MULTISTACK INTERNATIONAL LIMITED
AND CONTROLLED ENTITIES

ABN: 54 007 254 346

CONSOLIDATED FINANCIAL REPORT

31 DECEMBER 2011

MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES
ACN: 007 254 346 ABN: 54 007 254 346

DIRECTORS
T.K.M. Chu (Chairman and Non-executive Director)
S. K Y. Leung (Chief Executive Officer)
S.W. Yan (Executive Director)
Y.N. Chan (Executive Director)
A.H.W Yu (Non-executive Director)

COMPANY SECRETARY
Y.Y. Wong

REGISTERED OFFICE
140 Bernard Street
Cheltenham, Victoria 3192
Australia
Tel: 61-3-8586-8200
Fax: 61-3-8586-8201

SOLICITORS
Minter Ellison

PRINCIPAL BANKERS
HSBC Bank of Australia Limited

SHARE REGISTER
Computershare Investor Services Pty Limited
GPO Box 2975, Melbourne, Vic 3001
Phone: 1300 850 505
Fax: 61 3 9473 2500

AUDITORS
Pitcher Partners

STOCK EXCHANGE
The company is listed on the Australian Stock Exchange. The home exchange is Melbourne.

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DIRECTORS' REPORT

The Directors present their report with the financial report of Multistack International Limited ("Company") and the consolidated financial report of the Group, being the Company and its controlled entities, for the year ended 31 December 2011. Multistack International Limited is a company limited by shares that is incorporated and domiciled in Australia.

DIRECTORS

The names and details of the Directors of the company in office during the financial year and until the date of this report are:

Mr. T. Chu	Chairman and Non-executive Director Bachelor of Laws (University of London), Master of Laws (City University of Hong Kong), Mr. Chu is a solicitor admitted in England and Wales, Hong Kong, Australian Capital Territory and Singapore. Mr. Chu was appointed as director of the company in March 1999 and was elected as Chairman of the Board on 17 May 2004.
Mr. S. Leung	Chief Executive Officer A graduate in Electrical Engineering (Hong Kong Polytechnic), Mr. Leung was a co-founder of the Super Link Group. He has built up substantial manufacturing and distribution resources in the People’s Republic of China since 1981. He has been Chief Executive Officer since 1997 and has been an Executive Director since 1995.
Mr. S. Yan	Executive Director A graduate in Production Engineering, Master of Industrial Engineering (Hong Kong Polytechnic University) and a member of the American Institute of Industrial Engineers, Mr. Yan was a co-founder of the Super Link Group. He has over 20 years’ experience in manufacturing and marketing industrial air conditioning products in the People’s Republic of China. He has been an Executive Director since 1995 and was Chairman between August 1999 and May 2004.
Ms. N. Chan	Executive Director Bachelor in Business (Swinburne University of Technology), Graduate Diploma in Business Systems (RMIT). Ms Chan has substantial experience in the banking industry. She currently oversees all administration for the Multistack Chiller Division in Australia. Ms Chan was appointed to the Board on 26 November 2002.
Mr. A. Yu	Non-executive Director A graduate in Accountancy from Hong Kong Polytechnic University, Mr. Yu is a senior partner of a CPA firm based in Hong Kong with a multi-national client base. His expertise is in mergers and acquisitions particularly in multi-national courier and air-cargo businesses. Mr Yu was appointed as a member of the Board on 16 February 2004.

Directors were in office from the beginning of the financial year until the date of this report, unless otherwise stated.

INTERESTS IN THE SHARES OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the Directors in the shares of the company and related bodies corporate were:

	Multistack International Ltd. Ordinary shares
T. Chu	-
S. Leung	30,202,878
S. Yan	34,692,921
N. Chan	20,000
A. Yu	-

COMPANY SECRETARY

Ms Y. Wong	Company Secretary Bachelor in Business (Victoria University of Technology) and Master in Finance (RMIT). Ms Wong is a CPA and has substantial experience in the banking industry. Ms Wong was appointed Company Secretary on 13 September 2002.

DIRECTORS' REPORT - CONTINUED

PRINCIPAL ACTIVITIES

The principal activities during the year of entities within the Group were:

- marketing of industrial air conditioning equipment, primarily in Australia and Asia;
- international distribution of Multistack water-cooled and air-cooled water chillers; and
- international distribution of heat exchangers.

The Company has sold its manufacturing business in China with effect from 31 December 2008 and the remaining business mainly comprises of marketing and distribution of the industrial air conditioning equipment and a Service Division in Adelaide.

RESULTS, EARNINGS PER SHARE AND DIVIDENDS

Total consolidated revenue from continuing activities in 2011 decreased by 9.97% to $2,181,269. The consolidated loss for the period from continuing activities after tax attributable to members was $189,194.

Basic earnings per share from continuing operations was $(0.0017) (2010: $(0.0012)).

No dividend has been declared or recommended for the financial year ended 31 December 2011.

REVIEW OF OPERATIONS	Jan - Dec 2011 A$	Jan - Dec 2010 A$
Consolidated total revenue from continuing activities	2,181,269	2,422,904
Consolidated profit (loss) from continuing activities after tax	(189,194)	(136,031)
Consolidated profit/(loss) after tax attributable to members	(189,194)	(136,031)

The consolidated group, including the trading entity Dunnair International Ltd, has made a loss after allowing for corporate overheads in the parent entity. Both Dunnair International Ltd and the joint venture Dunnair (Aust) Pty Ltd have benefited from the strong Australian dollar for their imports from China, however, the entities have experienced increased competition in the industry.

The Directors are continuing to review the various proposals and options for the Group. The Directors are determined that any decision made would always be in favour of the best interest of the shareholders.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Directors are continuing to review the various business opportunities for the Company. Appropriate announcement will be made once the Board has come to any conclusion.

