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FACSIMILE

TO: Mr Scott Evans
General Manager

COMPANY: Stock Exchange of Newcastle Limited

FACSIMILE #: (02) 4929 1556

FROM: Larry Voltz
Acting General Manager

SUBJECT: HALF-YEARLY REPORT 31 DECEMBER 2003

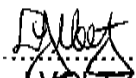
DATE: 15 MARCH 2004

NO. OF PAGES: 11
(Including this one)

Dear Scott

Please find attached a copy of our Half-Yearly Report for 31 December 2003.

Kind regards


L J VOLTZ
ACTING GENERAL MANAGER

enc

CHAIRMAN'S LETTER TO SHAREHOLDERS

On behalf of the Board of Directors, I am happy to report to you on Pioneer's activities and results for the six months ended 31 December 2003. The accounts compare the trading results to the six months to 31 December 2002, balance sheet items to 30 June 2003 and reflect the growth trend and profit trend of Pioneer.

Management

Mr Bob Jackson, our General Manager during this period, completed his contract in December 2003. The Board is very appreciative of his efforts during his time with Pioneer. He has agreed to remain as a Consultant on an "as needs" basis into the future. Mr Larry Voltz, our Company Secretary, assisted Bob during this time and the Board has appointed Larry as Acting General Manager to ensure Pioneer progresses during the current year. All management and staff have worked well together to achieve our improved results.

Achievements and Results

Our net profit, before income tax after all provisions, for the six months was \$801,016 up from the \$303,384 reported in the six months to 31 December 2002. Our result was after write-off of once only computer installation investigation costs of \$302,561 which had previously been capitalised pending a decision on new computer installation, which has now been finalised. As previously advised, the Board is committed to follow best practice in providing a provision for doubtful debts in line with major bank practice. The increase in these provisions from 30 June 2003 was \$397,162. The assets of Pioneer continued to grow by \$35 million from 30 June 2003 reflecting the value of our expanded network. Although loans of \$42.3 million were approved during this period, with payouts and repayments, the total loan portfolio did not increase in line with our deposit growth. Management is working to have this trend improve during the current period. Costs of funds and costs of operating are being closely monitored by Management with savings to be sought.

Enhanced Share Trading Profile

The Board has been seeking for some time a better forum for the trading of Pioneer securities. At the time of writing an application has been made to list our securities on the Stock Exchange of Newcastle Limited (NSX). This exchange is more suitable and cost effective given the number of transactions recorded in the past, but will provide an open public market across Australia for our securities and as many Stockbrokers operate on the NSX, Shareholders will find it much easier to buy and sell. We will advise Shareholders with full details when the listing is in place.

Dividends

Because of our Dividend Reinvestment Scheme and the implications that it could cause in our application to have our securities listed on the NSX, any decision on dividends will be deferred and Shareholders given further advice after our listing is confirmed.

General

The Board is confident that the problems that emerged during 2002/2003 are now in the past and look forward to the current efforts of management and associates translating into future returns and Shareholder value, as Pioneer continues to provide personal regional banking, proudly serving Queensland since 1968.

CLIFFOR FLOR
CHAIRMAN

REPORT FROM ACTING GENERAL MANAGER

The Society's operating results for the half year ended 31 December 2003 were very encouraging and show that the problems encountered last year are now behind us.

Reported profit before tax for the six months was \$801,016, compared with \$303,384 for the corresponding period last year.

The increase in profit has been achieved on a lower loan base caused by an increase in loan churning, which is being experienced by most financial institutions at present. Loan approvals for the period totalled \$45 million of which 76% related to housing loans. The Society has implemented improved service levels to retain existing business and is increasing the level of new business through our expanded network.

Net interest margin is higher, mainly from an improvement in the margin on deposit funds. Deposits have grown by \$34.6 million since 30 June 2003, an increase of 8.7% over the six month period. Operating costs have been contained and Management is keeping them under constant review.

At 31 December 2003 the General Provision for Doubtful Debts stood at \$1.6 million representing 0.66% of Risk Weighted Assets. The Society will continue to increase this provision over time to around 1.00% of Risk Weighted Assets, which is the level generally held by the major banks.

As previously advised, the Society is upgrading its computer software. The new system is expected to be installed by the end of this calendar year and will provide increased services to customers and at the same time improve efficiencies in the Society's processes. It will provide for enhanced Internet Banking and BPay functionality, loan applications over the internet and will allow Giropost access to certain accounts throughout Australia.

