UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

[x] QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: June 30, 2006

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15 (D) OF THE EXCHANGE ACT

For the transition period from to

Commission file number 0-17232

SORELL, INC.

(Exact name of small business issuer as specified in its charter)

NEVADA	86-0914695
(State or other jurisdiction of Incorporation or organization)	(IRS Employer Identification Number)

Buk-ri 35, Nama-Myun, Yongin City, South Korea

(Address of principal executive offices)

82-31-329-8700

(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

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 by Rule 12b-2 of the Exchange Act). Yes [ ] No {X}

State the number of shares outstanding of each of the issuer's classes of common equity, as of the last practicable date:

30,705, 150 shares of common stock, $0.001 par value, as of June 30, 2006.

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

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-QSB and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal recurring nature. Operating results for the six month periods ended June 31, 2006 and 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006. For further information refer to the financial statements and footnotes thereto included in the Company's Annual Financial Statements filed on Form 10-KSB filed with the Securities and Exchange Commission.

SORELL, INC.
(FORMERLY NETMEASURE TECHNOLOGY, INC.)

CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED JUNE 30, 2006 and 2005

(EXPRESSED IN U.S. DOLLARS)

UNAUDITED

CONTENTS

SORELL, INC.
(FORMERLY NETMEASURE TECHNOLOGY, INC.)
Consolidated Balance Sheets
June 30, 2006 and 2005
Unaudited
(Expressed in U.S. Dollars)

	2006	2005
ASSETS		
Current		
Cash and cash equivalents (note 3)	$ 1,341,971	$ 2,796,296
Accounts receivable (net of allowance for doubtful accounts $2,337,783; 2005 - $1,592,914)	3,082,951	2,252,954
Inventory (note 4)	7,839,904	8,880,963
Loans receivable	-	50,917
Prepaid and sundry assets	151,116	539,906
	12,415,942	14,521,036
Deferred Financing Fees	377,765	-
Loans Receivable	-	36,494
Properties and Equipment (note 5)	7,934,452	8,228,195
Deposits	643,016	548,614
Investments (note 6)	28,831	83,472
	$ 21,400,006	$ 23,417,811
LIABILITIES		
Current		
Accounts payable	$ 11,650,389	$ 4,282,808
Loans payable - current (note 7)	11,779,918	13,120,374
Convertible notes (note 9)	2,000,000	
	25,430,307	17,403,182
Accrued Severance (note 10)	585,424	644,856
Loans Payable (note 11)	4,532,200	4,415,664
	30,547,931	22,463,702
Commitments and Contingencies (notes 14 and 15)		
STOCKHOLDERS' DEFICIT		
Capital Stock (note 12)	30,705	5,390
Paid in Capital	4,833,332	5,026,033
Accumulated Other Comprehensive Income	327,626	783,982
Deficit (note 13)	(14,339,588)	(4,861,296)
	(9,147,925)	954,109
	$ 21,400,006	$ 23,417,811

(The accompanying notes are an integral part of these consolidated financial statements)

SORELL, INC.
(FORMERLY NETMEASURE TECHNOLOGY, INC.)
Consolidated Statements of Stockholders' Deficiency
Six Months Ended June 30, 2006 and 2005
Unaudited
(Expressed in U.S. Dollars)

	Number of Shares		Capital Stock		Paid in Capital in excess of Par Value		Accumulated Other Comprehensive Income		Deficit		Total Stockholders' Deficit
Balance, January 1, 2005	5,389,900	$	5,390	$	5,026,033	$	830,157	$	2,229,461	$	8,091,041
Unrealized loss on investment (note 6)	-		-		-		(16,726)		-		(16,726)
Foreign exchange on translation	-		-		-		(29,449)		-		(29,449)
Net loss	-		-		-		-		(7,090,757)		(7,090,757)
Balance, June 30, 2005	5,389,900	$	5,390	$	5,026,033	$	783,982	$	(4,861,296)	$	954,109
Balance, January 1, 2006	**29,539,900**	**$**	**29,540**	**$**	**4,717,972**	**$**	**621,603**	**$**	**(9,056,425)**	**$**	**(3,687,310)**
Common shares issued for consulting services (note12)	**1,165,250**		**1,165**		**115,360**		**-**		**-**		**116,525**
Foreign exchange on translation	**-**		**-**		**-**		**(293,977)**		**-**		**(293,977)**
Net loss	**-**		**-**		**-**		**-**		**(5,283,163)**		**(5,283,163)**
Balance, June 30, 2006	**30,705,150**	**$**	**30,705**	**$**	**4,833,332**	**$**	**327,626**	**$**	**(14,339,588)**	**$**	**(9,147,925)**

(The accompanying notes are an integral part of these consolidated financial statements)

SORELL, INC.
(FORMERLY NETMEASURE TECHNOLOGY, INC.)
Consolidated Statements of Operations
Six Months Ended June 30, 2006 and 2005
Unaudited
(Expressed in U.S. Dollars)

	2006	2005
Revenue		
Manufacturing	**$ 9,012,419**	$ 18,534,603
Merchandise	**572,632**	1,516,295
Subcontracting	**446,303**	790,640
Other	**123,701**	109,967
	10,155,055	20,951,505
Cost of Sales		
Manufacturing	**10,356,443**	22,067,508
Merchandise	**1,535,772**	1,665,679
Subcontracting	**312,411**	536,875
	12,204,626	24,270,062
Gross Loss	**(2,049,571)**	(3,318,557)
Expenses		
Salaries, employee benefits, and retirement allowance	**959,867**	1,078,522
Research and development	**748,242**	626,076
Professional fees	**454,308**	263,308
Bad debts	**455,542**	1,272,912
Taxes and dues	**199,022**	56,940
Advertising, promotion, and entertainment	**173,770**	160,366
Freight	**87,933**	90,611
Travel	**139,045**	149,045
Utilities	**44,745**	54,089
Office and general	**40,542**	38,999
Rent	**7,759**	7,182
Warranty (recoveries)	**(303,779)**	101,496
Depreciation	**137,490**	166,774
	3,144,486	4,066,320
Operating Loss	**(5,194,057)**	(7,384,877)
Other (Expenses) Income		
Financing fees	**(87,141)**	(52,750)
Gain (loss) from sale of securities	**255,266**	(12,362)
Interest expense - net	**(376,765)**	(291,819)
Foreign exchange gain	**107,181**	197,694
Gain (loss) on disposition of other assets	**12,353**	(25,077)
	(89,106)	(184,314)
Loss Before Income Taxes	**(5,283,163)**	(7,569,191)
Income taxes expense - deferred	**-**	478,434
Net Loss	**$ (5,283,163)**	$ (7,090,757)
Basic Loss Per Share	**$ (0.18)**	$ (1.32)
Weighted Average Number of Shares	**29,928,317**	5,389,900

(The accompanying notes are an integral part of these consolidated financial statements)

SORELL, INC.
(FORMERLY NETMEASURE TECHNOLOGY, INC.)
Consolidated Statements of Operations
Three Months Ended June 30, 2006 and 2005
Unaudited
(Expressed in U.S. Dollars)

