METWOOD INC
Form 10QSB
May 14, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2008

[ ] TRANSITION REPORT UNDER SECTION 12 OR 15(d) OF THE EXCHANGE ACT
For the transition period from ________ to ________

Commission File Number 000-05391

METWOOD, INC.
(Exact name of small business issuer as specified in its charter)

NEVADA (State or other jurisdiction of incorporation)	83-0210365 (IRS Employer Identification No.)

819 Naff Road, Boones Mill, VA 24065
(Address of principal executive offices)

(540) 334-4294
(Issuer's telephone number)

Check whether the issuer (1) 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 _X__ No ____

Indicate by check marck whether the registrant is a shell company (as defind in Rule 12b-2 of the exchange Act). Yes _____ No __X__

Number of shares of common stock
outstanding as of May 14, 2008:
12,091,399

Transitional Small Business Disclosure Format (Check one) Yes [ ] No [X]

METWOOD, INC. AND SUBSIDIARY
TABLE OF CONTENTS

Table of Contents

METWOOD, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2008
(UNAUDITED)

ASSETS	
Current Assets	
Cash and cash equivalents	$ 136,015
Accounts receivable	389,858
Deposits	7,100
Inventory	1,404,828
Prepaid expenses	42,998
Total current assets	1,980,799
Property and Equipment	
Leasehold and land improvements	166,368
Furniture, fixtures and equipment	81,351
Computer hardware, software and peripherals	202,347
Machinery and shop equipment	391,370
Vehicles	349,651
	1,191,087
Less accumulated depreciation	(667,947)
Net property and equipment	523,140
Goodwill	253,088
TOTAL ASSETS	$ 2,757,027

Table of Contents

METWOOD, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2008
(UNAUDITED)

LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities	
Accounts payable and accrued expenses	$ 263,280
Income taxes	42,959
Total current liabilities	306,239
Long-term Liabilities	
Deferred income taxes, net	127,568
Total long-term liabilities	127,568
Total liabilities	433,807
Stockholders' Equity	
Common stock, $.001 par, 100,000,000 shares authorized; 12,096,249 shares issued; 12,091,399 outstanding	12,096
Common stock not yet issued ($.001 par, 2,150 shares)	2
Additional paid-in capital	1,345,759
Retained earnings	967,163
	2,325,020
Treasury stock, at cost	(1,800)
Total stockholders' equity	2,323,220
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,757,027

Table of Contents

METWOOD, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2008 AND 2007
(UNAUDITED)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007	Nine Months Ended March 31, 2008	Nine Months Ended March 31, 2007
REVENUES				
Construction sales	$ 966,826	$ 1,021,163	$ 3,230,114	$ 3,220,196
Engineering sales	55,847	35,691	193,298	123,149
Gross sales	1,022,673	1,056,854	3,423,412	3,343,345
Cost of construction sales	556,340	578,106	2,007,589	1,661,459
Cost of engineering sales	57,484	61,061	178,565	159,423
Gross cost of sales	613,824	639,167	2,186,154	1,820,882
Gross profit	408,849	417,687	1,237,258	1,522,463
ADMINISTRATIVE EXPENSES				
Advertising	39,486	40,004	87,016	101,550
Depreciation	15,915	14,212	48,189	40,569
Insurance	17,421	23,771	55,680	67,563
Payroll expenses	166,045	165,283	499,830	579,267
Professional fees	8,148	5,326	41,660	35,443
Rent	19,750	19,650	59,050	58,950
Research and development	11,615	-	19,191	8,000
Travel	3,356	13,576	20,220	33,409
Vehicle	11,851	11,124	39,572	31,344
Other	64,709	59,310	179,624	195,023
Total administrative expenses	358,296	352,256	1,050,032	1,151,118
Operating income	50,553	65,431	187,226	371,345
Other income	11,075	7,461	17,800	13,386
Income before income taxes	61,628	72,892	205,026	384,731
Income taxes	(21,860)	(25,663)	(69,917)	(144,670)
Net income	$ 39,768	$ 47,229	$ 135,109	$ 240,061
Basic and diluted earnings per share	**	**	$ 0.01	$ 0.02
Weighted average number of shares	12,091,399	11,923,999	12,065,215	11,918,949

**Less than $0.01

See accompanying notes to consolidated financial statements.

