSX to the ASX there will be no change to your existing holding statements.

The move to the ASX should benefit all security holders given that the ASX has a much wider market for trading.

If you hold Pioneer Income Notes or Term Subordinated Capital Notes we give notice that in accordance with Appendix 6A.2 of the ASX Listing Rules, the Society has changed the book closing date for interest payments for both securities to **seven (7) clear calendar days before each payment date**. This will become effective following the interest payment in July 2006. The closing date for interest entitlements was previously ten business days before the payment date in relation to Pioneer Income Notes and ten banking days before the payment date in relation to Term Subordinated Capital Notes.

For any enquiries please do not hesitate to contact the writer on (07) 4957 0827.

Yours faithfully



Larry Voltz
Company Secretary

ljv.kk

enc



INFORMATION MEMORANDUM
FOR THE LISTING OF THE COMPANY ON THE
AUSTRALIAN STOCK EXCHANGE

Pioneer Permanent Building Society Limited
ABN 36 087 652 042



PIONEER PERMANENT BUILDING SOCIETY LIMITED

Incorporated in Queensland
under the Corporations Act
as a public company limited by Shares

ABN 36 087 652 042
AFS Licence No. 245488

Registered Office:
Cnr Victoria and Macalister Streets, Mackay, Qld, 4740

**INFORMATION MEMORANDUM
FOR THE LISTING OF THE COMPANY
ON THE AUSTRALIAN STOCK EXCHANGE**

23 May 2006

This document is for information only.
No new securities are to be issued in connection with the listing.

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CHAIRMAN'S LETTER

Dear Investor

This document relates to a proposal by the Directors of Pioneer Permanent Building Society Limited to apply for listing of the Society on the Australian Stock Exchange ("ASX") and for quotation of its existing Shares and Notes for trading on the ASX.

If you are currently a Shareholder or Noteholder, you do not have to do anything. You will be advised when trading will stop on the Stock Exchange of Newcastle Limited ("NSX") and when it starts on the ASX. There is no requirement to vote or to do anything with your Shares or Notes.

This document is for information only.

Your Shares and Notes will, subject to permission for listing on the ASX being granted, be able to be traded on the ASX. Your investment in Pioneer remains exactly the same. No new Shares or Notes are to be issued in connection with the listing proposal and the business and operations of the Society will not be affected.

This proposal comes at a time when the Society is performing strongly and our personalised regional banking services continue to be well-received.

For the financial year ended 30 June 2005 the consolidated pre-tax profit of the Society was \$2,797,251, compared with a pre-tax profit for the previous year of \$1,935,704. Review of the general provision for doubtful debts and subsequent reduction to \$1.4 million made a one-off contribution of \$396,221 to the reported profit.

Loan approvals for the past year totalled \$131 million, a 36% increase on approvals of \$96 million for the previous year. Loan balances grew 10% over the year to \$307 million.

The Society's capital adequacy ratio of 16.5% is significantly in excess of regulatory requirements. The high level of capital provides capacity for the Society to materially increase the loan portfolio without having to raise additional capital.

The Society's cash and liquidity holdings of \$152 million provide a strong capacity to grow the loan portfolio.

On the basis of this solid performance, the Directors declared a final dividend of 6 cents per share (\$622,371 in total) which was paid in September 2005. Together with the interim dividend of 4 cents per share (\$411,154) a total dividend of 10 cents per share was paid in 2004/05, a 25% increase over the previous year.

Your Directors believe that the listing on the ASX is an exciting milestone in the history of the Society and invite you to contact the Company Secretary, Larry Voltz, if you have any queries about the proposal.

C Flor
CHAIRMAN
Pioneer Permanent Building Society Limited

CORPORATE DIRECTORY

Registered Office

Cnr Victoria and Macalister Streets
PO Box 1084
Mackay Qld 4740

Telephone: (07) 4957 0800

Facsimile: (07) 4957 8841

Share & Note Registry Office

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Telephone: (02) 8280 7111

Facsimile: (02) 9287 0303

Chairman of Directors

Clifford Flor
ACA, ACIS, CPA, FAICD

Auditors

S.H. Tait & Co
Chartered Accountants
45 Wood Street
Mackay Qld 4740

Deputy Chairman of Directors

Anthony Ghusn
Solicitor of Supreme Court of Queensland,
FAICD

Merchant Bankers

Bancorp/Barrington
Unit 2,25 Maling Road
Canterbury Vic 3126

Directors

Richard Deguara
B.Ec. (Accg), FAICD

Vasiliki Comino
B.Pharm

Maxwell Bohlscheid
A.Ed

Glen Cerutti
B.Ec. (Accg), CPA, FAICD

Independent Corporate Counsel

David Jacobson
8 Rupicola Place
Chapel Hill Qld 4069

General Manager

Allan Richardson
B.Com, MBA, ACIS

Company Secretary

Larry Voltz
B.A. (Accg), CPA, AIFS

ABOUT THIS INFORMATION MEMORANDUM

An application for listing of the Society on the ASX and quotation of the Society's securities on the ASX has been lodged. This Information Memorandum has been prepared in support of the Society's application to the ASX.

This document is not a prospectus. It will not be lodged with the Australian Securities & Investments Commission ("ASIC").

No securities will be allotted or issued on the basis of this Information Memorandum.

However all the information that would be required under section 710 of the Corporations Act, if the Information Memorandum were a prospectus offering for subscription the same number of securities for which quotation on the ASX will be sought, is contained in the Information Memorandum.

The ASX does not take any responsibility for the contents of the Information Memorandum.

The fact that the ASX may admit the Society to its official list is not to be taken in any way as an indication of the merits of the Society.

The Society has not raised any capital for the 3 months before the date of issue of this Information Memorandum and will not need to raise any capital for 3 months after the date of issue of the Information Memorandum.

A supplementary Information Memorandum will be issued if the Society becomes aware of any of the following between the issue of this Information Memorandum and the date the Society's securities are quoted:

- A material statement in the Information Memorandum is misleading or deceptive.
- There is a material omission from the Information Memorandum.
- There has been a significant change affecting a matter included in the Information Memorandum.
- A significant new circumstance has arisen and it would have been required to be included in the Information Memorandum.

The Definitions section defines the important terms used in this Information Memorandum.

OVERVIEW OF ASX LISTING PROPOSAL

This is a summary of the reasons behind, and the impact of, Pioneer's application for admission to the official list of the ASX and for quotation of its Shares and Notes for trading on the ASX.

Investment by Institutions and Liquidity of Trading in Shares

An ASX listing would enable certain institutional and other professional investors to acquire Shares in the Society who, because of provisions in trust deeds, investor mandates and other restrictions, are currently prevented from buying Shares in an entity that is not listed on the ASX.

Existing Shareholders and people interested in buying Shares in Pioneer will find it much easier to undertake their transactions. This should make the market for Shares in Pioneer more liquid.

Theoretically, the Share Price on the ASX might be a more accurate reflection of the value of the Society's Shares.

Increased Profile of the Society

The Directors believe that the profile and "visibility" of the Society will be enhanced for the benefit of Shareholders and customers.

Ability to Raise Capital in the Future if Required

Being listed on the ASX should enable Pioneer to raise capital more easily, should it be required in the future. The overall cost of capital might be reduced if the Society chose to raise fresh equity capital to fund its operations.

CHESS System

Dealings in the Society's Shares will continue on the CHESS system. Your existing Holding Statements will remain valid.

Brokers

Shareholders will be able to use their own stockbrokers to buy and sell Shares in Pioneer.

Society is Already a "Disclosing Entity"

Given that the Society is already a disclosing entity under the Corporations Act and has complied with the continuous reporting and disclosure obligations of the NSX since 31 March 2004, the ASX listing rules should not impose much of an additional administrative burden.

Protections for Shareholders

Shareholders would benefit from some additional protections flowing from the ASX listing rules, for example:

- (a) a rule limiting the amount of Shares that can be issued on a non-pro rata basis to 15% of the issued share capital in any 12 month period without the Shareholders' approval; and
- (b) investors who use the market have access to the National Guarantee Fund, which is administered by the ASX.

Stamp Duty

No stamp duty is currently payable on the transfer of Shares in Pioneer on the NSX. Similarly, upon the listing on the ASX, no stamp duty will be payable on sales of Shares made on the ASX.

Disadvantages of Listing on the ASX

ASX listing fees would be payable each year. The amount of these fees will vary with the value of securities quoted on the ASX by the Society. Based on a market capitalisation of \$34 million for Pioneer's Shares and \$17 million for Pioneer's debt securities, the admission fees would be \$70,866.14 and annual fees of \$28,531. These fees compare with the current annual fee of \$10,772 payable on the NSX.

1 KEY FEATURES OF PIONEER SECURITIES

The information in this section is a summary only. It should be read in conjunction with the information in the remainder of this Information Memorandum.

1.1 Purpose of this Information Memorandum

This Information Memorandum forms part of Pioneer's application for admission to the official list of the ASX and for quotation of its Shares and Notes for trading on the ASX.

If you are unclear in relation to any matter, you should consult with your accountant, solicitor or stockbroker.

1.2 About Pioneer Ordinary Shares

Fully paid-up Ordinary Shares constitute Tier 1 capital as defined in the Prudential Standards for Societies ("the Standards") issued by the Australian Prudential Regulation Authority ("APRA").

Ordinary Shares are not deposits in the Society. Customers are not required to be Shareholders.

Ordinary Shareholders have the right to receive notice of and to attend and vote at all general meetings of the Society.

Ordinary Shareholders have the right to receive dividends.

Ordinary Shareholders have the right, in a winding up, to participate equally in the distribution of the assets of the Society (both capital and surplus), subject only to any amounts unpaid on the Ordinary Share. However, on a winding up, the rights of the Shareholders are deferred to those of depositors and both secured and unsecured creditors.

Ordinary Shares have been quoted on the NSX since 31 March 2004.

1.3 About Debt Securities (Debentures)

The Term Subordinated Capital Notes and the Pioneer Income Notes have both been quoted on the NSX since 31 March 2004. From 26 April 2006 they are both paying an interest rate of 7.70% per annum.

In November 2005, the Society announced its intention to conduct an on-market buyback of up to \$2 million in aggregate of Pioneer Income Notes (NSX Code: PBSHA) and/or Subordinated Capital Notes (NSX Code: PBSHB).

The buyback is part of Pioneer's capital management plan. Pioneer's strong capital position and high liquidity levels provide the ability to fund the buyback while retaining the capacity to deliver continued growth.

The Society advises that the Notes will be bought back over a period not exceeding 12 months, which commenced 16 November 2005, and reserves the right to terminate the buyback at any time.

1.4 Dividends and Interest

Dividends on Ordinary Shares may only be paid out of after-tax profits made by the Society each year.

There is no guarantee as to either the amount of dividend that may be paid in any year or whether

the Society is in a position to release franking credits in relation to any dividend that may be declared.

Interest on Debentures is paid and reset quarterly at a 2% margin above the 90 day bank bill interest rate. There are no franking credits attaching to interest paid on Debentures.

1.5 What are the Risks

There are general risks associated with any investment in securities, including possible delays in selling, loss of income and principal invested, variation in trading price and any dividend or interest and the ability of the company to release franking credits in relation to dividends.

There are particular risks associated with investing in a financial institution. These risks are set out in Section 4.

1.6 Tax Considerations for Shareholders and Noteholders

It is the intention of the Board to provide franked dividends to Shareholders. A franked dividend is one which is paid out of Society profits after the Society itself has paid tax on its profits.

Interest paid on Debentures does not have franking credits.

Individual investors may be subject to income tax on dividends and interest received from the Society and upon profits realised on the sale of any of their securities. You are advised to seek independent legal and accounting advice relating to these or any other associated tax implications.

2 DIRECTORS AND MANAGEMENT

2.1 Profiles of the Directors

Clifford Flor ACA, ACIS, CPA, FAICD

Chairman of the Board

Mr Flor was appointed Chairman of the Board of Pioneer in 1985 and has been a Director of the Society since 1970. He is a Director of the Queensland Association of Permanent Building Societies and a Director of several other companies involving extensive commercial property assets or associated with the building industry.

Mr Flor has practised as a Public Accountant since 1970. He was the founding Partner of a Mackay-based accounting firm, retiring as a Partner on 30 June 2004.

Anthony Phillip Francis Ghusn Solicitor of the Supreme Court Queensland, FAICD

Deputy Chairman of the Board

Mr Ghusn has been a Director of the Society since 1986. He was closely involved in the formation of the Society and was an alternative Director since the Society's formation until his appointment as a Director.

He has also had a long association with the Society in a professional capacity. Mr Ghusn is currently an alternate Director of the Queensland Association of Permanent Building Societies.

Mr Ghusn has been a Solicitor of the Supreme Court of Queensland since 1965. From 1 July 1969 to 30 June 2001 he was successively a Partner, the Managing Partner and the Senior Partner of the firm Macrossan & Amiet Solicitors. Since 1 July 2001 he has been retained by Macrossan & Amiet as a Consultant.

During his years as a Solicitor, Mr Ghusn has had wide experience in commercial and property related matters throughout Queensland.

Richard Charles Deguara B. Ec. (Accg), FAICD

Chairman of the Audit and Compliance Committee

Mr Deguara was appointed to the Board of the Society in March 1990. He is the Managing Director of Carlisle Motor Group, a Mackay-based motor vehicle dealership.

Vasiliki Bessie Comino B. Pharm

Ms Comino was appointed to the Board of Directors in March 1990. Ms Comino worked throughout Queensland as a Pharmacist until 1986 and is currently the Managing Partner of a Mackay-based retail trading business.

Maxwell Thomas Bohlscheid
A. Ed

Mr Bohlscheid was appointed to the Board of Directors on 1 January 2001. He is the Managing Director of Max's Mitre 10 Group and has become recognised as an innovator in the hardware and building supply industry.

Mr Bohlscheid holds Directorships with Mitre 10 Australia Limited and its subsidiary companies.

Glen George Cerutti
B.Ec. (Accg), CPA, FAICD

Chairman of the Risk Committee

Mr Cerutti was appointed to the Board of Directors in July 2001. He is the Principal of the accountancy firm Coscer Accountants and has demonstrated expertise in understanding the financial needs of the people of North Queensland.

Mr Cerutti has held former Directorships with Northern and First Australian Building Societies and was Honorary Treasurer with the Development Bureau of Hinchinbrook and Cardwell Shire.

2.2 Management

Allan Andrew Richardson
B. Comm, MBA, ACIS

General Manager

Mr Richardson was appointed to the position of General Manager on 2 August 2004. He has a strong background in financial services covering finance, marketing, business development, strategic planning, operations and training.

Mr Richardson has held various positions with Banks, Building Societies and Credit Unions over a number of years. More recently Mr Richardson has been employed as the inaugural Chief Financial Officer for Rail Access Corporation (NSW) and Group Chief Financial Officer of Creditlink Services Limited, Queensland.

Larry John Voltz
B.A. (Accg), CPA, AIFS

Company Secretary

Mr Voltz commenced employment with Pioneer in 1990. He has been a member of the company's executive team responsible for compliance with Prudential Standards, statutory reporting, treasury management, board and management reporting and strategic planning.

Prior to joining Pioneer, Mr Voltz held senior accounting roles with manufacturing organisations involved in the building materials and food industries.

3 PROFILE OF THE SOCIETY

3.1 History and Nature of Business

Pioneer was formed in 1967 and was registered as a Building Society on 1 February 1968 to provide housing finance to the people of Mackay and surrounds. Since then, the Society's activities and area of operation have expanded considerably and it now operates from 54 locations through Queensland, extending from Cairns and Mossman in the north to the Sunshine Coast in the south and as far west as Longreach. On 31 December 2005, the Society had 113 full-time equivalent employees.

The current principal activities of the Society comprise the raising of funds from the public, by offering a wide range of financial products and services to satisfy their savings and investment requirements. The Society then uses those funds to make advances, mainly for residential purposes, as well as personal loans, business and commercial loans, overdrafts and chattel mortgages. The Society also offers a wide range of insurance products as well as business leasing and EFTPOS facilities.

In going forward the Society will continue to develop and improve its product range, provide services and facilities which enhance customer satisfaction and maximise growth and returns from its broad area of operation.

Pioneer Permanent Building Society Limited is an APRA regulated "Authorised Deposit-taking Institution" (ADI) approved under the Banking Act 1959 to conduct banking business. It has an Australian Financial Services Licence.

Highlights of the Society's development have been:

- 1968 - Society registered as a Building Society
- 1973 - Branch opened at 84 Victoria Street, Mackay
- 1992 - Purchase of new Corporate Office premises in Victoria Street, Mackay
- 1993 - Issue of 4,250,000 Ordinary Shares
- 1994 - \$100 million in Society assets
- 1997 - Dividend reinvestment scheme launched
- 1999 - Pioneer Income Notes of \$7.7 million issued
- 2002 - Total assets in excess of \$400 million
 - Successful issue of Term Subordinated Capital Notes
- 2004 - Attained Australian Financial Services Licence
 - Pioneer Shares listed on the NSX
 - Total assets in excess of \$460 million
- 2005 - Highest ever recorded Net Profit before Tax of \$2.797 million
 - Record amount for Loan Approvals of \$131.36 million
 - Major banking system software upgrade

3.2 Branch and Agency Locations

Pioneer's Corporate Office is located in Mackay and operates from 54 locations throughout Queensland.

3.3 Corporate Status and Capital Structure

Pioneer is registered as a public company limited by Shares under the Corporations Act and has authority to carry on banking business throughout Australia.

Under the Financial Sector (Shareholdings) Act 1998 (Cth), a person must not hold more than 15% of the total number of securities on issue without the permission of the Treasurer.

As at 31 December 2005, Pioneer's Shareholders numbered 818 with the top 20 Shareholders holding 33.92% of the issued Ordinary Shares.

As at 31 December 2005, the Society's total assets amounted to \$499 million.

3.4 Corporate Regulation

The Society's corporate regulation is carried out by ASIC. ASIC is responsible for investor protection.

3.5 Prudential Supervision

On 1 July 1999 the Society came under the prudential supervision of APRA, which also supervises Banks, other Building Societies, Credit Unions, insurance companies and Superannuation Funds.

The prudential regulation and supervision by APRA is primarily for the benefit and protection of depositors. The Banking Act does not provide any form of guarantee to depositors in any financial institution from the Australian Government. Depositors have priority over other Creditors and Shareholders.

APRA Prudential Standards cover the principal areas of capital, liquidity, credit quality, large exposures, funds management and securitisation, equity associations and audit arrangements.

3.6 Liquidity

APRA requires minimum liquidity holdings of 9% of a Society's liabilities in high quality liquid assets (such as treasury notes, Government securities, bank deposits and bank accepted and endorsed bills) at all times. As at 31 December 2005, the high quality liquid asset liquidity ratio was 22.4%.