	2006	2005
Revenue		
Manufacturing	**6,702,806**	8,081,267
Merchandise	**234,499**	408,817
Subcontracting	**252,767**	487,283
Other	**17,665**	76,958
	7,207,737	9,054,325
Cost of Sales		
Manufacturing	**7,433,921**	8,728,252
Merchandise	**1,077,104**	432,495
Subcontracting	**176,936**	351,907
	8,687,961	9,512,654
Gross Loss	**(1,480,224)**	(458,329)
Expenses		
Salaries, employee benefits, and retirement allowance	**468,063**	573,040
Research and development	**339,904**	430,418
Professional fees	**305,102**	170,613
Bad debts	**385,024**	560,337
Taxes and dues	**177,578**	28,316
Advertising, promotion, and entertainment	**51,891**	71,732
Freight	**44,345**	47,788
Travel	**74,779**	63,572
Utilities	**21,651**	24,854
Office and general	**24,973**	13,725
Rent	**3,793**	3,898
Warranty (recoveries)	**(122,771)**	45,822
Depreciation	**69,890**	86,493
	1,844,222	2,120,608
Operating Loss	**(3,324,446)**	(2,578,937)
Other (Expenses) Income		
Financing fees	**(58,401)**	(410)
Gain from sale of securities	**4,173**	-
Interest expense - net	**(190,478)**	(166,987)
Foreign exchange gain	**26,927**	94,242
Gain (loss) on disposition of property	**4,666**	(194)
	(213,113)	(73,349)
Loss Before Income Taxes	**(3,537,559)**	(2,652,286)
Income taxes expense - deferred	**-**	3,720
Net Loss	**(3,537,559)**	(2,648,566)
Basic Loss Per Share	(0.12)	(0.49)
Weighted Average Number of Shares	**30,316,733**	5,389,900

(The accompanying notes are an integral part of these consolidated financial statements)

SORELL, INC.
(FORMERLY NETMEASURE TECHNOLOGY, INC.)
Consolidated Statements of Cash Flows
Six Months Ended June 30, 2006 and 2005
Unaudited
(Expressed in U.S. Dollars)

	2006	2005
Cash Flows from Operating Activities		
Net loss	$ (5,283,163)	$ (7,090,757)
Adjustments for:		
Depreciation	137,490	726,436
Gain from sale of securities	(255,266)	-
(Gain) loss on disposition of other assets	(12,353)	25,077
Change in non-cash working capital		
Accounts receivable	1,230,601	1,865,364
Inventory	(1,542,209)	3,414,011
Prepaid and sundry assets	103,364	1,718,402
Deferred financing fees	377,765	-
Deposits	(35,709)	(86,669)
Accounts payable	3,367,891	(778)
Accrued severance	10,034	(52,440)
Deferred taxes	-	(478,434)
Net cash (used in) provided by operating activities	(1,901,555)	40,212
Cash Flows from Investing Activities		
Acquisition of property and equipment	-	(145,935)
Investments	-	20,114
Net cash used in investing activities	-	(125,821)
Cash Flows from Financing Activities		
Loans receivable	87,526	10,465
Loans payable	(688,282)	(356,250)
Issuance of convertible notes	2,000,000	-
Issuance of common shares	116,525	-
Net cash provided by (used in) financing activities	1,515,769	(345,785)
Foreign Exchange on Cash and Cash Equivalents	(45,177)	(28,887)
Net Decrease in Cash and Cash Equivalents	(430,963)	(460,281)
Cash and Cash Equivalents - beginning of period	1,837,173	3,256,577
Cash and Cash Equivalents - end of period	$ 1,406,210	$ 2,796,296
Interest and Income Taxes Paid:		
Interest paid	$ 402,395	$ 338,257
Income taxes paid	$ -	$ -

(The accompanying notes are an integral part of these consolidated financial statements)

1. Description of Business and Going Concern

Sorell, Inc. (formerly NetMeasure Technology, Inc.) ("the Company") was incorporated under the laws of the State of Nevada on May 4, 1998. The Company has no business activity before its merger with S. Cam Co. Ltd. ("S.Cam").

On October 4, 2005, in accordance with a Share Exchange Agreement dated July 12, 2005, S.Cam entered into a reverse-takeover transaction with the Company, whereby 78.8% of all the outstanding shares of the S Cam Co. Ltd., a Korean corporation, were exchanged for 23,305,000 of the newly issued shares of the Company. As a result of the transaction, the shareholders of S.Cam control 81% of the Company. While the Company is the legal parent, S.Cam, as a result of the reverse-takeover, became the parent company for accounting purposes.

S.Cam, a company operating in Namsa, Kyungki-Do, Korea, was founded on October 13, 1998 under the laws of the Republic of Korea to manufacture and sell consumer electronic products such as MP3 players and mobile phones.

Since 2002, the S.Cam, has been actively investing in research to develop consumer electronic products such as MP3 players under its own brand name 'Sorell'. Revenue from Sorell products amounted to approximately 50% of total revenues of 2006 (2005 - 44.2%).

Going Concern

The Company's consolidated financial statements are presented on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company has experienced recurring losses since inception that raise substantial doubt as to its ability to continue as a going concern. For the periods ended June 30, 2006 and 2005, the Company experienced net losses of $5,283,163 and $7,090,757 and has a negative working capital of $13,014,364 and $2,882,146 for the quarters ended June 30, 2006 and 2005 respectively.

The Company's ability to continue as a going concern is contingent upon its ability to secure additional financing, initiating sale of its product and attaining profitable operations.

Management is pursuing various sources of equity financing in addition to increasing its sales base. During the year, the Company shifted its primary focus to the production of goods under its own brand name "Sorell". During 2006, the Company entered into two major contracts for sales of its GPS and NFI products to China and Europe for a total of $21.9 million. Although the Company has plans to pursue additional financing, there can be no assurance that the Company will be able to secure financing when needed or obtain such on terms satisfactory to the Company, if at all.

The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

2. Summary of Significant Accounting Policies

The accounting policies of the Company are in accordance with generally accepted accounting principles of the United States of America, and their basis of application is consistent. Outlined below are those policies considered particularly significant:

a) Basis of Financial Statement Presentation

These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

b) Basis of Consolidation

The acquisition of S.Cam, by the Company has been recorded as a recapitilization of the Company, with the net assets of the Company and S.Cam, brought forward at their historical basis. The intention of the management of S.Cam, was to acquire the Company as a shell company listed on Nasdaq. Management does not intend to pursue the business of the Company. As such, accounting for the merger as the recapitilization of the Company is deemed appropriate.

Minority interest are recorded to the extent of their equity. Losses in excess of minority interest equity capital are charged against the majority interest and will be reversed when the losses reverse.

c) Unit of Measurement

The US Dollar has been used as the unit of measurement in these financial statements.

d) Use of Estimates

Preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to financial statements. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Actual results may ultimately differ from estimates, although management does not believe such changes will materially affect the financial statements in any individual year.

2. Summary of Significant Accounting Policies (cont'd)

e) Revenue Recognition

The Company generates revenues from sales of manufactured goods and merchandise, as well as subcontracted processing and assembly of goods.

Revenues from products sales and processing are recognized in accordance with Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements" ("SAB No. 101") when delivery has occurred provided there is persuasive evidence of an agreement, the fee is fixed or determinable and collection of the related receivable is probable.

f) Provision for Warranty

The Company provides a provision for estimated warranty costs relating to the Company's brand 'Sorell' products during the warranty period of one year. Estimated costs of product warranties are charged to current operations at the time of sale and are included in the balance sheet as part of accounts payable.

g) Currency Translation

The Company's functional currency is Korean won. Adjustments to translate these statements into U.S. dollars at the balance sheet date are recorded in other comprehensive income.

