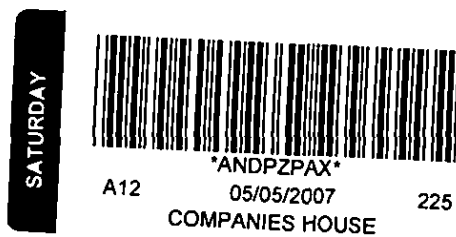


JOTUL (UK) LIMITED
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2006



Ormerod Rutter Limited
Registered Auditor
The Oakley
Kidderminster Road
Droitwich
Worcestershire
WR9 9AY

JOTUL (UK) LIMITED

CONTENTS OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2006

	Page
Company Information	1
Report of the Directors	2 to 3
Report of the Independent Auditors	4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Financial Statements	7 to 12
Trading and Profit and Loss Account	13 to 14

JOTUL (UK) LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31ST DECEMBER 2006

DIRECTORS:	Mr H J Heidenstrom Mr E Moe Mr N S Sloane Mr G C Hjortaas
SECRETARY:	Gray's Inn Secretaries Limited
REGISTERED OFFICE:	Five Chancery Lane Cliffords Inn London EC4A 1BU
REGISTERED NUMBER:	03879828 (England and Wales)
AUDITORS:	Ormerod Rutter Limited Registered Auditor The Oakley Kidderminster Road Droitwich Worcestershire WR9 9AY
BANKERS:	Den Norske Bank 20 St Dunstan's Hill London EC3R 8HY

JOTUL (UK) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2006

The directors present their report with the financial statements of the company for the year ended 31st December 2006

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the import and distribution of heating appliances

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements

The directors consider the profit achieved on ordinary activities before taxation to be particularly satisfactory given the current economic climate

DIVIDENDS

No dividends will be distributed for the year ended 31st December 2006

FIXED ASSETS

Changes in fixed assets during the year are set out in the notes to the financial statements

FUTURE DEVELOPMENTS

The directors are looking forward to another profitable year

DIRECTORS

The directors during the year under review were

Mr H J Heidenstrom
Mr E Moe
Mr N S Sloane
Mr G C Hjortaas

The directors holding office at 31st December 2006 did not hold any beneficial interest in the issued share capital of the company at 1st January 2006 or 31st December 2006

The directors interest in the parent company and other group companies are as disclosed in those companies' financial statements

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

JOTUL (UK) LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2006**

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS

The auditors, Ormerod Rutter Limited, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'N. S. Sloane', written over the text 'ON BEHALF OF THE BOARD:'.

Mr N S Sloane - Director

2nd April 2007

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
JOTUL (UK) LIMITED**

We have audited the financial statements of Jotul (UK) Limited for the year ended 31st December 2006 on pages five to twelve. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page two.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

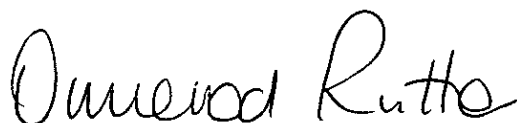
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors is consistent with the financial statements.



Ormerod Rutter Limited
Registered Auditor
The Oakley
Kidderminster Road
Droitwich
Worcestershire
WR9 9AY

2nd April 2007

JOTUL (UK) LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2006**

	Notes	2006 £	2005 £
TURNOVER	2	2,888,372	2,070,708
Cost of sales		1,791,724	1,099,222
GROSS PROFIT		1,096,648	971,486
Administrative expenses		825,142	805,673
OPERATING PROFIT	4	271,506	165,813
Exceptional compensation payment		50,000	-
		221,506	165,813
Interest receivable and similar income		-	2,165
		221,506	167,978
Interest payable and similar charges	5	28,125	6,185
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		193,381	161,793
Tax on profit on ordinary activities	6	60,134	45,409
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		133,247	116,384

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current year or previous year

The notes form part of these financial statements

JOTUL (UK) LIMITED

**BALANCE SHEET
31ST DECEMBER 2006**

	Notes	2006 £	2005 £
FIXED ASSETS			
Intangible assets	8	28,846	28,846
Tangible assets	9	90,152	102,236
		<u>118,998</u>	<u>131,082</u>
CURRENT ASSETS			
Stocks	10	473,954	292,425
Debtors	11	873,241	652,135
Cash at bank and in hand		69,235	63,994
		<u>1,416,430</u>	<u>1,008,554</u>
CREDITORS			
Amounts falling due within one year	12	1,191,392	924,905
NET CURRENT ASSETS		<u>225,038</u>	<u>83,649</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>344,036</u>	<u>214,731</u>
CREDITORS			
Amounts falling due after more than one year	13	-	(3,942)
PROVISIONS FOR LIABILITIES	17	(7,197)	(7,197)
NET ASSETS		<u><u>336,839</u></u>	<u><u>203,592</u></u>
CAPITAL AND RESERVES			
Called up share capital	18	200,000	200,000
Profit and loss account	19	136,839	3,592
SHAREHOLDERS' FUNDS	23	<u><u>336,839</u></u>	<u><u>203,592</u></u>