SHARE OPTIONS

No options over un-issued shares or interest in the consolidated entity were issued during or since the end of the financial period and there were no options outstanding at the end of the financial year.

DIRECTORS' REPORT - CONTINUED

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

REMUNERATION REPORT

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for Directors and the chief executive officer. The Remuneration Committee determines and reviews compensation of the executive team by assessing the appropriateness of the nature and amount of emoluments of such officers by reference to relevant market conditions and the capacity to pay.

Compensation Policy

The Remuneration Committee is responsible for determining and reviewing compensation arrangements for Directors, the Chief Executive Officer and all other key management personnel. The Board determines and reviews compensation of the executive team by assessing the appropriateness of the nature and amount of compensation of key management personnel by reference to relevant employment and market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Details of the nature and amount of each element of the emolument of each director of the company and the consolidated entity for the financial year are as follows.

2011 Primary Benefits			
Short term benefits			
Director	Salary fees	Non-cash benefits	Total
S. Leung	$52,099	-	$52,099
S. Yan	$52,099	-	$52,099
T. Chu	-	-	-
N Chan	$72,500	$18,200	$90,700
A H Yu	-	-	-
Total	**$176,698**	**$18,200**	**$194,898**

2010 Primary Benefits			
Short term benefits			
Director	Salary fees	Non-cash benefits	Total
S. Leung	$121,466	-	$121,466
S. Yan	$121,466	-	$121,466
T. Chu	-	-	-
N Chan	$68,500	$18,200	$86,700
A H Yu	-	-	-
Total	**$311,432**	**$18,200**	**$329,632**

Base fees are not performance based.

Payment of emoluments to Messrs. Leung and Yan are made in Hong Kong dollars. Messrs. Leung and Yan have agreed to receive only 50% of their entitled emoluments (in Hong Kong dollars) for the year 2011.

No options have been granted to any Directors.

DIRECTORS' REPORT - CONTINUED

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company indemnifies all Directors against any liabilities incurred in the discharge of their duties as Directors of the Company. Nevertheless, each director retains a duty of care and diligence throughout their conduct and oversight of Company affairs. The Company has not insured Directors against costs incurred in defending proceedings for misconduct as permitted by Section 199B of the Corporations Law.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Multistack International Limited and controlled entities support and adhere to the best principles of corporate governance. The company's corporate governance statement is contained in the additional ASX information section of this annual report.

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity.

DIRECTORS' MEETINGS

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

	Board of Directors		**Audit Committee**	
	Eligible to attend	Attended	Eligible to attend	Attended
Mr. T. Chu	3	3	2	2
Mr. S. Leung	3	3	-	-
Mr. S. Yan	3	3	-	-
Ms N. Chan	3	3	-	-
Mr A. Yu	3	3	2	2

As at the date of this report, the Board of Directors had an Audit Committee, a Remuneration Committee and a Nomination Committee. The members of the Audit Committee are Mr A. Yu and Mr T. Chu. The members of the Remuneration committee are Mr T. Chu and Mr A. Yu. The members of the Nomination Committee are Mr S W Yan and Mr S Leung.

The Audit Committee met on 22 February 2011, and 23 August 2011. The Remuneration Committee and the Nomination Committee did not meet during the year as no issue had arisen in the respective field during the relevant period.

EMPLOYEES

The consolidated entity employed 10 employees as at 31 December 2011 (2010: 12 employees).

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 4 January 2012 and 12 March 2012, the newly formed subsidiary Option King Ltd has loaned AUD 311,930 equivalent (RMB 2,000,000) and AUD 233,086 equivalent (RMB 1,500,000) respectively to Mr Yuan Nong. The terms of the loan are due on 31 October 2012 and the borrower must repay in full the principal and interest of the loan in RMB of AUD 545,016 equivalent (RMB 3,500,000) unless an extension has been agreed by both parties. Interest will be charged at the rate of 7.00% per annum payable at date of repayment of the loan.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The business of Multistack comprises Dunnair International Ltd (Dunnair), which includes the Chiller Sales Division in Melbourne and the Service Division in Adelaide, the interest in the joint venture, Dunnair (Aust) Pty Ltd and wholly owned subsidiary Option King Ltd. Dunnair has a consistent client base for modular chillers that have been supplied to the Australian market for over 20 years. Dunnair also supports the overseas agent network in New Zealand, the Philippines, South Korea and the Middle East and provides service and retrofit support. Multistack modular units have established a reputation for durability and reliability. The Service Division in Adelaide, South Australia, is a stable operation supported by a group of customers who normally consider reliability as a prime issue. The overall Dunnair operation has seen a decline in sales over the past few years due to growing competition in the market. Research and development activities have been established in order to combat changing technology and improve Dunnair's position in the market.

DIRECTORS' REPORT - CONTINUED

ENVIRONMENT REGULATION AND PERFORMANCE

The consolidated entity's operations are not subject to any significant environmental Commonwealth or state regulations or laws. The consolidated entity is not aware of any material breaches of any applicable environmental law.

NON-AUDIT SERVICES

Non-audit services are approved by resolution of the audit committee and approval is provided in writing to the board of Directors. Non-audit services provided by the auditors of the consolidated entity during the year, Pitcher Partners, are detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Amounts paid or payable to an auditor for non-audit services provided during the year by the auditor to Multistack International Limited and controlled entities for:

	2011	**2010**
Taxation Services	$6,015	$14,140

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration in relation to the audit for the financial year is included on page 7 of the financial report and forms part of this report.

Signed in accordance with a resolution of the Directors.