3.7 Securitisation

The Society has established a \$50 million securitisation facility under which mortgages can be sold to provide additional funds for lending. As at 31 December 2005, the undrawn balance available under this facility was \$48.9 million.

3.8 Risk Management

Systems for management of liquidity risk, market risk, credit risk, data risk and operations risk, are required to be fully documented and in place at all times.

The profile of the asset and liability mix for Pioneer is typical of a long term mortgage lender. Maturity mismatches arise between the long term nature of the Society's assets and shorter maturity profile of its liabilities. Pioneer's liquidity policy is conservative, which enables Pioneer to service its liabilities in a timely fashion through the maintenance of a high level of liquid assets.

The internal liquidity requirements are managed on the basis of the maturity profile and source of funding used.

Pioneer's risk management manual is a comprehensive document. Pioneer's independent auditors assess the adequacy of the risk management procedures, and compliance with those procedures, when carrying out their inspections.

3.9 Capital Adequacy

The APRA Prudential Standards prescribe a minimum capital adequacy ratio of 8% for Authorised Deposit-taking Institutions.

APRA require all institutions to maintain a capital adequacy ratio in excess of this minimum level.

The Society's capital adequacy ratio at 31 December 2005 was 16.3%.

3.10 Issued Shares

As at 31 December 2005 the Society had 10,372,847 fully paid-up Ordinary Shares on issue.

3.11 Issued Debentures

As at 31 December 2005 the Society had issued term subordinated debt with a face value of \$9,593,439 and perpetual subordinated debt with a face value of \$7,520,300.

3.12 Approved Valuers

Pioneer maintains a panel of valuers who must meet the Australian Institute of Valuers Guidelines.

3.13 Large Exposures

All exposures exceeding specified levels (10% of liabilities in the case of liquidity exposures and 10% of capital in the case of loans) require prior consultation with APRA.

4 RISK FACTORS

There are risks in investing in Shares and Debentures generally and risks which are specific to an investment in a financial institution. This section summarises some of the risks.

Factors which may impact on forecasts and cause the results to be different from that expected include:

Industry specific risks

- credit risk (the risk of loans not being repaid is minimised by the Society's credit risk policies);
- liquidity risk (the risk of the Society having insufficient funds is actively managed in conjunction with compliance to APRA's Prudential Standards);
- market risk (the Society actively monitors interest rate movements and the pricing of its products);
- data risk (the risk of the Society losing data due to failure of computer systems is managed by backup and disaster recovery procedures); and
- operations risk (the risk of losses from breakdown in procedures is managed by internal controls and internal audit).

Macro economic risks

- changes in government monetary policies;
- changes in government taxation policies; and
- changes in interest rates.

Micro economic risks

- any adverse impact from and future rulings or decisions by ASIC, APRA, the Australian Taxation Office ("ATO") and other regulatory bodies and the Courts;
- competition by other financial institutions in the areas in which the Society conducts its business;
- the level of activity in the property market; and
- any deterioration in employment levels in the areas in which the Society operates.

5 FINANCIAL INFORMATION

The tables below summarise the Society's audited results for the last five financial years to 30 June 2005. While the financial statements for those years were audited, the auditors were not involved in the preparation of this summary.

The detailed audited financial statements for the Society for the period ended 30 June 2005 with comparisons for the 2003/04 financial year are set out in Section 6.

5.1 Historical Financial Performance of the Society

Year ending 30 June	2001	2002	2003	2004	2005
Net Profit Before Tax (\$m)	2.315	2.715	(1.168)	1.936	2.797
Net Profit After Tax (\$m)	1.471	1.890	(0.831)	1.351	1.957
Total Assets (\$m)	358.800	401.200	437.382	463.280	467.956
Total Liabilities (\$m)	344.822	383.692	419.507	444.128	447.107
Total Deposits (\$m)	329.372	363.693	397.081	420.186	423.550
Total Loan Balances (\$m)	275.760	318.548	318.400	280.253	307.586
Shareholders' Funds (\$m)	13.945	17.540	17.875	19.152	20.849
Loan Approvals (\$m)	109.479	120.914	97.613	96.198	131.36
Dividends Payable (cents per share)	14.25	14.75	2.00	8.00	10.00

Half Year ending 31 December	2005
Net Profit Before Tax (\$m)	1.342
Net Profit After Tax (\$m)	0.931
Total Assets (\$m)	499.094
Total Liabilities (\$m)	478.318
Total Deposits (\$m)	454.630
Total Loan Balances (\$m)	318.456
Shareholders' Funds (\$m)	20.775
Loan Approvals (\$m)	64.488
Dividends Payable (cents per share)	5.00

5.2 Dividend Policy

The Board of Directors, at their sole discretion, may recommend a dividend on Ordinary Shares subject to that dividend:

- (1) being paid from the after-tax profits of the preceding financial year only; and
- (2) if declared and paid, not placing or potentially placing the Society in breach of any applicable Prudential Standard.

The Directors anticipate that future dividends will be fully franked.

No interest is payable on a dividend.

The actual amount of the dividends may depend on the financial performance of the Society. The amount and their franking status cannot be guaranteed. Dividends will be subject to the Society's profitability in each year and a resolution of the Annual General Meeting.

The franking status of the dividends will be subject to Australian Tax Law and the particular circumstances of individual Shareholders.

An interim dividend is generally paid in March each year based on the results for the 6 months ending 31 December in the preceding year. A final dividend is generally paid in September each year based on the results for the 6 months ending 30 June.

6.1 Directors' Report

Your Directors present this report on the company and its controlled entities for the financial year ended 30 June 2005.

6.2 Directors

The name of each person who has been a Director during the year and to the date of this report are:

Mr Clifford Flor
Mr Anthony Phillip Francis Ghushn
Mr Richard Charles Deguara

Ms Vasiliki Bessie Comino
Mr Maxwell Thomas Bohlscheid
Mr Glen George Cerutti

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

6.3 Operating Result

The profit of the economic entity for the financial year after providing for income tax amounted to \$1,957,422.

6.4 Review of Operations

The Society maintains a distribution network throughout regional Queensland. The network ranges from Mossman in far north Queensland to the Sunshine Coast in south east Queensland and west to Charleville and Longreach. The network has seen significant expansion in the past 5 years. Key strategies for the future are to focus on continuing improvement of customer service levels, ongoing product development and maximising business growth and returns from the expanded network. Details of specific initiatives are outlined in the General Manager's Report contained in the 2005 Annual Report.

A review of the operations of the economic entity during the financial year and results of those operations are:

- The consolidated pre-tax profit of the economic entity for the year was \$2,797,251, compared with a pre-tax profit for the previous year of \$1,935,704. Review of the general provision for doubtful debts and subsequent reduction to \$1.4 million made a one-off contribution of \$396,221 to the reported profit.
- Loan approvals for the year totalled \$131 million, a 36% increase on approvals of \$96 million for the previous year.
- Loan balances grew 10% over the year to \$307 million.
- The Society's capital adequacy ratio of 16.5% is significantly in excess of regulatory requirements. The high level of capital provides capacity for the Society to materially increase the loan portfolio without having to raise additional capital.
- The Society's cash and liquidity holdings of \$152 million provide a strong capacity to grow the loan portfolio.

6.5 Significant Changes in State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the economic entity during the year under review, which are not otherwise disclosed in this report or in the financial statements.

6.6 Principal Activities

The principal activities of the economic entity comprise the raising of funds from customers by providing a range of financial products and facilities to satisfy their savings and investment requirements. These funds are used to make advances, mainly for residential purposes on the security of first mortgages over freehold or leasehold property. Commercial, rural, business and personal lending products are also provided as well as insurance.

No significant changes in the nature of these activities occurred during the course of the year.

6.7 After Balance Date Events

No matters or circumstances have arisen since the end of the financial year, which significantly affected or may significantly affect:

- the operations of the economic entity;
- the results of these operations; or
- the state of affairs of the economic entity in subsequent financial years.

6.8 Future Developments

The consolidated entity will continue with its principal activity of raising funds to provide advances to customers for the purchase of property.

6.9 Environmental Issues

The economic entity's operations are not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory. The economic entity may however become subject to environmental regulation in enforcing securities over land for the recovery of loans. The economic entity has not incurred any liability under any environmental regulation.

6.10 Dividends

The dividends paid or declared since the start of the financial year are as follows:

In respect of the year ended 30 June 2004

• Final ordinary dividend of 5.50 cents per share fully franked paid on 28 September 2004	\$558,327
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In respect of the year ended 30 June 2005

• Interim ordinary dividend of 4.00 cents per share fully franked paid on 30 March 2005	\$411,154
• Final ordinary dividend of 6.00 cents per share fully franked declared by Directors and paid on 27 September 2005	\$622,371

6.11 Indemnification of Officers

During the financial year, the economic entity paid an insurance premium in respect of Directors' and Officers' liability for the Directors, Company Secretary and Executives of the economic entity.

The insurance policy prohibits the disclosure of the nature of the liability covered by the policy, the name of the insurer, the limit of liability and the amount of the premium.

6.12 Directors' Particulars

The names, qualifications, special responsibilities and experience of the Directors are set out hereunder:

Clifford Flor

ACA, ACIS, CPA, FAICD

- Chairman of the Board
- Chairman of Pioneer Permanent Insurance Services Limited
- Chairman of Pioneer Permanent Mortgage Insurance Pty Ltd

Mr Flor was appointed Chairman of the Board of Pioneer in 1985 and has been a Director of the Society since 1970. He is a Director of the Queensland Association of Permanent Building Societies and a Director of several other companies involving extensive commercial property assets or associated with the building industry.

Mr Flor has practised as a Public Accountant since 1970. He was the founding Partner of a Mackay-based accounting firm, retiring as a Partner on 30 June 2004.

Anthony Phillip Francis Ghusn

Solicitor of the Supreme Court Queensland, FAICD

- Deputy Chairman of the Board
- Director of Pioneer Permanent Insurance Services Limited
- Director of Pioneer Mortgage Insurance Pty Ltd

Mr Ghusn has been a Director of the Society since 1986. He was closely involved in the formation of the Society and was an alternative Director since the Society's formation until his appointment as a Director. He has also had a long association with the Society in a professional capacity. Mr Ghusn is currently an alternate Director of the Queensland Association of Permanent Building Societies.

Mr Ghusn has been a Solicitor of the Supreme Court of Queensland since 1965. From 1 July 1969 to 30 June 2001 he was successively a Partner, the Managing Partner and the Senior Partner of the firm Macrossan & Amiet Solicitors. Since 1 July 2001 he has been retained by Macrossan & Amiet as a Consultant. During his years as a Solicitor, Mr Ghusn has had wide experience in commercial and property related matters throughout Queensland.

Richard Charles Deguara

B. Ec. (Accg), FAICD

- Chairman of the Audit and Compliance Committee
- Director of Pioneer Permanent Insurance Services Limited

Mr Deguara was appointed to the Board of the Society in March 1990. He is the Managing Director of Carlisle Motor Group, a Mackay-based motor vehicle dealership.

Vasiliki Bessie Comino

B. Pharm

- Director of Pioneer Permanent Insurance Services Limited

Ms Comino was appointed to the Board of Directors in March 1990. Ms Comino worked throughout Queensland as a Pharmacist until 1986 and is currently the Managing Partner of a Mackay-based retail trading business.

Maxwell Thomas Bohlscheid

A. Ed

- Director of Pioneer Permanent Insurance Services Limited

Mr Bohlscheid was appointed to the Board of Directors on 1 January 2001. He is the Managing Director of Max's Mitre 10 Group and has become recognised as an innovator in the hardware and building supply industry.

Mr Bohlscheid holds Directorships with Mitre 10 Australia Ltd and its subsidiary companies.

Glen George Cerutti

B.Ec. (Accg), CPA, FAICD

- Chairman of the Risk Committee
- Director of Pioneer Permanent Insurance Services Limited

Mr Cerutti was appointed to the Board of Directors in July 2001. He is the Principal of the accountancy firm Coscer Accountants and has demonstrated expertise in understanding the financial needs of the people of North Queensland. Mr Cerutti has held former Directorships with Northern and First Australian Building Societies and was Honorary Treasurer with the Development Bureau of Hinchinbrook and Cardwell Shire.

6.13 Company Secretary Particulars

The Company Secretary at the end of the financial year was Mr Larry Voltz. Mr Voltz commenced employment with the company in 1990. He has been a member of the company's executive team responsible for compliance with Prudential Standards, statutory reporting, treasury management, board and management reporting and strategic planning.

Prior to joining Pioneer, Mr Voltz held senior accounting roles with a number of manufacturing organisations involved in the building materials and food industries. Mr Voltz holds a degree in Accountancy and is a member of CPA Australia and the Institute of Financial Services.

6.14 Meetings of Directors

During the financial year, 28 meetings of Directors (including Committees) were held. Attendances by each Director during the year were as follows:

DIRECTOR	BOARD		AUDIT & COMPLIANCE COMMITTEE		RISK COMMITTEE		ASSET PROTECTION COMMITTEE		BUDGET COMMITTEE		MARKETING COMMITTEE	
	A	B	A	B	A	B	A	B	A	B	A	B
Mr C Flor	11	10	6	4	6	6	2	2	2	2	1	1
Mr APF Ghush	11	11	6	6	6	6	2	2	2	2	1	1
Mr RC Deguara	11	11	6	6	6	6	2	2	2	2	1	1
Ms VB Comino	11	11	6	6	6	6	2	2	2	2	1	1
Mr MT Bohlscheid	11	11	6	6	6	6	2	2	2	2	1	1
Mr G Cerutti	11	10	6	5	6	6	2	2	2	2	1	1

A = Number of meetings eligible to attend

B = Number of meetings attended

6.15 Board Committees

The Board has established various Committees to review specific areas of the business. These Committees comprise the full Board with members of the management team in attendance at the various Committee meetings at the discretion of the Committee Chairman.

Audit and Compliance Committee

The main responsibilities of the Audit and Compliance Committee are to:

- formulate specific operational policy guidelines in relation to internal auditing;
- review the work of the Internal Auditor;
- review the terms of the External Auditor's engagement each year; and
- enquire of the External Auditor's independence in accordance with the Statement of Auditing Practice AUP 32 "Audit Independence".

Risk Committee

The main responsibilities of the Risk Committee during the year were to:

- establish the Society's view on future interest rate movements; and
- set limits in relation to interest rate risk and provide direction to management in managing the Society's interest rate risk exposure.

During the 2005/06 financial year, the scope of the Committee will be expanded to monitor and review all areas of risk across the company.

Asset Protection Committee

The main responsibility of the Asset Protection Committee was to identify potential credit risks in the Society's lending portfolio and take appropriate action to minimise those risks and maximise returns to the Society. The Committee has been wound up and its functions delegated to management.

Budget Committee

The main responsibilities of the Budget Committee were to:

- review the Society's budgets to ensure they met the Board's objectives; and
- review the Society's areas of operation to ensure that appropriate resources were in place to achieve budget expectations.

The Committee has been wound up and its functions delegated to management.

Marketing Committee

The main responsibilities of the Marketing Committee were to:

- approve the Society's advertising budget for the year; and
- approve advertising campaigns and review the effectiveness of such.

The Committee has been wound up and its functions delegated to management.

6.16 Directors' Interests

At the date of this report the relevant interest in Shares and capital instruments of the Society by Directors or entities associated with Directors are:

Directors	Ordinary Shares	Pioneer Income Notes	Subordinated Capital Notes
Mr C Flor	477,294	-	-
Mr APF Ghush	541,466	740	-
Mr RC Deguara	234,444	500	-
Ms VB Comino	213,200	800	-
Mr MT Bohlscheid	183,839	-	-
Mr GG Cerutti	33,100	-	-

6.17 Remuneration Report

The remuneration for each of the Board members is set by the Board within an aggregate limit approved by Shareholders. Remuneration of the General Manager and Company Secretary/Assistant General Manager is determined by the Board. Remuneration of other executives is determined by the General Manager. The policy in determining remuneration packages is to ensure that the remuneration reflects the relevant officer's duties and responsibilities and is competitive in attracting and retaining highly qualified people. The company relies upon reports from external consultants to assist in assessment of market remuneration levels. The remuneration paid for the 2005 financial year did not contain a specific performance-based component, however the amount of remuneration was set based upon regular reviews of the performance of the officer and the company.

To enable assessment of company performance, the following table shows the pre-tax earnings, earnings per share and dividends for the last 5 years for the company, as well as the Share Price at the end of the respective financial years.

Details	2001	2002	2003	2004	2005
Pre-tax earnings	\$2.315m	\$2.715m	(\$1.168m)	\$1.936m	\$2.797m
Earnings per share	18.81c	20.95c	(8.51c)	13.39c	19.06c
Dividends paid	14.25c	14.75c	2.00c	8.00c	10.00c
Share price	\$2.85	\$3.05	\$2.93	\$3.00	\$3.10

The remuneration of each Director and each of the 5 executives of the company and consolidated entity who received the highest remuneration for the year ended 30 June 2005 is as follows:

Directors

		Primary	Non-	Post	
		Salary &	Monetary	Employment	
		Fees	Benefits	Super-	Total
				annuation	
				Benefits	
Mr C Flor	2005	66,699	-	18,000	84,699
	2004	66,699	-	18,000	84,699
Mr APF Ghusn	2005	58,858 *	-	5,245	64,103
	2004	58,280	-	5,245	63,525
Mr RC Deguara	2005	38,853	-	3,497	42,350
	2004	38,853	-	3,497	42,350
Ms VB Comino	2005	38,853	-	3,497	42,350
	2004	38,853	-	3,497	42,350
Mr MT Bohlscheid	2005	40,677 *	-	3,497	44,174
	2004	39,897	-	3,497	43,394
Mr GG Cerutti	2005	40,259 *	-	3,497	43,756
	2004	41,389	-	3,497	44,886
Total	2005	284,199	-	37,233	321,432
	2004	283,971	-	37,233	321,204

* includes travel allowance payments

Specified Executives

		Primary	Non-	Post	
		Salary &	Monetary	Employment	
		Fees	Benefits	Super-	Total
				annuation	
				Benefits	
Mr AA Richardson (commenced 2/8/04) <i>General Manager</i>	2005	164,973	7,821	47,000	219,794
	2004	-	-	-	-
Mr LJ Voltz <i>Company Secretary/Assistant General Manager</i>	2005	69,623	14,012	85,618	169,253
	2004	58,200	14,012	84,590	156,802
Mr MB McLennan <i>Senior Manager Finance</i>	2005	76,086	17,140	18,951	112,177
	2004	69,730	16,195	6,276	92,201
Mr JF Hocking <i>Senior Manager Administration</i>	2005	65,688	6,705	17,526	89,919
	2004	64,504	6,705	12,889	84,098
Mr DP Tome (commenced 11/10/04) <i>Senior Manager Lending</i>	2005	62,615	8,356	18,506	89,477
	2004	-	-	-	-
Total	2005	438,985	54,034	187,601	680,620
	2004	165,994	39,011	95,372	300,377

Group totals in respect of 2004 do not equal sums of amounts disclosed for 2004 for individuals specified in 2005, as different individuals were specified in 2004.

