SUN CAPITAL GROUP LIMITED

A.B.N. 60 006 569 124

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2005

SUN CAPITAL GROUP LIMITEDAND CONTROLLED ENTITY
A.B.N. 60 006 569 124

COMPANY INFORMATION

Directors in Office:	Paul Harris	(Non-executive Chairman)
	Clive Barrett	(Executive Director)
	Roger Smith	(Non-executive Director)
	Emmanuel Correia	(Non-executive Director)
Company Secretary:	Emmanuel Correia	
Auditors:	Hall Chadwick Level 29 31 Market Street Sydney NSW 2000	
Share Registry:	Computershare Investor Services Pty Ltd. Level 12 565 Bourke Street Melbourne, Vic. 3000	
Bankers	Westpac Banking Corporation 60 Martin Place Sydney NSW 2000	
Registered Office:	Level 5, 52 Phillip Street Sydney, NSW, 2000 Telephone (02) 9252 8455 Facsimile (02) 9252 8466	
Stock Exchange Listing:	The Australian Stock Exchange Limited ASX Code: SEE	

Your Directors submit their report for the financial year ended 30 June 2005

DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Paul Harris, Chairman	(Appointed 10 November 2004)
Clive Barrett, Executive Director	(Appointed 17 September 2004)
R C Smith, Non Executive Director	
Emmanuel Correia, Non Executive Director	(Appointed 10 November 2004)
G Snow	(Resigned 10 November 2004)
J G Henderson	(Resigned 10 November 2004)

DIRECTORS INTEREST

At the date of this report, interest of the directors in the shares and options of the company were:

Director	Shares	Options
P Harris	858,000	-
C Barrett	12,500,000	-
E Correia	494,524	-
R.C Smith	528,500	-
Total	**14,381,024**	**-**

Mr Paul Harris (Non-Executive Chairman) – (Age 60)

Mr Harris has had over 30 years experience in the securities market in Australia, holding a number of senior positions in merchant banking and stock broking firms.

Mr Harris is currently a director of a number of listed and unlisted public companies including Ten Network Holdings Ltd, Wilson HTM Ltd, Gresham CEA Management Limited and the Centenary Institute for Cancer Research. He is also a director of the management companies of the Australasian Media and Communications Fund and the Technology Investment Fund

Mr Clive Barrett (Executive Director) – (Age-46)

Mr Barrett was the founder of Victor Paul Enterprises Pty Ltd (VPE), one of the leading direct response marketing companies in Australia. VPE utilised television and print advertising to market a variety of products that included exercise equipment, kitchenware, cosmetics, books, cd's and other household items. Under Mr Barrett's stewardship VPE also became a leading exponent of celebrity endorsed products and was responsible for branding products with names including Ita Buttrose, Dawn Fraser, Ian Healy, Jane Flemming and Melinda Gainsford-Taylor.

In early 2000, Mr Barrett sold his last remaining shareholding in VPE to Guthy-Renker, a large American corporation that is recognised as one of the leading direct marketing companies in the world.

Mr Roger Smith (Non-executive Director) – (Age-58)

Mr Smith has many years experience in retail trade and financial planning. He has held a number of proprietary company directorships and has been successful in the operation of a number of wholesale retail businesses in Australia.

Mr Emmanuel Correia (Non-executive Director) – (Age 36)

Mr Correia has over 12 years experience in the provision of corporate finance and equity capital markets advisory services. Mr Correia has held senior positions with a number of Big Four accounting firms and boutique corporate advisory firms both in Australia and in the United Kingdom.

REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Sun Capital Group Limited and for the executives receiving the highest remuneration.

Throughout the financial year the Company did not have a remuneration committee as the directors believed the size of the consolidated entity and the size of the board did not warrant its existence. All remuneration paid to directors and executives is valued at the cost to the company and expensed.

During the current financial year the directors will set the amount of directors fees to be paid to the chairman and the non executive directors having regard to their individual contributions, the size of the economic entity and the associated level of activity. It is also the directors intention to put to shareholders, this financial year, for consideration the issue of a market based directors option package.

There is no direct relationship between the remuneration of the directors and the financial performance of the economic entity.

Directors' Remuneration - For the Year Ended 30 June 2005

	Salary, Fees & Commissions	Superannuation Contribution	Superannuation	Options	Total
	$	$	$	$	$
P Harris	-	-	-	-	-
C Barrett	-	-	-	-	-
R C Smith	16,000	-	-	-	16,000
E Correia	31,000	-	-	-	31,000
G Snow	-	-	-	-	-
J G Henderson	80,720	-	-	-	80,720
	127,720	**-**	**-**	**-**	**127,720**

Other Executives of Sun Capital Group Limited

During the year there were no other executives involved in, or concerned in, the management of the affairs of the economic entity during the year.

On 1 July 2005 the Company appointed Mr Mark Baker as the Chief Executive Officer of the Company. The employment agreement is for a rolling 12 month term. The agreement with Mr Baker stipulates that a three-month notice period for the termination of the agreement is required. In the instance of serious misconduct the company can terminate employment at any time. Other than normal accrued salary and benefits no termination payment is provided for under the agreement.

DIRECTORS MEETINGS

During the year the company held meetings of Directors. The attendances of the Directors at meetings of the board were:-

Director	Number of directors meetings attended	Number of directors meeting held (a)
P Harris	5	5
C Barrett	5	5
R C Smith	10	10
E Correia	5	5
J Henderson	5	5
G Snow	5	5

(a) Reflects the number of meetings held during the time the director held office during the year.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year consisted of the marketing and distribution of consumer based products. predominantly in Australia.

The following significant change in the nature of the principal activities occurred during the financial year:

- the economic entity ceased its activities related to the investment in emerging companies and venture capital;
- with the purchase of Icon Marketing International Pty Ltd (formerly Protech Qld Pty Ltd) during the year the economic entity commenced the marketing and distribution of consumer based products

There were no other significant changes in the nature of the economic entity's principal activities during the financial year.

RESULTS

The operating loss for the year was $1,160,889 (2004: $835,256). No income tax was attributable to this result.

DIVIDENDS

No dividends were paid or recommended for payment and no final dividend is recommended by the Directors.

REVIEW OF OPERATIONS

The amount of the loss for the year is $1,160,889 as compared to a loss of $835,256 in the previous financial year. The current year loss was significantly affected by a provision for diminution in investments of $306,582 and a loss incurred on the sale of one of the Company's non current investments of $233,000. This loss was incurred on the sale of the Company's equity interest in Nextair Inc during the year.