Pioneer has obtained its Financial Services Licence under the new Financial Services Reform Act (FSRA) which comes into effect during March 2004. This will provide clients with more detailed information on the Society's products and services, however it has involved a substantial cost in implementation and staff training.

Capital Adequacy at 31 December 2003 was 14% and is well in excess of our Regulator's requirements. Liquidity remains high with over \$100 million in spare liquidity available to meet lending requirements.

All Shareholders and Noteholders should have received notice by now of the Society's intention to list its Shares, Income Notes and Term Subordinated Notes on the Stock Exchange of Newcastle Limited (NSX). This will benefit both the Society and investor as it will improve liquidity and make trading in these products much easier. We expect to be on the NSX by 31 March 2004.

Management, staff and associates are working together to continue to achieve improved results.

LARRY VOLTZ
ACTING GENERAL MANAGER

DIRECTORS' REPORT

31st December 2003

Your Directors submit the financial report of the economic entity for the half-year ended 31 December 2003.

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. Ghush (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 \$801,016 with net profit after tax of \$486,115.

Loan approvals for the half-year totalled \$42.3 million. Loan balances at 31 December 2003 were \$293.6 million.

Total assets at 31 December 2003 were \$472.3 million.

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

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



C Flor
Chairman of Directors
Dated this 10th day of March 2004.

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

for the Half-Year Ended 31 December 2003

	Note	Economic Entity	
		31 December 2003	31 December 2002
		\$	\$
Interest revenue		14,623,362	14,084,431
Borrowing costs		<u>(8,731,749)</u>	<u>(8,449,777)</u>
Net interest revenue		5,891,613	5,634,654
Other revenue from ordinary activities		2,829,727	2,875,225
Bad and doubtful debts expense		(457,571)	(856,421)
Employee benefits		(2,707,274)	(2,681,495)
Occupancy expenses		(365,461)	(296,396)
Depreciation and amortisation expenses		(455,950)	(440,714)
Fees and commissions		(1,934,085)	(2,308,073)
Originator fees carried forward to subsequent periods		52,648	195,969
Other expenses from ordinary activities		<u>(2,052,631)</u>	<u>(1,819,365)</u>
Profit from ordinary activities before income tax		801,016	303,384
Income tax expense relating to ordinary activities		<u>(314,901)</u>	<u>(97,728)</u>
Net profit from ordinary activities after income tax attributable to members of the company		<u>486,115</u>	<u>205,656</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u>486,115</u>	<u>205,656</u>
Basic earnings per share (cents per share)		<u>4.86</u>	<u>2.17</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 2003

	Economic Entity	
	31 December 2003	30 June 2003
	\$	\$
ASSETS		
Cash and liquid assets	18,118,867	18,042,062
Receivables due from other financial institutions	44,000,000	27,200,000
Accrued receivables	2,751,552	1,880,090
Investment securities	106,688,488	64,542,513
Loans and advances	293,611,401	318,399,931
Other investments	733,697	752,740
Property, plant and equipment	4,630,602	4,915,774
Deferred tax assets	1,157,865	1,023,999
Intangible assets	71,427	75,986
Other assets	584,749	548,612
TOTAL ASSETS	472,348,648	437,381,707
LIABILITIES		
Deposits	431,663,094	397,080,737
Payables and other liabilities	4,204,740	4,467,263
Interest bearing liabilities	17,416,439	17,416,439
Tax liabilities	257,469	77,973
Provisions	445,632	464,134
TOTAL LIABILITIES	453,987,374	419,506,546
NET ASSETS	18,361,274	17,875,161
EQUITY		
Contributed equity	15,356,407	15,356,407
Reserves	1,434,111	1,434,111
Retained profits	1,570,756	1,084,643
TOTAL EQUITY	18,361,274	17,875,161

The Accounting Standards require the comparative figures for June 2003 to be shown and not December 2002.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the Half-Year Ended 31 December 2003

