

## HALF-YEAR FINANCIAL REPORTS

31 DECEMBER 2004



## **CHAIRMAN'S LETTER TO SHAREHOLDERS**

---

On behalf of the Board of Directors, I am happy to report to you Pioneer's positive results for the six months ended 31 December 2004. The accounts compare the trading results to the six months to 31 December 2003, balance sheet items to 30 June 2004 and reflect the continuing revenue and profit growth of Pioneer.

### **Achievements and Results**

Our half year net profit before income tax and after all provisions was \$1,277,839, up 60% from the \$801,016 reported in the six months to 31 December 2003.

Loan approvals for the period totalled \$72.5 million across Queensland, increasing our loan portfolio by \$15.4 million from 30 June 2004. This trend is budgeted to continue into the second half.

Deposits continued to grow by \$23.1 million, leaving Pioneer with a very high liquidity ratio. Management continue to take advantage of this by increasing loan activity in our areas of operation. Capital adequacy is well above requirements and can be utilised to provide for Pioneer's future growth.

The Board has continued to follow best practice in providing a provision for doubtful debts in line with major bank practice. This provision now stands at \$2.6 million and is considered adequate for any future risks.

### **Current Initiatives**

Pioneer is well on the way to introducing a new upgraded computer system designed to help streamline the operation, provide additional customer service and allow for future growth of products and customers.

### **Dividend**

In line with the Board's policy to increase the reserves of Pioneer to allow for future growth and to strengthen the share value, an interim dividend has been declared of 4 cents per share fully franked which is only approximately 50% of after-tax profits. This is an increase from the 2.5 cents paid for the 31 December 2003 half year. The dividend will be paid on 30 March 2005.

### **General**

The Board has confidence in the current management team, staff and all involved with Pioneer's operation, that Shareholder value and returns will continue to be enhanced as Pioneer continues to provide personal regional banking, proudly serving Queensland since 1968.

CLIFFORD FLOR  
CHAIRMAN

## **DIRECTORS' REPORT**

---

Your Directors submit the financial report of the economic entity for the half-year ended 31 December 2004.

### **DIRECTORS**

The names of directors who held office during or since the end of the half-year:

Mr Clifford Flor (Chairman)  
Mr Anthony P.F. Ghusn (Deputy Chairman)  
Mr Richard C. Deguara  
Ms Vasiliki B. Comino  
Mr Maxwell T. Bohlscheid  
Mr Glen G. Cerutti

### **REVIEW OF OPERATIONS**

The principal activities of the Society during the half-year comprised of raising funds on deposit and making advances, mainly on the security of registered first mortgage over real property. The Society provides finance for residential, commercial, business, rural and personal purposes.

The consolidated net profit before income tax for the half year was \$1,277,839 with net profit after tax of \$889,411.

Loan approvals for the half-year totalled \$74.3 million. Loan balances at 31 December 2004 were \$295.7 million.

Total assets at 31 December 2004 were \$486.3 million.

Further details of the Society's operations for the half-year are contained in the Chairman's Letter to Shareholders.

### **AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

The lead auditor's independence declaration is set out below and forms part of the Directors' report for the half-year ended 31 December 2004.

This report is signed in accordance with a resolution of the Board of Directors.

C Flor  
Chairman of Directors  
Dated this 24th day of February 2005.

INDEPENDENCE DECLARATION BY LEAD AUDITOR UNDER SECTION 307C OF  
THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF PIONEER  
PERMANENT BUILDING SOCIETY LTD.

---

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2004 there have been:

- I. No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- II. No contraventions of any applicable code of professional conduct in relation to the review.

Laurence Manning  
SH Tait & Co  
Chartered Accountants  
24th day of February 2005

## CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

for the Half-Year Ended 31 December 2004

	Note	Economic Entity 31 December 2004 \$	31 December 2003 \$
Interest revenue		15,345,568	14,623,362
Borrowing costs		<u>(9,547,080)</u>	<u>(8,731,749)</u>
Net interest revenue		5,798,488	5,891,613
Other revenue from ordinary activities	2	3,166,958	2,829,727
Bad and doubtful debts net (expense)/ recovery		130,127	(457,571)
Employee benefits expense		(2,863,287)	(2,707,274)
Occupancy expense		(394,265)	(365,461)
Depreciation and amortisation expense		(403,757)	(455,950)
Fees and commissions		(2,182,398)	(1,881,437)
Other expenses from ordinary activities		<u>(1,974,027)</u>	<u>(2,052,631)</u>
Profit from ordinary activities before income tax		1,277,839	801,016
Income tax expense		<u>(388,428)</u>	<u>(314,901)</u>
Net profit from ordinary activities after income tax attributable to members of the company		<u>889,411</u>	<u>486,115</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u>889,411</u>	<u>486,115</u>
Basic earnings per share (cents per share)		<u>8.71</u>	<u>4.86</u>