The effect of the provision for diminution and the sale of the equity holding in Nextair Inc during the year was to effectively write down the value of the Company's remaining investment portfolio to $nil. The Company's non-current investment portfolio now contains two passive investments, an equity interest in Oxegen Inc and Noteholders Pty Ltd. Notwithstanding that a provision has been made for the full value of these two remaining investments, the directors will continue to investigate the possibility of realising some value for these investments.

The 2005 financial year was a transitional year for the Company. During the year the Company completed the acquisition of Icon Marketing International Pty Ltd ("Icon"). Icon is involved in the marketing and distribution of consumer based products predominantly, at this stage, within Australia.

Since the acquisition of Icon, the Company has launched new products into the Australian market which are promoted by Grant Hackett and Giaan Rooney. The Company is actively seeking to increase the number of distribution outlets in which the products are distributed through and is looking forward to the prime retail shopping season of 2005/2006. In addition Icon continues to source new products for launch in Australia and New Zealand.

During the year the Company had protracted negotiations with an Israeli company over the rights to a back pain management product called Backlife. These negotiations were ultimately not successful with the Company deciding to cease discussions in July 2005. Whilst the directors were disappointed with this outcome, the decision to cease discussions was the correct one.

The 2006 financial year will be the first full year where the Company will focus 100% of its efforts and resources in developing the Icon business. Based on the limited evidence to date the directors are very positive about the opportunities currently within the Company and the opportunities being presented to it.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

EVENTS SUBSEQUENT TO BALANCE DATE

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected the economic entity.

OPTIONS

The Company currently has no options to take up fully paid shares in the company to shareholders which are outstanding at 30 June 2005.

During the year, Nil (2004 Nil) fully paid ordinary shares were issued by virtue of the exercise of options. Since the end of the financial year no shares have been issued by virtue of the exercise of options.

LIKELY DEVELOPMENTS

Other than as referred to in this report, further information as to likely developments in the operations of the Company and expected results of those operations are, in the opinion of the directors, not at a stage where further information can be accurately and completely provided.

ENVIRONMENTAL REGULATIONS

To the best of the Directors' knowledge all activities have been undertaken in compliance with the requirements of environmental regulations.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

The company was not a party to any such proceedings during the year.

CORPORATE GOVERNANCE

In recognising the need for the highest standard of corporate behavior and accountability, the directors of Sun Capital Group Limited support and have adhered to the principles of good corporate governance. The company's corporate governance statement is on page 32.

NON AUDIT SERVICES

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2005:

	$
Preparation of Independent Expert Reports	34,000
Total	34,000

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2005 has been received and can be found on page 29.

INDEMNIFICATION AND INSURANCE OF OFFICERS

During the year, the Company did not enter into agreements to indemnify Directors' and executive officers' nor did it take out Directors' and officers' liability insurance.

Signed at Sydney on the 15th day of September 2005

Emmanuel Correia
Director

SUN CAPITAL GROUP LIMITED AND CONTROLLED ENTITY
DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 8 to 28 are in accordance with the Corporations Act 2001 and:
   a. comply with Accounting Standards and the Corporations Regulations 2001; and
   b. give a true and fair view of the financial position as at 30 June 2005 and of the performance for the year ended on that date of the company and economic entity;

2. the Chief Executive Officer and Chief Finance Officer have each declared that:
   a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   b. the financial statements and notes for the financial year comply with the Accounting Standards; and
   c. the financial statements and notes for the financial year give a true and fair view.

3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director ....

Emmanuel Correia

Dated this 15th day of September 2005

SUN CAPITAL GROUP LIMITED AND CONTROLLED ENTITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	Consolidated		Sun Capital Group Ltd	
		2005	2004	2005	2004
		$	$	$	$
Revenue from ordinary activities	2	814,995	413,998	412,188	413,998
Expenses from ordinary activities					
Cost of investments realised		604,128	340,106	604,128	340,106
Cost of product sold		134,022	-	-	-
Advertising and product endorsement expenses		239,443	-	-	-
Travel expenses		64,060	-	-	-
Storage Fees		66,146	-	-	-
Depreciation and amortization		6,791	24,449	6,504	24,449
Diminution in value of investments		306,582	565,779	306,582	565,779
Employee benefit expenses		146,424	-	-	-
Legal, consulting and professional fees		216,342	217,424	200,463	217,424
Rental and operating lease expenses		19,702	18,603	6,000	18,603
Doubtful debts expense		-	28,011	-	28,011
Other expenses from ordinary activities		172,244	54,882	94,756	54,882
		1,975,884	1,249,254	1,218,433	1,249,254
Loss from ordinary activities before income tax expense	3	(1,160,889)	(835,256)	(806,245)	(835,256)
Income tax expense relating to ordinary activities	4	-	-	-	-
Loss from ordinary activities after income tax expense, attributable to members of the Company		(1,160,889)	(835,256)	(806,245)	(835,256)
Decrease in accumulated losses on adoption of new accounting standard	14	-	241,884	-	241,884
Total changes in equity other than those resulting from transactions with owners as owners		(1,160,889)	(593,372)	(806,245)	(593,372)
Basic earnings per share (cents per share)	22	(0.94)	(1.06)		
Diluted earnings per share (cents per share)	22	(0.94)	(1.06)		

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.

SUN CAPITAL GROUP LIMITED AND CONTROLLED ENTITY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2005

Current assets	**NOTE**	**Consolidated**		**Sun Capital Group Ltd**	
		2005	**2004**	**2005**	**2004**
		$	**$**	**$**	**$**
Cash Assets	25(a)	777,269	63,884	709,234	63,884
Receivables	5	346,096	69,558	-	69,558
Investments	6	-	170,750	-	170,750
Inventories	8	235,524	-	-	-
Other	9	39,773	-	-	-
Total current assets		1,398,662	304,192	709,234	304,192
Non-current assets					
Receivables	5	-	-	955,591	-
Investments	6	-	739,960	-	739,960
Other financial assets	7	-	-	100	-
Property, plant and equipment	10	5,148	6,504	-	6,504
Total non-current assets		5,148	746,464	955,691	746,464
Total assets		1,403,810	1,050,656	1,664,925	1,050,656
Current liabilities					
Payables	11	157,634	27,611	70,325	27,611
Provisions	12	6,220	-	-	-
Total current liabilities		163,854	27,611	70,325	27,611
Total liabilities		163,854	27,611	70,325	27,611
Net assets		1,239,956	1,023,045	1,594,600	1,023,045
Equity					
Contributed equity	13	15,592,749	14,214,949	15,592,749	14,214,949
Accumulated losses	14	(14,352,793)	(13,191,904)	(13,998,149)	(13,191,904)
Total equity		1,239,956	1,023,045	1,594,600	1,023,045

