MULTISTACK INTERNATIONAL LIMITED
AND CONTROLLED ENTITIES

ABN: 54 007 254 346

CONSOLIDATED FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES
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 - CONTINUED

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 2012 and auditor's report thereon. Multistack International Limited is a company limited by shares that is incorporated and domiciled in Australia. This financial report has been prepared in accordance with Australian Accounting Standards.

DIRECTORS

The names and details of the Directors of the company in office during the financial year and until the date of this report, including the qualifications, experience and special responsibilities of each person are provided below, together with details of the company secretary.

Mr. T. Chu	Chairman and Non-executive Director Member of Audit Committee and Remuneration Committee 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 and Executive Director Member of Nomination Committee 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 Member of Nomination Committee 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 Member of Audit Committee and Remuneration Committee 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.

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 prior experience in the banking industry. Ms Wong was appointed Company Secretary on 13 September 2002.

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	-

PRINCIPAL ACTIVITIES

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

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

The Company has sold its manufacturing business in China with effect from 31 December 2008 and the remaining business mainly comprise of marketing and distribution of the industrial air conditioning equipment and a Service Division in Adelaide. There have been no significant changes in the nature of these activities during the financial year.

RESULTS, EARNINGS PER SHARE AND DIVIDENDS

Total consolidated revenue from continuing activities in 2012 decreased by 23.87% to $1,660,654. The consolidated loss for the period from continuing activities after tax attributable to members was $505,630, (2011: $189,194).

Basic earnings per share was $(0.0045) (2011: $(0.0017)).

DIVIDENDS

No dividend has been declared or recommended for the financial year ended 31 December 2012, (2011:nil).

REVIEW OF OPERATIONS

	Jan - Dec 2012 A$	Jan - Dec 2011 A$
Consolidated total revenue from	1,660,654	2,181,269
Consolidated profit/(loss) from activities after tax	(505,630)	(189,194)
Consolidated profit/(loss) after tax attributable to members	(505,630)	(189,194)

The trading entity, Dunnair International Limited, has incurred losses. The company has raised an additional provision of $121,271 against some doubtful debts as recorded in the administrative expenses. The company has also raised an additional provision for stock obsolescence of $122,648. The joint venture (JV) DunnAir (Aust) Pty Ltd has also incurred losses, however as at 31 December 2012 the JV has about $3.9 million of outstanding orders to be delivered in 2013. Both Dunnair International Ltd and the joint venture Dunnair (Aust) Pty Ltd have experienced a difficult year from the slowing economy and keen competition in the industry, nevertheless, the strong Australian dollar for the imports from China has compensated the margin.

The Directors are continuing to review the various opportunities for the Group and have been actively identifying potential investment opportunities in both the People’s Republic of China as well as in Australia.

During the year, the Hong Kong based subsidiary, Option King Ltd, has loaned RMB 3,500,000 (AUD $545,016) to Mr Yuan Nong for the purpose of assessing the potential of one such investment opportunity. The financial instrument (receivable) was originally due for repayment on 31 October 2012 and it has been extended to a further 6 months which is now due on 30 April 2013. The borrower must repay in full the principal (RMB 3,500,000) and interest on the loan at the rate of 7.00% per annum payable at date of repayment of the loan. Mr Geng Qin has provided a guarantee over the loan.

These funds have been loaned with an option for the group to convert the financial instrument (receivable) into an equity investment along with Mr Yuan Nong and Mr Geng Qin. If the option is exercised Option King will acquire shares in a company currently controlled by Mr Geng Qin that has the licence to mine a mine in the People’s Republic of China. The decision to exercise the option is contingent on the outcome of geology reports in relation to the tenements at the mining site.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes other than as disclosed above in the consolidated entity’s state of affairs during the financial year. The Directors are continuing to review the various business opportunities for the Company. Appropriate announcements will be made once the Board has come to any conclusion.

SHARE OPTIONS

No options over un-issued shares or interests 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 directors present the consolidated entity's 2012 remuneration report which details the remuneration information for Multistack International Limited's executive directors, non-executive directors and other key management personnel.

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for Directors and the Chief Executive Officer. There is no formal Board policies in place and the key management personnel are contracted to ongoing employment contracts. 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. In regards to the performance of the Group over the past four years, there has been a downsize in the operation and a decline in performance due to the sale of the manufacturing business in China in 2008, accordingly there has been no bonus payments made to directors or other key management personnel during this time. Further salaries for the key management personnel have been adjusted accordingly to the performance of the Group and have in turn substantially decreased since the sale.

The Remuneration Committee did not meet during the year as no issue had arisen in the respective field during the relevant period.

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. The company has not utilised the services of a Remuneration Consultant during the year or up to the date of this report.

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.

2012 Primary Benefits				
	Short term benefits		Post employment benefits	
Director	Salary fees	Non-cash benefits	Superannuation	Total
S. Leung	$55,557	-	-	$55,557
S. Yan	$55,557	-	-	$55,557
T. Chu	-	-	-	-
N Chan	$74,000	$18,200	$9,620	$101,820
A H Yu	-	-	-	-
Y. Wong	$74,000	$18,200	$9,620	$101,820
Total	**$259,114**	**$36,400**	**$19,240**	**$314,754**

2011 Primary Benefits				
	Short term benefits		Post employment benefits	
Director	Salary fees	Non-cash benefits	Superannuation	Total
S. Leung	$52,099	-	-	$52,099
S. Yan	$52,099	-	-	$52,099
T. Chu	-	-	-	-
N Chan	$72,500	$18,200	$9,425	$100,125
A H Yu	-	-	-	-
Y. Wong	$72,500	$18,200	$9,425	$100,125
Total	**$249,198**	**$36,400**	**$18,850**	**$304,448**

DIRECTORS' REPORT - CONTINUED

REMUNERATION REPORT- CONTINUED

Employee benefits are not performance based.