The financial statements were approved by the Board of Directors on 2nd April 2007 and were signed on its behalf by



Mr N S Sloane - Director

The notes form part of these financial statements

JOTUL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2006

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and applicable accounting standards. There were no material departures from those standards.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Improvements to property	- 20% on cost
Plant and machinery	- 10% on cost
Fixtures and fittings	- 20% on cost and 10% on cost
Exhibition costs	- 33% on cost

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. Cost includes all direct costs incurred in bringing it to its present location.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Research and development

Expenditure on research and development is capitalised where it is expected to generate future economic benefits. Amortisation is charged over its expected useful life once the project is completed.

Foreign exchange

Although the parent company is based in Norway, all transactions for the year have been conducted in pounds sterling.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

2 TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

JOTUL (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2006**

3 STAFF COSTS

	2006	2005
	£	£
Wages and salaries	363,938	319,604
Social security costs	36,549	21,420
Other pension costs	6,900	7,084
	<u>407,387</u>	<u>348,108</u>

The average monthly number of employees during the year was as follows

	2006	2005
Administration	4	4
Works	4	4
	<u>8</u>	<u>8</u>

4 OPERATING PROFIT

The operating profit is stated after charging

	2006	2005
	£	£
Hire of plant and machinery	1,609	1,580
Depreciation - owned assets	23,382	18,234
Depreciation - assets on hire purchase contracts	1,288	1,405
Auditors' remuneration	3,500	5,050
	<u>132,999</u>	<u>116,023</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£	£
Bank interest	27,796	5,672
Hire purchase interest	329	513
	<u>28,125</u>	<u>6,185</u>

6 TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows

	2006	2005
	£	£
Current tax		
UK corporation tax	60,134	45,409
	<u>60,134</u>	<u>45,409</u>

Tax on profit on ordinary activities

JOTUL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31ST DECEMBER 2006

6 TAXATION - continued

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below

	2006 £	2005 £
Profit on ordinary activities before tax	<u>193,381</u>	<u>161,793</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 - 28.443%)	58,014	46,019
Effects of Expenses not deductible for tax purposes	2,120	(778)
Capital allowances for period in excess of depreciation	-	168
	<u>60,134</u>	<u>45,409</u>
Current tax charge	<u>60,134</u>	<u>45,409</u>

7 DIVIDENDS

	2006 £	2005 £
Ordinary shares of £1 each Final	<u>-</u>	<u>500,000</u>

8 INTANGIBLE FIXED ASSETS

	Research and development £
COST	
At 1st January 2006 and 31st December 2006	<u>28,846</u>
NET BOOK VALUE	
At 31st December 2006	<u>28,846</u>
At 31st December 2005	<u>28,846</u>

JOTUL (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2006**

9 TANGIBLE FIXED ASSETS

	Improvements to property £	Plant and machinery £	Fixtures and fittings £	Exhibition costs £	Totals £
COST					
At 1st January 2006	21,283	81,412	54,137	17,450	174,282
Additions	9,110	1,289	2,188	-	12,587
	<u>30,393</u>	<u>82,701</u>	<u>56,325</u>	<u>17,450</u>	<u>186,869</u>
DEPRECIATION					
At 1st January 2006	-	36,745	17,852	17,450	72,047
Charge for year	5,223	11,016	8,431	-	24,670
	<u>5,223</u>	<u>47,761</u>	<u>26,283</u>	<u>17,450</u>	<u>96,717</u>
NET BOOK VALUE					
At 31st December 2006	<u>25,170</u>	<u>34,940</u>	<u>30,042</u>	<u>-</u>	<u>90,152</u>
At 31st December 2005	<u>21,283</u>	<u>44,667</u>	<u>36,285</u>	<u>-</u>	<u>102,235</u>

The net book value of tangible fixed assets includes £8,896 (2005 - £10,184) in respect of assets held under hire purchase contracts

10 STOCKS

	2006 £	2005 £
Stocks	<u>473,954</u>	<u>292,425</u>

11 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Trade debtors	855,528	587,180
Amounts owed by group undertakings	2,192	2,192
Tax	-	15,481
Prepayments and accrued income	15,521	47,282
	<u>873,241</u>	<u>652,135</u>

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Bank loans and overdrafts (see note 14)	537,936	179,759
Hire purchase contracts (see note 15)	3,942	2,947
Trade creditors	479,729	155,465
Tax	60,134	45,409
Social security and other taxes	3,061	10,173
Accruals and deferred income	106,590	531,152
	<u>1,191,392</u>	<u>924,905</u>

