Primelife™

25 October 2004

The Manager
Company Announcement Office
Australian Stock Exchange Limited

Dear Sir,

2004 Annual Report

Please find attached a copy of Primelife Corporation Limited's 2004 Annual Report.

Yours faithfully
Primelife Corporation Limited

Jim Hazel
Managing Director

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ANNUALREPORT04

Primelife

Primelife is a leading lifestyle provider for the over 55s.

Solid platform of 40 existing retirement villages under management and 20 aged care facilities.

Cares for over 6,000 residents.

Operates 941 aged care places.

Significant development pipeline providing a solid platform for future growth.

Rapidly expanding market with attractive industry economics.

Long-term commitment of major shareholders to the industry.

Committed to continuously enhancing the quality of services provided to residents.

Brand capable of being further expanded nationally.

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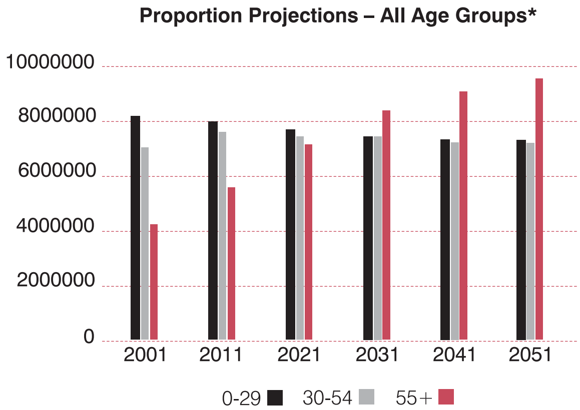
Chairman's Report

Primelife operates in one of Australia's most rapidly expanding markets, with very attractive industry economics.

As the "baby boomer" generation ages, the proportion of Australians over 55 will continue to grow exponentially compared to other age groups. These older Australians will require services specific to their needs and lifestyle, as well as placing an ever increasing demand on health care and other aligned services.



Whilst this market is still in its relative infancy in Australia, substantial opportunities exist for organisations that can identify and implement strategies that provide quality results for their communities.

Primelife is a business with the potential to do this. It has a solid platform of 40 existing retirement villages and 20 aged care facilities, a sizeable number of high quality development projects, and a brand that has the capacity to be expanded nationally.

*ABS Population Projections Australia 1999 - 2001 (Cat 3222.0)

Since November 2002, Primelife has been undergoing major change. The business model in place at this time was unsustainable and a wide-ranging review of the Company's operations, strategy, accounting policies and financial reporting practices was initiated. This review utilised independent advice, and identified a number of serious issues that required attention.

In the period since then, a new Board has been installed, a new Managing Director has been appointed and a dynamic but realistic business plan has been adopted. It has been a necessary period of revitalisation for the Company to place it in the best possible position to move forward.

After due consideration and deliberation, Primelife changed its accounting policy effective June 2003 in relation to rights and obligations under its long-term management agreements for a number of aged care facilities. This gave rise to a one-off non-cash EBITDA write-off of $39.4m (as reported in the 2003 Annual Report).

The Company also appointed external consultants to advise on the appropriate accounting treatment in relation to its Aged Care Management Contracts and any emerging asset associated with these contracts.

There are a number of factors surrounding these contracts that need to be considered that relate to complex accounting, commercial and legal issues.

Primelife has not been able to give due consideration to all of these factors and accordingly is not yet in a position to consider whether this emerging asset should be recorded in its Statement of Financial Position. We expect the full review of this matter to be finalised by December 2004.

We were delighted to welcome Mr Jim Hazel as Managing Director in March 2004, and since that time he has led the review process. Extensive work has been done in developing a new business plan to focus on maximising the value of the Company's assets over the long-term and to build high quality management fee income streams.

As a consequence, new construction and development were substantially reduced, which has also impacted on the level of new sales and deferred management fee (DMF) income. Balance sheet adjustments of $8.35m as at 31 December 2003 in relation to the closure of Renaissance Television (RTV) and $67m as at 30 June 2004 were also identified during the review.

Given these factors, the Board does not believe the full year results for the period ending 30 June 2004 are readily comparable to those reported in previous years. Total revenue for the period was $94.4m, down $19.8m on 2003. The Company recorded a net loss of $78.2m ($29.1m in 2003). No final dividend will be paid, as was the case in 2003.

Since year-end, the Board has announced a broad set of corporate initiatives, including:

- An $80m refinancing package for Primelife, comprising a rights issue of new shares and of new notes (which is the subject of a Prospectus and Supplementary Prospectus lodged with the Australian Securities & Investments Commission (ASIC) on 6 August 2004 and 16 September 2004, respectively) and a placement of ordinary shares to a new strategic investor, Multiplex;
- A strategic development relationship with Multiplex, a leading participant in the Australian construction and development industry;
- One-off costs, charges, write-offs and adjustments as at 30 June 2004 totalling $67m. The cash impact of these in the 2005 financial year is expected to be approximately $12.5m;
- Adoption of a long-term national growth strategy to acquire and pursue new broad acre retirement village development projects in other Australian states and to pursue national market leadership.

Primelife's directors believe that these corporate initiatives will provide the Company with a more prudent balance sheet, a more appropriate approach to financial reporting, a stable and supportive shareholder base, and sufficient capital to execute its business plan and attain its strategic objectives. The Board's primary aim remains, at all times, the creation of shareholder wealth.

I would like to take this opportunity to thank the Board for their work in facing the challenges of the last 12 months. Each member's input to the review process, and the Board's deliberations generally, have been invaluable.

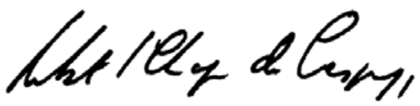
It is also with great sadness that we note the passing of Mr Kenneth Spencer AM on 1 April 2004. Mr Spencer resigned in late March 2004 due to serious illness, but in his short time on the Board was instrumental in helping to implement many of the changes that will be of long-term benefit to the Company. He is greatly missed.

We are now looking towards the future with a great deal of optimism. The ongoing commitment of major shareholders Babcock & Brown and Albany Bay and the joint venture development with Multiplex are just two of the indicators that show we have the right strategies in place to make Primelife a better and stronger Company.

The Board thanks Primelife's management and employees for their dedication and efforts over the past year. We have a good team and our aim is now to become the best.

Our retirement villages and aged care facilities continue to deliver the highest quality services, accommodation and care, maintaining our position at the forefront of this industry. Indicative of this was the naming of our flagship development, Waterford Valley Lakes in Rowville (Vic) as the Best Retirement Community in the 2003 Aged Care Industry Awards.

The Board is confident that the strategies that we have put in place will provide the Company with a solid base from which it can execute its revised business plan and pursue national market leadership.



Robert J Champion de Crespigny AC
Chairman
30 September 2004

Managing Director's Report

As outlined by the Chairman, Primelife is strategically placed within an attractive industry experiencing strong growth. The Company's existing portfolio of 40 retirement villages and 20 aged care facilities currently care for over 6,000 residents. Combined with its significant development pipeline, a solid platform exists from which future growth opportunities in the industry can be leveraged.

Review of 2004

Since my appointment in March 2004, my main focus has been to lead the review process of the Company's business plan and operations. We have found that the nature and extent of the serious issues at Primelife are far greater than was previously understood. This includes a range of accounting and financial irregularities, unauthorised related party transactions, poor contracting and management practices, transactions that were entered into on uncommercial terms, legal uncertainty surrounding the structure of a number of Primelife's financing transactions and a considerable number of ongoing commercial disputes with various parties.

Whilst, at the time of writing this report, the review process is continuing, the Company now has a clear strategy to grow the business, deliver value to shareholders and to become Australia's premier retirement housing and aged care provider.

Among the many positives that have emerged from this process in the last 12 months have been the raising of $16.8m of new equity capital via a private placement in November 2003, the proposed $80m refinancing package and the proposed development joint venture with Multiplex and Babcock & Brown.

A major issue emerging from the review of the business relates to 23 TR94/24 syndicates arranged under previous management and whether they comply with the managed investment, fundraising and licensing provisions of the Corporations Act.

Upon this issue being raised, the Board sought legal advice. This advice suggested that the schemes may have been in breach of the Act, but that it is unclear what Primelife's role was in the breach and what its liabilities may be. Accordingly, the Company decided in June 2004 to voluntarily approach the Australian Securities & Investments Commission (ASIC) with a view to regularising these syndicates.

ASIC and Primelife are discussing proposed Interim Orders for the Federal Court to appoint an Investigating Accountant to review and prepare a report on the findings of each scheme.

It will be a matter for the Court to decide what final relief ought to be granted in relation to the schemes, having regard to the reports to be provided by the Investigating Accountant. It is noted that the Court has the option to appoint an administrator to wind up a scheme or it may also seek to regularise a scheme by transferring assets into a registered managed investment scheme.

Primelife is comfortable with ASIC's approach to resolving these unregistered managed investment schemes through the consideration of a report by an Investigating Accountant.

Primelife wants to ensure that this process enables the business to continue to operate with minimal disruption to residents, third party financiers and shareholders. The current Board acted promptly after receipt of legal advice and believes that it has done everything possible to address this difficult issue.

In line with the statement made in the 2003 Annual Report, the Company has approached the various litigation matters and potential disputes inherited from previous management with a view towards resolution. Progress has been made in this regard, however, a number of new matters have arisen in the last 12 months in relation to the former Chief Executive

Officer and Managing Director of Primelife, Mr Eduard Sent, the former Deputy Managing Director, Ms Sandra Porter, and associated companies.

It should be noted that a number of matters have been resolved over the last 12 months with favourable outcomes towards Primelife.

Chief among these was the successful appeal brought by two of our subsidiaries against the Commissioner of State Revenue relating to stamp duty paid on several villages purchased from the IOOF Society. This resulted in a substantial refund being payable involving repayment of stamp duty paid, interest payable for four years and costs.

Further details of all material matters that are currently subject to litigation and/or potential dispute are contained in the Prospectus dated 6 August 2004 and Supplementary Prospectus dated 16 September 2004.

Outlook 2005

In the 2005 financial year, Primelife will continue to undertake initiatives that reposition the Company for future prosperity, deliver long-term value for shareholders and provide the highest quality accommodation, services and care for our residents.

The Company has been through a major restructure and it will take time to restart the development growth engine. However, the management team is confident Primelife can achieve its goals. The new strategy will focus on:

- A long-term national growth strategy to acquire and pursue new broad acre retirement village development projects in all Australian states;
- De-risking the future building developments through the proposed joint venture with Multiplex and Babcock & Brown;
- Focusing on core competencies of owning, operating and managing retirement villages and aged care facilities;
- Identifying appropriate 'industry consolidation' opportunities;
- Establishing new complementary businesses, including the provision of home care;
- Ensuring Primelife adopts financing strategies that maximise the use of its capital; and
- Pursuing national market leadership.

We are developing a strong management team that is capable of executing Primelife's new business plan.

Among a number of major new appointments, Mr Simon Bracegirdle and Mr Graeme Manie joined the Company as General Manager Development and General Manager Construction, respectively. Mr Bracegirdle has over 10 years experience in the retirement village industry, most recently as the General Manager and a Director of Living Choice Australia. Mr Manie brings 35 years in the construction industry to Primelife, having had direct management of more than $3 billion of building works.

As part of Primelife's reorganisation, the operating business in both aged care and retirement villages has been consolidated under the management of Ms Jennifer Clancy, with a number of key appointments being made in Sales, Aged Care and Operations.

Since year-end, we have also announced the appointment of Mr Craig Thompson as Chief Financial Officer. Craig has many years experience in similar roles, most recently within the healthcare sector.

All of these executives come with impressive track records in their respective areas, and their skills complement those of the existing Primelife team.

At the same time, we have focused on reducing overall corporate headcount (total head office staff down from 204 to 168), and streamlining the businesses operations. I am confident we can continue to achieve efficiency improvements in the 2005 financial year.

We remain committed to providing the best possible services and care to our residents.

In conclusion, I would like to recognise the support of the Board and our major shareholders, and thank the Executive team and the Company's dedicated staff for a tremendous effort in a year of transition and transformation.

Jim Hazel
Managing Director
30 September 2004

Report on Business Groups

Since June 2003, Primelife has adapted its business model to focus more on maximising the value of the Company's assets over the long-term and building high quality management fee income streams.

The business model now has an emphasis on the attainment of the following strategic objectives:

To be Australia's leading developer and owner of over 55s housing (retirement villages);

To be a significant aged care provider;

To be a developer and manager of other over 55s residential projects;

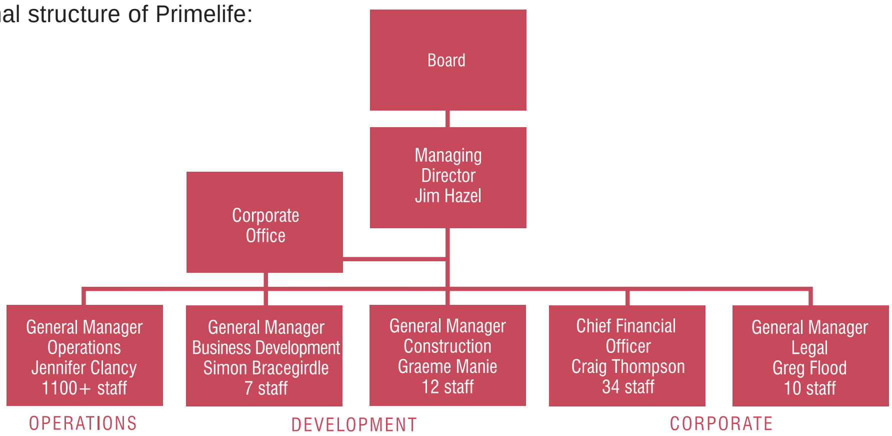
To be an asset manager and packager for sector specific property trusts; and

To be a major home care provider.

Consequently, the manner in which Primelife segments its business and operations has been streamlined into three distinct groups: Operations, Development and Corporate.

Organisational Structure

The following summarises the revised organisational structure of Primelife:



Operations Group

The Operations Group is responsible for the management and maintenance of Primelife's portfolio of retirement villages and aged care facilities.
Over 1100 staff are employed within this area at the Company's head office, state branches and at the various facilities. The Retirement Village, Aged Care, People & Performance, Occupational Health & Safety (OH&S), Training, Sales & Marketing Divisions of Primelife now come under the umbrella of the Operations Group.

A key aim of the Operations Group over the last 12 months has been to enhance the quality of services provided to our residents and to introduce new management and cost control systems to increase the profitability of this group. Our aim is to maximise all revenue streams from existing retirement villages and aged care facilities.

In this regard we have flattened many of the management structures, reduced staff numbers and overall operating costs, while at the same time introducing business practices to ensure we work more efficiently and with greater accountability.

Retirement Villages

Primelife currently operates 40 retirement villages in five states, providing accommodation to close to 5,250 people, an increase of 5% on 2003.

Our aim is to be the premier provider of accommodation and lifestyle for the over 55s, and endorsement of this was received when Waterford Valley Lakes, our flagship development in Rowville (Vic), was named Best Retirement Community at the 2003 Aged Care Industry Awards. This is the first of three villages to be built at Waterford Valley, and it has proved to be extremely popular, with its mix of high quality independent living accommodation, health and lifestyle facilities, and beautifully landscaped setting near lakes and bushland, with a championship 18-hole golf course next door.

Over the next five years, Primelife aims to develop additional facilities that will increase the number of residents to between 8,500 and 9,500. We also aim to become a major home care provider, delivering services such as domestic help, personal care, respite care, companionship and overnight care into people's homes.

Aged Care

Our Aged Care Division currently operates 20 aged care facilities in three states, providing quality aged care accommodation for 941 people. The Company has detailed plans for further aged care developments over time.

A key achievement was the awarding of 328 bed licences in the 2003 Aged Care Assessment Round (ACAR). This success is evidence of the high regard in which Primelife's aged care facilities and practices are held within the industry, and we will continue to build on this reputation.

We also implemented a sophisticated aged care software system to assist in the Resident Classification Scale (RCS) documentation processing, thereby seeking to maximise government funding. This is part of our strategy to enhance the quality of the services provided to our residents and improve management and cost control systems to increase profitability.

We will continue to develop and build on strategic alliances with regional offices of the Federal Government's Aged Care Assessment Service (ACAS), hospital discharge planners, social workers and local healthcare professionals, with our aim to be recognised as the premier provider of aged care.

People & Performance, Occupational Health & Safety and Training

As at 30 June 2004, the total number of staff employed by Primelife was 1,259, reduced from 1,303 at the same time in 2003. The reduction in staff numbers has been principally as a result of reorganisation within the Melbourne head office functions.

As part of the restructuring we have undertaken, the School for Senior Living Management ceased operation and its training functions were integrated within the umbrella of the People & Performance department. In this way we have reduced expenditure in this area by approximately $400K and again brought our focus back to our core business.

We have maintained and strengthened services in a number of key areas, chief among these being the implementation of a number of Occupational Health & Safety (OH&S) measures both within head office and at facilities. A measure of our success in this area has been a reduction in the Lost Time Injury Frequency Rate (LTIFR) of 70% from 32 Loss Time Injuries (LTI) per million hours to 10, bringing Primelife to within the industry average.

Operations Group (cont'd)

Sales & Marketing

The Sales & Marketing Divisions aim to maximise sales activity, develop and consolidate awareness of the Primelife brand and improve Primelife's position within the market.

The importance of a strong brand with the national market is vital to the ongoing success of Primelife. Our research has shown that the senior living sector largely remains an unbranded marketplace. At present, less than 3% of Australians live in retirement village accommodation. Given that figures of up to 12% are closer to the average benchmark in some parts of the world, it is reasonable to expect significant growth in this area in the future.

Our goal over the next 12 months is to develop a new brand-level campaign that will reposition the Primelife product and promote the benefits of Primelife's senior living communities and increase our market share.

Throughout the difficult period that the Company has faced over the last few years, the quality of the facilities that we offer and the services and care we provide has not wavered. We believe that the continued delivery of these quality outcomes, combined with improved performance from the other key divisions that make up the Operations Group, allows us to look towards the future with a great deal of optimism.

Development Group

The Development Group is responsible for the planning and development of retirement village and aged care projects. Within this area are two divisions: Business Development and Construction.

Business Development identifies the new business opportunities in relation to the over 55s market.
This unit collects, researches and analyses data on the feasibility of any potential facility, taking into account such information as the demographic make-up of an area, attitudes of the local community towards senior living and potential catchment areas for residents.

The Construction division manages the design and building of these projects, focusing on the delivery of high quality facilities that meet the needs of the over 55s market in both retirement living and aged care.
In the last year, Riddell Gardens Aged Care Residence (Sunbury, Vic) and the first stage at Trowella Gardens Country Club Estate (Griffith, NSW), along with the Community Centre, have been completed and were officially opened in March and April, respectively.

Work at a number of other sites was also completed, most notably:

- The first village at Waterford Valley (Rowville, Vic) with most units sold and occupied.
- Lexington Gardens Country Club Estate (Springvale, Vic) Building B, wings 16 and 17.
- Tannoch Brae Country Estate (St Albans Park, Vic) Stage 2A Independent Living Units.
- Refurbishment of Heathglen Lodge (Werribee, Vic).
- Completion of 8 new Independent Living Units at Meadowvale Retirement Village (Pakenham, Vic).

Construction of 77 lifestyle apartments at The Brighton on Bay Street (Brighton, Vic) also commenced, with completion expected by May 2005. The next stages of development at Tannoch Brae and Trowella Gardens have also commenced.

Twelve new or improved permits were also obtained in respect of projects at Brighton, East Brighton, Mt Martha, Kew, Knox, McKinnon, Werribee, Sunbury, Mt Evelyn, Sandringham, Springvale, Toorak (all Vic) and Woodside (SA).

The Waterford Valley joint venture has recently been unwound, enabling Primelife to assume full ownership of the flagship Waterford Valley Retirement Village at Rowville (Vic), together with two further development sites.

Over the next two to three years, the Development Group's key objectives are to pursue the development of premium broad acre retirement villages in all eastern states and progress projects that have been in the Company's development pipeline. These projects include commencement of developments at Berwick and Mt Evelyn, a new development adjacent to our existing facility at Mt Martha, and the second village at Waterford Valley in Rowville.

A development joint venture agreement will be entered into with Multiplex and Babcock & Brown for the future development of new retirement villages.

Corporate Group

The Corporate Group provides corporate services for Primelife and its operations. There are two business units within this Group: Legal and Finance.

The Legal Unit comprises Senior Counsel and solicitors specialising in commercial and property matters, together with law clerks handling resident documentation and secretarial support staff. The unit operates across all aspects of Primelife's activities, including property acquisition and disposal; joint venture transactions; investment and property trust transactions; resident affairs; litigation, capital raising and finance; statutory compliance; corporate governance; and employment and industrial relations.

The Company is currently involved in a number of matters that are subject to litigation or potential dispute. Full details of material matters were set out in the Prospectus and Supplementary Prospectus that were released on 6 August 2004 and 16 September 2004, respectively.

