

APPENDIX 4E

Preliminary final report

Year ended 31 December 2007

RESULTS FOR ANNOUNCEMENT TO THE MARKET

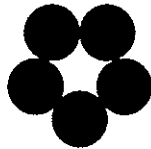
Entity:	Morning Star Holdings (Australia) Limited
ABN:	98 008 124 025
Reporting Period	Year Ended 31 December 2007

				\$
Revenue from ordinary activities	up	369.2%	to	504,586
Profit from ordinary activities after tax attributable to members	up	Note 1		40,144
Net loss for the period attributable to equity holders		Note 1		40,144

Note 1: The directional change is not shown as the Company went from a loss position in 2006 (\$320,709) to a profit position in 2007 of \$40,144.

NTA Backing	31 December 2007	31 December 2006
	\$	\$
Net tangible asset backing per ordinary share	0.051	0.038

Dividends	Amount per security	Franked amount per security
Interim dividend	N/A	N/A
Previous corresponding period	N/A	N/A
Record date for determining entitlements to the dividends		N/A



**MORNING STAR
HOLDINGS
(AUSTRALIA) LIMITED**

A.B.N. 98 008 124 025

Annual Report 2007

Morning Star Holdings (Australia) Limited
ABN: 98 008 124 025

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Morning Star Holdings (Australia) Limited

ABN: 98 008 124 025

CORPORATE INFORMATION

DIRECTORS

Dean Lloyd Gallegos
Bruce David Burrell
Richard David Rossiter (Appointed 30 August 2007)

Grant Button (Appointed 30 August 2007)
David Barwick (Resigned 30 August 2007)
Martin Gerard Hanrahan (Resigned 29 January 2007)

SECRETARY

Dean Lloyd Gallegos

REGISTERED OFFICE

Level 15
25 Bligh Street
Sydney NSW
AUSTRALIA 2000
Telephone : (02) 9233 2520
Facsimile: (02) 9233 2530

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building

45 St George's Terrace
Perth WA 6000

COUNTRY AND DATE OF INCORPORATION

Australia, 30 January, 1987

AUSTRALIAN BUSINESS NUMBER (ABN)

98 008 124 025

BANKERS

Australian and New Zealand Banking Group Limited

55 Collins Street
Melbourne VIC 3000

Bank of Western Australia Ltd.
108 St George's Terrace
Perth WA 6000

SOLICITORS:

Hopgood Ganim
Level 8
Waterfront Place
1 Eagle Street
Brisbane, QLD 4000

AUDITORS

Ernst & Young
680 George Street
Sydney NSW 2000

Morning Star Holdings (Australia) Limited

ABN: 98 008 124 025

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of Morning Star Holdings (Australia) Limited, I present the Annual Report for the financial year ended 31 December 2007.

The Company continues to evaluate new business opportunities, however at the time of writing this report, a suitable prospect had not been identified.

The main assets of the Company remain in cash and cash equivalents, which are held in interest bearing deposits.

The Board would like to express their gratitude to our valued shareholders, clients, suppliers, and bankers for their support during the 2007 year.

On Behalf of the Board

Dean L Gallegos
Chairman

29 February 2008

Morning Star Holdings (Australia) Limited

ABN: 98 008 124 025

DIRECTORS' REPORT

Your directors submit their report for the year ended 31 December 2007.

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.

Mr. Dean Lloyd GALLEGOS

Mr. Gallegos has 15 years experience in the finance industry. In 1995 he was one of the founders of the Barton Capital group of companies, an investment banking stockbroking and corporate advisory firm. Mr Gallegos specialises in advising both public and private companies on acquisitions, mergers, capital raisings and balance sheet restructuring. He has also managed a significant number of initial public offerings and secondary market capital raisings for public and private companies and has been actively involved in due diligence investigations, prospectus drafting and marketing of capital raisings. He is currently the Chairman of Verus Investments Limited, a company listed on the ASX. Mr Gallegos was appointed to the Board on 23 August 2006. During the past three years Mr. Gallegos has also served as a director of the following other listed companies:

- Verus Investments Limited - Appointed December 2003 *
- Buccaneer Energy Limited – Appointed July 2007 *
- Global Approach Limited – Appointed August 2007*
- InterCoal Limited – Resigned July 2006
- Crescent Gold Limited – Resigned March 2005

* denotes current directorship

Mr. Bruce David BURRELL

Mr Burrell is a Non Executive Director of Morning Star Holdings (Australia) Limited and was appointed to the Board on 5 September 2006. Mr. Burrell has over 30 years experience in the public company environment and has served as a director and company secretary of ASX listed companies during that period. He is a fellow of CPA Australia and holds a Master of Business Administration. During the past three years Mr. Burrell has also served as a director of the following other listed companies:

- Sunvest Corporation Limited - Appointed September 2006 *
- Australian Institute of Property Management Limited – Resigned November 2007

* denotes current directorship

Mr. Richard David ROSSITER

Mr Rossiter is a Non Executive Director of Morning Star Holdings (Australia) Limited and was appointed to the Board on 30 August 2007. Mr. Rossiter has had a distinguished career as an international resource sector specialist. He was recently a Director Metals & Mining/Private equity Asia at Standard Bank Plc (Australia) based in Sydney. Mr. Rossiter holds BSc (hons) in Geology from the University of Natal and as Msc in Mineral Exploration from Rhodes University. During the past three years Mr. Rossiter has also served as a director of the following other listed companies:

- Sylvania Resources Limited - Appointed August 2007 *

* denotes current directorship

Morning Star Holdings (Australia) Limited

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DIRECTORS' REPORT (Cont'd)

DIRECTORS (cont'd)

Mr. Grant Michael BUTTON

Mr Button is a Non Executive Director of Morning Star Holdings (Australia) Limited and was appointed to the Board on 30 August 2007. Mr. Button has over 15 years experience at a senior management level in the resource industry, he has acted as an Executive Director, Finance Director, CFO and Company Secretary of a range of publicly listed companies. Mr. Button has also served as a director of the following other listed companies:

- Washington Resources Limited - Appointed March 2005 *
- Magnum Mining & Exploration Limited – Appointed February 2006 *
- Sylvania Resources Limited – Resigned June 2007

* denotes current directorship

Mr. David BARWICK

Mr Barwick is a Non Executive Director of Morning Star Holdings (Australia) Limited and was appointed to the Board on 12 October 2006 and resigned as of the 30 August 2007. Mr Barwick is an accountant by profession with over 34 years experience in the management and administration of publicly listed companies both in Australia and North America. During this period he has held the position of Chairman, Managing Director or President of over 26 public companies covering a broad range of activities. During the past three years Mr. Barwick has also served as a director of the following other listed companies:

- Metallica Minerals Limited - Appointed March 2004 *
- Global Approach Limited - Appointed November 1996 *
- Eastern Corporation Limited - Appointed September 2002; Resigned December 2003
- Macarthur Minerals Limited (Toronto Exchange) - Appointed October 2005 *
- Jumbo Corporation Limited - Appointed August 2006 *
- International Gold Mining Limited (Toronto Exchange) - Appointed August 2006 *

* denotes current directorship

Mr. Martin Gerard HANRAHAN (B.Ec, CA)

Mr. Hanrahan is a Chartered Accountant and Merchant Banker. He is the Co-Head, Mergers & Acquisitions, and Executive Director, Corporate Finance of ANZ Investment Bank and has extensive experience in the provision of corporate financial advice particularly relating to mergers and acquisitions and capital raisings. Mr Hanrahan resigned from the Board on 29 January 2007.

