

METWOOD INC  
Form 10KSB/A  
October 06, 2005

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

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FORM 10-KSB/A  
\_\_\_\_\_

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2005

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

-  
Commission file number 000-05391

-

\_\_\_\_\_  
METWOOD, INC.

(Name of small business issuer in its charter)

NEVADA  
(State or other jurisdiction  
of incorporation or organization)

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)

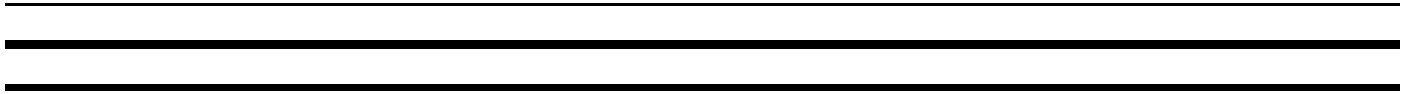
Securities registered under Section 12(b) of the Exchange Act:  
None

Securities registered under Section 12(g) of the Exchange Act:  
\$0.001 Par Value Common Voting Stock  
(Title of Class)

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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  No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or an amendment to this Form 10-KSB.

State issuer's revenues for its most recent fiscal year: \$4,181,280

As of September 28, 2005 there were 11,877,499 common shares outstanding, and the aggregate market value of the common shares (based upon the average of the bid price (\$1.10) reported by brokers) held by non-affiliates was approximately \$13,065,249.

Transitional Small Business Disclosure Format (check one): Yes  No

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**METWOOD, INC. AND SUBSIDIARY**  
**FORM 10-KSB**  
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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-KSB contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations, business strategies, operating efficiencies or synergies, competitive positions, growth opportunities for existing products, and plans and objectives of management. Statements that are not historical in nature and which include such words as “anticipate,” “estimate,” “should,” “expect,” “believe,” “intend,” and similar expressions are intended to identify forward-looking statements for the purpose of the safe harbor provided by Section 21E of the Exchange Act and Section 27A of the Securities Act.

PART I

**Item 1. Description of Business**

Business Development

We were incorporated under the laws of the State of Wyoming on June 19, 1969. Following an involuntary dissolution for failure to file an annual report, we were reinstated as a Wyoming corporation on October 14, 1999. On January 28, 2000, we, through a majority shareholder vote, changed its domicile to Nevada through a merger with EMC Energies, Inc., a Nevada corporation. The Plan of Merger provided for the dissenting shareholders to be paid the amount, if any, to which they would be entitled under the Wyoming Corporation Statutes with respect to the rights of dissenting shareholders. We also changed our par value to \$.001 and the amount of authorized common stock to 100,000,000 shares.

Prior to 1990, we were engaged in the business of exploring for and producing oil and gas in the Rocky Mountain and mid-continental areas of the United States. We liquidated substantially all of its assets in 1990 and were dormant until June 30, 2000, when it acquired, in a stock for-stock, tax-free exchange, all of the outstanding common stock of a privately held Virginia corporation, Metwood, Inc. (“Metwood”), which was incorporated in 1993. See Form 8-K and attached exhibits filed August 11, 2000. Metwood has been in the metal and metal/wood construction materials manufacturing business since 1992. Following the acquisition, we approved a name change from EMC Energies, Inc. to Metwood, Inc.

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, paying \$60,000 in cash and issuing 290,000 Metwood common shares to the two Providence shareholders (one of whom was also an officer and existing shareholder of Metwood prior to the acquisition). These shares were valued at the closing quoted stock price of \$1.00 per share at the effective date of the purchase. On October 15, 2002, \$15,000 additional cash was paid to one shareholder in exchange for the shareholder’s surrender of 15,000 shares of Metwood stock, and \$50,000 was paid to that shareholder in two installments of \$25,000 each (on January 15, 2004 and April 15, 2004) for 275,000 shares. All of the originally issued 290,000 shares of Metwood stock have thus been repurchased as of June 30, 2004. The initial purchase transaction was accounted for under the purchase method of accounting.

The consolidated company (“the Company, We, Us, Our”) provides construction-related products and engineering services to residential customers and contractors, commercial contractors, developers and retail enterprises, primarily in southwestern Virginia with some distribution in other parts of the country.

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Principal Products or 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. Our founders, Robert 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.

