

Appendix 4E

Preliminary final report

Year ending on 31 December 2022
Provided to the ASX under listing rule 4.3A

Name of entity	ABN
Multistack International Limited	54 007 254 346

1. Reporting period

Report for the financial year ended 31 December 2022.

Previous corresponding period is the financial year ended 31 December 2021.

2. Results for announcement to the market

					\$A
Revenues from ordinary activities	down	1.72 %	to	632,796	
Loss from ordinary activities after tax attributable to members	up	61.73%	to	(1,832,370)	
Net loss for the period attributable to members	up	61.73%	to	(1,832,370)	
Record date for determining entitlements to the dividend	Not applicable				

Results for announcement to the market (cont'd)

Dividends

No dividends were paid or declared for the year ended 31 December 2022.

Trends in Performance

Total revenue in 2022 decreased by 1.71% to \$632,796. Revenue from Other Income was a loss of \$245,700, due to foreign currency loss. The net loss for the period attributable to members was \$1,832,370 (2021: \$1,132,977).

Operations

The trading entity, Multistack Australia Pty Ltd, has incurred losses before income tax for the year ending 31 December 2022 of \$260,760 (2021: \$473,952). The order for the 4 modules of Multistack Oil free Flooded Air Cooled chillers for expected revenue of over a million dollars is now scheduled to be delivered in February 2023. The Company expects this project to be a showcase for future potential sales of its Oil free chillers.

The outbreak of COVID-19 and its variations has becoming more controllable in the last few months, therefore we expect the economy to recover gradually, and the enquiries and orders for our chiller products to increase progressively. The Company is in discussions with potential new sales and marketing representatives about finding more opportunities for the sale of our chiller products in the country.

The learning curve for the Company to pick up the ORC technology has been extended due to the impact of the pandemic. Around the beginning of the year, we have sent a technical consulting team to travel to the Outback to explore the possibilities of using the geothermal ORC technology in the region. The Company is following up on this project in this year. As said in our previous report the Company has been in negotiations with various interested parties for overseas distribution rights in their regions. The Company expects more positive discussions with these potential agents in this year.

The directors have reviewed the carrying value of its intangible assets (ORC technology). On one hand the Company will continue to explore the opportunities for our ORC technology, however, the Company also noted that the consumers are generally more concerned about capital expenditure given the current uncertain economic conditions. As the Company acquired the ORC technology in mid 2020 and it has yet to secure a project in the country, the Company decided to make an impairment of USD 400,000 (AUD 635,048) on its carrying value of its intangible assets (ORC technology), specifically impairing the value of its distribution rights, noting the Company still owns and controls the ORC technology after the impairment, and will continue to commercialise the ORC products.

On the other hand the Directors will also take prudent steps to minimize the impacts of failure due to delays and adverse commercial decisions with the development of our ORC business, A viable solution is to use ORC product as a supplementary tool for the solar panel system. Solar panel system has become one of the most popular methods to convert solar energy to electricity, however it is subject to the weather and sometimes not reliable enough as expected by end users. An ORC system will be a good complement to the solar system for a much more stable supply to the end users. The Company is working closely with our partner to develop a viable solution in this area.

The MSI Board remains good faith in our ORC technology and still believes that it has great future growth potential. Once the worldwide economy starts to recover and grow, we shall expect to see results in the coming years for commercial sales in this direction.

Business Risks

There are various internal and external risks that may have a material impact on our future financial performance and economic sustainability. We make every effort to identify material risks and to manage these effectively. Material financial risks are listed below.

Inability to commercialise the ORC technology

There is a possible risk that the Company is unable to commercialise the ORC technology and hence unable to sell its ORC products, or the Company is taking far too long for this process. This would mean the Company would rely on its existing core business being the sales and distribution of Multistack chillers.

Customer demand for our products

The outbreak of COVID-19 and its variations has becoming more controllable in the last few months, therefore we expect the economy to recover gradually, and the enquiries and orders for our chiller products to increase progressively. Nevertheless, the Company also noted that the consumers are generally more concerned about capital expenditure given the current uncertain economic conditions.