Payment of emoluments to Messrs. Leung and Yan are made in Hong Kong dollars. Messrs. Leung and Yan have continued to agree to receiving only 50% of their entitled emoluments (in Hong Kong dollars) for the 2012 year.

No options or bonus payments have been granted to any Directors.

At the company's most recent AGM, the Remuneration Report was unanimously voted in favour of. No further comments were made on the remuneration report at the AGM.

This marks the end of the audited Remuneration Report.

INDEMNIFICATION OF DIRECTORS, OFFICERS AND AUDITORS

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any directors, officers or auditors of the Group.

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**		**Remuneration Committee**		**Nomination Committee**	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Mr. T. Chu	4	4	2	2	-	-	-	-
Mr. S. Leung	4	4	-	-	-	-	-	-
Mr. S. Yan	4	4	-	-	-	-	-	-
Ms N. Chan	4	4	-	-	-	-	-	-
Mr A. Yu	4	4	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 24 February 2012, and 22 August 2012. 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 11 employees and 5 Directors as at 31 December 2012 (2011: 10 employees and 5 Directors).

DIRECTORS' REPORT - CONTINUED

SIGNIFICANT EVENTS AFTER THE BALANCE DATE
No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

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.

During the year, the Hong Kong based subsidiary, Option King Ltd, has loaned RMB 3,500,000 (AUD $545,016) to Mr Yuan Nong for the purpose of assessing the potential of one such investment opportunity. The financial instrument (receivable) was originally due for repayment on 31 October 2012 and it has been extended for a further 6 months which is now due on 30 April 2013. The borrower must repay in full the principal (RMB 3,500,000) and interest on the loan at the rate of 7.00% per annum payable at date of repayment of the loan. Mr Geng Qin has provided a guarantee over the loan.

These funds have been loaned with an option for the group to convert the financial instrument (receivable) into an equity investment along with Mr Yuan Nong and Mr Geng Qin. If the option is exercised Option King will acquire shares in a company currently controlled by Mr Geng Qin that has the licence to mine a mine in the People's Republic of China. The decision to exercise the option is contingent on the outcome of geology reports in relation to the tenements at the mining site.

The Directors are continuing to review the various opportunities for the Group and have been actively identifying potential investment opportunities in both the People's Republic of China as well as in Australia. The Directors are continuing to review the various business opportunities for the Company. Appropriate announcements will be made once the Board has come to any conclusion.

ENVIRONMENT REGULATION AND PERFORMANCE
The consolidated entity's operations are not subject to any significant environmental Commonwealth or state regulations or laws.

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:

	2012	**2011**
Taxation Services	$6,275	$6,015

AUDITOR'S INDEPENDENCE DECLARATION
The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is included on page 8 of the financial report and forms part of this report.

DIRECTORS' REPORT - CONTINUED

Signed in accordance with a resolution of the Directors.

T. Chu
Chairman

S. Leung
Director, CEO

Melbourne
21 March 2013

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Multistack International Limited

In relation to the independent audit for the year ended 31 December 2012, to the best of my knowledge and belief there have been:

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

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

D A KNOWLES
Partner
21 March 2013

PITCHER PARTNERS
Melbourne

MULTISTACK INTERNATIONAL LIMITED AND CONTROLLED ENTITIES

ABN: 54 007 254 346

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	CONSOLIDATED 2012 $	2011 $
Continuing Operations			
Sale of goods		353,652	570,096
Rendering of services		1,171,092	1,483,786
Total Revenue	2	**1,524,744**	**2,053,882**
Cost of sales	3	(1,032,787)	(1,537,124)
Gross Profit		**491,957**	**516,758**
Other Income	2	108,886	127,387
Depreciation expense	3	(4,336)	(11,067)
Employee benefits expense	3	(551,603)	(574,733)
Occupancy expenses		(65,767)	(67,682)
Administration expenses		(273,354)	(133,830)
Stock impairment	3	(122,648)	
Reverse prior year loan impairment		-	42,941
Other expenses		(211,358)	(202,158)
		(1,120,180)	(946,529)
Share of profits (losses) of joint venture accounted for using the equity method	10	(11,640)	-
Loss from before income tax		**(639,863)**	**(302,384)**
Prior year income tax benefit from R&D tax concession	4	134,233	113,190
Loss for the year		**(505,630)**	**(189,194)**
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations, net of tax		27,024	-
Total comprehensive income for the year		**(478,606)**	**(189,194)**
Total comprehensive income attributable to:			
Members of the parent		(478,606)	(189,194)
Earnings per share for loss			
Basic earnings per share	20	$(0.0045)	$(0.0017)
Diluted earnings per share	20	$(0.0045)	$(0.0017)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Notes	CONSOLIDATED 2012 $	2011 $
ASSETS			
Current Assets			
Cash and cash equivalents	16	637,582	3,174,707
Financial assets	8	1,667,081	-
Receivables	6	804,895	458,586
Inventories	7	531,637	580,584
Other current assets	9	2,700	3,000
Total Current Assets		**3,643,895**	**4,216,877**
Non-Current Assets			
Plant and equipment	11	10,426	20,954
Receivables	6	839,834	851,477
Total Non-current Assets		**850,260**	**872,431**
TOTAL ASSETS		**4,494,155**	**5,089,308**
LIABILITIES			
Current Liabilities			
Payables	12	176,670	315,528
Provisions	13	167,769	140,969
Total Current Liabilities		**344,439**	**456,497**
Non-Current Liabilities			
Provisions	13	2,515	7,004
Total Non-current Liabilities		**2,515**	**7,004**
TOTAL LIABILITIES		**346,954**	**463,501**
NET ASSETS		**4,147,201**	**4,625,807**
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	14	155,638,695	155,638,695
Accumulated losses	15(b)	(151,518,518)	(151,012,888)
Reserves	15(a)	27,024	-
TOTAL EQUITY		**4,147,201**	**4,625,807**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