The Finance Unit provides accounting and administration functions for Primelife's corporate requirement, centralised accounting for all operational facilities and construction accounting for all projects under development.

Over the last 12 months, Primelife has adopted a far more conservative approach to its accounting policies and procedures and made a strategic decision to concentrate on its core business of providing high quality lifestyle options for the over 55s and quality residential aged care.

In line with this approach was our decision in February 2004 to exit from Renaissance Television (RTV). As a result of this decision, Primelife took a one-off charge of $8.35m in the half-year ending 31 December 2003. We see this decision as being in the best long-term interests of the Company. Over the 3-year period of its operations, Primelife spent $10m on RTV, and in the 12 months leading up to its sale, RTV lost $3m.

Our conservative approach has also been reflected in the balance sheet adjustments recorded for the 2004 financial year and our treatment of the 23 retirement village TR94/24 syndicates that have been questioned in regard to their compliance with the managed investment, fundraising and licensing provisions of the Corporations Act.

In addition to the $8.35m written off in the December half-year period, additional write-offs, losses and one-off adjustments of $67m were taken up for the full financial year ending 30 June 2004.

Board of Directors

Robert J Champion de Crespigny AC

Chairman (Non-Executive)
Age 54

Member of the Asset & Balance Sheet Management Committee and People Strategy & Remuneration Committee.

Mr Robert Champion de Crespigny joined the Board of Directors in June 2003. Mr Champion de Crespigny was the founder, Chairman and Chief Executive Officer of Normandy Mining Limited. He was awarded the Companion of the Order of Australia Medal (AC) in 2002. He is a former Chancellor of the University of Adelaide and he is currently Chairman of the Economic Development Board of South Australia.

Ronald J Walker AC CBE

Deputy Chairman (Non-Executive)
Age 65

Chairman – Asset & Balance Sheet Committee and member of Marketing & Image Committee.

Mr Ronald Walker joined the Board of Directors in June 2003. Mr Walker was co-founder, Director and a major shareholder of Hudson Conway Limited and a co-founder and Director of Crown Limited. He is currently a Director of John Fairfax Holdings Limited, Chairman of the Australian Grand Prix Corporation and the Melbourne 2006 Commonwealth Games, a Commissioner of Soccer Australia Limited, and Chairman of the Microsurgery Foundation at St Vincent's Hospital. A former Lord Mayor of Melbourne who served two terms, Mr Walker is also a former Chairman of the Victorian Major Events Company.

Mr James Hazel

Managing Director
Age 53

Member of the Asset & Balance Sheet Management Committee, Marketing & Image Committee and People Strategy & Remuneration Committee.

Mr James Hazel joined the Board of Directors in March 2004. Mr Hazel has a strong background in Australia's retirement living and aged accommodation sectors, having previously held the positions of Executive Chairman of Village Care Limited, a specialist retirement village and marketing practice, and Managing Director Equity One Limited, an investment bank specialising in the aged care sector. He was also the Chief General Manager of the Adelaide Bank during the period when this institution became Australia's largest lender to the retirement village industry. Mr Hazel is currently Deputy Chairman of Elders Rural Bank Limited where he chairs both the Board Credit and Board Risk Committees.

Mr Robert Topfer

Non-Executive Director
Age 44

Member of Asset & Balance Sheet Committee and Risk, Audit & Compliance Committee.

Mr Robert Topfer joined the Board of Directors in December 2003. Mr Topfer is also a Director of Babcock & Brown, a major shareholder in Primelife. He has over 17 years of high-level experience in corporate finance, including structured equity and debt raisings, delivering large projects and takeovers.

Mr Topfer was a founding partner of Atanaskovic Hartnell and formerly a partner of Allen Allen & Hemsley.

Mr Phillip H Green

Non-Executive Director
Age 49

Chairman – People Strategy & Remuneration Committee.

Mr Phillip Green joined the Board of Directors in February 2004. He is the Chief Executive of Babcock & Brown, a major shareholder in Primelife. Prior to joining Babcock & Brown in 1984, Mr Green worked as a Senior Manager with Arthur Andersen where he specialised in taxation. He is currently the Chairman of Environmental Infrastructure Limited and a Director of Prime Infrastructure Management Limited and Thakral Holdings Limited. Mr Green holds Bachelor of Commerce and Bachelor of Law degrees from the University of New South Wales. He qualified as a Chartered Accountant in 1981 and was admitted as a solicitor in NSW in 1978.

Mr Lou Panaccio

Non-Executive Director
Age 47

Chairman – Risk, Audit & Compliance Committee.

Mr Lou Panaccio joined the Board of Directors in October 2001. Mr Panaccio has strong management experience in both business and healthcare services. He is a Chartered Accountant and is currently Chairman of CPW Group, a Director of the Inner Eastern Community Health Service and Chairman of Health Networks Australia, and a Director of several other private companies. Prior to this, he was formerly Chief Executive Officer and Executive Director of the Melbourne Pathology Group for ten years.

Ms Sandra McPhee

Non-Executive Director
Age 58

Chairman – Marketing & Image Committee and Member of People Strategy & Remuneration Committee.

Ms Sandra McPhee joined the Board of Directors in June 2003. She has extensive international leadership experience in sales, marketing and consumer roles with major global brands. Ms McPhee spent the last 10 years in a number of senior commercial positions with Qantas Airways Limited. She is a Director of Australia Post, Coles Myer Limited, Perpetual Trustees Australia Limited, The Art Gallery of NSW and St Vincent's and Mater Health. Ms McPhee is a Council Member of Chief Executive Women. Previous non-executive roles included Deputy Chairman of South Australia Water and a Director of the Tourism Council Australia and CARE Australia.

Corporate Governance Statement

The Board of Directors of Primelife Corporation Limited ("Primelife") are responsible for the corporate governance of the consolidated entity.

The Board guides and monitors the business and affairs of Primelife on behalf of the shareholders by whom they are elected and to whom they are accountable.

Composition of the Board

On 29 August 2003, the Board of Directors of Primelife adopted a Board Charter that complies with the ASX Corporate Governance Council's best practice recommendations. This Board Charter is disclosed on the Company's website at www.primelife.com.au. The Board is in the process of developing a statement of the responsibilities, rights and obligations of individual directors.

The directors in office at the date of this statement, their skills, experience, expertise and period of directorship are detailed in the accompanying Directors' Report.

Independent directors of Primelife at the date of this statement are Ms S McPhee and Mr L Panaccio.

On 27 June 2003, Mr R Champion de Crespigny was appointed Chairman of Primelife. Mr Champion de Crespigny indirectly holds a financial interest in the Company, 3,145,000 ordinary shares and 7,538,000 options. Because Mr Champion de Crespigny is not an independent director, Mr Stuart McGregor was lead independent director until his resignation on 26 February 2004. Mr Lou Panaccio has been lead independent director since that time.

On 29 August 2003, the Board of Primelife adopted a formal procedure for directors to take independent professional advice at the expense of the Company. This formal procedure is detailed on the Company's website.

Ethical and Responsible Decision Making

At 30 June 2004, Primelife had not formally adopted a code of conduct for ethical and responsible decision making by directors and senior management, but had established a formal policy concerning trading in the Company's securities by directors, senior management and other employees.

The Board is in the process of establishing and formally adopting a written code of conduct in the light of the ASX Corporate Governance Council's best practice recommendations, and this policy will be disclosed on the Company's website.

The Company has a policy concerning dealing in company securities. The purpose of the policy is to ensure that directors and officers of the Company who buy and sell shares of the Company do not breach relevant legislation and ASX listing requirements. The share trading policy is detailed on the Company's website.

Asset & Balance Sheet Management Committee

The Board is responsible for determining and reviewing the acquisition and disposal of assets and the management of the Company's balance sheet. The Board has established an Asset & Balance Sheet Management Committee, comprising three non-executive directors and the Managing Director. Members of the Asset & Balance Sheet Management Committee at the date of this report are Messrs R Walker (Chairman), R Champion de Crespigny, R Topfer and J Hazel.

Marketing & Image Committee

The Board is responsible for the marketing, product development and corporate image of the Company. The Board has established a Marketing & Image Committee comprising two non-executive directors and the Managing Director.

The Marketing & Image Committee throughout the financial year ending 30 June 2004 were Ms S McPhee (Chairman) and Messrs R Walker, J Hazel, S McGregor, E C Sent and D Legge. Members as at the date of this statement are Ms S McPhee (Chairman), and Messrs R Walker and J Hazel. The Marketing & Image Committee Charter is detailed on the Company's website.

Nomination Committee

During the financial year ended 30 June 2004, the Board of Directors of Primelife had not established a Nomination Committee, as the Board performed this function. Because of major changes recently made to the Board composition, it is not intended that a separate Nomination Committee be established at this time, but in view of the importance of this issue, the Board as a whole will deal with Board appointments.

People Strategy & Remuneration Committee

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the Managing Director and the Executive team. The Board has established a People Strategy & Remuneration Committee, comprising four non-executive directors and the Managing Director. Members of this Committee throughout the financial year ended 30 June 2004 were Messrs P Green (Chairman), R Champion de Crespigny, J Hazel, S McGregor, D Legge, L Panaccio, K Spencer and Ms S McPhee. The People Strategy & Remuneration Committee members as at the date of this statement are Messrs P Green (Chairman), R Champion de Crespigny, J Hazel and Ms S McPhee. The People Strategy & Remuneration Committee Charter is detailed on the Company's website.

The qualification of each member of the People Strategy & Remuneration Committee, the number of meetings held and the number of meetings attended by each committee member are disclosed in the attached Directors' Report.

Since 30 June 2003, the Board has restructured this Committee, and adopted a formal Charter, to ensure it complies with best practice corporate governance as outlined by the Australian Stock Exchange Corporate Governance Council.

The Company's remuneration policies for directors and senior executives for the financial year ended 30 June 2004 are detailed in the accompanying Directors' Report. The policies will be reviewed during the year ending 30 June 2005 and any changes subsequent to the above review will be disclosed on the Company's website.

Risk, Audit & Compliance Committee

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes establishing policies on risk oversight and management and internal controls to deal with both the effectiveness and efficiency of significant business processes. The Board has delegated the responsibility for establishment and maintenance of a framework of internal control and ethical standards for management of the consolidated entity to a formally designated Risk, Audit & Compliance Committee.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the Company's financial reports. During the financial year ended 30 June 2004, Members of the Risk, Audit & Compliance Committee were non-executive directors. The members of the Risk, Audit & Compliance Committee during the financial year ended 30 June 2004 were Messrs K Spencer (Chairman) and L Panaccio and R Topfer. The Risk, Audit & Compliance Committee members at the date of this statement are Messrs L Panaccio (Chairman) and R Topfer.

The qualification of each member of the Risk, Audit & Compliance Committee, the number of meetings held and the number of meetings attended by each committee member are disclosed in the Directors' Report.

The Risk, Audit & Compliance Committee is also responsible for nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half-year statutory audit or review.

Since 30 June 2003, the Board has reviewed this Committee and adopted a Charter which complies with best practice corporate governance as outlined by the Australian Stock Exchange Corporate Governance Council. The Risk, Audit & Compliance Committee Charter is detailed on the Company's website.

Risk Management

The Company had not adopted a comprehensive Risk Management program prior to 30 June 2004. Such a program is being developed during the year ending 30 June 2005 by the Audit Committee, which is responsible for the establishment and monitoring of such policies.

Timely and Balanced Disclosure

Prior to 30 June 2004, Primelife had not established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance. In respect of the year ended 30 June 2004, management has stated in writing to the Board that the financial statements present a true and fair view of the Company's financial position and results of its operations.

During the year ending 30 June 2005, the Board will review and formally adopt written policies which comply with the ASX Corporate Governance Council's best practice recommendations and these will be disclosed on the Company's website.

Board Responsibilities

The responsibility for the operation and administration of the consolidated entity is delegated by the Board to the Managing Director and the Executive team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities, and has in place procedures to assess the performance of the Managing Director and the Executive team.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. In addition to the establishment of specific committees referred to in this statement, these mechanisms include the following:

- Implementation of operating plans and budgets by management and Board monitoring of progress against budget – this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes;
- Procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the Company's expense;
- Establishment of an Asset & Balance Sheet Management Committee, which is responsible for the review and approval of acquisitions and disposals of businesses and assets, and the approval of contracts and financing arrangements within defined limits; and
- Establishment of a Marketing & Image Committee, which is responsible for managing the organisation's public image and communication with shareholders.

In conjunction with a review of the Board Charter, the Board will consider its responsibilities and delegated authorities to ensure they comply with best practice corporate governance.

Monitoring Performance

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all directors and committees will be reviewed annually by the Chairman, based on processes to be developed by the People Strategy & Remuneration Committee. The performance of the Chairman will be reviewed by the lead independent director. No review was undertaken in the 30 June 2004 financial year. The performance of key executives shall be undertaken by the People Strategy & Remuneration Committee on an annual basis.

Communication to Shareholders

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Company and the directors. Information is communicated to shareholders through:

- The annual report, which is distributed to all shareholders;
- The annual general meeting and other meetings so called to obtain approval for Board action as appropriate; and
- Regular reporting to shareholders in accordance with the Company's continuous disclosure obligations.

Specific responsibility for communication to shareholders has been delegated by the Board to the Marketing & Image Committee.

Legitimate Interests of Stakeholders

The Board is in the process of establishing a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders. Prior to the date of this report, the Company did not have a formally documented Code of Conduct.

The Company believes its key stakeholders include shareholders, employees, residents, financiers, suppliers, owners of managed facilities, federal, state and local government, and the media. This code will be disclosed on the Company's website.

Executive Team

Greg Flood

General Manager – Legal
Company Secretary

Mr Greg Flood joined Primelife in 2001 as General Counsel. Greg has a strong senior management background at the highest level in the media and entertainment industries and he has also been a partner with a major law firm and Chairman of a Superannuation Fund.

Graeme Manie

General Manager – Construction

Mr Graeme Manie joined Primelife in 2003 as the General Manager – Construction. Graeme has 35 years experience in the construction industry, with over $3 billion of building works having been completed under his direct management. Graeme came to Primelife from a senior management position with Hudson Conway.

Craig Thompson

Chief Financial Officer

Mr Craig Thompson joined Primelife in September 2004. He has over 20 years experience in finance and accounting related areas – most recently as Chief Financial Officer for two years with Benchmark Healthcare Pty Ltd and five years with PMP Limited. Craig started his career with Price Waterhouse in 1980 and worked in the audit and corporate finance areas until 1997.

Simon Bracegirdle

General Manager – Development

Mr Simon Bracegirdle joined Primelife in 2004 as the General Manager – Development. Simon has over 10 years experience in the retirement village industry having previously been employed as the General Manager and a Director of Living Choice Australia Limited with responsibility for 1,000 independent living units.

Jennifer Clancy

General Manager - Operations

Ms Jennifer Clancy joined Primelife in 2002 as the General Manager - Retirement Villages and more recently assumed the position of General Manager - Operations, with responsibility for Retirement Villages, Aged Care, Sales & Marketing and Human Resources. Jennifer came to Primelife from senior management positions with the Spotless Group.

Content

CORPORATE INFORMATION FOR THE YEAR ENDED 30 JUNE 2004

Primelife Corporation Limited is a Company incorporated in Australia.

Directors
R J Champion de Crespigny AC (Chairman)
R J Walker AC CBE (Deputy Chairman)
J T Hazel (Managing Director)
L J Panaccio
S V McPhee
P H Green
R N Topfer

Company Secretary
G D Flood

Registered Office and Principal Place of Business
Level 2, 210 Kings Way
South Melbourne Vic 3205
Tel: 03 8699 3300
Fax: 03 8699 3399

Auditors
PKF
Level 11, CGU Tower
485 La Trobe Street
Melbourne Vic 3000

Bankers
Australia and New Zealand Banking Group Limited
Level 10, 530 Collins Street
Melbourne Vic 3000

National Australia Bank Limited
AMP St James Building
Level 21, 535 Bourke Street
Melbourne Vic 3000

Share Registry
ASX Perpetual Registrars Limited
333 Collins Street
Melbourne Vic 3000

Internet Address
www.primelife.com.au

The Board of Primelife Corporation Limited is pleased to submit its report for the financial year ended 30 June 2004.

DIRECTORS

The names and details of the directors of Primelife Corporation Limited ("Primelife"), in office at any time during or since the end of the year are as follows:

Robert J Champion de Crespigny AC – Non-Executive Chairman

Mr Champion de Crespigny is a former Chairman and Chief Executive Officer, Normandy Mining Limited; Chairman, Economic Development Board of South Australia; Chancellor, University of Adelaide.
Special responsibilities: Chairman of Board of Directors, Member of the Asset & Balance Sheet Management Committee.
Mr Champion de Crespigny was appointed a Director of the Company on 6 June 2003.

Ronald J Walker AC CBE – Non-Executive Deputy Chairman

Mr Walker is a Director of John Fairfax Holdings Limited; Chairman of Melbourne 2006 Commonwealth Games; and Chairman of Australian Grand Prix Corporation.
Special responsibilities: Deputy Chairman of Board of Directors, Chairman of the Asset & Balance Sheet Management Committee, Member of the Marketing & Image Committee.
Mr Walker was appointed a Director of the Company on 6 June 2003.

James T Hazel – Managing Director

Mr Hazel is the Managing Director of Primelife Corporation Limited. Mr Hazel has a Bachelor of Economics from Adelaide University and is a Fellow of: Australian Institute of Banking & Finance, Australian Institute of Company Directors, and Australian Institute of Management.
He is also Deputy Chairman of Elders Rural Bank Limited, where he chairs both the Board Credit & Board Risk Committees.
Special Responsibilities: Managing Director, Member of the People Strategy & Remuneration Committee, Asset & Balance Sheet Committee and Marketing & Image Committee.
Mr Hazel was appointed a Director of the Company on 23 March 2004.

Louis J Panaccio – Non-Executive Director

Mr Panaccio is a chartered accountant and is currently Chairman of CPW Group, as well as a Director of the Inner Eastern Community Health Service, Chairman of Health Networks Australia and Director of a number of other entities. Former CEO and Executive Director of the Melbourne Pathology Group.
Special responsibilities: Chairman of the Risk, Audit & Compliance Committee.
Mr Panaccio has been a Director since 2001.

Sandra V McPhee – Non-Executive Director

Ms McPhee held a number of senior executive positions with Qantas Airways Limited. She is a Director of Australia Post; Coles Myer, Perpetual Trustees Australia Limited, The Art Gallery of NSW and St Vincent's and Mater Health. Ms McPhee is a Council Member of Chief Executive Women. Her previous non-executive positions held include, Deputy Chairman, South Australia Water and director Tourism Council Australia.
Special responsibilities: Chairman of the Marketing & Image Committee, Member of the People Strategy & Remuneration Committee.
Ms McPhee was appointed a Director of the Company on 6 June 2003.

Phillip H Green – Non-Executive Director

Mr Green holds a Bachelor of Commerce and Law from the University of New South Wales.
Since joining Babcock & Brown in 1984, he has been involved in syndicating, structuring and advising on major domestic and international financing opportunities. Mr Green became Chief Executive of Babcock & Brown in 1991 and is a member of the B&B International Management Committee with global responsibility for the Group's real estate activities. He is currently Chairman of Environmental Infrastructure Limited, a Director of Prime Infrastructure Management Limited and Thakral Holdings Limited.
Special responsibilities: Chairman of the People Strategy & Remuneration Committee.
Mr Green was appointed a Director of the Company on 26 February 2004.

Robert N Topfer – Non-Executive Director

Mr Topfer holds a Bachelor of Law and Arts from the Australian National University.
Prior to joining Babcock & Brown, he was a founding partner of Atanaskovic Hartnell and prior to that a partner of Allen Allen & Hemsley. Mr Topfer brings 17 years of specialist structured and corporate finance experience across many industry sectors.
Special responsibilities: Member of Asset & Balance Sheet Committee and Risk, Audit & Compliance Committees.
Mr Topfer was appointed a Director of the Company on 16 December 2003.

Past Directors

The Company acknowledges the following resignations from the Board during the last 12 months:

Eduard C Sent, Executive Director – Retired 4 December 2003
Andrew P S Kemp, Non-Executive Director – Retired 16 December 2003
David S Legge, Non-Executive Director – Retired 16 December 2003
Stuart J McGregor, Non-Executive Director – Retired 26 February 2004
Kenneth H Spencer AM, Non-Executive Director – Retired 29 March 2004

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activities of the economic entity, constituted by Primelife and the entities it controlled from time to time during the year, consisted of the continuing management, marketing and development of senior living facilities.

There have been no significant changes in the nature of those activities during the year.

DIVIDENDS

The directors continue to review the capital management practices and requirements of the Company and believe that shareholder returns will be maximised if the Company does not pay a dividend for the year ended 30 June 2004 (FY2003: Dividend of $Nil).

BONUS SHARES

The directors have issued Bonus Shares on a 1 for 25 basis to all shareholders on April 2003 after announcing the first half result for the financial year ended 30 June 2003. No further bonus shares have been issued since April 2003.