Foreign currency transactions of the Korean operation have been translated to Korean Won at the rate prevailing at the time of the transaction. Balance sheets items recorded in foreign currencies have been translated to Korean Wons at the year end rate. Realized foreign exchange gains and losses have been charged to income in the year.

h) Cash and Equivalents

Highly liquid investments with maturities of three months or less when purchased are considered cash equivalents and recorded at cost, which approximates fair value.

i) Loss per Common Share

The Company calculates net loss per share based on SFAS No. 128, "Earnings Per Share". Basic loss per share is computed by dividing net loss attributable to the common stockholders by the weighted average number of common shares outstanding. Fully diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive

2. Summary of Significant Accounting Policies (cont'd)

j) Comprehensive Income

The Company adopted SFAS No. 130, "Reporting Comprehensive Income". SFAS No. 130 establishes the standards for reporting and presentation of comprehensive income and its components in a full set of financial statements. Comprehensive income is presented in the statements of stockholders' deficit, and consists of net income and unrealized gains (losses) on available for sale marketable securities; foreign currency translation adjustments and changes in market value of future contracts that qualify as a hedge; and negative equity adjustments recognized in accordance with SFAS No. 87. SFAS No. 130 requires only additional disclosures in the financial statements and does not affect the Company's financial position or results of operations.

k) Properties and Equipment

Properties and equipment are stated at cost. Major renewals and betterments are capitalized and expenditures for repairs and maintenance are charges to expense as incurred. Depreciation is computed using the Undernoted annual rates and methods:

Buildings	40 years	Straight line
Leasehold improvements	2 years	Straight line
Machinery	6 years	Declining balance
Tools and equipment	6 years	Declining balance
Vehicles	6 years	Declining balance
Furniture and fixtures	6 years	Declining balance

l) Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is determined by deducting selling expenses from selling price.

The cost of inventories is determined on the weighted average method, except for materials-in-transit for which the specific identification method is used.

m) Investments

Investments in available-for-sale securities are being recorded in accordance with FAS-115 "Accounting for Certain Investments in Debt and Equity Securities". Equity securities that are not held principally for the purpose of selling in the near term are reported at fair market value with unrealized holding gains and losses excluded from earnings and reported as a separate component of stockholders' equity.

2. Summary of Significant Accounting Policies (cont'd)

n) Financial Instruments

Fair values of cash equivalents, short-term and long-term investments and short-term debt approximate cost. The estimated fair values of other financial instruments, including debt, equity and risk management instruments, have been determined using market information and valuation methodologies, primarily discounted cash flow analysis. These estimates require considerable judgment in interpreting market data, and changes in assumptions or estimation methods could significantly affect the fair value estimates.

o) Recent Accounting Pronouncements

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4". This statement amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing" to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). SFAS No. 151 requires that those items be recognized as current period charges. In addition, this statement requires that allocation of fixed production overheads to costs of conversion be based upon the normal capacity of the production facilities. The provisions of SFAS No. 151 are effective for inventory costs incurred in fiscal years beginning after June 15, 2005. We do not expect the implementation of Statement No. 154 to have a significant impact on our consolidated financial statements.

In May 2005, the FASB issued Statement No, 154, Accounting Changes and Error Corrections - A Replacement of APB Opinion No. 20 and FASB Statement No. 3 (Statement No. 154). Statement No. 154 changes the requirements for the accounting for and reporting of a change in accounting principle. Statement No. 154 requires retrospective application of any change in accounting principle to prior periods' financial statements. Statement No. 154 is effective for the first fiscal period beginning after December 15, 2005. We do not expect the implementation of Statement No. 154 to have a significant impact on our consolidated financial statements.

3. Cash and Cash Equivalents

The Company has provided a term deposit of $685,100 (2005 - $484,000) as security for bank loans as described in note 7. Loans will mature in November and December 2006. As at June 30, 2006, the total loan outstanding was $5,158,116 (2005 - $1,260,735).

The Company has provided $50,000 (2005 - $50,000) as a guarantee for the royalty agreement as described in note 14b.

SORELL, INC.
(FORMERLY NETMEASURE TECHNOLOGY, INC.)
Notes to Financial Statements
June 30, 2006 and 2005
Unaudited
(Expreseed in U.S. Dollars)

4. Inventory

Inventory includes the following:

	2006	2005
Finished goods (net of inventory allowance of $614,314 (2005 - $695,504)	**$ 1,575,035**	$ 1,954,018
Work in progress (net of inventory allowance of $442,997 (2005 - $1,019,471)	**1,300,605**	301,257
Raw materials (net of inventory allowance of $543,199 (2005 - $683,485)	**4,964,264**	6,625,688
	$ 7,839,904	$ 8,880,963

5. Properties and Equipment

Properties and equipment are comprised as follows:

	2006 Cost	**2006 Accumulated Depreciation**	2005 Cost	2005 Accumulated Depreciation
Land	**$ 1,337,307**	**$ -**	$ 1,228,192	$ -
Buildings	**4,726,637**	**254,789**	4,393,736	125,441
Machinery	**6,960,131**	**5,685,624**	6,270,259	4,515,102
Tools and equipment	**981,626**	**692,682**	777,057	492,992
Vehicles	**107,891**	**78,063**	99,087	49,900
Furniture and fixtures	**1,769,882**	**1,237,864**	1,479,463	836,164
	$ 15,883,474	**$ 7,949,022**	$ 14,247,794	$ 6,019,599
Net carrying amount		**$ 7,934,452**		$ 8,228,195

The land and buildings have been pledged as security for a short term bank loan as described in note 7 and a long term bank loan as described in note 11.

(Expreseed in U.S. Dollars)

6. Investments Available for Sale

		2006		2005
Ein View Co. Ltd (15.4% ownership)	**$**	**23,276**	$	78,371
Government Bonds		**5,555**		5,101
	$	**28,831**	$	83,472

Ein View Co. Ltd is a private Korean company which manufactures camera parts.

As the investee has recurring losses, the Company has written down the investment from carrying value to the Company's share of the net book value of the investee as at March 31, 2006 and 2005. The unrealized loss was charged to stockholder's equity. No revaluation has been done at the quarters ended June 30, 2006 and 2005.

7. Loans Payable - Current

Bank Name	**Interest**	**Maturity Date**		**2006**		2005
Industrial Bank of Korea	5.90%	October 20, 2006	**$**	**827,390**	$	459,800
The Export - Import Bank of Korea	Libor+1.17%	November 18, 2006		**1,830,271**		1,973,384
City Bank	6.95%	November 29, 2006		**3,704,810**		4,356,000
Shinhan Bank	6.5%	August 4, 2006		**915,258**		1,292,945
Korea Exchange Bank	5.93%	October 20, 2006		**1,684,652**		2,707,437
Hana Bank	7%	September 21, 2006		**421,600**		968,000
Hana Bank	6.58% to 7.01%	November 6, 2006		**367,686**		-
Jo Hung Bank	6.00%	December 26, 2006		**1,085,620**		-
Letters of Credit				**942,631**		1,362,808
			$	**11,779,918**	$	13,120,374

7. Loans Payable - Current (cont'd)

The current loans are payable monthly, interest only, and are secured as follows;

The Export - Import Bank of Korea loan of $1,830,271 is guaranteed by the Korea Technology Credit Guarantee Fund up to $924,885.

The City Bank loan of $3,704,810 is guaranteed by the Korea Credit Guarantee Fund up to $2,963,898 and a term deposit of $326,740 as described in note 3.

The Shinhan Bank loan of $915,258 is guaranteed by the Korea Technology Credit Guarantee Fund up to $779,433.

The Korea Exchange Bank loan of $1,684,652 is guaranteed by the Korea Technology Credit Guarantee Fund up to $1,433,440.

The Hana Bank loan of $421,600 is guaranteed by a second charge of the Company's land and building as described in note 5 with a carrying value of $5,809,155.

The Hana Bank loan of $367,686 is guaranteed by a term deposit of $105,400 as described in note 3.

The Jo Hung Bank loan of $1,085,620 is guaranteed by a term deposit of $252,960 as described in note 3.

Letters of Credit with Korea Exchange Bank is guaranteed by the Korea Credit Guaranteed Fund up to $1,075,080.

The Industrial Bank of Korea loan of $827,390 is unsecured.