		Attributable to equity holders of the parent		
CONSOLIDATED	**Issued Capital $**	**Reserves $**	**Accumulated Losses $**	**Total Equity $**
At 1 January 2011	**155,638,695**	**-**	**(150,823,694)**	**4,815,001**
Loss for the year	-	-	(189,194)	(189,194)
Exchange differences on translation of foreign operations	-	-	-	-
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**

		Attributable to equity holders of the parent		
CONSOLIDATED	**Issued Capital $**	**Reserves $**	**Accumulated Losses $**	**Total Equity $**
At 1 January 2012	**155,638,695**	**-**	**(151,012,888)**	**4,625,807**
Loss for the year	-	-	(505,630)	(505,630)
Exchange differences on translation of foreign operations	-	27,024	-	27,024
Total comprehensive income for the year	**-**	**27,024**	**(505,630)**	**(478,606)**
Transactions with owners as their capacity of owners	-	-	-	-
As at 31 December 2012	**155,638,695**	**27,024**	**(151,518,518)**	**4,147,201**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

		CONSOLIDATED	
		2012	**2011**
	Notes	**$**	**$**
Cash flows from operating activities			
Receipts from customers		1,826,155	2,171,951
Payments to suppliers and employees		(2,323,240)	(2,759,460)
Interest		55,090	103,492
Finance costs		(17,266)	(6,826)
Income tax refund/(paid)		134,233	231,977
Net cash flows used in operating activities	16(b)	**(325,028)**	**(258,866)**
Cash flows from investing activities			
Payment to Yuan Nong		(545,016)	-
Investment in financial instruments		(1,667,081)	-
Net cash flows used in investing activities		**(2,212,097)**	**-**
Net decrease in cash and cash equivalents		**(2,537,125)**	**(258,866)**
Cash and cash equivalents at beginning of year		**3,174,707**	**3,433,573**
Cash and cash equivalents at end of year	16(a)	**637,582**	**3,174,707**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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*.

The financial report covers Multistack International Limited and controlled entities as a consolidated entity. Multistack International Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. Multistack International Limited is a for profit entity for the purpose of preparing the financial statements.

The financial report covers Multistack International Limited and controlled entities for the year ended 31 December 2012 was authorised for issue in accordance with a resolution of the Directors as at the date of this report.

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

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

Historical cost convention
The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

Going concern
The financial report has been prepared on a going concern basis.

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.

AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities, revised* AASB 127 *Separate Financial Statements and* AASB 128 *Investments in Associates and Joint Ventures and* AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013)

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities.* The standard fundamentally changes the way control is defined for the purpose of identifying those entities to be included in the consolidated financial statements. It focuses on the need to have power over the investee, rights or exposure to variable returns and ability to use the power to affect the amount of its returns. Returns must vary and can be positive, negative or both. There is also new guidance on substantive rights versus protective rights and on agent versus principal relationships. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the accounting for consolidation.

B) New Accounting Standards and Interpretations - continued

AASB 11 does not focus on the legal structure of joint arrangements, but rather on how and what rights and obligations are shared between parties. If the parties share the right to the net assets of the joint arrangement, these parties are parties to a joint venture. A joint venture accounts for an investment in the arrangement using the equity method, and the choice to proportionately consolidate will no longer be permitted. If the parties share the right to the separate assets and obligations for the liabilities of the joint arrangement, these parties are parties to a joint operation. A joint operator accounts for assets, liabilities and corresponding revenues and expenses arising from the arrangement by recognising their share of interest in each item.

The consolidated entity does not expect AASB 10 and AASB 11 to have a significant impact on its composition, and have concluded that it is not applicable to the current entity structure.

AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 introduces a fair value framework for all fair value measurements in the full suite of accounting standards. This standard explains how to measure fair value and aims to enhance fair value disclosures. The consolidated entity has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

The consolidated entity does not expect to adopt the new standard before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 31 December 2013.

Other standards and interpretations have been issued at the reporting date but are not yet effective. When adopted, these standards and interpretations are likely to impact on the financial information presented, however the assessment of impact has not yet been completed.

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 and its wholly owned subsidiary DunnAir International Limited is Australian dollars (A$).

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

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, over the estimated useful lives commencing from the time the asset is held ready for use.

Major depreciation periods are:	**2012**	**2011**
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, cash in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Consolidated Statement of Cash Flows, 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.

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.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rate when the assets are expected to be recovered or liabilities are settled. No deferred tax asset or liability is recognised in relation to temporary differences 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 deductible 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.

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

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 are disclosed below:

Impairment of financial assets other than goodwill

The group assesses impairment at each reporting date by evaluating the conditions specific to the group and to a particular asset that may lead to impairment of assets. These include adverse changes in the economic or political environment, technology changes and future expectations. If an impairment trigger exists, then the recoverable amount of the asset is to be evaluated. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. The Group has identified the impairment of receivables, including the recoverability of loan to Yuan Nong (Note 6) as an area under which judgements and assumptions are made, where actual results may differ from those estimates under different assumptions and conditions.

