METWOOD INC
Form 10QSB
February 12, 2007

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 December 31, 2006

[ ] 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 registrant as specified in its charter)

NEVADA	**83-0210365**
(State or other jurisdiction of incorporation)	(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 mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes _ No X

Number of shares of common stock outstanding as of January 31, 2007: 11,923,999

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

METWOOD, INC. AND SUBSIDIARY
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METWOOD, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2006
(UNAUDITED)

ASSETS

Current Assets		
Cash and cash equivalents	$	75,845
Accounts receivable		500,531
Deposits		10,597
Inventory		1,161,549
Prepaid expenses		58,985
Total current assets		1,807,507
Property and Equipment		
Leasehold improvements		122,591
Furniture, fixtures and equipment		75,851
Computer hardware, software and peripherals		166,173
Machinery and shop equipment		268,019
Vehicles		343,501
		976,135
Less accumulated depreciation		(513,861)
Net property and equipment		462,274
Goodwill		253,088
TOTAL ASSETS	$	2,522,869

See accompanying notes to consolidated financial statements.

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METWOOD, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2006
(UNAUDITED)

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	$	246,661
Income taxes		19,163
Total current liabilities		265,824
Long-term Liabilities		
Deferred income taxes, net		112,998
Total liabilities		378,822
Stockholders' Equity		
Common stock, $.001 par, 100,000,000 shares authorized;		
11,923,999 shares issued and outstanding		11,924
Common stock not yet issued ($.001 par, 2,150 shares)		2
Additional paid-in capital		1,319,317
Retained earnings		812,804
Total stockholders' equity		2,144,047
TOTAL LIABILITIES		
AND STOCKHOLDERS' EQUITY	$	2,522,869

See accompanying notes to consolidated financial statements.

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METWOOD, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2006 AND 2005
(UNAUDITED)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2006	2005	2006	2005
REVENUES				
Construction sales	$ 1,093,077	$ 824,759	$ 2,199,033	$ 2,026,353
Engineering sales	42,891	78,838	87,459	133,042
Gross sales	1,135,968	903,597	2,286,492	2,159,395
Cost of construction sales	512,678	511,457	1,083,354	1,198,802
Cost of engineering sales	52,443	37,293	98,362	74,949
Gross cost of sales	565,121	548,750	1,181,716	1,273,751
Gross profit	570,847	354,847	1,104,776	885,644
ADMINISTRATIVE EXPENSES				
Advertising	31,032	54,368	61,546	123,441
Bad debts	409	-	23,470	-
Depreciation	13,326	13,158	26,357	25,829
Insurance	24,438	16,967	43,792	32,953
Payroll expenses	224,495	172,422	413,984	336,788
Professional fees	7,816	6,262	30,116	27,232
Rent	20,700	18,600	39,300	37,200
Research and development	-	-	8,000	-
Telephone	10,459	9,749	19,529	15,838
Travel	10,024	12,289	19,833	18,027
Vehicle	11,148	11,339	20,220	14,422
Other	58,032	65,555	92,715	102,526
Total administrative expenses	411,879	380,709	798,862	734,256
Operating income (loss)	158,968	(25,862)	305,914	151,388
Other income	2,848	10,737	5,925	9,428
Income (loss) before income taxes	161,816	(15,125)	311,839	160,816
Income taxes	(62,658)	(3,009)	(119,007)	(57,455)
Net income (loss)	$ 99,158	$ (18,134)	$ 192,832	$ 103,361
Basic and diluted earnings per share	$ 0.01	**	$ 0.01	$ 0.01

Weighted average number of shares	11,923,999	11,885,717	11,916,478	11,883,832

**Less than $.01

See accompanying notes to consolidated financial statements.

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METWOOD, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2006 AND 2005
(UNAUDITED)

		2006		2005
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$	192,832	$	103,361
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation		59,425		50,742
Common stock issued for services rendered		-		3,135
Provision for deferred income taxes		5,844		7,976
(Increase) decrease in operating assets:				
Accounts receivable		26,438		124,472
Inventory		(178,578)		(114,754)
Recoverable income taxes		-		28,470
Other operating assets		(18,850)		(17,654)
Increase (decrease) in operating liabilities:				
Accounts payable and accrued expenses		(9,313)		(174,889)
Current income taxes payable		(42,425)		14,991
Net cash from operating activities		35,373		25,850
CASH FLOWS USED FOR INVESTING ACTIVITIES				
Expenditures for fixed assets		(59,408)		(75,990)
Net cash used for investing activities		(59,408)		(75,990)
CASH FLOWS FROM FINANCING ACTIVITIES				
Common stock issued for cash		-		3,435
Net cash from financing activities		-		3,435
Net decrease in cash		(24,035)		(46,705)
Cash, beginning of the year		99,880		234,607
Cash, end of the period	$	75,845	$	187,902

See accompanying notes to consolidated financial statements.

