REPORT OF INDEPENDENT AUDITORS[1]

The Board of Directors
PNA Manufacturing Corporation
(A Wholly Owned Subsidiary of
Granthor Holdings Philippines, Inc.)

123 Maganda Street[2]
Future Village, Makati City

We have audited the accompanying financial statements of PNA Manufacturing Corporation, which comprise the balance sheets as at December 31, 2006 and 2005, and the income statements, statements of changes in equity and cash flow statements for the years then ended, and notes to financial statements comprising of a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors'[3] *Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as

---

[1] Refer to PSA 700 (Revised) or AA2006-04 (released December 14, 2006) for guidance on the new wording for independent auditor's report. As a Firm policy, the old report title will be retained.

[2] Added when the financial statements are for submission to the SEC and BIR.

[3] Take note of the location of the apostrophe, it should be after **s**.

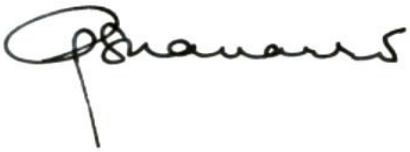
evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of PNA Manufacturing Corporation as of December 31, 2006 and 2005, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO[4]



By: Gregorio S. Navarro
Partner
CPA Reg. No. 0033571
TIN 109-228-435
PTR No. 0267680, January 2, 2007, Makati City
SEC Accreditation No. 0013-AR-1
BIR AN 08-002511-2-2005 (Dec. 27, 2005 to 2008)

March 31, 2007

[4] Refer to AM 2006-001for guidance.