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

SUN CAPITAL GROUP LIMITEDAND CONTROLLED ENTITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	NOTE	Consolidated		Sun Capital Group Ltd	
		2005	2004	2005	2004
		$	$	$	$
Cash flows from operating activities					
Receipts from customers		73,231	2,476	17,525	2,476
Payments to suppliers		(1,197,437)	(281,009)	(258,505)	(281,009)
Interest received		33,346	7,243	32,341	7,243
Net cash inflow/ (outflow) from operating activities	25(b)	(1,090,860)	(271,290)	(208,639)	(271,290)
Cash flows from investing activities					
Payments made for non current assets		(5,435)	-	-	-
Loan made to other entities		-	(52,033)	-	(52,033)
Repayment of loan made to other entity		54,096	-	54,096	-
Proceeds from sale of investments		377,784	406,755	377,784	406,755
Payments for investments		-	(530,636)	(100)	(530,636)
Net cash inflow/ (outflow) from investing activities		426,445	(175,914)	431,780	(175,914)
Cash flows from financing activities					
Proceeds from issue of shares		1,377,800	510,404	1,377,800	510,404
Loans to controlled entities		-	-	(955,591)	-
Net cash inflow/ (outflow) from financing activities		1,377,800	510,404	422,209	510,404
Net increase in cash held		713,385	63,200	645,350	63,200
Cash at the beginning of the financial year		63,884	684	63,884	684
Cash at the end of the financial year	25(a)	777,269	63,884	709,234	63,884

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers the economic entity of Sun Capital Group Limited and its controlled entity, and Sun Capital Group Limited as an individual parent entity. Sun Capital Group Limited is a listed public company, incorporated and domiciled in Australia.

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

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

(a) Principles of consolidation

The consolidated financial statements are those of the Consolidated Entity, comprising Sun Capital Group Ltd.(the parent entity) and all entities which Sun Capital Group Ltd 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 company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising form intra-group transactions, have been eliminated in full. Any unrealised losses are eliminated on consolidation.

(b) Revenue Recognition

Revenue is recognized to the extent that is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliable measured.

The following specific recognition criteria must also be met before revenue is recognized:

Product Sales
Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest Income
Interest income is recognised as it accrues.

Asset Sales
The gross proceeds of asset sales are included as revenue of the entity. The profit or loss on disposal of assets is brought to account at the date of sale of the respective asset.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign Currency

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change.

(d) Income Tax

Income tax expense is calculated on profit from ordinary activities adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the Statement of Financial Position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

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

(e) Receivables

Trade debtors to be settled within 30 days are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts. Debts which are known to be uncollectible are written off.

(f) Investments

Investments are valued at cost, except where a provision has been raised against the cost of investments to reduce their net carrying value by amounts considered to represent the diminution in their value.

Gains and losses realised from the sale of investments and periodic unrealised market value adjustments are reflected in the statement of financial performance.

The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments and the use of director's valuations which are based on currently available information for each specific non-listed investment.

The expected net cash flows from investments have not been discounted to their present values in determining the recoverable amounts.

(g) Inventories

Inventories are valued at the lower of cost and net realizable value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Non-Current Assets

Property, Plant and Equipment

Property, plant and equipment are carried at cost or fair value. Any surplus on revaluation is credited directly to an asset revaluation reserve and excluded from the Statement of Financial Performance except where it reverses a previous write down. The carrying amount of property, plant and equipment is regularly reviewed to ensure that it is not stated above its recoverable amount.

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

Any gain or loss on the disposal of revalued assets is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds from disposal, and is included in the results of the company in the year of disposal.

Depreciation of Property, Plant and Equipment

Items of plant and equipment are depreciated over their estimated useful life commencing from the time the asset is held ready for use. The straight-line and reducing balance methods of depreciation are used and the depreciation rates applied for each class of depreciable assets are:

Office furniture and equipment	7.5%	to	40%

(i) Accounts Payable

(i) Creditors and accrued expenses

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. The amounts are unsecured and are paid within 30 days or as otherwise negotiated.

(ii) Other creditors

Other creditors represent liabilities for amounts received at balance for which the entity has not delivered goods and services.

(j) Borrowings

Loans and debentures are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and recorded as part of other creditors.

(k) Cash flows

For the purpose of the statement of cash flows, cash includes cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Adoption of Australian Equivalents to International Financial Reporting Standards

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

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

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

Impairment of Assets
Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the 'cash generating unit' level. A 'cash generating unit' is determined as the smallest group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets. The current policy is to determine the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the asset's use and subsequent disposal.

The economic entity has reassessed its impairment testing policy and tested all assets for impairment. The impact of the change is estimated to be $306,582 being a provision for diminution in the value of the economic entity's other (non traded) investments. The resulting net adjustment to retained losses at 1 July 2004 is an increase of $306,582. The resulting adjustment to other (non traded) investments is due to the fact that these investments are not generating positive cashflow, a key ingredient to satisfy the impairment of asset test.

Non-current Investments
Under the pending AASB 139: Financial instruments: Recognition and measurement, financial instruments that are classified as available for sale instruments must be carried at fair value. Unrealised gains or losses may be recognised either in income or directly to equity. Current accounting policy is to measure non-current investments at cost, with an annual review by directors to ensure that the carrying amounts are not in excess of the recoverable value of the instrument.

On transition the financial effect of this impact is assessed as nil, as no financial instruments were held by the economic entity at 1 July 2004 or 30 June 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax

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

On transition, the financial effect of this impact is assessed as nil. Although the economic entity may be in a position to satisfy the tax loss recognition criteria in relation to its carry forward tax losses not previously brought to account under AASB 112, management is of the view that until the Company returns to a level of sustainable profitability it does not intend to recognise as an asset, its carry forward tax losses.

Derivative Financial Instruments

The Company does not currently recognise derivative financial instruments in the financial statements. Pending AASB 139: Financial Instruments: Recognition and measurement will require a change to the method of accounting for derivative financial instruments and hedging activities so that they are recorded in the financial statements.

On transition, the financial effect of this impact is assessed as nil, as no derivative financial instruments were used at 1 July 2004 or 30 June 2005

Share Based Payments

The Company currently does not have any share based payments in place. However as referred to in the directors report, it is the directors' intention to issue market based share based payments during the current financial year.

If this is the case then the fair value determined at the grant date of the share based payments will be expensed on a straight line basis over the vesting period, based on the estimated number of equity instruments that will vest.

On transition, the financial effect of this impact is assessed as nil, as no share based payments were in place at 1 July 2004 or 30 June 2005

(m) Comparative figures

Where necessary, comparative figures have been restated to conform with changes in presentation in the current year.