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METWOOD, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2006
(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.

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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 December 31, 2006 are not necessarily indicative of the results to be expected for the entire fiscal year ending June 30, 2007.

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 December 31, 2006, 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 the allowance for doubtful accounts when determined uncollectible or directly to bad debt expense if there is no remaining allowance. For the three months ended December 31, 2006 and 2005, the amount of bad debts charged off was $409 and $-0-, respectively. For the six months ended December 31, 2006 and 2005, the amount of bad debts charged off was $23,470 and $-0-

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, 2006 using discounted cash flow estimates and found that there was no impairment of goodwill.

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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.

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. There were no research and development costs for the three months ended December 31, 2006 or 2005. For the six months ended December 31, 2006 and 2005, the expenses relating to research and development were $8,000 and $-0-, 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 periods 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 July 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation ("FIN") No. 48, "Uncertainty in Income Taxes." FIN 48 applies to all tax positions within the scope of Statement 109 and clarifies when and how to recognize tax benefits in the financial statements with a two-step approach to recognition and measurement. FIN 48 will become effective for fiscal years beginning after December 15, 2006. Management continues to evaluate the effect that adoption of FIN 48 will have on the Company's consolidated results of operations and financial position.

In May 2005, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 154, "Accounting Changes and Error Corrections" (replacing Accounting Principles Board Opinion ("APB") No. 20, "Accounting Changes," and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements - an Amendment of APB Opinion No. 28") which changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS 154 requires retrospective application to prior period financial statements (to the extent practicable) of changes in accounting principle instead of recognition of the cumulative effect of the change in net income in the period of the change as required by APB

No. 10. SFAS 154 also requires that a change in depreciation or amortization be accounted for as a change in accounting estimate effected by a change

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in accounting principle. The Company adopted SFAS 154 during the quarter ended September 30, 2006, and such adoption did not impact the Company's consolidated results of operations or financial position.

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements." SFAS 157 defines fair value, establishes a framework and gives guidance regarding the methods used for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company does not expect adoption of FASB No. 157 to have a material effect on its consolidated results of operations or financial position.

In September 2006, the SEC released Staff Accounting Bulletin ("SAB") No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." SAB 108 provides interpretive guidance on the SEC's views regarding the process of quantifying materiality of financial statement misstatements. SAB 108 is effective for fiscal years ending after November 15, 2006, with early application for the first interim period ending after November 15, 2006. The Company does not believe that the application of SAB 108 will have a material effect on its consolidated results of operations or financial position.

NOTE 2 - EARNINGS PER SHARE

Net income (loss) and earnings per share for the three and six months ending December 31, 2006 and 2005 are as follows:

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2006	2005	2006	2005
Net income (loss)	$ 99,158	$ (18,134)	$ 192,832	$ 103,361
Income per share - basic and fully diluted	$ 0.01	**	$ 0.01	$ 0.01
Weighted average number of shares	11,923,999	11,885,717	11,916,478	11,883,832

NOTE 3 - SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental disclosures of cash flow information for the three and six months ended December 31, 2006 and 2005 are summarized as follows:

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2006	2005	2006	2005
Cash paid for:				
Income taxes	$ 96,588	$ -	$ 155,588	$ -
Interest	$ -	$ -	$ -	$ -

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 six months ended December 31, 2006 and 2005. For the three months ended December 31, 2006 and 2005, the Company had

sales of $6,633 and $-0-, respectively, to the company referred to above. For the six months ended December 31, 2006 and 2005, sales were $32,131 and $-0-, respectively. As of December 31, 2006, the related receivables were still outstanding. See also Note 7.