Terms of employment for the General Manager and Company Secretary/Assistant General Manager are formalised in employment contracts. Major provisions of the agreements relating to remuneration are set out below:

AA Richardson, General Manager

- Term of agreement – 2 August 2004 to 31 July 2006, with option to extend for a further 1 year term.
- Fixed annual remuneration of \$250,000, inclusive of superannuation and non-cash benefits.
- Payment of termination payment on early termination, other than for proven misconduct, criminal behaviour or behaviour detrimental to the welfare of the Society.
- The company may terminate employment by making payment to the officer equal to the salary equivalent for the period from the proposed termination date until 31 July 2006.
- In the event the Society should merge with or be taken over by another organisation prior to 31 July 2006 and the officer shall cease to be employed by the merged organisation, a termination payment is payable equal to the salary equivalent for the period from the proposed termination date until 31 July 2006 plus an additional 4 months salary.

LJ Voltz, Company Secretary/Assistant General Manager

- Term of agreement – 26 March 2003 to 31 January 2014.
- Payment of termination payment on early termination, other than for proven misconduct, criminal behaviour or behaviour detrimental to the welfare of the Society.
- The officer may terminate the contract by providing 13 weeks notice plus 1 weeks notice for each year of service. Mr Voltz commenced employment with the Society in 1990.
- The Society may terminate the contract by providing a termination payment of 13 weeks salary plus 1 weeks salary for each year of service up to 7 years and 2 weeks salary for each year of service over 7 years.
- In the event the Society should merge with or be taken over by another organisation and the officer shall cease to be employed by the merged organisation, a termination payment is payable equal to 1 year's remuneration plus 6 week's remuneration for each completed year in excess of 7 years of service, to a maximum of 2 year's remuneration.

SENIOR EXECUTIVE DECLARATIONS

The Directors have received the required declarations from officers performing the Chief Executive Officer and Chief Financial Officer functions in accordance with Section 295A of the Corporations Act.

NON-AUDIT SERVICES

The amount of \$5,960 was paid or payable to the auditor, S.H. Tait & Co, for non-audit services provided during the 2004/05 financial year. Details were:

Details	\$
Taxation services	4,915
Accounting advice	825
Business continuity planning	220
Total	5,960

The Board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of the non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- the services do not undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditors own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

A copy of the auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is set out below.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors.

APF Ghusn
Deputy Chairman
Mackay Qld
23 August 2005

Auditor's Independence Declaration

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF PIONEER PERMANENT BUILDING SOCIETY

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2005 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

S.H. Tait & Co

LE Manning
Partner
Mackay Qld
24 August 2005

Statement of Financial Performance

for the year ended
30 June 2005

	Notes	CONSOLIDATED		SOCIETY	
		2005	2004	2005	2004
		\$	\$	\$	\$
Interest revenue	2	30,695,144	29,844,213	30,695,144	29,844,213
Borrowing costs expense	2	(18,877,649)	(18,266,111)	(18,877,649)	(18,266,111)
Net interest revenue		11,817,495	11,578,102	11,817,495	11,578,102
Other revenue from ordinary activities	3	6,027,444	5,975,169	6,027,444	5,975,169
Bad and doubtful debts (expense)/recovery	11	454,833	(774,771)	454,833	(774,771)
Employee benefits expense		(5,369,932)	(5,098,597)	(5,369,932)	(5,098,597)
Occupancy expense		(816,501)	(745,404)	(816,501)	(745,404)
Depreciation and amortisation expense		(830,826)	(884,096)	(830,826)	(884,096)
Fees and commissions		(4,184,124)	(3,830,303)	(4,184,124)	(3,830,303)
Other expenses from ordinary activities		(4,301,138)	(4,284,396)	(4,301,138)	(4,284,396)
Profit/(Loss) from ordinary activities before income tax		2,797,251	1,935,704	2,797,251	1,935,704
Income tax (expense)/benefit	5	(839,829)	(584,704)	(839,829)	(584,704)
Net profit/(loss) from ordinary activities after income tax attributable to members of the company		1,957,422	1,351,000	1,957,422	1,351,000
Total changes in equity other than those resulting from transactions with owners as owners		1,957,422	1,351,000	1,957,422	1,351,000
Basic earnings per share (cents per share)	33	19.06	13.39	19.06	13.39

As there were no other securities on issue during the financial year that could be converted to permanent Shares, diluted earnings per share is equal to basic earnings per share.

The accompanying notes form part of these financial statements.

Statement of Financial Position

for the year ended
30 June 2005

	Notes	CONSOLIDATED		SOCIETY	
		2005	2004	2005	2004
		\$	\$	\$	\$
ASSETS					
Cash and liquid assets	6	14,667,097	10,001,234	14,667,097	10,001,234
Receivables due from other financial institutions	7	75,287,826	71,500,000	75,287,826	71,500,000
Accrued receivables	8	1,922,303	1,964,367	1,922,303	1,964,367
Investment securities	9	61,679,446	92,926,323	61,679,446	92,926,323
Loans and advances	10	307,586,080	280,253,219	307,586,080	280,253,219
Other investments	13	563,166	563,166	623,753	623,753
Property, plant and equipment	15	4,900,049	4,420,740	4,900,049	4,420,740
Deferred tax assets	16	767,224	1,095,624	767,224	1,095,624
Intangible assets	17	57,749	66,867	57,749	66,867
Other assets	18	525,336	488,385	525,336	488,385
TOTAL ASSETS		467,956,276	463,279,925	468,016,863	463,340,512
LIABILITIES					
Deposits	19	423,549,932	420,186,462	423,610,519	420,247,049
Payables and other liabilities	20	5,117,640	5,877,384	5,117,640	5,877,384
Interest bearing liabilities	21	17,416,439	17,416,439	17,416,439	17,416,439
Tax liabilities	22	444,286	196,376	444,286	196,376
Provisions	23	578,979	450,876	578,979	450,876
TOTAL LIABILITIES		447,107,276	444,127,537	447,167,863	444,188,124
NET ASSETS		20,849,000	19,152,388	20,849,000	19,152,388
EQUITY					
Contributed equity	24	16,165,850	15,534,846	16,165,850	15,534,846
Reserves	25	1,511,781	1,434,111	1,511,781	1,434,111
Retained profits	26	3,171,369	2,183,431	3,171,369	2,183,431
TOTAL EQUITY		20,849,000	19,152,388	20,849,000	19,152,388

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the year ended
30 June 2005

	Notes	CONSOLIDATED		SOCIETY	
		2005	2004	2005	2004
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		31,226,214	28,903,912	31,226,214	28,903,912
Interest paid		(19,320,340)	(17,494,240)	(19,320,340)	(17,494,240)
Fees and commissions received		5,534,034	5,246,924	5,534,034	5,246,924
Fees and commissions paid		(2,470,110)	(2,829,024)	(2,470,110)	(2,829,024)
Dividends received		790	4,396	790	4,396
Sundry income received		317,682	275,317	317,682	275,317
Payments to suppliers and employees		(12,525,868)	(11,363,203)	(12,525,868)	(11,363,203)
Net GST refunded on cashflows from operating activities		213,845	233,903	213,845	233,903
Income tax (paid)/refunded		(263,519)	226,084	(263,519)	226,084
NET CASH PROVIDED BY OPERATING ACTIVITIES	(a)	2,712,728	3,204,069	2,712,728	3,204,069
CASH FLOWS FROM INVESTING ACTIVITIES					
Net (increase)/decrease in receivables due from other financial institutions		(3,787,826)	(44,300,000)	(3,787,826)	(44,300,000)
Net (increase)/decrease in investment securities		31,220,550	(28,457,014)	31,220,550	(28,457,014)
Net (increase)/decrease in other securities		73,094	668,528	73,094	668,528
Loans advanced		(118,110,682)	(74,532,574)	(118,110,682)	(74,532,574)
Loans repaid		91,232,654	111,904,515	91,232,654	111,904,515
Proceeds from disposal of property, plant and equipment		367,960	81,381	367,960	81,381
Payments for property, plant and equipment		(1,650,571)	(629,047)	(1,650,571)	(629,047)
Net GST refunded on cash flows from investing activities		16	(13,713)	16	(13,713)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(654,805)	(35,277,924)	(654,805)	(35,277,924)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net increase in deposits		2,946,418	24,106,801	2,946,418	24,106,801
Proceeds from Share issue	(c)	631,004	178,438	631,004	178,438
Dividends paid	(c)	(969,482)	(252,212)	(969,482)	(252,212)
NET CASH PROVIDED BY FINANCING ACTIVITIES		2,607,940	24,033,027	2,607,940	24,033,027
Net increase/(decrease) in cash and liquid assets		4,665,863	(8,040,828)	4,665,863	(8,040,828)
Cash and liquid assets at beginning of financial year		10,001,234	18,042,062	10,001,234	18,042,062
CASH AND LIQUID ASSETS AT END OF FINANCIAL YEAR		14,667,097	10,001,234	14,667,097	10,001,234

The accompanying notes form part of these financial statements.

Notes to the Statement of Cash Flows

for the year ended
30 June 2005

	CONSOLIDATED		SOCIETY	
	2005	2004	2005	2004
	\$	\$	\$	\$
(a) Reconciliation of net profit from ordinary activities after income tax to net cash provided by operating activities				
Net profit/(loss) from ordinary activities	1,957,422	1,351,000	1,957,422	1,351,000
Decrease/(Increase) in interest receivable	504,743	(1,016,075)	504,743	(1,016,075)
Increase/(Decrease) in interest payable	(442,691)	771,871	(442,691)	771,871
Decrease/(Increase) in fees and commissions receivable	(35,643)	(3,066)	(35,643)	(3,066)
Increase/(Decrease) in fees and commissions payable	222,759	(224,119)	222,759	(224,119)
Decrease/(Increase) in sundry income receivable	(199,642)	(48,315)	(199,642)	(48,315)
Increase/(Decrease) in accrued expenses	(209,700)	(124,661)	(209,700)	(124,661)
Decrease/(Increase) in other receivables	(134,618)	206,589	(134,618)	206,589
Decrease/(Increase) in GST receivable	(6,637)	(7,396)	(6,637)	(7,396)
Increase/(Decrease) in income tax payable	186,472	893,189	186,472	893,189
Decrease/(Increase) in future income tax benefits	328,400	(71,625)	328,400	(71,625)
Increase/(Decrease) in provision for deferred income tax	61,438	(10,776)	61,438	(10,776)
Increase/(Decrease) in employee entitlements	128,103	(13,258)	128,103	(13,258)
Increase/(Decrease) in doubtful debts	(740,427)	37,945	(740,427)	37,945
Decrease/(Increase) in prepayments	(36,951)	60,227	(36,951)	60,227
Realised discounts on investments	(22,622)	(15,257)	(22,622)	(15,257)
Realised premiums on investments	48,949	91,031	48,949	91,031
Net gain on sale of investments	(73,094)	(478,954)	(73,094)	(478,954)
Net (gain)/loss on sale of property, plant and equipment	50,929	175,679	50,929	175,679
Goodwill written off	9,118	9,118	9,118	9,118
Bad debts written off	285,594	736,826	285,594	736,826
Amortisation	186,024	163,687	186,024	163,687
Depreciation	644,802	720,409	644,802	720,409
Net cash flow from operating activities	<u>2,712,728</u>	<u>3,204,069</u>	<u>2,712,728</u>	<u>3,204,069</u>

(b) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash flows:

- (i) deposits to and withdrawals from deposit accounts
- (ii) deposits with and withdrawals from accounts with other financial institutions
- (iii) sale and purchase of investment securities
- (iv) sale and purchase of other securities

(c) Non-cash transactions

For the purpose of the Statement of Cash Flows, Shares issued under the Society's dividend reinvestment scheme have been treated as a cashflow item under the heading "Proceeds from Share Issue", as it involved the conversion of liabilities to equity. Dividends paid comprised a cash component of \$338,478 and a non-cash component of \$631,004 representing dividends converted to equity.

Notes to and Forming Part of the Financial Statements

for the year ended
30 June 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This financial report covers the economic entity of Pioneer Permanent Building Society Limited and controlled entities, and Pioneer Permanent Building Society Limited as an individual parent entity. Pioneer Permanent Building Society Limited is a financial institution, incorporated and domiciled in Australia.

This financial report has been prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

a) Cash and Liquid Assets

Cash and liquid assets include cash on hand, cash held in bank accounts, and money market investments readily convertible to cash.

b) Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

c) Derivative Financial Instruments

The Society uses interest rate swaps as part of its risk management strategy.

These off-balance sheet transactions are taken out to hedge underlying assets or liabilities. Any arising profit or loss is accounted for on the same basis as the underlying exposure. Further details are provided in Note 38(e).

d) Employee Benefits

Provision is made for the Society's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year have been measured at their nominal amount. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows expected to be made for those entitlements. Sick Leave entitlements are non-vesting, and as they are not material, they are treated as an expense when payment is made.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

f) Income Tax

Tax-effective accounting procedures are applied whereby the income tax expense shown in the statement of financial performance is based on the profit from ordinary activities before income tax adjusted for any permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income, are brought to account either as provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account, or which may be realised in the future, is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the financial institution will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

g) Investments

Investments are carried at lower of cost or recoverable amount. The recoverable amount is assessed from the investments' current market value by discounting the net cash flows to their present value.

h) Loans and Advances

Loans and advances are recognised at their recoverable amount, after assessing required provisions for doubtful debts. A provision for doubtful debts is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Loan interest is calculated on the daily balance outstanding and is charged in arrears to a customer's account on the last day of each month.

(i) Provision for Doubtful Debts

A specific provision for doubtful debts is calculated in accordance with the method prescribed under the APRA Prudential Standards and by specific identification against individual loans. A general provision is maintained to recognise bad debts inherent in the loans portfolio, which have not yet been identified.

Bad debts are written off in the period in which they are recognised. Bad debts previously provided for are written off against the specific provision. Any subsequent cash recovered in the same financial year is credited to the provision. Cash recovered outside the financial year is taken to the profit and loss as a bad debt recovered.

(ii) Impaired Assets

Non-accrual loans are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful, and hence provisions for impairment are recognised.

Past due loans are loans where payments of principal and/or interest are at least 90 days in arrears. Full recovery of both principal and interest is expected. Loans against which a provision for impairment is required have been included in non-accrual loans.

i) Principles of Consolidation

A controlled entity is any entity controlled by Pioneer Permanent Building Society Limited ("the Society"). Control exists where the Society has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with the Society to achieve the objectives of the Society. A list of controlled entities appears in Note 14.

All inter-company balances and transactions between entities in the economic entity have been eliminated on consolidation.

j) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Property

Freehold land and buildings are measured on the cost basis on initial purchase and are revalued by an independent valuer every 3 years.

Where freehold land and buildings have been revalued, the potential effect of capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount.

Plant and equipment

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

The gain or loss on disposal of all fixed assets, including revalued assets, is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal. The gain or loss is included in the operating profit before income tax of the economic entity in the year of disposal.

Depreciation

The depreciable amounts of all fixed assets, including buildings, but excluding freehold land, are depreciated on a straight line or reducing balance method over their estimated useful lives commencing from the time the asset is held ready for use. The useful lives of each class of assets are reviewed annually and are as follows:

Class of Fixed Asset	Depreciation Rate
Freehold Buildings	40 years
Leasehold Improvements	Over the unexpired term of the lease
Plant and Equipment	4 to 20 years
Computer Software	4 to 10 years

k) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rate applicable to financial assets. All revenue received arises from operating activities.

Fees and commissions are recognised upon the rendering of the service to the customers.

All revenue is stated net of the amount of Goods and Services Tax ("GST").

l) Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill is amortised on a straight line basis over a period of 10 years. The balances are reviewed annually and any balance representing future benefits, for which the realisation is considered to be no longer probable, are written off.

m) Impact of Adoption of Australian Equivalents to International Financial Reporting Standards

The company is preparing and managing the transition to Australian Equivalents to International Reporting Standards ("AIRFS") effective for the financial years which commenced from 1 January 2005. The adoption of AIFRS will be reflected in the economic entity's and the parent entity's financial statements for the year ending 30 June 2006. On the first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 31 July 2004.

The economic entity's management, with the assistance of external consultants, have assessed the significance of the expected changes and is preparing for their implementation. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards, has been considered where applicable.

The Directors are of the opinion that the key material differences in the economic entity's accounting policies on conversion to AIFRS and the financial effect of these differences, where known, are as follows. Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard-setters to the current AIFRS or implementation of the AIFRS requirements changes from the continuing work of the economic entity's AIFRS committee.

Investments

Under the pending AASB 139: Financial Instruments: Recognition and Measurement, financial instruments are classified into 4 categories, which determines the accounting treatment of the item. The categories and various treatments are:

- held to maturity, measured at amortised cost;
- held for trading, measured at fair value with unrealised gains or losses charged to the profit and loss;
- loans and receivables, measured at amortised cost; or
- available for sale instruments, measured at fair value with unrealised gains or losses taken to equity.

The economic entity's financial assets comprise available for sale financial instruments. Under AASB 139: Financial Instruments: Recognition and Measurement, the measurement of available for sale instruments at fair value differs to current accounting policy, which measures non-current investments at cost with an annual review by Directors to ensure the carrying amounts are not in excess of the recoverable value of the instrument. The impact of the change is unlikely to be material.

AASB 1 provides an election whereby the requirements of AASB 139 dealing with financial instruments are not required to be applied to the first AIFRS comparative year, and the first time adoption of this standard will apply from 1 July 2005. The economic entity has decided that it will adopt this election and will not restate comparative information for the 30 June 2005 financial year.

Income Tax

Currently, the economic entity adopts the liability method of tax-effective accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112: Income Taxes, the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

There will be no significant impact on the balance sheet with regards to the changes in the method of accounting for income tax.

Derivative Financial Instruments

The economic entity does not currently recognise derivative financial instruments in the financial statements. AASB 139: Financial Instruments: Recognition and Measurement requires a change to the method of accounting for derivative financial instruments and hedging activities so that they are recorded in the financial statements. There is not expected to be any significant impact on the balance sheet with regard to derivative financial instruments. AASB 1 provides an election whereby the requirements of AASB 139 dealing with financial instruments are not required to be applied to the first AIFRS comparative year and the first time adoption of this standard will apply from 1 July 2005. The economic entity has decided that it will adopt this election and will not restate comparative information for the financial year ended 30 June 2005.

Impairment of Assets

Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value less costs to sell and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the 'cash generating unit' level. A 'cash generating unit' is determined as the smallest group of assets that generates cash flows that are largely independent of cash inflows from other assets or groups of assets. The current policy is to determine the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the asset's use and subsequent disposal. Changes are not expected to be material for conversion to AIFRS.