(n) Goods and Services Tax (GST)

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

(o) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts to be expected to be paid when the liability is settled, plus related on costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

	Consolidated		Sun Capital Group Ltd	
	2005	2004	2005	2004
	$	$	$	$
NOTE 2 – REVENUE FROM ORDINARY ACTIVITIES				
Revenue from operating activities				
Product sales	388,611	-	-	-
Interest received or due and receivable from other persons	33,346	7,243	32,341	7,243
Proceeds from sale of investments	377,784	406,755	377,784	406,755
Foreign exchange gain	2,063	-	2,063	-
Other revenue	13,191	-	-	-
	814,995	413,998	412,188	413,998

NOTE 3 – OPERATING LOSS

Loss from ordinary activities before
income tax expense includes the following expenses:

a) Expenses				
Cost of product sales	134,022	-	-	-
Cost of investments realized	604,128	340,106	604,128	340,106
Advertising and product endorsement expenses	239,443	-	-	-
Provision for diminution in investments	306,582	565,779	306,382	565,779
Rental and operating lease expense	19,702	18,603	6,000	18,603
Legal, consulting and professional fees	216,342	217,424	200,463	217,424
Depreciation/amortisation	6,791	24,449	6,504	24,449
Doubtful Debt expense	-	28,011	-	28,011

b) Significant Revenue and Expense Items

The following significant revenue and expense items are
relevant in explaining the financial performance:

Loss on sale of investments	(233,378)	-	(233,378)	-
Profit on sale of investments	7,034	66,649	7,034	66,649

NOTE 4 – INCOME TAX EXPENSE

	Consolidated 2005	Consolidated 2004 $	Sun Capital Group Ltd 2005 $	Sun Capital Group Ltd 2004 $
The aggregate amount of income tax attributable to the financial year differs from the prima facie tax payable on the operating loss. The differences are recorded as follows:				
Prima facie income tax expense/(benefit) calculated at 30% (2004:30%) on the operating loss	(348,267)	(250,577)	(241,874)	(250,577)
Tax effect of permanent differences				
Non-allowable items	91,975	169,734	91,975	169,734
Tax adjusted for permanent differences	(256,292)	(80,843)	(149,899)	(80,843)
Tax benefits of tax losses not brought to account	(256,292)	(80,843)	(149,899)	(80,843)
Income tax attributable to operating loss from ordinary activities	-	-	-	-

The directors estimate the potential future income tax benefit at 30 June 2005 in respect of tax losses not brought to account for the economic entity is $992,235 (2004: $737,743). The benefit of these losses has not been brought to account as realisation is not virtually certain. The benefit will only be obtained if:

(a) the relevant company derives future assessable income of a nature and of sufficient amount to enable the benefit to be realised.
(b) the relevant company and/or the consolidated entity continue to comply with the conditions for deductibility imposed by the law: and
(c) no change in tax legislation adversely affect the company and/ or the consolidated entity in realising the benefit.

NOTE 5 – RECEIVABLES

	Consolidated 2005 $	Consolidated 2004 $	Sun Capital Group Ltd 2005 $	Sun Capital Group Ltd 2004 $
Current				
Trade Debtors	359,355	45,536	28,011	45,536
Provision for doubtful debts	(28,011)	(28,011)	(28,011)	(28,011)
	331,344	17,525	-	17,525
Other debtors	14,752	-	-	-
Loan to related entity	-	52,033	-	52,033
	346,096	69,558	-	69,558
Non-current				
Loans to related parties	-	3,388,676	-	3,388,676
Provision for non-recoverable debt	-	(3,388,676)	-	(3,388,676)
	-	-	-	-
Loan to controlled entity	-	-	955,591	-
	-	-	955,591	-

	Consolidated		Sun Capital Group Ltd	
	2005	2004	2005	2004
	$	$	$	$
NOTE 6– INVESTMENTS				
Current				
Investments traded on organised markets				
Shares in publicly listed corporations – at cost	-	190,529	-	190,529
Less: Provision for diminution in value	-	(19,779)	-	(19,779)
	-	170,750	-	170,750
Non-current				
Investments traded on organised markets				
Shares in other corporations – at cost	200,000	1,544,816	200,000	1,544,816
Shares in other corporations – at market value	-	241,884	-	241,884
Less: Provision for diminution in value	(200,000)	(1,353,322)	(200,000)	(1,353,322)
	-	433,378	-	433,378
Other (non-traded) investments	6,231,348	6,231,348	6,231,448	6,231,348
Less Provision for diminution in value	(6,231,348)	(5,924,766)	(6,231,448)	(5,924,766)
	-	306,582	-	306,582
	-	739,960	-	739,960

Investments traded on organised markets
The market value of current investments traded on organised markets at balance date is $Nil (2004 $170,750)

The market value of non-current investments traded on organised markets at balance date is $Nil (2004: $433,378)

NOTE 7 - OTHER FINANCIAL ASSETS

Non -current

Investment in controlled entity at cost (note 17)	-	-	100	-
	-	-	100	-

	Consolidated 2005 $	2004 $	Sun Capital Group Ltd 2005 $	2004 $
NOTE 8 – INVENTORIES				
Finished goods, at cost	235,524	-	-	-
	235,524	-	-	-
NOTE 9 – OTHER				
Prepayments	39,773	-	-	-
	39,773	-	-	-
NOTE 10– PROPERTY, PLANT AND EQUIPMENT				
Office furniture and equipment	82,049	76,614	76,614	76,614
Less Accumulated depreciation	(76,901)	(70,110)	(76,614)	(70,110)
	5,148	6,504	-	6,504
Movements in property, plant and equipment between the beginning and the end of the current financial year.				
Office furniture and equipment:				
Balance at beginning of year	6,504	30,953	6,504	30,953
Additions	5,435	-	-	-
Depreciation expense	(6,791)	(24,449)	(6,504)	(24,449)
Balance at the end of the year	5,148	6,504	-	6,504
NOTE 11 –PAYABLES				
Trade Creditors	124,119	-	55,491	-
Sundry creditors and accrued expenses	33,515	27,611	14,834	27,611
	157,634	27,611	70,325	27,611
NOTE 12 –PROVISIONS				
Current				
Provision for employee entitlements	6,220	-	-	-
Number of emp loyees at year end	4	-	-	-

