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Pem UK Limited
Statement of Income and Retained Earnings
for the Period Ending December 31, 2006
(In US Dollars)

	2006	2005
Net Sales	\$ 8,440,204	\$ 43,681,517
Other Income (Loss) - principally interest, exchange gains (losses) and Fixed Asset sales	1,556,964	-1,529,580
Total	\$ <u>9,997,168</u>	\$ <u>42,151,937</u>
Cost and Expenses:		
Cost of products sold	6,602,425	34,872,682
Selling expenses	325,939	664,223
Gen & admin expenses	1,170,922	3,882,589
Total	\$ <u>8,099,286</u>	\$ <u>39,419,494</u>
Income Before Taxes	1,897,882	2,732,443
Income Taxes	375,482	847,440
Net Income	\$ <u>1,522,400</u>	\$ <u>1,885,003</u>
Retained Earnings at Beg of Year	<u>10,999,192</u>	<u>9,114,189</u>
Retained Earnings at End of Year	\$ <u><u>12,521,592</u></u>	\$ <u><u>10,999,192</u></u>

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Pem UK Limited

**Balance Sheet - 31 December 2006
(In US Dollars)**

	2006	2005
<u>ASSETS:</u>		
Cash & Short Term Investments	1,446,006	2,251,159
Accounts Receivable - Net	3,344,600	8,500,444
Inventory - Net	2,365,905	4,041,075
V A T Receivable	-9,424	131,281
Other Current Assets	189	2,744
Total Current Assets	\$ 7,147,276	\$ 14,926,703
Property - At Cost		
Land & Building	0	3,981,016
Furniture & Fixtures	407,939	700,661
Less Accumulated Depreciation	332,472	1,027,620
Property - Net	75,467	3,654,057
Total Assets	\$ 7,222,743	\$ 18,580,760
<u>LIABILITIES:</u>		
Accounts Payable	1,021,886	856,851
Income Taxes	173,012	331,320
Payroll & Other	7,011,218	7,065,115
Total Current Liabilities	\$ 8,206,116	\$ 8,253,286
Due to/(from) Penn Engineering & Mfg Corp	-13,504,975	-671,728
Stockholder's Equity		
Capital Stock	10	10
Retained Earnings	12,521,592	10,999,192
Total Liabilities & Equity	\$ 7,222,743	\$ 18,580,760