Generally, customers are fundamental to the success of the business. The ability to attract new customers, the loss of key material customers, a reduction in their demand for our products or a claim for non-performance can have a negative effect on the future financial performance of the Company.

Competitor risks

The Company operates in a competitive environment due to factors including actions by existing or new competitors, price, product selection and quality, manufacturing capability, innovation and the ability to provide the customer with an appropriate range of products and services in a timely manner. Any deterioration in the Company competitive position as a result of actions from competitors may result in adverse effect on our future financial performance.

Tax consolidation

For the purposes of income taxation, Multistack International Ltd and its 100% owned subsidiaries have not formed a tax consolidated group and entry into a tax consolidated group is unlikely. This did not impact the consolidated results for the year. From 1 January 2004, the carried forward tax losses of each entity in the Group could only be used to offset taxable income of that individual entity.

3. Consolidated Statement of Profit or Loss and other comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2022

	For the year	
	31 December 2022	31 December 2021
	\$	\$
Revenue		
Sale of goods	632,796	643,851
Total Revenue	632,796	643,851
Cost of sales	(302,904)	(529,844)
Gross Profit	329,892	114,007
Other Income		
Subsidies and grants	-	20,000
Foreign currency (loss) / gain	(265,572)	(193,552)
Interest income	19,864	25,945
Sundry income	8	1,281
Total Other (Loss) / Income	(245,700)	(146,326)
Expenses		
Employee benefits expense	(377,890)	(416,359)
Administrative and occupancy expense	(575,862)	(537,743)
Professional fees	(89,950)	(113,656)
Impairment of intangible assets	(635,048)	-
Loss on investment portfolio	(92,423)	-
Other expenses	(145,389)	(32,900)
Total Expenses	(1,916,562)	(1,100,658)
Loss before income tax	(1,832,370)	(1,132,977)
Loss from continuing operations	(1,832,370)	(1,132,977)
Other comprehensive income or loss for the year		
<i>Items that may be reclassified subsequently to profit and loss</i>	-	-
Total comprehensive loss for the year	(1,832,370)	(1,132,977)
Earnings per share for loss from continuing operations attributable to members of the parent:		
Basic earnings per share	\$(0.0134)	\$(0.0083)
Diluted earnings per share	\$(0.0134)	\$(0.0083)

4. Consolidated Statement of Financial Position

	31 December 2022 \$	31 December 2021 \$
Current assets		
Cash and cash equivalents	1,470,062	1,334,547
Investments	-	687,967
Receivables	324	98,739
Inventories	951,810	118,470
Deposit – Bond for property	17,612	17,612
Total current assets	2,439,808	2,257,335
Non-current assets		
Intangible assets – ORC Technology	2,478,134	3,113,182
Lease assets – right of use	128,997	214,995
Total non-current assets	2,607,131	3,328,177
Total assets	5,046,939	5,585,512
Current liabilities		
Payables	2,679,550	1,488,802
Lease liability	88,992	82,871
Loan from ACR Equipment HK Co Ltd	696,000	696,000
Loan from Superlink Company Ltd	2,656,827	2,480,706
Provisions	157,541	147,742
Total current liabilities	6,278,910	4,896,121
Non-current liabilities		
Lease liability	46,664	135,656
Provisions	7,660	7,660
Total non-current liabilities	54,324	143,316
Total liabilities	6,333,234	5,039,437
Net (liabilities) / assets	(1,286,295)	546,075
Equity		
Contributed equity	156,838,695	156,838,695
Accumulated losses	(158,124,990)	(156,292,620)
Total equity	(1,286,295)	546,075

5. Consolidated Statement of Changes in Equity

CONSOLIDATED	Attributable to equity holders of the parent		
	Contributed Equity \$	Accumulated Losses \$	Total Equity \$
At 1 January 2021	155,638,695	(155,159,643)	479,052
Loss for the year	-	(1,132,977)	(1,132,977)
Total comprehensive income / (loss) for the year	-	(1,132,977)	(1,132,977)
Transactions with owners as their capacity of owners			
Issue of share capital	1,200,000	-	1,200,000
As at 31 December 2021	156,838,695	(156,292,620)	546,075