Table of Contents

METWOOD, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED MARCH 31, 2008 AND 2007
(UNAUDITED)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 135,109	$ 240,061
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	88,590	89,998
Provision for deferred income taxes	10,559	15,616
(Increase) decrease in operating assets:		
Accounts receivable	10,299	54,068
Inventory	(194,390)	(224,937)
Recoverable income taxes	57,077	-
Other operating assets	67,200	(1,593)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(8,090)	119,451
Current income taxes payable	42,959	(26,534)
Net cash from operating activities	209,313	266,130
CASH FLOWS USED FOR INVESTING ACTIVITIES		
Net expenditures for fixed assets	(111,399)	(142,723)
Net cash used for investing activities	(111,399)	(142,723)
CASH FLOWS USED FOR FINANCING ACTIVITIES		
Decrease in credit line	(25,000)	-
Proceeds from issuance of common stock	26,614	-
Purchase of treasury stock	(1,800)	-
Net cash used for financing activities	(186)	-
Net increase in cash	97,728	123,407
Cash, beginning of the year	38,287	99,880
Cash, end of the period	$ 136,015	$ 223,287

Table of Contents

METWOOD, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008
(UNAUDITED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity- Metwood, Inc. ("Metwood") was organized under the laws of the Commonwealth of Virginia on April 7, 1993. On June 30, 2000, Metwood entered into an Agreement and Plan of Reorganization in which the majority of its outstanding common stock was acquired by a publicly held Nevada shell corporation. The acquisition was a tax-free exchange for federal and state income tax purposes and was accounted for as a reverse merger in accordance with Accounting Principles Board ("APB") Opinion No. 16. Upon acquisition, the name of the shell corporation was changed to Metwood, Inc., and Metwood, Inc., the Virginia corporation, became a wholly owned subsidiary of Metwood, Inc., the Nevada corporation. The publicly traded shell corporation had not had a material operating history for several years prior to the merger.

Effective January 1, 2002, Metwood acquired certain assets of Providence Engineering, PC ("Providence"), a professional engineering firm with customers in the same proximity as Metwood. The total purchase price of $350,000 was paid with $60,000 in cash and with 290,000 shares of the Company's common stock to the two Providence shareholders. These shares were valued at the closing active quoted market price of the stock at the effective date of the purchase, which was $1.00 per share. One of the shareholders of Providence was also an officer and existing shareholder of Metwood prior to the acquisition. In 2002 Metwood purchased from that shareholder and retired 15,000 of the originally issued 290,000 shares for $15,000 and in 2004 purchased from that shareholder and retired the remaining 275,000 of the originally issued 290,000 shares for $50,000. The initial purchase transaction was accounted for under the purchase method of accounting. The purchase price was allocated as follows:

Accounts receivable	$ 75,000
Fixed assets	45,000
Goodwill	230,000
Total	$350,000

During the year ended June 30, 2003, liabilities assumed at the date of acquisition were identified and paid. The amount of the liabilities paid was $23,088, and this amount was added to goodwill.

The consolidated company ("the Company") provides construction-related products and engineering services to residential customers and contractors, commercial contractors, developers and retail enterprises, primarily in southwestern Virginia.

Basis of Presentation- The financial statements include the accounts of Metwood, Inc. and its wholly owned subsidiary, Providence Engineering, PC, prepared in accordance with accounting principles generally accepted in the United States of America and pursuant to the rules and regulations of the Securities and Exchange Commission. All significant intercompany balances and transactions have been eliminated.

7

Table of Contents

METWOOD, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008
(UNAUDITED)

In the opinion of management, the unaudited condensed consolidated financial statements contain all the adjustments necessary in order to make the financial statements not misleading. The results for the period ended March 31, 2008 are not necessarily indicative of the results to be expected for the entire fiscal year ending June 30, 2008.

Fair Value of Financial Instruments- For certain of the Company's financial instruments, none of which are held for trading, including cash, accounts receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities.