REVIEW OF OPERATIONS, OPERATING RESULTS AND CHANGES IN STATE OF AFFAIRS

A summary of consolidated revenues and results is set out below.

	FY2004	FY2003
REVENUE	**$'000**	**$'000**
Development revenue	46,470	54,801
Revenue from operation and management of senior living facilities	35,048	39,157
Sale of senior living facilities	7,350	13,600
Other Income	5.579	6,612
TOTAL REVENUE	**94,447**	**114,170**
Net Profit/(Loss) Before Income Tax	(106,804)	(40,765)
Less: Income Tax Expense/(Benefit)	(27,225)	(11,923)
Less: Net profit attributable to outside equity interest	(1,398)	208
Operating Profit/(Loss) after Income Tax	**(78,181)**	**(29,050)**

The full year results for 2004 should be viewed in line with substantially reduced new construction and development during the year whilst the Company undertook a comprehensive review of its business and the balance sheet adjustments.

The result included total balance sheet adjustments at June 2004 of $67.0m, which is in line with details included in the current prospectus and $8.35m taken up in December 2003 for the closure of the RTV operation. These balance sheet adjustments were identified during management's comprehensive review of the Company's operations.

In the previous corresponding period Primelife reported an after tax loss of $29.1m, which included balance sheet adjustments of $34.5m. the Company does not believe the results are readily comparable given the transformation of the business model and the nature of adjustments.

Primelife's previous business model relied upon profits and cash flow from the purchase and prompt on-sale of facilities. Investors in these facilities were typically given the benefit of long-term guaranteed returns from Primelife. The asset trading profits generated by Primelife from these on-sale transactions were used to pay dividends and to fund new development projects. Primelife's new Board and Management team do not believe that this business model is likely to be sustainable in the long-term. Primelife's new business model is to focus on maximising the value of the Company's assets over the long-term and to build high quality management fee income streams. Primelife will do this by developing and owning facilities.

The segment breakdown below provides further detail of the 2004 result.

Business Unit	Revenue ($m)	
	2004	2003
Retirement Village Management	12	17
Aged Care Management	19	18
Construction and Development	47	55
Sales of Senior Living Facilities	7	14
Corporate	9	9
Consolidated (net of interdivisional adjustments)	94	114

The Company's operating cash flow was negative $34.6m compared to negative $15.0m in the previous corresponding period, due mainly to expenditure on construction, reduced proceeds from sale of facilities and higher head office operating costs (including redundancies), associated with the review and head office relocation costs.

The Board is confident that the recently announced corporate initiatives, including a proposed $80.0m refinancing package and the proposed development joint venture with Multiplex and Babcock & Brown, will provide the Company with a solid base from which it can execute its revised business plan and pursue national market leadership.

Going forward, Primelife expects that new developments and subsequent sales will increase revenue, and further operational efficiencies at the corporate level will be achieved

Primelife will continue to undertake initiatives that reposition the Company for future prosperity and long-term value for shareholders, while at the same time providing the highest quality accommodation, services and care for our residents.

Primelife is Australia's leading specialist developer and manager of senior living residential facilities. the Company is currently responsible for the well-being of approximately 6,000 residents around Australia.

The 2004 financial year has been a year of major change for the Company. Change is expected to continue as the Board increases its focus on improving the Company's operational and financial performance. This process of change is designed to ensure that Primelife – through its brand, products and services – remains a pre-eminent player in the senior living industry in Australia.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In the opinion of the directors further information, including the expected future results, would unreasonably prejudice the interests of the consolidated entity.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Significant events after balance date are disclosed at Note 26 in the Notes to the Financial Statement.

Other than noted above, there has not arisen in the interval between the end of the year and the date of this report any matter or circumstance which has or may significantly affect the operations of the Company, the results of the operations, or the state of the affairs of the Company in subsequent financial years, except as disclosed in this report or the financial statements.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Board of Directors (including meetings of committees of directors) held during the year ended 30 June 2004 and the number of meetings attended by each director.

	Director Meetings		Risk Audit & Compliance Committee Meetings		People Strategy & Remuneration Committee Meetings		Asset & Balance Sheet		Marketing & Image Committee	
	A	B	A	B	A	B	A	B	A	B
R J Champion de Crespigny	16	16	-	-	1	1	1	1	-	-
R J Walker	16	15	-	-	-	-	1	1	2	2
J T Hazel (i)	4	4	-	-	1	1	1	1	1	1
L J Panaccio	16	15	5	5	2	2	-	-	-	-
S V McPhee	16	15	-	-	1	1	-	-	4	4
R N Topfer (ii)	7	7	-	-	-	-	1	1	-	-
P H Green (iii)	4	3	-	-	1	1	-	-	-	-
E C Sent (iv)	9	4	-	-	-	-	-	-	2	1
A P S Kemp (v)	10	7	2	2	-	-	-	-	-	-
D S Legge (v)	10	9	-	-	2	2	-	-	2	1
S J McGregor (vi)	12	12	-	-	2	2	-	-	3	3
K H Spencer (vii)	13	13	5	5	2	2	-	-	-	-

A Number of meetings eligible to attend
(i) Appointed 23 March 2004
(ii) Appointed 16 December 2003
(iii) Appointed 26 February 2004

B Number of meetings attended
(iv) Resigned 04 December 2003
(v) Resigned 16 December 2003
(vi) Resigned 26 February 2004
(vii) Resigned 29 March 2004

Committee Membership

As at the date of this report, the Company has a Risk Audit & Compliance Committee, People Strategy & Remuneration Committee, Asset & Balance Sheet Committee and Marketing & Image Committee of the Board of Directors.

Members acting on the Committees of the Board during the year were:

Risk Audit & Compliance	People Strategy & Remuneration	Asset & Balance Sheet	Marketing & Image
L J Panaccio (c)	P H Green (c)	R J Walker (c)	S V McPhee (c)
R N Topfer	R J Champion de Crespigny	R J Champion de Crespigny	R J Walker
	J T Hazel	R N Topfer	J T Hazel
	S V McPhee	J T Hazel	
A P S Kemp (resigned 16/12/04)	L J Panaccio (resigned 29/3/04)	E C Sent (resigned 04/12/03)	E C Sent (resigned 04/12/03)
K H Spencer (resigned 29/3/04)	D S Legge (resigned 16/12/03)		D S Legge (resigned 16/12/03)
	S J McGregor (resigned 26/2/04)		S J McGregor (resigned 26/02/04)
	K H Spencer (resigned 29/3/04)		

(c) Designates the Chairman of the Committee.

OPTIONS

Details of options that are granted over unissued shares of the Company, options that lapsed during the year and shares of the Company that were issued during the year as a result of exercise of options are:

Grant Date	Expiry Date	Exercise Price	Balance at beginning of the year	Options issued during the year	Options lapsed during the year	Shares issued during the year as result of exercise of Options	Options balance at end of year
19/07/2000	19/07/2003	$2.50	50,000	-	50,000	-	-
22/03/2002	21/03/2005	$2.50	100,000	-	-	-	100,000
01/12/2002	01/12/2004	$2.11	200,000	-	-	-	200,000
01/12/2002	01/12/2004	$2.50	200,000	-	-	-	200,000
28/08/2003	31/07/2004	$1.53	-	4,050,000	-	-	4,050,000
28/08/2003	31/07/2005	$2.50	-	2,288,000	-	-	2,288,000
28/08/2003	31/07/2006	$2.25	-	2,625,000	-	-	2,625,000
28/08/2003	31/07/2007	$2.50	-	2,625,000	-	-	2,625,000
			550,000	**11,588,000**	**50,000**	**-**	**12,088,000**

DIRECTORS' INTERESTS IN SHARES AND CONVERTIBLE NOTES OF THE COMPANY AND RELATED BODIES CORPORATE

The relevant interests of each of the directors who have held office at any time during the year, in the share capital of Primelife shown in the Register of Directors' Share Holdings and Convertible Notes as at the date of this report are:

Director	Ordinary Shares Directly or Beneficially Held	Convertible Notes Directly or Beneficially Held	Number of Shares under Options
R J Champion de Crespigny	3,145,000	-	11,588,000
R J Walker	3,145,000	-	11,588,000
L J Panaccio	10,816	-	100,000
S V McPhee	23,000	-	-
S J McGregor	-	-	100,000
D S Legge	-	-	100,000
A P S Kemp	-	-	100,000
P H Green(1)	12,170,886	-	-
R N Topfer(1)	12,170,886	-	-

(1) Babcock & Brown Pty Ltd has a relevant interest in 12,170,886 ordinary shares in Primelife. Non-executive Directors Messrs Green and Topfer are directors and associates of Babcock & Brown.

Convertible Notes: have a coupon rate of 9.5% per annum, a term of three years and an offer price of $100.00 each and are convertible at the option of the noteholder on a 43.26 for 1 basis (adjusted for bonus issues during the period) into shares.

REMUNERATION POLICY

The People Strategy & Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the Managing Director and the executive team. The People Strategy & Remuneration Committee assesses the appropriateness of the nature and amount of the emoluments of such officers on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. The assessments are based on criteria including the Company's business performance, whether long-term strategic objectives are being achieved and the achievement of individual performance objectives. Such officers are given the opportunity to receive their base emolument in a variety of forms, including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optional for the recipient without creating additional costs for the Company.

Emoluments (*) of Directors

	Base Salary $	Fees $	Super $	Options Ascribed Value at 30/6/04	Other $	Total $
R J Champion de Crespigny	-	-	-	-	-	-
R J Walker	-	-	-	-	-	-
J T Hazel	160,903	-	14,481	-	11,866	187,250
L J Panaccio	-	60,000	-	-	-	60,000
S V McPhee	-	47,054	4,235	-	-	51,289
P H Green	-	-	-	-	-	-
R N Topfer	-	-	-	-	-	-
E C Sent	269,860	-	24,287	-	31,449	325,596
A P S Kemp	-	29,457	543	-	-	30,000
D S Legge	-	27,500	-	-	4,386	31,886
S J McGregor	-	46,444	4,180	-	4,971	55,595
K H Spencer	-	46,444	-	-	-	46,444
Total	**430,763**	**256,899**	**47,726**	**-**	**52,672**	**788,060**

* The elements of emoluments have been determined on the basis of the cost to the Company and the consolidated entity.

Mr Champion de Crespigny, Mr Walker, Mr Green and Mr Topfer have all decided to forego all fees to which they would otherwise be entitled to until Primelife returns to profit.

EXECUTIVES' AND OFFICERS' EMOLUMENTS

Emoluments of specified executives of the Company and consolidated entity

	Base Salary $	Super $	Other $	Consulting Fees $	Total $	Position Held
G W Cobbledick	190,497	17,069	924	-	208,490	Acting Chief Executive Officer
G D Flood	183,968	16,514	17,425	-	217,907	Legal Counsel and Company Secretary
P J Clarke	-	-	-	290,227	290,227	Business Development Manager
C S Heath	215,325	9,415	3,621	-	228,361	National Sales Manager
R C Williams	174,780	15,685	5,400	-	195,865	Chief Financial Officer
Total	**764,570**	**58,683**	**27,370**	**290,227**	**1,140,850**	

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the 2004 financial year, the Company incurred an insurance premium in respect of a contract insuring Primelife directors against liabilities arising as a result of work performed in their capacity as directors of the Company. Details and the nature of liabilities covered, or the amount of the premium paid in respect of the insurance contract are not detailed here, as such disclosure is prohibited under the terms of the contract.

The Company has not entered into any agreements to indemnify directors or officers.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity's operations are subject to environmental regulations under relevant local laws and local Council policies and relevant State Government legislation in relation to development and operating activities. The Company has a policy of complying with all relevant Federal, State and local law environmental performance obligations.

As part of the consolidated entity's development programs, Primelife obtains development approvals from the respective local authorities in relation to the development of new senior living facilities and stages of senior living facilities. The development approvals include specific environmental regulations pertaining to earthworks, soil and sediment control, erosion and sediment management, damage and/or removal of trees, clearance of vegetation and excavation of materials.

Residential areas of occupied senior living facilities are closely monitored in accordance with operating procedures to ensure that the potential for environmental contamination is minimised.

No environmental breaches have been notified by any government agency during the financial year ended 30 June 2004.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Primelife support and adhere to the principles of corporate governance. The Company's corporate governance statement is shown on pages 13 to 16 of this annual report.

This report has been made in accordance with a resolution of directors.

James T Hazel
Director

L J Panaccio
Director

27 September 2004
Melbourne

STATEMENTS OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Revenues from Ordinary Activities	2	**94,447**	**114,170**	**47,669**	**60,152**
Costs of managing and developing senior living facilities pre sold to syndicate investors		64,446	26,883	20,153	11,857
Costs of developing owned facilities		18,890	15,535	15,343	15,535
Cost of disposal of senior living facility assets and operations		6,737	8,417	-	1,577
Salaries and employee benefits expense		28,366	23,415	13,799	12,572
Annual fees to facility owners		10,859	8,625	659	643
Marketing and promotion expenses		6,161	6,137	2,602	3,113
Consultants and professional fees		4,271	3,089	3,599	2,477
Legal expenses		4,855	5,230	4,229	4,731
Rent, rates and taxes		2,954	1,799	1,935	913
Repairs and maintenance		1,128	1,388	215	228
Computer costs		2,133	1,140	2,062	1,122
Provision for doubtful debts	6	3,574	-	1,161	-
Bad debt write-off		-	-	4,346	-
Significant items	3(b)	17,438	34,497	14,613	3,844
Other expenses from ordinary activities		3,889	3,844	2,847	5,422
Share of net profits (losses) of associates	10	1,107	(148)	1,107	-
Earnings/(loss) before interest expense, tax, depreciation and amortisation		**(80,147)**	**(25,977)**	**(38,787)**	**(3,882)**
Depreciation and amortisation expense	3	15,574	4,069	3,667	2,890
Borrowings costs	3	11,083	10,719	6,732	6,218
Profit/(Loss) from Ordinary Activities before Income Tax Expense		**(106,804)**	**(40,765)**	**(49,186)**	**(12,990)**
Income tax expense relating to ordinary activities	4	(27,225)	(11,923)	(19,077)	(2,927)
Profit/(Loss) from Ordinary Activities after Income Tax Expense		**(79,579)**	**(28,842)**	**(30,109)**	**(10,063)**
Less: Net profit/(loss) attributable to outside equity interest		(1,398)	208	-	-
Net Profit/(Loss) Attributable to Primelife Shareholders		**(78,181)**	**(29,050)**	**(30,109)**	**(10,063)**
Total Changes in Equity other than those Resulting from Transactions with Owners as Owners		**(78,181)**	**(29,050)**	**(30,109)**	**(10,063)**
Basic (loss)/earnings per share (cents per share)	31	(136)	(60)	-	-
Diluted (loss)/earnings per share (cents per share)	31	(136)	(60)	-	-
Dividends per share (cents per share)	32	-	-	-	-

The above statements of financial performance are to be read in conjunction with the attached Notes.

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Current Assets					
Cash assets	5	13,533	9,690	6,143	2,996
Receivables	6	91,149	110,744	17,327	28,291
Deferred management fees receivable	1(c)(v)	5,094	4,715	-	-
Inventories	8	17,834	23,630	17,417	21,672
Prepayments		983	1,184	493	446
Total Current Assets		**128,593**	**149,963**	**41,380**	**53,405**
Non-Current Assets					
Receivables	7	70,757	93,274	104,287	90,597
Deferred management fees receivable	1(c)(v)	49,478	43,866	5,728	3,525
Inventories	8	36,367	27,912	8,295	4,000
Other financial assets	9	5,960	213	12,734	6,988
Investments accounted for using the equity method	11	2,058	1,182	2,058	340
Property, plant and equipment	12	43,969	36,826	19,583	18,814
Deferred tax assets	4	54,647	43,175	54,647	8,759
Intangible assets	13	9,148	17,247	5,328	4,397
Total Non-Current Assets		**272,384**	**263,695**	**212,660**	**137,420**
Total Assets		**400,977**	**413,658**	**254,040**	**190,825**
Current Liabilities					
Payables	14	26,600	27,380	18,405	9,975
Interest bearing liabilities	15	65,042	28,268	50,655	9,889
Non-interest bearing liabilities	16	54,482	40,866	3,574	1,424
Provisions	17	2,246	2,078	750	895
Total Current Liabilities		**148,370**	**98,592**	**73,384**	**22,183**
Non-Current Liabilities					
Interest bearing liabilities	14	84,991	103,907	35,832	54,970
Non interest bearing liabilities	15	92,543	66,135	39,604	27,625
Deferred tax liability	4	47,236	62,990	47,236	20,425
Provisions	17	3,922	1,011	142	142
Total Non-Current Liabilities		**228,692**	**234,043**	**122,814**	**103,162**
Total Liabilities		**377,062**	**332,635**	**196,198**	**125,345**
Net Assets		**23,915**	**81,023**	**57,842**	**65,480**
Equity					
Contributed equity	19	95,348	72,877	95,348	72,877
Reserves	21	1,218	1,218	1,650	1,650
Convertible Notes	20	1,000	1,000	1,000	1,000
Retained profits	21	(76,696)	1,485	(40,156)	(10,047)
Parent Entity Interest		**20,870**	**76,580**	**57,842**	**65,480**
Outside equity interest	22	3,045	4,443	-	-
Total Equity		**23,915**	**81,023**	**57,842**	**65,480**

The above statements of financial position are to be read in conjunction with the attached Notes.

STATEMENTS OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Cash Flows from Operating Activities					
Receipts from customers – Construction and development		43,445	59,128	26,303	39,558
Sale of senior living facilities		13,168	20,627	6,500	6,500
Receipts from customers – other operations		49,878	34,772	12,842	28,601
Payments to suppliers and employees – construction and development		(55,364)	(49,703)	(28,843)	(35,324)
Purchase of senior living facilities		(6,729)	(8,636)	(300)	(1,577)
Payments to suppliers and employees – other operations		(70,717)	(63,260)	(43,715)	(31,400)
Interest and other items of similar nature received		2,341	2,248	7,102	6,480
Interest and other costs of finance paid		(10,635)	(10,221)	(6,285)	(5,719)
Net Operating Cash Flows (outflows)	33(b)	**(34,613)**	**(15,045)**	**(26,396)**	**7,119**
Cash Flows from Investing Activities					
Payment for purchase of property, plant and equipment		(9,099)	(17,875)	(3,842)	(5,906)
Proceeds from sale of property, plant and equipment		153	-	34	-
Payment for investment in associates		(2,157)	(340)	(2,157)	(340)
Loans from/(to) other entities		7,776	(3,129)	1,793	(2,654)
Loan from/(to) controlled entities		-	-	(7,132)	(17,883)
Proceeds from monies in trust		847	548	552	551
Purchase of intangible assets		(3,498)	(1,179)	(1,268)	(514)
Net Cash Flows From/(Used In) Investing Activities		**(5,978)**	**(21,975)**	**(12,020)**	**(26,746)**
Cash Flows from Financing Activities					
Net Proceeds from issues of securities (shares)		20,821	897	20,821	897
Proceeds from borrowings		41,137	52,831	35,156	20,837
Repayment of borrowings		(23,400)	(19,711)	(11,855)	(1,130)
Dividend paid		-	(1,960)	-	(1,960)
Net Proceeds from accommodation bonds		8,993	4,964	263	1,853
Repayment of hire purchase/finance lease principal		(1,102)	(1,275)	(1,102)	(1,367)
Net Financing Cash Flows		**46,449**	**35,746**	**43,283**	**19,130**
Net increase/(decrease) in cash held		5,858	(1,274)	4,867	(497)
Cash at beginning of the financial year		3,930	5,204	(92)	405
Cash at the end of the Financial Year	**33(a)**	**9,788**	**3,930**	**4,775**	**(92)**

The above statements of cash flows are to be read in conjunction with the attached Notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

It has been prepared on the historical cost basis. The accounting policies adopted are consistent with those of the previous year unless indicated.

(a) Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising Primelife (the parent entity) and all entities which Primelife controlled from time to time during the year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent entity obtained control until such time as control ceases. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent entity has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Subsidiaries have adopted the same accounting policies as the parent entity. The effects of all transactions between entities in the economic entity are eliminated in full.

As disclosed at Note 30, the parent entity has an ownership interest of 50% in certain entities. These entities are accounted for as controlled entities because contracts entered into by the parent entity give it control of operating and financing policies of the entity.

(b) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting result after allowing for permanent differences. The deferred tax assets relating to tax losses are not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation. Income tax on net cumulative timing differences is set aside to the deferred tax liability or deferred tax asset accounts at the rates which are expected to apply when those timing differences reverse.

The directors have resolved that the Company should adopt the Tax Consolidation regime effective 1 July 2003.

(c) Revenue Recognition

The economic entity recognises revenue in the financial report on the following basis:

(i) Development Revenue on Senior Living Facilities Pre-Sold to Syndicate Investors

Sale contracts for the development of senior living facilities pre-sold to syndicate investors results in the consolidated entity receiving a fixed sale price for the land component of the project and the development of the facilities' infrastructure and buildings. The revenue on these projects is recognised as follows:

Sale of Land

Profits on the sale of land are recognised when an unconditional sale of land has occurred.

