

JEM Enterprises Limited

Financial statements

For the year ended 31 December 2005

Grant Thornton 



Company No. 3163864

Company information

Company registration number :	3163864
Registered office :	John Street Warrington Cheshire WA2 7UB
Directors :	S Rogers (USA) J Mall (USA) N Garner M Van Aken (USA)
Secretary :	N Garner
Bankers :	National Westminster Bank plc P O Box 14 23 Sankey Street Warrington Cheshire WA1 1XH
Solicitors :	Eversheds 70 Great Bridgewater Street Manchester M1 5ES
Auditors :	Grant Thornton UK LLP Registered Auditors Chartered Accountants Heron House Albert Square Manchester M60 8GT

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Report of the directors

The directors present their report together with the audited financial statements for the year ended 31 December 2005.

Principal activity

The company's principal activity is to hold shares in K&N Filters (Europe) Limited. The company has no other operations.

Results and dividends

The loss for the year after taxation amounted to £94 (2004 : £91). The directors do not recommend the payment of a dividend leaving the amount of £94 (2004 : £91) to be transferred to reserves.

Directors

The directors of the company are listed below. All served on the Board throughout the year unless otherwise stated.

S Rogers (USA)
J Mall (USA)
N Garner
M Van Aken (USA)

None of the directors held any interest in the share capital of the company.

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year which 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 judgments 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 maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

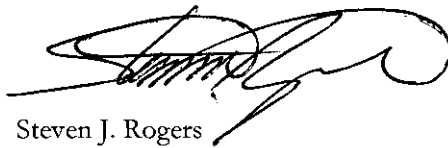
In so far as the directors are aware :

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps to insure that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information
- the information given in the Directors' Report is consistent with the financial statements for the year ended 31 December 2005.

Auditors

Deloitte & Touche LLP resigned as auditors during the year and Grant Thornton UK LLP were appointed to fill the casual vacancy. Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



Steven J. Rogers

20 August 2006

Report of the independent auditors to the members of JEM Enterprises Limited

We have audited the financial statements of JEM Enterprises Limited for the year ended 31 December 2005 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 11. These financial statements have been prepared in accordance with 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 directors' report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 directors' report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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.

Report of the independent auditors to the members of JEM Enterprises Limited

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 31 December 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
MANCHESTER

20 August 2006

Principal accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

Basis of preparation

The company is exempt from preparing consolidated financial statements on the grounds that, taken together with its subsidiary, it qualifies as a medium group under section 248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Investments

Investments are included at cost less amounts written off.

Deferred taxation

Deferred taxation is the tax attributable to timing differences between profits or losses as computed for tax purposes and results as stated in the financial statements.

Deferred tax is provided to the extent that it is probable that a liability or asset will crystallise and is calculated at the rate at which it is estimated that the tax will be paid when the timing differences reverse. Unprovided deferred tax is disclosed as a contingent liability.

Profit and loss account

	Note	2005 £	2004 £
Administrative expenses	2	<u>(94)</u>	<u>(91)</u>
Loss on ordinary activities before taxation	1	(94)	(91)
Tax on loss on ordinary activities	3	–	–
Retained loss for the financial year	8	<u>(94)</u>	<u>(91)</u>

There were no recognised gains or losses other than the result for the financial year.

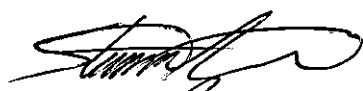
All activities are continuing.

The accompanying notes form part of these financial statements.

Balance sheet

	Note	2005 £	2004 £
Fixed assets			
Investments	4	<u>934,832</u>	<u>934,832</u>
Current assets			
Debtors	5	100	100
Cash at bank and in hand		<u>139</u>	<u>233</u>
		<u>239</u>	<u>333</u>
Total assets less current liabilities		935,071	935,165
Creditors : amounts falling due after more than one year	6	(816,228)	(816,228)
Net assets		<u>118,843</u>	<u>118,937</u>
Capital and reserves			
Called up share capital	7	250,100	250,100
Profit and loss account	8	<u>(131,257)</u>	<u>(131,163)</u>
Shareholders' funds	9	<u>118,843</u>	<u>118,937</u>
Equity shareholders' funds – deficit		(131,157)	(131,063)
Non-equity shareholders' funds		<u>250,000</u>	<u>250,000</u>
		<u>118,843</u>	<u>118,937</u>

The financial statements were approved by the Board of Directors on 21 August 2006 and signed on their behalf by :


Steven J. Rogers

Director

Notes to the financial statements

1 Turnover and loss on ordinary activities before taxation

The turnover and loss on ordinary activities before taxation is attributable to the principal activity of the company which is carried out entirely within the United Kingdom.