Revaluations

Revaluation increments and decrements relating to property, plant and equipment will be recognised on an individual assets basis, not a class of assets basis.

Intangible Assets

Intangible assets with indefinite useful lives will be tested for impairment annually and will not be amortised.

Impairment testing of goodwill confirmed that the written down value of goodwill in the economic entity's financial statements at 30 June 2005 was not impaired. Revaluation of intangible assets prior to June 2005 will be unwound under AIFRS. The impact on retained earnings will be a reduction of \$294,119.

2. INTEREST REVENUE AND INTEREST EXPENSE

The following table shows the average balance for each of the major categories of interest-bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate. Daily averages or month-end averages have been used where appropriate. Where interest was not received or paid for the full year, the average interest rate has been calculated based on the balance held for the period applicable.

	CONSOLIDATED		
	Average Balance	Interest	Average Interest Rate
	\$	\$	%
Interest Revenue 2005			
Deposits at call	9,779,462	538,368	5.51
Deposits with other financial institutions	73,170,310	4,096,473	5.60
Investment securities	85,189,374	4,730,843	5.55
Other investments	1,368,580	71,303	5.21
Loans:			
- Residential (owner occupied and investment)	226,507,897	15,126,428	6.68
- Commercial	35,411,768	3,141,838	8.87
- Personal	8,606,514	889,407	10.33
- Overdrafts	26,887,172	2,095,156	7.79
Derivative financial instruments (interest settled on a net basis)		5,328	0.03
		30,695,144	6.57
Interest Expense 2005			
Customer deposits	433,235,796	17,550,013	4.05
Short-term borrowings	35,094	3,556	10.13
Term subordinated debt	9,716,439	730,353	7.52
Perpetual subordinated debt	7,700,000	578,790	7.52
Derivative financial instruments (interest settled on a net basis)		14,937	0.10
		18,877,649	4.19
Net Interest Income 2005		11,817,495	2.38
Interest Revenue 2004			
Deposits at call	11,482,376	551,803	4.81
Deposits with other financial institutions	45,964,617	2,491,031	5.42
Investment securities	99,243,865	5,259,914	5.30
Other investments	1,305,531	63,289	4.85
Loans:			
- Residential (owner occupied and investment)	208,314,156	13,856,047	6.65
- Commercial	46,710,566	4,302,171	9.21
- Personal	8,079,730	826,406	10.23
- Overdrafts	31,978,252	2,493,552	7.80
		29,844,213	6.59
Interest Expense 2004			
Customer deposits	419,687,542	17,011,732	4.05
Short-term borrowings	22,041	3,152	14.30
Term subordinated debt	9,716,439	695,542	7.17
Perpetual subordinated debt	7,700,000	553,094	7.17
Derivative financial instruments (interest settled on a net basis)		2,591	0.03
		18,266,111	4.18
Net Interest Income 2004		11,578,102	2.41

Notes continued

for the year ended
30 June 2005

	Notes	CONSOLIDATED		SOCIETY	
		2005	2004	2005	2004
		\$	\$	\$	\$
3. REVENUE FROM ORDINARY ACTIVITIES					
Interest revenue	2	30,695,144	29,844,213	30,695,144	29,844,213
Other revenue from ordinary activities:					
Dividends					
- Other parties		<u>790</u>	<u>4,396</u>	<u>790</u>	<u>-4,396</u>
Fees and commissions					
- Loan fee income		2,513,883	2,450,754	2,513,883	2,450,754
- Other fee income		2,955,076	2,638,896	2,955,076	2,638,896
- Insurance commissions		298,591	266,097	298,591	266,097
- Other commissions		<u>63,342</u>	<u>58,612</u>	<u>63,342</u>	<u>58,612</u>
		5,830,892	5,414,359	5,830,892	5,414,359
Bad debts recovered		<u>26,046</u>	<u>8,294</u>	<u>26,046</u>	<u>8,294</u>
Other revenue					
- Rent		75,300	44,409	75,300	44,409
- Profit on disposal of property, plant and equipment		21,322	24,757	21,322	24,757
- Profit on disposal of investments		<u>73,094</u>	<u>478,954</u>	<u>73,094</u>	<u>478,954</u>
		169,716	548,120	169,716	548,120
Total other revenue from ordinary activities		<u>6,027,444</u>	<u>5,975,169</u>	<u>6,027,444</u>	<u>5,975,169</u>
TOTAL OPERATING REVENUE		36,722,588	35,819,382	36,722,588	35,819,382
Proceeds on sale of property, plant and equipment		<u>357,700</u>	<u>65,898</u>	<u>357,700</u>	<u>65,898</u>

Notes continued
for the year ended
30 June 2005

	Notes	CONSOLIDATED		SOCIETY	
		2005	2004	2005	2004
		\$	\$	\$	\$
4. PROFIT FROM ORDINARY ACTIVITIES					
Profit from ordinary activities before income tax expense has been determined after:					
Interest expense	2	<u>18,877,649</u>	<u>18,266,111</u>	<u>18,877,649</u>	<u>18,266,111</u>
Bad and doubtful debts expense/(recovery)		<u>(454,833)</u>	<u>774,771</u>	<u>(454,833)</u>	<u>774,771</u>
No bad or doubtful debts have occurred that are associated with related parties or controlled entities					
Other expenses:					
Amortisation					
– Leasehold improvements		28,057	33,482	28,057	33,482
– Computer software		<u>186,024</u>	<u>163,687</u>	<u>186,024</u>	<u>163,687</u>
		<u>214,081</u>	<u>197,169</u>	<u>214,081</u>	<u>197,169</u>
Depreciation					
– Plant and equipment		588,908	655,385	588,908	655,385
– Buildings		<u>27,837</u>	<u>31,542</u>	<u>27,837</u>	<u>31,542</u>
		<u>616,745</u>	<u>686,927</u>	<u>616,745</u>	<u>686,927</u>
Fees/Commissions		<u>4,184,124</u>	<u>3,830,303</u>	<u>4,184,124</u>	<u>3,830,303</u>
General and administration					
– Employee expenses		5,369,932	5,098,597	5,369,932	5,098,597
– Other		<u>4,228,887</u>	<u>4,083,960</u>	<u>4,228,887</u>	<u>4,083,960</u>
		<u>9,598,819</u>	<u>9,182,557</u>	<u>9,598,819</u>	<u>9,182,557</u>
Rental – operating leases		816,501	745,404	816,501	745,404
Loss on disposal of property, plant and equipment		<u>72,251</u>	<u>200,436</u>	<u>72,251</u>	<u>200,436</u>
Total other expenses		<u>15,502,521</u>	<u>14,842,796</u>	<u>15,502,521</u>	<u>14,842,796</u>
TOTAL OPERATING EXPENSES		<u>33,925,337</u>	<u>33,883,678</u>	<u>33,925,337</u>	<u>33,883,678</u>

Notes continued

for the year ended
30 June 2005

	Notes	CONSOLIDATED		SOCIETY	
		2005	2004	2005	2004
		\$	\$	\$	\$
5. INCOME TAX					
The prima facie tax on operating profit is reconciled to the income tax provided as follows:					
Prima facie tax on operating profit/(loss) at 30% (2004 – 30%)		839,175	580,711	839,175	580,711
Add: Tax effect of non-deductible expenses					
Depreciation on buildings		16,769	9,463	16,769	9,463
Other items		4,180	3,361	4,180	3,361
Underprovision/(Overprovision) of income tax in respect of prior year		9,143	(940)	9,143	(940)
		869,267	592,595	869,267	592,595
Less: Tax effect of permanent differences					
Building amortisation		3,531	4,658	3,531	4,658
Costs associated with capital raising		1,688	1,688	1,688	1,688
Capital profit not subject to income tax		24,219	-	24,219	-
Income tax expense/(benefit) attributable to current year's operating profit/(loss)		839,829	586,249	839,829	586,249
Less: Tax effect of:					
Imputation credit on franked dividends		-	1,545	-	1,545
Income tax expense/(benefit) attributable to operating profit/(loss)		839,829	584,704	839,829	584,704
Income tax expense/(benefit) is reconciled as follows:					
Provision for income tax transferred from/(to) debtors		-	19,933	-	19,933
Income tax payable	22	315,651	129,179	315,651	129,179
Income tax paid on current year profits/(losses)		134,339	517,994	134,339	517,994
Decrease/(Increase) in future income tax benefits		328,401	(71,626)	328,401	(71,626)
Increase/(Decrease) in provision for deferred income tax		61,438	(10,776)	61,438	(10,776)
Income tax expense/(benefit) attributable to operating profit		839,829	584,704	839,829	584,704
6. CASH AND LIQUID ASSETS					
Cash on hand and at banks		11,167,097	9,001,234	11,167,097	9,001,234
Deposits at call		3,500,000	1,000,000	3,500,000	1,000,000
		14,667,097	10,001,234	14,667,097	10,001,234

Notes continued

for the year ended
30 June 2005

	CONSOLIDATED		SOCIETY	
	2005	2004	2005	2004
	\$	\$	\$	\$
7. RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS				
Interest earning deposits	<u>75,287,826</u>	<u>71,500,000</u>	<u>75,287,826</u>	<u>71,500,000</u>
Maturity analysis				
Not longer than 3 months	74,687,826	71,500,000	74,687,826	71,500,000
Longer than 3 and not longer than 12 months	<u>600,000</u>	<u>-</u>	<u>600,000</u>	<u>-</u>
	<u>75,287,826</u>	<u>71,500,000</u>	<u>75,287,826</u>	<u>71,500,000</u>
8. ACCRUED RECEIVABLES				
Interest receivable	1,008,964	1,413,659	1,008,964	1,413,659
Sundry debtors	<u>913,339</u>	<u>550,708</u>	<u>913,339</u>	<u>550,708</u>
	<u>1,922,303</u>	<u>1,964,367</u>	<u>1,922,303</u>	<u>1,964,367</u>
9. INVESTMENT SECURITIES				
Bills of exchange	23,278,837	42,784,080	23,278,837	42,784,080
Bank bonds	-	6,492,685	-	6,492,685
Negotiable certificates of deposit	36,400,000	29,600,000	36,400,000	29,600,000
Floating rate notes	2,000,609	8,004,688	2,000,609	8,004,688
Government bonds	<u>-</u>	<u>6,044,870</u>	<u>-</u>	<u>6,044,870</u>
	<u>61,679,446</u>	<u>92,926,323</u>	<u>61,679,446</u>	<u>92,926,323</u>
Maturity analysis				
Not longer than 3 months	52,578,837	77,381,744	52,578,837	77,381,744
Longer than 3 and not longer than 12 months	9,100,609	13,542,564	9,100,609	13,542,564
Longer than 1 and not longer than 5 years	<u>-</u>	<u>2,002,015</u>	<u>-</u>	<u>2,002,015</u>
	<u>61,679,446</u>	<u>92,926,323</u>	<u>61,679,446</u>	<u>92,926,323</u>

Notes continued

for the year ended
30 June 2005

	Notes	CONSOLIDATED		SOCIETY	
		2005	2004	2005	2004
		\$	\$	\$	\$
10. LOANS AND ADVANCES					
Term loans					
Residential (owner occupied and investment)		238,929,902	206,265,709	238,929,902	206,265,709
Commercial		34,849,807	39,194,205	34,849,807	39,194,205
Personal		9,920,737	7,858,050	9,920,737	7,858,050
Overdrafts		25,809,742	29,599,790	25,809,742	29,599,790
Total loans and advances		309,510,188	282,917,754	309,510,188	282,917,754
Provision for doubtful debts	11	1,924,108	2,664,535	1,924,108	2,664,535
Net loans and advances		307,586,080	280,253,219	307,586,080	280,253,219
(a) Loans by maturity					
Overdrafts		25,809,742	29,599,790	25,809,742	29,599,790
Loans					
Not longer than 3 months		3,126,454	2,869,060	3,126,454	2,869,060
Longer than 3 and not longer than 12 months		8,628,705	8,043,945	8,628,705	8,043,945
Longer than 1 and not longer than 5 years		42,493,528	41,626,057	42,493,528	41,626,057
Longer than 5 years		229,451,759	200,778,902	229,451,759	200,778,902
		309,510,188	282,917,754	309,510,188	282,917,754
(b) Loans by security					
Secured by mortgage		293,608,577	267,615,682	293,608,577	267,615,682
Secured – other		11,245,997	14,109,355	11,245,997	14,109,355
Unsecured		4,655,614	1,192,717	4,655,614	1,192,717
		309,510,188	282,917,754	309,510,188	282,917,754
(c) Concentration of risk					
Loans from Queensland		299,509,900	278,840,694	299,509,900	278,840,694
Loans from outside Queensland		10,000,288	4,077,060	10,000,288	4,077,060
		309,510,188	282,917,754	309,510,188	282,917,754

The loan portfolio of the Society has no large exposure which exceeds 10% of the Society's capital base. The Society has an exposure to groupings of individual loans which concentrate risks and create exposure to particular segments as above.

Notes continued

for the year ended
30 June 2005

	Notes	CONSOLIDATED		SOCIETY	
		2005	2004	2005	2004
		\$	\$	\$	\$
11. PROVISION FOR DOUBTFUL DEBTS					
General provision					
Opening balance		1,796,221	1,291,221	1,796,221	1,291,221
Bad and doubtful debts provided for/(recovered) during the year		(396,221)	505,000	(396,221)	505,000
Closing balance		1,400,000	1,796,221	1,400,000	1,796,221
Specific provision					
Opening balance		868,314	1,335,369	868,314	1,335,369
Bad debts previously provided for and written off during the year		(285,594)	(736,826)	(285,594)	(736,826)
Bad and doubtful debts provided for/(recovered) during the year		(58,612)	269,771	(58,612)	269,771
Closing balance		524,108	868,314	524,108	868,314
Total provision for doubtful debts		1,924,108	2,664,535	1,924,108	2,664,535
Charge/(Recovery) to profit and loss for bad and doubtful debts comprises:					
General provision		(396,221)	505,000	(396,221)	505,000
Specific provision		(58,612)	269,771	(58,612)	269,771
		(454,833)	774,771	(454,833)	774,771

The specific provision for doubtful debts includes the provision required under the Prudential Standards at 30 June 2005, and a provision for specifically identified individual loans.

Notes continued

for the year ended
30 June 2005

30 June 2005

	Notes	CONSOLIDATED		SOCIETY	
		2005	2004	2005	2004
		\$	\$	\$	\$
12. ASSET QUALITY					
(a) Impairment of loans and advances					
Non-accrual loans					
Balances with specific provisions for doubtful debts		1,897,934	1,917,984	1,897,934	1,917,984
Specific provision for doubtful debts		(524,108)	(868,314)	(524,108)	(868,314)
Net non-accrual loans		1,373,826	1,049,670	1,373,826	1,049,670
Interest foregone on non-accrual loans		21,511	58,395	21,511	58,395
(b) Past due loans					
Balance	1(h)(ii)	732,140	1,291,858	732,140	1,291,858

13. OTHER INVESTMENTS

Shares and interest bearing notes		13,166	13,166	13,166	13,166
Controlled entities		-	-	60,587	60,587
Deposits with special service providers		550,000	550,000	550,000	550,000
		563,166	563,166	623,753	623,753

14. PARTICULARS IN RELATION TO CONTROLLED ENTITIES

Name	Country of incorporation	Percentage of equity interest held by the economic entity		Contribution to consolidated operating profit/(loss) after income tax	
		2005 %	2004 %	2005 \$	2004 \$
<i>Ultimate Holding Company:</i>					
Pioneer Permanent Building Society Limited	Australia	-	-	1,957,422	1,351,000
<i>Controlled Entities:</i>					
Pioneer Permanent Insurance Services Limited	Australia	100	100	-	-
- Ordinary Shares					
Pioneer Mortgage Insurance Pty Ltd	Australia	100	100	-	-
- Ordinary Shares					
				1,957,422	1,351,000

During the year there were no operations performed by Pioneer Permanent Insurance Services Limited and Pioneer Mortgage Insurance Pty Ltd.

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30 June 2005

	Notes	CONSOLIDATED		SOCIETY	
		2005	2004	2005	2004
		\$	\$	\$	\$
15. PROPERTY, PLANT AND EQUIPMENT					
Freehold land					
At independent valuation – June 2003	15(b)	<u>405,000</u>	<u>505,000</u>	<u>405,000</u>	<u>505,000</u>
Building on freehold land					
At cost		-	2,614	-	2,614
At independent valuation – June 2003	15(b)	<u>742,614</u>	<u>840,000</u>	<u>742,614</u>	<u>840,000</u>
Less: provision for depreciation		<u>54,566</u>	<u>31,542</u>	<u>54,566</u>	<u>31,542</u>
		<u>688,048</u>	<u>811,072</u>	<u>688,048</u>	<u>811,072</u>
Total freehold land and buildings		<u>1,093,048</u>	<u>1,316,072</u>	<u>1,093,048</u>	<u>1,316,072</u>
Leasehold improvements					
At cost		<u>332,606</u>	<u>328,767</u>	<u>332,606</u>	<u>328,767</u>
Less: provision for amortisation		<u>150,269</u>	<u>122,212</u>	<u>150,269</u>	<u>122,212</u>
		<u>182,337</u>	<u>206,555</u>	<u>182,337</u>	<u>206,555</u>
Total land and buildings		<u>1,275,385</u>	<u>1,522,627</u>	<u>1,275,385</u>	<u>1,522,627</u>
Plant and equipment					
At cost		<u>4,883,170</u>	<u>4,764,934</u>	<u>4,883,170</u>	<u>4,764,934</u>
Less: provision for depreciation		<u>3,438,126</u>	<u>3,195,641</u>	<u>3,438,126</u>	<u>3,195,641</u>
Total plant and equipment		<u>1,445,044</u>	<u>1,569,293</u>	<u>1,445,044</u>	<u>1,569,293</u>
Computer software					
At cost		<u>2,203,757</u>	<u>2,213,521</u>	<u>2,203,757</u>	<u>2,213,521</u>
Less: provision for amortisation		<u>24,137</u>	<u>884,701</u>	<u>24,137</u>	<u>884,701</u>
Total computer software		<u>2,179,620</u>	<u>1,328,820</u>	<u>2,179,620</u>	<u>1,328,820</u>
Total property, plant and equipment					
At cost		<u>7,419,533</u>	<u>7,309,836</u>	<u>7,419,533</u>	<u>7,309,836</u>
Independent valuation – June 2003	15(b)	<u>1,147,614</u>	<u>1,345,000</u>	<u>1,147,614</u>	<u>1,345,000</u>
		<u>8,567,147</u>	<u>8,654,836</u>	<u>8,567,147</u>	<u>8,654,836</u>
Less: provision for depreciation and amortisation		<u>3,667,098</u>	<u>4,234,096</u>	<u>3,667,098</u>	<u>4,234,096</u>
Total written down amount		<u>4,900,049</u>	<u>4,420,740</u>	<u>4,900,049</u>	<u>4,420,740</u>

Notes continued

for the year ended
30 June 2005

15. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) Movement in carrying amounts

Movements in carrying amount for each class of property, plant and equipment between the beginning and the end of the current financial year. The movements are identical for both the Society and the consolidated group.

