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MULTI TECH INTERNATIONAL CORP
Form 10QSB
June 22, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D. C. 20549
FORM 10-QSB
QUARTERLY REPORT UNDER SECTION 13 or 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2006
Commission file number 0-25909

Australian Forest Industries
(Exact name of small business issuer as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

86-0931332
(I.R.S.Employer
Identification No.)

4/95 Salmon Street, Port Melbourne, Victoria
Australia, 3207
(Address of principal executive offices) (Zip Code)

Issuer's telephone number: 011 61 3 8645 4340

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. The number of shares of the issuer's outstanding common stock, which is the only class of its common equity, on June 20, 2006 was 257,400,680.

ITEM 1 FINANCIAL STATEMENTS

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Item 1. Condensed Financial Statements

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AUSTRALIAN FOREST INDUSTRIES

CONSOLIDATED BALANCE SHEETS

ASSETS

| | March 31, 2006 |
|---|----------------------|
| | ----- (Unaudited) |
| CURRENT ASSETS | |
| Cash | \$ 55,973 |
| Accounts receivable | 2,783,201 |
| Inventory | 2,024,004 |
| Prepaid expenses and other | 512,572 |
| Total Current Assets | 5,375,750 |
| ----- | |
| PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of \$2,393,479 and \$2,402,939 in 2006 and 2005, respectively | 15,075,378 |
| OTHER ASSETS | |
| Long-term timber supply contract, net of amortization of \$82,734 and \$91,843 in 2006 and 2005, respectively | 697,944 |
| | ----- |
| | \$ 21,149,072 |
| | ===== |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | |
|---|-------------|
| CURRENT LIABILITIES | |
| Bank overdraft | \$ 418,506 |
| Accounts payable | 3,937,541 |
| Current portion of capitalized lease obligations | 1,076,013 |
| Due to Timberman shareholders | 4,947,731 |
| Related party payable | 588,645 |
| Accrued payroll, related taxes and benefits | 837,715 |
| | ----- |
| Total Current Liabilities | 11,806,151 |
| OTHER LIABILITIES | |
| Capitalized lease obligations | 4,492,432 |
| Deferred capital gain | 1,281,683 |
| Due to National Australian Bank | 4,692,600 |
| | ----- |
| Total Liabilities | 22,272,866 |
| STOCKHOLDERS' EQUITY | |
| Preferred stock, par value \$0.001, 5,000,000 shares authorized, none issued and outstanding | |
| Common stock, par value \$0.001, 300,000,000 shares authorized, 257,400,680 issued and outstanding | 257,400 |
| Additional paid-in capital | 4,503,417 |
| Accumulated other comprehensive income | 272,706 |
| Accumulated deficit | (6,157,317) |
| | ----- |
| Total Stockholders' Equity | (1,123,794) |
| | ----- |

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Total Liabilities and Stockholders' Equity

\$ 21,149,072
=====

See accompanying notes to financial statements.

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AUSTRALIAN FOREST INDUSTRIES

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

| | For the Three Months Ended March 31, | |
|--|---|--------------|
| | 2006 | 2005 |
| | | (Restated) |
| REVENUE - SALES | \$ 3,449,112 | \$ 3,306,566 |
| COSTS AND EXPENSES | | |
| Cost of goods sold | 1,794,836 | 3,036,222 |
| Selling, general and administrative | 2,060,123 | 732,744 |
| Provision for doubtful accounts | 131,864 | |
| Interest expense | 201,098 | 125,261 |
| Depreciation and amortization | 140,007 | 198,759 |
| Total Costs and Expenses | 4,327,928 | 4,092,986 |
| OPERATING LOSS | (878,816) | (786,420) |
| NON-OPERATING INCOME | | |
| Other income | 92,500 | 3,904 |
| Interest income | 81,625 | |
| Gain on disposal of assets | 103,062 | |
| Total Non-Operating Income | 277,187 | 3,904 |
| NET LOSS | \$ (601,629) | \$ (782,516) |
| Net Loss per share (Basic and Diluted) | \$ (0.01) | \$ (0.01) |
| Weighted Average Common Shares Outstanding | 257,400,680 | 257,400,680 |

See accompanying notes to financial statements.

