

+Rules 4.3A

Appendix 4E  
Preliminary final report

Year ending on 31 December 2023  
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 2023.
Previous corresponding period is the financial year ended 31 December 2022.

2. Results for announcement to the market

				\$A
Revenues from ordinary activities	up	178.61 %	to	1,763,061
Loss from ordinary activities after tax attributable to members	down	51.32%	to	(892,087)
Net loss for the period attributable to members	down	51.32%	to	(892,087)
Record date for determining entitlements to the dividend	Not applicable			

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## Results for announcement to the market (cont'd)

### Dividends

No dividends were paid or declared for the year ended 31 December 2023.

### Trends in Performance

Total revenue in 2023 increased by 178.61% to \$1,763,061 (2022: \$632,796). Revenue from Other Income was \$161,425 (2022: loss \$245,700). The net loss for the period attributable to members was \$892,087 (2022: loss \$1,832,370).

### Operations

The trading entity, Multistack Australia Pty Ltd, has incurred losses before income tax for the year ending 31 December 2023 of \$286,325 (2022: \$260,760). Although the sale revenue has increased substantially, the profit margin on the jobs was much lower.

The global economy, as well as Australia's economy, is expected to grow at its slowest pace since the pandemic, we also expect slow and little growth in demand for our chiller products. The Company is actively quoting on various jobs, we noted the consumers are generally more concerned about capital expenditure given the current uncertain economic conditions.

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, particularly in the data center applications. A few significant customers in Hong Kong have used Multistack oil free chillers for their data center installations in Hong Kong. The Company believes that this will be a growing market in the industry in Australia too.

The development of the ORC technology has been continuing but once again the potential clients are very concerned about their capital expenditure, hence the projects will likely take more time to be materialized. The Company is following up on these projects this year. Discussions with various interested parties for overseas distribution rights in their regions continued. The Company expects more positive discussions with these potential agents in this year.

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 area.

In June 2020, as previously announced to the market, the Company acquired certain assets from Verdicorp Inc (a US company), including the contractual rights held by Verdicorp pursuant to a Technology License Agreement and a separate Supply Agreement entered into by Verdicorp and certain US based subsidiaries of Danfoss AS (a Danish multinational company) (Danfoss).

The Company has been in discussions with Danfoss seeking performance by it of its obligations to provide technical know-how and engineering support under the above two agreements. The Company has now referred its claims to arbitration in the US. If the arbitration proceeds to a hearing, it is currently expected that hearing will take place in August 2024. The Company's US lawyers have agreed to advise and generally assist the Company in the conduct of the arbitration on the basis of agreed hourly rates (capped at a maximum of USD\$150,000) plus a contingency fee (payable only if the Company is successful in its claims against Danfoss).

The Company will advise shareholders of any material developments and the outcome of the arbitration as required.

### **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 global economy, as well as Australia's economy, is expected to grow at its slowest pace since the pandemic, we also expect slow and little growth in demand for our chiller products. The Company noted 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 2023

	For the year	
	31 December 2023	31 December 2022
	\$	\$
<b>Revenue</b>		
Sale of goods	1,763,061	632,796
<b>Total Revenue</b>	<b>1,763,061</b>	<b>632,796</b>
Cost of sales	(1,453,931)	(302,904)
<b>Gross Profit</b>	<b>309,130</b>	<b>329,892</b>
<b>Other Income</b>		
Foreign currency (loss) / gain	44,984	(265,572)
Interest income	634	19,864
Sundry income	115,807	8
<b>Total Other (Loss) / Income</b>	<b>161,425</b>	<b>(245,700)</b>
<b>Expenses</b>		
Employee benefits expense	(383,316)	(377,890)
Administrative and occupancy expense	(635,040)	(575,862)
Professional fees	(267,886)	(184,569)
Impairment of intangible assets	-	(635,048)
Loss on investment portfolio	-	(92,423)
Other expenses	(76,400)	(50,770)
<b>Total Expenses</b>	<b>(1,362,642)</b>	<b>(1,916,562)</b>
<b>Loss before income tax</b>	<b>(892,087)</b>	<b>(1,832,370)</b>
<b>Loss from continuing operations</b>	<b>(892,087)</b>	<b>(1,832,370)</b>
<b>Other comprehensive income or loss for the year</b>		
<i>Items that may be reclassified subsequently to profit and loss</i>	-	-
<b>Total comprehensive loss for the year</b>	<b>(892,087)</b>	<b>(1,832,370)</b>
<b>Earnings per share for loss from continuing operations attributable to members of the parent:</b>		
Basic earnings per share	\$(0.0065)	\$(0.0134)
Diluted earnings per share	\$(0.0065)	\$(0.0134)