	Consolidated		Sun Capital Group Ltd	
	2005	2004	2005	2004
	$	$	$	$
NOTE 13 – CONTRIBUTED EQUITY				
Share capital				
137,254,020 Ordinary shares, fully paid (2004: 86,604,020)	15,592,749	14,214,949	15,592,749	14,214,949
8,250,000 Class A Performance Shares	-	-	-	-
8,250,000 Class B Performance Shares	-	-	-	-
	15,592,749	14,214,949	15,592,749	14,214,949
(a) **Ordinary share capital**				
Balance at the beginning of the financial year	14,214,949	13,704,545	14,214,949	13,704,545
Shares issued				
- 9,820,000 shares issued for cash on 15 September 2003	-	196,400	-	196,400
- 11,293,333 shares issued for cash on 15 January 2004	-	388,800	-	388,800
- 29,150,000 shares issued in consideration for the acquisition of Icon Marketing International Pty Ltd on 17 September 2004	-	-	-	-
- 3,600,000 shares issued for cash on 20 September 2004	180,000	-	180,000	-
- 17,900,000 shares issued for cash on 10 November 2004	1,253,000	-	1,253,000	-
Less associated capital raising costs	(55,200)	(24,796)	(55,200)	(24,796)
	15,592,749	14,214,949	15,592,749	14,214,949
At the beginning of reporting period	86,604,020	65,490,687	86,604,020	65,490,687
Shares issued during the year				
- on 15 September 2003	-	9,820,000	-	9,820,000
- on 15 January 2004	-	11,293,333	-	11,293,333
- on 17 September 2004	29,150,000	-	29,150,000	-
- on 20 September 2004	3,600,000	-	3,600,000	-
- on 9 November 2004	17,900,000	-	17,900,000	-
At reporting date	137,254,020	86,604,020	137,254,020	86,604,020

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.
At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands

(b) **Performance Shares**

As part consideration for the acquisition of Icon Marketing International Pty Ltd the Company issued, on 17 September 2004, 8,250,000 Class A and 8,250,000 Class B Performance Shares to the Icon Marketing International Pty Ltd vendors. The Class A and Class B Performance Shares are able to be converted into Ordinary Shares on the following basis:

Class A Performance Shares
In the event that the audited EBITDA of Icon Marketing Pty Ltd equal to or greater than $500,000 in the 12 month period commencing on the date of issue of the Class A Performance Shares, each Class A Performance Share will automatically convert into one (1) fully paid ordinary share in the capital of the Company.

NOTE 13 – CONTRIBUTED EQUITY (CONTINUED)

Class B Performance Shares

In the event that the audited EBITDA of Icon Marketing Pty Ltd is equal or greater than $1,500,000 in the 24 month period commencing on the date of issue of the Class B Performance Shares, each Class B Performance Share will automatically convert into one (1) fully paid ordinary share in the capital of the Company.

	Consolidated		Sun Capital Ltd	
	2005	2004	2005	2004
	$	$	$	$
NOTE 14 – ACCUMULATED LOSSES				
Accumulated losses at the beginning of the year	(13,191,904)	(12,598,532)	(13,191,904)	(12,598,532)
Net loss attributable to members of the company	(1,160,889)	(835,256)	(806,245)	(835,256)
Retrospective adjustment in relation to the revaluation increment on investments as a result of applying Accounting Standard AASB 1041, Revaluation of Non-Current Assets	-	241,884	-	241,884
Accumulated losses at the end of the year	(14,352,793)	(13,191,904)	(13,998,149)	(13,191,904)

NOTE 15 – OPERATING LEASE COMMITMENTS

Payable				
- Not later than one year	22,544	8,000	-	8,000
- later than 1 year but not later than 5 years	-	-	-	-
- later than 5 years	-	-	-	-
	22,544	8,000	-	8,000

NOTE 16 – RELATED PARTIES

(a) Directors and director-related entities.

The names of each person holding the position of Director of Sun Capital Group Limited during the financial year are:-

P Harris (Appointed 10 November 2004)
C Barrett (Appointed 17 September 2004)
R C Smith
E Correia (Appointed 10 November 2004)
G Snow (Resigned 10 November 2004)
J Henderson (Resigned 10 November 2004)

No loans were advanced to any of the Directors during the financial year.

Remuneration received or receivable by the Directors of entities in the Company and aggregate amounts paid to superannuation plans in connection with the retirement of Directors and executive officers of entities in the Company are disclosed in note 26 to the financial statements.

NOTE 16 – RELATED PARTIES (CONTINUED)

(b) Directors shareholdings

At the year end the Directors held a total of 14,381,024 fully paid ordinary shares and Nil options in the Company. Whilst a director, the directors and their related entities purchased nil fully paid ordinary shares during the year and sold nil fully paid ordinary shares.

(c) Other transactions with directors of the company and their director-related entities:

Mr J Henderson is a director of Transocean Securities Limited which was paid capital raising fees on a normal commercial terms and conditions. The amount paid during the year was $60,720 (2004: $27,276)

Mr J Henderson is a director and shareholder of Jalonex Investments Pty Ltd which provided advisory and management services to the company on normal commercial terms and conditions. The amount paid during the year to Jalonex Investments Pty Ltd for the management of the affairs of the Company was $20,000 (2004: $85,000).

Mr J Henderson is a director and shareholder of Jalonex Investments Pty Ltd which provides office premises to the company on normal commercial terms and conditions. The amount paid during the year was $5,027 (2004: $12,847).

Mr J Henderson is a director and shareholder of Jalonex Investments Pty Ltd which provided corporate advisory services to the Company with respect to the acquisition of Icon Marketing Pty Ltd. The success fee paid to Jalonex Investments Pty Ltd in respect to these services was 1,325,000 fully paid ordinary shares, 375,000 Class A Performance Shares and 375,000 Class B Performance Shares.

Mr G Snow is a director of Glenyr Pharmacy Pty Ltd which provided consulting services to the company during the year on normal terms and conditions. The amount paid during the year was $Nil (2004: $18,000).

Mr G Snow provided corporate advisory services to the Company with respect to the acquisition of Icon Marketing Pty Ltd. The success fee paid to Mr G Snow in respect to these services was 1,325,000 fully paid ordinary shares, 375,000 Class A Performance Shares and 375,000 Class B Performance Shares.

Mr E Correia is a director of Cardrona Capital Pty Ltd which provided company secretarial, accounting and director services to the Company on normal terms and conditions. The amount paid during the year while he was a director was $31,000 (2004: Nil)

No other transactions were entered into with Directors or director-related entities during the year.

NOTE 17– INTERESTS IN CONTROLLED ENTITIES

a) Controlled Entity

Name	Country of Incorporation	Percentage of ordinary shares equity interest held by the controlled entity 2005	2004
Icon Marketing International Pty Ltd	Australia	100%	-

b) Controlled Entity Acquired

On 1 September 2004 the parent entity acquired 100% of Icon Marketing International Pty Ltd, with Sun Capital Group Limited entitled to all profits earned from this date, for a purchase consideration of $100.