	Freehold Land	Buildings	Leasehold Improvements	Plant and Equipment	Computer Software	Total
	\$	\$	\$	\$	\$	\$
Balance at the beginning of year	505,000	811,072	206,555	1,569,293	1,328,820	4,420,740
Purchases and additions	-	3,912	3,839	546,171	1,086,803	1,640,725
Disposals	(100,000)	(99,100)	-	(81,511)	(4,048)	(284,659)
Revaluation	-	-	-	-	(45,931)	(45,931)
Depreciation/ Amortisation expense	-	(27,837)	(28,057)	(588,909)	(186,023)	(830,826)
Carrying amount at the end of year	405,000	688,047	182,337	1,445,044	2,179,621	4,900,049

(b) The economic entity has a policy of revaluing all freehold land and building every 3 years by an independent valuer.

The properties located in Mackay were restated to independent valuations determined by JD Dodds FAPI (Val) on 30 June 2003. They were assessed by capitalisation of net income and direct comparison methods.

The property located in Alpha was restated to the independent valuation determined by GR Williams AAPI (Val) on 30 June 2003. It was valued based on the "Highest and Best Use" which is defined as the most profitable legal use to which the property may be put.

Notes	CONSOLIDATED		SOCIETY	
	2005	2004	2005	2004
	\$	\$	\$	\$

16. DEFERRED TAX ASSETS

Future income tax benefit	<u>767,224</u>	<u>1,095,624</u>	<u>767,224</u>	<u>1,095,624</u>
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17. INTANGIBLE ASSETS

Goodwill at cost	<u>91,183</u>	<u>91,183</u>	<u>91,183</u>	<u>91,183</u>
Less accumulated amortisation	<u>33,434</u>	<u>24,316</u>	<u>33,434</u>	<u>24,316</u>
	<u>57,749</u>	<u>66,867</u>	<u>57,749</u>	<u>66,867</u>

18. OTHER ASSETS

Prepayments	<u>525,336</u>	<u>488,385</u>	<u>525,336</u>	<u>488,385</u>
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Notes continued

for year ended
30 June 2005

	Notes	CONSOLIDATED		SOCIETY	
		2005	2004	2005	2004
		\$	\$	\$	\$
19. DEPOSITS					
Call deposits		162,360,938	144,700,919	162,421,525	144,761,506
Term deposits		261,188,994	275,485,543	261,188,994	275,485,543
		423,549,932	420,186,462	423,610,519	420,247,049
Maturity analysis					
On call		162,360,938	144,700,919	162,421,525	144,761,506
Not longer than 3 months		179,430,133	205,959,845	179,430,133	205,959,845
Longer than 3 and not longer than 12 months		72,096,616	60,740,878	72,096,616	60,740,878
Longer than 1 and not longer than 5 years		9,662,245	8,784,820	9,662,245	8,784,820
		423,549,932	420,186,462	423,610,519	420,247,049
Concentration of deposits					
Deposits from Queensland		420,886,494	417,282,047	420,947,081	417,342,634
Deposits from outside Queensland		2,663,438	2,904,415	2,663,438	2,904,415
		423,549,932	420,186,462	423,610,519	420,247,049

The Society's deposit portfolio does not include any deposit which represents 10% or more of total liabilities.

20. PAYABLES AND OTHER LIABILITIES

Trade creditors	2,006,239	2,323,294	2,006,239	2,323,294
Accrued interest payable	3,111,401	3,554,090	3,111,401	3,554,090
	5,117,640	5,877,384	5,117,640	5,877,384

Notes continued

for year ended
30 June 2005

	Notes	CONSOLIDATED		SOCIETY	
		2005	2004	2005	2004
		\$	\$	\$	\$
21. INTEREST BEARING LIABILITIES					
Term subordinated debt		9,716,439	9,716,439	9,716,439	9,716,439
Perpetual subordinated debt		7,700,000	7,700,000	7,700,000	7,700,000
		17,416,439	17,416,439	17,416,439	17,416,439
Maturity analysis					
Longer than 5 years		17,416,439	17,416,439	17,416,439	17,416,439
22. TAX LIABILITIES					
Provision for income tax		315,651	129,179	315,651	129,179
Provision for deferred income tax		128,635	67,197	128,635	67,197
		444,286	196,376	444,286	196,376
23. PROVISIONS					
Employee entitlements		578,979	450,876	578,979	450,876
Number of employees at year end (full time and casual employees)		137	131	137	131
24. CONTRIBUTED EQUITY					
10,372,847 fully paid Ordinary Shares		16,165,850	15,534,846	16,165,850	15,534,846
(2004: 10,151,404)					
Balance at beginning of the period		15,534,846	15,356,407	15,534,846	15,356,407
30 June 2004 – 62,841 Shares issued under the Society's dividend reinvestment scheme		-	178,439	-	178,439
28 September 2004 – 127,457 Shares issued under the Society's dividend reinvestment scheme		360,034	-	360,034	-
30 March 2005 – 93,986 Shares issued under the Society's dividend reinvestment scheme		270,970	-	270,970	-
Balance at end of period		16,165,850	15,534,846	16,165,850	15,534,846

Ordinary Shares participate in dividends and the proceeds in the event of the company winding up in proportion to the number of Shares held. At Shareholders' meetings where a poll or postal ballot is called, every Shareholder has one vote for each Share held.

Notes continued

for the year ended
30 June 2005

	CONSOLIDATED		SOCIETY	
	2005	2004	2005	2004
	\$	\$	\$	\$
25. RESERVES				
Contingency reserve	525,305	525,305	525,305	525,305
Asset revaluation reserve	336,768	259,098	336,768	259,098
General reserve	649,708	649,708	649,708	649,708
	1,511,781	1,434,111	1,511,781	1,434,111
Asset revaluation reserve movements during the year:				
Balance at beginning of year	259,098	259,098	259,098	259,098
Transfer of prior year revaluation decrement from asset revaluation reserve being decrement realised on sale of freehold property	77,670	-	77,670	-
	336,768	259,098	336,768	259,098
26. RETAINED PROFITS				
Retained profits at the beginning of the financial year	2,183,429	1,084,643	2,183,429	1,084,643
Net profit/(loss) attributable to members of the company	1,957,422	1,351,000	1,957,422	1,351,000
Dividends provided for or paid	(969,482)	(252,212)	(969,482)	(252,212)
Retained profits at the end of the financial year	3,171,369	2,183,431	3,171,369	2,183,431

Notes continued

for the year ended
30 June 2005

	CONSOLIDATED		SOCIETY	
	2005	2004	2005	2004
	\$	\$	\$	\$
27. DIVIDENDS				
Interim dividend paid 4.00 cents per share fully franked at the tax rate of 30% (2004: 2.50 cents per share fully franked at the tax rate of 30%)	411,154	252,212	411,154	252,212
Since the end of the financial year, the Directors have declared a final dividend of 6.00 cents per share fully franked at the tax rate of 30% (2004: 5.50 cents per share fully franked at the tax rate of 30%)	622,371	558,327	622,371	558,327
The financial effect of the final dividend has not been brought to account in the financial statements for the year ended 30 June 2005 and will be recognised in subsequent financial reports.				
Franking account				
Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and any credits that may be prevented from distribution in subsequent years	2,496,172	2,377,258	2,490,488	2,371,574
28. EXPENDITURE COMMITMENTS				
(a) Capital expenditure commitments:				
Estimated capital expenditure contracted for at balance date but not provided for				
- computer software	55,000	436,920	55,000	436,920
Payable				
- not later than 1 year	55,000	436,920	55,000	436,920
(b) Lease expenditure commitments:				
Operating leases (rental commitments)				
- not later than 1 year	670,645	639,863	670,645	639,863
- later than 1 and not later than 2 years	540,179	606,736	540,179	606,736
- later than 2 and not later than 5 years	233,722	615,000	233,722	615,000
Aggregate lease expenditure contracted for at balance date	1,444,546	1,861,599	1,444,546	1,861,599

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for the year ended
30 June 2005

29. SUPERANNUATION COMMITMENTS

The Society has established superannuation plans for the provision of benefits to employees on retirement, death and disability. Benefits provided under each plan are based on contributions plus accumulated earnings. During the year, the Society contributed to each plan in order to satisfy the requirements of the Superannuation Guarantee Charge Legislation. Employees contribute on a voluntary basis.

It is reasonably expected that funds will be available to satisfy all benefits payable in the event of:

- (i) termination of the plan; or
- (ii) voluntary or compulsory termination of the employment of each employee.

30. BANK OVERDRAFT AND OTHER LIQUIDITY FACILITIES

The Westpac Banking Corporation provided an overdraft facility with an overdrawn balance of \$2,595,524 at 30 June 2005 secured by equitable mortgages over securities financed by the Society and a deposit at 30 June 2005 of \$4,933,187. These amounts were set-off in the balance sheet. The undrawn balance available under this facility is nil.

A securitisation facility of \$50 million has been established for liquidity support purposes. At 30 June 2005, the undrawn balance available under this facility was \$48,827,820.

	CONSOLIDATED		SOCIETY	
	2005	2004	2005	2004
	\$	\$	\$	\$
31. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS				
(a) Contingent liabilities				
(i) performance guarantees provided to customers	<u>768,874</u>	<u>345,426</u>	<u>768,874</u>	<u>345,426</u>
(ii) the Society has a contingent liability in respect of encashment authorities established with its bankers				
(b) Lending commitments				
Loans and credit limits approved but undrawn	<u>24,417,063</u>	<u>23,088,346</u>	<u>24,417,063</u>	<u>23,088,346</u>

Some commitments may expire without being drawn upon. Therefore the total commitment amounts do not necessarily represent future cash requirements.

32. EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect:

- (a) the operations of the economic entity;
- (b) the results of these operations; or
- (c) the state of affairs of the economic entity in subsequent financial years.

Notes continued

for the year ended
30 June 2005

	CONSOLIDATED		SOCIETY	
	2005	2004	2005	2004
	\$	\$	\$	\$
33. EARNINGS PER SHARE				
Basic earnings per share (cents per share)	19.06	13.39	19.06	13.39
Weighted average number of Ordinary Shares on issue used in the calculation of basic earnings per share	10,271,123	10,088,563	10,271,123	10,088,563

As there were no other securities on issue during the year that could be converted to permanent Shares, diluted earnings per share is equal to basic earnings per share.

34. DIRECTORS' AND EXECUTIVES' DISCLOSURES

- (a) Names and positions held of parent entity Directors and specified executives in office at any time during the financial year are:

Parent Entity Directors

Mr C Flor	Chairman – Non-executive
Mr APF Ghusn	Deputy Chairman – Non-executive
Mr RC Deguara	Director – Non-executive
Ms VB Comino	Director – Non-executive
Mr MT Bohlscheid	Director – Non-executive
Mr GG Cerutti	Director – Non-executive

Specified Executives

Mr AA Richardson	General Manager
Mr LJ Voltz	Company Secretary/Assistant General Manager
Mr MB McLennan	Senior Manager Finance
Mr DP Tome	Senior Manager Lending
Mr JF Hocking	Senior Manager Administration

- (b) Equity Interests

The movement during the reporting period in the number of Ordinary Shares of Pioneer Permanent Building Society Limited held directly, indirectly or beneficially, by each specified Director and specified executive, including their personally related entities is as follows:

	Held at 1 July 2004	Received as Remuneration	Net Change Other*	Held at 30 June 2005
Parent Entity Directors				
Mr C Flor	659,789	-	40,970	700,759
Mr APF Ghusn	602,210	-	9,624	611,834
Mr RC Deguara	330,388	-	11,094	341,482
Ms VB Comino	313,884	-	9,207	323,091
Mr MT Bohlscheid	191,633	-	6,442	198,075
Mr GG Cerutti	43,300	-	-	43,300
Specified Executives				
Mr LJ Voltz	155,633	-	5,826	161,459
Mr JF Hocking	9,141	-	309	9,450

* Net change other refers to Shares purchased or sold during the financial year.

Notes continued

for the year ended

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34. DIRECTORS' AND EXECUTIVES' DISCLOSURES (cont'd)**(c) Debt Security Interests**

The number of debt securities in which Directors and specified executives had an interest at 30 June 2005 was:

Directors/Executives	Pioneer Income Notes	Subordinated Capital Notes
Parent Entity Directors		
Mr C Flor	600	150,000
Mr APF Ghusn	740	-
Mr RC Deguara	500	-
Ms VB Comino	1,000	-
Mr MT Bohlscheid	-	-
Mr GG Cerutti	-	-
Specified Executives		
Mr LJ Voltz	170	-

(d) Director and Executive Remuneration

Details of remuneration of Directors and executives are contained in the Directors' Report.

(e) Loans and other transactions with specified Directors and specified executives

ASIC issued a class order 98/110 dated 10 July 1998 (as amended by class order 04/665 dated 15 July 2004) exempting Australian financial institutions from providing details of financial instrument transactions with related parties (other than specified Directors and specified executives) entered into in the ordinary course of business and on an arms length basis.

Details regarding loans outstanding at the reporting date to specified Directors and specified executives, where the individual's aggregate loan balance exceeds \$100,000 at any time in the reporting period are as follows:

	Balance 1 July 2004	Balance 30 June 2005	Interest paid and payable in the reporting period	Highest balance in period
Specified Directors				
None				
Specified Executives				
Mr LJ Voltz	306,177	638,786	44,116	644,459

Financial instrument transactions with specified Directors, executives and Director and executive related entities during the financial year were on normal terms and conditions and are no more favourable than those available to other parties, unless otherwise stated.

Notes continued

for the year ended
30 June 2005

Other transactions with the Society or its controlled entities were:

- (i) motor vehicle fleet dealings with Carlisle Motors Pty Ltd, a company for which Mr RC Deguara is a Director. The amount paid to Carlisle Motors Pty Ltd for the year totalled \$158,528 (2004: \$67,861);
- (ii) the partnership of Coscer Accountants, of which Mr GG Cerutti is a partner, was paid commission of \$92,567 (2004: \$100,626) for the period, for acting as the agent of the Society in Ingham. These amounts were in accordance with the normal terms and conditions of the agency commission paid by the Society;
- (iii) rental of business premises from a partnership which includes Mr C Flor totalled \$nil (2004: \$15,000) for the year;
- (iv) deposits lodged with the chief entity on normal customer terms by Directors and related entities; and
- (v) insurance policies placed on normal customer terms on behalf of Directors and related entities by the controlled entity.

	CONSOLIDATED		SOCIETY	
	2005	2004	2005	2004
	\$	\$	\$	\$
35. AUDITORS' REMUNERATION				
Amounts received or due and receivable by the auditors of Pioneer Permanent Building Society Limited for:				
- an audit or review of the financial statements of the entity and any other entity in the economic entity	65,728	62,018	65,728	62,018
- other services in relation to the entity and any other entity in the economic entity	5,960	5,734	5,960	5,734
	<u>71,688</u>	<u>67,752</u>	<u>71,688</u>	<u>67,752</u>

36. ECONOMIC DEPENDENCY

The Society has an economic dependency on the Mackay region, which is the source of most of its deposits and loans. This economic dependency will reduce as the Society further expands its operations to other areas of Queensland.

37. SEGMENT INFORMATION

Business Segments

The consolidated entity's operations comprise one segment, being the provision of financial services.

Geographic Segments

The consolidated entity's business segment operates in Australia, with the majority of business being in Queensland.

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for the year ended
30 June 2005

38 FINANCIAL INSTRUMENTS**(a) Terms, conditions and accounting policies**

The economic entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at balance date, are as follows:

Recognised Financial Instruments	Balance Sheet Notes	Accounting Policies	Terms and Conditions
(i) Financial assets			
Receivables due from other financial institutions	7	Receivables due from other financial institutions are stated at cost. Further details are shown in Note 1 (g).	Receivables due from other financial institutions comprise term deposits with Banks and other Building Societies, having various terms to maturity.
Investment securities	9	Investment securities are carried at amortised cost. Amortised cost is calculated by taking into account the discount or premium on acquisition. Interest revenue is recognised on an effective yield basis.	All investment securities can be sold prior to maturity. Floating rate notes with a face value of \$2,000,000 have a term to maturity of no more than 12 months. All other investments have maturity dates of less than 1 year.
Loans and advances	10	Loan interest is calculated on the daily balance outstanding and is charged in arrears to a customer's account on the last day of each month. Loans and advances are recorded at their recoverable amount.	The majority of loans are written over a maximum term of 30 years with principal and interest repayments. All overdrafts are reviewed on an annual basis. Security details are provided in Note 10 (b).
Other investments	13	Shares and Notes are carried at the lower of cost or recoverable amount. Dividend/Interest income is recognised when it is received. Deposits with special service providers are carried at face value.	Most of the Shares and Notes held are in organisations that are associated with the Society or in the same industry, and as such are considered to be long term investments. Funds are on deposit with special service providers to cover settlements for electronic transactions.