JOTUL (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2006**

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006 £	2005 £
Hire purchase contracts (see note 15)	-	3,942
	<u> </u>	<u> </u>

14 LOANS

An analysis of the maturity of loans is given below

	2006 £	2005 £
Amounts falling due within one year or on demand		
Bank overdrafts	537,936	179,759
	<u> </u>	<u> </u>

15 OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	2006 £	2005 £
		Hire purchase contracts
Net obligations repayable		
Within one year	3,942	2,947
Between one and five years	-	3,942
	<u> </u>	<u> </u>
	3,942	6,889
	<u> </u>	<u> </u>

The following operating lease payments are committed to be paid within one year

	2006 £	2005 £	2006 £	2005 £
			Land and buildings	Other operating leases
Expiring				
Between one and five years	38,439	51,252	22,425	18,199
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

16 SECURED DEBTS

The following secured debts are included within creditors

	2006 £	2005 £
Bank overdrafts	537,936	179,759
	<u> </u>	<u> </u>

17 PROVISIONS FOR LIABILITIES

	2006 £	2005 £
Deferred tax	7,197	7,197
	<u> </u>	<u> </u>

JOTUL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31ST DECEMBER 2006

17 PROVISIONS FOR LIABILITIES - continued

	Deferred tax £
Balance at 1st January 2006	7,197
Profit and loss account	
Balance at 31st December 2006	<u>7,197</u>

18 CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid Number	Class	Nominal value £1	2006 £	2005 £
200,000	Ordinary		<u>200,000</u>	<u>200,000</u>

19 RESERVES

	Profit and loss account £
At 1st January 2006	3,592
Profit for the year	<u>133,247</u>
At 31st December 2006	<u>136,839</u>

20 PENSION COMMITMENTS

The company operates a defined contribution pension scheme. Assets of the scheme are held in an independently administered fund. Pension costs of £9,825 (2005 £9,941) were charged to the profit and loss account in the year. At the year end there were £500 (2005 £3,000) of outstanding pension contributions.

21 ULTIMATE PARENT COMPANY

The directors consider that the holding company is Jotul AS, a company registered in Norway.

22 RELATED PARTY DISCLOSURES

The Company has taken advantage of the exemption of Financial Reporting Standard no 8 and therefore has not disclosed related party transactions with other group companies.

23 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Profit for the financial year	133,247	116,384
Dividends	-	(500,000)
Net addition/(reduction) to shareholders' funds	<u>133,247</u>	<u>(383,616)</u>
Opening shareholders' funds	203,592	587,208
Closing shareholders' funds	<u>336,839</u>	<u>203,592</u>

JOTUL (UK) LIMITED

**TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2006**

	2006		2005	
	£	£	£	£
Sales		2,888,372		2,070,708
Cost of sales				
Purchases	1,689,521		1,013,988	
Haulage	102,203		85,234	
	<hr/>	1,791,724	<hr/>	1,099,222
GROSS PROFIT		1,096,648		971,486
Other income				
Bank interest receivable		-		2,165
		<hr/>		<hr/>
		1,096,648		973,651
Expenditure				
Directors' salaries	132,999		116,023	
Directors' pension contributions	6,900		7,084	
Wages and salaries	230,939		203,581	
National insurance	36,549		21,420	
Rent and rates	75,168		75,468	
Light and heat	3,961		3,513	
Hire of plant and machinery	1,609		1,580	
Telephone and postage	10,462		9,400	
Postage and stationery	15,152		9,712	
Advertising	144,553		137,446	
Motor and travel expenses	71,703		55,864	
Insurance	7,359		7,134	
Computer costs	10,292		15,172	
Repairs and renewals	2,230		2,014	
Sundry expenses	7,437		7,206	
Management fees	-		69,684	
Legal and professional fees	21,005		23,730	
Auditors' remuneration	3,500		5,050	
Entertainment	14,184		10,702	
Bad debts	1,412		1,242	
Depreciation of tangible fixed assets	24,670		19,639	
	<hr/>	822,084	<hr/>	802,664
		274,564		170,987
Finance costs				
Bank charges	3,058		3,009	
Bank interest	27,796		5,672	
Hire purchase interest	329		513	
	<hr/>	31,183	<hr/>	9,194
Carried forward		243,381		161,793

This page does not form part of the statutory financial statements

JOTUL (UK) LIMITED

**TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2006**

	2006		2005	
	£	£	£	£
Brought forward		243,381		161,793
Exceptional items				
Exceptional compensation payment		50,000		-
NET PROFIT		<u>193,381</u>		<u>161,793</u>

This page does not form part of the statutory financial statements