NOTE 18 – SEGMENT INFORMATION

a) Primary Reporting — Business Segments

	Consumer Products		Investment Activities		Eliminations		Economic Entity	
	2005	2004	2005	2004	2005	2004	2005	2004
	$	$	$	$	$	$	$	$
Revenue								
External sales	388,611	-	377,784	406,755	-	-	766,395	406,755
Other Revenue	13,191	-	35,409	7,243	-	-	48,600	7,243
Total segment revenue	401,802	-	413,193	413,998	-	-	814,995	413,998
Result								
Segment result	354,644	-	806,245	835,256	-	-	1,160,889	835,256
Income tax expense							-	-
Loss from ordinary activities after income tax expense							1,160,889	835,256
Assets								
Segment assets	694,576	-	709,234	1,050,656	-	-	1,403,810	1,050,656
Liabilities								
Segment liabilities	93,529	-	70,325	27,611	-	-	163,854	27,611
Other								
Acquisitions of non-current segment assets	5,435	-	-	-	-	-	5,435	-
Depreciation and amortisation of segment assets	287	-	6,504	24,449	-	-	6,791	24,449

In 2004 the Company operated in one business segment being investment in emerging companies and venture capital.

b) Secondary Reporting — Geographical Segments

The Company operates predominantly within one geographical segment being Australia.

	Consolidated		Sun Capital Group Ltd	
	2005	2004	2005	2004
	$	$	$	$

NOTE 19– CAPITAL EXPENDITURE COMMITMENTS

There were no capital commitments as at 30 June 2005 (2004 – $Nil)

NOTE 20– CONTINGENT LIABILITIES

There were no contingent liabilities at 30 June 2005 (2004 - $Nil)

NOTE 21 – AUDITORS' REMUNERATION

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

	Consolidated 2005 $	Consolidated 2004 $	Sun Capital Group Ltd 2005 $	Sun Capital Group Ltd 2004 $
(a) Auditing or reviewing the financial report	20,500	12,500	20,500	12,500
(b) Other Services	34,000	-	34,000	-
	54,500	12,500	54,500	12,500

NOTE 22 – EARNINGS PER SHARE

	Consolidated 2005 $	Consolidated 2004 $
(a) Net Loss		
Net loss used in the calculation of basic and dilutive EPS	(1,160,889)	(835,256)
(b) Weighed average number of ordinary shares outstanding during the year used in the calculation of basic and dilutive earnings per share.	123,184,705	78,433,061

NOTE 23– EVENTS SUBSEQUENT TO BALANCE DATE

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected the consolidated entity.

NOTE 24 – FINANCIAL INSTRUMENTS

(a) Interest rate risk

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below:

NOTE 24 – FINANCIAL INSTRUMENTS (CONTINUED)

2005

	Floating Interest Rate	Non-interest Bearing $	Total
Financial assets			
Cash	777,269	-	777,269
Receivables	-	346,096	346,096
Investments	-	-	-
	777,269	346,096	1,123,365
Weighted average Effective Interest rate	3.3%		
Financial liabilities			
Payables	-	157,634	157,634
	-	157,634	157,634

2004

	Floating Interest Rate	Non-interest Bearing $	Total
Financial assets			
Cash	63,884	-	63,884
Receivables	-	69,558	69,558
Investments	-	910,710	910,710
	63,884	980,268	1,044,152
Weighted average Effective Interest rate	0.1%		
Financial liabilities			
Payables	-	27,611	27,611
	-	27,611	27,611

(b) Credit risk exposure

Credit risk represents the loss that would be recognised if counterparts failed to perform as contracted.

The maximum exposure to credit risk on financial assets of the company which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts. The entity is not materially exposed to any individual debtor.

(c) Net fair values of financial assets and liabilities

The net fair values of statement of financial position financial assets and liabilities are not materially different to the carrying value of the financial assets and liabilities.

NOTE 25 – CASH FLOW INFORMATION

	Consolidated		Sun Capital Group Ltd	
	2005	2004	2005	2004
	$	$	$	$
(a) RECONCILIATION OF CASH				
Cash at the end of the financial year as showing in the statement of cash flows is reconciled to items in the statement of financial position as follows:				
Cash at bank	777,269	63,884	709,234	63,884
(b) Reconciliation of loss from ordinary activities after income tax expense to net cash provided by operating activities				
Loss from ordinary activities after income tax	(1,160,889)	(835,256)	(806,245)	(835,256)
Add/(less) non-cash flows in loss from ordinary activities:				
Loss/(Profit) on sale of investments	226,344	(66,649)	226,344	(66,649)
Depreciation	6,791	24,449	6,504	24,449
Provision for doubtful debts	-	28,011	-	28,011
Provision for diminution in investments	306,582	565,779	306,582	565,779
Foreign exchange gain	(2,063)	-	(2,063)	-
Debtors written off	-	32,268	-	32,268
	(623,235)	(251,398)	(268,878)	(251,398)
Change in assets and liabilities:				
(Increase)/Decrease in accounts receivable	(328,571)	2,476	17,525	2,476
(Increase)/Decrease in inventory	(235,524)	-	-	-
(Increase)/Decrease in prepayments	(39,773)	-	-	-
Increase/(Decrease) in accounts payable	130,023	(17,769)	42,714	(17,769)
Increase/(Decrease) in employee entitlements	6,220	(4,599)	-	(4,599)
	(1,090,860)	(271,290)	(208,639)	(271,290)

c. Acquisition of Entities

On 1 September 2004, 100% of the controlled entity, Icon Marketing International Pty Ltd was acquired. This entity was acquired for $100 in non cash consideration. This was represented by $100 in receivables and no liabilities as at the date of the acquisition.

NOTE 26– REMUNERATION OF DIRECTORS AND EXECUTIVES

The Names and positions held by each director of the Company in office at any time during the financial year are:
Parent Entity Directors

P Harris	Chairman — Non-Executive
C Barrett	Executive Director
R C Smith	Non- Executive Director
E Correia	Non- Executive Director
G Snow	Non-Executive Director
J G Henderson	Chairman — Non-Executive

Directors' Remuneration

2005	Primary		Post Employment	Equity	Total
	Salary, Fees & Commissions	Superannuation Contribution	Superannuation	Options	
	$	$	$	$	$
P Harris	-	-	-	-	-
C Barrett	-	-	-	-	-
R C Smith	16,000	-	-	-	16,000
E Correia	31,000	-	-	-	31,000
G Snow	-	-	-	-	-
J G Henderson	80,720	-	-	-	80,720
	127,720	**-**	**-**	**-**	**127,720**

Directors' Remuneration

2004	Primary		Post Employment	Equity	Total
	Salary, Fees & Commissions	Superannuation Contribution	Superannuation	Options	
	$	$	$	$	$
J G Henderson	112,276	-	-	-	112,276
R C Smith	-	-	-	-	-
G Snow	18,000	-	-	-	18,000
R Gordon	-	-	-	-	-
M W Atkins	-	-	-	-	-
	130,276	**-**	**-**	**-**	**130,276**

Specified Executives Remuneration
Other than the directors referred to above, during the year the Company did not have any other specified executives (2004: Nil).
On 1 July 2005, the Company appointed Mr Mark Baker as the Chief Executive Officer of the Company. The employment agreement is for a rolling 12 month term commencing on 1 July 2005. The employment also provides for a mutual three month notice period for termination purposes save for serious misconduct in which case no notice period is required.
Remuneration and Options
During the year Nil options have been issued to the Directors as part of their remuneration and retirement benefits. (2004: Nil).