Notes continued

for the year ended
30 June 2005

(a) Terms, conditions and accounting policies (cont'd)

The economic entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at balance date, are as follows:

Recognised Financial Instruments	Balance Sheet Notes	Accounting Policies	Terms and Conditions
(ii) Financial liabilities			
Deposits	19	Deposits are recorded at the principal amount.	Details of maturity terms are set out in Note 19. Interest is calculated on the daily balance outstanding.
Payables and other liabilities	20	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity.	Trade liabilities are normally settled on 30 day terms.
Subordinated debt	21	<p>Term subordinated debt is carried at the principal amount.</p> <p>Perpetual subordinated debt is carried at the principal amount.</p>	<p>Term subordinated debt has a maturity of 10 years with interim maturity dates commencing at 5 years. The first interim maturity date is 25 January 2007.</p> <p>Perpetual subordinated debt (Pioneer Income Notes) does not have a maturity date. The Society has the right to exchange each Pioneer Income Note for its face value of \$100 (plus any outstanding accrued interest) at any time after 25 October 2004.</p>

Notes continued

for the year ended
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(b) Interest rate risk

The economic entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Variable interest rate		Fixed interest rate maturing:						Non-interest bearing		Total carrying amount as per the balance sheet		Weighted average effective interest rate	
			Within 1 year		1 to 5 years		Over 5 years							
	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	2005 %	2004 %
(i) Financial assets														
Cash and liquid assets	10,903,162	6,225,409	-	-	-	-	-	-	3,763,935	3,775,825	14,667,097	10,001,234	5.26	4.97
Receivables due from other financial institutions	-	-	75,287,826	71,500,000	-	-	-	-	-	-	75,287,826	71,500,000	5.88	5.63
Investment securities	-	-	61,679,446	90,924,308	-	2,002,015	-	-	-	-	61,679,446	92,926,323	5.75	6.23
Loans and advances	233,429,644	220,463,364	21,585,474	17,248,173	52,143,188	42,130,219	427,774	259,433	-	152,030	307,586,080	280,253,219	7.31	7.31
Other investments	550,000	550,000	-	-	-	-	-	-	13,166	13,166	563,166	563,166	5.50	5.25
Total financial assets	244,882,806	227,238,773	158,552,746	179,672,481	52,143,188	44,132,234	427,774	259,433	3,777,101	3,941,021	459,783,615	455,243,942		

Notes continued

for the year ended

30 June 2005

(b) Interest rate risk (cont'd)

Financial Instruments	Variable interest rate		Fixed interest rate maturing:						Non-interest bearing		Total carrying amount as per the balance sheet		Weighted average effective interest rate	
			Within 1 year		1 to 5 years		Over 5 years							
	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2003 \$	2005 \$	2004 \$	2005 \$	2004 \$	2005 %	2004 %
(ii) Financial liabilities														
Deposits	162,360,938	144,700,919	251,526,749	266,700,723	9,662,245	8,784,820	-	-	-	-	423,549,932	420,186,462	4.05	4.08
Payables and other liabilities	-	-	-	-	-	-	-	-	5,117,640	5,877,384	5,117,640	5,877,384	n/a	n/a
Subordinated debt	-	-	17,416,439	17,416,439	-	-	-	-	-	-	17,416,439	17,416,439	7.42	7.17
Interest rate swaps	(10,000,000)	(10,000,000)	(10,000,000)	-	20,000,000	10,000,000	-	-	-	-	*	*	**	**
Total financial liabilities	152,360,938	134,700,919	258,943,188	284,117,162	29,662,245	18,784,820	-	-	5,117,640	5,877,384	446,084,011	443,480,285		

n/a not applicable for non-interest bearing financial instruments
 * not applicable since financial instruments are not recognised in the financial statements
 ** the disclosure of effective interest rates is not applicable to derivative financial instruments

Notes continued

for the year ended
30 June 2005

(c) Net fair values

	Total carrying amount as per the balance sheet		Aggregate net fair value	
	2005	2004	2005	2004
(i) Financial assets				
Cash and liquid assets	14,667,097	10,001,234	14,667,097	10,001,234
Receivables due from other financial institutions	75,287,826	71,500,000	75,419,501	72,029,817
Investment securities	61,679,446	92,926,323	62,610,232	93,721,196
Loans and advances	307,586,080	280,253,219	305,659,603	279,239,025
Other investments	563,166	563,166	563,166	563,166
Total financial assets	459,783,615	455,243,942	458,919,599	455,554,438
(ii) Financial liabilities				
Deposits	423,549,932	420,186,462	423,549,932	420,186,462
Payables and other liabilities	5,117,640	5,877,384	5,117,640	5,877,384
Dividends payable	-	-	-	-
Subordinated debt	17,416,439	17,416,439	17,416,439	17,416,439
Interest rate swaps	*	*	*	*
Total financial liabilities	446,084,011	443,480,285	446,084,011	443,480,285

* not applicable as derivative financial instruments are not recognised in the financial statements.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities

Recognised financial instruments

Cash, liquid assets and deposits
service providers:

The carrying amount approximates fair value because of with special their short term to maturity or are receivable on demand.

Receivables due from other financial
investments securities:

The fair value is determined by reference to the current institutions and market value of another instrument which is substantially the same.

Loans and advances:

The fair values of loans receivable, excluding impaired loans, are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending agreements.

Unlisted Shares:

The carrying amount approximates fair value.

Deposits:

The carrying amount approximates their fair value as they are short term in nature.

Term subordinated debt:

The value is determined by reference to the current quoted market price.

Perpetual subordinated debt:

The value is determined by reference to the current quoted market price.

(d) Credit risk exposures

The economic entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet.

In relation to unrecognised financial assets, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement.

Concentrations of credit risk

The Society has clearly defined policies and procedures for the approval and management of credit risk. The Society minimises concentrations of credit risk in relation to loans receivable by undertaking transactions with a large number of customers within a specified category. However, at present security in relation to loans is concentrated in Queensland.

Credit risk in loans receivable is managed in the following ways:

- a risk assessment process is used for all customers;
- mortgage insurance is obtained where possible; and
- appropriate loan security is taken and appropriate loan insurance cover in respect of that security is required.

Loan exposures are disclosed in Note 10.

(e) Hedging instruments

The Society is exposed to interest rate fluctuations to the extent that the Society has a difference of interest earning assets and the amount of interest bearing liabilities that reprice in differing periods. The senior management of the Society is responsible for implementing strategies to manage this risk within limits set by the Directors. One of the strategies has been the use of interest rate swaps. At 30 June 2005 the Society had in place interest rate swaps to the value of \$20,000,000 in which the Society pays a fixed rate and receives a variable rate of interest. The Society does not enter into transactions involving derivative financial instruments other than for hedging risk.

Directors' Declaration

The Directors of Pioneer Permanent Building Society Limited declare that:

1. The financial statements and notes of the Society and of the Consolidated Entity, as set out on pages 10 to 42, are in accordance with the Corporations Act 2001 and:
 - (a) comply with the Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2005 and of the performance for the year ended on that date of the company and the economic entity.
2. The persons performing the Chief Executive Officer and Chief Financial Officer functions have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with Section 286 of the Corporation Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. 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.

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

APF Ghusn
Deputy Chairman

Dated this 23rd day of August 2005

Independent Audit Report

TO THE MEMBERS OF PIONEER PERMANENT BUILDING SOCIETY LIMITED

Scope

We have audited the financial report of Pioneer Permanent Building Society Limited and controlled entities for the financial year ended 30 June 2005 comprising Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, Notes to and forming part of the Financial Statements, Directors' Declaration and the Remuneration Report contained within the Directors' Report.

The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's Directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Independence

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration included in the Director's Report has not changed as at the date of providing our audit opinion.

Audit Opinion

In our opinion, the financial report of Pioneer Permanent Building Society Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date;
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

S.H. Tait & Co

LE Manning
Partner
Mackay Qld
23 August 2005

7 CORPORATE GOVERNANCE

The Board of Directors of Pioneer is responsible for the corporate governance of Pioneer. This statement summarises the main corporate governance practices that have been established by the Board to ensure the interests of Shareholders are protected and the confidence of the investment market in the Society is maintained.

In addition, as an authorised deposit-taking institution, the Society has procedures in place to protect the interests of depositors.

Principles of Good Corporate Governance and Best Practice Recommendations

On 31 March 2003, the ASX Corporate Governance Council ("Council") published a document entitled 'Principles of Good Corporate Governance and Best Practice Recommendations'.

The document sets out 10 core principles and 28 best practice recommendations for good corporate governance and includes guidelines to assist companies in complying with the principles and best practice recommendations.

All ASX listed companies are required to disclose the extent to which they have followed these principles and best practice recommendations.

Although the Society has not previously been listed on the ASX, the Board has developed and implemented corporate governance practices over many years which are consistent with the principles and best practice recommendations published by the Council. However at this stage the Society does not satisfy all the Council's recommendations.

This Section contains a table setting out departures from the recommendations which should be disclosed to Shareholders.

It is expected that during 2006, APRA will impose corporate governance standards on the Society in excess of those recommended by Council. The Society will continue to report on its compliance with the ASX recommendations.

7.1 CORPORATE GOVERNANCE PRACTICES

COMPOSITION OF THE BOARD

The Board of Directors consists of 6 Directors, all of which are non-executive Directors. The Board comprises Directors with an appropriate range of qualifications and experience. The name of the Directors, including details of their qualifications and experience, are set out in the Directors' Report section of the Annual Report.

The Company's Constitution provides that at each Annual General Meeting, one third of the Directors shall retire from office but will be eligible for re-election.

ROLE OF THE BOARD

The Board is accountable to Shareholders for the performance of Pioneer and has overall responsibility for its operations. The key functions and responsibilities of the Board include:

- Approving the strategic direction of the company
- Approving business plans, capital management plans and annual budgets
- Monitoring management performance in the implementation and achievement of strategic and business objectives and financial performance

- Ensuring business risks are identified and appropriate systems are implemented to manage those risks and monitor compliance
- Reviewing and approving major items of capital expenditure
- Ensuring financial results are accurately reported on a timely basis
- Appointing and, if necessary, removing the General Manager, determining his or her remuneration, setting terms and conditions of employment and assessing performance

BOARD COMMITTEES

The Board has established two Committees to assist and support the Board in the conduct of its duties and obligations.

Audit and Compliance Committee

The main responsibilities of the Audit and Compliance Committee are to:

- Formulate specific operational policy guidelines in relation to internal auditing
- Review the work and performance of the Internal Auditor and External Auditor
- Review and approve the Internal Auditor's work program
- Review the terms of the External Auditor's engagement each year
- Evaluate the independence of the External Auditor and ensure that non-audit services provided by the External Auditor do not adversely impact auditor independence

In fulfilling its responsibilities, the Audit and Compliance Committee:

- Receives regular reports from the Internal Auditor in connection with the internal audit work program
- Meets regularly with the Internal Auditor, including meetings without management present
- Meets with the External Auditor at least twice yearly and more frequently if necessary
- Provides the Internal Auditor and External Auditor with a clear line of communication to either the Chairman of the Audit Committee or the Chairman of the Board

Risk Committee

The main responsibilities of the Risk Committee are to:

- Establish the Society's view on future interest rate movements
- Review and approve policies and procedures to identify, assess, manage and mitigate business risk including interest rate risk, liquidity risk, credit risk and operational risk
- Set limits in relation to portfolio concentration, areas of exposure and approval authorities

In fulfilling its responsibilities, the Risk Committee:

- Meets regularly to evaluate the adequacy and effectiveness of the risk management framework
- Receives reports from management on any areas identified as not complying with risk management policy

CODE OF CONDUCT

Directors, management and staff are expected to perform their duties in a professional manner and act with the highest levels of integrity and objectivity, striving at all times to enhance the reputation and performance of Pioneer.

The Board has adopted a Code of Conduct which sets out principles to be followed by Directors, management and staff.

CONTINUOUS DISCLOSURE

The Society will immediately notify the market, by announcement to the NSX, of any information concerning the Society that a reasonable person would expect to have a material effect on the price or value of the Society's securities, as soon as the Society becomes aware of such information.

Following notification to the NSX, copies of all announcements are mailed to Shareholders and are also disclosed on the Society's website at www.pioneeronline.com.au.

DEALINGS IN COMPANY SECURITIES

The Society has a policy prohibiting Directors and senior management from dealing in the company's securities whilst in possession of price-sensitive information that is not generally available to the market. Subject to this prohibition, Directors and senior management may trade in securities in the Society during the 6 week periods commencing 24 hours after:

- announcement of half-year and annual financial results; or
- the Annual General Meeting.

Directors and senior management must obtain approval in accordance with the policy for trading outside the above periods.

Directors and senior management are to advise the Company Secretary in writing of details of all completed transactions in the Society's securities. Details of such transactions are reported to the next Board meeting.

CORPORATE REPORTING

The General Manager and Financial Controller have provided a written statement to the Board certifying that the Society's financial reports present a true and fair view, in all material aspects, of the Society's financial condition and operational results and are in accordance with relevant accounting standards.

7.2 ASX CORPORATE GOVERNANCE RECOMMENDATIONS TABLE

Principle	Compliance
1. Lay solid foundation for management and oversight	
1.1 Formalise and disclose the functions reserved to the Board and those delegated to management.	Yes
2. Structure the Board to add value	
2.1 A majority of the Board should be independent Directors.	Yes
2.2 The chairperson should be an independent Director.	Yes
2.3 The roles of chairperson and Chief Executive Officer should not be exercised by the same individual.	Yes
2.4 The Board should establish a Nomination Committee.	No ¹
2.5 Provide related disclosures.	Yes
3. Promote ethical and responsible decision making	
3.1 Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to:	Yes
3.1.1 the practices necessary to maintain confidence in the company's integrity; and	Yes
3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes
3.2 Disclose the policy concerning trading in company securities by Directors, officers and employees.	Yes
3.3 Provide related disclosures.	Yes
4. Safeguard integrity of financial reporting	
4.1 Require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the Board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.	Yes
4.2 The Board should establish an Audit Committee.	Yes
4.3 Structure the Audit Committee so that it consists of: <ul style="list-style-type: none"> • only non-executive Directors • a majority of independent Directors • an independent chairperson, who is not chairperson of the Board • at least three members 	Yes
4.4 The Audit Committee should have a formal charter.	Yes

4.5 Provide related disclosures.	Yes
5. Making timely and balanced disclosure	
5.1 Establish written policies and procedures designed to ensure compliance with the ASX Listing Rules disclosure requirements and to ensure accountability at a senior management level for that compliance.	Yes
5.2 Provide related disclosures.	Yes
6. Respect the rights of Shareholders	
6.1 Design and disclose a communications strategy to promote effective communication with Shareholders and encourage effective participation.	Yes
6.2 Request the External Auditor to attend the AGM and be available to answer Shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	Yes
7. Recognise/Manage risk	
7.1 The Board or appropriate Board Committee should establish policies on risk oversight and management.	Yes
7.2 The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in writing that:	
7.2.1 The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.	Yes
7.2.2 The company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	Yes
7.3 Provide related disclosures.	Yes
8. Encourage enhanced performance	
8.1 Disclose the process for performance evaluation of the Board, its Committees and individual Directors, and key executives.	No ²
9. Remunerate fairly and responsibly	
9.1 Provide disclosure in relation to the company's	Yes

remuneration policies to enable investors to understand the costs and benefits of those policies and the link between remuneration paid to Directors and key executives and corporate performance.	
9.2 The Board should establish a Remuneration Committee.	No ³
9.3 Clearly distinguish the structure of non-executive Directors' remuneration from that of executives.	Yes
9.4 Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by Shareholders.	Yes
9.5 Provide related disclosures.	Yes
10. Recognise the legitimate interests of stakeholders	
10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	Yes

Notes

1. The Board does not consider a Nomination Committee is warranted in view of the size of the company.
2. The company does not have a formal process for performance evaluation of the Board, its committees and individual Directors. The performance of key executives is assessed against prescribed objectives.
3. The Board does not consider a Remuneration Committee is warranted in view of the size of the company.

8 CONSTITUTION AND SHARE TERMS AND CONDITIONS

8.1 Society Constitution

A copy of the Constitution may be inspected at the registered office or can be requested by telephoning (07) 4957 0800. The Constitution details, among other things, the rights and restrictions on Ordinary Shares in the Society.

8.2 Rights attaching to Ordinary Shares

Ordinary Shares attract the following rights, privileges and conditions:

- (a) the right to receive notice of, attend and vote at all general meetings of the Society;
- (b) the right to receive dividends; and
- (c) the right, in a winding up, to participate equally in the distribution of the assets of the Society (both capital and surplus), subject only to any amounts unpaid on the Ordinary Share.

8.3 Stock Exchange Listing Rules

- (a) After listing on the ASX, the ASX Listing Rules will prevail over the Constitution so that if the Listing Rules prohibit an act, the act must not be done, and nothing in the Constitution will prevent an act being done that the Listing Rules require to be done.
- (b) If there is a conflict between the Corporations Act and the Listing Rules, the Corporations Act will prevail.

8.4 Issue of Shares

Subject to the Corporations Act and the Constitution, the Directors may issue or dispose of Shares to persons:

- (a) on terms determined by the Directors;
- (b) at the issue price that the Directors determine; and
- (c) at the time that the Directors determine.

8.5 Substantial Share Holdings

In accordance with Part 6C of the Corporations Act, the Society shall require any applicant for Shares to declare as to whether or not they are a substantial Shareholder as defined by the law and as to whether or not that member, in conjunction with any associates, will hold an interest prescribed by law or required by law to be declared and recorded. The Society shall keep a register of all substantial Shareholders and substantial Share holdings.

8.6 Joint Holders

If two or more persons are registered as the holders of a Share, they are taken to hold the Share as joint tenants with benefit of survivorship and the person whose name appears first on the register is the only joint holder entitled to receive notices from the Society.

Any one of the joint holders of a Share may give an effective receipt for any dividend or return of capital payable to the joint holders.

Except in the case of holdings approved by the Directors, the Society is entitled to:

- (a) only record the names of the first three joint holders of a Share on the register;
- (b) regard the three joint holders of a Share appearing first on the register as the registered holders of that Share to the exclusion of any other holders; and
- (c) disregard the entitlement of any person to be registered on the register as a holder if the name of the person would appear on the register after the first three holders of that share.

8.7 Deductions from Dividends

The Directors may deduct from a dividend payable to a member all sums presently payable by the member to the Society on account of calls or otherwise in relation to Shares in the Society.

8.8 Payment

Any dividend or other money payable in respect of Shares may be paid by cheque sent through the mail directed to:

- (a) the address of the member shown in the register or to the address of the joint holder of Shares shown first in the register; or
- (b) an address which the member or joint holders has in writing notified the Society as the address to which dividends should be sent.

Any joint holder may give an effectual receipt for any dividend or other money paid in respect of Shares held by holders jointly.

8.9 Election to Accept Shares in Lieu of Dividend

The Dividend Reinvestment Scheme established by the Society on 13 February 1997 was suspended on 22 July 2005 until further notice due to the strength of the Society's capital position.

8.10 Unclaimed Dividends

All dividends unclaimed for one year after the time for payment has passed may be invested by the Directors as they think fit for the benefit of the Society until claimed or until required to be dealt with in accordance with any law relating to unclaimed money.

8.11 Buying Shares

After listing on the ASX, any Shareholder who wishes to increase their holding can purchase Shares on the ASX.

The Directors may, in accordance with the constitution, refuse to register a transfer of securities in certain circumstances. For example, registration may be refused if the 15% ownership limit under the Financial Sector (Shareholdings) Act 1998 is breached.

Overview

Pioneer Income Notes are unsecured debentures issued by the Society. They are not deposits in, nor Shares issued by, the Society. They have a face value of \$100 each.

They do not have a nominated maturity date. The Society has the right to repurchase the Notes by giving the appropriate notice and paying Noteholders the face value of the Notes plus any accrued interest.

The Notes are subordinated to depositors: they rank behind depositors and other creditors on a winding up but ahead of Shareholders.

Interest at the 90 day bank bill rate plus 2% per annum on the face value is payable and reset quarterly.

The full terms and conditions applying to the Pioneer Income Notes at issue are set out below.

The Pioneer Income Notes offered by Pioneer Permanent Building Society Limited will be issued upon and subject to the following terms and conditions.

