

MULTI TECH INTERNATIONAL CORP
Form 10QSB
June 15, 2005

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, 2005
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.)

(Address of principal executive offices)

(Issuer's telephone number)

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 May 25, 2005 was 257,400,680.

ITEM 1 FINANCIAL STATEMENTS

| Description | Page No. |
|--|----------|
| FINANCIAL INFORMATION: | |
| Financial Statements | |
| Consolidated Balance Sheets at March 31, 2005 (Unaudited)..... | 1 |
| Consolidated Statement of Operations (Unaudited)..... | 2 |
| Consolidated Statements of Cash Flows (Unaudited) | 3 |
| Notes to Consolidated Financial Statements (Unaudited)..... | 4 |

ITEM 1. FINANCIAL STATEMENTS

Edgar Filing: MULTI TECH INTERNATIONAL CORP - Form 10QSB

AUSTRALIAN FOREST INDUSTRIES
(Formerly Multi-Tech International Corp.)

CONSOLIDATED BALANCE SHEETS

ASSETS

| | March 31, 2005 | December 31, 2004 |
|---|-------------------|----------------------|
| | ----- | ----- |
| CURRENT ASSETS | | |
| Accounts receivable | \$ 2,532,221 | \$ 1,611,756 |
| Inventory | 2,100,018 | 1,983,039 |
| Prepaid expenses and other | 23,239 | 141,609 |
| | ----- | ----- |
| Total Current Assets | 4,655,478 | 3,736,404 |
| PROPERTY, PLANT AND EQUIPMENT, net of accumulated | 9,625,989 | 9,712,015 |
| OTHER ASSETS | | |
| Receivable from related party | 495,621 | 500,496 |
| Long-term timber supply contract, net of amortization | 838,621 | 849,705 |
| | ----- | ----- |
| | \$ 15,615,709 | \$ 14,798,620 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Notes payable to bank | \$ 953,079 | \$ 421,097 |
| Accounts payable | 3,877,807 | 3,154,429 |
| Current portion of capitalized lease obligations | 1,100,821 | 731,217 |
| Accrued payroll, related taxes and benefits | 537,905 | 542,414 |
| | ----- | ----- |
| Total Current Liabilities | 6,469,612 | 4,849,157 |
| CAPITALIZED LEASE OBLIGATIONS | 2,624,733 | 2,797,975 |
| 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 | 257,400 |
| Additional paid-in capital | 9,810,817 | 9,810,817 |
| Comprehensive income | 121,928 | 42,210 |
| Accumulated deficit | (3,668,781) | (2,958,939) |
| | ----- | ----- |
| Total Stockholders' Equity | 6,521,364 | 7,151,488 |
| | ----- | ----- |
| Total Liabilities and Stockholders' Equity | \$ 15,615,709 | \$ 14,798,620 |
| | ===== | ===== |

Edgar Filing: MULTI TECH INTERNATIONAL CORP - Form 10QSB

See accompanying notes to financial statements.

1

AUSTRALIAN FOREST INDUSTRIES
(Formerly Multi-Tech International Corp.)

CONSOLIDATED STATEMENTS OF OPERATIONS

| | For the Quarter Ended March 31, | |
|-------------------------------------|------------------------------------|--------------|
| | 2005 | 2004 |
| REVENUE - SALES | \$ 3,306,566 | \$ 4,130,645 |
| COSTS AND EXPENSES | | |
| Cost of goods sold | 3,036,222 | 3,066,112 |
| Selling, general and administrative | 567,264 | 1,000,643 |
| Management fees | 140,000 | |
| Interest expense | 74,163 | 101,105 |
| Depreciation and amortization | 198,759 | 209,950 |
| Total Costs and Expenses | 4,016,408 | 4,377,810 |
| OPERATING LOSS | (709,842) | (247,165) |
| NET LOSS | \$ (709,842) | \$ (247,165) |
| NET LOSS PER SHARE | \$ (0.01) | \$ (0.01) |
| WEIGHTED AVERAGE SHARES OUTSTANDING | 257,400,680 | 257,400,680 |

See accompanying notes to financial statements.