Q) FINANCIAL INSTRUMENTS

Classification

The group classifies its financial instruments in the following categories: financial assets at fair value through profit and loss and 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.

Financial Assets at Fair Value through Profit and Loss

Investments in listed securities are carried at fair value through profit and loss. They are measured at their fair value at each reporting date and any increment or decrement in fair value from the prior period is recognised in the profit and loss of the current period. Fair value of listed investments are based on closing bid prices at the reporting date.

Non-listed investments for which fair value cannot be reliably measured, are carried at cost and tested for impairment.

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 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. Details relating to the joint venture entity are set out in Note 10.

T) GOODS AND SERVICES TAX (GST)

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

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

	CONSOLIDATED	
	2012	**2011**
	$	**$**
2. REVENUES		
Sale of goods	353,652	570,096
Services income	1,171,092	1,483,786
	1,524,744	2,053,882
Other Income		
Foreign currency gains	6,262	17,857
Interest	90,505	103,492
Royalty revenue	-	-
Other	12,119	6,038
	108,886	127,387
	1,633,630	2,181,269

3. LOSS FROM CONTINUING OPERATIONS

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

Cost of goods sold		
Changes in inventories of finished goods and work in process	73,701	(124,363)
Raw materials and consumables used	(1,106,488)	(1,412,761)
Cost of goods sold	(1,032,787)	(1,537,124)
Employee benefits expense	(551,603)	(574,733)
Depreciation of plant and equipment	(4,336)	(11,067)
Other expenses		
Movement in provisions for impairment	(121,271)	3,363
Writedown of inventory to Net Realisable Value	(122,648)	(12,449)

	CONSOLIDATED	
	2012	**2011**
4. INCOME TAX	**$**	**$**
(a) Components of tax expense:		
Current tax	-	-
Deferred tax	-	-
Over provision in prior year income tax arising from R&D tax concession	(134,233)	(113,190)
	(134,233)	(113,190)
(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:		
Prima facie income tax payable on profit/(loss) before income tax at 30% (2011: 30%)	(183,852)	(90,715)
Add tax effect of:		
- unused tax losses not brought to account	104,700	118,769
	104,700	118,769
Less tax effect of:		
- other non-assessable items	(5,976)	11,594
- Impairment write-backs	(73,176)	16,460
- over provision in prior year income tax arising from R&D tax concession	134,233	113,190
	55,081	141,244
Income tax benefit attributable to loss	(134,233)	(113,190)
(c) Current tax		
Opening	-	(118,787)
R&D claim	(134,233)	(113,190)
Payments received	134,233	231,977
Closing asset	-	-
(d) Unused tax losses not brought to account		
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.	4,718,999	4,596,404

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:

	2012	2011
• franking account balance as at the end of the financial year	1,319,990	1,454,223
	1,319,990	1,454,223

		CONSOLIDATED	
		2012	**2011**
6. TRADE AND OTHER RECEIVABLES		**$**	**$**
Current			
Trade receivables		369,455	471,533
Accumulated impairment	(a)	(135,446)	(14,175)
Receivable from Yuan Nong	(b)	535,471	-
Accrued Interest receivable from Yuan Nong		35,415	-
Sundry receivable		-	1,228
		804,895	458,586
Non-current			
Related Party receivables:			
Joint Venture – Dunnair (Aust) Pty Ltd		1,067,521	1,067,521
Less accumulated impairment		(227,687)	(216,044)
	(c)	839,834	851,477
(a) Movement in accumulated impairment			
Balance at beginning of year		(14,175)	(10,812)
- impairment provided for during the year		(121,271)	(3,363)
Balance at end of year		(135,446)	(14,175)

(b)Receivable from Yuan Nong

Refer to Note 26 for further details relating to terms and conditions of this receivable. The financial instrument was originally due for repayment on 31 October 2012 and was extended by a further six months and is now due on 30 April 2013, however on 14 March 2013, Mr Yuan Nong repaid RMB 2,000,000 (AUD $307,326). The balance (RMB 1,500,000, AUD $228,145) and interest on the loan at a rate of 7.00% per annum is due as previously agreed. The original loan has been personally guaranteed by Yuan Nong's business associate, Mr Geng Qin and the remaining balance further personally guaranteed on 19 March 2013 by Mr S W Yan, a Director, and the largest shareholder, of Multistack International Limited.

(c) Movement in related party receivable		
Joint Venture:		
Balance at beginning of financial year	851,474	808,533
-share of losses	(11,640)	-
-reverse prior year loan impairment	-	42,941
Carrying amount of related party receivables	839,834	851,474

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

Trade receivables ageing analysis at 31 December is:

	Gross 2012	**Impairment 2012**	**Gross 2011**	**Impairment 2011**
	$	**$**	**$**	**$**
Not past due	95,335	-	299,438	-
Past due 31-60 days	104,127	-	66,515	-
Past due 61-90 days	24,276	-	86,331	(9,045)
Past due more than 91 days	145,717	(135,446)	19,249	(5,130)
	369,455	**(135,446)**	**471,533**	**(14,175)**

	CONSOLIDATED	
	2012	**2011**
	$	**$**
7. INVENTORIES		
Current		
Raw materials and stores at net realisable value	471,978	478,883
Finished goods at cost	59,659	101,701
Total inventories	531,637	580,584
Write downs of inventories to net realisable value recognised as an expense during the year	122,648	12,449
8. FINANCIAL ASSETS		
Current		
Financial Assets at Fair Value Through Profit and Loss		
Barclays Bank PLC, Hong Kong Branch		
Cash	7,062	-
Money Market Deposit Call Interest at 2.375%	47,000	-
FRN Royal Bank of Scotland PLC Coupon: 13.125% Currency: AUD Maturity: 19 March 2022 Callable: 19 March 2017 Bond rating for LTVs: BBB- Interest frequency: semi-annually	805,177	-
ACMBernstein FCP – American Income Portfolio – AT - (AUD) Dividend frequency: monthly	398,996	-
Allianz Global Investors Fund – Allianz US High Yield shs – AMH2 - (AUD) Dividend frequency: monthly	408,846	-
Financial Instruments at Market Value as of 31 December 2012	1,667,081	-