NOTE 26 – REMUNERATION OF DIRECTORS AND EXECUTIVES (CONTINUED)

Shareholdings

Number of Shares held by the Directors and Specified Executives

	Balance 1.7.04	Received as Remun-eration	Options Exercised	Net Change Other	Balance 30.6.05
Parent Entity Directors					
P Harris	-	-	-	858,000***	858,000
C Barrett	-	-	-	12,500,000**	12,500,000
R C Smith	528,500	-	-	-	528,500
E Correia	-	-	-	494,524***	494,524
G Snow	489,000	1,325,000	-	(1,814,000)*	-
J G Henderson	-	1,325,000	-	(1,325,000)*	-
Total	1,017,500	2,650,000	-	10,713,524	14,381,024

*Messrs Snow and Henderson resigned their respective positions as directors of the Company during the year. The net change reflects the fact that they are no longer directors of the Company.
** Mr Barrett received his shares as consideration for the acquisition of Icon Marketing International Pty Ltd.
*** The net change reflects shares acquired during the year.

Remuneration Practices

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The remuneration structure for the Company's directors, including executive directors, is based on a numb er of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. There are no contracts for service between the company and specified directors and executives and this is not expected to change in the immediate future. Upon retirement specified directors and executives are only paid employee benefit entitlements accrued to date of retirement. The Company's directors are not entitled to retirement benefits.

On 1 July 2005 the Company appointed Mr Mark Baker as the Chief Executive Officer of the Company. The employment agreement is for a rolling 12 month term commencing on 1 July 2005. The employment also provides for a mutual three month notice period for termination purposes save for serious misconduct in which case no notice period is required.

Consultancy fees and commissions paid to directors from time to time are done so on commercial terms and conditions and are in consideration for professional services provided to the Company.

NOTE 27– COMPANY DETAILS

The registered office of the Company is:

Sun Capital Group Limited
Level 5, 52 Phillip Street
Sydney NSW 2000

The principal places of business are:

Sun Capital Group Limited
Level 5, 52 Phillip Street
Sydney NSW 2000

Icon Marketing International Pty Ltd
2b Cooper Street
Double Bay NSW 2028

Hall Chadwick

Chartered Accountants & Business Advisers

SUN CAPITAL GROUP LIMITED
ABN 60 006 569 124
AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF SUN CAPITAL GROUP LIMITED

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

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

Hall Chadwick
Level 29, 31 Market Street
Sydney NSW 2000

DREW TOWNSEND
Partner
Date: 15 September 2005

SUN CAPITAL GROUP LIMITED AND CONTROLLED ENTITIES
ABN 60 006 569 124
INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SUN CAPITAL GROUP LIMITED

;cope

'he financial report and directors' responsibility

'he financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, ıccompanying notes to the financial statements, and the directors' declaration for Sun Capital Group Limited (the company) and Sun Capital ;roup Limited (the consolidated entity), for the year ended 30 June 2005. The consolidated entity comprises both the company and the ›ntities it controlled during that year.

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

\udit Approach

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

Ve performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations \ct 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is :onsistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented ›y the results of their operations and cash flows.

Ve formed our audit opinion on the basis of these procedures, which included:

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

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

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

ndependence

n conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the ;orporations Act 2001.

n accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration ;et out on page 29 of the financial report has not changed as at the date of providing our audit opinion.

)ualification

;un Capital Group Limited has not recognized the fair value of the identifiable assets of its investment in Icon Marketing International 'ty Limited (Icon) at acquisition date. This is a departure from AASB 1015 "Acquisition of Assets" which requires the identifiable :ssets of an entity acquired to be measured at acquisition date at their fair values. Any difference between the costs of acquisition and ıe aggregate fair values of the identifiable assets acquired must be accounted for in accordance with AASB 1013 "Accounting for ;oodwill"

ı our opinion the fair value of the acquisition of Icon is $1,666,000. Had this fair value been recognized, total assets and total equity /ould have increased by $1,666,000. If the carrying value of the goodwill not recognized had been subsequently determined by the)irectors not to be recoverable as at 30 June 2005, total equity and accumulated losses would have increased by $1,666,000.

)ualified Audit Opinion

n our opinion, except for the effects on the financial report of the matter referred to in the qualification paragraph, the financial report of the of ;un Capital Group Limited is in accordance with:

ı. the Corporations Act 2001, including:

  i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and

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

›. other mandatory professional reporting requirements in Australia.

Iall Chadwick

.evel 29, 31 Market Street

;ydney, NSW 2000

)REW TOWNSEND

'artner

5 September 2005

SHAREHOLDER INFORMATION As at 9 August 2005

Substantial shareholders

An extract of the company's Register of Substantial Shareholders is set out below:

Name	Number of shares	Class of shares
Colepin Pty Ltd	12,500,000	Ordinary
Mantel Products Pty Ltd	12,500,000	Ordinary

Number of shareholders

Ordinary shareholders 596

On a show of hands, every person present who is a member or representative of a member has one vote. On a Poll being taken each member is entitled to one vote for each fully paid share held.

The number of shareholders and option holders in the ranges	Number of shareholders
1 to 1,000	40
1,001 to 5,000	64
5,001 to 10,000	110
10,001 to 100,000	237
100,001 and over	145

Shareholders holding less than a marketable parcel of ordinary shares 141 -

The percentage of total holdings held by the top 20 shareholders 53%

Top twenty shareholders as at 9 August 2005	Number of shares held	% of total capital issued
Colepin Pty Ltd	12,500,000	9.1
Mantel Products Pty Ltd	12,500,000	9.1
Aquarius Fund Managers Pty Ltd	11,000,000	8.0
Wealth Enterprises Group Ltd	5,005,551	3.6
Mr Roy Vnadersluis	3,410,000	2.5
Mr Samuel Rudzyn	3,108,446	2.3
Cardy & Company Pty Ltd	3,000,000	2.2
Vanroy Pty Ltd	2,812,210	2.0
Mr Michael Bushell	2,500,000	1.8
WJB Chiltern Trust Company (Jersey) Limited	2,500,000	1.8
Citicorp Nominees Pty Ltd	1,926,350	1.4
Ashabia Pty Ltd	1,700,000	1.2
Darley Pty Ltd	1,571,429	1.1
Gary Alan Snow	1,510,000	1.1
Europa Investments Limited	1,450,137	1.1
Greevest Investments Pty Ltd	1,428,571	1.0
Redwick Pty Ltd	1,428,571	1.0
Topsfield Pty Ltd	1,350,000	0.9
ANZ Nominees Limited	1,258,000	0.9
ABC Investment Management Pty Ltd	1,256,616	0.9

CORPORATE GOVERNANCE STATEMENT
30 JUNE 2005

The Board of Directors of Sun Capital Group Limited is responsible for the corporate governance of the Company. The board guides and monitors the business and affairs of Sun Capital Group Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. In considering the issue of corporate governance the board are cognisant of the size of its operations and the fact that the board consists presently of only four members, three Non Executive Directors and one Executive Director.