T. Chu
Chairman

S. Leung
Director, CEO

Melbourne
30 March 2012

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Multistack International Limited

In relation to the independent audit for the year ended 31 December 2011, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*.

(ii) No contraventions of any applicable code of professional conduct.

D A KNOWLES

30 March 2012

PITCHER PARTNERS

Melbourne

MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES
ABN: 54 007 254 346

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	CONSOLIDATED 2011 $	2010 $
Continuing Operations			
Sale of goods		570,096	870,762
Rendering of services		1,483,786	1,389,769
Total Revenue	2	**2,053,882**	**2,260,531**
Cost of sales		(1,537,124)	(1,540,625)
Gross Profit		**516,758**	**719,906**
Other Income	2	127,387	162,373
Depreciation expense	3	(11,067)	(11,900)
Employee benefits expense		(574,733)	(566,380)
Occupancy expenses		(67,682)	(85,882)
Administration expenses		(133,830)	(265,587)
Other expenses		(202,158)	(253,167)
Reverse prior year loan impairment	8	42,941	45,819
Loss from continuing operations before income tax		**(302,384)**	**(254,818)**
Prior year income tax benefit from R&D tax concession	4	113,190	118,787
Loss from continuing operations after income tax expense		**(189,194)**	**(136,031)**
Loss attributable to members of the parent		**(189,194)**	**(136,031)**
Earnings per share from continuing operations			
Basic earnings per share	18	$(0.0017)	$(0.0012)
Diluted earnings per share	18	$(0.0017)	$(0.0012)
Earnings per share for profit / (loss)			
Basic earnings per share	18	$(0.0017)	$(0.0012)
Diluted earnings per share	18	$(0.0017)	$(0.0012)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	CONSOLIDATED	
	2011	**2010**
	$	**$**
Loss for the year	**(189,194)**	**(136,031)**
Other comprehensive income for the year	**-**	**-**
Total comprehensive expense for the year	**(189,194)**	**(136,031)**
Loss is attributable to:		
Members of the parent	(189,194)	(136,031)
	(189,194)	(136,031)
Total comprehensive expense attributable to:		
Members of the parent	(189,194)	(136,031)
	(189,194)	(136,031)

MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES
ABN: 54 007 254 346

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2011

	Notes	CONSOLIDATED 2011 $	2010 $
ASSETS			
Current Assets			
Cash and cash equivalents	14	3,174,707	3,433,573
Receivables	6	458,586	350,576
Inventories	7	580,584	440,935
Income tax receivable	4	-	118,787
Other current assets		3,000	3,300
Total Current Assets		**4,216,877**	**4,347,171**
Non-Current Assets			
Investment in jointly controlled entity		-	-
Plant and equipment	9	20,954	38,213
Receivables	6	851,477	808,536
Total Non-current Assets		**872,431**	**846,749**
TOTAL ASSETS		**5,089,308**	**5,193,920**
LIABILITIES			
Current Liabilities			
Payables	10	315,528	203,109
Provisions	11	140,969	170,617
Total Current Liabilities		**456,497**	**373,726**
Non-Current Liabilities			
Provisions	11	7,004	5,193
Total Non-current Liabilities		**7,004**	**5,193**
TOTAL LIABILITIES		**463,501**	**378,919**
NET ASSETS		**4,625,807**	**4,815,001**
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	12	155,638,695	155,638,695
Accumulated losses	13	(151,012,888)	(150,823,694)
TOTAL EQUITY		**4,625,807**	**4,815,001**

MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES
ABN: 54 007 254 346

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	Attributable to equity holders of the parent		
	Issued Capital	Accumulated Losses	Total Equity
CONSOLIDATED	**$**	**$**	**$**
At 1 January 2010	**155,638,695**	**(150,687,663)**	**4,951,032**
Loss for the year	-	(136,031)	(136,031)
Other Comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	**(136,031)**	**(136,031)**
Transactions with owners as their capacity of owners	-	-	-
As at 31 December 2010	**155,638,695**	**(150,823,694)**	**4,815,001**

	Attributable to equity holders of the parent		
	Issued Capital	Accumulated Losses	Total Equity
CONSOLIDATED	**$**	**$**	**$**
At 1 January 2011	**155,638,695**	**(150,823,694)**	**4,815,001**
Loss for the year	-	(189,194)	(189,194)
Other Comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	**(189,194)**	**(189,194)**
Transactions with owners as their capacity of owners	-	-	-
As at 31 December 2011	**155,638,695**	**(151,012,888)**	**4,625,807**

MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES
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CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2011

		CONSOLIDATED	
		2011	**2010**
	Notes	**$**	**$**
Cash flows from operating activities			
Receipts from customers		2,171,951	2,783,678
Payments to suppliers and employees		(2,759,460)	(2,992,899)
Interest		103,492	97,903
Finance costs		(6,826)	(7,187)
Income tax refund/(paid)		231,977	-
Net cash flows used in operating activities	14(a)	(258,866)	**(118,505)**
Cash flows from investing activities			
Acquisition of plant and equipment		-	(34,433)
Proceeds from sale of plant and equipment		-	7,419
Proceeds from sale of Chinese operations		-	2,240,000
Net cash flows provided by investing activities		**-**	**2,212,986**
Net increase/(decrease) in cash and cash equivalents		(258,866)	**2,094,481**
Cash and cash equivalents at beginning of year		**3,433,573**	1,339,092
Cash and cash equivalents at end of year	14	**3,174,707**	**3,433,573**

CORPORATE INFORMATION

The financial report of Multistack International Limited and controlled entities for the year ended 31 December 2011 was authorised for issue in accordance with a resolution of the Directors as at the date of this report.