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Morning Star Holdings (Australia) Limited were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
D.L. Gallegos	6,150,000	3,100,000
B.D. Burrell	50,000	300,000
R.D. Rossiter	-	-
G.M. Button	-	-
D. Barwick	400,000	-
M.G. Hanrahan	-	-

Morning Star Holdings (Australia) Limited
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DIRECTORS' REPORT (Cont'd)

COMPANY SECRETARY

These duties are currently performed by the Executive Chairman Mr Dean Lloyd Gallegos.

BASIC AND DILUTED EARNINGS PER SHARE

Basic Earnings per Share was 0.0253 cents per share (2006: Loss of 0.1565 cents). The Diluted Earnings per Share was 0.0253 cents per share (2006: Loss of 0.1565 cents). The Diluted Earnings per Share for 2007 has not been adjusted for the conversion of options to ordinary shares as the impact is antidilutive

DIVIDENDS

During the financial year ended 31 December 2007, no dividend was declared or paid (2006: Nil).

PRINCIPAL ACTIVITIES

The principal activity of the entity remains a holder of cash assets while future investment opportunities are evaluated.

REVIEW AND RESULTS OF OPERATIONS

During the financial year the Company appraised several acquisition opportunities. On 17 April 2007 the Company announced it had entered into a conditional agreement to acquire 100% of the issued capital of International Mining Technologies Pty Ltd and after completing a detailed due diligence and on advice from its consultants, the board concluded it was not in the best interest of shareholders to proceed with this acquisition. As the entity is still yet to identify a suitable investment opportunity for its cash assets, in 2007 the main activities for the Company were again concerned with the management of the cash assets and administration of the Company. The current year result includes approximately \$121,036 in costs associated with due diligence for the above acquisition opportunity reviewed during the period that did not proceed.

Revenue, which is largely derived from interest on cash assets, for the year was \$504,586 (2006: \$107,537) Net Profit attributable to members of the Company for the year was \$40,144 (2006: loss of \$320,709).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In February 2007 the Company issued 97,983,273 fully paid ordinary shares at 6 cents per shares raising \$5.879 million via the placement of 83,333,333 fully paid ordinary shares and the placement of 14,649,940 via a share purchase plan to existing shareholders.

In August 2007 the Company issued 17,000,000 fully paid ordinary shares at 6 cents per shares raising \$1.02 million to strategic investors.

By way of a Members' Voluntary Liquidation the Company completed the process of winding up its wholly owned subsidiaries Stowford Pty Ltd and Barilla Pty Limited, on 1 September 2007. As a part of this process interest free inter-company loans between the three (3) companies were forgiven and written off in December 2006 for zero consideration. These transactions did not have any effect on the overall 2006 consolidated result, as the original loans all eliminated on consolidation.

There were no other significant changes in the Company's state of affairs during the year, other than those disclosed in this report.

Morning Star Holdings (Australia) Limited

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DIRECTORS' REPORT (Cont'd)

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Since 31 December 2007 and up to the date of this report, no item, transaction or event of a material and unusual nature has arisen, which in the opinion of the Directors is likely to affect substantially the operations of the Company or the results of those operations or the state of affairs of the Company for the subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company will continue to invest in cash pending the identification of new business opportunities. Since 31 December 2007 and up to the date of this report, the directors had not identified any suitable investment.

SHARE OPTIONS

On 23 January 2007, at a general meeting of shareholders, a Directors and Employees Option Plan was established to provide appropriate incentive schemes to attract and retain the services of an executive team.

Unissued shares

As of 31 December and as at the date of this report, there were 3,400,000 unissued ordinary shares under options exercisable at 7 cents per option on or before the 31st May 2008.

Shares issued as a result of the exercise of options

During the financial year, 300,000 options to acquire ordinary shares in Morning Star Holdings (Australia) Limited were exercised at 7 cents per option raising \$21,000.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, no director of the Company has been indemnified in respect of any matter. The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

KEY MANAGEMENT PERSONNEL REMUNERATION REPORT

This Remuneration Report outlines the director and executive remuneration arrangements of the company in accordance with the requirements of the *Corporations Act 2001* and its Regulations. It also provides the remuneration disclosures required by paragraphs Aus 25.4 to 25.7.2 of AASB 124 *Related Party Disclosures*, which have been transferred to the Remuneration Report in accordance with Corporations Regulation 2M.6.04. For the purposes of this report Key Management Personnel (KMP) of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Remuneration committee

The Board of Directors of the Company are responsible for determining and reviewing remuneration arrangements for the Board and executives.

The Board of Directors of the Company assess the appropriateness of the nature and amount of remuneration of executives 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, high performing Board and executive team.

Remuneration philosophy

The performance of the company depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives.

To this end, the company has established a Directors and Employees Options Plan to link the remuneration and the rewards of the Board and the executives to the performance of the Company.

Morning Star Holdings (Australia) Limited

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DIRECTORS' REPORT (Cont'd)

KEY MANAGEMENT PERSONNEL REMUNERATION REPORT (cont'd)

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The last determination was at a general meeting held 23 January 2007 when shareholders approved an aggregate remuneration of \$100,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed periodically. The Board considers external advice and the amount paid to non-executive directors of comparable companies when undertaking the review process.

Each non-executive director receives a fee of \$2,000 (plus GST) per month for being a director of the Company.

The remuneration of non-executive directors for the year ended 31 December 2007 and 31 December 2006 is detailed on the remuneration table on the following page.

Executive remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:

- reward executives for Company performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

Structure

Over the reporting period and up to the time of this report, the only executive director of the Company was the current Executive Chairman.

The Executive Chairman receives a fee of \$10,000 (plus GST) per month based on a fixed three (3) year contract from the date of his appointment on 23 August 2006. The contract includes a clause requiring the Company to pay a lump sum of 75% of the remuneration remaining to the expiration of the 3 year term, if 50% of shareholders require him to step down from his executive position.

Morning Star Holdings (Australia) Limited
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DIRECTORS' REPORT (Cont'd)

KEY MANAGEMENT PERSONNEL REMUNERATION REPORT (cont'd)

Remuneration for the year ended 31 December 2007

	Short-term		Post employment		Share-based Payment Options		Total	
	Salary & Fees		Superannuation					
	2007	2006	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$
Non-executive directors								
B.D. Burrell	24,000	7,733 ⁽ⁱ⁾	-	-	2,700	-	26,700	7,733
R.D. Rossiter	8,774	-	-	-	-	-	8,774	-
G.M. Button	8,774	-	-	-	-	-	8,774	-
D. Barwick	16,000	5,290 ⁽ⁱ⁾	-	-	2,700	-	18,700	5,290
M.G. Hanrahan	2,000	12,000 ⁽ⁱⁱ⁾	-	540	-	-	2,000	12,540
Sub-total non-executive directors	<u>59,548</u>	<u>25,023</u>	<u>-</u>	<u>540</u>	<u>5,400</u>	<u>-</u>	<u>64,948</u>	<u>25,563</u>
Executive directors								
D.L. Gallegos	120,000	42,903 ⁽ⁱ⁾	-	-	27,900	-	147,900	42,903
Totals	<u>179,548</u>	<u>67,926</u>	<u>-</u>	<u>540</u>	<u>33,300</u>	<u>-</u>	<u>212,848</u>	<u>68,466</u>

⁽ⁱ⁾ - These fees were accrued at balance date and approved by a meeting of shareholders held 23 January 2007. At that meeting shareholders effectively approved monthly Directors fees backdated to their date of appointment for Dean Gallegos \$10,000 (plus GST), David Barwick \$2,000 (plus GST) and Bruce Burrell \$2,000 (plus GST).