8. Income Taxes

The Company accounts for income taxes pursuant to SFAS No. 109, "Accounting for Income Taxes". This Standard prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates. The effects of future changes in tax laws or rates are not anticipated. Corporate income tax rates applicable to the Korean subsidiary in 2006 and 2005 are 16.5% of the first 100 million Korean Won ($84,000) of taxable income and 29.7 percent of the excess which was amended to 27.5% effective January 1, 2005, in accordance with the Corporate Income Tax Law enacted in 2004. The Company provided a valuation allowance equal to the deferred tax amounts resulting from the tax losses. Tax losses from the Korean subsidiary can be carried forward for five years to offset future taxable income. Deferred income taxes were calculated based on the lower enacted rate of 16.5%. The utilization of the losses expire in 2010.

(Expreseed in U.S. Dollars)

8. Income Taxes (cont'd)

Under SFAS No. 109 income taxes are recognized for the following: a) amount of tax payable for the current year, and b) deferred tax liabilities and assets for future tax consequences of events that have been recognized differently in the financial statements than for tax purposes. The Company has deferred income tax assets arising from research and development expenses. For accounting purposes, these amounts are expenses when incurred. Under Korean tax laws, these amounts are deferred and amortized on a straight-line basis over 5 years.

The Company has deferred income tax liabilities as follows:

	2006	2005
Deferred income tax liabilities:		
Research and development expenses claimed in excess of accounting for tax purposes	**$ 513,730**	$ 464,171
Timing differences:		
Allowance for warranty provision	**(46,242)**	(9,827)
Allowance for severance accrual	**(160,087)**	(171,696)
Allowance for doubtful accounts receivable	**(321,230)**	(175,883)
Inventory provision	**(233,627)**	(219,157)
Other miscellaneous timing differences	**(66,294)**	115,464
Net operating loss carryforwards	**(1,800,376)**	(459,529)
	(2,114,126)	(456,457)
Valuation allowance for deferred income tax assets	**2,114,126**	456,457
	$ -	$ -

(Expreseed in U.S. Dollars)

9. Convertible Notes

Pursuant to SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" the Company accounts for the convertible debentures as a liability at face value and no formal accounting recognition is assigned to the value inherent in the conversion feature.

During the quarter, the Company issued $2,000,000 in convertible notes and 2,000,000 warrants to purchase 2,000,000 shares of common stock (see note 12) for gross proceeds of $2,000,000.

The convertible notes are outstanding as at June 30, 2006, are unsecured and bear interest at 8% per annum. The note holders have one year from the date of their agreements (the conversion date) to convert their notes into common stock of the Company.

		Conversion Price	**Maturity date**		**Amount**
Convertible notes #1	$	0.50	05/01/2007	$	1,000,000
Convertible notes #2		0.50	06/09/2007		1,000,000
Total				**$**	**2,000,000**

At any time prior to the conversion date the Company completes a financing transaction that results in gross proceeds of at least $5,000,000, the notes become redeemable and retractable at the conversion rate. If the Company issues shares of common stock below the conversion price, the conversion price will be reduced accordingly.

10. Retirement and Severance Benefits

The Company's liability for severance pay is calculated pursuant to applicable labour laws in Korea. Severance payment will be the monthly average of the three most recent months' salary of the employees multiplied by the number of years of employment as of the balance sheet date for all employees. For the chief executive officer and the directors, the severance pay is two times and one and a half times the monthly average respectively. The Company's liability is fully accrued and reduced by monthly deposits into a severance pay fund with an insurance company.

(Expreseed in U.S. Dollars)

11. Loans Payable - Long Term

The Industrial Bank of Korea loans are payable quarterly, interest only at 3.5% to 4.4% for the first three years of the term. Principal will be payable quarterly, commencing in 2007, for the balance of the term. The loans will mature March and May of 2012. The loans are guaranteed by a first charge on the land and building as described in note 5 with a carrying value of $5,809,155.

Principal repayments of long-term debt is comprised as follows:

2007	$ 442,439
2008	884,940
2009	884,940
2010	884,940
2011	884,940
2012	550,001
	$ 4,532,200

12. Capital Stock

		2006	2005
Authorized			
100,000,000	common shares, par value $0.001		
Issued			
30,705,150	common shares (2005 - 5,389,900)	**$ 30,705**	$ 5,390

In accordance with a share exchange agreement dated July 12, 2005, the Company issued 23,305,000 common shares on October 4, 2005 to acquire 78.8% interest in S.Cam. As a result of the transaction the shareholders of S.Cam control 81% of the Company.

In October 2005 the Company issued 845,000 common shares for services valued at $42,250.

In May 2006 the Company issued 1,165,250 common shares for services valued at $116,525.

12. Capital Stock (cont'd)

Stock Warrants and Options

In accordance with the bylaw, the Korean subsidiary may issue convertible bonds up to $9,751,000 and bonds with stock warrants up to $9,751,000, to individuals or companies other than shareholders. As of June 30, 2006, no bonds with stock warrants or convertible bonds have been issued by the subsidiary.

In accordance with the bylaw, the Korean subsidiary may grant stock options to its directors and employees up to 10% of its shares in accordance with the special resolution of shareholders' meeting (board of directors may grant up to 3% without the special resolution of shareholders' meeting). As of June 30, 2006, no stock options have been granted by the subsidiary.

On May 1, 2006 and June 9, 2006 the Company issued a total of 2,000,000 warrants to purchase up to 2,000,000 shares of common stock in conjunction with the issuance of convertible notes as described in note 9. The warrants are exercisable at a price of $0.75 per share until five years from the date of issuance. If the Company issues shares pursuant to a financing agreement below the exercise price, the exercise price of the warrants will be reduced accordingly.

13. Retained Earnings

Pursuant to the Korean tax laws, the Company is allowed to claim the amount of retained earnings appropriated for reserves for research and human resource development as deductions in its income tax return. These reserves are not available for the payment of dividends until used for the specified purposes or reversed. However, the reserves which are not deducted in its income tax return are available for the payment of dividends.

The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any, with the ratification by the Company's majority shareholders.

Included in retained earnings are reserves for $2,230,348 (2005 - $2,817,431) appropriated for tax purposes and $46,829 (2005 - $46,829) appropriated as a legal reserve regarding cash dividend.

(Expreseed in U.S. Dollars)

14. Commitments

a) The Company is committed to lease obligations of its head office and employee residences, with varying expiring dates from September to November 2006. Future minimum annual payments (exclusive of taxes, insurance and maintenance costs) under these leases are as follows:

2006	$ 36,270

b) The Company has several licensing agreements for technologies that it acquired. The agreements require the Company to pay royalties in various flat and variable rates. The terms of these agreements range from one year to indefinite periods. During the quarter, the Company incurred approximately $15,694 of royalty fees.

15. Contingent Liabilities

a) The Company has been sued by three companies for damages for approximately $2.4 million. In each case, S.Cam has filed a counter claim. As at the quarter end, the outcome of the lawsuits can not be reasonably determined.

b) The Company has entered into forward contracts maturing from July 2006 to September 2006 to buy $100,000 with Korean won at a price of 1,022 won per dollar and to sell $200,000 for Korean won at a price of 1,047 won per dollar each month.

16. Major Customers

For the period ended ended June 30, 2006, the Company had two major customers who accounted for 33% and 18% of the total sales in the period.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

FORWARD-LOOKING STATEMENTS

The information in this Quarterly Report on Form 10-QSB contains forward-looking statements. All statements other than statements of historical fact made in this registration statement are forward looking. In particular, the statements herein regarding industry prospects and future results of operations or financial position are forward-looking statements. In many cases, you can identify forward-looking statements by terminology, such as "may," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of such terms and other comparable terminology. Forward-looking statements reflect management's current expectations and are inherently uncertain. Known and unknown risks, uncertainties and other factors could cause our actual results to differ materially from those projected in any forward-looking statements.