As there were no other securities on issue during the half-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.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2004

	<b>Economic Entity</b>	
	<b>31 December 2004</b>	<b>30 June 2004</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
Cash and liquid assets	14,160,771	10,001,234
Receivables due from other financial institutions	81,758,983	71,500,000
Accrued receivables	2,249,646	1,964,367
Investment securities	85,908,394	92,926,323
Loans and advances	295,670,513	280,253,219
Other investments	563,166	563,166
Property, plant and equipment	4,324,936	4,420,740
Deferred tax assets	954,591	1,095,624
Intangible assets	62,308	66,867
Other assets	641,219	488,385
<b>TOTAL ASSETS</b>	<b>486,294,527</b>	<b>463,279,925</b>
<b>LIABILITIES</b>		
Deposits	443,318,333	420,186,462
Payables and other liabilities	4,713,803	5,877,384
Interest bearing liabilities	17,416,439	17,416,439
Tax liabilities	434,573	196,376
Provisions	490,206	450,876
<b>TOTAL LIABILITIES</b>	<b>466,373,354</b>	<b>444,127,537</b>
<b>NET ASSETS</b>	<b>19,921,173</b>	<b>19,152,388</b>
<b>EQUITY</b>		
Contributed equity	15,894,879	15,534,846
Reserves	1,511,781	1,434,111
Retained profits	2,514,513	2,183,431
<b>TOTAL EQUITY</b>	<b>19,921,173</b>	<b>19,152,388</b>

The Accounting Standards require the comparative figures for June 2004 to be shown and not December 2003.

## CONSOLIDATED STATEMENT OF CASH FLOWS

for the Half-Year Ended 31 December 2004

	Note	Economic Entity
		31 December
		2004
		\$
		31 December
		2003
		\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received		15,581,879
Interest paid		(9,809,414)
Fees and commissions received		2,840,202
Fees and commissions paid		(1,095,236)
Dividends received		-
Sundry income received		166,141
Payments to suppliers and employees		(6,779,364)
Net GST refunded on operating activities		98,015
Income tax paid		(9,197)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b>993,026</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net (increase) / decrease in receivables due from other financial institutions		(10,258,983)
Net (increase) / decrease in investment securities		6,982,756
Net (increase) / decrease in other securities		37,181
Loans and advances made		(66,300,459)
Loans and advances repaid		51,013,293
Proceeds from disposal of property, plant and equipment		341,576
Payments for property, plant and equipment		(558,641)
Net GST refunded / (paid) from investing activities		16
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(18,743,261)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase in deposits		22,108,067
Proceeds from share issue	4	360,033
Dividends paid		(558,328)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>21,909,772</b>
Net increase / (decrease) in cash and liquid assets		4,159,537
Cash and liquid assets at beginning of half-year		10,001,234
<b>CASH AND LIQUID ASSETS AT END OF HALF-YEAR</b>		<b>14,160,771</b>
<b>RECONCILIATION OF CASH</b>		
Cash		12,160,771
Deposits at Call		2,000,000
		<b>14,160,771</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the Half-Year ended 31 December 2004

### NOTE 1: BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2004 and any public announcements made by Pioneer Permanent Building Society Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2004 annual report.

	31 December 2004 \$	Economic Entity 31 December 2003 \$
<b>NOTE 2: REVENUE FROM ORDINARY ACTIVITIES</b>		
Interest revenue	<b>15,345,568</b>	14,623,362
Other revenue from ordinary activities:		
Dividends	-	3,606
Fees and commissions *	<b>3,061,451</b>	2,678,119
Bad debts recovered	<b>18,424</b>	3,109
Other revenue		
- Rent	<b>27,516</b>	21,990
- Profit on disposal of property, plant and equipment	<b>19,186</b>	4,203
- Profit on disposal of investments	<b>37,181</b>	-
- Sundry	<b>3,200</b>	118,700
	<b>87,083</b>	144,893
Total other revenue from ordinary activities	<b>3,166,958</b>	2,829,727
<b>TOTAL OPERATING REVENUE</b>	<b>18,512,526</b>	17,453,089

\* Fees and commissions include agency fees of \$318,335 (2003: 45,147).