Our primary products and services are:

- ..• Girders and headers -
- 
- ..• Floor joists -
- 
- ..• Floor joist reinforcers -
- 
- ..• Roof and floor trusses and rafters -
- 
- ..• Metal framing -
- 
- ..• Square structural columns -
- 
- ..• Garage, deck and porch concrete pour over systems -
- 
- ..• Garage and post-and-beam buildings -
- 
- ..• Engineering, design and custom building services -
- 

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.

Providence—Extensively involved in ongoing product research and development for Metwood. Providence also 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.

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### Distribution Methods of Products and Services

Our sales are primarily retail, directly to contractors and do-it-yourself homeowners in Virginia and North Carolina. Approximately 50% of our sales are wholesale to lumberyards, home improvement stores, hardware stores, and plumbing and electrical suppliers in Virginia and North Carolina. Metwood relies primarily on its own sales force to generate sales; additionally, however, our distributors in Virginia, New York, Oklahoma, Arizona and Colorado and also utilizes the salespeople of wholesale yards stocking our products as an additional sales force. We are in discussions with national engineered I-joist manufacturers who are interested in marketing our products and expect to announce affiliations with these companies in the near future. Metwood intends to continue expanding the wholesale marketing of its unique products to retailers, to increase dealer sales, and to license our technology and products to increase its distribution outside of Virginia, North Carolina and the other states.

### Status of Publicly Announced New Products or Services

We have acquired four new patents through assignment from Robert Callahan and Ronald Shiflett, the patent holders. All four patents reflect various modifications to our Joist Reinforcing Bracket which will make it even easier for tradesmen to insert utility conduits through wood joists.

### Seasonality of Market

Our sales are 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, our sales are greater in its fourth and first fiscal quarters. We build 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 us. 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 us. 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 us are readily available on the market from numerous suppliers. The light-gage metal used by us is supplied primarily by Dietrich Industries, Marino-Ware, and Consolidated Systems, Inc. Our main sources of lumber are Lowe's, 84 Lumber Company and Smith Mountain Building Supply. Gerdau Amersteel, Descosteel and Adelpia Metals provide the majority of our rebar. Because of the number of suppliers available to us, its decisions in purchasing materials are dictated primarily by price and secondarily by availability. We do not anticipate a lack of supply to affect its production; however, a shortage might cause us to pass on higher materials prices to its buyers.

### Dependence on One or a Few Major Customers

Presently we do not have any one customer whose loss would have a substantial impact on our operations.

### Patents

We have 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. We refer 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, a continuation in part of 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. 5,921,053, “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 Joist Reinforcing Bracket, which will be used for repairs of wood I-joists.

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

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Need for Government Approval of Principal Products

Our products must either be sold with an engineer's seal or applicable building code approval. Our chief engineer has obtained professional licensure in several states, which permits products not building code approved to be sold and used with his seal. We expect his licensure in a growing number of states to greatly assist in the uniform acceptability of its products as it expands to new markets. Currently, we are seeking International Code Council ("ICC") code approval on its joist reinforcers and beams. Once that approval is obtained, the products can be used in all fifty states and will eliminate the need for an engineer's seal on individual products. To date, our 2x10 floor joist reinforcer has received both Bureau Officials Code Association approval (2001) and ICC approval (2004).

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

Approximately fifteen percent of our 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

We do 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

We had thirty-six employees at June 30, 2005, thirty-five of whom were full time.

**Item 2. Description of Property**

During the year ended June 30, 2005, we sold our facilities to a related party for \$600,000 and subsequently leased the facilities back under a long-term lease agreement. We now lease our facilities in Boones Mill, Virginia, which consist of corporate offices, warehouses, a garage/vehicle maintenance building, and other multi-use buildings. The condition of these buildings is excellent.

We do not invest in real estate or interests in real estate, real estate mortgages or securities of or interests in persons primarily engaged in real estate activities and therefore have no policies related to such investments.

**Item 3. Legal Proceedings**

We are not a party to any legal proceedings, nor, to the best of its knowledge, is any such proceedings threatened or contemplated.

**Item 4. Submission of Matters to a Vote of Security Holders**

The majority of our shareholders voted in favor of selling our facilities and subsequently leasing them back from the purchaser during the year ended June 30, 2005.