	CONSOLIDATED	
	2012	2011
9. OTHER CURRENT ASSETS	$	$
Prepayments	2,700	3,000

10. INVESTMENT IN JOINTLY CONTROLLED ENTITY

(i) Investments in Jointly Controlled Entity	Group Interest		% held by Group	
	2012	2011	2012	2011
	$	$		
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 the investment in this joint venture is $Nil due to the effect of equity accounting losses being offset against the initial cost of the investment, refer to Note 6 for the details of the carrying value of loans and advances.

(ii) Share of jointly controlled entity's balance sheet:		
Current assets	2,092,325	1,647,104
Non-current assets	7,712	10,215
Current liabilities	(2,293,321)	(1,807,079)
Net deficiency	(193,284)	(149,760)
(iii) Share of jointly controlled entity's revenue and profit:		
Revenue	2,455,103	2,041,208
Profit/(Loss) before tax	(11,640)	179,187
Income tax	-	(136,246)
Profit after income tax	(11,640)	42,941

	CONSOLIDATED 2012 $	2011 $
11. PLANT & EQUIPMENT		
Plant and equipment at cost	57,936	57,936
Accumulated depreciation	(56,202)	(54,326)
Net carrying amount	1,734	3,610
Motor vehicles at cost	210,290	210,290
Accumulated depreciation	(201,598)	(192,946)
Net carrying amount	8,692	17,344
	10,426	20,954
Reconciliation		
Plant and equipment		
Carrying amount at beginning	3,610	6,207
Additions	-	-
Disposals	-	-
Joint venture contribution to depreciation	-	-
Depreciation expense	(1,876)	(2,597)
Closing carrying amount	1,734	3,610
Motor vehicles		
Carrying amount at beginning	17,344	32,006
Additions	-	-
Disposals	-	-
Joint venture contribution to depreciation	(6,192)	(6,192)
Depreciation expense	(2,460)	(8,470)
Closing carrying amount	8,692	17,344
	10,426	20,954

12. TRADE AND OTHER PAYABLES

	2012 $	2011 $
Current		
Trade payables	73,606	207,913
Sundry creditors	103,064	107,615
	176,670	315,528

	Notes	CONSOLIDATED 2012 $	2011 $
13. PROVISIONS			
Current			
Employee entitlements		155,769	128,969
Warranty claims	13 (a) (b)	12,000	12,000
		167,769	140,969
Non-current			
Employee entitlements		2,515	7,004
		2,515	7,004
Aggregate employee benefits liability		158,284	135,973

(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

	2012	2011
Warranty Claims		
Carrying amount at the beginning of the financial year	12,000	32,150
Provision writeback for warranty claims	-	(20,150)
Carrying amount at the end of the financial year	12,000	12,000

14. CONTRIBUTED EQUITY

	2012	2011
a) Issued paid up capital		
112,303,924 ordinary shares fully paid (2011: 112,303,924)	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 2012 $	2011 $
15. RESERVES AND ACCUMULATED LOSSES			
(a) Foreign Currency Translation Reserve			
Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign balances.			
Balance at beginning of year		-	-
Gain (loss) on translation of foreign balance		27,024	-
Balance at the end of the year		27,024	-
Accumulated losses	15(b)	(151,518,518)	(151,012,888)
(b) Accumulated losses			
Balance at beginning of year		(151,012,888)	(150,823,694)
Loss for the year		(505,630)	(189,194)
Total available for appropriation		(151,518,518)	(151,012,888)
Balance at end of year		(151,518,518)	(151,012,888)

16. CASH FLOW INFORMATION

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2012 $	2011 $
Cash on hand	500	500
Cash at bank	637,082	3,174,207
	637,582	3,174,707

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 $637,582 (2011: $3,174,707).

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

	2012 $	2011 $
Operating profit/(loss) after tax	(505,630)	(189,194)
Non-cash items		
Depreciation of plant and equipment	4,336	11,067
Joint venture contribution to depreciation	6,192	6,192
Reverse prior year loan impairment	-	(42,941)
Joint venture loss	11,640	-
Foreign exchange movement on receivable	9,548	-
Foreign exchange movements on translation of foreign operations	27,024	
Changes in assets and liabilities		
(Increase) / decrease in receivables	189,462	(107,710)
(Increase) / decrease in inventory	48,947	(139,649)
(Increase) / decrease in tax receivable	-	118,787
(Decrease) / increase in provisions	22,311	(27,837)
(Decrease) / increase in trade and other payables	(138,858)	112,419
Net cash (used in) operating activities	(325,028)	(258,866)

16 (c) Guarantees
A guarantee of $30,000 is held in relation to outsourced payroll activities

17. PARENT ENTITY DETAILS

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

	2012 $	2011 $
(a) Summarised statement of financial position		
Assets		
Current assets	4,189,974	4,418,287
Non-current assets	-	-
Total assets	4,189,974	4,418,287
Liabilities		
Current liabilities	61,228	37,228
Non-current liabilities	-	-
Total liabilities	61,228	37,228
Net assets	4,128,746	4,381,059
Equity		
Share capital	155,638,695	155,638,695
Retained earnings	(151,509,949)	(151,257,636)
Total equity	4,128,746	4,381,059
(b) Summarised statement of comprehensive income		
Loss for the year	(252,313)	(209,668)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(252,313)	(209,668)