1 DEFINITIONS AND INTERPRETATIONS

1.1 Definitions

In these Pioneer Income Note conditions:

“Society”	means Pioneer Permanent Building Society Limited
“Business Day”	means any day on which all banks are open for business generally in Queensland and New South Wales
“Corporations Law”	has the meaning given to that expression in the Corporations (Queensland) Act 1990
“Date of Application Receipt”	means, in relation to each Pioneer Income Note, the date upon which the application monies for the Pioneer Income Notes were received by the Society (or its agent for this purpose)
“Date of Issue”	means the date the Pioneer Income Notes are allotted and issued by a resolution of the Board of Directors of the Society
“Face Value”	means \$100 in respect of each Pioneer Income Note
“Financial Year”	means a period of 12 months commencing on 1 July and ending on 30 June in the following calendar year
“First Standard Interest Period”	means the period from the allotment date to the first interest calculation date inclusive
“Interest Calculation Date”	means each of the allotment date and each subsequent 25 January, 25 April, 25 July, and 25 October prior to and including the date on which the Pioneer Income Notes are redeemed in accordance with these Pioneer Income Note conditions

“Interest Payment Date”	means:
	<ul style="list-style-type: none"> a) in relation to the special interest period – the allotment date; and b) in relation to the first standard interest period, or a standard interest period - on or before 10 business days after the relevant interest calculation date
“Interest Period”	means the special interest period, the first standard interest period or a standard interest period
“Interest Rate”	means:
	<ul style="list-style-type: none"> a) during the special interest period – 4.25% per annum; b) during the first 12 months following allotment – the 90 day bank bill rate and 2% per annum or 6.9% per annum, whichever is the greater; and c) during a standard interest period – the 90 day bank bill rate and 2% per annum
“Interest Rate Determination Date”	means:
	<ul style="list-style-type: none"> a) in relation to the first standard interest period – the allotment date; and b) in relation to each subsequent interest period – each 25 October, 25 January, 25 April and 25 July, prior to and (if applicable) including the date on which the Pioneer Income Notes are redeemed in accordance with these Pioneer Income Note conditions
“Pioneer Income Noteholder”	means, in respect of a Pioneer Income Note, a person whose name is for the time being entered as the, or a, holder of that Pioneer Income Note in the register and includes that person’s executors and administrators
“Permanent Shares”	means fully paid Ordinary Shares in the capital of the Society
“Prospectus”	means the prospectus offering the Pioneer Income Notes dated 13 September 1999
“Quarter”	mean each consecutive period of 3 calendar months
“Record Date”	means, in relation to an interest payment, 10 business days before the interest calculation date
“Register”	means each register of Pioneer Income Noteholders kept and maintained under Clause 3.1
“Registered Address”	means, in relation to a Pioneer Income Noteholder, the address of that Pioneer Income Noteholder as is for the time being shown in the register

“Special Interest Calculation Date”	means the allotment date
“Special Interest Payment”	means the payment to be made under Clause 4.3
“Special Interest Period”	means the period from the day after receipt of the application to the allotment date
“Standard Interest Period”	means each consecutive quarter from 25 October 1999
“Tax Act”	means the Income Tax Assessment Act 1936 (Commonwealth) and the Income Tax Assessment Act 1997 (Commonwealth) as amended or re-enacted from time to time
“Tax Change”	means: <ul style="list-style-type: none"> a) any amendment, modification or replacement of the Tax Act; b) the announcement of any proposed amendment, modification or replacement of the Tax Act by the Commissioner of Taxation of the ATO or by the Treasurer or any other responsible Minister of the Crown; c) a decision of any Court of competent jurisdiction or any Administrative Appeals Tribunal; or d) any announcement or ruling by the Commissioner of Taxation or the ATO of, or any assessment from the Commissioner of Taxation disclosing any change in the interpretation or administration of the Tax Act or of any legislation replacing that Act by the Commissioner of Taxation

1.2 INTERPRETATION

In these Pioneer Income Note conditions, unless the context otherwise requires:

- a) Reference to clauses are to clauses of these Pioneer Income Note conditions
- b) A reference to ‘\$’ is to an amount in Australian currency
- c) A reference to a date or time is to that date or time in Brisbane
- d) A reference to any legislation, rules or instruments is to such legislation, rules or instruments as modified, consolidated, amended, re-enacted or replaced from time to time
- e) The singular includes the plural and vice versa, references to any gender include all genders and where a word or expression is defined, other parts of speech in respect of that word (or expression) have corresponding meanings.

2 NOTES

2.1 Pioneer Income Note Conditions

The Pioneer Income Notes will be held with the benefits of and subject to these Pioneer Income Note conditions, and these Pioneer Income Note conditions will be binding on the Society and the Pioneer Income Noteholders and all persons claiming through or under them respectively.

2.2 Certificates/Statements

The Society is not obliged to issue certificates evidencing title to the Pioneer Income Notes. The Society will issue notices, statements or certificates relating to Pioneer Income Note holdings.

2.3 Subordination

a) Pioneer Income Notes are designed to absorb losses where the Society would not otherwise be solvent and accordingly the Pioneer Income Noteholders are to be (as far as practicable and subject to any applicable law) treated as if, in the event of a winding up of the Society and with effect from the date immediately preceding:

- (i) The date an application is made to any Court for the winding up of the Society on the grounds of insolvency.
- (ii) Unless paragraph (i) applies, the date that a meeting of creditors or members of the Society resolves that the Society be wound up.
- (iii) In any other case, the date of commencement of the winding up for the purposes of the Corporations Law.

they were in respect of each Pioneer Income Note the holders of one preference share ranking in priority to all other classes of Shares as to repayment of capital equal to the face value and accrued but unpaid interest, but otherwise to have no other rights (and in particular no right to participate in surplus assets or profits).

b) To give full effect to clause 2.3(a):

- (i) Notwithstanding any other provisions of these Pioneer Income Note conditions, the rights of Pioneer Income Noteholders against the Society are subordinated in right of payment to the claims of all of the creditors of the Society (other than those creditors whose claims are expressed or required by law to rank equally with or after the claims of Pioneer Income Noteholders) in the manner set out in clause 2.3(b)(ii).
- (ii) The obligations of the Society to Pioneer Income Noteholders in respect of monies owing pursuant to the Pioneer Income Notes and these Pioneer Income Note conditions constitute direct, unsecured and general obligations of the Society and, in the event of a winding up of the Society, rank for payment:
 - before any obligation of the Society to:
 - a Shareholder of the Society; or
 - persons whose claims are expressed or required by law to rank after the claims of Pioneer Income Noteholders; and

- equally with any obligation of the Society expressed to rank equally with the Pioneer Income Notes; and
 - equally amongst themselves; but after
 - payment of any other obligations of the Society (including without limitation, obligations to repay and to pay interest on, deposit liabilities of the Society and obligations to other subordinated creditors); and
 - payments required by law to be made in priority.
- c) Payment in accordance with the foregoing provisions of this clause will be to full and final satisfaction of the obligations to the Pioneer Income Noteholders in respect of the Pioneer Income Notes.
- d) Once payment has been made with the foregoing provisions of this Clause 2.3, the Pioneer Income Noteholders will release the Society from any further liability in respect of the Pioneer Income Notes.

2.4 Not Deposit Liabilities

Pioneer Income Notes do not represent deposit liabilities of the Society.

2.5 Issue

Each Pioneer Income Note shall:

- a) be issued at face value; and
- b) be paid for in full from the monies received on application.

3 TITLE AND TRANSFER

3.1 The Register

- a) The Society will establish and maintain, or cause to be established and maintained, a register or registers of Pioneer Income Noteholders at its offices or at such other place or places as the Society may from time to time determine.
- b) In each register there will be entered the names and addresses of Pioneer Income Noteholders whose Pioneer Income Notes are registered on that register, the number of Notes held by each such Pioneer Income Noteholder and such other particulars as the Society thinks fit.
- c) Where there is more than one register, Pioneer Income Noteholders may elect as to the register on which their Notes will for the time being be registered. If no election is made, the Pioneer Income Notes will be registered on such register as the Society may decide.
- d) All registers must be open during business hours to the inspection of any Pioneer Income Noteholder, any person authorised in writing by any Pioneer Income Noteholder and any other person permitted by law.
- e) Where there is more than one register, Pioneer Income Notes will be transferred from one register to another register without fee on the written request of a Pioneer Income

Noteholder subject to the payment by the Pioneer Income Noteholder of any stamp duty involved.

- f) The Society may delegate to attorneys or agents such powers, authorities and discretions as are conferred on it under these Pioneer Income Note conditions.
- g) The property in the Notes shall for all purposes be regarded as situated at the place where the register on which the Pioneer Income Notes are for the time being registered is situated and not elsewhere.

3.2 Pioneer Income Noteholders

- a) Unless otherwise provided in these Pioneer Income Note conditions, the Society will recognise the Pioneer Income Noteholder as the absolute owner of Pioneer Income Notes registered in that person's name, and all persons may act accordingly.
- b) Except as otherwise provided in these Pioneer Income Note conditions or as ordered by a court of competent jurisdiction or required by law, the Society is not bound to take notice of, or to enter upon the register, any trust, encumbrance or equity affecting the ownership of any Pioneer Income Notes.
- c) There must not be more than three joint Pioneer Income Noteholders of any Pioneer Income Note except in the case of the legal personal representatives of a deceased Pioneer Income Noteholder.
- d) The executors and administrators of a deceased Pioneer Income Noteholder (not being one of several joint Pioneer Income Noteholders) shall be the only persons recognised by the Society as having any title to or interest in their Pioneer Income Notes.
- e) Any person becoming entitled to Pioneer Income Notes in consequence of the death, unsoundness of mind, bankruptcy or liquidation of any Pioneer Income Noteholder (upon production of such evidence satisfactory to the Society that that person is so entitled) may become registered as having any title to or interests in their Pioneer Income Notes.
- f) The Society will be at liberty to retain any amounts payable in respect of any Pioneer Income Notes to which any person under clause 3.2(f) is entitled until such person is registered as the Pioneer Income Noteholder or, subject to the conditions as to transfer, may transfer such Pioneer Income Notes.

3.3 Transfers

- a) Pioneer Income Notes may be transferred by a Pioneer Income Noteholder in accordance with the Corporations Law, or in any other manner permitted by law.
- b) No fee will be charged for the registration of a transfer.
- c) The transferor remains the owner of the Pioneer Income Notes until the name of the transferee is entered in the register in respect of such Pioneer Income Notes.
- d) On registration of the transfer of the Pioneer Income Notes, the transferee will be recognised as entitled to the Pioneer Income Notes free from any equity, set-off or cross-claim of the Society against the transferor.

4 INTEREST

4.1 Interest Rate

While a Pioneer Income Note is on issue, interest will accrue from day-to-day on the face value of the Pioneer Income Note at the interest rate based on a 365 day year.

4.2 Interest Calculation and Payment

Interest will be calculated for each interest period in arrears on each interest calculation date. Interest will be paid to persons who are Pioneer Income Noteholders as at the relevant record date on the relevant interest payment date.

4.3 Special Interest Payment

On the allotment date, interest will be calculated in arrears at the interest rate for the special interest period (the special interest payment). The special interest payment, in relation to each Pioneer Income Note, will be paid to the Pioneer Income Noteholder first registered as such in relation to the Pioneer Income Note on the date of issue, on the relevant interest payment date.

4.4 Deferral of Payment of Interest

- a) The Society may, in its absolute discretion, defer the payment of interest payable on any interest payment date in a financial year if:
 - (i) the Society has not paid or declared a dividend on its permanent Shares in the previous financial year; or
 - (ii) the Board of Directors of the Society has resolved not to pay a dividend on its permanent Shares in that financial year.
- b) Subject to Clause 4.4(c), such interest will accumulate (but not compound) and will be paid on the next interest payment date on which interest is payable in accordance with these Pioneer Income Note conditions.
- c) Interest may be deferred more than once under Clause 4.4(a).

5 REPAYMENT OF PRINCIPAL

5.1 Perpetual

Subject to these Pioneer Income Note conditions, the term of the Pioneer Income Notes shall be in perpetuity.

5.2 Not Redeemable at Pioneer Income Noteholder's Option

In no circumstances is the Society required to repay, redeem or repurchase any Pioneer Income Notes at the request of a Pioneer Income Noteholder.

5.3 Redemption by the Society

The Society may at any time after 5 years from the date of issue of the Pioneer Income Notes, with the prior consent of APRA, redeem all of the Pioneer Income Notes by:

- a) Announcing the intended redemption and the date of redemption (the early redemption date) on a date at least 60 business days prior to such early redemption date (the announcement date).

- b) Giving notice to all Pioneer Income Noteholders on the register as at the announcement date within 15 business days of such announcement date.
- c) Repaying the face value of the Pioneer Income Notes together with all unpaid interest which has accrued on the Pioneer Income Notes in the period up to and including the early redemption date 10 business days after such early redemption date.

5.4 Buy-back

The Society may at any time with, the prior consent of APRA, purchase any Pioneer Income Notes on-market or by private treaty.

5.5 Tax Change

If the Society is satisfied that:

- a) the interest or any part thereof paid or payable in respect of the Pioneer Income Notes is not or may not be allowed as a deduction for Australian income tax purposes; or
- b) a tax change occurs or a bill to effect such a tax change is presented to the Parliament of the Commonwealth of Australia and the Society is of the opinion that it is reasonably probable that any such change has or will have the result that the interest or any part thereof paid or payable by the Society in respect of the Pioneer Income Notes is not or may not be allowed as a deduction for Australian income tax purposes

The Society may at its option (at the expiration of not more than 60 nor less than 30 days notice to the Pioneer Income Noteholders concerned), and with the prior approval of APRA, repay all, or from time to time some, of the Pioneer Income Notes at face value together with all unpaid interest which has accrued on the Pioneer Income Notes in the period up to and including the date of repayment (if any) in respect of those Pioneer Income Notes.

5.6 Prudential Regulator Approval

The Society will not redeem, repay or purchase the Pioneer Income Notes in any circumstances under this Clause 5, without obtaining the prior approval of APRA.

6 PAYMENTS

6.1 Method of Payment

Subject to Clauses 6.2 and 6.3, payments by the Society to a Pioneer Income Noteholder in respect of a Pioneer Income Note will be paid directly into the Pioneer account nominated by the Pioneer Income Noteholder, or by cheque in favour of the Pioneer Income Noteholder and crossed 'Not Negotiable' and sent:

- a) to the registered address of the Pioneer Income Noteholder;
- b) in the case of joint Pioneer Income Noteholders, to the registered address of the joint Pioneer Income Noteholder who is first named on the register in respect to the relevant Pioneer Income Notes; or
- c) as otherwise agreed between the Pioneer Income Noteholder and the Society.

6.2 Alternative Methods of Payment

The Society may, in its discretion, make payment by electronic funds transfer.

6.3 Non-Resident Pioneer Income Noteholders

- a) Notwithstanding anything contained in these Pioneer Income Note conditions, if a Pioneer Income Note is held by a Pioneer Income Noteholder resident outside of Australia, the obtaining of all necessary approvals and any statutory requirements which may then be required or in existence is a condition precedent to the right of a Pioneer Income Noteholder to receive payment of any interest in respect of or for the face value represented by their Pioneer Income Notes.
- b) The Society will not be obliged to pay, nor shall it be deemed to have committed any breach by failure to pay any interest in respect of the face value payable in respect of any of the Notes unless the condition precedent referred to in Clause 6.3(a) has been satisfied.

7 REMEDIES

7.1 If the Society defaults in the performance of any of its obligations under these Pioneer Income Note conditions, the rights of a Pioneer Income Noteholder against the Society are limited to taking action:

- a) For specific performance of these Pioneer Income Note conditions.
- b) To recover outstanding interest (but excluding any interest deferred under Clause 4.4).
- c) To apply for the winding up of the Society.

7.2 Except as required by law, the Pioneer Income Noteholder will have no other rights to take any action or proceeding against the Society in respect of the Pioneer Income Notes or these Pioneer Income Note conditions.

8 NOTICES

8.1 Method of Giving Notices by Society

All notices required or permitted to be given by the Society to a Pioneer Income Noteholder pursuant to these Pioneer Income Note conditions must be in writing and will be treated as duly given if:

- a) left at the Pioneer Income Noteholder's registered address, in which case the notice is treated as given on the day on which the notice is so left; or
- b) sent by prepaid mail to that Pioneer Income Noteholder's registered address (which must be by air mail if outside the country of posting), in which case the notice is treated as given on the fourth day after posting.

8.2 Joint Pioneer Income Noteholders

If several persons are entered in the register as joint Pioneer Income Noteholders of any Pioneer Income Note, a notice to any one of those persons is effective as notice to all those persons.

9 GENERAL

9.1 Non-Business Days

If the date specified for any payment, repayment, redemption or determination under these Pioneer Income Note conditions is not a business day then that payment, repayment, redemption or determination (as the case may be) will be due or determined on the first business day following the specified due date.

9.2 Governing Law and Jurisdiction

The Pioneer Income Notes and these Pioneer Income Note conditions will be governed by and construed in accordance with the laws of Queensland. The Society and the Pioneer Income Noteholders submit to the non-exclusive jurisdiction of the courts of Queensland and any court hearing appeals from those courts.

9.3 Conflict or Inconsistency

If any of these Pioneer Income Note conditions are or become inconsistent with any law, then these Pioneer Income Note conditions will be deemed to be modified to remove such inconsistency to the extent of such inconsistency.

9.4 Modification

No alteration or modification may be made to these Pioneer Income Note conditions without the prior consent of APRA.

9.5 Right to Issue Further Securities

The Society expressly reserves the right to:

- a) issue further Pioneer Income Notes; and
- b) issue further securities ranking equally with or in priority to the Pioneer Income Notes.

9.6 Repurchase

The Society expressly reserves the right to repurchase and cancel any Pioneer Income Notes, subject to the approval of APRA, without imposing any obligation on a Pioneer Income Noteholder to dispose of Pioneer Income Notes.

10 SUBORDINATED CAPITAL NOTES – TERMS AND CONDITIONS

Overview

Term Subordinated Capital Notes are not deposits in, nor Shares issued by, the Society.

They are an interest bearing investment with a final maturity date of 25 January 2012.

Interest at the 90 day bank bill rate plus 2% per annum on the face value is payable and reset quarterly.

The Society can elect to repurchase the notes on the following interim maturity dates:

- 25 January 2007
- 25 January 2008
- 25 January 2009
- 25 January 2010
- 25 January 2011

The full terms and conditions applying to the Subordinated Capital Notes at issue are set out below.