⁽ⁱⁱ⁾ - Contains an accrual of \$6,000 for fees that were approved by a meeting of shareholders held 23 January 2007. At that meeting shareholders effectively approved monthly Directors fees of \$2,000, backdated to 1 October 2006 for Martin Hanrahan.

Options issued as part of remuneration for the year ended 31 December 2007

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of the Company to increase goal congruence between executives, directors and shareholders.

Options Granted As Remuneration

Key Management Personnel	Terms & Conditions for Each Grant						
	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date \$	Exercise Price \$	First Exercise Date	Last Exercise Date
D.L. Gallegos	3,100,000	3,100,000	23/1/2007	0.9 cents	7 cents	23/01/2007	31/05/2008
B.D. Burrell	300,000	300,000	23/1/2007	0.9 cents	7 cents	23/01/2007	31/05/2008
R.D. Rossiter	-	-	-	-	-	-	-
G.M. Button	-	-	-	-	-	-	-
D. Barwick	300,000	300,000	23/1/2007	0.9 cents	7 cents	23/01/2007	31/05/2008

Morning Star Holdings (Australia) Limited

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M.G. Hanrahan⁽ⁱ⁾

- 300,000 23/1/2007 0.9 cents 7 cents 23/01/2007 31/05/2008

DIRECTORS' REPORT (Cont'd)

KEY MANAGEMENT PERSONNEL REMUNERATION REPORT (cont'd)

All options issued during the year had the following vesting conditions:

- 25% of the DEOP options issued will vest on the completion of the raising of at least \$4 million under the prospectus capital raising;
- A further 25% of the DEOP options issued will vest when the Company share price on the ASX is equal to or exceeds the issues price of the shares issued under the prospectus capital raising for five consecutive trading days;
- A further 25% of the DEOP options issued will vest when the Company share price on the ASX is equal to or exceeds a price which is 20% above the issues price of the shares issued under the prospectus capital raising for five consecutive trading days;
- The remaining 25% of the DEOP options issued will vest when the Company shares price on the ASX is equal to or exceeds a price which is 40% above the issues price of the shares issued under the prospectus capital raising for five consecutive trading days;

During the course of the year all of the above hurdles were met and 100% of the DEOP options vested. Exercise price equals the market price at date of the grant.

The service and performance criteria set to determine remuneration are included in this remuneration report.

All options were granted for nil consideration.

⁽ⁱ⁾ options issued to Mr. Hanrahan lapsed on the 29 of January 2007 when Mr. Hanrahan resigned as Director of the Company and none of the vesting condition was met. The options were approved in the general meeting of shareholder held on the 23 of January 2007.

Shares Issued on Exercise of Compensation Options

Options exercised during the year that have been were granted as compensation

	No. of Ordinary Shares Issued	Amount paid per Share	Amount Unpaid per Share
D. Barwick	300,000	7 cents	-

Company Performance, Shareholder Wealth and Key Management Personnel Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and Key Management Personnel. The Company has applied the method of issuing of options to Key Management Personnel to encourage the alignment of personal and shareholders interest. The Company believes this policy to have been effective in increasing shareholder wealth during the financial year.

Performance based bonus payment and share option based payment paid to Key Management Personnel have been summarised in the following table:

Executive	Share Option-based Payments		Total Emoluments \$
	Amount \$	Percentage Of Total Emoluments %	
2007			
D.L. Gallegos	27,900	18.86	147,900
B.D. Burrell	2,700	10.11	26,700
D. Barwick	2,700	14.44	18,700

DIRECTORS' MEETINGS

The numbers of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

Morning Star Holdings (Australia) Limited
ABN: 98 008 124 025

DIRECTORS' REPORT (Cont'd)

DIRECTORS' MEETINGS (cont'd)

	Directors' Meetings	Audit Committee Meetings	Nomination Committee Meetings	Remuneration Committee Meetings
Number of meetings held:	10	-	-	-
Number of meetings attended:				
D.L. Gallegos	10			
B.D. Burrell	10			
R.D. Rossiter ⁽¹⁾	1			
G.M. Button ⁽¹⁾	1			
D. Barwick	9			
M.G. Hanrahan	-			

Note: Attendance at meetings includes attendance via tele-conferencing as permitted by the Company's constitution.

(1) Mr R. Rossiter and Mr G. Button were appointed directors on the 30 August 2007 and there was only one meeting held after this date.

COMMITTEE MEMBERSHIP

The Company would normally have an Audit Committee, a Remuneration Committee and a Nomination Committee. However, due to the current size and composition of the Board, these functions are undertaken by the Board as part of regular board meetings. This position will be reviewed once the size and nature of the Company's operations requires it. Further details are included in the corporate governance statement on page 35.

CORPORATE GOVERNANCE

In recognising the need for the high standards of corporate behaviour and accountability, the directors of Morning Star Holdings (Australia) Limited support and have adhered to the principles of corporate governance. The company's corporate governance statement is contained in the additional ASX information section of this annual report.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The company is committed to ensuring that all its business is conducted in a way that reflects an environmentally responsible organisation and is of the opinion that it has performed satisfactorily in complying with its environmental obligations.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors received the Auditor's Independence Declaration from the auditor of Morning Star Holdings (Australia) Limited and this is presented within the Directors' Report on page 12.

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Morning Star Holdings (Australia) Limited

ABN: 98 008 124 025

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Assurance related	\$11,500
Tax compliance services	\$ 8,500

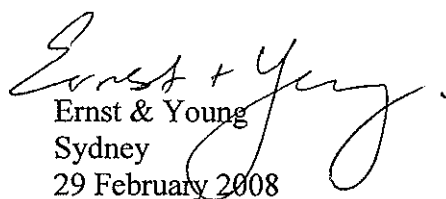
Signed in accordance with a resolution of the directors.