18. INTEREST IN CONTROLLED ENTITIES (NON-CURRENT)

Investment in controlled entities comprises:

	Incorporated in	Beneficial percentage held by Group	
		2012	**2011**
Multistack International Limited	Australia		
DunnAir International Limited	Australia	100%	100%
Option King Ltd	Hong Kong	100%	100%

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

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

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
31 DECEMBER 2012

	CONSOLIDATED	
	2012	**2011**
	$	**$**
19. COMMITMENTS AND CONTINGENCIES		
(i) Operating leases (non-cancellable)		
Minimum payments due for buildings leased		
- not later than one year	37,636	36,540
- later than one but not later than two years	19,096	37,636
- later than two but not later than five years	-	19,096
Aggregate lease expenditure contracted for at reporting date	56,732	93,272

The Group's operating lease commitments relate to the commercial premises in Cheltenham, Australia. The lease was signed for three years on1 July 2011, with minimum lease payments subject to an increase of 3% per annum. An option exists to renew the lease for three further terms of three years each.

20. 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:

	2012	2011
Reconciliation of earnings used in calculating earnings per share:		
Loss from operations	(505,630)	(189,194)
Profit from operations	-	-
Loss used in calculating basic earnings per share	(505,630)	(189,194)
Loss used in calculating basic earnings per share	(505,630)	(189,194)
Adjustments	-	-
Earnings used in calculating diluted earnings per shares	(505,630)	(189,194)
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 operations	$(0.0045)	$(0.0017)
Basic earnings per share for operations	-	-
Total basic earnings per share	**$(0.0045)**	**$(0.0017)**
Diluted earnings per share for ongoing operations	$(0.0045)	$(0.0017)
Diluted earnings per share for discontinued operations	-	-
Total Diluted earnings per share	**$(0.0045)**	**$(0.0017)**

21. 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

Ms Y.Wong	Company Secretary and Chief Financial Officer

(b) Shareholdings of Key Management Personnel

Ordinary shares Directors	Balance 1 January 2012	Acquired	Sold	Balance 31 December 2012
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	-	-	-	-
Y Wong	-	-	-	-

Ordinary shares Directors	Balance 1 January 2011	Acquired	Sold	Balance 31 December 2011
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	-	-	-	-
Y Wong	-	-	-	-

There have been no other transactions concerning shares or share options between entities in the reporting entity and Directors and executives 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 $111,114 (2011: $104,197).

Details of remuneration paid to key management personnel are disclosed in the Directors Report.

There was a loan provided by the parent to Dunnair International in relation to trading activities, a net loan balance of $1,191,362 exists at year end which has been eliminated upon consolidation (2011: $3,401,924).

There were no transactions with other related parties during the year.

	CONSOLIDATED	
	2012	**2011**
	$	**$**
22. 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	88,991	69,075
Other services		
- tax compliance	6,275	6,015
	95,266	75,090

23. CONTINGENT LIABILITIES

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

24. SUBSEQUENT EVENTS

There has been no matter or circumstance, which has arisen since 31 December 2012 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 31 December 2012, of the consolidated entity, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 31 December 2012, of the consolidated entity.

25. 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.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly comprise of cash, bonds, and bond funds.

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.

Interest rate risk

The Group has no interest-bearing debt obligations, the Group has a fixed interest bond, bond funds and cash, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

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 2011 was between 0.05% and 3.0% and interest rate received on cash balances for the year ended 31 December 2012 was between 0.05% and 9.94%. The interest rate on the loan receivable from Yuan Nong was 7%.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
31 DECEMBER 2012

Financial instruments	**Interest bearing**	**Non-interest bearing**	**Total carrying amount**	**Weighted average effective interest rate**	**Fixed / variable rate**
	$	**$**	**$**	**%**	
2012					
(i) Financial assets					
Cash	637,082	500	637,582	1.69	Variable
Receivables	535,471	269,424	804,895	7.00	Fixed
Bonds and Bond funds					
Money Market Deposit Call	47,000	7,062	54,062	2.375	Variable
FRN Royal Bank of Scotland	805,177	-	805,177	9.66	Fixed
ACMBernstein FCP	398,996	-	398,996	9.94	Fixed
Allianz Global Investors Fund	408,846	-	408,846	7.94	Fixed
Total financial assets	2,832,572	276,986	3,109,558		
(ii) Financial liabilities					
Trade creditors	-	73,606	73,606	-	
Sundry creditors	-	103,064	103,064	-	
Total financial liabilities	-	176,670	176,670		
2011					
(i) Financial assets					
Cash	3,174,207	500	3,174,707	2.37	Variable
Receivables	-	458,586	458,586	-	
Bonds and Bond funds	-	-	-	-	
Total financial assets	3,174,207	459,086	3,633,293		
(ii) Financial liabilities					
Trade creditors	-	207,913	207,913	-	
Sundry creditors	-	107,615	107,615	-	
Total financial liabilities	-	315,528	315,528		

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 82% 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.

Sensitivity
If foreign exchange rates were to increase/decrease by 10% from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	2012	2011
+/-10%	$	$
Loan receivable from Yuan Nong	535,471	-
Impact on profit after tax	53,547	-
Impact on equity	53,547	-

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, bonds and bond funds with major banks.