2

AUSTRALIAN FOREST INDUSTRIES
(Formerly Multi-Tech International Corp.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the Quarter Ended March 31, | |
|--|------------------------------------|------|
| | 2005 | 2004 |

Edgar Filing: MULTI TECH INTERNATIONAL CORP - Form 10QSB

| | | |
|--|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from customers | \$ 2,505,461 | \$ 2,699,878 |
| Payments to suppliers and employees | (4,182,203) | (3,143,299) |
| Other income | 448,130 | |
| Net Cash (Used in) Provided by Operating Activities | (1,676,742) | 4,709 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payment for property, plant, and equipment | (61,023) | (1,653,287) |
| Proceeds from sale of property, plant, and equipment | 1,577,222 | |
| Net Cash Used in Investing Activities | (61,023) | (76,065) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net proceeds from borrowings/capitalized leases | 1,196,111 | 1,031,626 |
| Long-term timber supply contract | (849,705) | |
| Loans to related parties | (241,096) | |
| Net Cash Provided by (Used In) Financing Activities | 1,196,111 | (59,175) |
| NET DECREASE IN CASH | (541,654) | (130,531) |
| EFFECT OF EXCHANGE RATES ON CASH | 9,672 | 154,345 |
| CASH AT BEGINNING OF YEAR | (421,097) | 459,927 |
| CASH AT END OF YEAR | \$ (953,079) | \$ 483,741 |

See accompanying notes to financial statements.

3

AUSTRALIAN FOREST INDUSTRIES
(Formerly Multi-Tech International Corp.)

NOTES TO UNAUDITED CONDENSED 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, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005. 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, 2004.

4

Edgar Filing: MULTI TECH INTERNATIONAL CORP - Form 10QSB

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

It should be noted that this Management's Discussion and Analysis of Financial Condition and Results of Operations may contain "forward-looking statements." The terms "believe," "anticipate," "intend," "goal," "expect," and similar expressions may identify forward-looking statements. These forward-looking statements represent the Company's current expectations or beliefs concerning future events. The matters covered by these statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those set forth in the forward-looking statements, including the Company's dependence on weather-related factors, introduction and customer acceptance of new products, the impact of competition and price erosion, as well as supply and manufacturing restraints and other risks and uncertainties. The foregoing list should not be construed as exhaustive, and the Company disclaims any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements, or to reflect the occurrence of anticipated or unanticipated events. In light of the significant uncertainties inherent in the forward-looking information included herein, the inclusion of such information should not be regarded as a representation that the strategy, objectives or other plans of the Company will be achieved. The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made.

RESULTS OF OPERATIONS

We are currently in the second year of operations and have generated significant revenues to date. Our activities from inception to date were related to our formation, preparation of our business model, arranging and planning financing and the acquiring all rights, title and interest to our timber rights located in the Canberra region in addition to the implementation and construction of our first sawmill also in the Canberra region.

LIQUIDITY AND CAPITAL RESOURCES

On March 31, 2005 and December 31, 2004 we had current assets of \$4,655,478 and \$3,736,404, respectively.

Net cash used in operating activities for the three months ending March 31, 2005 was \$(1,676,742). Net cash used in operating activities for the period from inception to March 31, 2004 was \$4,709. The decrease in net cash was a result of an increase in payments to suppliers and employees of \$1,038,904 which was a consequence of our growing business and the addition of a significant number of employees.

In the three months ending March 31, 2005, the Company experienced an increase in net cash provided by financing activities of \$1,255,286 as a result of the reduction of payments related to a long term timber supply contract in the amount of \$849,705 as well as loans to related parties of \$241,096.

The Company is presently commencing construction of a second sawmill in Bombala NSW in the third quarter of 2005 and it is anticipated to be operational in the third quarter of 2006. Such sawmill will be used primarily for processing the

Edgar Filing: MULTI TECH INTERNATIONAL CORP - Form 10QSB

logs resulting from the Bombala Agreement which was entered into in 2004.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the appropriate application of certain accounting policies, many of which require estimates and assumptions about future events and their impact on amounts reported in the financial statements and related notes. Since future events and their impact cannot be determined with certainty, the actual results will inevitably differ from our estimates.

5

Management believes application of accounting policies, and the estimates inherently required by the policies, are reasonable. These accounting policies and estimates are constantly re-evaluated, and adjustments are made when facts and circumstances dictate a change. Historically, management has found the application of accounting policies to be appropriate, and actual results generally do not differ materially from those determined using necessary estimates.

Item 3. Controls and Procedures.

(a) Our principal executive officer and principal financial officer have each evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) as of a date within 90 days prior to the filing date of this quarterly report and have each concluded that our disclosure controls and procedures are adequate.

(b) There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

(c) Not applicable

6

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

Edgar Filing: MULTI TECH INTERNATIONAL CORP - Form 10QSB

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

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 14, 2005

/s/ Colin Baird

Name: Colin Baird

Title: Chief Financial Officer

Date: June 14, 2005