Dean L Gallegos
Chairman
29 February 2008

Auditor's Independence Declaration to the Directors of Morning Star Holdings (Australia) Limited

In relation to our audit of the financial report of Morning Star Holdings (Australia) Limited for the year ended 31 December 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young
Sydney
29 February 2008



Trent van Veen
Partner

Morning Star Holdings (Australia) Limited
ABN: 98 008 124 025

BALANCE SHEET
AS AT 31 DECEMBER 2007

	NOTE	COMPANY 2007 \$	2006 \$
CURRENT ASSETS			
Cash and cash equivalents	16(b)	9,294,147	2,626,488
Trade and other receivables	7	6,576	43,629
Income tax refundable	4	3,028	-
		<hr/>	<hr/>
TOTAL CURRENT ASSETS		9,303,751	2,670,117
		<hr/>	<hr/>
NON-CURRENT ASSETS			
Deferred tax assets	4	27,976	32,939
		<hr/>	<hr/>
TOTAL NON-CURRENT ASSETS		27,976	32,939
		<hr/>	<hr/>
TOTAL ASSETS		9,331,727	2,703,056
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade and other payables	8	76,246	116,854
Income tax payable	4	-	11,252
		<hr/>	<hr/>
TOTAL CURRENT LIABILITIES		76,246	128,106
		<hr/>	<hr/>
TOTAL LIABILITIES		76,246	128,106
		<hr/>	<hr/>
NET ASSETS		9,255,481	2,574,950
		<hr/>	<hr/>
EQUITY			
Contributed equity	9	7,584,787	975,000
Reserves	5	30,600	-
Retained earnings		1,640,094	1,599,950
		<hr/>	<hr/>
TOTAL EQUITY		9,255,481	2,574,950
		<hr/>	<hr/>

The accompanying notes form part of these financial statements

Morning Star Holdings (Australia) Limited

ABN: 98 008 124 025

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTE	COMPANY 2007 \$	2006 \$
CONTINUING OPERATIONS			
Interest Income		504,586	107,537
REVENUE		504,586	107,537
Other income	3(a)	-	8,280,576
Directors fees and other expenses	3(b)	(178,832)	(68,618)
Occupancy expense		(3,918)	-
Shares based payments		(33,300)	-
Central administration expenses		(242,708)	(137,744)
Other expenses	3(c)	-	(8,458,537)
PROFIT/(LOSS) BEFORE INCOME TAX		45,828	(276,786)
INCOME TAX (EXPENSE)/BENEFIT	4	(5,684)	(43,923)
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS		40,144	(320,709)
NET PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE COMPANY		40,144	(320,709)
Basic earnings per share (cents per share)	15	0.0253	(0.1565)
Diluted earnings per share (cents per share)	15	0.0253	(0.1565)

The Diluted Earnings per Share for 2007 has not been adjusted for the conversion of options to ordinary shares as the impact is antidilutive.

The accompanying notes form part of these financial statements

Morning Star Holdings (Australia) Limited
ABN: 98 008 124 025

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTE	COMPANY 2007 \$	2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	-
Payments to suppliers and employees		(429,014)	(13,846)
Interest received		504,586	110,516
Income tax (payments)/refunds		(15,000)	8,347
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	16(a)	60,572	105,017
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances from/(to) related parties		-	792,019
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		-	792,019
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		6,920,000	-
Share issue cost		(312,913)	-
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		6,607,087	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		6,667,659	897,036
Cash and cash equivalents at beginning of period		2,626,488	1,729,452
CASH AND CASH EQUIVALENTS AT END OF PERIOD	16(b)	9,294,147	2,626,488

The accompanying notes form part of these financial statements

Morning Star Holdings (Australia) Limited

ABN: 98 008 124 025

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

COMPANY	NOTE	ISSUED CAPITAL \$	OPTIONS RESERVES \$	RETAINED EARNINGS \$	TOTAL \$
Balance at 1 January 2006		975,000	-	1,920,659	2,895,659
Loss for the period		-	-	(320,709)	(320,709)
Balance at 31 December 2006		<u>975,000</u>	<u>-</u>	<u>1,599,950</u>	<u>2,574,950</u>
Balance at 1 January 2007		975,000	-	1,599,950	2,574,950
Shares issued during the period	9	6,920,000	-	-	6,920,000
Shares issued transaction costs	9	(312,913)	-	-	(312,913)
Options expensed during the period	5	-	33,300	-	33,300
Transfer of options expense on exercise of DEOP options	5	2,700	(2,700)	-	-
Profit for the period		-	-	40,144	40,144
Balance at 31 December 2007		<u>7,584,787</u>	<u>30,600</u>	<u>1,640,094</u>	<u>9,255,481</u>

The accompanying notes form part of these financial statements

Morning Star Holdings (Australia) Limited

ABN: 98 008 124 025

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1. CORPORATE INFORMATION

The financial report of Morning Star Holdings (Australia) Limited (the Company) for the year ended 31 December 2007 was authorised for issue in accordance with a resolution of the directors on 29 February 2008.

Morning Star Holdings (Australia) Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Company are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

Recently issued or amended Australian Accounting Standards not yet effective and not adopted for the year ended 31 December 2007 are not expected to result in significant accounting policy changes.

(c) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

(d) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Company will not be able to collect the debt.

(e) Trade and other payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Interest, when charged by the lender, is recognised on an effective interest basis.

(f) Share-based payment transactions

The Company has established by way of a meeting of the shareholders held 23 January 2007 a Directors and Employees Option Plan to provide benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period or when there vesting condition are met.

Morning Star Holdings (Australia) Limited

ABN: 98 008 124 025

NOTES TO THE FINANCIAL STATEMENTS (Cont'd) FOR THE YEAR ENDED 31 DECEMBER 2007

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

(g) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

(h) Taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- when the taxable temporary difference is associated with investments in subsidiaries, associates and interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Morning Star Holdings (Australia) Limited

ABN: 98 008 124 025

NOTES TO THE FINANCIAL STATEMENTS (Cont'd) FOR THE YEAR ENDED 31 DECEMBER 2007

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

(h) Taxes (cont'd)

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and service is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(i) Revenue recognition

Revenue is recognised and measured at fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest Income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(j) Earnings per share

Basic earnings per share is calculated as net profit attributable to the members of the Company, adjusted to exclude costs of servicing equity (other than dividends), and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element

(k) Comparative amounts

Where necessary, the figures of the previous year have been reclassified for consistency with current year disclosures.

(l) Significant accounting judgements, estimates and assumptions

In applying the company's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the company and are based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments made by management in the preparation of these financial statements are outlined below:

(i) Significant accounting judgements

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Morning Star Holdings (Australia) Limited

ABN: 98 008 124 025

NOTES TO THE FINANCIAL STATEMENTS (Cont'd) FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTE	COMPANY 2007 \$	2006 \$
3. REVENUES AND EXPENSES			
<i>Revenues and Expenses from Continuing Operations</i>			
(a) Other income			
Gain on inter-company payable forgiven	c(i)	-	8,280,576
(b) Directors fees and other benefits expense			
Directors fees – paid		161,284	6,000
Directors fees - accrued	b(i)	17,548	61,926
Superannuation		-	540
Other		-	152
		<u>178,832</u>	<u>68,618</u>

(i) At a general meeting of shareholders held 23 January 2007, shareholders approved changes to the level of remuneration paid to the Executive Chairman and Non-Executive Directors. These changes were back-dated in most cases to the appointment date of the director concerned. As these changes to the level of directors fees had been circulated to shareholders at year end, an accrual was taken up for the portion of directors fees earned but not yet approved by the shareholders at year end 31 December 2006.