Management's Use of Estimates- The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable - The Company grants credit in the form of unsecured accounts receivable to its customers based on an evaluation of their financial condition. The Company performs ongoing credit evaluations of its customers. The estimate of the allowance for doubtful accounts, which is charged off to bad debt expense, is based on management’s assessment of current economic conditions and historical collection experience with each customer. At March 31, 2008, the allowance for doubtful accounts was $-0-. Specific customer receivables are considered past due when they are outstanding beyond their contractual terms and are charged off to bad debt expense when determined uncollectible. For the three months ended March 31, 2008 and 2007, the amount of bad debts charged off was $2,554 and $7,416 respectively. For the nine months ended March 31, 2008 and 2007, the amount of bad debts charged off was $6,735 and $30,887, respectively including chargeoffs relating to receivables which have been awarded to th

Inventory- Inventory, consisting of metal and wood raw materials, is located on the Company's premises and is stated at the lower of cost or market using the first-in, first-out method.

Property and Equipment- Property and equipment are recorded at cost and include expenditures for improvements when they substantially increase the productive lives of existing assets. Maintenance and repair costs are expensed to operations as incurred. Depreciation is computed using the straight-line method over the assets' estimated useful lives, which range from three to forty years. When a fixed asset is disposed of, its cost and related accumulated depreciation are removed from the accounts. The difference between undepreciated cost and the proceeds is recorded as a gain or loss.

Goodwill- The Company accounts for goodwill and intangibles under SFAS No. 142, “Goodwill and Other Intangible Assets.” As such, goodwill is not amortized, but is subject to annual impairment reviews, or more frequent reviews if events or circumstances indicate there may be an impairment. The Company performed its required annual goodwill impairment test as of June 30, 2007 using discounted cash flow estimates and found that there was no impairment of goodwill.

Patents- The Company has been assigned several key product patents developed by certain Company officers. No value has been recorded in the Company's financial statements because the fair value of the patents was not determinable within reasonable limits at the date of assignment.

METWOOD, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008
(UNAUDITED)

Revenue Recognition- Revenue is recognized when goods are shipped and earned or when services are performed, provided collection of the resulting receivable is probable. If any material contingencies are present, revenue recognition is delayed until all material contingencies are eliminated. Further, no revenue is recognized unless collection of the applicable consideration is probable.

Income Taxes- Income taxes are accounted for in accordance with SFAS No. 109, "Accounting for Income Taxes." A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting and for net operating loss carryforwards, where applicable. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or the entire deferred tax asset will not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment.

Research and Development- The Company performs research and development on its metal/wood products, new product lines, and new patents. Costs, if any, are expensed as they are incurred. Research and development costs for the three months ended March 31, 2008 and 2007 were $11,615 and $-0-, respectively. For the nine months ended March 31, 2008 and 2007, the expenses relating to research and development were $19,191 and $8,000, respectively.

Earnings Per Common Share- Basic earnings per share amounts are based on the weighted average shares of common stock outstanding. If applicable, diluted earnings per share would assume the conversion, exercise or issuance of all potential common stock instruments such as options, warrants and convertible securities, unless the effect is to reduce a loss or increase earnings per share. This presentation has been adopted for the quarters presented. There were no adjustments required to net income for the years presented in the computation of diluted earnings per share.

Recent Accounting Pronouncements- In March 2008, the Financial Accounting Standards Board ("FASB") issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities-an amendment of FASB Statement No. 133," ("SFAS 161"). SFAS 161 requires enhanced disclosures about an entity's derivative and hedging activities, including (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under SFAS 133, and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. This standard becomes effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. As SFAS 161 only requires enhanced disclosures, this standard will have no impact of the Company's financial statements

In December 2007, the FASB issued Statement of Financial Accountaing Standards ("SFAS") No. 141 (revised 2007), "Business Combinations," which replaces SFAS No. 141. The statement retains the purchase method of accounting for acquisitions, but requires a number of changes, including changes in the way assets and liabilities are recognized in the purchase accounting. It also changes the recognition of assets acquired and liabilities assumed arising from contingencies, requires the capitalization of in-process research and development at fair value, and requires the expensing of acquisition-related costs as incurred. SFAS No. 141 (revised) is effective for fiscal years beginning after December 15, 2008 and will apply prospectively to business combinations completed on or after that date. We are currently assessing the potential impact that adoption of SFAS No. 141 (revised) would have on our financial statements.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB 51," which changes the accounting and reporting for minority interests. Minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and, upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008 and will apply prospectively, except for the presentation and disclosure requirements, which will apply retrospectively. We are currently assessing t

On July 1, 2007, we adopted the provisions of FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109," which provides a financial statement recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return. Under FIN 48, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. FIN 48 also provides guidance on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, and income tax

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of SFAS 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We have not completed our evaluation of SFAS 159, but we do not currently believe that it will have a material impact on our results of operations or financial position.