Multistack International Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operation and principal activities of the Group are described on Page 3.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PREPARATION OF THE FINANCIAL REPORT

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Compliance with IFRS

The consolidated financial statements of economic entity also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

B) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

A number of accounting standards and interpretations have been issued at the reporting date but are not yet effective. The directors have not yet assessed the impact of these standards or interpretations.

C) BASIS OF CONSOLIDATION

The consolidated financial reports are those of the Group, comprising Multistack International Limited (parent entity) and all entities, which Multistack International Limited controlled from time to time during the year and at balance date.

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

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All intercompany balances and transactions, including any unrealised profits or losses arising from intra-group transactions, have been eliminated in full on consolidation.

D) FOREIGN CURRENCY TRANSLATION

Both the functional and presentation currency of Multistack International Limited is Australian dollars (A$).

The functional currency of the newly formed wholly owned subsidiary Option King Ltd is HKD.

The functional currency of the dormant subsidiaries based in the United States of America is USD.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Differences relating to translation are taken to the income statement.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

E) PLANT AND EQUIPMENT
Cost and valuation
Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation
Depreciation is provided on a straight-line basis on all plant and equipment.

Major depreciation periods are:	**2011**	**2010**
Plant and equipment	5 years	5 years

F) IMPAIRMENT
Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

G) INVENTORIES
Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:
Raw materials – purchase cost on a first-in, first-out basis;
Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

H) TRADE AND OTHER RECEIVABLES
Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for impairment is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

I) CASH AND CASH EQUIVALENTS
Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flow, cash and cash equivalents consist of cash and cash equivalents as defined above.

J) PROVISIONS
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

K) REVENUE RECOGNITION
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Royalty revenue
Royalties received under exclusive agreement relating to Multistack technology are brought to account in accordance with the terms of each agreement. Royalties are accrued when earned in accordance with the relevant royalty agreement.

Rendering of services
Where the contract outcome can be reliably measured, revenue is recognised by reference to the stage of completion of the transaction. Stage of completion is generally measured by reference to the labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably measured; revenue is recognised only to the extent that costs have been incurred.

Interest
Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

L) INCOME TAX
Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

M) TRADE AND OTHER PAYABLES
Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

N) EMPLOYEE BENEFITS

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

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arises in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits; and
- other types of employee benefits.

O) LEASES

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis. Contingent rentals are recognised as an expense in the financial year in which they are incurred.

P) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The group makes certain estimates and assumption concerning the future, which, by definition will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events which could have a material impact on the assets and liabilities in the next financial year will be disclosed.

The group assesses impairment at each reporting date by evaluating the conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Q) FINANCIAL INSTRUMENTS

Classification

The group classifies its financial instruments in the following categories: loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial instruments at initial recognition.

Loans and Receivables

Loan and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Financial Liabilities

Financial liabilities include trade payables and other creditors.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

R) COMPARATIVES

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

S) JOINT VENTURE

The interest in a joint venture company is accounted for in the consolidated financial statements using the equity method. Under the equity method, the share of profits or losses of the company is recognised in the income statement, and the share of movements in reserves is recognised in the balance sheet.

	Notes	CONSOLIDATED 2011 $	2010 $
2. REVENUES			
Sale of goods		570,096	870,762
Services income		1,483,786	1,389,769
		2,053,882	2,260,531
Other Income			
Foreign currency gains		17,857	15,607
Interest		103,492	97,903
Royalty revenue		-	34,326
Other		6,038	14,537
		127,387	162,373
		2,181,269	2,422,904

3. PROFIT FROM CONTINUING OPERATIONS

Profit from continuing operations before income tax has been determined after the following specific expenses:

	2011	2010
Cost of goods sold		
Changes in inventories of finished goods and work in process	(124,363)	(29,771)
Raw materials and consumables used	(1,412,761)	(1,510,854)
Cost of goods sold	(1,537,124)	(1,540,625)
Employee benefits expense	(574,733)	(566,380)
Depreciation of plant and equipment	(11,067)	(11,900)
Other expenses		
Movement in provisions for impairment	3,363	(14,631)
Writedown of inventory to Net Realisable Value	(12,449)	(40,975)

		CONSOLIDATED	
		2011	2010
4. INCOME TAX	**Notes**	**$**	**$**
(a) Components of tax expense:			
Current tax		-	-
Deferred tax		-	-
Over provision in prior year income tax arising from R&D tax concession		(113,190)	(118,787)
		(113,190)	(118,787)

(b) Prima facie tax payable

The prima facie tax payable on profit/(loss) before income tax is reconciled to the income tax expense as follows:

	2011	2010
Prima facie income tax payable on profit/(loss) before income tax at 30% (2010: 30%)	(90,715)	(76,445)
Add tax effect of:		
- writedowns to recoverable amount	-	7,903
- unused tax losses not brought to account	118,769	95,701
	118,769	103,604
Less tax effect of:		
- other non-assessable items	11,594	27,159
- Impairment write-backs	16,460	-
- over provision in prior year income tax arising from R&D tax concession	113,190	118,787
	141,244	145,946
Income tax benefit attributable to loss	(113,190)	(118,787)

(c) Current tax	2011	2010
Opening	(118,787)	0
R&D claim / refund	(113,190)	(118,787)
Payments received	231,977	0
Closing asset	0	(118,787)

(d) Unused tax losses not brought to account

	2011	2010
Deferred tax balances of the Group are not brought to account at balance date as realisation of the deferred tax assets are not regarded as being probable.	4,712,870	4,594,124

The Group has accumulated significant capital losses following the sale of the Chinese operations. These have not been brought to account as a deferred tax asset as their utilisation is not considered probable.