(c) Other expenses

Loss on inter-company receivable forgiven	c(i)	-	8,458,537
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(i) By way of a Members' Voluntary Liquidation the Company completed the process of winding up its wholly owned subsidiaries Stowford Pty Ltd and Barilla Pty Ltd on 1 September 2007. As a part of this process interest free inter-company loans between the three (3) companies were forgiven and written off in December 2006 for zero consideration. These transactions did not have any effect on the overall consolidated result in 2006, as the original loans all eliminated on consolidation. At the time the loans were written off, the balance showing as owed to the Company from Stowford Pty Ltd was \$8,458,537 (loan balance of \$9,099,537 less a provision for diminution of \$641,000 which had been taken up against the loan in December 2003) and the balance owed by the Company entity to Barilla Pty Ltd was \$8,280,576. The balance of the loan owed by Barilla Pty Ltd to Stowford Pty Ltd was \$9,024,508.

4. INCOME TAX

(a) Income tax expense

The major components of income tax expense are:

Income Statement

Current income tax:

Current income tax charge	(16,785)	11,252
Adjustments in respect of current income tax of previous years	721	52,560

Deferred income tax

Relating to origination and reversal of temporary differences	21,748	(19,889)
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Income tax expense/(benefit) reported in the income statement	<u>5,684</u>	<u>43,923</u>
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Morning Star Holdings (Australia) Limited

ABN: 98 008 124 025

NOTES TO THE FINANCIAL STATEMENTS (Cont'd) FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTE	COMPANY	
		2007	2006
		\$	\$
4. INCOME TAX			
(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate.			
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Company's applicable income tax rate is as follows:			
Accounting profit/(loss) before income tax from continuing operations		45,828	(276,786)
At the Company's statutory income tax rate of 30% (2006: 30%)		13,748	(83,036)
Other tax deductible items		(18,775)	-
Tax consolidation adjustment		-	64,745
Expenditure non allowable for income tax purposes		9,990	9,654
Under/(over) provision previous years		721	52,560
Income tax expense/(benefit) attributable to continuing operations		5,684	43,923
(c) Recognised deferred tax assets and liabilities			
Deferred income tax relates to the following:			
<i>Deferred tax assets</i>			
Temporary differences		27,976	32,939
Gross deferred income tax assets		27,976	32,939
Deferred tax income/(expense)			
(d) Income tax payable			
Current income tax payable/(refundable)		(3,028)	11,252

Morning Star Holdings (Australia) Limited

ABN: 98 008 124 025

NOTES TO THE FINANCIAL STATEMENTS (Cont'd) FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTE	COMPANY 2007 \$	2006 \$
5. RESERVES			
Share-based payment reserve.			
Balance at beginning of financial year		-	-
Expensing of options issued		33,300	-
Transfer to issued capital on exercise of shares based payment options		(2,700)	-
		<u>30,600</u>	<u>-</u>
Balance at end of financial year		<u>30,600</u>	<u>-</u>
6. DIVIDENDS PAID AND PROPOSED			
(a) Recognised amounts			
There were no dividends proposed or paid during 2007 (2006: Nil)			
(b) Franking credit balance			
The amount of franking credits available for the subsequent financial year are:			
- franking account balance as at the end of the financial year (at 30%)		74,211	62,959
- franking credits that will be utilised from the use of income tax assets as at the end of the financial year		(3,028)	11,252
		<u>71,183</u>	<u>74,211</u>
7. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES			
Sundry debtors	7(a)	6,576	-
Prepayments		-	43,629
		<u>6,576</u>	<u>43,629</u>
Terms and conditions relating to the above financial instruments:			
(a) Sundry debtors are non-interest bearing and have repayment terms between 30 and 90 days.			
8. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES			
Accrued directors fees	8(a)	19,303	62,896
Other payables	8(b)	56,942	53,958
		<u>76,245</u>	<u>116,854</u>
Terms and conditions relating to the above financial instruments:			
(a) Accrued directors fees were approved at a meeting of shareholders held 23 January 2007 (Note 3b). Normally these are settled monthly.			
(b) Other payables are non-interest bearing and have an average term of 30 days.			

Morning Star Holdings (Australia) Limited

ABN: 98 008 124 025

NOTES TO THE FINANCIAL STATEMENTS (Cont'd) FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTE	COMPANY 2007 \$	2006 \$
9. CONTRIBUTED EQUITY			
(a) Ordinary shares			
Ordinary shares fully paid 182,295,777 shares (2006: 67,012,504)		7,584,787	975,000
Reconciliation of issued capital:			
Beginning of the financial year - 67,012,504 shares (2006: 67,012,504)		975,000	975,000
Shares movement during the year			
- 16 February 2007		5,000,000	-
- 16 February 2007		879,000	-
- 6 August 2007		1,020,000	-
- 10 September 2007		23,700	-
Less shares issue cost		(312,913)	-
End of the financial year - 182,295,777 shares (2006: 67,012,504)		7,584,787	975,000

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued capital.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Number of shares:

Ordinary shares fully paid			
Beginning of the financial year - 67,012,504 shares (2006: 67,012,504)		67,012,504	67,012,504
Shares movement during the year			
- 16 February 2007 (i)		83,333,333	-
- 16 February 2007(ii)		14,649,940	-
- 6 August 2007 (iii)		17,000,000	-
- 10 September 2007 (iv)		300,000	-
End of the financial year - 182,295,777 shares (2006: 67,012,504)		182,295,777	67,012,504

- (i) The Company Placed 83,333,333 fully paid ordinary shares at an issue price of 6 cents per share, as approved at the Company General Meeting held on the 23 January 2007.
- (ii) The Company via a Shareholder Share Purchase Plan issued 14,649,940 fully paid ordinary shares at an issue price of 6 cents per share, as approved at the Company General Meeting held on the 23 January 2007.
- (iii) The Company issued 17,000,000 fully paid ordinary shares at an issue price of 6 cents per shares to a group of strategic investors.
- (iv) The Company issued 300,000 fully paid ordinary shares on the exercise of 300,000 DEOP options at 0.07 cents per shares. (refer to Note 9(b)).

Morning Star Holdings (Australia) Limited

ABN: 98 008 124 025

NOTES TO THE FINANCIAL STATEMENTS (Cont'd) FOR THE YEAR ENDED 31 DECEMBER 2007

9. CONTRIBUTED EQUITY (cont'd)

(b) Movement in issued share options during the year:

Reconciliation of unquoted options:

Date	Details	Exercise price	Expiry date	Number
1 January 2007	opening balance			-
23 January 2007	options issued	7 cents	31 May 2008	4,000,000
30 January 2007	options lapsed	7 cents	31 May 2008	(300,000)
10 September 2007	options exercised	7 cents	31 May 2008	(300,000)
		7 cents weighted average		
31 December 2007	closing balance		31 May 2008	<u>3,400,000</u>

(c) Uncalled capital:

No calls are outstanding at year end. All issued shares are fully paid.

(d) Terms and conditions of unquoted options:

All unquoted options are held by prior or current Directors, employees and consultants to the Company or their associates. Each option entitles the holder to subscribe for one fully paid share in the Company at the exercise price per share at any time from the date of issue until expiry of the options subject to various vesting conditions.

10. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

Employee Entitlements

The Company at reporting date did not have any employees or liability to pay employee entitlements.

Superannuation Commitments

Contributions are made by the Company in accordance with the superannuation guarantee charge.

11. EVENTS AFTER THE BALANCE SHEET DATE

Since 31 December 2007 and up to the date of this report, other than the changes in the issued capital already noted, no other item, transaction or event of a material and unusual nature has arisen, which in the opinion of the Directors is likely to affect substantially the operations of the Company or the results of those operations or the state of affairs of the Company for the subsequent financial years.

12. KEY MANAGEMENT PERSONNEL

(a) Details of key management personnel

D.L. Gallegos	Chairman (executive)
B.D. Burrell	Director (non-executive)
R.D. Rossiter	Director (non-executive) – appointed 30 August 2007
G.M. Button	Director (non-executive) – appointed 30 August 2007
D. Barwick	Director (non-executive) – resigned 30 August 2007
M.G. Hanrahan	Director (non-executive) – resigned 29 January 2007

(b) Compensation of Key Management Personnel

Morning Star Holdings (Australia) Limited has applied the option under Corporations Amendments Regulation 2006 to transfer key management personnel remuneration disclosures required by AASB 124 Related Party Disclosures paragraphs Aus 25.4 to Aus 25.7.2 to the Remuneration Report section of the Directors' report. These transferred disclosures have been audited.

Morning Star Holdings (Australia) Limited
ABN: 98 008 124 025

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2007

12. KEY MANAGEMENT PERSONNEL (cont'd)

(c) Contracts for services of key management personnel

Remuneration and other terms of employment for the Executive and Non Executive Directors are formalised in service agreements.

Dean Lloyd Gallegos, Chairman and Managing Director

- Commenced on 23 August 2006;
- Term is fixed for three years until 23 August 2009;
- Base salary consists of a monthly retainer of \$10,000, while DEOP are reviewed annually. For the financial year ended 31 December 2007 total compensation amounted to \$120,000 (2006: \$42,903) excluding share-based payments.

(d) Options holdings of Key Management Personnel

Unlisted options interests held in Morning Star Holdings (Australia) Limited (number)

	Balance 01 Jan 07	Granted as Remuneration	Exercise of Options	Options Lapsed	Balance 31 Dec 07	Options vested During the year
Directors						
D.L. Gallegos	-	3,100,000	-	-	3,100,000	3,100,000
B.D. Burrell	-	300,000	-	-	300,000	300,000
R.D. Rossiter	-	-	-	-	-	-
G.M. Button	-	-	-	-	-	-
D. Barwick ⁽ⁱ⁾	-	300,000	300,000	-	-	300,000
M.G. Hanrahan	-	300,000	-	(300,000)	-	-
Total	-	4,000,000	300,000	(300,000)	3,400,000	3,700,000

(e) Shareholdings of Key Management Personnel

Share interests held in Morning Star Holdings (Australia) Limited (number)

	Balance 01 Jan 07	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 31 Dec 07
Directors					
D.L. Gallegos	9,600,000	-	-	(3,450,000)	6,150,000
B.D. Burrell	-	-	-	50,000	50,000
R.D. Rossiter	-	-	-	-	-
G.M. Button	-	-	-	-	-
D. Barwick ⁽ⁱ⁾	100,000	-	300,000	-	400,000
M.G. Hanrahan	-	-	-	-	-
Total	9,700,000	-	300,000	(3,400,000)	6,600,000

⁽ⁱ⁾ Mr D. Barwick resigned as director of the Company on 30 August 2007.

Morning Star Holdings (Australia) Limited

ABN: 98 008 124 025

NOTES TO THE FINANCIAL STATEMENTS (Cont'd) FOR THE YEAR ENDED 31 DECEMBER 2007

NOTE	COMPANY	
	2007 \$	2006 \$
13. AUDITORS' REMUNERATION		
The auditor of Morning Star Holdings (Australia) Limited is Ernst & Young.		
Amounts received or due and receivable by Ernst & Young for:		
• an audit or review of the financial report of the Company	25,000	16,333
• other services in relation to the Company		
- tax compliance	8,500	8,834
- assurance related	11,500	14,500
	<u>45,000</u>	<u>39,667</u>

14. RELATED PARTY DISCLOSURE

(a) Ultimate parent

Prior to the liquidation of Stowford Pty Ltd and Barilla Pty Ltd, Morning Star Holdings (Australia) Limited was the ultimate Australian parent entity and its ultimate parent entity was MUI Hong Kong Ltd up until 1 August 2006 when the major shareholder sold its shares in the Company. MUI Hong Kong Ltd is a company incorporated in Hong Kong.

(b) Key management personnel

Details relating to the key management personnel, including remuneration paid are included in note 12.

(c) Transactions with related parties

The Company via a Members' Voluntary Liquidation completed the process of winding up its wholly owned subsidiaries Stowford Pty Ltd and Barilla Pty Ltd on 1 September 2007. As a part of this process interest free inter-company loans between the three (3) companies were forgiven and written off in December 2006 for zero consideration. These transactions did not have any effect on the overall consolidated result, as the original loans all eliminated on consolidation. At the time the loans were written off, the balance showing as owed to the parent entity from Stowford Pty Ltd was \$8,458,537 (loan balance of \$9,099,537 less a provision for diminution of \$641,000 which had been taken up against the loan in December 2003) and the balance owed by the parent entity to Barilla Pty Ltd was \$8,280,576. The balance of the loan owed by Barilla Pty Ltd to Stowford Pty Ltd was \$9,024,508.

Prior 1 September 2007, Stowford Pty Ltd was 100% owned by Morning Star Holdings (Australia) Limited and Barilla Pty Ltd was 100% owned by Stowford Pty Ltd.

Other related party transactions with entities under common control

Expenses relating to Morning Star Holdings (Australia) Limited of \$Nil (2006: \$32,000) were incurred by the former related party Vista International Hotels Pty Ltd and recharged at cost to Morning Star Holdings (Australia) Limited.

Morning Star Holdings (Australia) Limited
ABN: 98 008 124 025

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTE	COMPANY
	2007	2006
	\$	\$
15. EARNINGS PER SHARE		
The following reflects the income used in the basic and diluted earnings per share computations:		
Net profit/(loss) from continuing operations attributable to ordinary equity holders of the Company used to calculate basic and diluted earnings per share.	40,144	(104,894)
Basic earnings/(loss) per share - cents	0.0253	(0.1565)
Diluted earnings/(loss) per share - cents	0.0253	(0.1565)
The Diluted Earnings per Share for 2007 has not been adjusted for the conversion of options to ordinary shares as the impact is antidilutive		
	Number of shares	Number of shares
Weighted average number of shares used in calculating basic earnings per share:	158,851,629	67,012,504
Weighted average number of shares used in calculating diluted earnings per share (The Diluted Earnings per Share for 2007 has not been adjusted for the conversion of options to ordinary shares as the impact is antidilutive):	158,851,629	67,012,504
16. CASH FLOW STATEMENT		
(a) Reconciliation of the net profit/(loss) to net cash flows from operations		
Net Profit/(loss)	40,144	(320,709)
Adjustments for:		
Net loss on forgiveness of inter-company receivables/payables	-	177,961
Share based payments	33,300	-
Net loss on disposal of available-for-sale investments	-	20
Other non-cash movement in inter-company receivables/payables	-	128,052
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(6,576)	(14,203)
(Increase)/decrease in deferred tax assets	4,963	34,051
(Increase)/decrease in prepayments	43,629	-
(Decrease)/Increase in trade and other payables	(40,608)	89,973
(Decrease)/Increase in tax provision	(14,280)	11,252
(Decrease)/Increase in deferred tax liabilities	-	(1,380)
Net cash from (used in) operating activities	60,572	105,017
(b) Reconciliation of cash and cash equivalents		
Balance comprises:		
- Cash at bank and in hand	9,294,147	2,626,488
Closing balance	9,294,147	2,626,488
(c) Financing facilities available		
At reporting date the Company did not have any financing facilities available.		