**PART II**

**Item 5. Market for Common Equity and Related Stockholder Matters**

Because there is no active trading market for Metwood, Inc. common stock, it is difficult to determine the market value of the stock. Based on the average bid price for our common stock at September 28, 2005 of \$1.10 per share (average asking price of \$1.10), the market value of shares held by non-affiliates would be \$13,065,249. There are no preferred shares authorized.

We are listed on the OTC Bulletin Board of the National Association of Securities Dealers ("NASD") under the symbol "MTWD.OB."

Set forth below are the high and low bid prices for our common stock for the last two years:

<u>Quarter Ended</u>	<u>High Bid</u>	<u>Low Bid</u>	
<u>September 2003</u>	<u>\$0.30</u>	<u>\$0.30</u>	<u>-</u>
<u>December 2003</u>	<u>\$0.80</u>	<u>\$0.80</u>	<u>-</u>
<u>March 2004</u>	<u>\$1.05</u>	<u>\$0.65</u>	<u>-</u>
<u>June 2004</u>	<u>\$0.60</u>	<u>\$0.60</u>	<u>-</u>
<u>September 2004</u>	<u>\$0.51</u>	<u>\$0.90</u>	<u>-</u>
<u>December 2004</u>	<u>\$0.51</u>	<u>\$1.10</u>	<u>-</u>
<u>March 2005</u>	<u>\$0.60</u>	<u>\$1.01</u>	<u>-</u>
<u>June 2005</u>	<u>\$0.60</u>	<u>\$1.40</u>	<u>-</u>

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The number of holders of record of our common stock as of September 28, 2005 was 1,115. This number does not include an indeterminate number of stockholders whose shares are held by brokers in street name. The number of stockholders has been substantially the same during the past ten years.

Dividends

Per the negative covenants in the line-of-credit agreements, we are restricted from paying dividends until the debt is repaid. We have not paid any dividends on its common stock and we intend to pay dividends in the foreseeable future.

**Item 6. Management's Discussion and Analysis or Plan of Operation**Plan of Operation

We anticipate that the next twelve months will be a period of continued growth as it seeks to further expand its presence in new markets throughout the United States through increased numbers of distributors, licensees and dealers. ICC code approval is being sought for our joist reinforcers and beams and is expected to be obtained within the coming fiscal year. If this approval is obtained, product marketability would be greatly enhanced and would likely lead to higher demand.

Higher product demand would likely increase the need for more capital as inventory requirements grew, which could be met through borrowing or a stock offering. No decision has been made at the present time, however, as to which means might be used to raise capital.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Below are selected financial data for the years ended June 30, 2005 and 2004:

	2004	2005
Revenues	\$ 3,109,681	\$ 4,181,280
Net income	\$ 222,184	\$ 120,995
Net income per common share	\$ 0.02	\$ 0.01
Weighted average common shares outstanding	11,984,082	11,876,204
At June 30, 2005 and 2004:		
Total assets	\$ 2,657,034	\$ 2,145,088
Working capital	\$ 232,132	\$ 1,256,383
Shareholders' equity	\$ 1,636,421	\$ 1,765,519
**Less than \$.01		

No dividends have been declared or paid during the periods presented.

Results of Operations Fiscal 2005 Compared with Fiscal 2004

Revenues and Cost of Sales —Consolidated gross sales increased \$1,071,599, or 34%, for the year ended June 30, 2005 ("fiscal 2005") compared to the year ended June 30, 2004 ("fiscal 2004"). Construction sales consisted of product sales,

engineering, delivery and installation fees. Engineering sales consisted of fees for engineering services. Gross profit increased \$498,079 (38%) from fiscal 2004 to fiscal 2005.

The increase in construction revenues was due to several factors, including adding inside sales support for outside sales reps, thereby freeing up the reps to make more daily contacts; increased marketing efforts, such as regular seminars for building inspectors and architects on our systems and services; and strengthened dealer relationships. Also, product prices were raised in the third quarter to compensate for the increasing cost of steel. In addition, we experienced heightened demand for our pour over systems for fiscal 2005 compared to 2004 which had the added benefit of increasing related installation fees. Growth in engineering sales resulted from both higher demand and quicker turnaround time on jobs.

Cost of sales rose \$573,520 overall (31%) in fiscal 2005 compared to fiscal 2004. On the construction side, cost of sales increased \$543,086 (33%), while cost of engineering sales increased only \$30,434 (16%). The rise in construction costs was due primarily to the higher steel prices we faced in fiscal 2005. However, efforts were made to secure as much steel as possible just prior to the new higher prices taking effect, thereby alleviating some of the impact of those increases. We anticipate that steel prices will continue to be high for the foreseeable future.