#### 4. Consolidated Statement of Financial Position

	31 December 2023 \$	31 December 2022 \$
<b>Current assets</b>		
Cash and cash equivalents	646,816	1,470,062
Receivables	47,336	324
Inventories	62,333	951,810
Deposit – Bond for property	17,612	17,612
<b>Total current assets</b>	<b>774,097</b>	<b>2,439,808</b>
<b>Non-current assets</b>		
Intangible assets – ORC Technology	2,478,134	2,478,134
Lease assets – right of use	42,999	128,997
<b>Total non-current assets</b>	<b>2,521,133</b>	<b>2,607,131</b>
<b>Total assets</b>	<b>3,295,230</b>	<b>5,046,939</b>
<b>Current liabilities</b>		
Payables and other payables	1,927,295	2,679,550
Lease liability	46,664	88,992
Loan from A.C.R. Equipment (HK) Ltd	696,000	696,000
Loan from Super Link Company Ltd	2,631,579	2,656,827
Provisions	164,414	157,541
<b>Total current liabilities</b>	<b>5,465,952</b>	<b>6,278,910</b>
<b>Non-current liabilities</b>		
Lease liability	-	46,664
Provisions	7,660	7,660
<b>Total non-current liabilities</b>	<b>7,660</b>	<b>54,324</b>
<b>Total liabilities</b>	<b>5,473,612</b>	<b>6,333,234</b>
<b>Net (liabilities) / assets</b>	<b>(2,178,382)</b>	<b>(1,286,295)</b>
<b>Equity</b>		
Contributed equity	156,838,695	156,838,695
Accumulated losses	(159,017,077)	(158,124,990)
<b>Total equity</b>	<b>(2,178,382)</b>	<b>(1,286,295)</b>

## 5. Consolidated Statement of Changes in Equity

	Attributable to equity holders of the parent		
CONSOLIDATED	Contributed Equity \$	Accumulated Losses \$	Total Equity \$
At 1 January 2022	155,638,695	(156,292,620)	546,075
Loss for the year	-	(1,832,370)	(1,832,370)
<b>Total comprehensive income / (loss) for the year</b>	<b>-</b>	<b>(1,832,370)</b>	<b>(1,832,370)</b>
Transactions with owners as their capacity of owners	-	-	-
<b>As at 31 December 2022</b>	<b>156,838,695</b>	<b>(158,124,990)</b>	<b>(1,286,295)</b>

	Attributable to equity holders of the parent		
CONSOLIDATED	Contributed Equity \$	Accumulated Losses \$	Total Equity \$
At 1 January 2023	156,838,695	(158,124,990)	(1,286,295)
Loss for the year	-	(892,087)	(892,087)
<b>Total comprehensive income / (loss) for the year</b>	<b>-</b>	<b>(892,087)</b>	<b>(892,087)</b>
Transactions with owners as their capacity of owners	-	-	-
<b>As at 31 December 2023</b>	<b>156,838,695</b>	<b>(159,017,077)</b>	<b>(2,178,382)</b>

## 6. Consolidated Statement of Cash Flows

	31 December 2023 \$	31 December 2022 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	1,985,287	841,813
Payments to suppliers and employees	(2,715,791)	(1,256,010)
<b>Net cash (used in) operating activities</b>	<b>(730,504)</b>	<b>(414,197)</b>
<b>Cash flows related to investing activities</b>		
Proceeds from sale of investments	-	621,393
Interest and other items of similar nature received	634	19,864
<b>Net cash provided by investing activities</b>	<b>634</b>	<b>641,257</b>
<b>Cash flows from financing activities</b>		
Payment for principal portion of lease liabilities	(93,376)	(91,545)
<b>Net cash (used in) financing activities</b>	<b>(93,376)</b>	<b>(91,545)</b>
<b>Increase in / (provided by) cash held</b>	<b>(823,246)</b>	<b>135,515</b>
Cash at beginning of year	1,470,062	1,334,547
<b>Cash at end of year</b>	<b>646,816</b>	<b>1,470,062</b>

### 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 2023 \$	31 December 2022 \$
Cash on hand and at bank	646,816	1,470,062
<b>Total cash at end of year</b>	<b>646,816</b>	<b>1,470,062</b>

## 7.1 Consolidated accumulated losses

	31 December 2023 \$	31 December 2022 \$
Accumulated losses at the beginning of the financial year	(158,124,990)	(156,292,620)
Loss from continuing operations	(892,087)	(1,832,370)
<b>Accumulated losses at end of financial year</b>	<b>(159,017,077)</b>	<b>(158,124,990)</b>

## 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 \$(0.0065), based on a net loss for the period attributable to members of \$(892,087) 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	\$(0.0341)	\$(0.0276)

## 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 2023, the Group incurred a loss after income tax for the year of \$892,087 (2022: \$1,832,370 loss). The Group had a negative net asset position of \$2,178,382 (2022 negative \$1,286,295). The Group had a net cash outflow from operating activities of \$730,504 (2022: \$414,197 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 \$3,092,105 (loan and interests) owing to a director related company, Super Link Co. Ltd, \$696,000 (as loan) and \$41,334 (as trade payables) owing to a director related company, A.C.R. Equipment (HK) Ltd, and \$1,317,168 (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 2023.

## **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.

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