The following discussion and analysis should be read in conjunction with the consolidated financial statements of Sorell, Inc. included herewith. This discussion should not be construed to imply that the results discussed herein will necessarily continue into the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future. Such discussion represents only the best present assessment of our management.

GENERAL OVERVIEW

We were established in October 1998 as a spin-off of the DVS production department from Samsung Electronics. That unit, which was responsible for producing Samsung camcorders, was born again as S-Cam Co., Ltd., which was responsible for manufacturing Samsung Electronics products as an Electronics Manufacturing Services provider.

Since 2002, through our operating subsidiary S-Cam Co., Ltd., we have been actively investing in research to develop consumer electronic products such as MP3 players under our own brand name “Sorell.” Revenue from Sorell brand products has amounted to approximately 50% of total revenues for the first quarter of 2006 (2005 was 44.2%).

GOING CONCERN

Our consolidated financial statements are presented on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business. We have experienced recurring losses since inception that raise substantial doubt as to our ability to continue as a going concern. For the six months ended June 30, 2006, we generated $9,012,,419 in revenue and incurred a net loss of $5,283,163. At June 30, 2006, we had a working capital deficiency of $13,014,364 and an accumulated deficit of $14,339,588. For the years ended December 31, 2005 and 2004, we generated revenue of $41,619,260 and $111,228,815, respectively, and incurred net losses of $11,285,886 and $760,040, respectively. Our ability to continue as a going concern is contingent upon our ability to secure additional financing when needed, continuing sales of our products and attaining profitable operations.

Our management is pursuing various sources of equity financing in addition to increasing sales revenue. During the year ended December 31, 2005, we shifted our primary focus to the production of goods under the brand name "Sorell." During the first quarter of 2006, we entered into two major contracts for sales of our GPS and NF1 products to China and Europe for a total of $21.9 million. We shipped an initial 50 units to Europe for a road test and during July shipped an additional aggregate of 3,000 units. We began generating revenues on a monthly basis from these contracts in June.

Although the Company has plans to pursue additional financing, there can be no assurance that the Company will be able to secure financing when needed or obtain such on terms satisfactory to the Company, if at all.

CRITICAL ACCOUNTING POLICIES

Revenue Recognition

We generate revenues from sales of manufactured goods and merchandise, as well as subcontracted processing and assembly of goods. Revenues from products sales and processing are recognized, in accordance with Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB No. 101"), when delivery has occurred provided there is persuasive evidence of an agreement, the fee is fixed or determinable and collection of the related receivable is probable.

Provision for Warranty

We account for estimated warranty costs relating to our "Sorell" brand products during the warranty period of one year. Estimated costs of product warrants are charged to current operations at the time of sale and are included in the balance sheet as part of accounts payable.

Currency Translation

Our functional currency is Korean Won. Adjustments to translate these statements into U.S. dollars at the balance sheet date are recorded in other comprehensive income. Foreign currency transactions of the Korean operation have been translated to Korean Won at the rate prevailing at the time of the transactions. Balance sheet items recorded in foreign currencies have been translated to Korean Won at the year end rate. Realized foreign exchange gains and losses have been charged to income in the year realized.

Comprehensive Income

We have adopted SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes the standards for reporting and presentation of comprehensive income and its components in a full set of financial statements. Comprehensive income is presented in the statements of stockholders' deficit, and consists of net income and unrealized gains (losses) on: available-for-sale, marketable securities; foreign currency translation adjustments and changes in market value of future contracts that qualify as a hedge; and negative equity adjustments recognized in accordance with SFAS No. 87. SFAS No. 130 requires only additional disclosures in the financial statements and does not affect our financial position or results of operations.

Properties and Equipment

We state properties and equipment at cost. We capitalize major renewals and betterments, and expense the costs of repairs and maintenance as they are incurred. We compute depreciation according to the following recovery periods and depreciation methods:

Buildings	40 years	Straight line
Leasehold improvements	2 years	Straight line
Machinery	6 years	Declining balance
Tools and equipment	6 years	Declining balance
Vehicles	6 years	Declining balance
Furniture and fixtures	6 years	Declining balance

Inventories

We state inventories at the lower of cost or net realizable value. Net realizable value is selling price minus selling expenses.

The cost of inventories is determined on the weighted average method, except for materials-in-transit for which the specific identification method is used.

Investments

Investments in available-for-sale securities are recorded in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities". Equity securities that are not held principally for the purpose of selling in the near term are reported at fair market value with unrealized holding gains and losses excluded from earnings and reported as a separate component of stockholders' equity.

Financial Instruments

The fair values of cash equivalents, short-term and long-term investments, and short-term debt are their approximate costs. The estimated fair values of other financial instruments, including debt, equity and risk management instruments, have been determined using market information and valuation methodologies, primarily discounted cash flow analysis. These estimates require considerable judgment in interpreting market data, and changes in assumptions or estimation methods could significantly affect the fair value estimates.

Recent Accounting Pronouncements

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs - an amendment of ARB No. 43, Chapter 4" (SFAS No. 151). This statement amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). SFAS No. 151 requires that those items be recognized as current-period charges. In addition, this Statement requires that allocation of fixed production overhead to the costs of conversion be based on the normal capacity of the production facilities. The provisions of SFAS No. 151 are effective for inventory costs incurred in fiscal years beginning after June 15, 2005. We do not expect SFAS No. 151 to have a significant impact on our financial statements.

In May 2005, the FASB issued Statement No. 154, Accounting Changes and Error Corrections - A Replacement of APB Opinion No. 20 and FASB Statement No. 3 (SFAS No. 154). SFAS No. 154 changes the requirements for the accounting for and reporting of a change in accounting principle. It requires retrospective application of any change in accounting principle to prior periods' financial statements. SFAS No. 154 is effective for the first fiscal period beginning after December 15, 2005. We do not expect SFAS No. 154 to have a significant impact on our consolidated financial statements.

RESULTS OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 2006 COMPARED TO SIX MONTHS ENDED JUNE 30, 2005

Total revenues in the six months ended June 30, 2006 were $9,012,419 compared to $18,532,603 for the six months ended June 30, 2005. For the six months ended June 30, 2006, we reported a net loss of $5,283,163 compared to a net loss in the comparable quarter of 2005 of $7,569,191.

The reduction in revenues during this period is directly attributable to the continuation of our planned reduction of our Electronic Manufacturing Services business, as well as the impact of the first quarter on the six months which has historically reflected reduced product demand. In addition, we were completing the preparation and production of our new product line which we released in April 2006. Sales from that product line commenced during the second quarter of 2006 and will continue to be realized in greater amounts in subsequent quarters.

The second quarter also saw the commencement of our shipment of product under our new contracts for the sale of our GPS and NF1 products. These should continue to grow in subsequent quarters.

Our gross profit margin ratio changed from negative 15.8% in the six months ended June 30, 2005 to negative 22.7% for the six months ended June 30, 2006. The change in profit margin reflects the effects of overhead reductions as a result of our move out of the Electronic Manufacturing Services business and into the branded-product business. We expect these margins to improve. We also expect improvement from specific steps we took to reduce costs in our general business. In addition, we substantially reduced bad debt expense by approximately 65% from the elimination of the Electronic Manufacturing Services business (from $1,272,912 in the six months ended June 30, 2005 to $173,770 in the six months ended June 30, 2006). We also substantially reduced the overall cost of warranties, with actually a net positive warranty cost of $303,779 in the six months ended June 30, 2006 resulting from the termination of previous warranty periods.