5. Franking Account

The amount of franking credits available for the subsequent financial year are:

	2011	2010
- franking account balance as at the end of the financial year	1,454,223	1,686,200
- franking credits that will arise from the receipt of income tax refundable as at the end of the financial year.	-	(118,787)
	1,454,223	1,567,413

		CONSOLIDATED	
		2011	**2010**
6. TRADE AND OTHER RECEIVABLES	**Notes**	**$**	**$**
Current			
Trade receivables		471,533	356,388
Provision for impairment	(a)	(14,175)	(10,812)
Sundry receivable		1,228	-
		458,586	345,576
Purchase advances		-	5,000
		-	5,000
Non-current			
Related Party receivables:			
Joint Venture – Dunnair (Aust) Pty Ltd	(b)	1,067,521	1,067,521
Less accumulated impairment		(216,044)	(258,985)
		851,477	808,536
		1,310,063	1,159,112
(a) Movement in provision for impairment			
Balance at beginning of year		(10,812)	(25,443)
- impairment provided for during the year		(3,363)	-
- impairment provision writeback		-	14,631
Balance at end of year		(14,175)	(10,812)
(b) Movement in related party receivable			
Joint Venture:			
Balance at beginning of financial year		808,536	762,717
- reverse prior year loan impairment		42,941	45,819
Carrying amount of related party receivables		851,477	808,536

The above amount is at call and repayable upon demand from Dunnair (Aust) Pty Ltd.

Trade receivables ageing analysis at 31 December is:

	Gross 2011 $	**Impairment 2011 $**	**Gross 2010 $**	**Impairment 2010 $**
Not past due	299,438	-	154,376	-
Past due 31-60 days	66,515	-	88,118	-
Past due 61-90 days	86,331	(9,045)	94,770	(3,177)
Past due more than 91 days	19,249	(5,130)	19,124	(7,635)
	471,533	**(14,175)**	**356,388**	**(10,812)**

	Notes	CONSOLIDATED 2011 $	CONSOLIDATED 2010 $
7. INVENTORIES			
Current			
Raw materials and stores at net realisable value		478,883	294,647
Finished goods at cost		101,701	146,288
Total inventories		580,584	440,935
Write downs of inventories to net realisable value recognised as an expense during the year		12,449	40,975

8. INVESTMENT IN JOINTLY CONTROLLED ENTITY

(i) Investments in Jointly Controlled Entity	Group Interest 2011 $	Group Interest 2010 $	% held by Group 2011	% held by Group 2010
Dunnair (Aust) Pty Ltd (a)	-	-	50%(a)	50% (a)
	-	-		

(a) Effective from 1 July 2004, Multistack International Ltd and controlled entities formed a joint venture namely Dunnair (Aust) Pty Ltd (formerly Dunnair (Vic Sales) Pty Ltd) with Rogton Pty Ltd. Each party has a 50% ownership interest.

The reporting date of Dunnair (Aust) Pty Ltd is 30 June each year.

The carrying value of this joint venture is $Nil due to the effect of equity accounting losses being offset against the initial cost of the investment (including loans and advances).

	CONSOLIDATED 2011 $	CONSOLIDATED 2010 $
(ii) Share of jointly controlled entity's balance sheet:		
Current assets	1,647,104	1,280,394
Non-current assets	10,215	15,990
Current liabilities	(1,807,079)	(1,502,857)
Net Deficiency	(149,760)	(206,473)
(iii) Share of jointly controlled entity's revenue and profit:		
Revenue	2,041,208	1,597,772
Profit (Loss) before tax	179,187	78,214
Income tax	(136,246)	-
Profit after income tax	42,941	78,214

	CONSOLIDATED 2011 $	2010 $
9. PLANT & EQUIPMENT		
Plant and equipment at cost	268,226	311,405
Accumulated depreciation	(247,272)	(273,192)
Net carrying amount	20,954	38,213
Reconciliation		
Plant and equipment		
Carrying amount at beginning	38,213	25,790
Additions	-	34,433
Disposals	(6,192)	(10,110)
Depreciation expense	(11,067)	(11,900)
Closing carrying amount	20,954	38,213

10. TRADE AND OTHER PAYABLES

Current

	2011 $	2010 $
Trade payables	207,913	108,401
Sundry creditors	107,615	94,708
	315,528	203,109

	Notes	CONSOLIDATED 2011 $	2010 $
11. PROVISIONS			
Current			
Employee entitlements		128,969	138,467
Warranty claims	12 (a) (b)	12,000	32,150
		140,969	170,617
Non-current			
Employee entitlements		7,004	5,193
		7,004	5,193
Aggregate employee benefits liability		135,973	143,660

(a) Provision for Warranty

All entities in the wholesale and retail operations provide for warranties under which faulty products are repaired or replaced.

(b) Movements in provisions

	2011	2010
(i) Warranty Claims		
Carrying amount at the beginning of the financial year	32,150	32,150
Provision writeback for warranty claims	(20,150)	-
Carrying amount at the end of the financial year	12,000	32,150

12. CONTRIBUTED EQUITY

a) Issued paid up capital

	2011	2010
112,303,924 ordinary shares fully paid	155,638,695	155,638,695

b) Terms and Conditions of contributed equity

Ordinary Shares

Ordinary shares have the right to receive dividends as declared, and in the event of winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

c) Capital Management

When managing capital, management's objective is to ensure the consolidated entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cash flows.

