

Company Registration No. 03163864 (England and Wales)

J.E.M. ENTERPRISES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

J.E.M. ENTERPRISES LIMITED

COMPANY INFORMATION

Directors	Mr L Tomlinson Mr R Bisson	(Appointed 10 February 2020)
Secretary	LDC Nominee Secretary Limited	
Company number	03163864	
Registered office	Unit 9 Ashville Way Sutton Weaver WA7 3EZ	
Auditor	Cowgill Holloway LLP Regency House 45-53 Chorley New Road Bolton BL1 4QR	
Bankers	NatWest 23 Sankey Street Warrington Cheshire WA1 1XH	

J.E.M. ENTERPRISES LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditor's report	5 - 7
Profit and loss account	8
Group statement of comprehensive income	9
Group balance sheet	10
Company balance sheet	11
Group statement of changes in equity	12
Company statement of changes in equity	13
Group statement of cash flows	14
Company statement of cash flows	15
Notes to the financial statements	16 - 30

J.E.M. ENTERPRISES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report for the year ended 31 December 2020.

Fair review of the business

The group has seen a decrease in trading with the prior year, largely due to the business decision to move European trading to a separate overseas company to deal with the Brexit risk. Turnover has seen a decrease in the year by £ 7,985,078 to £5,679,716. Gross profit margin has increased by 8.29% to 21.66%. Administrative expenditure has reduced by £268,481 and this is largely in relation to profit or loss in foreign exchange, which has reduced by £436,943 as exchange rates have swung year on year. This has been largely offset against wages and salaries which have increased by £274,687.

Profit before tax has reduced in the year by £330,361 to £280,490. After taxation the profit for the year amounted to £ 226,567 (2019: £494,789); the profit has increased reserves.

The profitable year has helped the group further strengthen the balance sheet position at the year end with the net current asset position increasing to £4,187,017 from £3,944,721 in 2019.

Principal risks and uncertainties

The principal risks and uncertainties affecting the business include:

Currency risk

The group is exposed to translation and transaction foreign exchange risk. The group has a number of customers whom it invoices in Euros and US Dollars, the effect of any exchange rate variance is mitigated partially by the fact that they purchase the majority of purchases in Euros. The group does not enter into any arrangements to hedge against the risk.

Credit risk

The group looks at the trading history of any new customers before allowing any trade to take place, established customers credit terms are monitored on a regular basis which provides the directors' with comfort over this area.

Liquidity risk

The group is funded through its retained earnings. The directors regularly monitor cash flow projections of the company in order to ensure that it has sufficient available funds for its continuing operations.

The directors are satisfied that these risks have been adequately managed throughout the period.

Coronavirus Pandemic

The Coronavirus Pandemic is ongoing and we are responding to the guidelines developed by the Government and its advisors. At this stage we are unable to fully forecast the consequences however the directors believe that J.E.M. Enterprises Limited is in a very strong position to face the challenges ahead, with significant net assets and ongoing group support.

Brexit

Following the UK leaving the European Union on 31 January 2020, uncertainty has increased surrounding the outlook of the UK economy. Although at present there appears to be minimal impact on consumer confidence, this uncertainty may ultimately impact on market confidence and as a result could potentially impact on the demand and price for products/services, which in turn may affect revenue, profit and cashflow.

Key performance indicators

Key performance indicators continue to be used throughout the business. The groups focus is on improvements in gross margin and reducing operating costs, supported by robust cash flow monitoring.

Development and performance

The directors' are pleased that the group has continued to develop new products, which have further increased the vast product range.

J.E.M. ENTERPRISES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Future developments

The group aims to grow its market share in the air filters and air intake systems industry, improve gross margin and continue reducing operating costs.

On behalf of the board

Mr R Bisson

Director

30 September 2021

J.E.M. ENTERPRISES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the company and group continued to be 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.