Development Revenue

Revenues on the development of senior living facilities are determined in proportion to the progress of each contract using the percentage of completion method. Stage of completion is measured by reference to the level of expenditure incurred by the Company, as a percentage of budgeted construction and development costs on each development project.

(ii) Development Revenue on Senior Living Facilities not Pre-Sold

The consolidated entity sells 49 year occupancy licences for retirement village independent living units (ILU). The sale price of an initial licence for a previously unoccupied ILU is recognised as revenue only when a contract becomes unconditional. All development cost of constructing ILUs, excluding communal facilities is capitalised and expensed on a per ILU basis on recognition of sales revenue.

(iii) Marketing and Management Agreement and Profit Share Agreements

The majority of pre-sold developments have long term Marketing and Management Agreements and Profit Share Agreements attached to these facilities.

Marketing and Management Agreement

These agreements entitle Primelife to provide marketing and management services to facilities. These agreements are usually for a 20 year period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Revenue Recognition

(iii) Marketing and Management Agreement and Profit Share Agreements (cont'd)

Revenue is recognised as the services are provided, with these fees typically charged to investor syndicates as part of their operating cost.

Profit/Share Agreement

Long term 20 year Profit Share Agreements are also attached to each presold development, which allow Primelife to receive 50% of the operating profit derived from each facility. This profit is determined after Primelife has charged Management and Marketing Fees. Revenue is recognised as and when profits are generated and accrued to Primelife under each relevant agreement.

(iv) Long-Term Management Agreement

Primelife has entered into a number of long-term agreements with certain retirement village owners. Under the terms of these agreements, Primelife is entitled to receive both the deferred management fees and all resident fees, in return for payment of a guaranteed minimum annual fee to the retirement village owners.

(v) Retirement Village Facilities

Deferred Management Fees ("DMF")

Deferred Management Fees (DMFs) represent a return on the capital investment in retirement village infrastructure.

DMFs are linked to the resale value of a resident's unit or apartment and their period of occupancy. The contract between the resident and Primelife determines the method by which these DMFs are calculated.

Revenue, which is accrued during the period in which the resident occupies a unit or apartment, is received only on the re-licence of the unit or apartment.

The carrying value of deferred management fees is reviewed and recalculated at each reporting period. They are carried at the expected present value of the future cash flows.

(vi) Aged Care Facilities

Hostel and Nursing Home Revenue

Hostel and nursing home revenue comprises daily resident living contributions and government funding, which are both determined in accordance with Federal Government authorised rates. Hostel and nursing home revenue is recognised as the services are provided.

The Company is entitled to charge an annual retention fee to hostel residents. These annual fees are regulated by the Federal Government and are paid by a resident on departure. These fees are accrued by the Company during the resident's period of occupancy.

(vii) Contract Management Fees

Contract management fees are earned from management services provided by the Company's wholly owned subsidiary, Primelife Business Services Pty Ltd (formerly PrimeCRS Pty Ltd). Revenue is recognised as the services are provided.

(viii) Sale of Senior Living Facility Assets and Operations

Revenue on the sale of certain senior living facility assets and operations is recognised when the Company has entered into an unconditional sale contract and after all conditions precedent to the sale have been fully satisfied. Revenue from these transactions involve the sale of the Company's ownership rights in facilities, with the Company subsequently entering into long term 20-25 year management contracts.

The owners of these senior living facilities receive a minimum return via payment of an annual fee. Under the terms of these long term management contracts, the Company is entitled to receive both the deferred management fees and price increase on the re-licence of independent living units, serviced apartments or hostel beds, calculated in accordance with individual resident contracts.

Such sales of senior living facilities are part of the Company's normal operating activities.

(d) Management Contracts – Retirement Village Facilities

The acquisition of management contracts in relation to retirement village facilities are recorded at cost and had previously been amortised over 20 years.

The Company has considered the carrying value of these management contracts and has decided to fully amortise this value down to zero at June 2004.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Recoverable Amounts of Non-Current Assets

The carrying amounts of all non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount.

Recoverable amount is measured by the net amounts that are expected to be recovered through the cash inflows and cash outflows arising from the continued use and subsequent disposal of assets. The expected net cash flows included in determining the recoverable amount have been discounted to their present value. Where a group of assets generate net cash inflows, the recoverable amount is associated to those grouped assets.

(f) Property, Plant and Equipment

All classes of property, plant and equipment are measured at cost, except where stated.

<u>Retirement Village Buildings and Other Buildings</u>

The capitalised cost of buildings is depreciated over 40 years using the straight-line method.

The value of land is not depreciated.

<u>Plant and Equipment</u>

Depreciation is calculated on a straight-line basis to write off the cost of each amount of each item of plant and equipment over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets. Plant and equipment was depreciated at rates ranging from 10% to 40%.

<u>Plant and Equipment – Subject to Hire Purchase</u>

Depreciation is calculated on a straight-line basis to write off the cost of each item of plant and equipment over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets. Plant and equipment is depreciated at rates ranging from 10% to 40%.

<u>Leasehold Improvements – Subject to Hire Purchase</u>

Leasehold improvements are depreciated over the shorter of the useful life of the asset and the lease term. Leasehold improvements are depreciated at rates ranging from 10% to 27%.

(g) Investments – Non-Current

Interests in listed and unlisted securities are brought to account at cost, except where stated, and dividend income is recognised when received. The principles of consolidation of interests in controlled entities are set out in Note 1(a).

Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. Refer to Note 1(h).

All other non-current investments are carried at lower of cost and recoverable amount.

(h) Investments in Associates

Investments in associate entities are accounted for using the equity method in the consolidated financial report and using the cost method in the financial report for the parent entity.

Associates comprise entities over which the parent entity or controlled entity has significant influence, as disclosed at Note 11. Due to the contractual arrangements the Company has entered into, it does not have control over the activities of its associates.

Under the equity method of accounting:

- The carrying amounts of investments in associate entities are increased or decreased to recognise the consolidated entity's share of the post acquisition profits or losses and other changes in net assets.
- The consolidated entity's share of post acquisition profits or losses of associates is included in the consolidated profit or loss.

(i) Intangibles

Patents, trademarks and patents pending are recorded at cost and are amortised on a straight-line basis over 10 years.

Goodwill represents the excess of the purchase consideration over the fair value of the net assets acquired at the time of acquisition of a group of assets, business or shares in a controlled entity. The goodwill had previously been amortised on a straight-line basis over 20 years in accordance with Australian Accounting standards.

The Company has considered the carrying value of goodwill and has decided to fully amortise this value down to zero at June 2004.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Approved Provider Aged Care Places (licences)

Approved provider aged care places (licences) are recorded at cost. These are issued by the Federal Government to approved providers, and can also be purchased from other third parties. Holders of licences receive Federal Government funding in accordance with predetermined rates. The Company amortises the cost of these over 20 years.

Australian Accounting Standards allow for these licences to be valued to market value. The Company will consider this revaluation in future years after the facilities to which these licences are attached have been completed and are operational.

(k) Cash and Cash Equivalents

For the purpose of the Statements of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments readily convertible to cash within 2 days, net of any outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it is accrued.

(l) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and service tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of asset or as part of an item of the expense.

The net amount of GST recoverable from or payable to the ATO is included as current liability in the Statements of Financial Position. Cash flows are included in the Statements of Cash Flows on a gross basis.

(m)Trade and Other Amounts Receivable

Trade and other amounts receivable represent the principal amounts due at balance date plus accrued interest and less, where applicable, any provisions for doubtful debts.

(n) Employee Benefits

Provisions are made for employee benefits accumulated as a result of employees rendering services up to the reporting date. The benefits include wages and salaries, annual leave, long service leave.

The following liabilities arising in respect of employee entitlements are measured at their nominal amounts:

- wages and salaries and annual leave provisions, regardless of whether they are expected to be settled within twelve months of balance date.
- other employee entitlements which are expected to be settled within 12 months of balance date.

Long service leave entitlements are measured at the present value of the estimated future cash outflows in respect of services provided up to balance date. Liabilities are determined after taking into consideration estimated future increases in wages and salaries and past experience regarding staff departures. Related on-costs are included.

(o) Inventory – Property Held for Sale – Developed and Owned by the Consolidated Entity

Property held for development and resale is valued at the lower of cost and net realisable value.

Development costs of communal facilities, infrastructure and associated land are capitalised as senior living facilities, plant and equipment. Land, construction and infrastructure costs associated with the licenced units/apartments are brought to account as cost of sales after a resident first occupies a unit/apartment. Costs include cost of acquisition of land, and purchases include materials, labour, construction costs and project overheads.

Land, construction and infrastructure costs associated with retirement villages owned and developed by Primelife are included as inventories during the construction phase. On completion, costs associated with communal facilities, infrastructure and land are transferred to property, plant and equipment are amortised over a period of 20 years.

(p) Payables

Liabilities for payables and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount.

Interest, when charged by the lender, is recognised as an expense on an accrual basis.

Property settlements due are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Loans and Borrowings

All other categories of borrowings are recognised in the financial statements on the basis of the nominal amounts outstanding at balance date plus accrued interest.

(r) Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except borrowing costs that are directly attributable to the development of an asset that necessarily takes a substantial period for its intended use or sale. In this case the borrowing costs are capitalised as part of the cost of the asset.

(s) Hire Purchase and Finance Lease Liabilities

Where assets are acquired by means of hire purchase and finance leases, the present value of minimum payments is established as an asset at the beginning of the term and amortised on a straight line basis over the expected economic life. A corresponding liability is also established and each payment is allocated between such liability and interest expense.

(t) Operating Lease

Operating lease payments are charged to expense on a basis, which is representative of the pattern of benefits derived from the leased property.

(u) Changes to Accounting Policies

During the 2003 financial year, Primelife changed its accounting policy in relation to its rights and obligations under its long term Aged Care Management Contracts (25 years) of aged care facilities. Until the financial year ended 30 June 2003, Primelife had accounted for its entitlements under these contracts under a "whole of contract" view – basically netting the rights and obligations of those contracts. This method matched the cash flow from hostel operations in each accounting period.

Following a review of these contracts, the directors have decided that Primelife's rights and obligations under these contracts give rise to certain liabilities and may give rise to certain assets and that it would be more appropriate to account for these separately. Primelife's new policy recognises that Primelife has a liability to repay residents the net value of accommodation bonds upon the resident leaving the facility during the management period.

Primelife's rights and obligations under the management contracts revert to facility owners at the time of completion of the management contracts for no consideration.

The directors have sought independent advice on this matter and, after due consideration and deliberation, will bring such assets to account after the directors are satisfied as to their appropriate nature and value. Refer Note 1(v) below.

The impact of this change in accounting policy at year ended 30 June 2003 was to increase the Company's liabilities by $39.4m and to increase the loss of the Company by $39.4m comprising of $4.9m accommodation bonds received during the year ended 30 June 2003, and not recognised as income, and $34.5m charge to statement of financial performance for the year ended 30 June 2003, representing the liabilities as at 1 July 2002. Had this policy been applied in financial year 2002, the operating result of the Company would have been reduced by $34.5m (net cash received $8.6m and charge of $25.9m representing liabilities as at 1 July 2001).

(v) Aged Care Management Contracts

Primelife have appointed external consultants to advise on the appropriate accounting treatment in relation to its Aged Care Management Contracts and any emerging asset associated with these contracts. Refer 1(u) above.

After consideration of this advice, Primelife believe that:-

- there may be an emerging asset associated with the Aged Care Management Contracts.
- there are a number of factors to be considered before any such emerging asset can be recorded as such in the Statements of Financial Position.

These factors include not only complex accounting issues, but also quite broad commercial and legal issues surrounding these contracts.

All of these factors impact on the critical asset recognition criteria of:

- probability that future economic benefits will eventuate.
- reliable measurement of any such economic benefits.

Primelife has not yet concluded its consideration of all of the factors that impact on this criteria and accordingly are not yet in a position to consider whether an emerging asset should be recorded in its Statements of Financial Position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)
(v) Aged Care Management Contracts (cont'd)

Primelife expects to be able to make this decision before the release of its December 2004 half-year results.

As an indication of the potential size of this emerging asset, should Primelife consider that it is probable that future economic benefits will eventuate from this emerging asset, depending on the appropriate discount rate used in the measurement calculation, at 30 June 2004, a likely emerging asset value attributable to its Aged Care Management Contracts could be between $10.0m and $20.0m.

2. REVENUE FROM ORDINARY ACTIVITIES

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Revenue from Operating Activities				
Development revenue on senior living facilities pre-sold to syndicate investors	26,898	30,142	12,537	12,729
Development revenue from owned facilities	19,572	24,659	15,572	24,659
Deferred management fees received/receivable	12,318	17,459	2,513	2,441
Hostel and Nursing Home revenue	18,965	16,562	1,588	1,412
Management fees and recoupment of expenses				
- Wholly owned controlled entities	-	-	5,108	5,279
Other services	1,869	3,546	-	-
Contract management fees	1,896	1,590	-	-
Sale of senior living facilities	7,350	13,600	-	6,500
Other income	3,238	4,364	3,248	652
	92,106	**111,922**	**40,566**	**53,672**
Revenue from Non Operating Activities				
Interest				
- Wholly owned controlled entities	-	-	6,899	6,266
- Other persons and/or corporations	2,341	2,248	204	214
	2,341	**2,248**	**7,103**	**6,480**
Total Revenue from Ordinary Activities	**94,447**	**114,170**	**47,669**	**60,152**

3. EXPENSES AND LOSSES/GAINS FROM ORDINARY ACTIVITIES
Expenses

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Depreciation/amortisation of non-current assets				
- Plant and equipment	1,206	926	853	755
- Buildings	277	230	-	-
- Plant and equipment under hire purchase and lease	1,246	1,126	1,246	1,125
- Projects under construction	1,087	800	1,069	800
Total Depreciation of Non-Current Assets	**3,816**	**3,082**	**3,168**	**2,680**
Amortisation of non-current assets				
- Patents and trademarks	13	13	13	13
- Goodwill	1,912	110	-	-
- Bed licences	388	280	300	192
- Management contracts	8,827	491	-	-
- Formation costs	42	68	23	5
- Profit share	576	25	163	-
Total Amortisation of Non-Current Assets	**11,758**	**987**	**499**	**210**
Total Depreciation and Amortisation Expense	**15,574**	**4,069**	**3,667**	**2,890**

3. EXPENSES AND LOSSES/GAINS FROM ORDINARY ACTIVITIES (cont'd)

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Borrowing costs				
- Director related entities	1,260	178	1,260	178
- Hire purchase	197	322	156	256
- Bank loans	2,400	1,672	2,146	720
- Mortgage loans	6,696	7,134	635	2,080
- Controlled entities	-	-	732	1,042
- Interest on Convertible Notes	2,244	2,223	2,244	2,223
	12,797	**11,529**	**7,173**	**6,499**
Less borrowing costs capitalised – (Note 8a)	(1,714)	(810)	(441)	(281)
Total Borrowing Costs Expensed	**11,083**	**10,719**	**6,732**	**6,218**
Significant Items				
Cost of onerous contract	2,825	-	-	-
Cost associated with close of RTV	8,350	-	8,350	-
Loss of GST Input Tax Credit	6,263	-	6,263	-
Accommodation bond liability brought to account (refer Note 1(u)	-	34,497	-	3,844
	17,438	**34,497**	**14,613**	**3,844**

4. INCOME TAX

The aggregate amount of income tax attributable to the financial year differs from the amount calculated on the operating result. The differences are reconciled as follow:

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Profit/(Loss) from ordinary activities before income tax	(106,804)	(40,765)	(49,186)	(12,990)
Prima facie tax on profit/(loss) from ordinary activities calculated at 30%	(32,041)	(12,230)	(14,756)	(3,897)
Add tax effect of:				
- Amortisation not deductible	3,528	116	151	58
- Write off receivable from controlled entities	-	-	3,335	791
- Other	1,382	54	1,373	47
	(27,131)	(12,060)	(9,897)	(3,001)
Tax consolidation adjustment	-	-	(9,086)	-
Under provision of tax expense in prior period	(94)	137	(94)	74
Income Tax Expense Attributable to Ordinary Activities	**(27,225)**	**(11,923)**	**(19,077)**	**(2,927)**
Movement in Deferred Tax Assets and Liabilities attributable to Income Tax Expense				
Provision for deferred income tax	(15,754)	(1,455)	26,811	(269)
Future income tax benefit	(11,471)	(10,468)	(45,888)	(2,658)
	(27,225)	**(11,923)**	**(19,077)**	**(2,927)**
Benefits attributable to tax losses included in the recognised deferred tax asset (at 30%)	36,011	27,806	36,011	8,108

Given the nature of the consolidated entities business, the continued support of cornerstone investors and the anticipated success of the proposed capital raising, the directors are of the opinion that a future benefit from these tax losses is virtually certain of realisation.

The directors have resolved that the Company should adopt the tax consolidation regime effective 1 July 2003.

5. CASH

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Cash at bank and on hand	10,385	4,668	5,372	1,683
Deposits at call	219	1,246	219	209
Cash held in trust – refer below	2,929	3,776	552	1,104
	13,533	**9,690**	**6,143**	**2,996**
Terms and conditions:				
Cash held in trust relates to:				
Cash held to fund annual fee payments in relation to certain senior living facilities sold to APN Retirement Property Fund	552	1,104	552	1,104
Cash held to fund repairs and upgrades for Meadowvale Retirement Village, which is owned by APN Retirement Property Fund	2,025	2,049	-	-
Other funds held in trust	352	623	-	-
	2,929	**3,776**	**552**	**1,104**

6. RECEIVABLES (CURRENT)

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Bond retentions accrued – Note 6(b)(i)	467	394	37	13
Receivables – syndicate investors – Note 6(a), (b)(ii)	77,949	72,012	11,255	11,255
Trade receivables – Note 6(b)(iii)	5,273	5,390	43	360
Monies due (re project sales) – Note 6(b)(v)	-	13,028	-	-
Other receivables – Note 6(b)(iv)	11,034	17,733	5,398	12,488
Amounts other than trade debts receivable from related parties:				
- Wholly owned group controlled entities	-	-	682	1,575
- Partly owned group controlled entities	-	-	1073	413
- Associated entities	-	2,187	-	2,187
- Provision for doubtful debt	(3,574)	-	(1,161)	-
Total Receivables	**91,149**	**110,744**	**17,327**	**28,291**

Details of the terms and conditions of related party receivables are set out in Note 29.

6(a). RECEIVABLES – SYNDICATE INVESTORS:

Receivables from syndicate investors represents debtor sales proceeds due net of unearned revenue, less deposits received to date, which have been pre-sold to syndicate investors.

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Montclaire – Brighton (Victoria)	9,852	9,200	-	-
Goodwin Close – Blackburn (Victoria)	-	4,690	-	-
Highwood Court – Burwood (Victoria)	12,675	12,675	-	-
Claremont Terrace – McKinnon (Victoria)	22,325	22,325	-	-
Greenview Estate – Donvale (Victoria)	9,975	-	-	-
Camberwell Green – Camberwell (Victoria)	11,867	11,867	-	-
Victoria by the Park – Elsternwick (Victoria)	11,255	11,255	11,255	11,255
	77,949	**72,012**	**11,255**	**11,255**

Receivables from syndicate investors are secured against senior living facility land and buildings. Security over a retirement facility's land and buildings is not released until construction and development is complete and outstanding receivables are settled.

6(b). RECEIVABLES (CURRENT) – TERMS AND CONDITIONS

Terms and conditions relating to the above financial instruments:

(i) Bond retentions accrued represent amounts owed to the Company in connection with resident occupancy at hostel facilities or nursing homes, and calculated in accordance with resident contracts. Amounts are non-interest bearing and expected to be received over the next 12 months based on the Company's expected rate of resident turnovers.

(ii) Receivables are non-interest bearing and represent amounts receivable from development projects sold to syndicate investors. These receivables are due within the next 12 months.

(iii) Trade receivables are non-interest bearing and are due within the next 12 months.

(iv) Other receivables are non-interest bearing and are due within the next 12 months.

(v) Monies due re project sales is in connection with the sale of certain senior living facilities assets and operations.

7. RECEIVABLES (NON-CURRENT)

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Bond retentions accrued – Note 7(b)(i)	2,043	1,819	148	118
Receivables (syndicate investors) – Note 7(a), 7(b)(ii)	56,214	75,205	42,399	35,872
Vendor loans receivable – Note 7(b)(iii)	12,500	16,250	-	-
Amounts other than trade debts receivable from related parties:				
- Wholly owned group controlled entities	-	-	55,502	52,519
- Partly owned group controlled entities	-	-	6,238	2,088
Total Receivable - Non-Current	**70,757**	**93,274**	**104,287**	**90,597**

7(a). RECEIVABLES (NON-CURRENT) FROM SYNDICATE INVESTORS RELATES TO THE FOLLOWING DEVELOPMENT PROJECTS

Receivables from syndicate investors represents debtor sales proceeds due net of unearned revenue, less deposits received to date, which have been pre-sold to syndicate investors.