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NOTE 5 - BANK CREDIT LINE

The Company has available a $600,000 revolving line of credit with a local bank. The balance outstanding at December 31, 2006 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 six months ended December 31, 2006 and 2005, as excerpted from internal management reports, is as follows:

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
Construction:	2006	2005	2006	2005
Sales	$ 1,093,077	$ 824,759	$ 2,199,033	$ 2,026,353
Intersegment expenses	(27,330)	-	(32,167)	-
Cost of sales	(512,678)	(511,457)	(1,083,354)	(1,198,802)
Corporate and other expenses	(460,604)	(334,244)	(896,687)	(732,551)
Segment income	$ 92,465	$ (20,942)	$ 186,825	$ 95,000
Engineering:				
Sales	$ 42,891	$ 78,838	$ 87,459	$ 133,042
Intersegment revenues	27,330	-	32,167	-
Cost of sales	(52,443)	(37,293)	(98,362)	(74,949)
Corporate and other expenses	(11,085)	(38,737)	(15,257)	(49,732)
Segment income (loss)	$ 6,693	$ 2,808	$ 6,007	$ 8,361

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 monthly rental of $6,200 through October 2006 and increasing to $6,550 thereafter. The lease expires on December 31, 2014. For the three and six months ended December 31, 2006 and 2005, the Company recognized rental expense for these spaces of $19,300, $37,900, $18,600 and $37,200, respectively. The Company has also entered into a month-to-month lease effective July 2006 with the related-party company for a trailer located on the Company premises with a monthly rent of $350. For the three and six months ended December 31, 2006, rental expense for this property was $1,400.

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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.

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

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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

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, Home Depot and 84 Lumber. The Company's relationships with these dealers has strengthened both sales volume and collectibility. Additionally, the Company sells directly to contractors and do-it-yourself homeowners in Virginia and North Carolina. Metwood relies primarily on its own sales force to generate sales; however, the Company has distributors in Virginia, New York, Oklahoma, Arizona, Colorado, Washington 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.

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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.

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. and four Canadian 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.

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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.

Canadian Patent Nos. 101892, 101893, 101894, and 101895 for the Company's joist reinforcing bracket designs.

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 has 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 thirty-two employees at December 31, 2006, all of whom were full time.

Results of Operations

Net Income

The Company had net income of $99,158 for the three months ended December 31, 2006, versus a net loss of $18,134 for the three months ended December 31, 2005, an increase of $117,292. The increase in net income was attributable both to a growth in Company sales as well as holding the line on materials costs comparing 2006 with 2005, incurring only a 3% increase for the three months ended December 31, 2006 over 2005 and and a 7% decrease for the six-month period ended December 31, 2006 versus 2005.

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Revenues

Revenues were $1,135,968 for the three months ended December 31, 2006 compared to $903,597 for the same period in 2005, an increase of $232,371, or 26%. For the six-month periods ended December 31, 2006 and 2005, sales were $2,286,492 and $2,159,395, respectively, an increase of 6%. The quarterly increase in 2006 sales over 2005 resulted from both an increase in volume and in selling prices comparing the two periods. Gross margins increased significantly, from 39% to 50% for the three months ended December 31, 2006 compared to 2005 and 41% to 48% for the six months ended December 31, 2006 compared to the same period in 2005.

The Company's significant growth in sales in its most recent quarter resulted from several factors, including increased engineering fees and completion of several large projects. Additionally, the Company experienced record sales in November, in part due to the unseasonably mild weather.

Expenses

Total administrative expenses were $411,879 and $798,862 for the three and six months ended December 31, 2006, versus $380,709 and $734,256 for the three and six months ended December 31, 2005, an increase of $31,170 (8%) and $64,606 (9%), respectively. Payroll expenses increased 30% and 19% for the three and six-month periods in 2006 over 2005, including bonuses paid to sales staff reflecting the previously noted increase in sales volume for those periods, while other costs remained relatively constant from period to period.

Liquidity and Capital Reserves

On December 31, 2006, the Company had cash of $75,845 and working capital of $2,658,246. Net cash provided by operating activities was $35,373 for the six months ended December 31, 2006 compared to $25,850 for the six months ended December 31, 2005. The increased provision of cash in the current year resulted primarily from the collection of accounts receivable for the period and an increase in net income as well as a decrease in the payment of accounts payable and accrued expenses comparing 2006 to 2005.

Cash used in investing activities was $59,408 for the six months ended December 31, 2006 compared to cash used of $75,990 during the same period in the prior year. Cash flows used in investing activities for the current period were for vehicles ($40,999), shop equipment ($11,497), and computers and peripherals ($3,554), and leasehold improvements ($3,358).

Cash provided from financing activities for the six months ended December 31, 2006 and 2005 were $-0- and $3,435, respectively.

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.

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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 September 30, 2006.

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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: February 12, 2007

/s/ *Robert M. Callahan*
Robert M. Callahan
Chief Executive Officer

/s/ *Shawn A. Callahan*
Shawn A. Callahan
Chief Financial Officer

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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