Table of Contents

NOTE 2 - EARNINGS PER SHARE

Net income and earnings per share for the three and nine months ending March 31, 2008 and 2007 are as follows:

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2008	2007	2008	2007
Net income	$ 39,768	$ 47,229	$ 135,109	$ 240,061
Income per share - basic and fully diluted	**	**	$ 0.01	$ 0.02
Weighted average number of shares	12,091,399	11,923,999	12,065,215	11,918,949

**Less than $0.01

NOTE 3 - SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental disclosures of cash flow information for the three and nine months ending March 31, 2008 and 2007 are summarized as follows:

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2008	2007	2008	2007
Cash paid for:				
Income taxes	$ --	$ --	$ --	$ 155,588
Interest	$ --	$ --	$ 2,073	$ --

NOTE 4 - RELATED-PARTY TRANSACTIONS

From time to time, the Company contracts with a company related through common ownership for building and grounds-related maintenance services. There were no fees paid to the related company for the three and nine months ended March 31, 2008 and 2007. For the three months ended March 31, 2008 and 2007, the Company had sales of $5,915 and $22,023, respectively, to the company referred to above. For the nine months ended March 31, 2008 and 2007, sales were $89,948 and $54,154, respectively. As of March 31, 2008, the related receivables outstanding were $3,725. See also Note 7.

NOTE 5 - BANK CREDIT LINE

The Company has available a $600,000 revolving line of credit with a local bank. The balance outstanding at March 31, 2008 was $-0-.

NOTE 6 - SEGMENT INFORMATION

The Company operates in two principal business segments: (1) construction-related products and (2) engineering services. Performance of each segment is evaluated based on profit or loss from operations before income taxes. These reportable segments are strategic business units that offer different products and services. Summarized revenue and expense information by segment for the three and nine months ended March 31, 2008 and 2007, as excerpted from internal management reports, is as follows:

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
Construction:	2008	2007	2008	2007
Sales	$ 966,826	$ 1,021,163	$ 3,230,114	$ 3,220,196
Intersegment expenses	(17,484)	(27,167)	(54,098)	(59,334)
Cost of sales	(556,340)	(578,106)	(2,007,589)	(1,661,459)
Corporate and other expenses	(360,520)	(364,505)	(1,055,474)	(1,261,193)
Segment income	$ 32,482	$ 51,385	$ 112,953	$ 238,210
Engineering:				
Sales	$ 55,847	$ 35,691	$ 193,298	$ 123,149
Intersegment revenues	17,484	27,167	54,098	59,334
Cost of sales	(57,484)	(61,061)	(178,565)	(159,423)
Corporate and other expenses	(8,561)	(5,953)	(46,675)	(21,209)
Segment income (loss)	$ 7,286	$ (4,156)	$ 22,156	$ 1,851

NOTE 7 - OPERATING LEASE COMMITMENTS

On January 3, 2005, the Company entered into a ten-year commercial operating lease with a company related through common ownership. The lease covers various buildings and property which house our manufacturing plant, executive offices and other buildings with a current monthly rental of $6,550. The lease expires on December 31, 2014. For the three and nine months ended March 31, 2008 and 2007, we recognized rental expense for these spaces of $19,750, $59,050, $19,650, and $57,550, respectively.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS

With the exception of historical facts stated herein, the matters discussed in this report are "forward-looking" statements that involve risks and uncertainties that could cause actual results to differ materially from projected results. Such "forward-looking" statements include, but are not necessarily limited to, statements regarding anticipated levels of future revenues and earnings from operations of the Company. Readers of this report are cautioned not to put undue reliance on "forward-looking" statements, which are by their nature, uncertain as reliable indicators of future performance.