Morning Star Holdings (Australia) Limited
ABN: 98 008 124 025

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
FOR THE YEAR ENDED 31 DECEMBER 2007

17. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The Company's principal financial instruments, other than derivatives, comprise cash and short-term deposits. The Company's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the reporting date, are as follows:

Financial Instruments	Floating interest Rate		Fixed interest rate maturing in:						Non-interest Bearing		Total carrying Amount as per the Balance sheet		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		More than 5 years							
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 %	2006 %		
(i) Financial assets														
	9,294,147	2,626,488	-	-	-	-	-	-	9,294,147	2,626,488	6.12	5.86		
	-	-	-	-	-	-	-	-	6,576	-	N/A	N/A		
	-	-	-	-	-	-	-	-	3,028	-	N/A	N/A		
Total financial assets	9,294,147	2,626,488	-	-	-	-	-	-	9,303,751	2,626,488				
(ii) Financial liabilities														
	-	-	-	-	-	-	-	-	76,245	116,854	N/A	N/A		
	-	-	-	-	-	-	-	-	76,245	116,854				

Morning Star Holdings (Australia) Limited

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NOTES TO THE FINANCIAL STATEMENTS (Cont'd) FOR THE YEAR ENDED 31 DECEMBER 2007

17. FINANCIAL INSTRUMENTS (cont'd)

(b) Net Fair Values

The net fair value of financial assets and liabilities are considered not materially different from the carrying value in the balance sheet.

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

Recognised financial instruments

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

Trade and other receivables: The carrying amount approximates fair value because of their short term to maturity.

Trade and other payables: The carrying amount approximates fair value because of their short-term to maturity.

(c) Credit risk exposures

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

Concentrations of credit risk

The Company is not materially exposed to any single debtor, or group of debtors having a similar characteristic such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions.

18. SHARE-BASED PAYMENTS

The following share-based payment arrangement existed at 31 December 2007:

Under the Directors and Employees Option Plan ("DEOP") approved by shareholders on 23 January 2007, 4,000,000 DEOP options were granted to Directors, which vested subject to achievement of hurdles set out in the DEOP and referred to below. Following achievement of hurdles during the 2007 financial year, 3,700,000 DEOP options vested in the financial year in accordance with the plan. Each option is granted by the Company over one ordinary share and was exercisable at \$0.07 with an expiry date of 31 May 2008.

In accordance with the terms of the DEOP, All options issued during the year had the following vesting conditions:

- 25% of the DEOP option issued will vest on the completion of the raising of at least \$4 million under the prospectus capital raising;
- A further 25% of the DEOP options issued will vest when the Company share price on the ASX is equal to or exceeds the issue price of the shares issued under the prospectus capital raising for five consecutive trading days;
- A further 25% of the DEOP options issued will vest when the Company share price on the ASX is equal to or exceeds a price which is 20% above the issue price of the shares issued under the prospectus capital raising for five consecutive trading days;
- The remaining 25% of the DEOP options issued will vest when the Company share price on the ASX is equal to or exceeds a price which is 40% above the issues price of the shares issued under the prospectus capital raising for five consecutive trading days;

DEOP options carry no rights to dividends and no voting rights. In accordance with the terms of the DEOP, vested options may be exercised at any time from the date of their issue to the date of their expiry. A total of 300,000 DEOP options were exercised during the financial year and 300,000 DEOP options lapsed on the terms of their issue during the financial year.

The following share-based payment arrangements were in existence during the period:

Options series	Number	Grant Date	Expiry date	Exercise Price \$	Fair value at grant date (cents)
(1) Issued 23 January 2007	4,000,000	23/01/07	31/05/08	0.07	0.09

Morning Star Holdings (Australia) Limited

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NOTES TO THE FINANCIAL STATEMENTS (Cont'd) FOR THE YEAR ENDED 31 DECEMBER 2007

18. SHARE-BASED PAYMENTS (cont'd)

The weighted average fair value of the share options granted during the financial year is 0.09 cents per option (2006: Nil). Options were priced using a Black Scholes option pricing model. Expected volatility is based on the historical share price volatility.

Inputs into the model	Options Series (1)
Grant date share price	7.0cps
Exercise price	7.0cps
Expected volatility	18%
Option life	18 months
Dividend yield	0%
Risk-free interest rate	5.6%

The following reconciles the outstanding share options granted under the DEOP at the beginning and end of the financial year:

	2007		2006	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of financial year	-	-	-	-
Granted during the financial year	4,000,000	0.07	-	-
Forfeited/lapsed during the financial year	(300,000)	0.07	-	-
Exercised during the financial year	(300,000)	0.07	-	-
Balance at end of the financial year	3,400,000	0.07	-	-
Exercisable at end of the financial year	3,400,000	0.07	-	-

(i) Exercised during the year

The following share options granted under the DEOP were exercised during the financial year:

Options series	Number Exercised		Exercise date	Share price at exercise date \$	
	2007	2006		2007	2006
(1) Issued 18 November 2004	300,000	-	10 September 2007	0.145	-

Recognition of share based payments expense

The total value of options included in remuneration for the year is calculated in accordance with Accounting Standard AASB 2 'Share-based Payment'. The Standard requires the value of the options to be determined at grant date and to be recognised as an expense in the income statement over the vesting period. Consequently a share option expense of \$33,300 (2006: Nil) was recognised and expensed for the year directly in the income statement.

Morning Star Holdings (Australia) Limited
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DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Morning Star Holdings (Australia) Limited, I state that:

(1) In the opinion of the directors:

(a) The financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 31 December 2007 and of its performance for the year ended on that date; and

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

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial period ending 31 December 2007.

On behalf of the Board



Dean L. Gallegos
Chairman

29 February 2008

Independent auditors' report to the members of Morning Star Holdings (Australia) Limited

We have audited the accompanying financial report of Morning Star Holdings (Australia) Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" on pages 6 and 7 of the directors' report, as permitted by Corporations Regulation 2M.6.04.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(b), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

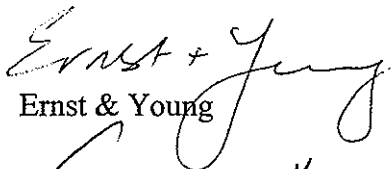
Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditors' Opinion

In our opinion:

1. the financial report of Morning Star Holdings (Australia) Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Morning Star Holdings (Australia) Limited at 31 December 2007 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(b)
3. the remuneration disclosures that are contained on pages 6 and 7 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.