	Note	Economic Entity	
		31 December 2003 \$	31 December 2002 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		14,062,691	14,039,332
Interest paid		(8,666,024)	(7,973,587)
Fees and commissions received		2,698,513	2,931,542
Fees and commissions paid		(1,329,453)	(1,251,120)
Dividends received		3,606	1,188
Sundry income received		190,741	21,390
Payments to suppliers and employees		(6,083,115)	(6,011,711)
Net GST refunded on operating activities		116,467	83,473
Income tax paid		(493,269)	(434,490)
NET CASH PROVIDED BY OPERATING ACTIVITIES		500,157	1,406,017
CASH FLOWS FROM INVESTING ACTIVITIES			
Net (increase) / decrease in receivables due from other financial institutions		(16,800,000)	(10,000,000)
Net (increase) / decrease in investment securities		(42,161,965)	4,466,044
Net (increase) / decrease in other securities		19,043	(98,695)
Loans and advances made		(33,894,433)	(57,845,428)
Loans and advances repaid		58,225,413	32,170,659
Proceeds from disposal of property, plant and equipment		15,196	36,486
Payments for property, plant and equipment		(375,460)	(946,792)
Net GST refunded from investing activities		(3,549)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(34,975,755)	(32,217,726)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in deposits		34,552,403	26,983,479
Proceeds from share issue	3	-	1,988,709
Share issue costs		-	(28,123)
Proceeds from issue of subordinated capital notes		-	2,245,089
Dividends paid		-	(725,075)
NET CASH PROVIDED BY FINANCING ACTIVITIES		34,552,403	30,464,079
Net increase / (decrease) in cash and liquid assets		76,805	(347,630)
Cash and liquid assets at beginning of half-year		18,042,062	16,694,410
CASH AND LIQUID ASSETS AT END OF HALF-YEAR		18,118,867	16,346,780
RECONCILIATION OF CASH			
Cash		11,118,867	9,846,780
Deposits at Call		7,000,000	6,500,000
		18,118,867	16,346,780

NOTES TO THE FINANCIAL STATEMENTS

for the Half-Year ended 31 December 2003

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 2003 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 2003 annual report.

	Economic Entity
31 December 2003	31 December 2002
\$	\$

NOTE 2: DIVIDENDS

It is not proposed to pay an interim dividend at this time.
Further details are included in the Chairman's Letter
(2002: 2 cents).

- 190,821

No final dividend paid for the year ending 30 June 2003
(2002: 7.75 cents).

- 725,076

NOTE 3: 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.

NOTES TO THE FINANCIAL STATEMENTS

for the Half-Year ended 31 December 2003

NOTE 4: EVENTS SUBSEQUENT TO REPORTING DATE

The Society is in the process of implementing a comprehensive new computer system that will become the Society's main banking platform for the foreseeable future. The software for this system will be supplied by the Society's existing software supplier. The estimated cost of this new software including installation is in the region of \$1.4 million and when installed it will be amortised over 10 years.

The Society has commenced legal proceedings against third parties in separate actions for recovery of losses incurred from writing off bad debts.

NOTE 5: CONTINGENT LIABILITIES

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

NOTE 6: SEGMENT INFORMATION

Primary Segment:

	Segment Revenue		Segment Result	
	Dec 2003 \$	Dec 2002 \$	Dec 2003 \$	Dec 2002 \$
Banking	17,453,089	16,959,656	801,016	303,384
Income Tax Expense			(314,901)	(97,728)
	17,453,089	16,959,656	486,115	205,656

DIRECTORS' DECLARATION

31st December 2003

The directors of Pioneer Permanent Building Society Limited declare that:

1. The financial statements and notes, as set out on pages 4 to 8:
 - (a) comply with the Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the economic entity's financial position as at 31 December 2003 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 10th day of March 2004



SERVING MACKAY REGION SINCE 1924

S.H. TAIT & CO
CHARTERED
ACCOUNTANTS

**INDEPENDENT REVIEW REPORT
 TO THE MEMBERS OF PIONEER PERMANENT BUILDING SOCIETY LIMITED
 AND CONTROLLED ENTITIES**

31st December 2003

Scope

We have reviewed the financial report of Pioneer Permanent Building Society Limited for the half-year ended 31 December 2003 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 and Australian Prudential Regulation Authority.

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 2003 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.

SH Tait & Co.
 Chartered Accountants
 MACKAY

G N Whitmore
 10 March 2004

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ALAN EAMES PIONEER PERMANENT BUILDING SOCIETY LIMITED AND ITS CONTROLLED ENTITIES

PETER TAIT

LAURENCE MANNING