Administrative expenses —These costs increased \$271,501, or 29%, to \$1,213,978 in fiscal 2005 from \$942,477 in fiscal 2004. The increase was due primarily to higher advertising and marketing, insurance and payroll costs. The increase is mainly attributable to an increase in payroll costs from \$474,660 in fiscal 2004 to \$575,904 in fiscal 2005 or an increase of \$101,244 (21%). We hired new personnel to capacitate the increase in sales and new customers in fiscal 2005.

Other Income (Expense) —We were eligible for and received \$-0- from the Virginia Department of Business Assistance in fiscal 2005 as reimbursement for a portion of its employee training efforts compared to \$9,244 in fiscal 2004. Due to the sale of our facilities in fiscal 2005 as mentioned above, we recorded a loss on the sale in the amount of \$372,011 for fiscal 2005. Interest expense amounted to \$16,296 in 2005 compared to \$25,106 in 2004, a decrease of \$8,810 and reflective of a complete repayment of our notes payable with the bank in fiscal 2005.

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Income Taxes —In fiscal 2005 our income tax expense was \$63,599 compared to income tax expense of \$114,417 in fiscal 2004. We increased our deferred tax liability by \$9,947 in 2005. The primary components of the deferred tax liability relate to timing differences between book and tax depreciation and the treatment of goodwill amortization.

Liquidity and Capital Reserves —Cash flows provided by operations in fiscal 2005 were \$250,415 versus cash flows provided by operations in fiscal 2004 of \$212,452, a change of \$37,963. The increase in cash flows from operations was primarily attributable to lower net income attributable to the loss on the sale of our facilities and increases in accounts payable and current income taxes payable, both of which will require future cash outlays. We also used \$112,649 for capital improvements and purchases of fixed assets, while approximately \$600,000 was recouped from asset disposals in fiscal 2005. Financing activities in fiscal 2005 used \$540,895 compared to \$19,827 used in fiscal 2004. The main use of funds in 2004 was \$50,000 paid to a stockholder for his Metwood common stock, while funds in 2005 used in financing activities was a net decrease in borrowings under our line-of-credit agreement of \$422,000 attributable to the repayment of the notes payable in fiscal 2005. We also repaid all notes payables in fiscal 2005.

We have historically funded its cash needs through operating income and credit line draws as needed. It will continue to rely on sales revenue as its main source of liquidity and will incur debt primarily to fund inventory purchases as sales growth produces increased product demand. Liquidity needs that cannot be met by current sales revenue may also arise in certain unusual circumstances such as has previously occurred when rain and snow significantly slowed construction activity and resulted in a corresponding decline in demand for our products. In those circumstances, debt may be added to meet our fixed costs and to maintain inventory in anticipation of a spurt in product demand that generally occurs once a weather-related slowdown has ended.

On a long-term basis, we also anticipate that product demand will increase considerably as it continues to expand its marketing and advertising campaign, which may include the use of television, radio, print and internet advertising. Efforts are well underway to increase the number of out-of-state sales representatives/brokers who will market our products throughout the country. As sales increase, we can add a second shift to meet the additional product demand without having to use funds to expand its production facilities. If additional cash becomes necessary to fund its growth, we may raise this capital through an additional follow-on stock offering rather than taking on more debt. However, there can be no assurance that we will be able to obtain additional equity or debt financing in the future. If we are unable to raise additional capital as needed, our growth potential will be adversely affected, and we would have to significantly modify its plans.

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**Item 7. Financial Statements**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors of  
Metwood, Inc.

We have audited the accompanying consolidated balance sheets of Metwood, Inc. (a Nevada corporation) and subsidiary as of June 30, 2004 and 2003, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Metwood, Inc. and subsidiary as of June 30, 2004 and 2003, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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**McLeod & Company** \_\_\_\_\_

Roanoke, Virginia  
September 17, 2004



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Bongiovanni & Associates, CPA's

**17111 Kenton Drive, Suite 100-B**  
**Cornelius, North Carolina 28031**

**Business: (704) 892-8733**

**Facsimile: (704) 892-6487**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors  
Metwood, Inc.  
819 Naff Road  
Boones Mill, Virginia 24065

We have audited the accompanying consolidated balance sheet of Metwood, Inc. (a Nevada corporation) and its wholly-owned subsidiary as of June 30, 2005 and the related consolidated statements of income, stockholders' equity, and cash flows for the year ended June 30, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Metwood, Inc. and its wholly owned subsidiary as of June 30, 2005, and the consolidated results of its operations and its cash flows for the year ended June 30, 2005 in conformity with accounting principles generally accepted in the United States of America.