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AUSTRALIAN FOREST INDUSTRIES

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

| | For the Three Months Ended March 31, | |
|--|---|--------------|
| | 2006 | 2005 |
| | ----- | ----- |
| | | (Restated) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (loss) | \$ (601,629) | \$ (782,516) |
| Adjustments to reconcile net income to cash flows used in operating activities: | | |
| Depreciation | 129,854 | 198,759 |
| Amortization of Timber contract | 10,153 | |
| Amortization of leaseback gain | 81,625 | |
| Changes in operating activities: | | |
| (Increase) decrease in prepaid expenses | 5,555 | 116,240 |
| (Increase) decrease in inventories | (245,664) | (116,981) |
| (Increase) decrease in receivables | (1,160,228) | (920,468) |
| (Increase) decrease in related party receivable | | (45,260) |
| Increase (decrease) in accounts payable and other liabilities | 1,246,584 | 723,305 |
| Increase (decrease) in bank overdraft | 300,734 | 531,983 |
| Increase (decrease) in related party payable | (4,199) | |
| Increase (decrease) in accrued payroll | 238,326 | 33,281 |
| Increase (decrease) in taxes payable | (324,387) | |
| | ----- | ----- |
| Net Cash (Used in) Provided by Operating Activities | (323,276) | (261,657) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital additions | (2,424,654) | (79,551) |
| Disposition of capital assets | 103,062 | |
| | ----- | ----- |
| Net Cash Used in Investing Activities | (2,321,592) | (79,551) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Loans from shareholders | 1,733,819 | (8,724) |
| Capital leases | 979,550 | 196,366 |
| National Australian bank loan | (125,400) | (50,920) |
| | ----- | ----- |
| Net Cash Provided by (Used In) Financing Activities | 2,587,969 | 136,722 |
| EFFECT OF EXCHANGE RATES ON CASH | (14,142) | 8,980 |
| | ----- | ----- |
| (DECREASE) INCREASE IN CASH | (71,041) | (195,506) |
| CASH AT BEGINNING OF PERIOD | 127,014 | 225,189 |
| | ----- | ----- |
| CASH AT END OF PERIOD | \$ 55,973 | \$ 29,683 |
| | ===== | ===== |

See accompanying notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary in order to make the financial statements not misleading have been included. Results for the three months ended March 31, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006. For further information, refer to the financial statements and footnotes thereto included in Australian Forest Industries' annual report on Form 10-KSB for the year ended December 31, 2005.

NOTE 2 - LOAN TO TIMBERMANS GROUP (RELATED PARTY)

During the three months ended March 31, 2006, the company received an additional \$1,733,819 from Timberman investors.

NOTE 3 - CAPITALIZED LEASE OBLIGATIONS

During the three months ended March 31, 2006, the Company purchased \$3,900,000 in new equipment of which \$1,981,000 was financed under capitalized leases over a five year period.

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PART II

Item 1. Legal Proceedings
None.

Item 2. Changes in Securities
None

Item 3. Defaults Upon Senior Securities
None

Item 4. Submission of Matters to a Vote of Security Holders
None

Item 5. Other Information
None

Item 6. Exhibits and Reports on Form 8-K

a. Exhibit Index

Exhibit 31.1 Certification of Chief Executive Officer

Exhibit 31.2 Certification of Chief Financial Officer

Exhibit 32.1 Certification of Chief Executive Officer

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Exhibit 32.1 Certification of Chief Financial Officer

b. Reports on Form 8-K

None.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AUSTRALIAN FOREST INDUSTRIES

/s/ Michael Timms

Name: Michael Timms
Title: CEO, President and Chairman of the Board
Date: June 21, 2006

/s/ Colin Baird

Name: Colin Baird
Title: Chief Financial Officer
Date: June 21, 2006