Princeton View – Brighton (Victoria)	2,350	6,437	-	-
Avonlea Grange – Mentone (Victoria)	7,771	2,883	-	-
Toorak Square – Toorak (Victoria)	3,500	7,115	-	-
Montclaire – Brighton (Victoria)	-	439	-	-
Monterey Sands – Sandringham (Victoria)	-	2,316	-	-
Greenview Estate – Donvale (Victoria)	-	11,053	-	-
Madden Grove – Kew (Victoria)	195	-	-	-
Port Albert Gardens – Port Melbourne (Victoria)	-	9,090	-	-
Lexington Gardens – Springvale (Victoria)	42,399	35,872	42,399	35,872
	56,214	**75,205**	**42,399**	**35,872**

Receivables from syndicate investors are secured against senior living facility land and buildings. Security over a retirement facility's land and buildings is not released until construction and development is complete and outstanding receivables are settled.

7(b). RECEIVABLES (NON-CURRENT) – TERMS AND CONDITIONS

Terms and conditions relating to the above financial instruments:

(i) Bond retentions accrued represent amounts owed to the Company in connection with residents' occupancy at hostel or nursing homes facilities, and calculated in accordance with resident contracts. The amounts are non-interest bearing and expected to be received over the next 4 years based on the Company's expected rate of resident turnovers.

(ii) Receivables from development projects pre-sold to syndicate investors are non-interest bearing. These receivables are due within the next one to five years, depending on the project and expected dates of completion.

(iii) Vendor loans receivable – secured loans of $12,500,000 (FY2003: $16,250,000), earning a weighted average interest of 7.39% (FY2003: 7.39%). These are secured via vendor mortgage on the land and buildings of the senior living facilities.

8. INVENTORIES

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Current				
Development properties held for sale – Note 8a	16,972	21,608	16,972	21,601
Development works in progress	291	1,520	291	-
Units/Apartments/Condominiums	571	502	154	71
	17,834	**23,630**	**17,417**	**21,672**
Non-Current				
Development properties held for sale – Note 8a	36,367	27,912	8,295	4,000
	36,367	**27,912**	**8,295**	**4,000**

8(a). DEVELOPMENT PROPERTIES HELD FOR SALE, AND OWNED BY THE COMPANY

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Current				
Capitalised construction and development costs	16,467	20,431	16,467	20,424
Capitalised other development costs	291	1,520	291	-
Capitalised rates, taxes and interest	505	1,177	505	1,177
Units/Apartments/Condominiums	571	502	154	71
	17,834	**23,630**	**17,417**	**21,672**
Non-Current				
Cost of land held	11,471	9,625	4,983	2,771
Capitalised development costs	21,605	16,785	2,081	948
Capitalised rates, taxes and interest	3,291	1,502	1,231	281
	36,367	**27,912**	**8,295**	**4,000**
Properties held relate to the following development projects:				
Current				
Waterford Valley – Knox (Victoria)	16,972	21,601	16,972	21,601
Other capitalised development costs on various projects	291	1,527	291	-
Units/Apartments/Condominiums	571	502	154	71
	17,834	**23,630**	**17,417**	**21,672**
Non-Current				
Koorootang Court – Mt Martha (Victoria)	2,862	2,467	-	-
Meadowvale Village – Pakenham (Victoria)	3,975	3,271	-	-
Studley Square – Kew (Victoria)	3,101	2,958	-	-
Hartford Square – Berwick (Victoria)	5,255	3,533	5,255	3,533
Koorootang Court Annexe – Mt Martha (Victoria)	6,288	5,883	-	-
Trowella Gardens – Griffith (New South Wales)	8,447	3,974	-	-
Tannoch Brae – Geelong (Victoria)	1,822	905	-	-
Woodside – Woodside (South Australia)	2,212	-	2,212	-
Other capitalised development costs – various projects	2,405	4,921	828	467
	36,367	**27,912**	**8,295**	**4,000**

8(b). DEVELOPMENT CONTRACTS

Details of contracts for the development of retirement and senior living facilities, which have been pre-sold to syndicate investors:

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Aggregate amount of contract revenue recognised during the financial year	26,898	30,142	12,537	12,729
Aggregate amount of contract costs incurred and profits recognised (including losses recognised) to date	257,386	230,488	79,429	66,892
Advances received	(13,198)	(5,855)	(181)	-
Amount due from customers for contract work – (current receivable)	77,949	72,012	11,255	11,255
Amount due from customers for contract work – (non-current receivable)	56,215	75,205	42,399	35,872
Progress billings and advances received	157,976	137,563	54,484	43,118

9. OTHER FINANCIAL ASSETS

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Non-Current				
Investments at cost comprise:				
Shares of other non listed entities	212	213	210	213
The Beaumont – Profit Share	5,254	-	5,254	-
Specialised Construction Australia	494	-	494	-
Investment in controlled entities	-	-	4,926	4,925
Investment in controlled entities – Directors valuation	-	-	1,850	1,850
	5,960	**213**	**12,734**	**6,988**

The Directors valuation of the investment in controlled entities was made in 1995 on the basis of the fair value of the investment. This revaluation was not made in accordance with a policy of regular revaluation. The revaluation takes no effect of potential capital gains tax.

10. SHARE OF NET PROFIT/(LOSSES) OF ASSOCIATES

	Consolidated 2004	Consolidated 2003	Parent 2004	Parent 2003
The Beaumont	1,246	-	1,246	-
Brighton Bay Developments Pty Ltd	(332)	(148)	(332)	-
Specialised Construction Australia	193	-	193	-
	1,107	**(148)**	**1,107**	**-**

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Non-Current

	Consolidated 2004	Consolidated 2003	Parent 2004	Parent 2003
Investment in associates using the equity method				
Brighton Bay Developments Pty Ltd	2,058	1,182	2,058	340

(i) Investment	Principal Activities	Balance Date	Consolidated Ownership Interest 2004 %	2003 %
Brighton Bay Developments Pty Ltd	Retirement Village Developer	30 June	50	50

		Investment in Associate Carrying Amount 2004 $'000	2003 $'000
(ii) Share of Associate's Retained Profits			
Share of associates' retained profits at the beginning of the year		842	990
Share of associates' net profit/(loss) for the year		(332)	(148)
Retained profits of associates using the equity method	510	842	
(iii) Movements in Carrying Amounts of Investment			
Balance at the beginning of year		1,182	990
Share of profit/(loss)		(332)	(148)
Capital contributed		1,208	340
Balance at the end of the year		**2,058**	**1,182**

(iv) Contingent Liabilities

There are no material contingent liabilities in respect of associates at 30 June 2004 (FY2003: $Nil).

(v) Commitments

There are no material commitments in respect of associates at 30 June 2004 (FY2003: $Nil).

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (cont'd)

	Investment in Associate Carrying Amount	
	2004 $'000	2003 $'000
(vi) Summary of Financial Performance of Associates		
Revenues	23	125
Expenses	(355)	(273)
Net profit/(loss) before taxation	(332)	(148)
Income tax expense attributable to operating profit	-	-
Net Profit/(Loss) as Reported by Associates	**(332)**	**(148)**
(vii) Summary Performance and Financial Position of Associates		
Current assets	5,891	2,920
Non-current assets	15,008	15,261
Total assets	20,899	18,181
Current liabilities	1,841	-
Non-current liabilities	17,000	16,999
Total liabilities	18,841	16,999
Net assets – as Reported by Associates	**2,058**	**1,182**

Further equity accounting disclosures for the investment in The Beaumont and Specialised Construction Australia are considered to be immaterial.

12. PROPERTY PLANT AND EQUIPMENT

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Land and buildings at cost – Note 12a(i)	19,487	17,684	1,810	569
Less: Accumulated depreciation	(507)	(230)	-	-
	18,980	17,454	1,810	569
Plant and equipment at cost – Note 12a(ii)	5,804	5,045	2,994	2,858
Less: Accumulated depreciation	(3,855)	(2,725)	(2,509)	(1,665)
	1,549	2,320	485	1,193
Plant and equipment under lease and hire purchase – Note 12a(iii)	7,159	5,278	5,374	5,278
Less: Accumulated depreciation	(3,935)	(2,687)	(3,905)	(2,687)
	3,224	2,591	1,469	2,591
Property Under Construction – Note 12a(iv)	22,411	15,569	17,996	15,569
Depreciation of property under construction	(2,195)	(1,108)	(2,177)	(1,108)
	20,216	14,461	15,819	14,461
Total Property Plant and Equipment	**43,969**	**36,826**	**19,583**	**18,814**

12(a). PROPERTY PLANT AND EQUIPMENT – RECONCILIATION

Reconciliation of the carrying amount of each class of the property, plant and equipment are set out below

(i) Land and Buildings

Carrying amount at beginning	17,454	3,717	569	569
Additions	1,803	13,967	1,241	-
Disposals	-	-	-	-
Depreciation expense	(277)	(230)	-	-
	18,980	**17,454**	**1,810**	**569**

12(a). PROPERTY PLANT & EQUIPMENT – RECONCILIATION (cont'd)

Reconciliation of the carrying amount of each class of the property, plant and equipment are set out below

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
(ii) Plant and Equipment – at Cost				
Carrying amount at beginning	2,320	2,121	1,193	1,526
Additions	393	1,100	136	430
Disposals	(34)	-	-	-
Depreciation expense	(1,130)	(901)	(844)	(763)
	1,549	**2,320**	**485**	**1,193**
(iii) Plant and Equipment Under Lease and Hire Purchase				
Carrying amount at beginning	2,591	2,982	2,591	2,982
Additions	1,929	735	144	735
Disposals	(48)	-	(48)	-
Other movements	28	-	28	(1)
Depreciation expense	(1,276)	(1,126)	(1,246)	(1,125)
	3,224	**2,591**	**1,469**	**2,591**
(iv) Property Under Construction				
Carrying amount at beginning	14,461	9,677	14,461	9,677
Additions	6,842	5,584	2,427	5,584
Depreciation expense	(1,087)	(800)	(1,069)	(800)
	20,216	**14,461**	**15,819**	**14,461**

12(b). PROPERTY PLANT AND EQUIPMENT – ASSETS PLEDGED AS SECURITY

Included in the balance of freehold land and buildings are assets over which first mortgages and fixed and floating charges have been granted as security for bank overdraft and bank loans, mortgage loans and bill acceptance facilities. The terms of the first mortgages and charges preclude the assets being sold or used as security for further mortgages without the permission of the first mortgage or charge holder. The mortgagee also requires buildings that form part of the security to be fully insured at all times.

Assets included as hire purchase are pledged as security for associated hire purchase liabilities.

The value of assets pledged as securities are:

Freehold land and buildings	18,980	17,454	1,810	569
Plant and equipment at cost	3,304	2,320	485	1,193
Plant and equipment under hire purchase lease	1,469	2,591	1,469	2,591
Property under construction	20,216	14,461	15,819	14,461
	43,969	**36,826**	**19,583**	**18,814**

13. INTANGIBLES (NON-CURRENT ASSETS)

Patents, trademarks and patents pending – at cost	147	139	147	139
Less: Provision for amortisation	(68)	(54)	(68)	(54)
	79	85	79	85
Goodwill	2,421	2,421	-	-
Less: Goodwill amortisation	(2,421)	(509)	-	-
	-	1,912	-	-
Management contracts – at cost	10,676	10,676	-	-
Less: Provision for amortisation	(10,676)	(1,849)	-	-
	-	8,827	-	-
Approved provider aged care places – Note 13(a)	10,215	6,711	6,226	4,966
Less: Provision for amortisation	(1,418)	(1,030)	(978)	(678)
	8,797	5,681	5,248	4,288
Other	272	742	1	24
	9,148	**17,247**	**5,328**	**4,397**

13(a). APPROVED PROVIDER AGED CARE PLACES

As at 30 June 2004 the Company owned or managed 1,336 aged care approved places. Of these 994 approved provider licences (low care and high care) are owned by the Company. Some of these licences are conditional upon the construction and operation of new senior living facilities. The carrying value of Approved Provider aged care places represents the cost of licences purchased by the Economic Entity. The Approved Provider aged care places granted by the Commonwealth Government are not recognised until the facility is constructed and is occupied by residents. Several recent arm's length market transactions of such licences have achieved prices that ranged between $35,000 and $45,000 each.

14. PAYABLES (CURRENT)

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Unsecured				
Trade creditors and accruals – Note 14(a)(i)	25,321	23,922	19,287	10,964
Property settlements due – Note 14(a)(ii)	2,308	4,755	-	-
Goods and services tax payable	(1,029)	(1,395)	(938)	(1,150)
Aggregate amounts payable to related parties:				
- Wholly owned group controlled entities	-	-	56	113
- Director related entities – Note 14(a)(iii)	-	98	-	48
	26,600	**27,380**	**18,405**	**9,975**

14(a) PAYABLES (CURRENT) – TERMS AND CONDITIONS:

Terms and Conditions relating to the above financial instruments:

(i) Trade creditors are non-interest bearing and are normally settled on 30 to 60 days terms.

(ii) Property settlements due are non interest bearing and will be settled within the next 12 months.

(iii) Details of the terms and conditions of related party payables are set out at Note 29.

15. INTEREST BEARING LIABILITIES

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Current – Secured				
Bank overdraft – Note 15(a)(i)	816	1,984	816	1,984
Hire purchase liability – Note 15(a)(ii)	3,234	1,324	1,346	1,313
Mortgage loans (other corporations) - Note 15(a)(iii)	12,499	13,000	-	-
Bank loans – Note 15(a)(iii)	28,571	11,960	28,571	6,592
Convertible Notes – Notes15(a)(v), 15(b)	19,922	-	19,922	-
	65,042	**28,268**	**50,655**	**9,889**
Non-Current				
- Secured				
Bank loans – Note 15(a)(iv)	24,837	25,232	7,586	7,472
Hire purchase liability – Note 15(a)(ii)	545	1,584	545	1,584
Mortgage loans (other corporations) – Note 15(a)(iv)	53,578	52,377	21,670	21,200
Convertible Notes – Notes 15(a)(v), 15(b)	-	19,499	-	19,499
- Unsecured				
Loans from related parties – Note 15(a)(vi)	6,031	5,215	6,031	5,215
	84,991	**103,907**	**35,832**	**54,970**

15(a). Refer to Note 23 for Terms and Conditions and Details on Security Arrangements.

Terms and Conditions relating to the above financial instruments:

(i) Bank overdrafts have an effective interest rate of 11.51% (FY2003: 10.35%). Security over outstanding bank overdrafts is disclosed at Note 23.

(ii) Hire purchase lease liabilities have an average term of 4 years, with the Company purchasing the assets at the end of the lease term for the assets residual value. The average discount rate implicit in the lease is 8.59% (FY2003: 8.59%). Security over outstanding lease liabilities is disclosed at Note 23.

(iii) Current mortgage loans and bank loans are due within the next 12 months. Interest is charged at an average rate of 10.33% (FY2003: 10.14%). Securities over loans amounts are disclosed at Note 23.

15(a). INTEREST BEARING LIABILITIES (cont'd)

(iv) Non-current bank loans and mortgage loans held at balance date have an effective interest rate of 11.83% (FY2003: 8.85%), with interest compounding daily. The average maturity of the bank loans is due over two to five years. Securities over bank loans are detailed at Note 23.

Included in non-current and mortgage loans at 30 June 2004 are bank loans outstanding of $28,592,000 (FY2003: $29,677,000) that are restricted in their use. Amounts drawn down are used solely for payment of construction and development activity and are limited to specific projects that the finance was obtained for. Prior to each draw down, independent quantity surveyors assess project costs that have been incurred. At 30 June 2004, the Bank loan facilities subject to these restrictions are the ANZ Bank facility relating to the Waterford Valley retirement village project at Knox.

(v) Convertible Notes have a coupon rate of 9.5% per annum, a term of three years and an offer price of $100.00 each, and are convertible at the option of the noteholder on a 43.26 for 1 basis (adjusted for bonus issued during FY2003 & FY2002) into shares.

(vi) Loans from related parties relates to loan amounts due to Albany Bay RV Investments Pty Ltd for $6,000,000, a company related to R J Champion de Crespigny and R J Walker. Amounts due at balance date have an effective floating interest rate at 11.46%. See Note 30 Related Party.

15(b). Earnings Covenants

The Company is in technical breach of certain earnings covenants with the Company's Trust Deed relating to Convertible Notes. Under the trust deed, the trustee may prohibit the Company from entering into new borrowing agreement. The Company has held discussions with the Public Trustee of Queensland as to the most appropriate method to rectify this situation. These discussions are ongoing. Refer Note 26(d).

16. NON INTEREST BEARING LIABILITIES

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Current				
Unsecured loans – Note 16(a)(i)	1,989	62	-	-
Proceeds from 94/24 Projects	40,167	30,939	1,900	-
Accommodation Bond Liability – Note 1(u)	12,326	9,865	1,674	1,424
	54,482	**40,866**	**3,574**	**1,424**
Non-Current				
Advances from syndicate investors – Note 16(a)(ii)	13,198	5,855	181	-
Unsecured loans – Note 16(a)(i)	8,679	7,331	2,318	-
Proceeds from 94/24 Projects	34,538	23,353	32,819	23,353
Accommodation Bond Liability – Note 1(u)	36,128	29,596	4,286	4,273
	92,543	**66,135**	**39,604**	**27,626**

16(a). NON INTEREST BEARING LIABILITIES - TERMS AND CONDITIONS

Terms and conditions relating to the above financial instruments:

(i) Unsecured loans represent loans to the Company from development partners in certain construction and development projects. Non-current loans are due within the next two to five years, and amounts are to be repaid from proceeds on these projects. Current loans are due within 12 months.

(ii) Advances from syndicate investors represents excesses of progress billings over construction work in progress for senior living facilities projects pre-sold to syndicate investors.

(iii) Considering average length of stay of 4 years for bond paying residents, 25% of total accommodation bond liability has been classified as current liability and 75% as non-current liability.

17. PROVISIONS

Current				
Provision for dividend	124	156	124	156
Employee entitlements	2,122	1,922	626	739
	2,246	**2,078**	**750**	**895**
Non-Current				
Employee entitlements	608	523	142	142
Other	3,312	488	-	-
	3,922	**1,011**	**142**	**142**

18. EMPLOYEE ENTITLEMENTS

The aggregate employee entitlement liability is comprised of:

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Employee Benefit and Related On-Costs Liabilities				
Included in trade creditors and accruals (Note 14)	1,105	1,283	973	808
Provision for employee entitlements – (Note 17)	2,122	1,922	626	739
Provision for employee entitlements – (Note 17)	608	523	142	142
Aggregated employee benefits and related on-costs liabilities	**3,835**	**3,728**	**1,741**	**1,689**
Employee Numbers:				
Average number of employees during the financial year	1,323	1,303	185	177

As explained in Note 1(n), amounts for employee entitlements that are expected to be settled more than 12 months from the reporting date are measured at their present value.

19. CONTRIBUTED EQUITY

Issued and Paid Up Capital

	Number of Shares			
	2004	2003	2004 $'000	2003 $'000
Ordinary shares fully paid	61,171,045	50,072,547	95,348	72,877
19(a). Movement in Shares on Issue				
Beginning of the financial year	50,072,547	45,340,602	72,877	67,939
- Issue of shares as consideration to acquire a property	-	500,000	-	1,500
- Issue of shares under Rights Issue	-	563,840	-	896
- Dividend reinvestment scheme	-	1,740,954	-	2,542
- 1:25 Bonus Issue	-	1,927,151	-	-
- Issue of shares to Albany Bay (Cornerstone Investor)	3,145,000	-	4,812	-
- Issue of shares via share placement	7,150,000	-	16,009	-
- Issue of shares to Arton	792,683	-	1,625	-
- Issue of shares re conversion of Notes	10,815	-	25	-
End of the financial year	**61,171,045**	**50,072,547**	**95,348**	**72,877**

(i) Options

No options were exercised during the financial year ended 30 June 2004. Details of options that are granted over unissued shares of the Company, options that lapsed during the year and shares of the Company that were issued during the year as a result of exercise of options are:

Grant Date	Expiry Date	Exercise Price	Balance at beginning of the year	Options issued during the year	Options lapsed during the year	Shares issued during the year as result of exercise of Options	Options balance at end of year
19/07/2000	19/07/2003	$2.50	50,000	-	50,000	-	-
22/03/2002	21/03/2005	$2.50	100,000	-	-	-	100,000
01/12/2002	01/12/2004	$2.11	200,000	-	-	-	200,000
01/12/2002	01/12/2004	$2.50	200,000	-	-	-	200,000
28/08/2003	31/07/2004	$1.53	-	4,050,000	-	-	4,050,000
28/08/2003	31/07/2005	$2.50	-	2,288,000	-	-	2,288,000
28/08/2003	31/07/2006	$2.25	-	2,625,000	-	-	2,625,000
28/08/2003	31/07/2007	$2.50	-	2,625,000	-	-	2,625,000
			550,000	**11,588,000**	**50,000**	**-**	**12,088,000**

19. CONTRIBUTED EQUITY (cont'd)

(ii) Terms and Conditions of Contributed Equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up to shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(iii) Dividend Reinvestment Plan

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at a 5% discount to the market price.