Bongiovanni & Associates, P.A.  
Charlotte, North Carolina  
September 23, 2005

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**At June 30, 2005**

-	-	-	-
<b><u>ASSETS</u></b>	-	-	-
-	-	-	-
<b><u>CURRENT ASSETS</u></b>	-	-	-
Cash and Cash Equivalents	-	\$	234,607
Accounts Receivable, net of Allowance of \$8,505	-	-	484,034
Inventory	-	-	729,461
Recoverable Income Taxes	-	-	30,666
Prepaid Expenses and Other Current Assets	-	-	68,223
<b><u>TOTAL CURRENT ASSETS</u></b>	-	-	<b>1,546,991</b>
-	-	-	-
<b><u>FIXED ASSETS</u></b>	-	-	-
Furniture, Fixtures and Equipment	-	-	44,173
Computer Hardware, Software & Peripherals	-	-	127,074
Machinery and Shop Equipment	-	-	258,367
Vehicles	-	-	282,046
	-	-	711,660
Accumulated Depreciation	-	-	(366,651)
Net Fixed Assets	-	-	345,009
-	-	-	-
<b><u>OTHER ASSETS</u></b>	-	-	-
Goodwill	-	-	253,088
-	-	-	-
<b><u>TOTAL ASSETS</u></b>	-	\$	<b>2,145,088</b>
-	-	-	-
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>	-	-	-
-	-	-	-
<b><u>CURRENT LIABILITIES</u></b>	-	-	-
Accounts Payable	-	\$	218,435
Accrued Expenses	-	-	45,855
Customer Deposits	-	-	5,000
Income Taxes Payable	-	-	21,318
<b><u>TOTAL CURRENT LIABILITIES</u></b>	-	-	<b>290,608</b>
-	-	-	-
<b><u>LONG-TERM LIABILITIES</u></b>	-	-	-
Deferred Income Taxes, Net	-	\$	88,961
-	-	-	-
<b><u>COMMITMENT - NOTE 4</u></b>	-	-	-
-	-	-	-
<b><u>STOCKHOLDERS' EQUITY</u></b>	-	-	-
Common Stock (\$.001 par value, 100,000,000 shares authorized:	-	-	-
11,877,499 shares issued and outstanding at June 30, 2005)	-	-	11,878
Common Stock Not Yet Issued (\$.001 par value, 10,950 shares)	-	-	11
Additional Paid-in-Capital	-	-	1,304,818

<u>Retained Earnings</u>	-	-	<u>448,812</u>
<u>TOTAL STOCKHOLDERS' EQUITY</u>	-	-	<u>1,765,519</u>
-	-	-	-
<u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u>	-	<u>\$</u>	<u>2,145,088</u>
-	-	-	-
-	-	-	-
	<u>See notes to consolidated audited financial statements and auditors' report</u>		

Table of Contents**METWOOD, INC. AND WHOLLY OWNED SUBSIDIARY****Income Statements****For the Years Ending June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>REVENUES AND COST OF SALES:</b>		
<u>Construction Sales</u>	\$ 3,838,966	\$ 2,779,220
<u>Engineering Sales</u>	342,314	330,461
<u>Gross Sales</u>	4,181,280	3,109,681
<u>Cost of Construction Sales</u>	2,181,168	1,638,082
<u>Cost of Engineering Sales</u>	223,112	192,678
<u>Gross Cost of Sales</u>	2,404,280	1,830,760
<u>Gross Profit</u>	1,777,000	1,278,921
<b>ADMINISTRATIVE EXPENSES:</b>		
<u>Advertising</u>	145,296	82,473
<u>Construction/Bidding Data</u>	14,813	18,668
<u>Depreciation</u>	53,817	53,197
<u>Insurance</u>	53,652	43,729
<u>Office Expense</u>	52,563	26,391
<u>Payroll Expense</u>	575,904	474,660
<u>Professional Fees</u>	43,073	43,197
<u>Research and Development</u>	6,920	30,871
<u>Telephone</u>	28,695	22,763
<u>Travel</u>	24,518	15,404
<u>Vehicle Expense</u>	28,477	19,984
<u>Other</u>	186,250	111,140
<b>TOTAL EXPENSES</b>	<b>1,213,978</b>	<b>942,477</b>
<b>OPERATING INCOME</b>	<b>563,022</b>	<b>336,444</b>
<u>Loss on Sale of Fixed Assets</u>	(372,011)	-
<u>Other Income (Expense)</u>	(6,417)	157
<u>Income Before Income Taxes</u>	184,594	336,601
<u>Income Taxes</u>	(63,599)	(114,417)
<u>Net Income</u>	\$ 120,995	\$ 222,184
<u>Net Income Per Common Share</u>		
<u>Basic &amp; Fully Diluted</u>	\$ 0.01	\$ 0.02
<u>Weighted Average Common Shares Outstanding</u>	11,876,204	11,984,082