Cost of sales decreased by $12,065,436 or approximately 48.5% to $12,204,626 in the six months ended June 30, 2006 from $24,270,062 in the six months ended June 30, 2005. The decrease was primarily due to the substantial reduction of our Electronic Manufacturing Services business as well as decreased product demand during the first quarter as a result of seasonal fluctuations. As a percentage of revenue, cost of sales was 135% for the six months ended June 30, 2006 compared to approximately 130% for the comparable period in 2005.

Our operating expenses decreased by $921,834 or approximately 77.3% to $3,144,486 in the six months ended June 30, 2006 from $4,066,320 in the six months ended June 30, 2005 again primarily as a result of the reduction in revenues attributable to our change in the Electronic Manufacturing Services business.

Our net loss decreased $1,807,594 to $5,283,163 or a loss of $0.18 loss per common share for the six months ended June 30, 2006, from a net loss of $7,090,757, or $1,32 loss per common share, for the six months ended June 30, 2005. This substantial reduction in loss per share is attributable to our focus on changing on business to a more profitable overall operation through sale of our own branded products.

LIQUIDITY AND CAPITAL RESOURCES

We have been in operation since October 1998 to manufacture and sell consumer electronic products. We have consistently had revenue growth until 2004, when we undertook a substantial restructuring of our operations as described further under the “Results of Operations” section above.

As with most manufacturing operations, we are dependent on substantial bank loans to support our equipment, plants and other operations. At June 30, 2006, these loans consisted of $25,430,307 of current loans payable and $4,532,200 of long term loans payable, compared to $17,403,182 of current loans payable and $4,415,664 of long term loans payable at June 30, 2005.

Current Loans Payable

Our current loans payable for June 30, 2006 and June 30, 2005 are as follows:

Bank Name	Interest	Maturity Date	2006	2005
Industrial Bank of Korea	5.90%	October 20, 2006	**$ 827,390**	$ 459,800
The Export - Import Bank of Korea	Libor+1.17%	November 18, 2006	**1,830,271**	1,973,384
City Bank	6.95%	November 29, 2006	**3,704,810**	4,356,000
Shinhan Bank	6.5%	August 4, 2006	**915,258**	1,292,945
Korea Exchange Bank	5.93%	October 20, 2006	**1,684,652**	2,707,437
Hana Bank	7%	September 21, 2006	**421,600**	968,000
Hana Bank	6.58% to 7.01%	November 6, 2006	**367,686**	-
Jo Hung Bank	6.00%	December 26, 2006	**1,085,620**	-
Letters of Credit			**942,631**	1,362,808
			$ 11,779,918	$ 13,120,374

The current loans are payable monthly, interest only, and are secured as follows;

The Export - Import Bank of Korea loan of $1,830,271 is guaranteed by the Korea Technology Credit Guarantee Fund up to $924,885.

The City Bank loan of $3,704,810 is guaranteed by the Korea Credit Guarantee Fund up to $2,963,898 and a term deposit of $326,740 as described in note 3.

The Shinhan Bank loan of $915,258 is guaranteed by the Korea Technology Credit Guarantee Fund up to $779,433.

The Korea Exchange Bank loan of $1,684,652 is guaranteed by the Korea Technology Credit Guarantee Fund up to $1,433,440.

The Hana Bank loan of $421,600 is guaranteed by a second charge of the Company's land and building as described in note 5 with a carrying value of $5,809,155.

The Hana Bank loan of $367,686 is guaranteed by a term deposit of $105,400 as described in note 3.

The Jo Hung Bank loan of $1,085,620 is guaranteed by a term deposit of $252,960 as described in note 3.

Letters of Credit with Korea Exchange Bank is guaranteed by the Korea Credit Guaranteed Fund up to $1,075,080.

The Industrial Bank of Korea loan of $827,390 is unsecured.

Long Term Loans Payable

We have one long term loan payable at June 30, 2006 with Industrial Bank of Korea.

The Industrial Bank of Korea loans are payable quarterly, interest only at 3.5% to 4.4% for the first three years of the term. Principal will be payable quarterly, commencing in 2007, for the balance of the term. The loans will mature March and May of 2012. The loans are guaranteed by a first charge on the land and building as described in note 5 with a carrying value of $5,809,155.

Principal repayments of long term debt is comprised as follows:

2007	$ 442,439
2008	884,940
2009	884,940
2010	884,940
2011	884,940
2012	550,001
	$ 4,532,200

We believe that we will be able to continue satisfying our cash and other capital requirements through continued additional bank financing. However, there is no written or otherwise commitment from any such bank to provide any additional cash to us beyond what has already been provided. We may need to seek financings in addition to our existing bank financing to grow and support our current operations. We will also seek additional financing for potential acquisitions. We currently do not have sufficient cash reserves to meet all of our anticipated obligations for the next twelve months. Accordingly, we will need to seek funding in the near future.

June 2006 Private Placement

On June 9, 2006, we entered into a Securities Purchase Agreement with 23 accredited investors and sold to such accredited investors: (i) $1,000,000 principal amount of senior convertible notes; and (ii) warrants to purchase up to 2,000,000 shares of common stock, resulting in gross proceeds of $1,000,000. The sale of the senior convertible notes and warrants was exempt from registration requirements pursuant to Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 promulgated thereunder.

The senior convertible notes bear interest at 8% per annum payable quarterly, they mature one year from the date of issuance and are convertible into shares of our common stock at the investors' option at $0.50 per share, subject to adjustment. If after the subscription date we complete a financing transaction that results in gross proceeds of at least $5,000,000, then we are required to promptly deliver written notice thereof to the holders of the senior convertible notes and the holders may thereafter require us to redeem the senior convertible notes. If at any time after the subscription date we complete a financing transaction that results in gross proceeds of at least $5,000,000 and the holders of the senior convertible notes do not require us to redeem the Notes, we have the right to require the holders to convert all of their senior convertible notes into common stock at the then applicable conversion rate.

If we issue shares of common stock below the then applicable conversion price, the exercise price of the senior convertible notes will be reduced accordingly. The conversion price of the senior convertible notes also will be adjusted if we pay a stock dividend, subdivide or combine outstanding shares of common stock into a greater or lesser number of shares, or take such other actions as would otherwise result in dilution of the holders' position. Interest may be paid with shares of common stock at our option based on 90% of the dollar volume weighted average price of our common stock on each of the 30 consecutive trading days immediately preceding the applicable interest payment due date.

The warrants are exercisable at a price of $0.75 per share until five years from the date of issuance. The investors may exercise the warrants on a cashless basis if the shares of common stock underlying the warrants are not then registered for sale pursuant to an effective registration statement. We may call the outstanding warrants if: (a) the weighted average price per share of common stock has been greater than $2.50 for a period of 15 consecutive trading days immediately prior to the date of delivery of a call notice (the "Call Notice Period"); (b) the daily trading volume of the common stock has been greater than 50,000 shares on each trading day during the Call Notice Period; (c) trading in the common stock has not been suspended; and (d) we are in material compliance with the terms and conditions of the warrants and the other transaction documents.

If we issue shares of common stock below the then applicable exercise price, the exercise price of the warrants will be reduced accordingly. The exercise price of the warrants also will be adjusted if we pay a stock dividend, subdivide or combine outstanding shares of common stock into a greater or lesser number of shares, or take such other actions as would otherwise result in dilution of the holders' position. Upon each such adjustment of the exercise price, the number shares of common stock issuable upon exercise of the warrants will be adjusted determined by multiplying the exercise price in effect immediately prior to such adjustment by the number of shares issuable upon exercise of the warrants immediately prior to such adjustment and dividing the product thereof by the exercise price resulting from such adjustment.

The investors have agreed to restrict their ability to convert their senior convertible notes and exercise their warrants such that the number of shares of common stock held by them in the aggregate and their affiliates after such conversion or exercise does not exceed 4.99% of our then issued and outstanding shares of common stock.