Table of Contents

Description of Business

Background

As discussed in detail in Note 1, the Company was incorporated under the laws of the Commonwealth of Virginia on April 7, 1993 and, on June 30, 2000, entered into a reverse merger in which it became the wholly owned subsidiary of a public Nevada shell corporation, renamed Metwood, Inc. Effective January 1, 2002, Metwood acquired certain assets of Providence Engineering, PC in a transaction accounted for under the purchase method of accounting.

Principal Products/Services and Markets

Metwood

Residential builders are aware of the superiority of steel framing vs. wood framing, insofar as steel framing is lighter; stronger; termite, pest, rot and fire resistant; and dimensionally more stable in withstanding induced loads. Although use of steel framing in residential construction has generally increased each year since 1980, many residential builders have been hesitant to utilize steel due to the need to retrain framers and subcontractors who are accustomed to a "stick-built" construction method where components are laid out and assembled with nails and screws. The Company's founders, Robert ("Mike") Callahan and Ronald Shiflett, saw the need to combine the strength and durability of steel with the convenience and familiarity of wood and wood fasteners.

Metwood manufactures light-gage steel construction materials, usually combined with wood or wood fasteners, for use in residential and commercial applications in place of more conventional wood products, which are inferior in terms of strength and durability. The steel and steel/wood products allow structures to be built with increased load strength and structural integrity and fewer support beams or support configurations, thereby allowing for structural designs that are not possible with wood-only products.

Metwood's primary products and services are:

- Girders and headers
- Floor joists
- Floor joist reinforcers
- Roof and floor trusses
- Garage, deck and porch concrete pour-over systems
- Garage and post-and-beam buildings
- Engineering, design and custom building services

Providence

Providence is extensively involved in ongoing product research and development for Metwood. Additionally, Providence offers its customers civil engineering capabilities which include rezoning and special use submissions; erosion and sediment control and storm-water management design; residential, commercial, and religious facility site development design; and utility design, including water, sewer and onsite treatment systems. Providence's staff is familiar with construction practices and has been actively involved in construction administration and inspection on multiple projects.

Providence also performs a variety of structural design and analysis work, successfully providing solutions for many projects, including retaining walls, residential framing, commercial building framing, light-gage steel fabrication drawings, metal building retrofits and additions, mezzanines, and seismic anchors and restraints.

Providence has designed numerous foundations for a variety of structures. Its foundation design expertise includes metal building foundations, traditional building construction foundations, atypical foundations for residential structures, tower foundations, and sign foundations for a variety of uses and applications.

Providence has also designed and drafted full building plans for several applications. When subcontracting with local professional firms, Providence has the ability to provide basic architectural, mechanical, electrical, and detailed civil and structural design services for these facilities.

Providence has reviewed designs by manufacturers for a variety of structures and structural components, including retaining walls, radio towers, tower foundations, sign foundations, timber trusses, light-gage steel trusses, and light-gage steel beams. This service enables clients to take generic designs and have them certified and approved for construction in the desired locality.

Distribution Methods of Products and Services

The Company's sales are primarily retail, directly to contractors and do-it-yourself homeowners in Virginia and North Carolina. Approximately 90% of the Company's sales are wholesale to lumberyards, home improvement stores, hardware stores, and plumbing and electrical suppliers in Virginia and North Carolina, including Lowe's and 84 Lumber. Metwood relies primarily on its own sales force to generate sales; additionally, however, the Company has distributors in Virginia, New York, Oklahoma, Arizona, Colorado and Pennsylvania and also utilizes the salespeople of wholesale yards stocking the Company's products as an additional sales force. Metwood intends to continue expanding the wholesale marketing of its unique products to retailers and to license the Company's technology and products to increase its distribution outside of Virginia, North Carolina and the South.

Status of Publicly Announced New Products or Services

The Company has acquired four new patents through assignment from Robert M. Callahan and Ronald B. Shiflett, the patent holders. All four patents reflect various modifications to the Company's Joist Reinforcing Bracket which will make it even easier for tradesmen to insert utility conduits through wood joists.

Seasonality of Market

The Company's sales can be subject to seasonal impacts, as its products are used in residential and commercial construction projects which tend to be at peak levels in Virginia and North Carolina between the months of March and October. Accordingly, the Company's sales tend to be greater in its fourth and first fiscal quarters. However, the Company is expanding into less weather-sensitive markets, such as Florida, Georgia, Arizona, South Carolina and Alabama in order to ameliorate seasonality factors. The Company builds an inventory of its products throughout the winter and spring to support its sales season.