See notes to consolidated audited financial statements and auditors' report



Table of Contents**METWOOD, INC. AND WHOLLY OWNED SUBSIDIARY****Statement of Stockholders' Equity****For the Years Ending June 30, 2005 and 2004**

	<u>Common</u> <u>Shares</u> <u>(000's)</u>	<u>Common</u> <u>Stock</u> <u>(\$ .001 Par)</u>	<u>Common</u> <u>Shares</u> <u>Not Yet</u> <u>Issued</u> <u>(000's)</u>	<u>Common</u> <u>Stock</u> <u>Not Yet</u> <u>Issued</u> <u>(\$ .001</u> <u>Par)</u>	<u>Additional</u> <u>Paid-in</u> <u>Capital</u>	<u>Retained</u> <u>Earnings</u>
<u>Balances, July 1, 2003</u>	12,046	\$ 12,046	11	11	\$ 1,343,047	\$ 105,633
<u>Net income for year</u>	-0-	-0-	-0-	-0-	-0-	222,184
<u>Common stock retired</u>	(275)	(275)	-0-	-0-	(49,725)	-0-
<u>Issuance of common stock for services</u>	5	5	-0-	-0-	3,495	-0-
<u>Issuance of common stock subscribed</u>	8	8	(8)	(8)	-0-	-0-
<u>Previously canceled common stock reinstated</u>	79	79	-0-	-0-	(79)	-0-
<u>Balances, June 30, 2004</u>	11,863	\$ 11,863	3	3	\$ 1,296,738	\$ 327,817
<u>Net income for year</u>	-0-	-0-	-0-	-0-	-0-	120,995
<u>Common stock subscribed but not yet issued</u>	-0-	-0-	8	8	-0-	-0-
<u>Issuance of common stock for services rendered</u>	3	3	-0-	-0-	1,967	-0-
<u>Issuance of common stock subscribed</u>	12	12	-0-	-0-	6,113	-0-
<u>Balances, June 30, 2005</u>	11,878	\$ 11,878	11	11	\$ 1,304,818	\$ 448,812

See notes to consolidated audited financial statements and auditors' report





Table of Contents**METWOOD, INC. AND WHOLLY OWNED SUBSIDIARY****Statements of Cash Flows****For the Years Ending June 30, 2005 and 2004**

	2005	2004
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Net income	\$ 120,995	\$ 222,184
<u>Adjustments to reconcile net income to net cash provided by operating activities:</u>		
Depreciation	108,536	99,616
Bad debt expense	8,855	12,302
Provision for deferred income taxes	(9,947)	31,689
Loss on sale of fixed assets	372,011	-
Common stock issued for services	1,970	3,500
<u>(Increase) decrease in operating assets:</u>		
Accounts receivable	(80,258)	(144,519)
Inventory	(96,236)	(286,755)
Prepaid expenses and other current assets	(40,874)	(13,812)
Recoverable income taxes	(30,666)	25,187
<u>Increase (decrease) in operating liabilities:</u>		
Accounts payable, accrued expenses and customer deposits	(65,462)	203,233
Current income taxes payable	(38,509)	59,827
<b><u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>	<b><u>250,415</u></b>	<b><u>212,452</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Disposals of fixed assets	600,000	2,314
Expenditures for fixed assets	(112,649)	(166,685)
<b><u>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</u></b>	<b><u>487,351</u></b>	<b><u>(164,371)</u></b>