## NOTES TO THE FINANCIAL STATEMENTS

for the Half-Year ended 31 December 2004

Economic Entity	
31 December 2004	31 December 2003
\$	\$

### NOTE 3: DIVIDENDS

A final dividend for the year ending 30 June 2004 of 5.50 cents (2003: Nil) per ordinary share fully franked at tax rate of 30% was paid on 28 September 2004.

558,327 -

Since the end of the half year, the Directors have declared an interim dividend of 4 cents per share fully franked at the tax rate of 30% (2003: 2.50 cents). The financial effect of this dividend has not been brought to account in these financial statements and will be recognised in subsequent financial reports

411,154 252,212

### NOTE 4: NON-CASH FINANCING ACTIVITY

For the purposes of the Statement of Cash Flows, shares issued under the Society's Dividend Reinvestment Scheme have been treated as a cash flow item under the heading "Proceeds from share issue" as it involved the conversion of liabilities to equity.

### NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the half-year which would be likely to have a significant affect on the operations of the economic entity, the results of these operations or the state of affairs of the economic entity in subsequent financial periods.

### NOTE 6: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

### NOTE 7: SEGMENT INFORMATION

Primary Segment:

	Segment Revenue		Segment Result	
	Dec 2004 \$	Dec 2003	Dec 2004 \$	Dec 2003
Banking	18,512,526	17,453,089	1,277,839	801,016
Income Tax Expense			(388,428)	(314,901)
	18,512,526	17,453,089	889,411	486,115

## NOTES TO THE FINANCIAL STATEMENTS

for the Half-Year ended 31 December 2004

### NOTE 8: IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. The first financial report to be completed under IFRS will be for the year ended 30 June 2006, with the comparatives also restated to comply with IFRS.

The economic entity's management have identified issues which will impact upon the Society and are currently developing changes to policies and procedures, systems and processes in preparation for implementation. The potential impacts on the financial performance and financial position have not been quantified. The impact on future years will depend on the application of the IFRS to the Society's particular circumstances at that time.

The Directors are of the opinion that the key differences in the economic entity's accounting policies which will arise from the adoption of IFRS are:

- Investments  
Under AASB 139: Financial Instruments: Recognition and Measurement, financial instruments that are classified as available for sale instruments must be carried at fair value. Unrealised gains or losses may be recognised either in income or directly to equity. Current accounting policy is to measure non-current investments at cost, with an annual review by Directors to ensure that the carrying amounts are not in excess of the recoverable value of the instrument. This change is not expected to have a material impact upon the Society because the majority of investments will not be classified as available for sale.
- Income Tax  
Currently, the economic entity adopts the liability method of tax-effect 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 the Australian equivalent to IAS 12, the economic 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.
- Derivative Financial Instruments  
The economic entity does not currently recognise derivative financial instruments in the financial statements. Pending AASB139: Financial Instruments: Recognition and Measurement will require a change to the method of accounting for derivative financial instruments and hedging activities so that they are recorded in the financial statements.
- Impairment of Assets  
The economic entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of pending AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use.
- 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.
- Goodwill and Intangible Assets  
Goodwill and intangible assets with indefinite useful lives will be tested for impairment annually and will not be amortised.
- Changes in Accounting Policies  
Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

## **DIRECTORS' DECLARATION**

---

The directors of Pioneer Permanent Building Society Limited declare that:

1. The financial statements and notes, as set out on pages 4 to 9:
  - (a) comply with the Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations; and
  - (b) give a true and fair view of the economic entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date.
2. 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.

C Flor  
Chairman of Directors

Dated this 24th day of February 2005.

## **INDEPENDENT REVIEW REPORT**

---

### **TO THE MEMBERS OF PIONEER PERMANENT BUILDING SOCIETY LIMITED AND CONTROLLED ENTITIES**

31st December 2004

#### **Scope**

We have reviewed the financial report of Pioneer Permanent Building Society Limited for the half-year ended 31 December 2004 comprising Consolidated Statement of Financial Performance, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, notes to the Financial Statements and Directors Declaration. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Interim Financial Reporting 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 financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission, Australian Prudential Regulation Authority and the Newcastle Stock Exchange.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

#### **Statement**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pioneer Permanent Building Society Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position at 31 December 2004 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

#### **Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act* 2001.

**SH Tait & Co.**  
Chartered Accountants  
MACKAY

**L. E. MANNING**  
24 February 2005