20. CONVERTIBLE NOTES

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Equity component of Convertible Notes – Note 15 (a)(v)	1,000	1,000	1,000	1,000

21. RESERVES AND RETAINED PROFITS

(a) Asset revaluation reserve	1,218	1,218	1,650	1,650

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets. The reserve can only be used to pay dividends in limited circumstances. During the year there was no movements in the reserve.

(b) Retained Profits				
Balance at the beginning of the financial year	1,485	30,535	(10,047)	16
Net profit attributable to members of Primelife	(78,181)	(29,050)	(30,109)	(10,063)
Total Available for Appropriation	**(76,696)**	**1,485**	**(40,156)**	**(10,047)**
Balance at End of Financial Year	**(76,696)**	**1,485**	**(40,156)**	**(10,047)**

22. OUTSIDE EQUITY INTEREST

Reconciliation of outside equity interest in controlled entities:				
Opening balance – retained profit	4,443	4,235	-	-
- Add share of operating profit/(loss)	(1,398)	208	-	-
Closing Balance	**3,045**	**4,443**	**-**	**-**

Outside equity interests have no material interest in contributed equity or reserves.

23. FINANCING ARRANGEMENTS

The economic entity has access to the following financing/loan facilities:

Total Facilities Available:				
Bank overdraft – credit standby arrangement	980	2,000	980	2,000
Mortgage loans	113,173	89,976	46,231	21,200
Bank loans	71,858	40,099	54,608	16,972
Loans other	31	5,215	31	5,215
	186,042	**137,290**	**101,850**	**45,387**
Facilities Utilised at Balance Date:				
Bank overdraft – credit standby arrangement	816	1,984	816	1,984
Mortgage loans	72,077	65,377	27,670	21,200
Bank loans	53,408	37,192	36,157	14,064
Loans other	31	5,215	31	5,215
	126,332	**109,768**	**64,674**	**42,463**
Facilities not Utilised at Balance Date:				
Bank overdraft – credit standby arrangement	164	16	164	16
Mortgage loans	41,096	24,597	18,561	-
Bank loans	18,450	2,909	18,451	2,908
Loans other	-	-	-	-
	59,710	**27,522**	**37,176**	**2,924**

23. FINANCING ARRANGEMENTS (cont'd)

Bank Securities – Bank Overdraft, Mortgage Loans and Bank Loans

Bank overdrafts, bank loans and mortgage loans are secured by first mortgages and other charges over the Company's freehold land and buildings, assets and undertakings. Additionally, bank loans and mortgage loans are secured by first mortgages over land, buildings and development properties sold to syndicate owners and property trusts. The amounts receivable from these sales appear in the Company's Statement of Financial Position as Receivables from syndicate investors and are detailed in Notes 6 and 7.

The terms and conditions of these sales allow the Company to use this freehold land as security for such loans.

Hire Purchase Liability

Hire purchase liabilities are secured on assets under finance.

24. DIRECTORS AND SPECIFIED EXECUTIVES

(a) Details of Directors and Specified Executives

(i) Directors

R J Champion de Crespigny AC	Chairman
R J Walker AC CBE	Deputy Chairman
J T Hazel	Managing Director (appointed 23 March 2004)
L J Panaccio	Director (non-executive)
S V McPhee	Director (non-executive)
P H Green	Director (non-executive, appointed 26 February 2004)
R N Topfer	Director (non-executive, appointed 16 December 2003)
E C Sent	Director (non-executive, resigned 4 December 2003)
A P S Kemp	Director (non-executive, resigned 16 December 2003)
D S Legge	Director (non-executive, resigned 16 December 2003)
S J McGregor	Director (non-executive, resigned 26 February 2004)
K H Spencer	Director (non-executive, resigned 29 March 2004)

(ii) Specified Executives

G W Cobbledick	Acting Chief Executive Officer
G D Flood	Legal Counsel and Company Secretary
P J Clarke	Business Development Manager
C S Heath	National Sales Manager
R C Williams	Chief Financial Officer

(b) Remuneration of Directors

Director	Appointed	Resigned	Year	Salary & Fees	Super Contribs	Equity Options	Other	Total
R J Champion de Crespigny	06/06/03		2004	-	-	-	-	-
			2003	-	-	-	-	-
R J Walker	06/06/03		2004	-	-	-	-	-
			2003	-	-	-	-	-
J T Hazel	23/03/04		2004	160,903	14,481	-	11,866	187,250
			2003	-	-	-	-	-
L J Panaccio	01/01/01		2004	60,000	-	-	-	60,000
			2003	60,000		25,449		85,449
S V McPhee	06/06/03		2004	47,054	4,235	-	-	51,289
			2003	-	-	-	-	-
P H Green	26/02/04		2004	-	-	-	-	-
			2003	-	-	-	-	-
R N Topfer	16/12/03		2004	-	-	-	-	-
			2003	-	-	-	-	-
E C Sent	01/01/97	04/12/03	2004	269,860	24,287	-	31,449	325,596
			2003	746,422	67,178	-	36,400	850,000
A P S Kemp	01/01/98	16/12/03	2004	29,457	543	-	-	30,000
			2003	44,257	712	16,088	-	61,057
D S Legge	01/01/98	16/12/03	2004	27,500	-	-	4,386	31,886
			2003	55,046	3,164	16,088	5,848	80,146
S J McGregor	01/01/01	26/02/04	2004	46,444	4,180	-	4,971	55,595
			2003	41,284	3,715	25,449	6,628	77,076
K H Spencer	06/06/03	29/03/04	2004	46,444	-	-	-	46,444
			2003	-	-	-	-	-

Mr Champion de Crespigny, Mr Walker, Mr Green and Mr Topfer have all decided to forego all fees to which they would otherwise be entitled to until Primelife returns to profit.

24. REMUNERATION OF DIRECTORS AND SPECIFIED EXECUTIVES (cont'd)

(b) Remuneration of Directors

Total Remuneration: Directors

Year	Salary & Fees	Super Contribs	Equity Options	Other	Total
2004	687,662	47,726	-	52,672	788,060
2003	947,009	74,769	83,074	48,876	1,153,728

(c) Remuneration of Specified Executives. Specified Executives with the Greatest Authority, Employed by any Entity within Primelife Corporation Limited

Specified Executive	Period	Position Held	Year	Salary & Fees	Super Contribs	Other	Consulting Fees	Total
G W Cobbledick	25/08/03-	Acting CEO	2004	190,497	17,069	924	-	208,490
	30/06/04		2003	-	-	-	-	-
G D Flood	01/07/03-	General	2004	183,968	16,514	17,425	-	217,907
	30/06/04	Counsel	2003	206,509	18,414	5,052	-	229,975
P J Clarke	01/07/03-	Business	2004	-	-	-	290,227	290,227
	30/06/04	Dev Manager	2003	-	-	-	195,164	195,164
C S Heath	01/07/03-	National Sales	2004	215,325	9,415	3,621	-	228,361
	30/03/04	Manager	2003	134,648	12,118	-	-	146,766
R C Williams	01/07/03-	Chief Financial	2004	174,780	15,685	5,400	-	195,865
	30/06/04	Officer	2003	143,519	12,916	-	-	156,435

Total Remuneration: Specified Executives

Year	Salary & Fees	Super Contribs	Other	Consulting	Total
2004	764,570	58,682	27,370	290,227	1,140,850
2003	484,676	43,448	5,052	195,164	728,340

(d) Shareholdings of Directors

Directors	Balance 01/07/03	Resigned from Directorship	Number of Shares acquired during the year	Balance 30/06/04
R J Champion de Crespigny	-	-	3,145,000	3,145,000
R J Walker	-	-	3,145,000	3,145,000
J T Hazel	-	-	-	-
L J Panaccio	10,816	-	-	10,816
S V McPhee	-	-	23,000	23,000
P H Green	-	-	12,170,886	12,170,886
R N Topfer	-	-	12,170,886	12,170,886
E C Sent	15,031,620	(15,031,620)	-	-
A P S Kemp	190,958	(190,958)	-	-
D S Legge	2,582,285	(2,582,285)	-	-
S J McGregor	45,572	(45,572)	-	-
K H Spencer	20,000	(20,000)	-	-

All equity transactions with directors and specified executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

(e) Option Holdings of Directors

Directors	Balance 01/07/03	Resigned from Directorship	Option Holdings acquired during the year	Balance 30/06/04
R J Champion de Crespigny	-	-	11,588,000	11,588,000
R J Walker	-	-	11,588,000	11,588,000
J T Hazel	-	-	-	-
L J Panaccio	100,000	-	-	100,000
S V McPhee	-	-	-	-
P H Green	-	-	-	-
R N Topfer	-	-	-	-
E C Sent	-	-	-	-
A P S Kemp	100,000	(100,000)	-	-
D S Legge	100,000	(100,000)	-	-
S J McGregor	100,000	(100,000)	-	-
K H Spencer	-	-	-	-

(f) Shareholdings of Specified Executives

Specified Executives	Balance 01/07/03	Number of Shares acquired during the year	Resigned from Executive	Balance 30/06/04
G W Cobbledick	-	250,000	(250,000)	-
G D Flood	-	-	-	-
P J Clarke	-	-	-	-
C S Heath	11,921	-	(11,921)	-
R C Williams	-	-	-	-

(g) Option Holdings of Specified Executives

Specified Executives	Balance 01/07/03	Option Holdings acquired during the year	Resigned from Directorship	Balance 30/06/04
G W Cobbledick	-	-	-	-
G D Flood	-	-	-	-
P J Clarke	-	-	-	-
C S Heath	-	-	-	-
R C Williams	-	-	-	-

25. REMUNERATION OF AUDITORS

Amounts received, or due and receivable, by the auditors for:

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
Annual audit or audit review of the entity or any other entity in the consolidated entity	$272,000	$281,000	$272,000	$281,000
Other services in relation to the entity or any other entity in the consolidated entity				
- Taxation compliance services	$47,000	$106,000	$47,000	$106,000
- Other assurance related services required by legislation	$13,000	$42,000	$13,000	$42,000
	$332,000	$429,000	$332,000	$429,000

26. SIGNIFICANT EVENTS AFTER BALANCE DATE

(a) On 6 August 2004, the Company lodged with ASIC a Prospectus for a proposed $75.0m fund raising, through a fully underwritten rights issue of new shares (raising $50.0m) and a fully underwritten offer of new Convertible Notes (raising $25.0m). On 13 August 2004, ASIC issued a temporary stop-order in relation to the Prospectus. On 16 September 2004, the Company lodged with ASIC a Supplementary Prospectus in relation to the proposed fund raising, and the interim stop order has been lifted. The Company expects the fund raising to proceed in accordance with the timetable set out in the Prospectus (as amended in the Supplementary Prospectus).

(b) On 6 August 2004, the Company announced a proposed development joint venture with Multiplex Group and Babcock & Brown Pty Ltd coupled with an investment in the Company by Multiplex. The terms can be summarised as follows:

(i) Multiplex will be introduced to the Primelife Share Register via a $5.0m placement of shares at $1.25 per share. The placement is subject to shareholder approval, satisfactory due diligence by Multiplex, completion of the offer contemplated in the Prospectus, as detailed in Note 26(a) above, and approval and execution of formal legal documentation;

(ii) Primelife, Multiplex and Babcock & Brown will form a joint venture for the purposes of developing new retirement villages and aged care facilities **(Joint Venture)**, subject to the approval and execution of formal documentation. The Joint Venture will be constituted as to 45% Primelife, 45% Multiplex and 10% Babcock & Brown;

(iii) Multiplex has agreed to commit at least $10.0m to the Joint Venture, which will be matched by proportionate contributions from Primelife and Babcock & Brown;

(iv) The Joint Venture will have an initial term of five years with an option for a further five year term at the election of Primelife or Multiplex, subject to the Joint Venture and the parties meeting certain key performance indicators to be agreed by the parties; and

(v) Primelife shall have the first exclusive right to provide operation and management services and sales and marketing services on reasonable market terms and conditions for any retirement village and aged care facilities developed by the Joint Venture. If a party to the Joint Venture wishes to sell its interest in any development, then it must first offer to sell that interest to the other parties.

26. SIGNIFICANT EVENTS AFTER BALANCE DATE (cont'd)

(c) On 15 September 2004, at an Extraordinary General Meeting, shareholders resolved to approve:

(i) The issue of 4 million shares to Multiplex Group at a subscription price of $1.25 each, as detailed in the Prospectus and the Explanatory Memorandum convening the meeting of shareholders;

(ii) The issue of shares to parties associated with the Company's joint venture partner in the Waterford Valley project, as part of the process of "unwinding" the Waterford Valley joint venture arrangements, as detailed in the Explanatory Memorandum convening the meeting of shareholders;

(iii) Employment arrangements with the Company's Managing Director, Mr J T Hazel, as detailed in the Prospectus and the Explanatory Memorandum convening the meeting of shareholders; and

(iv) The re-election of directors Mr P H Green and Mr R N Topfer, who in accordance with the Company's constitution resigned and offered themselves for re-election at the meeting.

(d) As at the date of this report, the Company is in technical breach of certain covenants with the Company's Trust Deed relating to existing Convertible Notes on issue. Failure to comply with financial covenants in the Trust Deed prevents Primelife from incurring additional indebtedness other than in the ordinary course of business. The Prospectus lodged, and referred to in Note 26(a), by the Company contemplates the issue of new Convertible Notes, the proceeds of which will partly be used for redemption of the existing Convertible Notes on issue. Primelife intends to convene a noteholder Meeting to be held in the week commencing 18 October to seek approval from noteholders to the early redemption of the existing Convertible Notes currently on issue.

27. CONTINGENT LIABILITIES

Corporation Law Issues

On 24 June 2004, the Company approached ASIC on a voluntary basis in relation to 23 TR94/24 syndicates arranged by previous management, given concerns as to whether those syndicates comply with the managed investment, fundraising and licensing provisions of the Corporations Act. Since that time, the Company has worked to develop a process for regularisation of these syndicates. The current process proposed by ASIC (and with which the Company agrees) is for ASIC to apply to the Federal Court of Australia for Interim Orders appointing an Investigating Officer to collate information and prepare a report on each syndicate. Following receipt of this report, it will be a matter for the Court to decide on what final relief ought to be granted in relation to the syndicates. The Court has the option to appoint an Administrator to wind up the syndicate, and may also seek to regularise a syndicate by merging it into a registered managed investment scheme. This process is ongoing.

Primelife does not consider it is able to quantify the exposure of Primelife in relation to these legal issues other than by noting that an aggregate amount of approximately $123.0m in payments have been made by Scheme investors to Primelife. It should be noted that at the date of this report, Primelife continues to develop these projects and has incurred costs and completed works on TR94/24 projects in excess of $123.0m.

Primelife's current advice is that all construction and management agreements remain valid and enforceable.

Legal Issues

The Company is subject to a number of legal actions by various parties, which are being defended and/or are the subject of counter claims by Primelife.

These matters continue to be handled in a commercial manner and following advice from our legal advisors, we remain confidant that the outcome of these matters will be favourable. Notwithstanding this confidence, consistent with our accounting policies, we have determined that all legal costs will be expensed as incurred.The amount claimed by other parties against the Company is not material. Based on current legal advice, the Company is confident it will successfully defend these legal actions.

The following table summarises all current legal actions:

Parties	Nature and Quantum (where known) of Proceedings	Status
Primelife (Cumberland View) Pty Limited and Primelife (Glendale Hostel) Pty Limited IOOF Limited and IOOF Life Limited	Primelife claim for damages from IOOF for breach of contractual warranties and false and misleading conduct (total claim exceeds $8.0m). IOOF claim against Primelife for non-payment of debt and breach of contract (approximately $700,000) together with a declaration in relation to approximately $900,000 in alleged loans yet to fall due.	Settlement negotiations are ongoing. In addition to the claims against it of approximately $1.43m Primelife may be required to pay some or all of IOOF's legal costs.

27. CONTINGENT LIABILITIES (cont'd)
Legal Issues

Prime Life (Glenvale) Pty Ltd Sunglen Developments Pty Ltd	Claim by owners of the land upon which the Villa del Sole Primelife operated aged care facility is located for specific performance of a contract of sale of real estate entered into with Primelife Glenvale in June 2003.	Primelife believes it has a strong defence to this matter and has sought orders that it not be required to proceed with the purchase. Primelife's exposure is that it would be forced to complete the purchase (contract price $3.2m) and meet the costs of Sunglen.
Prime Life (Glenvale) Pty Ltd Property Syndicate 6006 Pty Ltd	Property Syndicate 6006 claim for specific performance by Primelife Glenvale of a subsequent contract of sale of real estate of the Villa del Sole land and/or damages. Primelife has joined Mr Sent and Ms Porter as defendants.	Primelife is investigating available commercial options to resolve the claim. Primelife's exposure is that it would be forced to complete the sale (contract price $5.5m) and meet the costs of Property Syndicate 6006.
Primelife Mainpoint Enterprises (Aust) Pty Ltd	Mainpoint Enterprises claim that Primelife provide specific securities and pay an amount of $184,000 in respect of interest outstanding on the loan and costs.	Primelife is currently finalising a settlement agreement with Mainpoint Enterprises in this amount.
Primelife Eduard Christiaan Sent	Claim against Primelife and each Primelife director individually for wrongful dismissal and payment of the balance of Mr Sent's contract ($4.0m) plus damages (unquantified). Primelife has counterclaimed against Mr Sent alleging serious misconduct and is seeking damages.	Primelife believes it has a strong defence to this matter.
Primelife Sandra Porter	Claim for wrongful dismissal in an amount of $552,692. Primelife has counterclaimed against Ms Porter alleging serious misconduct and seeking $229,440 in liquidated damages and further unspecified damages.	Primelife believes it has a strong defence to this matter.
Primelife Eduard Christiaan Sent	Mr Sent has sought leave to commence proceedings in the name of Primelife against the present Chairman, Mr R J Champion de Crespigny and Deputy Chairman, Mr R J Walker and Albany Bay RV Investments Pty Ltd and directors (current and former) D S Legge, A P S Kemp, S V McPhee, S J McGregor and L J Panaccio.	Primelife intends to oppose the application. Primelife's exposure is that it would be forced to meet any costs of the action against the directors.
Port Phillip Pty Ltd (Primelife subsidiary) Australian Retirement Communities Pty Ltd	Claim in excess of $1.5m against Australian Retirement Communities for alleged breaches of contract and fiduciary duties.	Primelife's exposure is that it would be obliged to meet the costs of ARC's defence in this matter which cannot be quantified at this time.
Primelife Bufalo Corporation Pty Ltd (in liquidation – Receiver and Manager appointed)	Various claims for damages against Primelife, including for the alleged wrongful appointment of a receiver and manager and in respect of alleged breaches of agreements in relation to various building projects and aged care facilities. Counterclaim for damages in respect of alleged breaches of joint venture agreements and for the alleged failure to pay monies owing to Primelife.	Primelife's exposure is to meet the claims for damages by Bufalo not all of which have been quantified in their statement of claim. Primelife's best estimate is that in the worst case scenario it may outlay between $3.3m and $7.8m in damages, interest and the costs of all parties.

27. CONTINGENT LIABILITIES (cont'd)

Legal Issues

Primelife Mainpoint Developments Pty Ltd	Potential litigation in relation to the exercise by Primelife in December 2003 of an option to purchase land at Point Cook belonging to Mainpoint Developments. Mainpoint Developments disputes the exercise of the option as valid.	Mediation to be undertaken. If unresolved Primelife will commence proceedings to enforce the option. Declaration relief sought. Loss will be calculated on Primelife's ability to purchase the land at the contract price ($6.0m). Should Primelife not proceed to purchase the property it intends to use the $6.0m purchase price to purchase alternative land with similar development potential and expected profit margins.
Australian Planning Consultants Pty Ltd Primelife	Federal Court proceedings against Primelife claiming breach of copyright, breach of moral rights, Trade Practices Act infringements and damages in relation to unpaid amounts owed under design contracts. The statement of claim seeks an injunction restraining further breaches and damages in excess of $130,000.	

28. EXPENDITURE COMMITMENTS

(a) In accordance with the terms and conditions of various Management Deeds, contracted annual fee payments to senior living facility owners/investors are:

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
No later than one year	11,707	6,243	660	640
Later than one year and not later than five years	43,441	27,235	2,640	2,596
Later than five years and not later than 20 years	137,342	131,075	8,230	8,093
	192,490	**164,553**	**11,530**	**11,339**

These amounts represent contractual commitments under management deeds the Company has entered into. With certain contracts, the Company has an option to extend its management of facilities for a further 10 years. If this option is exercised, the economic entity's commitments would be extended for a further 10 years.

(b) The economic entity also has a future commitment for the payment of project costs in relation to present and future retirement village projects in accordance with agreements previously entered in to.