	Notes	CONSOLIDATED 2011 $	2010 $

13. ACCUMULATED LOSSES

	Notes	2011 $	2010 $
Accumulated losses	15(a)	(151,012,888)	(150,823,694)

(a) Accumulated losses

	2011 $	2010 $
Balance at beginning of year	(150,823,694)	(150,687,663)
Loss for the year	(189,194)	(136,031)
Total available for appropriation	(151,012,888)	(150,823,694)
Balance at end of year	(151,012,888)	(150,823,694)

14. CASH FLOW INFORMATION

	2011 $	2010 $
Cash at bank and in hand	3,174,707	3,433,573

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

The fair value of cash and cash equivalents is $3,174,707 (2010: $3,433,573)

(a) Reconciliation of the operating profit/(loss) after tax to the net cash flows from operations

	2011 $	2010 $
Operating profit/(loss) after tax	(189,194)	(136,031)
Depreciation of plant and equipment	11,067	11,900
Loss on sale of non current assets	-	2,690
Joint venture contribution to depreciation	6,192	-
Reverse prior year loan impairment	(42,941)	(78,214)
Gain on sale of discontinued operations	-	-
Impairment loss	-	26,344
Joint venture loan impairment	-	32,395
Changes in assets and liabilities		
Decrease / (increase) in receivables	(107,710)	190,644
(Increase) / Decrease in inventory	(139,649)	29,770
(Increase) / Decrease in tax receivable	118,787	(118,787)
(Decrease) / increase in provisions	(27,837)	(12,313)
(Decrease) / increase in trade and other payables	112,419	(66,903)
Net cash (used in) operating activities	(258,866)	(118,505)

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15. PARENT ENTITY DETAILS

Summarised presentation of the parent entity, Multistack International Limited, financial statements:

	2011 $	2010 $
(a) Summarised statement of financial position		
Assets		
Current assets	4,418,287	4,638,725
Non-current assets	-	-
Total assets	4,418,287	4,638,725
Liabilities		
Current liabilities	37,228	48,000
Non-current liabilities	-	-
Total liabilities	37,228	48,000
Net assets	4,381,059	4,590,725
Equity		
Share capital	155,638,695	155,638,695
Retained earnings	(151,257,636)	(151,047,970)
Total equity	4,381,059	4,590,725
(b) Summarised statement of comprehensive income		
Loss for the year	(209,668)	(329,678)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(209,668)	(329,678)

16. INTEREST IN CONTROLLED ENTITIES (NON-CURRENT)

Investment in controlled entities comprises:

	Incorporated in	Beneficial percentage held by Group	
		2011	**2010**
Multistack International Ltd.	Australia		
DunnAir International Limited	Australia	100%	100%
Multistack Inc.	USA	100%	100%
Airflow Holdings Inc.	USA	100%	100%
Controlled entities of Airflow Holdings, Inc.			
Airflow Company	USA	100%	100%
Airflow Licence Inc.	USA	100%	100%
Option King Ltd	Hong Kong	100%	-

Overseas controlled entities carry on business in the country of incorporation.

Ultimate parent
Multistack International Limited is the ultimate Australian holding company.

	CONSOLIDATED	
	2011	2010
	$	$
17. COMMITMENTS AND CONTINGENCIES		
(i) Operating leases (non-cancellable)		
Minimum payments due for buildings leased		
- not later than one year	36,540	31,114
- later than one but not later than two years	37,636	-
- later than two but not later than five years	19,096	
Aggregate lease expenditure contracted for at reporting date	93,272	31,114

18. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of potential ordinary shares outstanding during the year.

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	2011	2010
Reconciliation of earnings used in calculating earnings per share:		
Loss from continuing operations	(189,194)	(136,031)
Profit from discontinued operations	-	-
Loss used in calculating basic earnings per share	(189,194)	(136,031)
Loss used in calculating basic earnings per share	(189,194)	(136,031)
Adjustments	-	-
Earnings used in calculating diluted earnings per shares	(189,194)	(136,031)
Weighted average number of ordinary shares used in calculating basic earnings per share:	112,303,924	112,303,924
Weighted average number of ordinary shares used in calculating diluted earnings per share:	112,303,924	112,303,924
Basic earnings per share for ongoing operations	$(0.0017)	$(0.0012)
Basic earnings per share for discontinued operations	-	-
Total basic earnings per share	**$(0.0017)**	**$(0.0012)**
Diluted earnings per share for ongoing operations	$(0.0017)	$(0.0012)
Diluted earnings per share for discontinued operations	-	-
Total Diluted earnings per share	**$(0.0017)**	**$(0.0012)**

19. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Details of Key Management Personnel

(i) Directors

Mr. T. Chu	Chairman and Non-executive Director
Mr. S. Leung	Chief Executive Officer
Mr. S. Yan	Executive Director
Ms. Y.N. Chan	Executive Director
Mr. A.H.W Yu	Non-executive Director

(ii) Executives

Executive officers are mutually exclusive from Directors. The executive officers are those directly responsible for the operational management and strategic direction of the company and consolidated entity. The Directors believe that following the sale of the Chinese operations, no officer currently falls within this definition.

(b) Shareholdings of Key Management Personnel

Ordinary shares	**Balance 1 January 2011**	**Acquired**	**Sold**	**Balance 31 December 2011**
Directors				
S. Yan	34,692,921	-	-	34,692,921
S. Leung	30,202,878	-	-	30,202,878
N. Chan	20,000	-	-	20,000
T. Chu	-	-	-	-
A Yu	-	-	-	-

Ordinary shares	**Balance 1 January 2010**	**Acquired**	**Sold**	**Balance 31 December 2010**
Directors				
S. Yan	34,692,921	-	-	34,692,921
S. Leung	30,202,878	-	-	30,202,878
N. Chan	20,000	-	-	20,000
T. Chu	-	-	-	-
A Yu	-	-	-	-

There have been no other transactions concerning shares or share options between entities in the reporting entity and Directors of the reporting entity or their director-related entities.

(c) Other transactions and balances with key management personnel

Transactions with director related entities:

Services

Management services provided by Welletin Investment Ltd. (a related party of S. Yan and S. Leung) to Multistack International Limited and its controlled entities were on normal commercial terms and conditions. The aggregate service fees for the year were $104,197 (2010: $242,932).