CONSOLIDATED	Attributable to equity holders of the parent		
	Contributed Equity \$	Accumulated Losses \$	Total Equity \$
At 1 January 2022	156,838,695	(156,292,620)	546,075
Loss for the year	-	(1,832,370)	(1,832,370)
Total comprehensive income / (loss) for the year	-	(1,832,370)	(1,832,370)
Transactions with owners as their capacity of owners	-	-	-
As at 31 December 2022	156,838,695	(158,124,990)	(1,286,295)

6. Consolidated Statement of Cash Flows

	31 December 2022 \$	31 December 2021 \$
Cash flows from operating activities		
Receipts from customers and government grants	841,813	912,965
Payments to suppliers and employees	(1,256,010)	(1,469,121)
Net cash (used in) operating activities	(414,197)	(556,156)
Cash flows related to investing activities		
Proceeds from sale of investments	621,393	-
Interest and other items of similar nature received	19,864	25,945
Net cash provided by investing activities	641,257	25,945
Cash flows from financing activities		
Proceeds on issue of share capital	-	1,200,000
Proceeds from borrowings	-	410,000
Payment for principal portion of lease liabilities	(91,545)	(92,000)
Net cash (used in) / provided by financing activities	(91,545)	1,518,000
Increase in / (provided by) cash held	135,515	987,789
Cash at beginning of year	1,334,547	346,758
Cash at end of year	1,470,062	1,334,547

Reconciliation of cash

Reconciliation of cash at the end of the year (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	31 December 2022 \$	31 December 2021 \$
Cash on hand and at bank	1,470,062	1,334,547
Total cash at end of year	1,470,062	1,334,547

7.1 Consolidated accumulated losses

	31 December 2022 \$	31 December 2021 \$
Accumulated losses at the beginning of the financial year	(156,292,620)	(155,159,643)
Loss from continuing operations	(1,832,370)	(1,132,977)
Accumulated losses at end of financial year	(158,124,990)	(156,292,620)

7.2 Earnings per security (EPS)

Details of basic and diluted EPS reported separately in accordance with *AASB 133: Earnings Per Share* are as follows.

Basic and diluted earnings (loss) per share is calculated at \$(0.0134), based on a net loss for the period attributable to members of \$1,832,370 and a weighted average of 136,303,924 ordinary shares on issue for the period.

7.3 NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$(0.0276)	\$(0.0188)

7.4 Dividends

No dividends have been paid or declared in respect of the current or prior period.
There is no dividend or distribution reinvestment plan currently in operation.

8. Details of entities over which control has been gained or lost during the period

There has been no change in the composition of the group during the period.

9. Basis of preparation

The financial information provided in the Appendix 4E is based on the draft annual financial report, which has been prepared in accordance with Australian Accounting Standards. The Directors have prepared the draft financial statements for the Group on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the discharge of liabilities in the ordinary course of business.

During the year ended 31 December 2022, the Group incurred a loss after income tax for the year of \$1,832,370 (2021: \$1,132,977 loss). The Group had a negative net asset position of \$1,286,295 (2021 positive \$546,075). The Group had a net cash outflow from operating activities of \$414,197 (2021: \$556,156 outflow).

As a result of these matters, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the ordinary course of business.

The Group has \$2,988,930 (loan and interests) owing to a director related company, Super Link Co. Ltd, \$696,000 (as loan) and \$69,298 (as trade payables) owing to a director related company, A.C.R. Equipment (HK) Ltd, and \$1,166,026 (management fees) owing to a director related company, Welletin Investments Ltd.

The Group has obtained an undertaking from these director related companies that they will not call on the amount owing for at least 12 months from the date of signing the Group's financial report for the year ended 31 December 2022.

10. Audit of the financial report

The financial report is in the process of being audited and is likely to contain an independent audit report that is subject to an emphasis of matter paragraph regarding going concern.