

J.E.M. ENTERPRISES LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2014

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REPORT AND FINANCIAL STATEMENTS 2014

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J. A. Franks
R. Hordosy
S. Rogers (resigned 31 December 2014)
S. E. Williams

SECRETARY

Eversecretary Limited

REGISTERED OFFICE

John Street
Warrington
Cheshire
England
WA2 7UB

BANKERS

National Westminster Bank PLC
PO Box 14
23 Sankey Street
Warrington
Cheshire
WA1 1XH

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester
United Kingdom

STRATEGIC REPORT

The directors present their strategic report and directors' report on the affairs of the company, together with the audited financial statements and auditor's report, for the year ended 31 December 2012.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the company is that of a holding company to K & N Filters (Europe) Limited. The directors do not expect any changes in the company's activities in the forthcoming year.

The financial position of the company is presented in the balance sheet on page 6.

The principal risks and uncertainties affecting the company relate to the business risks faced by its subsidiary. Further discussion of these risks is provided in the annual report of K & N Filters (Europe) Limited, which does not form part of this report.

The key performance indicator for the company is the carrying value of the investment in K & N Filters (Europe) Limited, which has remained in line with the prior year at £934,832.

RESULTS FOR THE YEAR

The company did not trade during the current or preceding financial year and has neither received income nor incurred expenditure. Accordingly no profit and loss account or statement of total recognised gains and losses is presented with these financial statements.

GOING CONCERN

The company's business activities, together with the factors likely to affect its future development, performance and position are set out above. The directors believe the company will be able to meet its day-to-day working capital requirements for the foreseeable future.

After making enquiries and performing an impairment review of the investment in K & N Filters (Europe) Limited, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The parent company, K & N Engineering, Inc., which has a key role in the long-term group strategy, has confirmed its continuing financial support to the company.

Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Approved by the Board of Directors on 1 May 2015
and signed on behalf of the Board



J.A. Franks
Director

DIRECTORS' REPORT

The company's principal activities, results, key performance indicators, balance sheet position and principal risks and uncertainties are presented in the Strategic Report.

DIRECTORS

The directors who served throughout the year and thereafter are as shown on page 1.

DIVIDENDS

The directors are unable to recommend payment of a dividend (2013 - same).

AUDITOR

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Each person who is a director at the date of approval of this report confirms that:

1. so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
2. the director has taken all steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors on 1 May 2015
and signed on behalf of the Board



J.A. Franks
Director

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF J.E.M. ENTERPRISES LIMITED

We have audited the financial statements of J.E.M. Enterprises Limited for the year ended 31 December 2014 which comprise the balance sheet and the related notes 1 to 9. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

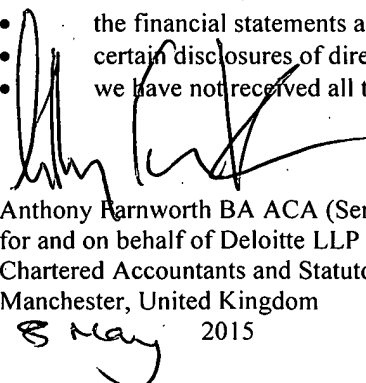
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.


Anthony Farnworth BA ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom

8 May 2015

J.E.M. ENTERPRISES LIMITED**BALANCE SHEET**
As at 31 December 2014

	Note	2014 £	2013 £
FIXED ASSETS			
Investments	3	934,832	934,832
CURRENT ASSETS			
Debtors	4	100	100
Cash at bank and in hand		47	47
		147	147
CREDITORS: amounts falling due within one year	5	(816,228)	(816,228)
NET CURRENT LIABILITIES		(816,081)	(816,081)
TOTAL ASSETS LESS CURRENT LIABILITIES BEING NET ASSETS		118,751	118,751
CAPITAL AND RESERVES			
Called-up share capital	6	250,100	250,100
Profit and loss account	7	(131,349)	(131,349)
SHAREHOLDER'S FUNDS		118,751	118,751

The financial statements of J.E.M. Enterprises Limited, registered number 3163864, were approved by the Board of Directors on 1 May 2015 and signed on its behalf by:


J.A. Franks
Director

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2014

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding year.

Basis of accounting

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

After making enquiries and performing an impairment review of the investment in K & N Filters (Europe) Limited, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The parent company, K & N Engineering, Inc., which has a key role in the long-term group strategy, has confirmed its continuing financial support to the company.

Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Group financial statements

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group financial statements as it is exempt from the requirement to do so by section 401 of the Companies Act 2006 as it is a subsidiary undertaking of K & N Engineering, Inc. and is included in the publicly available consolidated financial statements of that company, which are available from 1455 Citrus Street, Riverside, California 92507.

Cash flow statement

As permitted by Financial Reporting Standard No. 1 (revised 1996), the company has not produced a cash flow statement, as it is a wholly-owned subsidiary undertaking of K & N Engineering, Inc. which produces consolidated financial statements, including a consolidated cash flow statement, that are publicly available.

Investments

Fixed asset investments are stated at cost less any provision for impairment.

2. PROFIT AND LOSS ACCOUNT

The company had no accounting transactions and made neither a profit nor a loss in the year under review or in the previous year. Auditor's remuneration for the statutory audit of £1,000 (2013 - £1,000), has been borne by K & N Filters (Europe) Limited without any right to reimbursement. There are no non-audit fees. The company does not have any employees and no directors were remunerated through the company (2013 – same). Accordingly no profit and loss account is presented. There have been no other recognised gains or losses or movements in shareholder's funds in either year.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2014

3. FIXED ASSET INVESTMENTS

**Shares in group
undertakings
and
participating
interests
£**

Cost and net book value

At 1 January 2014 and 31 December 2014

934,832

Subsidiary undertaking

The company holds the share capital of the following company:

Company	Country of registration	Class	Shares held
K & N Filters (Europe) Ltd	United Kingdom	Ordinary £1 shares	100%

The aggregate amount of capital and reserves and the results of this undertaking for the last relevant financial year were as follows:

	Capital and reserves 2014 £	Profit for the year 2014 £
K & N Filters (Europe) Ltd	<u>1,793,170</u>	<u>170,638</u>

4. DEBTORS

	2014 £	2013 £
Amounts owed by group undertakings	<u>100</u>	<u>100</u>

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £	2013 £
Amounts owed to group undertakings	<u>816,228</u>	<u>816,228</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2014

6. CALLED-UP SHARE CAPITAL

	2014 £	2013 £
Called-up, allotted and fully paid		
100 ordinary share of £1	100	100
250,000 preference shares of £1	250,000	250,000

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

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

In the event of a winding up of the company the holders of the 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 number of preference shares of £1 each held by them) shall receive all unpaid arrears and accruals of any dividends 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 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).

The preference shares are non-redeemable and carry no right to fixed interest or dividend in preference to ordinary shares.

As a result of the above the preference shares are classified as equity rather than as a financial liability in the financial statements.

7. RESERVES

	Profit and loss account £
At 1 January 2014 and 31 December 2014	(131,349)

8. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking is K & N Parent, Inc. a company incorporated in the United States of America.

The results of J.E.M. Enterprises Limited are included in the group financial statements of K & N Engineering, Inc. K & N Engineering, Inc. is the smallest and largest group in which the company is consolidated. These financial statements may be obtained from the company's registered office.

The ultimate controlling party is Gryphon Investors Inc. by virtue of its shareholding in K & N Engineering, Inc.

9. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 8 "Related Parties" not to disclose transactions with other wholly owned group companies within the group headed by K & N Engineering, Inc.