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.
During the year, Multistack International Limited's Hong Kong based subsidiary, Option King Limited loaned RMB 3,500,000 (AUD $535,471) to Mr Yuan Nong. These funds have been loaned with an option for the group to convert the financial instrument into an equity investment along with Mr Yuan Nong and his business associate Mr Geng Qin. If the option is exercised Option King Limited will acquire shares in a company currently controlled by Mr Geng Qin that has the licence to mine a mine in the People's Republic of China. The decision to exercise the option is contingent on the outcome of geology reports in relation to the tenements at the mining site.

Terms and conditions relating to bonds:
The Group has surplus cash in excess for its working capital, in order to gain higher interest rates and also to maintain liquidity, the Group has invested in Bonds and Bond Funds in established banks. Refer to Note 8 for further details.

Fair Values
The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements.

DIRECTORS' DECLARATION
31 DECEMBER 2012

The directors declare that the financial statements and notes set out on pages 9 to 31 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(a) the consolidated 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 2012 and of its performance for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Multistack International Limited 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 2012.

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

Dated at Melbourne 21st day of March 2013.

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 Limited and controlled entities, which comprises the consolidated statement of financial position as at 31 December 2012, 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 qualified audit opinion.

Independence

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

PITCHER PARTNERS

MULTISTACK INTERNATIONAL LIMITED
54 007 254 346
AND CONTROLLED ENTITIES

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

Opinion

In our opinion:

(a) the financial report of Multistack International Limited 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 2012 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 6 and Note 26 in the financial statements which discloses a loan receivable from Mr Yuan Nong.

During the year, Multistack International Limited's Hong Kong based subsidiary, Option King Limited loaned RMB 3,500,000 (AUD $535,471) to Mr Yuan Nong.

These funds have been loaned with an option for the group to convert the financial instrument into an equity investment along with Mr Yuan Nong and his business associate Mr Geng Qin. If the option is exercised Option King Limited will acquire shares in a company currently controlled by Mr Geng Qin that has the licence to mine a mine in the People's Republic of China. The decision to exercise the option is contingent on the outcome of geology reports in relation to the tenements at the mining site.

The financial instrument was originally due for repayment on 31 October 2012 and was extended by a further six months and is now due on 30 April 2013, however on 14 March 2013, Mr Yuan Nong repaid RMB 2,000,000 (AUD $307,326). The balance (RMB 1,500,000, AUD $228,145) and interest on the loan at a rate of 7.00% per annum is due as previously agreed.

The original loan has been personally guaranteed by Yuan Nong's business associate, Mr Geng Qin and the remaining balance further personally guaranteed on 19 March 2013 by Mr S W Yan, a Director, and the largest shareholder, of Multistack International Limited.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 4 to 5 of the Directors' Report for the year ended 31 December 2012. 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.

PITCHER PARTNERS

MULTISTACK INTERNATIONAL LIMITED
54 007 254 346
AND CONTROLLED ENTITIES

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

Opinion

In our opinion, the Remuneration Report of Multistack International Limited and controlled entities for the year ended 31 December 2012 complies with section 300A of the *Corporations Act 2001*.

D A KNOWLES
Partner

22 March 2013

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 28 February 2013.

CLASS OF SHARES AND VOTING RIGHTS.

There are 497 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
Mrs Patricia Margaret Sproule	8,969,881	7.99	
China Agents Ltd.	7,678,390	6.84	
Mr Graham G Coningsby	3,986,831	3.55	
Mr Trevor Neil Hay	3,446,863	3.07	
Weyman Investment Ltd.	3,428,000	3.05	
Opal Mine Enterprises Ltd.	2,500,000	2.23	64,895,799
PRC Ltd.	2,500,000	2.23	64,895,799
National Nominees Limited	2,395,900	2.13	
Welletin Investment Ltd.	1,672,000	1.49	64,895,799
UOB Kay Hian Pte Ltd	1,322,377	1.18	
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	
GA & AM Leaver Investments Pty Ltd	632,644	0.56	
Mr Anthony Bohnenn	620,954	0.55	
Mr William Oldjohn	618,362	0.55	
Miss B J Tan	515,000	0.46	
Hua Wai Enterprises company	494,140	0.44	
Total	101,218,106	90.13	

The twenty largest shareholders hold 90.13% 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	260	1,150,437
10,001 - 100,000	132	4,862,175
100,001+	42	106,253,107
TOTAL	**497**	**112,303,924**

DIVIDEND REINVESTMENT PLAN

This plan is currently suspended.

CORPORATE GOVERNANCE 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.

	BEST PRACTICE RECOMMENDATION	**COMMENT**
1.	***Lay solid foundations for management and oversight***	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	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. 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.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Every year the Board requires a summary report from the management on succession planning and management development.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1 as follows: (a) an explanation of any departures from any Principle 1 recommendation; (b) whether a performance evaluation for senior executives has taken place during the reporting period under the process disclosed; and (c) the board charter should be made publicly available.	The monitoring of Multistack's performance by the Board and management assists in identifying the areas where additional attention is required. The Directors evaluate the performance of senior management on an informal basis throughout the year.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

2.	*Structure the board to add value*	
2.1	A majority of the board should be independent directors.	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.
2.2	The Chairman should be an independent director.	The Board, currently chaired by an independent 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.
2.3	The roles of Chairman and Chief Executive Officer should not be exercised by the same individual.	Mr Terence Chu is the Chairman of the Board who is an independent non-executive director while Mr Stephen Leung is an Executive Director and the Group Chief Executive Officer.
2.4	The board should establish a nomination committee.	The Board has a Nomination Committee.