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr R Hordossy	(Resigned 10 February 2020)
Mr D R Callejas	(Resigned 11 March 2020)
Mr L Tomlinson	(Appointed 10 February 2020)
Mr R Bisson	

Auditor

The auditor, Cowgill Holloway LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Energy and carbon report

As the group has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

Statement of directors' responsibilities

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 group and company, and of the profit or loss of the group 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;
- 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 group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

J.E.M. ENTERPRISES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

Mr R Bisson

Director

30 September 2021

J.E.M. ENTERPRISES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF J.E.M. ENTERPRISES LIMITED

Opinion

We have audited the financial statements of J.E.M. Enterprises Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2020 and of the group's profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

J.E.M. ENTERPRISES LIMITED

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

J.E.M. ENTERPRISES LIMITED

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

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussions with the directors (as required by auditing standards) and discussed with the directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: Companies Act 2006, Health and Safety at Work Act and Employment Law.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Through these procedures we did not become aware of any actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations. A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

Alex Hesketh (Senior Statutory Auditor)
For and on behalf of Cowgill Holloway LLP

30 September 2021

Chartered Accountants
Statutory Auditor

Regency House
45-53 Chorley New Road
Bolton
BL1 4QR

J.E.M. ENTERPRISES LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Turnover	3	5,679,716	13,664,794
Cost of sales		(4,449,520)	(11,838,311)
Gross profit		1,230,196	1,826,483
Administrative expenses		(948,168)	(1,216,649)
Operating profit	4	282,028	609,834
Interest receivable and similar income	8	-	1,037
Interest payable and similar expenses	9	(1,538)	(20)
Profit before taxation		280,490	610,851
Tax on profit	10	(53,923)	(116,062)
Profit for the financial year		226,567	494,789

Profit for the financial year is all attributable to the owners of the parent company.

J.E.M. ENTERPRISES LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	£	£
Profit for the year	226,567	494,789
Other comprehensive income	-	-
Total comprehensive income for the year	<u>226,567</u>	<u>494,789</u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

J.E.M. ENTERPRISES LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Tangible assets	11		94,603		113,106
Current assets					
Stocks	14	1,645,576		2,128,212	
Debtors	15	3,730,735		2,748,410	
Cash at bank and in hand		820,870		292,366	
		<u>6,197,181</u>		<u>5,168,988</u>	
Creditors: amounts falling due within one year	16	<u>(2,010,164)</u>		<u>(1,224,267)</u>	
Net current assets			4,187,017		3,944,721
Total assets less current liabilities			<u>4,281,620</u>		<u>4,057,827</u>
Provisions for liabilities					
Deferred tax liability	17	14,596		17,370	
		<u>14,596</u>	(14,596)	<u>17,370</u>	(17,370)
Net assets			<u>4,267,024</u>		<u>4,040,457</u>
Capital and reserves					
Called up share capital	19		250,100		250,100
Capital redemption reserve			1		1
Profit and loss reserves			4,016,923		3,790,356
Total equity			<u>4,267,024</u>		<u>4,040,457</u>

The financial statements were approved by the board of directors and authorised for issue on 30 September 2021 and are signed on its behalf by:

Mr R Bisson
Director

J.E.M. ENTERPRISES LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2020

		2020		2019	
	Notes	£	£	£	£
Fixed assets					
Investments	12		934,832		934,832
Current assets					
Debtors	15	100		100	
Cash at bank and in hand		47		47	
		<u>147</u>		<u>147</u>	
Creditors: amounts falling due within one year	16	(816,228)		(816,228)	
Net current liabilities			(816,081)		(816,081)
Total assets less current liabilities			<u>118,751</u>		<u>118,751</u>
Capital and reserves					
Called up share capital	19	250,100		250,100	
Profit and loss reserves		(131,349)		(131,349)	
Total equity		<u>118,751</u>		<u>118,751</u>	

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £0 (2019 - £0 profit).

The financial statements were approved by the board of directors and authorised for issue on 30 September 2021 and are signed on its behalf by:

Mr R Bisson
Director

Company Registration No. 03163864

J.E.M. ENTERPRISES LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Capital redemption reserve	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 January 2019	250,100	1	3,295,567	3,545,668
Year ended 31 December 2019:				
Profit and total comprehensive income for the year	-	-	494,789	494,789
Balance at 31 December 2019	250,100	1	3,790,356	4,040,457
Year ended 31 December 2020:				
Profit and total comprehensive income for the year	-	-	226,567	226,567
Balance at 31 December 2020	250,100	1	4,016,923	4,267,024

J.E.M. ENTERPRISES LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2019	250,100	(131,349)	118,751
Year ended 31 December 2019:			
Profit and total comprehensive income for the year	-	-	-
Balance at 31 December 2019	250,100	(131,349)	118,751
Year ended 31 December 2020:			
Profit and total comprehensive income for the year	-	-	-
Balance at 31 December 2020	250,100	(131,349)	118,751