	CONSOLIDATED	
	2011	**2010**
	$	**$**
20. AUDITORS' REMUNERATION		
Amounts received or due and receivable by the auditors of Multistack International Limited and controlled entities for:		
Audit and review of financial reports	69,075	66,263
Other services		
- tax compliance	6,015	14,140
	75,090	80,403

21. CONTINGENT LIABILITIES
There were no material contingent liabilities or assets at balance date.

22. SUBSEQUENT EVENTS
On 4 January 2012 and 12 March 2012, the newly formed subsidiary Option King Ltd has loaned AUD 311,930 equivalent (RMB 2,000,000) and AUD 233,086 equivalent (RMB 1,500,000) respectively to Mr Yuan Nong. The terms of the loan are due on 31 October 2012 and the borrower must repay in full the principal and interest of the loan in RMB of AUD 545,016 equivalent (RMB 3,500,000) unless an extension has been agreed by both parties. Interest will be charged at the rate of 7.00% per annum payable at date of repayment of the loan.

23. SEGMENT INFORMATION
Industry Segments

The Group operates predominantly in one business and geographical segment being the heating, ventilation and air conditioning (HVAC) industry throughout Australia. The major operations comprise the sale and service of Multistack water and air cooled water chillers used in commercial air-conditioning and process cooling applications. The Group also operates in one segment being the Australia operations only.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly comprise of cash.

The main purpose of these financial instruments is to provide working capital for the Group's operations.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Fair value Interest rate risk
The Group has no interest-bearing debt obligations, the Group also does not have any significant interest-bearing assets other than cash, the Group's income and operating cash flows therefore are not materially exposed to changes in market interest rates.

Liquidity risk
The Group has no debt obligations other than trade and sundry creditors. All payables are expected to settle within 60 days.

Foreign currency risk
All Group's sales are denominated in the functional currency of the operating unit making the sale, whilst about 77% of costs are denominated in the unit's functional currency.

The Group does not seek to hedge this exposure.

The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency exposures.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The group does not actively mitigate these risks nor does it have a strategy in place for the future to do so. The risk is measured using sensitivity analysis.

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

The group minimizes credit risk in relation to cash balances by holding cash on deposit with a major Australian bank.

The company minimises concentrations of credit risk in relation to trade accounts receivable by undertaking transactions with a large number of customers.

Terms and conditions relating to receivables:
(a) Trade - Credit sales are on commercial terms and Credit terms typically in Australia is 60 days from delivery.
(b) Receivables from other persons are on commercial terms and depend upon the region of operation.

25. FINANCIAL INSTRUMENTS

(a) Interest Rate Exposure

The group's exposure to interest rate risk is limited to the cash balances on hand. The effective interest rate received on cash balances for the year ended 31 December 2010 was 2.7% and interest rate received on cash balances for the year ended 31 December 2011 was 3.0%.

DIRECTORS' DECLARATION
31 DECEMBER 2011

The directors declare that the financial statements and notes set out on pages 8 to 28 in accordance with the Corporations Act 2001:

(a) Comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements; and

(b) As stated in note 1 the financial statements also comply with International Financial Reporting Standards; and

(c) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2011 and of its performance for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Multistack International Ltd will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ending 31 December 2011.

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

Dated at Melbourne 30th day of March 2012.

T. Chu

Chairman

S. Leung

Director, CEO

MULTISTACK INTERNATIONAL LIMITED
54 007 254 346
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
MULTISTACK INTERNATIONAL LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Multistack International Ltd and controlled entities, which comprises the consolidated statement of financial position as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. 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.

MULTISTACK INTERNATIONAL LIMITED
54 007 254 346
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
MULTISTACK INTERNATIONAL LIMITED

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

(a) the financial report of Multistack International Ltd and controlled entities is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date; and

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

(b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in page 4 of the directors' report for the year ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Multistack International Ltd and controlled entities for the year ended 31 December 2011 complies with section 300A of the *Corporations Act 2001*.

D A KNOWLES
Partner

Date

30 March 2012

PITCHER PARTNERS
Melbourne

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current at 1 March 2012.

CLASS OF SHARES AND VOTING RIGHTS.

There are 501 registered holders of ordinary shares of the company. All ordinary shares carry one vote per share.

TWENTY LARGEST SHAREHOLDERS.

Name	Number of shares held	% held	Substantial shareholder interest
Mr Siu Wai Yan	29,073,358	25.89	64,895,799
Mr S Leung	28,405,454	25.29	64,895,799
China Agents Ltd.	7,678,390	6.84	
Mr Antonius Clemens Maria Bohnenn	7,251,505	6.46	
Mr Graham G Coningsby	3,986,831	3.55	
Weyman Investment Ltd.	3,428,000	3.05	
Mr Trevor Neil Hay	3,186,863	2.84	
National Nominees Limited	3,016,854	2.69	
Opal Mine Enterprises Ltd.	2,500,000	2.23	64,895,799
PRC Ltd.	2,500,000	2.23	64,895,799
Welletin Investment Ltd.	1,672,000	1.49	64,895,799
UOB Kay Hian Pte Ltd	1,322,377	1.18	
National Australia Trustees Ltd.	1,218,376	1.08	
Galufo Pty. Ltd.	1,099,000	0.98	
ECS Holdings Pty Ltd	938,126	0.84	
GA & AM Leaver Investments Pty Ltd	920,826	0.82	
JP Morgan Nominees Australia Ltd	649,987	0.58	
Mr William Oldjohn	618,362	0.55	
HSBC Custody Nominees (Australia) Ltd	610,142	0.54	
Miss B J Tan	515,000	0.46	
Total	100,591,451	89.57	

The twenty largest shareholders hold 89.6% of the ordinary shares of the company.
Messrs. Yan and Leung through their interests in the above entities are registered as having a substantial shareholder interest.
There is no on-market buy-back currently in progress

DISTRIBUTION OF SHAREHOLDERS

Ordinary shares

Range	Holders	Shares
1 - 1,000	63	38,205
1,001 - 10,000	263	1,166,437
10,001 - 100,000	132	4,867,633
100,001+	43	106,231,649
TOTAL	**501**	**112,303,924**

DIVIDEND REINVESTMENT PLAN

This plan is currently suspended.