We were required to file a registration statement with the Securities and Exchange Commission within 30 days of closing to register the sale of the common stock issuable upon conversion of the senior convertible notes and exercise of the warrants. If the registration statement is not filed within such period or if it is not declared effective within 120 days from the date of closing (150 days from the date of closing if the registration statement is reviewed by the SEC), we are required to pay liquidated damages to the investors equal to 2% of their purchase price for each 30 day period until the event is cured. In connection with the closing, each of our officers and directors signed a lock-up agreement providing that they will not dispose of or agree to dispose of shares of our common stock beneficially owned by them until six months from the effective date of such registration statement. In addition, the investors have a right of first refusal to participate in any subsequent private placement of debt or equity securities until one year after the effective date of the required registration statement.

New York Global Securities, Inc. and its agents acted as placement agent in connection with the sale of the senior convertible notes and related warrants and, together with its agents, was paid cash compensation of $120,000 (12% of the gross proceeds from the closing), and, together with its agents, was issued placement agent warrants to purchase 400,000 shares of common stock exercisable at $0.50 per share until two years after the closing.

May 2006 Private Placement

On May 1, 2006, we entered into a Securities Purchase Agreement with four accredited investors and sold to such accredited investors: (i) $1,000,000 principal amount of senior convertible notes; and (ii) warrants to purchase up to 2,000,000 shares of common stock, resulting in gross proceeds of $1,000,000. The sale of the senior convertible notes and warrants was exempt from registration requirements pursuant to Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 promulgated thereunder.

The senior convertible notes bear interest at 8% per annum payable quarterly, they mature one year from the date of issuance and are convertible into shares of our common stock at the investors' option at $0.50 per share, subject to adjustment. If after the subscription date we complete a financing transaction that results in gross proceeds of at least $5,000,000, then we are required to promptly deliver written notice thereof to the holders of the senior convertible notes and the holders may thereafter require us to redeem the senior convertible notes. If at any time after the subscription date we complete a financing transaction that results in gross proceeds of at least $5,000,000 and the holders of the senior convertible notes do not require us to redeem the Notes, we have the right to require the holders to convert all of their senior convertible notes into common stock at the then applicable conversion rate.

If we issue shares of common stock below the then applicable conversion price, the exercise price of the senior convertible notes will be reduced accordingly. The conversion price of the senior convertible notes also will be adjusted if we pay a stock dividend, subdivide or combine outstanding shares of common stock into a greater or lesser number of shares, or take such other actions as would otherwise result in dilution of the holders' position. Interest may be paid with shares of common stock at our option based on 90% of the dollar volume weighted average price of our common stock on each of the 30 consecutive trading days immediately preceding the applicable interest payment due date.

The warrants are exercisable at a price of $0.75 per share until five years from the date of issuance. The investors may exercise the warrants on a cashless basis if the shares of common stock underlying the warrants are not then registered for sale pursuant to an effective registration statement. We may call the outstanding warrants if: (a) the weighted average price per share of common stock has been greater than $2.50 for a period of 15 consecutive trading days immediately prior to the date of delivery of a call notice (the "Call Notice Period"); (b) the daily trading volume of the common stock has been greater than 50,000 shares on each trading day during the Call Notice Period; (c) trading in the common stock has not been suspended; and (d) we are in material compliance with the terms and conditions of the warrants and the other transaction documents.

If we issue shares of common stock below the then applicable exercise price, the exercise price of the warrants will be reduced accordingly. The exercise price of the warrants also will be adjusted if we pay a stock dividend, subdivide or combine outstanding shares of common stock into a greater or lesser number of shares, or take such other actions as would otherwise result in dilution of the holders' position. Upon each such adjustment of the exercise price, the number shares of common stock issuable upon exercise of the warrants will be adjusted determined by multiplying the exercise price in effect immediately prior to such adjustment by the number of shares issuable upon exercise of the warrants immediately prior to such adjustment and dividing the product thereof by the exercise price resulting from such adjustment.

The investors have agreed to restrict their ability to convert their senior convertible notes and exercise their warrants such that the number of shares of common stock held by them in the aggregate and their affiliates after such conversion or exercise does not exceed 4.99% of our then issued and outstanding shares of common stock.

We were required to file a registration statement with the Securities and Exchange Commission within 30 days of closing to register the sale of the common stock issuable upon conversion of the senior convertible notes and exercise of the warrants. If the registration statement is not filed within such period or if it is not declared effective within 120 days from the date of closing (150 days from the date of closing if the registration statement is reviewed by the SEC), we are required to pay liquidated damages to the investors equal to 2% of their purchase price for each 30 day period until the event is cured. In connection with the closing, each of our officers and directors signed a lock-up agreement providing that they will not dispose of or agree to dispose of shares of our common stock beneficially owned by them until six months from the effective date of such registration statement. In addition, the investors have a right of first refusal to participate in any subsequent private placement of debt or equity securities until one year after the effective date of the required registration statement.

New York Global Securities, Inc. and its agents acted as placement agent in connection with the sale of the senior convertible notes and related warrants and, together with its agents, was paid cash compensation of $120,000 (12% of the gross proceeds from the closing), and, together with its agents, was issued placement agent warrants to purchase 400,000 shares of common stock exercisable at $0.50 per share until two years after the closing.

ITEM 3. CONTROLS AND PROCEDURES

As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act"), as of June 30, 2006, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of the Company's management, including the Company's Chairman (who has served as the principal financial and accounting officer) and its President and CEO (who serves as the principal operating officer). Based upon that evaluation, the Company's Chairman and President have concluded that the Company's disclosure controls and procedures are effective in alerting them to material information regarding the Company's financial statement and disclosure obligation in order to allow the Company to meet its reporting requirements under the Exchange Act in a timely manner.

The Company's management, with the participation of its chief executive officer and chief financial officer, has determined that there has been no change in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Miracle Progress International against S-Cam Co., Ltd. and TNP telecom.

Plaintiff Miracle Progress International filed in the Seoul District Court in Korea alleging compensation for damages amounting to USD $2,000,000 against S-Cam Ltd and TNP Telecom. The three companies entered into an agreement to launch a GSM phone business on which the Company is in charge of manufacturing, and TNP telecom is in charge of design and development, with the Plaintiff charged with marketing. Plaintiff claims damages in marketing and sales because of quality defects in manufacturing. The Company asserted the defect was the result from the design, not quality control. The final decision has not been made. The Company is vigorously defending this lawsuit.

TNP Telecom against S-Cam Co., Ltd. and Miracle Progress International

Plaintiff TNP Telecom filed in the Seoul District Court in Korea region alleging compensation for the development cost of a GSM phone design amounting to USD $200,000 against S-Cam Ltd and Miracle Progress International. The Company has asserted that the design and development of Plaintiff caused the defect of products and ruined the business. The final decision has not been made. The Company is vigorously defending this lawsuit.

Information Tele-communication Company ("ITC") against S-Cam Co., Ltd.

Plaintiff Information Tele-communication Company filed in the Suwon District Court in Korea alleging compensation for damages amounting to USD $221,932 against the Company. Plaintiff claimed the Company did not purchase parts after placing the order. The company asserted the Plaintiff did not keep the delivery date and payment condition was Letter of Credit. The final decision has not been made. The Company is vigorously defending this lawsuit.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On June 9, 2006, we entered into a Securities Purchase Agreement with 23 accredited investors and sold to such accredited investors: (i) $1,000,000 principal amount of senior convertible notes; and (ii) warrants to purchase up to 2,000,000 shares of common stock, resulting in gross proceeds of $1,000,000. The sale of the senior convertible notes and warrants was exempt from registration requirements pursuant to Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 promulgated thereunder.