	Consolidated 2004	Consolidated 2003	Parent Entity 2004	Parent Entity 2003
Expenditure commitments on Meadowvale Village				
- Not later than one year	2,000	2,000	-	-
- Later than one year and not later than five years	-	-	-	-
Expenditure commitments on Cumberland View Retirement Village				
- Later than one year and not later than five years	1,177	1,177	-	-
Expenditure commitments on Glendale Hostel	-	-	-	
- Not later than one year	-	-	-	-
- Later than one year and not later than five years	487	487	-	-
	3,664	**3,664**	**-**	**-**
(c) Hire purchase – analysis of commitments				
Not later than one year	1,446	1,204	1,293	1,197
Later than one year and not later than five years	3,182	1,822	1,362	1,816
Total minimum payments	4,628	3,026	2,655	3,013
Future finance charges	(849)	(118)	(764)	(116)
Hire Purchase Liability	**3,779**	**2,908**	**1,891**	**2,897**

28. EXPENDITURE COMMITMENTS (cont'd)

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Current liability (Note 15)*	3,234	1,324	1,346	1,313
Non-current liability (Note 15)*	545	1,584	545	1,584
	3,779	**2,908**	**1,891**	**2,897**

* Hire purchase relates to the lease of motor vehicles, computers, plant and equipment and leasehold fit out.

	Consolidated		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
(d) Non cancellable operating leases commitments not provided for:				
No later than one year	259	945	-	686
Later than one year and not later than five years	452	2,217	-	1,484
Later than five years	-	-	-	-
	711	**3,162**	**-**	**2,170**

Operating leases have an average lease term of 5 years and relate to the rental of office accommodation.

29. RELATED PARTY TRANSACTIONS

Directors

Directors of the Company who held office during the year:

R J Champion de Crespigny, AC
R J Walker, AC CBE
J T Hazel
L J Panaccio
S V McPhee
P H Green
R N Topfer
E C Sent
A P S Kemp
D S Legge
S J McGregor
K H Spencer, AM

Share Transactions of Directors and Director Related Entities

Aggregate number of shares acquired and disposed of by directors or their director related entities as a result of transactions directly with the Company during the year ended 30 June 2004 were as follows:

	2004 Number	2003 Number
Ordinary shares acquired by directors via dividend reinvestment plan	-	1,074,440
Ordinary shares acquired by directors via share purchase plan	-	28,035
Ordinary shares acquired by directors via 1:25 rights issue	-	680,890
Ordinary shares acquired by directors	23,000	-

Directors' Holding of Shares

The relevant interests of directors of the parent entity and their director related entities in shares within the economic entity at year-end are set out below:

	2004 Number	2003 Number
Ordinary shares in Primelife	15,349,702	17,881,251
Directors' interests in options	11,688,000	500,000

Other Transactions with Directors and Director Related Entities

During the year the following transactions took place with Directors of the Parent Entity and their Director Related Entities:

	2004 $	2003 $
(a) Mr Eduard Sent and Related Entities		
(i) Mr Sent is a director of Mainpoint Enterprises (Aust) Pty Ltd (Mainpoint). During the year Mainpoint was reimbursed for expenses incurred on behalf of Primelife.	-	30,000

29. RELATED PARTY TRANSACTIONS (cont'd)

	2004 $	2003 $
(a) Mr Eduard Sent and Related Entities (cont'd)		
(ii) During the year, Primelife provided Mainpoint with the following services:		
- Rental Office Space	5,583	26,276
- Management Services charged by Primelife at market rates	77,312	48,630
(iii) As at balance date, the following loan is outstanding to Mainpoint:		
Primelife Working Capital loan at an interest rate of 11.0% p.a.	31,425	5,215,292
- Interest paid on this loan	585,654	168,965
(iv) In summary, investments held in Primelife facilities, with Board approval by Mr E.C. Sent or his related parties at balance date, are:		
- Highwood Court, Burwood, Aged Care Facility	5%	5%
- Avonlea Grange, Mentone, Aged Care Facility	15%	15%
- Brighton Bay, Brighton, Development	8.75%	8.75%
- Loan to Highwood Court Hostel	107,710	129,553
(v) Integrated Health Care (Aust) Pty Ltd ("IHC") Mr E C Sent held an investment in IHC of 23.75% until 31 October 2002 and IHC provide services to the health and aged care sector, including facility accreditation, interior architecture and staff education programs.		
- IHC provided Consulting Services to Primelife at market rates	6,207	156,805
- Amounts payable by Primelife at balance date	-	78,702
(vi) Villa del Sole Hostel ("Villa") and Glenvale Terrace Pty. Ltd. ("Glenvale");		
(a) Mr E C Sent has an investment in Villa of 41.75%. Villa is an operating Hostel that Primelife manages on behalf of Villa's owners.		
- Primelife provided services to Villa at market rates	184,200	400,723
- Amounts payable to Primelife at balance date*	552,874	547,647
(b) Mr E C Sent has an investment in Glenvale of 50%. Glenvale is a management company that Primelife provides services to.		
- Primelife provided services to Glenvale at market rates	205,242	150,882
- Amounts payable to Primelife at balance date*	21,697	206,775
(vii) Yelda Terrace Pty Ltd ("Yelda"); Mr E C Sent has an investment in Yelda of 25% and Yelda owns Medina Manor, a senior living facility located in Thornbury, Victoria.		
- Primelife provided management services to Yelda at market rates	1,795,850	21,449
- Amounts payable to Primelife at balance date#	280,506	355,069

*Glenvale was the developer of the Villa del Sole Hostel before on selling this project to investors at 30 June 1997 with shareholder approval. Primelife purchased the profit share rights for Villa from Glenvale on a performance-based contract that is forecast for completion in the 2005 financial year. Amount due to Primelife will be taken into account in the settlement of this transaction.

Primelife purchased the profit share rights for Medina Manor from Yelda Terrace on a performance based contract that is forecast for completion in the 2005 financial year. Amount due to Primelife will be taken into account in the settlement of this transaction.

Other Transactions with Directors and Director Related Entities

	2004 $	2003 $
(b) Mr R J Walker and Mr R J Champion de Crespigny Related Entities		
Mr Walker and Mr Champion de Crespigny jointly control Albany Bay RV Investments Pty Ltd which has provided loans to Primelife on commercial terms	6,000,000	2,200,000
Interest paid on this loan	664,837	-
(c) Babcock & Brown and Related Entities		
Interest paid on short term loan advanced to the Company during the financial year ended 30 June 2004	9,733	-

(d) Controlled Entities

Refer to Note 30 for transactions with controlled entities.

30. INVESTMENT IN CONTROLLED ENTITIES

	Class of Shares	2004 %	2003 %
Australian Retirement Services Group Pty Ltd	Ordinary	100	100
Autumn Corp Pty Ltd	Ordinary	51	51
Beaumont Management Pty Ltd	Ordinary	50	50
Brighton Bay Developments Pty Ltd	Ordinary	50	50
Brighton Bay Developments Joint Venture Entity		50	50
Bulla Road Pty Ltd	Ordinary	100	100
Confalo Enterprises Pty Ltd	Ordinary	50	50
Highwood Court Pty Ltd	Ordinary	100	100
Hunter Lodge Pty Ltd	Ordinary	100	100
Huntleigh Terrace Pty Ltd	Ordinary	51	51
Huntleigh Terrace Joint Venture Entity		51	51
Koorootang Court Annexe Pty Ltd	Ordinary	50	50
Koorootang Court Annexe Joint Venture Entity		50	50
Koorootang Court Village Pty Ltd	Ordinary	100	100
Koorootang Court Village Management Pty Ltd	Ordinary	100	100
Lillios Pty Ltd	Ordinary	100	100
Madden Grove Developments Pty Ltd	Ordinary	50	50
Madden Grove Developments Joint Venture Entity		50	50
Malvern Road Developments Pty Ltd	Ordinary	100	100
McKinnon Road Developments Pty Ltd	Ordinary	51	51
McKinnon Road Developments Joint Venture Entity		51	51
Meadowvale Village Management Pty Ltd	Ordinary	100	100
Meadowvale Village Pty Ltd	Ordinary	100	100
Menzies Project Pty Ltd	Ordinary	50	50
Mitcham Road Developments Pty Ltd	Ordinary	51	51
Mitcham Road Developments Joint Venture Entity		51	51
Montclaire Developments Pty Ltd	Ordinary	100	100
Newpark Pty Ltd	Ordinary	100	100
Permasnow (Asia) Pty Ltd	Ordinary	100	100
Permasnow (UK) Pty Ltd	Ordinary	100	100
Port Albert Developments Pty Ltd	Ordinary	100	100
Prime CRS (Carlyle Gardens) Pty Ltd	Ordinary	100	100
Prime Life (Avonlea) Pty Ltd	Ordinary	100	100
Prime Life (Bayside) Pty Ltd	Ordinary	100	100
Prime Life (Cumberland Nursing Home) Pty Ltd	Ordinary	100	100
Prime Life (Cumberland Village) Pty Ltd	Ordinary	100	100
Prime Life (Darebin) Pty Ltd	Ordinary	100	100
Primelife (Geelong) Pty Ltd	Ordinary	100	100
Primelife (Glen Woodley) Pty Ltd	Ordinary	100	100
Prime Life (Glendale Hostel) Pty Ltd	Ordinary	100	100
Prime Life (Glenvale) Pty Ltd	Ordinary	100	100
Primelife (Griffith) Pty Ltd	Ordinary	100	100
Primelife (Heathfield) Pty Ltd	Ordinary	100	100
Primelife (Heathglen) Pty Ltd	Ordinary	100	100
Prime Life (Lilydale) Pty Ltd	Ordinary	100	100
Primelife (Little Para) Pty Ltd	Ordinary	100	100
Prime Life (Mt Evelyn) Pty Ltd	Ordinary	100	100
Prime Life (Peninsula) Pty Ltd	Ordinary	100	100
Primelife Project Services Pty Ltd	Ordinary	100	100
Primelife (Red Bluff) Pty Ltd	Ordinary	100	100
Prime Life (Riverwood Village) Pty Ltd	Ordinary	100	100
Primelife (Sunbury) Pty Ltd	Ordinary	100	100
Primelife (Vermont) Pty Ltd	Ordinary	100	100
Primelife (Wollongong) Pty Ltd	Ordinary	100	100

30. INVESTMENT IN CONTROLLED ENTITIES (cont'd)

	Class of Shares	2004 %	2003 %
Primelife (Woodside) Pty Ltd	Ordinary	100	100
Primelife Business Services Pty Ltd	Ordinary	100	100
Prime Life Investments Australia Pty Ltd	Ordinary	51	51
Prime Life Management Services Pty Ltd	Ordinary	100	100
Primelife Media Pty Ltd (Formally Lifestyle Media International Pty Ltd)	Ordinary	100	100
Primelife Property Holdings Pty Ltd	Ordinary	100	100
Primelife Property Services Pty Ltd	Ordinary	100	100
Primelink Golf Pty Ltd	Ordinary	50	50
Primelink Golf Joint Venture Entity		50	50
Red Bluff Provenders Pty Ltd	Ordinary	100	100
Sale Manor Gardens Pty Ltd	Ordinary	51	51
Sale Manor Gardens Joint Venture Entity		51	51
St James Developments Pty Ltd	Ordinary	100	100
Studley Park Developments Pty Ltd	Ordinary	50	50
Studley Park Developments Joint Venture Entity		50	50
The School for Senior Living Management Pty Ltd	Ordinary	100	100
Wattletree Road Developments Pty Ltd	Ordinary	51	51
Wattletree Road Developments Joint Venture Entity		51	51
Williamstown Range Pty Ltd	Ordinary	100	100

All controlled entities are incorporated in Australia

Controlled Entities

Primelife is the parent entity of all entities detailed in Note 30 to these financial statements and from time to time has dealings on normal commercial terms and conditions with these related entities, the effects of which are eliminated in the consolidated financial statements.

Details of transactions with wholly owned controlled entities, and partly controlled entities, as disclosed in the parent entity financial statements, are set out in:

Note 2	As to interest, dividends and other amounts received from controlled entities
Note 3	As to interest paid to controlled entities
Notes 6, 7	As to loans and other amounts receivable from controlled entities
Note 14	As to amounts payable to controlled entities

Unsecured loans made by Primelife to controlled entities which are not repayable within 12 months are disclosed as non-current receivables. Interest on the loans is charged at 12.75% (FY2003: 12.75%).

Associated Entities

The Company holds investments in associated entities as set out in Note 11.

31. EARNINGS PER SHARE (EPS)

	2004 Cents	2003 Cents
Basic (loss)/earnings per share	(135.7)	(60.1)
Diluted (loss)/earnings per share	(135.7)	(60.1)

Earnings Per Share

Basic earnings per share is determined by dividing the result from ordinary activities, after related income tax expense, by the weighted average number of ordinary shares outstanding during the financial year.

	2004 Number	2003 Number
Weighted average number of ordinary shares used in calculation of basic earnings per share	57,612,306	48,368,892
Weighted average number of ordinary shares used in calculation of diluted earnings per share	57,612,306	48,368,892
Net Loss used in calculating earnings per share	**$78,181,000**	**$29,050,000**

31. EARNINGS PER SHARE (EPS) (cont'd)

Classification of Securities as Potential Ordinary Shares

The following securities have been classified as potential ordinary shares:

(a) Options as detailed at Note 19.

(b) Convertible Notes, as detailed at Note 15.

Considering the Company earned a net loss for the year, diluted EPS has not been calculated for Options or Convertible Notes outstanding at reporting date.

32. DIVIDEND IMPUTATION

Dividends that have been or will be franked	Nil	Nil
Applicable tax rate	30%	30%
Dividends that have not been or will not be franked	-	-
Balance of franking account at end of year	Nil	Nil
Dividend amounts per share	-	-

33. NOTES TO STATEMENTS OF CASH FLOWS

(a) Reconciliation of Cash

Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the balance sheet as follows:

	Consolidated		Parent Entity	
	2004 $'000	**2003 $'000**	**2004 $'000**	**2003 $'000**
Cash at bank – Note 5	10,385	4,668	5,372	1,683
Deposit at call – Note 5	219	1,246	219	209
Bank overdraft – Note 15	(816)	(1,984)	(816)	(1,984)
	9,788	**3,930**	**4,775**	**(92)**

(b)Reconciliation of Operating Result after Income Tax to Net Cash Flows from Operating Activities

	Consolidated 2004	Consolidated 2003	Parent Entity 2004	Parent Entity 2003
Profit/(Loss) from ordinary activities after tax	(78,181)	(29,050)	(30,109)	(10,063)
Non Cash Items				
(Profit)/Loss in associates	(1,107)	148	(1,107)	-
(Profit)/Loss on sale on assets	(40)	-	(33)	-
Amortisation – of non-current asset	11,758	987	499	210
Depreciation – of non-current assets	3,816	3,082	3,168	2,680
	14,427	**4,217**	**2,527**	**2,890**
Net cash (used in)/provided by operating activities before changes in assets and liabilities	(63,754)	(24,833)	(27,582)	(7,173)
Changes in Assets and Liabilities				
Receivables	34,833	(39,934)	749	4,077
Properties for development	(2,660)	(7,347)	(881)	(2,350)
Future income tax benefit	(11,472)	(10,468)	(45,888)	(2,658)
Prepayments	202	(238)	(47)	1,662
Payables	(262)	2,839	9,039	(2,355)
Non-interest bearing liabilities	22,573	31,300	11,547	12,071
Increase in accommodation bond liability	-	34,497	-	3,844
Employee entitlement provisions	253	387	(144)	270
Other provisions	2,825	-	-	-
Provision for deferred income tax	(15,753)	(1,456)	26,811	(269)
Outside equity interest	(1,398)	208	-	-
	29,141	**9,788**	**1,186**	**14,292**
Net Cash Flows from/(used in) Operating Activities	**(34,613)**	**(15,045)**	**(26,396)**	**7,119**

34. NON-CASH FINANCING AND INVESTING ACTIVITIES

Lease Transactions

During the financial year, Primelife has acquired property, plant and equipment of $1,973,000 (FY2003: $735,000) by means of hire purchase leases.

Dividend Reinvestment Plan

Under the terms of the dividend reinvestment plan, $NIL (FY2003: $2,542,000) of dividends were paid via the issue of NIL shares (FY2003: 1,740,954).

Issue of Shares in the 2003 Financial Year.

1. On 3 September 2002, Primelife issued 500,000 ordinary shares at an issue price of $3.00 per share for a total value of $1,500,000 as part of purchase consideration to acquire a corporate office building located at 210 Kings Way, South Melbourne.
2. The Company has entered into a 50% profit share interest agreement (‘the agreement’) with Arton Retirement Villages (‘Arton’) with respect to the management and operation of ‘The Beaumont’ - a senior living facility in Perth, Western Australia. As partial consideration for this agreement, 792,683 shares at an issue price of $2.05 per share for a total value of $1,625,000 were issued to Arton. Details of shares issued to Arton were approved by shareholders at the general meeting held on 15 November 2002.

35. SEGMENT INFORMATION

The economic entity operates predominantly in the Retirement Village industry in Australia only (secondary segment). Revenue is mainly derived through development sales and subsequent deferred management fees. The Company's business segments (primary segment) are:

(i) Development of retirement facilities – the construction and development of senior living facilities both pre-sold to syndicate investors and facilities owned by Primelife.
(ii) Management of retirement facilities – management of retirement facilities, including retirement villages, hostels and nursing homes.
(iii) Primelife Business Services – contract management fees received for the management of retirement villages.

Segment accounting policies are the same as the consolidated entity's accounting policies described at Note 1. Inter-segment revenues are charged by the parent entity to business segments at market rates.

Business Segments	Development of Aged Care Facilities		Management of Aged Care Facilities		Primelife Business Services		Other		Eliminations		Consolidated	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Revenue												
Sales to customers outside the consolidated entity	48,143	55,402	43,859	56,648	2,445	2,120	-	-	-	-	**94,447**	**114,170**
Other revenues from outside Primelife	-	-	-	-	-	-	-	-	-	-	-	-
Inter-segment revenues	-	-	-	-	-	-	36,549	47,316	(36,549)	(47,316)	-	-
Share of net profit/(loss) of equity accounted investments	1,107	(148)	-	-	-	-	-	-	-	-	**1,107**	**(148)**
Total segment revenue	49,250	55,254	43,859	56,648	2,445	2,120	36,549	47,316	(36,549)	(47,316)	**95,554**	**114,022**
Unallocated revenue	-	-	-	-	-	-	-	-	-	-	-	-
Total consolidated revenue											**95,554**	**114,022**
Results												
Segment result	(50,374)	1,811	(54,477)	(42,416)	(1,953)	(160)	-	-	-	-	**(106,804)**	**(40,765)**
Unallocated expenses	-	-	-	-	-	-	-	-	-	-	-	-
Consolidated entity loss from ordinary activities before income tax expense											**(106,804)**	**(40,765)**
Income tax expense											**(27,225)**	**(11,923)**
Consolidated entity loss from ordinary activities after income tax expense											**(79,579)**	**(28,842)**
Minority issues											**(1,398)**	**208**
Net loss											**(78,181)**	**(29,050)**

35. SEGMENT INFORMATION (cont'd)

Business Segments	Development of Aged Care Facilities		Management of Aged Care Facilities		Primelife Business Services		Other		Eliminations		Consolidated	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Assets												
Segment assets	189,399	147,739	211,214	207,750	364	3,877	-	-	-	-	**400,977**	**359,366**
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-
Total assets											**400,977**	**359,366**
Liabilities												
Segment liabilities	204,720	129,437	172,020	147,073	322	1,833	-	-	-	-	**377,062**	**278,343**
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities											**377,062**	**278,343**
Other segment information:												
Equity method investments included in segment assets	2,058	1,182	-	-	-	-	-	-	-	-	**2,058**	**1,182**
Acquisition of property, plant and equipment, intangible assets and other non-current assets	10,967	5,584	-	12,119	-	73	-	-	-	-	**10,967**	**17,776**
Depreciation	1,107	833	2,615	2,165	94	84	-	-	-	-	**3,816**	**3,082**
Amortisation	-	71	9,639	776	2,119	140	-	-	-	-	**11,758**	**987**
Non-cash expenses (other than depreciation and amortisation) – Increase in accommodation bond liability	-	-	-	34,497	-	-	-	-	-	-	-	**34,497**

36. DISCONTINUING OPERATION

Discontinuance of the Television Business

On 13 February 2004, Primelife Corporation announced its plans to dispose of its television business. The activities were deemed inconsistent with Primelife's core business as a manager of quality retirement villages and ages care facilities.

The transactions of this business other than with Primelife group entities were immaterial. Primelife may now source the services provided by this Division externally and will consider promoting its business via other media.