CORPORATE GOVENANCE STATEMENT

The Board of Directors of Multistack International Limited has the responsibility for the corporate governance of the Group. The Board guides and monitors the business and the affairs of the Group on behalf of the shareholders.

The Corporate Governance Statement of Multistack International Limited is structured with reference to the Australian Stock Exchange Corporate Governance Council's principles and recommendations. Directors and management of Multistack International Limited and controlled entities are committed to high standards of corporate governance. The Board of Directors oversee the consolidated entity and performs its functions on behalf of shareholders. The goals of good corporate governance adopted by the Directors and Management of Multistack International Limited and controlled entities are to ensure alignment of Directors and shareholders interests. The following principles are adopted.

Principle 1. Lay foundations for management and oversight
Principle 2. Structure the board to add value
Principle 3. Promote ethical and responsible decision making
Principle 4. Safeguard integrity in financial reporting
Principle 5. Make timely and balanced disclosure
Principle 6. Respect the rights of shareholders
Principle 7. Recognise and manage risks
Principle 8. Remunerate fairly and responsibly

The above principles were in place throughout the financial year ending 31 December 2011. With the exception of the departures from the Corporate Governance Council recommendations in relation to the independence of the board as detailed below, the corporate governance practices of Multistack International Limited and controlled entities were compliant with the Council's best practice recommendations.

Board composition:
The Board, currently chaired by a non-executive director since May 2004, ordinarily comprises Directors with an appropriate range of qualifications and experience. It meets at least half yearly in either Hong Kong or Melbourne with other teleconferences convened as required.

The Directors in office at the date of this statement are:
Terence Chu, Chairman & Independent Non-executive Director
Yan Siu Wai, Executive Director
Stephen Leung Kwok-Yin, Managing Director, CEO
Yim Ni Chan, Executive Director
Allan Yu, Independent Non-executive Director

Independence
Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent Directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of unfettered and independent judgement. In accordance with this definition, the following Directors are not considered to be independent:

Mr S W Yan - Executive Director; Mr S Leung - Chief Executive Officer and Ms Y Chan – Executive Director

Of the five Board members, three Directors listed above are not considered to be independent when applying the Council's definition of independence. Therefore the majority of the Board are not independent. With the consideration of the industry experience and the specific expertise of its Board members, also the existing size of operations, the Board has considered the current composition adequate and will consider appointment of more independent Directors as the operations expand.

Diversity policy
Multistack due to its board size and long standing tenure of the board has not put in place a diversity policy at this point in time.

ASX ADDITIONAL INFORMATION - continued

CORPORATE GOVENANCE STATEMENT (CONT'D)

Board responsibilities

The Board of Directors of Multistack International Limited and controlled entities is responsible for the direction and supervision of the Company's businesses on behalf of the shareholders and the other stakeholders in the Company, including employees, lenders and the wider communities to which the Company belongs.

The Board insists on the highest ethical standards of the Company's conduct with its customers, suppliers, employees, and regulatory authorities; indeed, all the Company's dealings are expected to reflect the highest standards of honesty, integrity and professionalism. Ethical issues are reported as a matter of course to the Audit Committee.

Every year, the Board ordinarily reviews and approves a strategic plan for the Group and its one-year operating plan, including the annual operating and capital budgets. At each half-yearly meeting, the Board reviews progress against the strategic plan.

The Board separately receives submissions from the management on major capital expenditures, acquisitions and disposals of significant assets or other material investment issues. Every year the Board requires a summary report from the management on succession planning and management development.

The Company indemnifies all Directors against any proper liabilities incurred in the discharge of their duties as Directors of the Company. Nevertheless, each director retains a duty of care and diligence throughout their conduct and oversight of Company affairs.

Audit Committee
Mr Allan Yu (Independent Non-executive director) chairs the Audit Committee. The members of the audit committee were: Mr A. H Yu and Mr T. Chu

The Committee monitors the adequacy of internal financial controls and ensures with the external auditors that the annual statutory audit and the half-yearly review are conducted effectively and cost-effectively. It also monitors changes in accounting standards and their potential effect on the Company's financial statements.

It continuously monitors the Company's compliance with the Continuous Disclosure policies of the Australian Stock Exchange and oversees the Company's annual reports, media and ASX announcements.

It reviews accounting procedures and the speed, accuracy and reliability of financial reporting and monitors the management responses thereto.

External auditors may ordinarily meet with the Chairman of the Audit Committee to discuss any issue at any time without reference to executive management.

The Audit Committee met on 22 February 2011 and 23 August 2011 to discuss issues relating to the financial reporting for 31 December 2010 and the half-yearly review ending 30 June 2011 respectively.

Remuneration Committee
The members of the Remuneration committee are Mr T. Chu and Mr A. Yu. During the year ended 31 December 2011, the remuneration committee did not meet as remuneration policies were not reviewed during the period.

Nomination Committee
The members of the Nomination Committee are Mr S W Yan and Mr S Leung. During the year ended 31 December 2011, the nomination committee did not meet as there were no changes to board membership proposed during the period.