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In these Conditions of Issue, unless the context indicates a contrary intention;

“Applicable Rate”	means, in relation to an interest period, the aggregate of the bank bill rate for that interest period and the margin
“ASIC”	means the Australian Securities and Investments Commission
“APRA”	means the Australian Prudential Regulation Authority
“Authorised Deposit Taking Institution”	means a company authorised to carry on banking business under the Banking Act 1959 Commonwealth
“Bank Bill Rate” or BBSW	in relation to an interest period, means the rate (expressed as a percentage per annum and rounded upwards to 2 decimal places), which is the average of the mid rates shown at approximately 11.00am Sydney time on page “BBSW” on the Reuters Screen on the first day of that interest period for bills of exchange accepted by an Australian bank and having a term to maturity of 90 days, but if that rate ceases to be available, the ‘Bank Bill Rate’ means the average mid rate of the following four banks, the Commonwealth Bank, the National Australia Bank, Australian and New Zealand Banking Corporation and Westpac Banking Corporation on the particular date
“Banking Act”	Banking Act, 1959 (Commonwealth)
“Banking Day”	any day on which all banks are open for business generally in Brisbane and Sydney
“Conditions of Issue”	the conditions contained in the Society’s Conditions of Issue of the Subordinated Capital Notes dated 22 January 2002

“Effective Date”	the date specified in a document as its date of issue
“Face Value”	means A\$50,000 minimum
“Final Maturity Date”	Means 25 January 2012
“Interest Payment Date”	means each of 25 April, 25 July, 25 October and 25 January, but if any of those dates are not a Banking Day in Brisbane and Sydney then the following Banking Day after that date will be the interest payment date instead of that date
“Interest Period”	means: <ul style="list-style-type: none"> (a) the period from and including the issue date of the Notes to but excluding the first interest payment date for the Notes; and (b) thereafter, each successive period from and including an interest payment date for the Notes to but excluding the immediately following interest payment date for the Notes
“Interim Maturity Date”	means each of 25 January 2007, 25 January 2008, 25 January 2009, 25 January 2010, 25 January 2011 and 25 January 2012
“Issuer/Society”	Pioneer Permanent Building Society Limited
“Margin”	means 2% per annum
“Notes”	means collectively the Notes notified to the Registrar as comprising the Notes and each such Note is a ‘Note’
“Noteholder”	the person noted in the register as the holder of a Subordinated Capital Note
“Register”	the register to be established and maintained by the Registrar
“Subordinated Capital Note”	a unit of debenture stock issued by the issuer

1.2 Interpretation

In these Conditions of Issue, unless the context indicates a contrary intention:

- (a) A reference to these ‘Conditions of Issue’ is a reference to those Conditions of Issue for Notes as notified to the Registrar by the issuer.
- (b) The expression ‘person’ includes an individual, the estate of an individual, a body corporate, a corporation and a statutory or other authority or association (incorporated or unincorporated).
- (c) A reference to any party includes that party’s executors, administrators, successors, substitutes and assigns, including any person taking by way of novation.
- (d) A reference to any legislation or to any section or provision thereof including any statutory modification or re-enactment or any statutory provision substituted therefore and all ordinances, by-laws, regulations and other statutory instruments issued thereunder.

- (e) Words importing the singular include the plural (and vice versa) and words denoting a given gender includes all other genders.
- (f) Headings and the index are for convenience only and do not affect interpretation.
- (g) A reference to a Clause is a reference to a Clause of this document.
- (h) Where any word or phrase is given a defined meaning, any other part of speech or other grammatical form in respect of such word or phrase has a corresponding meaning.

1.3 The Register

- (a) The Society shall establish and maintain (or cause to be established and maintained) a register of Noteholders. The register shall be held at the Society's principal office or such other place as the Board determines from time to time.
- (b) The register shall include the Noteholder's name and address, amount of Notes issued to the Noteholder and any other information the Society deems appropriate.
- (c) The register shall not be open for inspection other than by authorised representatives of the Society except on the order of ASIC or a court of competent jurisdiction. This restriction does not apply to any body or person having a statutory right of access to the Society's records.
- (d) These Conditions of Issue, when inscribed in the register, form part of the register.
- (e) Notes are issued subject to these Conditions of Issue.

2 INTEREST ON NOTES

2.1 Accrual and Payment of Interest

Each Note bears interest in respect of each interest period at the applicable rate up to, but excluding, the interim maturity date on which the face value of the Note is repaid or, if repayment does not occur before then, the final maturity date. That interest accrues from day to day and must be paid on each interest payment date in relation to the interest period then ending. A Noteholder may vary the account to which interest is paid by giving written notice to the Society, provided that interest must always be paid to an account maintained with the Society.

2.2 Calculation of Interest

Interest will be calculated by the issuer using the simple interest method with the number of days being the actual number of days in the interest period and the number of days in the year being taken as 365.

2.3 Interest Ceases on Payment

Each Note ceases to bear interest on repayment of its face value in accordance with these Conditions of Issue unless the payment of the face value is improperly withheld or refused, in which event interest will continue to accrue (after as well as before any judgment) up to, but excluding, the date on which payment in full of the face value is made.

3 REPAYMENT OF FACE VALUE

3.1 Interim Maturity Dates

In addition to being able to effect purchase and cancellation of the Notes, the issuer may at its option repay the entire face value of all Notes on any interim maturity date on the condition that:

- (a) APRA approval: The issuer has first obtained the approval of APRA to that repayment; Notify Noteholders: Not less than 30 banking days (including the date notice is effective but excluding the interim maturity date) prior to that interim maturity date, the issuer notifies all Noteholders that repayment is to occur on that interim maturity date; and
- (b) All Notes: The Issuer repays the entire face value of all Notes on that interim maturity date.

3.2 Final Maturity Date

The issuer must repay the face value of all Notes on the final maturity date, together with any accrued but unpaid interest, if that repayment has not previously occurred.

3.3 Not Redeemable at Noteholder's Option

- (a) Under no circumstances is the Society required to redeem any Notes prior to the maturity date at the request of a Noteholder.
- (b) The Society may not redeem Notes before the maturity date without the prior consent of APRA.

4 SUBORDINATION

4.1 Claims of Noteholders are Subordinated

In the event that:

- (a) The Society is wound up or dissolved; or
- (b) The Society enters into any arrangement, composition or compromise with, or assignment for the benefit of all or any class of its creditors;

then notwithstanding any other terms and conditions relating to Notes, the rights of Noteholders against the Society are subordinated in right of payment to the claims of:

- (i) depositors;
- (ii) secured and unsecured creditors (other than those creditors whose claims are expressed or required by law to rank equally with or after the claims of Noteholders); and
- (iii) payments required by law to be made in priority.

4.2 Further Issues of Securities

The Society may at any time make an issue of securities which may be expressed to rank equally with, behind, or in priority, to Notes.

4.3 Not Deposits or Secured

It is expressly agreed and acknowledged that Notes are not deposit liabilities of the Society and are unsecured.

5 ISSUE OF NOTES

5.1 Applications

- (a) Applications may only proceed on the application form attached to this document.
- (b) The Board may refuse applications which do not comply with these Terms and Conditions.
- (c) Cheques are accepted on the condition that they are honoured on first presentation.
- (d) Individual applications must be for a minimum of A\$50,000 and fully paid up.
- (e) The proceeds of the issue shall be immediately available to the issuer on receipt.

5.2 Issue at Face Value

Notes shall only be issued at face value and shall be fully paid on application.

5.3 Noteholding Statement

- (a) The Board shall, within 10 days of acceptance of an application, cause a noteholding statement to be issued to the Noteholder.
- (b) Statements are not negotiable instruments.

5.4 Maximum Issue

The Society will be seeking to issue a maximum \$10 million of Notes.

The Society may continue to issue Notes under this offer until 23 January 2003 or until the maximum level is reached, whichever is the earlier.

6 RIGHTS OF NOTEHOLDERS

- (a) Unless otherwise provided in these Terms and Conditions, the Society will recognise the person whose name appears in the register of Noteholders as the rightful owner of Notes and all persons may act accordingly.
- (b) Except as otherwise provided in these Terms and Conditions, or as required by law or upon the order of a court of competent jurisdiction, the Society is not bound to take notice of, or enter upon the register, any trust, encumbrance or equity affecting the ownership of any Notes.
- (c) Any person becoming entitled to Notes in consequence of the death, unsoundness of mind, bankruptcy or liquidation of a Noteholder, upon production of such evidence of entitlement as the Board may require, may become registered as having title to or interests in the applicable Notes.

- (d) It is expressly agreed and acknowledged that Noteholders have no voting rights or rights to the Society's reserves on a winding up in excess of their rights in their capacity as a Noteholder.

7 REMEDIES OF NOTEHOLDERS

If the Society defaults in the performance of any of its obligations under these Terms and Conditions, the rights of a Noteholder either individually or generally with other Noteholders, against the Society are limited to an action:

- (a) for specific performance on these Terms and Conditions;
- (b) for the recovery of unpaid interest and principal on maturity; and
- (c) for the winding up of the Society.

Except as required by any applicable law, Noteholders have no other rights to take any action or proceeding against the Society in respect of Notes or these Terms and Conditions. Noteholders shall not have any contractual right of set-off between the Notes and any claims by the Society against a Noteholder.

8 TRANSFER OF NOTES

8.1 Method of Transfer

Notes may be transferred by lodging a duly completed and executed Transfer Form with the Registrar and on condition that:

- (a) the Transfer Form is signed by both the transferor and the transferee;
- (b) the transferee pays all duties and governmental charges on the transfer; and
- (c) the transferee shall be bound by the Conditions of Issue relating to the Notes.

8.2 Effective Date of Transfer

The transferor will be deemed to remain the Noteholder of the relevant Notes until the name of the transferee is recorded in the register as the Noteholder.

8.3 Closing of Register

The register will be closed in respect of a Note for the purposes of determining entitlements to payments of principal and interest in relation to that Note at 5pm Eastern Standard Time on the day being 10 banking days immediately before each payment date for that Note, and no Transfer Forms will be registered from the time of closing until after all payments of interest due on that payment date have been made.

9 NOTICES

9.1 Address for Notices

A person sending a notice must do so in writing and must address it to the recipient at the following respective addresses:

- (a) if to the Society - at its registered office or such other address as the Society specifies to members from time to time; and

- (b) if to a Noteholder - at the Noteholder's address appearing on the register of Noteholders from time to time.

9.2 Joint Noteholders

If one or more persons are recorded in the register of Noteholders as joint Noteholders, a notice sent to any one of them is an effective notice to all of them.

10 GENERAL

10.1 Non-Business Days

If these Terms and Conditions require any payment, repayment, redemption or determination to be done on a day which is not a banking day then that payment, repayment, redemption or determination will be due or determined on the first banking day following the specified due date.

10.2 Governing Law and Jurisdiction

These Terms and Conditions are governed by and construed in accordance with the laws of Queensland. The Society and Noteholders submit to the non-exclusive jurisdiction of the courts of Queensland and any court hearing appeals from those courts.

10.3 Severability

If any part of these Terms and Conditions is invalid or unenforceable, it is not included in these Terms and Conditions and the remainder of these Terms and Conditions continue in full force.

11 ADDITIONAL INFORMATION

11.1 Interests of Directors

Other than Directors' remuneration, as set out in the Remuneration Report in Section 7 (Corporate Governance) in this Information Memorandum, no Director of the Society has at the date of this Information Memorandum, or has had within the last two years before the date of this Information Memorandum, an interest in the promotion of the Society and no amounts, whether in cash or Shares or otherwise, have been paid or agreed to be paid to any Director of the Society, either as an inducement or qualification to become a Director, or otherwise for services rendered by him or her in connection with the promotion of the Society.

Related party transactions are disclosed in Note 34 of the Financial Statements in Section 6 of this Information Memorandum.

11.2 Directors' Interests and Entitlements

Other than as set out elsewhere in this Information Memorandum:

- no Director or expert, and no entity in which a Director or expert is a Director/Partner, has (or in the past two years had) any interest in the promotion of Pioneer or in any property held by or proposed to be acquired by Pioneer; and
- no amounts have been paid (in cash or Shares or otherwise) or agreed to be paid to any Director or expert (or to any entity in which such a Director or expert is a Director/Partner), either to induce them to become; or
- qualify them as a Director, or otherwise for services rendered by them or by the firm in connection with the promotion or formation of Pioneer.

Except as follows:

- provision of motor vehicles and associated parts and services by Carlisle Motors a Mackay based motor vehicle dealership, of which Mr RC Deguara is a Director. Vehicles were supplied on usual commercial terms;
- Coscer Accountants, of which Mr GG Cerutti is a partner, is the Society's agent in Ingham. Commission is paid in accordance with the normal terms and conditions of agency commissions paid by the Society; and
- Directors' interests of securities

The relevant interest of each Director in the Share capital of the company as at 31 December 2005 is as follows:

Director	No. of Fully Paid Ordinary Shares
Mr C Flor	485,033
Mr APF Ghush	574,128
Ms VB Comino	213,200
Mr RC Deguara	234,444
Mr MT Bohlscheid	183,839
Mr GG Cerutti	30,100

11.3 Consents and Disclaimers

S.H.Tait & Co are named in the Corporate Directory as auditors of the Society. S.H.Tait & Co Chartered Accountants has given its written consent to being named as auditor of the Society and to the inclusion of references in this Information Memorandum to the audited accounts of the Society and has not withdrawn that consent to the issue of the Information Memorandum with the particular statement included in its form and context.

David Jacobson has given his written consent to being named as Independent Corporate Counsel with respect to this Information Memorandum. David Jacobson has not made any statements in this Information Memorandum and has no interest in the listing other than the receipt of professional fees associated with his role as consultant to the Society. David Jacobson has not authorised or caused the issue of this Information Memorandum. He will be paid a commercial fee for professional services in relation to this Information Memorandum.

11.4 Shareholders

Top 20 Ordinary Shareholders as at 19 April 2006

Rank	Investor	Current Balance	% Issued Capital
1	Mackay Community Credit Pty Ltd	562,460	5.42
2	Phuchewe Pty Ltd <Hoss Superannuation Fund A/C>	252,309	2.43
3	Kibbeh Pty Ltd	245,592	2.37
4	Jandrew Union Pty Ltd	226,089	2.18
5	Kylemore Pty Ltd <Galway Unit A/C>	214,228	2.07
6	Gene Christopher Paterson & Jane Vivian Paterson <Gene Paterson Super A/C>	191,032	1.84
7	Patrick John Carroll	190,645	1.84
8	Gene Christopher Paterson	180,943	1.74
9	Carlisle Holdings Pty Ltd	179,457	1.73
10	John Joseph Formosa	164,136	1.58
11	Allenby Nominees Pty Ltd	154,503	1.49
12	Macegate Pty Ltd	131,264	1.27
13	Maxwell Thomas Bohlscheid	127,062	1.22
14	RE Flor Pty Ltd	122,261	1.18
15	Burdekin Nominees Pty Ltd	120,935	1.17
16	Vasiliki Bessie Comino	115,314	1.11
17	Cathie Pty Ltd	108,152	1.04
18	John Joseph Hanly & Tanja Christina Hanly <J & T Hanly Super Fund A/C>	105,654	1.02
19	Larry John Voltz & David Lionel Voltz <Larry Voltz Super Fund A/C>	100,398	0.97
20	John Joseph Formosa & Kathryn Ruth Formosa <John Formosa Super Fund A/C>	98,182	0.95
		3,590,616	34.62

Substantial Shareholders (including associates)

Mackay Community Credit Pty Ltd	596,114	5.75
Anthony Phillip Francis Ghush	575,366	5.55

Distribution of Shareholders

Size of Holding	No.
1 - 1,000	147
1,001 - 5,000	324
5,001 - 10,000	153
10,001 - 100,000	174
100,001 & Over	19
	817

11.5 Interests of Experts and Advisers

No expert, or firm in which an expert is a Partner, has any interest in the promotion of Pioneer and no amounts have been paid or agreed to be paid (whether in cash or otherwise) to an expert or to such firm for services rendered in connection with the promotion of Pioneer.

11.6 Documents Available for Inspection

Copies of the following documents will be available for inspection free of charge during normal business hours at the registered office of Pioneer:

- the Constitution and Dividend Reinvestment Plan of Pioneer; and
- the consents to the Information Memorandum.

11.7 Material Contracts

The Society has not entered into any material contracts, being contracts entered into other than in the ordinary course of business, in the 2 years preceding the date of this Information Memorandum except as detailed in this Information Memorandum.

12 STATEMENT BY DIRECTORS

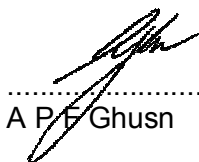
The Directors of Pioneer Permanent Building Society Limited report that, after due enquiry by them, they have not become aware of any circumstances which in their opinion will materially affect the assets and liabilities, financial position, profitability of the Society, the value of its assets or its prospects except as otherwise disclosed in the Information Memorandum.

The Directors of Pioneer Permanent Building Society Limited accept responsibility for the information contained in this Information Memorandum which, to the best of their knowledge and belief, is in accordance with the facts and does not omit any material matter.

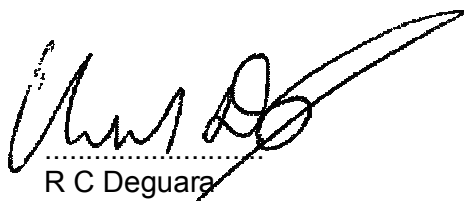
This Information Memorandum is signed by each of the Directors of the Society and dated 23 May 2006.



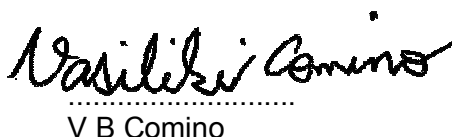
C Flor



A P F Ghusn



R C Deguara



V B Comino



M T Bohlscheid



G G Cerutti

13 DEFINITIONS

In this document, the following expressions have the meanings given them below, unless the context otherwise requires.

“Associate”	has the meaning as defined by the Financial Sector (Shareholdings) Act
“ASIC”	means the Australian Securities and Investments Commission
“APRA”	means the Australian Prudential Regulation Authority
“Authorised Deposit Taking Institution”	means a company authorised to carry on banking business under the Banking Act 1959 Commonwealth
“Constitution”	means the Constitution of the Society as adopted by members on 18 May 2004
“Director” or Board Director”	means any person occupying the position of a Director of the Society
“Directors” or “The Board”	means all or some of the Directors acting as a Board
“the Issue”	means the issue of Shares under this prospectus
“the Law”	means the Corporations Act
“Member”	is a member as defined in the Constitution of the Society
“Noteholder”	means a holder of Pioneer Income Notes or Term Subordinated Capital Notes
“Office”	means the registered office from time to time of the Society
“Pioneer” “PPBS” “the Society” or “the Company”	means Pioneer Permanent Building Society Limited
“Prudential Standard”	means a Prudential Standard issued by APRA
“Register”	means the register of holders of Ordinary Shares or the Register of Debentures
“Shareholder”	means a person holding an Ordinary Share
“Securities”	means the Ordinary Shares and the Pioneer Income Notes or Term Subordinated Capital Notes to be quoted on the ASX