Table of Contents

Competition

Nationally, there are over one hundred manufacturers of the types of products produced by the Company. However, the majority of these manufacturers are using wood-only products or products without metal reinforcement. Metwood has identified only one other manufacturer in the United States that manufactures a wood-metal floor truss similar to that of the Company. However, Metwood has often found that its products are the only ones that will work within many customers' design specs.

Sources and Availability of Raw Materials and the Names of Principal Suppliers

All of the raw materials used by the Company are readily available on the market from numerous suppliers. The light-gage metal used by the Company is supplied primarily by Marino-Ware, Telling Industries and Wheeling Corrugating Company. The Company's main sources of lumber are BlueLinx and The Contractor Yard. Gerdau Amersteel, Descosteel and Adelphia Metals provide the majority of the Company's rebar. Because of the number of suppliers available to the Company, its decisions in purchasing materials are dictated primarily by price and secondarily by availability. The Company does not anticipate a lack of supply to affect its production; however, a shortage might cause the Company to pass on higher materials prices to its buyers.

Dependence on One or a Few Major Customers

Presently the Company does not have any one customer whose loss would have a substantial impact on the Company's operations.

Patents

The Company has eight U.S. Patents:

U.S. Patent No. 5,519,977, "Joist Reinforcing Bracket," a bracket that reinforces wooden joists with a hole for the passage of a utility conduit. The Company refers to this as its floor joist patch kit.

U.S. Patent No. 5,625,997, "Composite Beam," a composite beam that includes an elongated metal shell and a pierceable insert for receiving nails, screws or other penetrating fasteners.

U.S. Patent No. 5,832,691, "Composite Beam," a composite beam that includes an elongated metal shell and a pierceable insert for receiving nails, screws or other penetrating fasteners. This is a continuation-in-part of U.S. Patent No. 5,625,997.

U.S. Patent No. 5,921,053, "Internally Reinforced Girder with Pierceable Nonmetal Components," a girder that includes a pair of c-shaped members secured together so as to form a hollow box, which permits the girder to be secured within a building structure with conventional fasteners such as nails, screws and staples.

U.S. Patent Nos. D472,791S, D472,792S, D472,793S, and D477,210S, all modifications of Metwood's Reinforcing Bracket, which will be used for repairs of wood I-joists.

Each of these patents was originally issued to the inventors and Company founders, Robert Callahan and Ronald B. Shiflett, who licensed these patents to the Company.

Need for Government Approval of Principal Products

The Company's products must either be sold with an engineer's seal or applicable building code approval. Once that approval is obtained, the products can be used in all fifty states. The Company's Floor Joist Reinforcer received Bureau Officials Code Association ("BOCA") approval in April 2001. Currently, the Company's chief engineer has obtained professional licensure in several states which permit products not building code approved to be sold and used with his seal. The Company expects his licensure in a growing number of states to greatly assist in the uniform acceptability of its products as it expands to new markets.

Time Spent During the Last Two Fiscal Years on Research and Development Activities

Approximately fifteen percent of the Company's time and resources have been spent during the last two fiscal years researching and developing its metal/wood products, new product lines, and new patents.

Costs and Effects of Compliance with Environmental Laws

The Company does not incur any costs to comply with environmental laws. It is an environmentally friendly business in that its products are fabricated from recycled steel.

Number of Total Employees and Number of Full-Time Employees

The Company had twenty-seven employees at March 31, 2008, twenty-six of whom were full time.

Results of Operations

Net Income

The Company had net income of $39,768 for the three months ended March 31, 2008, versus $47,229 for the three months ended March 31, 2007, a decrease of $7,461. The decrease in net income for the three months ended March 31, 2008 compared to 2007 was attributable primarily to higher materials costs in the construction area as a percentage of gross sales and sales that did not reach 2007 levels. Likewise, for the nine months ended March 31, 2008 and 2007, the Company's net income was $135,109 and $240,061, respectively, a decrease of $104,952. Although sales increased slightly (2%) comparing 2008 to 2007, that increase was not enough to offset higher costs of construction sales (21%) which resulted from increased materials costs, fuel cost, vehicle repair and maintence, and labor. Some savings did occur, however, primarily in insurance cost decreases (new carrier and better workers compensation experience ratings), volume discounts obtained on hangers, and use of less wood in our beams.