2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	There was no formal evaluation process of the Board and individual Director performance during the period. Given the size of the Board and operations during the year such review was considered to be of little use.
2.6	Provide the information indicated in *Guide to Reporting on Principle 2.*	This information is detailed above.
3.	***Promote ethical and responsible decision-making***	
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: (a) the practices necessary to maintain confidence in the company's integrity; (b) the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; (c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Multistack does not have a formal code of conduct because they believe that a more effective means of actively promoting ethical and responsible decision making is for the Board and senior management team to build, through their own actions, an ethical culture.
3.2	Companies should disclose in each annual report the measurable objectives for achieving gender diversity.	Please refer to page 43.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Please refer to page 43.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Please refer to page 43.
3.5	Provide the information indicated in *Guide to Reporting on Principle 3.*	This information is detailed above.

4.	***Safeguard integrity in financial reporting***	
4.1	The board should establish an audit committee.	The Board has an Audit Committee.
4.2	Structure the audit committee so that it: (a) consists only non-executive directors; (b) consists of a majority of independent directors; (c) is chaired by an independent chairperson, who is not chair of the board; and (d) has at least three members.	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. Both members are non-executive and independent directors. Whilst Recommendation 4.2 (d) requires the Audit Committee to have at least three members. With the consideration of the existing size of operations and the size of the Board, the Board has considered the current composition adequate and will consider appointment of more members as the operations expand.
4.3	The audit committee should have a formal charter.	There is no formal charter for the audit committee. The Audit Committee met on 24 February 2012 and 23 August 2012 to discuss issues relating to the financial reporting for 31 December 2011 and the half-yearly review ending 30 June 2012 respectively. External auditors may ordinarily meet with the Chairman of the Audit Committee to discuss any issue at any time without reference to executive management.
4.4	Provide the information indicated in *Guide to Reporting on Principle 4.*	This information is detailed above.
5	***Make timely and balanced disclosure***	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Audit 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.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

5.2	Provide the information indicated in *Guide to Reporting on Principle 5.*	This information is detailed above.
6.	***Respect the rights of shareholders***	
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	In accordance with the Company's constitution the shareholders of Multistack are responsible voting on the election of Directors at the Annual General Meeting (AGM). The AGM also provides shareholders with the opportunity to express their views by voting on other items of business for resolution by shareholders. The engagement partner of the audit attends the AGM and is available to answer shareholder questions concerning the preparation and content of the auditor's report and conduct of the audit in general. Multistack also adheres to the continuous disclosure requirements of the ASX as a means of continually communicating with shareholders.
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	This information is detailed above.
7.	***Recognise and manage risk***	
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Given the size of the operations during the year a formal risk management and internal control system has not been implemented as it was considered to not add significant value. The Board therefore oversees the management of business risks and internal control. The Board identifies, assesses and monitors business risks by considering such matters during Board meetings and through discussions with senior management on an informal basis. Minutes of discussions are documented within Board meeting minutes.
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Refer to recommendation 7.1 above.

7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board has obtained the relevant assurance from those officers. The chief executive officer and chief financial controller have signed a statement to the Board for the full year financial report confirming; • the financial records have been properly maintained; • the financial statements and notes for the financial year comply with the accounting standards; • the financial statements and notes for the financial year give a true and fair view; and • any other matters that are prescribed by the regulations in relation to the financial statements and the notes for the financial year are satisfied.
7.3	Provide the information indicated in *Guide to Reporting on Principle 7.*	This information is detailed above.
8.	***Remunerate fairly and responsibly***	
8.1	The Board should establish a remuneration committee.	The Board has a Remuneration Committee.
8.2	The remuneration committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent director • has at least three members	Mr Terence Chu (Independent Non-executive director) chairs the Remuneration Committee. The members of the Remuneration committee are Mr T. Chu and Mr A. Yu. Both members are independent directors. Corporate Governance Council Recommendation 8.2 requires the Remuneration Committee to have at least three members. With the consideration of the existing size of operations and the size of the Board, the Board has considered the current composition adequate and will consider appointment of more independent members as the operations expand.
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives and senior executives.	This information is set out in the Remuneration Report section of the Directors' Report. The non-executive directors' do not receive remuneration entitlements and is clearly separated from the remuneration of the executives.
8.4	Provide the information indicated in *Guide to Reporting on Principle 8.*	This information is detailed above.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

The above principles were in place throughout the financial year ending 31 December 2012, with some exceptions of the departures from the Corporate Governance Council recommendations as detailed above, the corporate governance practices of Multistack International Limited and controlled entities were compliant with the Council's best practice recommendations.

Diversity policy
Multistack has adopted a diversity policy on 21 May 2012.

Broadly, the measurable diversity objectives of Multistack are as follows:

- Multistack states and, where necessary, will regularly re-state that there are no forms of discrimination / bias in considering anyone for a position with the Multistack Group, i.e. on grounds of gender, age, physical appearance, origins, race, religion, marital status, sexual preference, pregnancy or likely pregnancy, political leanings, disabilities or otherwise;

- All new appointments or promotion / career enhancement and remuneration is on the basis of merit and ability to carry out the work responsibilities;

- Within the broad ambit of ensuring that the Multistack Group's activities are best developed and to ensure harmony of working within the Multistack Group that there be flexibility in working hours to enable domestic / private lives to allow for a balance between career and family obligations; and

- Consideration will be given to job sharing and time flexibility wherever that is practically possible.

Consistent with the reporting requirements of the ASX Corporate Governance Principles and Recommendations, the table below provides details of the gender diversity within Multistack and its controlled entities.

Level	Male		Female		
	Number	%	Number	%	Total
Board	4	80	1	20	5
Other staff	6	55	5	45	11
Total	10	62	6	38	16