Ernst & Young



Trent van Veen
Partner
Sydney
29 February 2008

Morning Star Holdings (Australia) Limited

ABN: 98 008 124 025

AUSTRALIAN STOCK EXCHANGE LIMITED

ADDITIONAL INFORMATION

31 DECEMBER 2007

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as 31 January 2007.

(a) Distribution of equity securities

Ordinary share capital

182,295,777 fully paid ordinary shares are held by 662 individual shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

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

			Ordinary Shares	
			Number of Holders	Number of Shares
1	--	1,000	259	122,693
1,001	--	5,000	62	143,306
5,001	--	10,000	9	67,900
10,001	--	100,000	151	9,132,832
100,001		And over	181	172,829,046
			662	182,295,777
The number of shareholders holding less than a marketable parcel of shares are:			319	255,999

Voting Rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(b) Substantial shareholders

Name	Number of shares	Percentage of ordinary shares
Sunshore Holding Pty Ltd	20,000,000	10.97
Berpaid Pty Ltd	17,028,917	9.34
Earl & Katie Evans	12,829,497	7.03
	49,858,414	27.34

Morning Star Holdings (Australia) Limited

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AUSTRALIAN STOCK EXCHANGE LIMITED (Cont'd)

ADDITIONAL INFORMATION

31 DECEMBER 2007

(c) Twenty largest shareholders

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

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	SUNSHORE HOLDINGS PTY LTD	20,000,000	10.97
2	BLACKMORT NOMINEES PTY LTD	14,000,000	7.68
3	BERPAID PTY LTD	11,840,000	6.49
4	REMOVALE PTY LTD	7,821,488	4.29
5	MR EARL EVANS + MRS KATIE ALEXANDRA EVANS	7,500,000	4.11
6	ROSCIOUS PTY LTD	5,450,000	2.99
7	ZERO NOMINEES PTY LTD	5,070,533	2.78
8	FAIRY SECURITY PTY LTD	4,889,999	2.68
9	CHAMEN & CO PTY LTD	4,250,000	2.33
10	EKE HOLDINGS PTY LTD	4,000,000	2.19
11	MRS MARIA FYFE	3,858,333	2.12
12	PROSONE PTY LTD	3,100,000	1.70
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,862,086	1.57
14	TRINAWAY PTY LIMITED	2,500,000	1.37
15	NATIONAL NOMINEES LIMITED	2,437,000	1.34
16	MR CHRISTOPHER ROBERT ROGERSON	2,118,000	1.16
17	SOGNARE INVESTMENTS PTY LTD Pty Ltd	2,000,000	1.10
18	WIL EVANS DESIGN PTY LTD	2,000,000	1.10
19	SUDELL PTY LTD	1,850,000	1.01
20	CRANDELL PTY LTD	1,680,000	0.92
		<hr/>	
		109,227,439	59.90

Morning Star Holdings (Australia) Limited

ABN: 98 008 124 025

CORPORATE GOVERNANCE STATEMENT 31 DECEMBER 2007

The Board of directors of Morning Star Holdings (Australia) Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Morning Star Holdings (Australia) Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Morning Star Holdings (Australia) Limited's corporate governance practices were in place throughout the year ended 31 December 2007.

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of Morning Star Holdings (Australia) Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Morning Star Holdings (Australia) Limited are considered to be independent:

Name	Position	Name	Position
B.D. Burrell	Non-Executive Director	R.Rossiter	Non- Executive Director
G.Button	Non-Executive Director		

There are procedures in place, agreed by the board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The term in office held by each director in office at the date of this report is as follows:

Name	Term in office	Name	Term in office
D.L. Gallegos	(Appointed 23 August 2006)	B.D. Burrell	(Appointed 5 September 2006)
D. Barwick	(Appointed 12 October 2006 & Resigned 30 August 2007)	R.Rossiter	(Appointed 30 August 2007)
		G.Button	(Appointed 30 August 2007)

Nomination Committee

The Board has established a nomination committee to ensure that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of director. The nomination committee comprises three non-executive directors. For details of directors' attendance at meetings of the nomination committee, refer to the Directors' Report.

With the resignation of Martin Hanrahan as a director on 29 January 2007, then leaving three (3) remaining directors, this committee had been suspended and its duties were being carried out directly by the Board. This position will be reviewed once a business has been acquired and additional directors are appointed to the Board.

Performance

The performance of the board is reviewed regularly against both measurable and qualitative indicators. The performance criteria against which directors are assessed is aligned with the financial and non-financial objectives of Morning Star Holdings (Australia) Limited. Directors whose performance is consistently unsatisfactory may be asked to retire.

Morning Star Holdings (Australia) Limited

ABN: 98 008 124 025

CORPORATE GOVERNANCE STATEMENT (Cont'd) 31 DECEMBER 2007

Audit Committee

The Board has established an audit committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards to the audit committee.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The members of the audit committee during the year were:

D.L. Gallegos	(Appointed 23 August 2006)
M.G. Hanrahan	(Resigned 29 January 2007)

Qualifications of audit committee members

Mr. Martin Gerard HANRAHAN (B.Ec, CA.) Mr. Hanrahan is a Chartered Accountant and Merchant Banker. He is the Co-Head, Mergers & Acquisitions, and Executive Director, Corporate Finance of ANZ Investment Bank and has extensive experience in the provision of corporate financial advice particularly relating to mergers and acquisitions and capital raisings. Mr Hanrahan resigned from the Board on 29 January 2007.

Mr Dean Lloyd GALLEGOS. Mr. Gallegos has 15 years experience in the finance industry. In 1995 he was one of the founders of the Barton Capital group of companies, an investment banking stockbroking and corporate advisory firm. Mr Gallegos specialises in advising both public and private companies on acquisitions, mergers, capital raisings and balance sheet restructuring. He has also managed a significant number of initial public offerings and secondary market capital raisings for public and private companies and has been actively involved in due diligence investigations, prospectus drafting and marketing of capital raisings. He is currently the Chairman of Verus Investments Limited, Buccaneer Energy Limited and Global Approach Limited. Mr Gallegos was appointed to the Board 23 August 2006.

For details on the number of meetings of the audit committee held during the year and the attendees at those meetings, refer to the Directors' Report.

With the resignation of Martin Hanrahan as a director on 29 January 2007, then leaving three (3) remaining directors, this committee had been suspended and its duties were being carried out directly by the Board. This position will be reviewed once a business has been acquired and additional directors are appointed to the Board.

Remuneration

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves. The Board has established a remuneration committee. Members of the remuneration committee throughout the year were:

M.G. Hanrahan	(Resigned 29 January 2007)
D.L. Gallegos	(Appointed 23 August 2006)

For details on the number of meetings of the remuneration committee held during the year and the attendees at those meetings, refer to the Directors' Report.

With the resignation of Martin Hanrahan as a director on 29 January 2007, then leaving three (3) remaining directors, this committee had been suspended and its duties were being carried out directly by the Board. This position will be reviewed once an acquisition is made and additional directors are appointed to the Board.