Table of Contents

Sales

Revenues were $1,022,673 for the three months ended March 31, 2008 compared to $1,056,854 for the same period in 2007, a decrease of $34,181, or 3%. For the nine-month periods ended March 31, 2008 and 2007, sales were $3,423,412 and $3,343,345, respectively, an increase of $80,067, or 2%. The sales decline for the three-month period in 2008 versus 2007 reflects a general downtown in the building industry. Although the Company has sold product in over twenty-five states since July 2007, our local market is down 20%. Nonetheless, sales for the nine months ended March 31, 2008 were greater than for 2007 in part because the Company has continued to expand its market outside the local area, generating increasing revenues outside Virginia. Additionally, truss sales have increased over 2007, and the commercial market has overcome some of the residential downturn. The potential for increased sales volume as the Company goes forward is enhanced by the fact that we are now an authorized fabricator for the Dynatru

Expenses

Total administrative expenses were $358,296 and $1,050,032 for the three and nine months ended March 31, 2008, versus $352,256 and $1,151,118 for the three and nine months ended March 31, 2007, an increase of $6,040 (2%) for the three-month period and a decrease of $101,086 (9%) for the nine-month period. For the three months ended March 31, 2008 versus 2007, insurance costs declined 27% and travel costs declined 75% due to elimination of shows; however, the savings in these areas was offset by increases in professional fees, research and development, and other expenses, resulting in the increase in 2008 over 2007. For the nine months ended March 31, 2008 compared to 2007, advertising costs decreased significantly (14%) as we were more selective in the industries and areas targeted for marketing. We studied the results of the 2006/2007 shows and were able to eliminate several of them due to low ROI. Insurance costs declined as well (18%) as we chose a new carrier and were able to make changes that resulte vehicle expense due to increased maintenance and fuel costs; research and development, including code compliance studies on our 2810HR, posts, beams and I-joist reinforcers; and fire testing for our beams.

Liquidity and Capital Reserves

On March 31, 2008, the Company had cash of $136,015 and working capital of $1,674,560. Net cash provided by operating activities was $209,313 for the nine months ended March 31, 2008 compared to $266,130 for the nine months ended March 31, 2007. The lower provision of cash from operating activities in the current year resulted primarily from the paydown of accounts payable partially offset by refunded income taxes and a decrease in other operating assets.

Cash used in investing activities was $111,399 for the nine months ended March 31, 2008, compared to cash used of $142,723 during the same period in the prior year. Cash flows used in investing activities for the current period were for vehicles ($6,000 less asset removals of $21,850); shop equipment $76,051); computers and peripherals and furniture and fixtures ($18,240); website development ($6,175); and leasehold and land improvements ($26,783).

Cash used in financing activities was $186 for the nine months ended March 31, 2008 compared to $-0- for the period ended March 31, 2007. Proceeds from the issuance of common stock of $26,614 was offset by repayment of the Company's credit line ($25,000) and by the cost of treasury stock ($1,800).

ITEM 3 - CONTROLS AND PROCEDURES

The management of Metwood, Inc. has reviewed the systems of internal controls and disclosures within the specified time frame of ninety days. Management believes that the systems in place allow for proper controls and disclosures of financial reporting information. There have been no changes in these controls since our last evaluation date.

Table of Contents

PART II - OTHER INFORMATION

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

See index to exhibits.

(b) Reports on Form 8-K

There were no reports on Form 8-K filed during the quarter ended March 31, 2008.

Table of Contents

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 14. 2008	/s/ Robert M. Callahan Robert M. Callahan Chief Executive Officer
	/s/ Shawn A. Callahan Shawn A. Callahan Chief Financial Officer

Table of Contents

INDEX TO EXHIBITS

NUMBER	DESCRIPTION OF EXHIBIT
3(i)*	Articles of Incorporation
3(ii)**	By-Laws
31.1	Certification of Chief Executive Officer Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18U.S.C. 1350)

*Incorporated by reference on Form 8-K, filed February 16, 2000

**Incorporated by reference on Form 8-K, filed February 16, 2000