New York Global Securities, Inc. and its agents acted as placement agent in connection with the sale of the senior convertible notes and related warrants and, together with its agents, was paid cash compensation of $120,000 (12% of the gross proceeds from the closing), and, together with its agents, was issued placement agent warrants to purchase 400,000 shares of common stock exercisable at $0.50 per share until two years after the closing.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

Not Applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit Index . The following exhibits are filed with or incorporated by reference into this quarterly report:

Exhibit Number	Description
3.1	Articles of Incorporation of Powertech, Inc. (incorporated by reference to the Company's Registration Statement on Form 10-SB, file number 0-27675, filed on October 15, 1999).
3.2	Articles of Amendment to Articles of Incorporation changing name to Netmeasure Technology, Inc. (incorporated by reference to the Company's Registration Statement on Form 10-SB, file number 0-27675, filed on October 15, 1999).
3.3	Articles of Amendment to Articles of Incorporation of Netmeasure Technology, Inc. changing name to Sorell, Inc. (incorporated by reference to the Company's Form 10-KSB/A, filed on June 14, 2006).
3.5	By-laws (incorporated by reference to the Company's Registration Statement on Form 10-SB, file number 0-27675, filed on October 15, 1999).
4.1	Form of Senior Convertible Note (incorporated by reference to the Company's Current Report on Form 8-K, filed on May 4, 2006).
4.2	Form of $0.75 Warrant (incorporated by reference to the Company's Current Report on Form 8-K, filed on May 4, 2006).
10.1	Reorganization and Stock Purchase Agreement dated as of July 12, 2005 between the Company (then Netmeasure Technology, Inc.) and S-Cam Co., Ltd. (incorporated by reference to the Company's Form 8-K, filed on October 11, 2005).
10.2	Mutual Nondisclosure Agreement and Business Agreement dated as of September 21, 2005 between S-Cam Co., Ltd. and ANUBIS Electronic Gmbh (incorporated by reference to the Company's Form 10-KSB/A, filed on August 3, 2006)
10.3	Public Relations Agreement dated as of November 1, 2005 between the Company and Martin E. Janis & Company (incorporated by reference to the Company's Form 10-KSB/A, filed on August 3, 2006)
10.4	Letter Agreement dated February 2, 2006 between the Company and New York Global Securities (incorporated by reference to the Company's Form 10-KSB/A, filed on August 3, 2006)
10.5	Pro Forma Invoice and Sales Agreement dated July 6, 2006 between S-Cam Co., Ltd. and Creative Technology, Ltd. (incorporated by reference to the Company's Form 10-KSB/A, filed on June 14, 2006).
10.6	License Agreement dated February 4, 2005 between S-Cam Co., Ltd and Ingenient Technologies (incorporated by reference to the Company's Form 10-KSB/A, filed on June 14, 2006).
10.7	License Agreement dated May 12, 2005 between S-Cam Co., Ltd. and Sisvel (incorporated by reference to the Company's Form 10-KSB/A, filed on June 14, 2006).
10.8	License Agreement dated August 1, 2005 between S-Cam Co., Ltd and Microsoft Corporation (incorporated by reference to the Company's Form 10-KSB/A, filed on August 3, 2006)
10.9	Loan Agreement with The Export-Import Bank of Korea (incorporated by reference to the Company's Form 10-KSB/A, filed on June 14, 2006).
10.10	Loan Agreement with The Export-Import Bank of Korea (incorporated by reference to the Company's Form 10-KSB/A, filed on June 14, 2006).
10.11	Loan Agreement with Korea First Bank (incorporated by reference to the Company's Form 10-KSB/A, filed on June 14, 2006).
10.12	Loan Agreement with Industrial Bank of Korea (incorporated by reference to the Company's

	Form 10-KSB/A, filed on June 14, 2006).
10.13	Loan Agreement with The Export-Import Bank of Korea (incorporated by reference to the Company's Form 10-KSB/A, filed on June 14, 2006).
10.14	Loan Agreement with City Bank (incorporated by reference to the Company's Form 10-KSB/A, filed on June 14, 2006).
10.15	Loan Agreement with Shinhan Bank (incorporated by reference to the Company's Form 10-KSB/A, filed on June 14, 2006).
10.16	Loan Agreement with Korea Exchange Bank (incorporated by reference to the Company's Form 10-KSB/A, filed on June 14, 2006).
10.17	Loan Agreement with Hana Bank (incorporated by reference to the Company's Form 10-KSB/A, filed on June 14, 2006).
10.18	Loan Agreement with Hana Bank (incorporated by reference to the Company's Form 10-KSB/A, filed on June 14, 2006).
10.19	Loan Agreement with Jo Hung Bank (incorporated by reference to the Company's Form 10-KSB/A, filed on June 14, 2006).
10.20	Loan Agreement with Industrial Bank of Korea (incorporated by reference to the Company's Form 10-KSB/A, filed on June 14, 2006).
10.21	Office Lease (incorporated by reference to the Company's Form 10-KSB/A, filed on June 14, 2006).
10.22	Securities Purchase Agreement dated May 1, 2006 by and among Sorell Inc. and the investors listed on the Schedule of Buyers attached thereto (incorporated by reference to the Company's Form 8-K, filed on May 4, 2006).
10.23	Registration Rights Agreement dated May 1, 2006 by and among Sorell Inc. and the investors listed on the Schedule of Buyers attached thereto (incorporated by reference to the Company's Form 8-K, filed on May 4, 2006).
10.24	Form of Lock-Up Agreement (incorporated by reference to the Company's Form 8-K, filed on May 4, 2006).
10.25	Securities Purchase Agreement dated June 9, 2006 by and among Sorell Inc. and the investors listed on the Schedule of Buyers attached thereto (incorporated by reference to the Company's Form 8-K, filed on June 12, 2006).
10.26	Registration Rights Agreement dated June 9, 2006 by and among Sorell Inc. and the investors listed on the Schedule of Buyers attached thereto (incorporated by reference to the Company's Form 8-K, filed on June 12, 2006).
31.1	Chief Executive Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Chief Financial Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Chief Executive Officer certification pursuant to 18 U.S.C. Section 1350
32.2	Chief Financial Officer certification pursuant to 18 U.S.C. Section 1350

(b) Reports on Form 8-K.

Form 8-K filed on June 12, 2006 reporting entering into agreement and completion of sale of Convertible Notes and Warrants.

SIGNATURES

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

Date: August 24, 2006

By: /s/ Bon Kwan Koo
Name: Bon Kwan Koo

Title: President and Chief Executive Officer

Date: August 24, 2006

By: /s/ Seung Nam Yang
Name: Seung Nam Yang

Title: Chief Financial Officer

EXHIBIT 31.1

Certification by Bon Kwan Koo, President and Chief Executive Officer of Sorell, Inc.

I, Bon Kwan Koo, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Sorell, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report;

4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures; and

d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 24, 2006

/s/Bon Kwan Koo

Bon Kwan Koo
President and Chief Executive Officer

EXHIBIT 31.2

Certification by Seung Nam Yang, Chief Financial Officer of Sorell, Inc.

I, Seung Nan Yam, certify that:

1. I have reviewed this quartlery report on Form 10-QSB of Sorell, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report;

4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures; and

d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 24, 2006

/s/Seung Nam Yang

Seung Nam Yang
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Sorell, Inc. (the "Company") on Form 10-QSB for the quarter ended June 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, Bon Kwan Koo, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 24, 2006 /s/Bon Kwan Koo

Bon Kwan Koo, President and
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Sorell, Inc. (the "Company") on Form 10-QSB for the quarter ended June 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, Seung Nam Yang, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 24, 2006 /s/Seung Nam Yang

Chief Financial Officer