2 Directors and employees

The directors received no remuneration from the company (2004 : £Nil).

The company employed no staff during the year (2004 : none). The audit fee for the year has been borne by the subsidiary undertaking, K&N Filters (Europe) Limited.

3 Tax on loss on ordinary activities

	2005 £	2004 £
The taxation charge is based on the loss for the year and represents :		
Current taxation		
UK corporation tax charge for the year	—	—
Tax on loss on ordinary activities	—	—

Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 30% (2004 : 30%). The differences are explained as follows :

	2005 £	2004 £
Loss on ordinary activities before taxation	94	91
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 30% (2004 : 30%)	28	27
Effect of:		
Group relief	(28)	(27)

4 Investments

**Subsidiary
undertaking
£**

Cost and net book value

At 1 January 2005 and 31 December 2005

934,832

The company owns the entire issued ordinary £1 nominal value share capital of K&N Filters (Europe) Limited, a company engaged in the importation, manufacture and sale of air filters. K&N Filters (Europe) Limited is registered in England and Wales.

The aggregate amount of capital and reserves of K&N Filters (Europe) Limited at 31 December 2005 was £1,321,691 (2004 : £1,245,887). Its profit after taxation for the year was £75,804 (2004 : £235,678).

The directors are of the opinion that the aggregate value of the company's investment in K&N Filters (Europe) Limited is not less than the amount at which it is stated in the accounts.

5 Debtors

**2005
£**

**2004
£**

Amounts due from parent undertaking

100

100

6 Creditors : amounts falling due after more than one year

**2005
£**

**2004
£**

Amounts owed to parent undertaking

816,228

816,228

7 Share capital

	2005 £	2004 £
Authorised		
100 Ordinary shares of £1 each	100	100
620,000 Preference shares of £1 each	620,000	620,000
	<u>620,100</u>	<u>620,100</u>
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100
250,000 Preference shares of £1 each	250,000	250,000
	<u>250,100</u>	<u>250,100</u>

The preference shares of £1 each have priority over the ordinary shares of £1 each in respect of the declaration and payment of any dividends. The preference shares of £1 each carry no entitlement to attend, speak or vote at the general meetings of the company.

Upon the occurrence of certain events, each preference share of £1 each shall immediately convert into an ordinary share of £1 each which will rank equally in all respects with the ordinary shares of £1 each then in issue.

In the event of a winding up of the company the holders of preference shares of £1 each shall receive (in proportion to the number of ordinary shares of £1 each held by them) all unpaid arrears and accruals of any dividend declared and payable upon such shares together with an amount equal to the aggregate amount paid, or credited as paid up, in respect of each ordinary share of £1 each held by them. The holders of the ordinary shares of £1 each (in proportion to the numbers of preference shares of £1 each held by them) shall receive all unpaid arrears and accruals of any dividend payable upon such shares together with an amount equal to the aggregate amount paid, or credited as paid up, in respect of each preference share of £1 each held by them.

Any remaining distribution on winding up will be paid to holders of preference shares (pro-rata to their holdings of ordinary shares) up to a maximum of £10,000,000 and thereafter any remaining amounts available for distribution shall be distributed to the holders of ordinary shares and preference shares (pro-rata to their total shareholdings in the company).

8 Profit and loss account

	£
At 1 January 2005	(131,163)
Loss for the financial year	<u>(94)</u>
At 31 December 2005	<u>(131,257)</u>

9 Reconciliation of movements in shareholders' funds

	2005 £	2004 £
Loss for the financial year	(94)	(91)
Opening shareholders' funds	<u>118,937</u>	<u>119,028</u>
Closing shareholders' funds	<u>118,843</u>	<u>118,937</u>

10 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard No. 8 "Related party disclosures" and has not disclosed transactions with group undertakings.

There are no other related party transactions.

11 Parent undertaking and ultimate controlling party

The ultimate parent undertaking is K&N Engineering Inc., which is incorporated in the United States of America. The company is consolidated in the group accounts of K&N Engineering Inc.

In the directors' opinion, the ultimate controlling party is J Mall, a director of the company and its parent undertaking, and holder of 70% of the issued share capital in K&N Engineering Inc.