Composition of the Board

The composition of the board is determined in accordance with the following principles and guidelines:

- the board should comprise directors with an appropriate range of qualifications and expertise; and
- the board shall meet at least every second month and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The directors in office at the date of this statement and there respective terms in office are as follows:

Name	Position	Termin Office
Paul Harris	Non-executive Director	10 Months
Clive Barrett	Executive Director	1 Year
Roger C Smith	Non-executive Director	15 years
Emmanuel Correia	Non-executive Director	10 months

Please refer to page 2 of the 2005 Annual Financial Report for the relevant skills and experience of each of these directors.

Board Responsibilities

As the board acts on behalf of the shareholders and is accountable to the shareholders, the board seeks to identify the expectations of the shareholders as well as other regulatory and ethical expectations and obligations. In addition, the board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

Corporate Governance – Best Prac tice Recommendations

The format of the Corporate Governance Statement has changed in comparison to the previous year due to the introduction of the ASX Corporate Governance Council's best practice recommendations. In accordance with the Council's recommendations, the Corporate Governance Statement must now contain specific information, and also report on the company's adoption of the Council's best practice recommendations on an exception basis, whereby disclosure is required of any recommendations that have not been adopted, together with the reasons why they have not been adopted. Sun Capital 's corporate governance principles and policies are therefore structured with reference to the Corporate Governance Council's best practice recommendations, which are as follows:

(i) Lay solid foundations for management and oversight;
(ii) Structure the Board to add value;
(iii) Promote ethical and responsible decision making;
(iv) Safeguard integrity in financial reporting;
(v) Make timely and balanced disclosure;
(vi) Respect the rights of shareholders;
(vii) Recognise and manage risk;
(viii) Encourage enhanced performance;
(ix) Remunerate fairly and responsibly;
(x) Recognise the legitimate interests of stakeholders.

Sun Capital Group Limited's corporate governance practices were in place throughout the year ended 30th June 2005. As set out below, with the exception of the departures from the ASXCGC recommendations in relation to the nomination and audit committee and board performance evaluation, the corporate governance practices of Sun Capital Group Limited were compliant with the Council's best practice recommendations.

Independence

ASX Corporate Governance Council ("ASXCGC") best practice recommendation 2.1 requires a majority of the Board to be independent directors and 2.2 recommends the chairperson should be an independent director.

ASXCGC provides a definition of independence to include being independent of management and free of any other business relationships that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement. In accordance with this definition and further independence guidelines outlined in ASXCGC best practice recommendations, the following Sun Capital directors are not considered to be independent:

Name	Position
Mr C Barrett	Executive Director

Mr Clive Barrett is considered not to be independent by virtue of being a substantial shareholder of the Company and an executive officer of the Company.

Mr Barrett has been appointed to his position due to his extensive knowledge and experience in the marketing and distribution of consumer based products.

When assessing the independence of directors, the ASX recommendations refer to materiality thresholds throughout the independence criteria, specifically in reference to evaluating what may constitute a material relationship.

The Board has adopted the following quantitative thresholds to be used as a guide when considering amounts in context of determining the materiality of certain relationships:

(i) an amount which is equal to or greater than 10% of the appropriate base amount may be presumed to be material unless there is evidence or convincing argument to the contrary;

(ii) an amount which is equal to or less than 5% of the appropriate base amount may be presumed not to be material, unless there is evidence, or convincing argument to the contrary;

As part of discharging its obligations as directors of the Company, the Directors will, from time to time need to seek independent professional advice at the expense of the Company. Accordingly, the board has agreed that where issues or matters arise in relation to the running of the Company, that in the opinion of the directors require independent professional advice to assist in the decision making surrounding the resolution of these issues, the board may engage such professional advice providing it is on standard commercial terms for advice of its nature.

Nomination Committee

ASX Corporate Governance Council ("ASXCGC") best practice recommendation 2.4 recommends the Board should establish a nomination committee.

The Board has not established a Nomination committee at this point in the Company's development. It is considered that the size of the Board along with the level of activity of the Company renders this impractical and the full Board considers in detail all of the matters for which the directors are responsible.

Audit Committee

ASX Corporate Governance Council ("ASXCGC") best practice recommendation 4.2 recommends the Board should establish an audit committee, 4.3 outlines the recommended structure of the audit committee and 4.4 recommends the audit committee should have a formal charter.

The Board has not established an Audit committee at this point in the Company's development. It is considered that the size of the Board along with the level of activity of the Company renders this impractical and the full Board considers in detail all of the matters for which the directors are responsible. Although there is no Audit Committee, formal meetings are held between nominated directors and the external auditor, to discuss the findings of the half year review and the year end audit.

Board Performance Evaluation

ASX Corporate Governance Council ("ASXCGC") best practice recommendation 8.1 requires the disclosure of the process for performance evaluation of the board, its committees and individual directors, and key executives. Given the current size of the Sun Capital Board and level of activity of the Company, the Board does not currently have a formal process for the evaluation of individual Directors and would consider the implementation of one at this particular point as impractical. The Directors do consider and gauge the overall performance of the Board in context of the trading price of its shares on the ASX on a regular basis.

Remuneration Committee

ASX Corporate Governance Council ("ASXCGC") best practice recommendation 9.2 recommends the Board should establish a remuneration committee.

The Board has not established a Remuneration committee at this point in the Company's development. It is considered that the size of the Board along with the level of activity of the Company renders this impractical and the full Board considers in detail all of the matters for which the directors are responsible. Remuneration to the Directors is by way of Directors Fees only, with the level of such fees, having been set by the Board to an amount it considers to be commensurate for a company of Sun Capital 's size and level of activity. There is currently no link between performance and remuneration. Further there are no schemes for retirement benefits in existence.