37. FINANCIAL INSTRUMENTS: INTEREST RATE RISK AND CREDIT RISK EXPOSURE

(a) Interest Rate Risk Exposure

Exposure to interest rate risk on financial assets and liabilities for the year ended 30 June 2004 is summarised as follows:

	Notes	Floating Interest rate $'000	Fixed interest rate maturing in: 1 Year or less $'000	Fixed interest rate maturing in: 1 to 5 years $'000	Non-interest bearing maturing in: 1 Year or less $'000	Non-interest bearing maturing in: 1 to 5 years $'000	Non-interest bearing maturing in: Over 5 years $'000	Total $'000	Weighted average interest rate %
2004 Financial Assets									
Cash assets	5	13,533	-	-	-	-	-	**13,533**	4.20
Trade and other receivables	6&7	-	-	-	12,733	-	-	**12,733**	-
Deferred management fees / Bond Retention Accrued	6&7	-	-	-	5,561	24,308	27,213	**57,082**	-
Receivables – syndicate investors	6&7	-	-	-	77,949	56,214	-	**134,163**	-
Vendor loan receivable	6&7	-	-	12,500	-	-	-	**12,500**	7.39
Total financial assets		**13,533**	**-**	**12,500**	**91,052**	**56,214**	**27,213**	**230,011**	
2004 Financial Liabilities									
Payables	14	-	-	-	26,600	-	-	**26,600**	-
Unsecured loans	16	-	-	-	1,989	8,858	-	**10,847**	-
Advances from syndicate investors	16	-	-	-	-	13,018	-	**13,018**	-
Bank overdraft	15	816	-	-	-	-	-	**816**	9.35
Loans – other related parties	16	-	31	-	-	-	-	**31**	11.00
Mortgage loans – other corporations	15	-	12,499	59,578	-	-	-	**72,077**	9.98
Convertible Notes	15	-	19,922	-	-	-	-	**19,922**	9.50
Bank loans	15	-	28,571	24,837	-	-	-	**53,408**	9.23
Accommodation Bond liability	16	-	-	-	12,326	36,128	-	**48,454**	-
Hire purchase liability	15	-	3,234	545	-	-	-	**3,779**	8.59
Total financial liabilities		**816**	**64,257**	**84,960**	**40,915**	**58,004**	**-**	**248,952**	

37. FINANCIAL INSTRUMENTS: INTEREST RATE RISK AND CREDIT RISK EXPOSURE (cont'd)

(a) Interest Rate Risk Exposure (cont'd)

Exposure to interest rate risk on financial assets and liabilities for the year ended 30 June 2003 is summarised as follows:

			Fixed interest rate maturing in:		Non-interest bearing maturing in:				Weighted average interest rate
	Notes	Floating Interest rate $'000	1 Year or less $'000	1 to 5 years $'000	1 Year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000	%
2003 Financial Assets									
Cash assets	5	9,690	-	-	-	-	-	9,690	4.12
Trade and other receivables	6&7	-	-	-	23,123	-	-	23,123	-
Deferred management fees / Bond retention accrued	6&7	-	-	-	5,109	19,108	26,577	50,794	-
Receivables – syndicate investors	6&7	-	-	-	41,073	51,852	-	92,925	-
Monies due project sales	6&7	-	-	-	13,028	-	-	13,028	-
Vendor loan receivable	6&7	-	-	16,250	-	-	-	16,250	7.39
Total financial assets		**9,690**	**-**	**16,250**	**82,333**	**70,960**	**26,577**	**205,810**	
2003 Financial Liabilities									
Payables	14	-	-	-	27,381	-	-	27,381	-
Unsecured loans	16	-	-	-	62	7,330	-	7,392	-
Advances from syndicate investors	16	-	-	-	-	5,855	-	5,855	-
Bank overdraft	15	1,984	-	-	-	-	-	1,984	9.35
Loans – other related parties	15	-	5,215	-	-	-	-	5,215	12.75
Mortgage loans – other corporations	15	-	13,000	52,377	-	-	-	65,377	9.60
Convertible Notes	15	-	-	19,499	-	-	-	19,499	9.50
Bank loans	15	-	11,960	25,232	-	-	-	37,192	8.71
Hire purchase liability	15	-	1,324	1,584	-	-	-	2,908	8.92
Total financial liabilities		**1,984**	**31,499**	**98,692**	**27,443**	**13,185**	**-**	**172,803**	

37. FINANCIAL INSTRUMENTS: INTEREST RATE RISK AND CREDIT RISK EXPOSURE (cont'd)

(b) Credit Risk Exposure

The maximum credit risk exposure of financial assets is represented by the carrying amounts of assets recognised in the balance sheet net of any provisions for losses. The economic entity has no significant concentration of credit risk with any single counter party or group of counter parties.

(c) Net Fair Values of Financial Assets and Liabilities

	Consolidated Entity		Consolidated Entity	
	2004 Carrying Amount $'000	2004 Net fair Value $'000	2003 Carrying Amount $'000	2003 Net fair Value $'000
Financial assets				
Cash at bank	13,533	13,533	9,690	9,690
Receivable – current	91,643	91,643	82,333	82,333
Receivable – non-current	70,758	70,758	113,787	113,787
Financial liabilities				
Accounts payable	26,600	26,600	27,381	27,381
Bank overdraft	816	816	1,984	1,984
Loans – other related parties	31	31	5,215	5,215
Mortgage loans – other corporations	72,077	72,077	65,377	65,377
Hire purchase liability	3,779	3,779	2,908	2,908
Bank loans	53,408	53,408	37,192	37,192
Unsecured loans	10,668	10,668	7,392	7,392
Advances from syndicate investors	13,198	13,198	5,855	5,855
Convertible Notes	19,922	19,922	19,499	19,499

Recognised Financial Instruments

Cash, cash equivalents and short-term investments: The carrying amount approximates fair value because of their short-term to maturity

Receivables – Current: The carrying amounts approximate fair value.

Short-term borrowings: The carrying amount approximates fair value because of their short-term to maturity.

Receivable – Non-Current: The carrying amount approximates fair value.

Long-term bank borrowings and other liabilities: The carrying amount of financial liabilities approximate fair value.

38. OPTIONS

Point Cook

At the annual general meeting of Primelife on 30 November 2001, a shareholder resolution (resolution 6) was passed in the following terms:

'That approval will be given for Primelife to enter into an option to purchase 15.38 hectares of land at Point Cook from Mainpoint, an entity controlled by Eduard Sent, Managing Director, for a purchase price of up to $6.0m and conditional on Primelife obtaining necessary development approvals and sufficient development finance, and also conditional on the directors obtaining a valuation of the land at the time of the proposed acquisition which exceeds the purchase price'

In December 2003, the Company notified Mainpoint of its exercise of the option after obtaining appropriate finance and a valuation exceeding the purchase price. To date, Mainpoint has not settled this matter and Primelife is pursuing all remedies available to it to obtain settlement including mediation.

39. EMPLOYEE SHARE PLAN

During the financial year ended on 30 June 2004, the Company operated an exempt share plan and a deferred share plan for the benefit of its employees. The key features of these plans are:

Exempt Share Plan

- All full time and permanent part time staff and employees of Primelife on a fixed term contract of greater than 12 months are eligible to participate.
- The Plan Administrator is authorised by each participating employee to acquire as close as possible to $1,000 of Primelife shares each year on the Australian Stock Exchange. The shares are paid for by the Administrator using contributions from Primelife representing pre-tax salary foregone by participating employees.

Deferred Share Plan

- All full time and permanent part time staff and employees on a fixed term contract of greater than 12 months are eligible to participate.
- A participating employee is required to allocate a portion of their pre-tax salary for the purposes of acquiring Primelife shares on the Australian Stock Exchange. The Administrator is authorised to acquire the shares and the shares are paid for by contributions from Primelife using contributions from Primelife employees on a salary sacrifice basis.

40. ULTIMATE PARENT ENTITY

Primelife is the ultimate parent entity.

41. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Australian reporting entities will be required to comply with Australian Accounting Standards equivalent to International Financial Reporting Standards and their related pronouncements ("IFRS") for reporting periods beginning on or after 1 January 2005.

The consolidated entity will report for the first time in accordance with Australian equivalents to IFRS when the results for the year ending 30 June 2006 are released.

Entities complying with IFRS for the first time must restate their comparative financial information using all IFRS except AASB 132. This means that the consolidated entity's opening IFRS statement of financial position will be restated at 1 July 2004, with most IFRS transition adjustments made against opening retained earnings on 1 July 2004. However, IFRS transition adjustments relating to those standards where comparative financial information is not required will only be made on 1 July 2005.

The consolidated entity has established a formal project, monitored by a Steering Committee chaired by the Chief Financial Officer, to monitor and plan for the transition to IFRS. The IFRS project resources consist of teams that are responsible for investigating the impact on specific accounting policies or business processes, and comprises three phases of work as described below:

- Technical investigation – this phase identifies the impacts of implementation IFRS on our products, customers, business processes and financial reporting and procedures.
- Detailed planning and design – this phase will formulate the changes required to existing business and financial reporting policies and procedures, including changes to financial reporting and business source systems.
- Implementation – this phase will implement the identified changes to business and financial reporting processes and conduct training for staff.

The consolidated entity has substantially completed the technical investigation phase and commenced the detailed planning and implementation phases for significant areas. This financial report has been prepared in accordance with Australian Accounting Standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the consolidated entity's financial position and performance are summarised below. This summary should not be taken as an exhaustive list of all differences between Australian GAAP and IFRS.

41. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

Business Combinations

The consolidated entity has the option of retrospectively applying the IFRS requirements to business combinations that occurred prior to 1 July 2004. If the consolidated entity retrospectively applies these requirements, it is likely that different assets and liabilities would be recognised at the date of acquisition, which may impact the amount recognised as goodwill. Goodwill acquired on business combinations will not require an amortisation charge, but will be subject to impairment testing at least annually. Any impairment loss will be recognised immediately in the statement of financial performance.

Approved Provider Aged Care Places (licences)

Approved provider aged care places (licences) are recorded at cost. These are issued by the Federal Government to approved providers, and can also be purchased from other third parties. The Company will not require an amortisation charge, but will be subject to impairment testing at least annually. Any impairment loss will be recognised immediately in the statement of financial performance.

Income Tax

A "Balance Sheet" method of calculating income tax balances will be used rather than the current "statement of financial performance" method. This method recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base. This change in method may require the consolidated entity to carry higher levels of deferred tax assets and liabilities.

The consolidated entity has not reliably quantified the effects of these significant differences. Accordingly, the consolidated financial position and performance as disclosed in this financial report may be significantly different if determined in accordance with IFRS.

The potential impacts on the consolidated entity's financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as at the transition date of 1 July 2004 due to the short timeframe between the finalisation of the IFRS and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2004

The directors' declare that:

(a) the accompanying Financial Statements and Notes thereto comply with Accounting Standards.

(b) the accompanying Financial Statements and Notes thereto give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date.

(c) In the director's opinion, the accompanying Financial Statements and Notes thereto are in accordance with the Corporations Act 2001; and

(d) at the date of this declaration there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

James T Hazel
Director

L J Panaccio
Director

27 September 2004
Melbourne Victoria

A Member Firm of PKF International

PKF

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PRIMELIFE CORPORATION LIMITED AND CONTROLLED ENTITIES
INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF PRIMELIFE CORPORATION LIMITED

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Primelife Corporation Limited (the company) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows. We formed our audit opinion on the basis of these procedures, which included:

(a) examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and

(b) assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

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

Qualification

As disclosed in Note 1(v) of the financial report, the company appointed external consultants to advise on the appropriate accounting treatment in relation to its rights associated with the aged care management contracts. After consideration of this advice the company believes that there may be an emerging asset associated with the management contracts. At the date of preparing the financial report, the company had not concluded its consideration of all the factors necessary to determine whether an emerging asset exists, and whether it should be recorded in the financial report. It is not practicable for PKF to measure this asset, however, Note 1(v) discloses that an assessment of the fair value of the asset, based on certain assumptions may be in the vicinity of $10 million to $20 million. In our opinion this asset should have been measured and recognized by the company.

Qualified Audit Opinion

In our opinion, except for the effects on the financial report of the matter referred to in the qualification paragraph, the financial report of Primelife Corporation 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 2004, and of their performance for the year ended on that date, and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

PRIMELIFE CORPORATION LIMITED AND CONTROLLED ENTITIES
INDEPENDENT AUDIT REPORT (CONT'D)
TO THE MEMBERS OF PRIMELIFE CORPORATION LIMITED

Inherent Uncertainty Regarding Potential Breaches of the Corporations Act 2001

Without further qualification to the opinion expressed above, attention is drawn to the following matter. As disclosed in Note 27, to the financial report, the company approached the ASIC on 24 June 2004, and raised concerns that the previous establishment of the "94/24" investment syndicates may have breached the Corporations Law (now Corporations Act 2001).

The ASIC and the company are currently reviewing the structure of the investment syndicates, and the current process proposed by the ASIC is to apply to the Federal Court of Australia for interim orders to appoint an investigating officer to each of the Syndicates, who will, subsequent to appropriate investigation make a recommendation to the ASIC as to the appropriate structure for each Syndicate.

The process is on-going, and the ultimate financial outcome of the investigation cannot presently be determined, with an acceptable degree of reliability, accordingly, the financial report does not contain any adjustments in relation to this matter.

PKF
Chartered Accountants

J Pasias
Partner

28 September 2004
Melbourne

1. SUBSTANTIAL SHAREHOLDERS AS AT 15 SEPTEMBER 2004

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Shareholder	Number of fully paid ordinary shares	Percentage Held
Babcock & Brown Group	12,170,886	19.90
Equity Trustees Ltd	3,895,943	6.37
Albany Bay RV Investments Pty Ltd	3,145,000	5.14

2. TOP 20 SHAREHOLDERS AS AT 15 SEPTEMBER 2004

The names of the twenty largest holders of quoted shares are:

Shareholder		
ANZ Nominees Ltd	18,231,617	29.80
Equity Trustees Ltd	3,895,943	6.37
Albany Bay RV Investments Pty Ltd	3,145,000	5.14
Westpac Group	968,520	1.58
Frank Hadley Pty Ltd	809,324	1.32
J P Morgan Nominees Australia Ltd	785,824	1.28
Middendorp Electric Company Pty Ltd	721,088	1.18
Mirrabooka Investments Ltd	525,215	0.86
MFS Investment Nominees Pty	473,313	0.77
Tonfam Nominees Pty Ltd	407,700	0.67
Citicorp Nominees Pty Ltd	378,951	0.62
Elise Nominees	346,500	0.57
Tricom Nominees	339,516	0.56
Bufalo Corporation	296,575	0.48
Renfam Nominees Pty Ltd	267,769	0.44
Brumac Pty Ltd	261,204	0.43
Primbee Investments Pty Ltd	250,000	0.41
Mr Brian Russell Tully	236,855	0.39
Fortis Cleaning Nominees	213,454	0.35
L A R Consulting Pty Ltd	198,000	0.32
Total Top 20	**32,752,370**	**53.54**
Remaining Shareholders	**28,418,675**	**46.46**
Shares on issue	**61,171,045**	**100**

3. DISTRIBUTION OF EQUITY SECURITIES AS AT 15 SEPTEMBER 2004

The number of shareholders, by size of holding, in each class of share is:

	Number of Holders	Number of Shares
1 – 1,000	839	459,390
1001 – 5,000	2,009	5,317,794
5,001 – 10,000	644	4,814,999
10,001 – 100,000	625	16,599,819
100,001 and over	35	33,979,043
Total	**4,152**	**61,171,045**

The number of shareholders holding less than marketable parcel of shares is: 274

4. SUBSTANTIAL NOTEHOLDERS AS AT 15 SEPTEMBER 2004

The names of substantial noteholders are:

Noteholder	Convertible Notes	Percentage Held
ANZ Nominees Ltd	26,398	13.22
Invia Custodian Pty Ltd	19,249	9.64
Total	**45,647**	**22.86**

5. TOP 20 CONVERTIBLE NOTEHOLDERS AS AT 15 SEPTEMBER 2004

Noteholder	No of Notes	%
ANZ Nominees Limited	26,398	13.22
Invia Custodian Pty Ltd	19,249	9.64
Equity Trustees Limited	8,849	4.43
Australian International Insurance	7,500	3.75
Hoylake Funds Management Pty Ltd	4,998	2.50
Favermead Pty Ltd	4,000	2.00
Mr Hugh Matheson Morgan	3,745	1.87
Aristotle Pty Ltd	2,146	1.07
catholic Church Insurance	2,000	1.00
Pejali Pty Ltd	1,800	0.90
Icy Creek Investments	1,500	0.75
Kreskin Pty Ltd	1,385	0.69
Berne No 132 Nominees Pty Ltd	1,287	0.64
Melbourne Newsboys Club	1,250	0.63
UBS Private Clients Australia	1,250	0.63
GK Goh Stockbrokers	1,130	0.57
Holdex Nominees	1,119	0.56
RBC Global Services	1,110	0.56
EST Dulcie Florence Beardsley	1,101	0.55
Mrs Rosalind Lawrence	1,100	0.55
Total Top 20	**92,917**	**45.51**
Remaining Noteholders	**106,833**	**53.48**
Convertible Notes on issue	**199,750**	**100**

6. DISTRIBUTION OF CONVERTIBLE NOTES AS AT 15 SEPTEMBER 2004

The number of convertible noteholders by size of holding:

	Number of Holders	Number of Notes
1 - 1,000	769	108,178
1001 - 5,000	18	33,178
5,001 - 10,000	3	21,749
10,001 – 100,000	2	36,647
Total	**792**	**199,750**

The number of noteholders holding less than marketable parcel of Notes is: 77

7. VOTING RIGHTS

On a show of hands, every ordinary shareholder present who is a member or proxy, attorney or representative shall have one vote. On a poll, every member present in person or by proxy, attorney or representative shall have one vote for each share held.

MAJOR ANNOUNCEMENTS TO THE AUSTRALIAN STOCK EXCHANGE

2003

12 September

2003 annual results announced with key changes in accounting policy and the commencement of a detailed review of the Company's business plan and operations. Full Year EBITDA loss of $28.2m announced (including non-cash EBITDA write off of $39.4m) and NPAT loss of $29.0m

7 October

The Board directs its Managing Director, Mr Eduard Christiaan Sent to stand aside pending the outcome of an independent review.

30 October

The Board terminates the employment of Mr Eduard Christiaan Sent as Chief Executive Officer and Managing Director of the Company.

14 November

Primelife raises $16.8m in a private placement to 14 institutions. 7,150,000 shares issued at $2.35.

28 November

Notice of initial substantial holder lodged with the Company by Babcock & Brown.

4 December

Resignation of Mr Eduard Christiaan Sent as Director of Primelife Corporation Limited.

2004

10 February

328 new Residential Aged Care places allocated to Primelife Corporation Limited in the Annual Aged Care Approvals Round process.

13 February

Primelife exits TV business. Sale of RTV will result in a one off charge to earnings of $8.35m in the half-year to December 2003 and allow the Company to focus on its core business.

26 February

Half-year results for the six months ended 31 December 2003 announced. After tax loss of $16.6m.

5 March

Mr James Hazel appointed as Managing Director.

28 June

Update on review process. Discussion of review process findings, Managed Investment Schemes issues, Balance Sheet adjustments and potential capital raising.

6 August

Primelife announces proposed capital raising of $80m through issuing of new shares and new notes. Memorandum of understanding also entered into with Multiplex and Babcock & Brown to form a joint venture for the purposes of developing new retirement villages and aged care facilities across Australia.

27 August

Full Year results for the 12 months ended 30 June 2004 announced. After tax loss of $78.2m, which included total balance sheet adjustments at June 2004 of $67m and $8.35m taken up in December 2003, identified during management's comprehensive review of the Company's operations.

13 September

Mr Craig Thompson appointed as Chief Financial Officer.

16 September

Supplementary Prospectus lodged with ASIC, trading in Primelife securities resumes.

Annual General Meeting

Primelife's Annual General Meeting will be held at 2pm (Melbourne time) on Friday, 26 November 2004 at the Auditorium, Level 2, Melbourne Exhibition Centre, 2 Clarendon Street, Southbank, Melbourne, Victoria. Details of the business of the meeting are contained in the separate Notice of Meeting.

Stock Exchange Listing

Primelife shares and convertible notes are listed on the ASX and reported in the industrial section of daily newspapers under the codes PLF and PLFG respectively.

Share Registry

ASX Perpetual Registrars Limited
Level 4, 333 Collins Street
Melbourne Vic 3000
Tel: 1300 554 474
Fax: 03 9615 9900

Please quote your current address together with your Security holder Reference Number (SRN) or Holder Identification Number (HIN) as shown on your Issuer Sponsored/CHESS statements.

Shareholders should notify the share registry in writing immediately of changes of address. Shareholders who no longer want to receive the annual report should call the share registry to register their choice. Shareholders will continue to receive all other information, including the notice of the Annual General Meeting and proxy form. The annual report can also be viewed on AWB's website at www.primelife.com.au.

Investor Relations

Investors with questions regarding Primelife financial information are invited to contact:
Investor Relations
Primelife Corporation Limited
Level 2, 210 Kings Way
South Melbourne Vic 3205
Tel: 03 8699 3300
Fax: 03 8699 3399

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