J.E.M. ENTERPRISES LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	£	2019 £	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	23		540,688		(145,209)
Interest paid			(1,538)		(20)
Income taxes refunded/(paid)			1,538		(261,804)
Net cash inflow/(outflow) from operating activities			540,688		(407,033)
Investing activities					
Purchase of tangible fixed assets		(12,184)		(6,198)	
Interest received		-		1,037	
Net cash used in investing activities			(12,184)		(5,161)
Net increase/(decrease) in cash and cash equivalents			528,504		(412,194)
Cash and cash equivalents at beginning of year			292,366		704,560
Cash and cash equivalents at end of year			820,870		292,366

J.E.M. ENTERPRISES LIMITED

COMPANY STATEMENT OF CASH FLOWS **FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020		2019	
	£	£	£	£
Cash flows from operating activities				
Net cash used in investing activities		-		-
Net cash used in financing activities		-		-
Net increase in cash and cash equivalents		-		-
Cash and cash equivalents at beginning of year		47		47
Cash and cash equivalents at end of year		47		47

J.E.M. ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

J.E.M Enterprises Limited is a private company limited by shares incorporate in England and Wales. The registered office is Unit 9, Ashville Way, Sutton Weaver, WA7 3EZ.

The group consists of J.E.M. Enterprises Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The consolidated group financial statements consist of the financial statements of the parent company J.E.M. Enterprises Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 December 2020. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Entities in which the group holds an interest and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates.

J.E.M. ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Investments in joint ventures and associates are carried in the group balance sheet at cost plus post-acquisition changes in the group's share of the net assets of the entity, less any impairment in value. The carrying values of investments in joint ventures and associates include acquired goodwill.

If the group's share of losses in a joint venture or associate equals or exceeds its investment in the joint venture or associate, the group does not recognise further losses unless it has incurred obligations to do so or has made payments on behalf of the joint venture or associate.

Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the group's interest in the entity.

At the time of approving the financial statements, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	10% on cost
Plant and equipment	15% on cost
Office equipment	15% on cost
Computers	15% on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.6 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

J.E.M. ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.7 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

J.E.M. ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

J.E.M. ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

J.E.M. ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

J.E.M. ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

	2020 £	2019 £
Turnover analysed by class of business		
Supply of air filters and air intake systems	5,679,716	13,664,794
	<u>5,679,716</u>	<u>13,664,794</u>
	2020 £	2019 £
Other significant revenue		
Interest income	-	1,037
	<u>-</u>	<u>1,037</u>
	2020 £	2019 £
Turnover analysed by geographical market		
United Kingdom	3,082,459	2,250,600
European Countries	2,366,319	11,153,257
Rest of the World	230,938	260,937
	<u>5,679,716</u>	<u>13,664,794</u>

J.E.M. ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

4 Operating profit

	2020 £	2019 £
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(407,770)	56,173
Research and development costs	4,212	3,444
Depreciation of owned tangible fixed assets	30,687	29,789
Operating lease charges	112,612	109,477
	<u> </u>	<u> </u>

5 Auditor's remuneration

	2020 £	2019 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	-	-
Audit of the financial statements of the company's subsidiaries	23,000	23,000
	<u> </u>	<u> </u>

The audit fee is borne by another group company.

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
Directors	18	25	2	2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	Group 2020 £	2019 £	Company 2020 £	2019 £
Wages and salaries	755,515	699,822	-	-
Social security costs	68,186	46,854	-	-
Pension costs	13,646	14,087	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	837,347	760,763	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Total remuneration paid to the directors by the group during the year was £212,300 (2019: £nil).

J.E.M. ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

7 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	212,300	-

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2020 £	2019 £
Remuneration for qualifying services	212,300	-

8 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Other interest income	-	1,037

9 Interest payable and similar expenses

	2020 £	2019 £
Other finance costs:		
Other interest	1,538	20

10 Taxation

	2020 £	2019 £
Current tax		
UK corporation tax on profits for the current period	56,697	119,640
Deferred tax		
Origination and reversal of timing differences	(2,774)	(3,578)
Total tax charge	53,923	116,062

J.E.M. ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

10 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2020 £	2019 £
Profit before taxation	280,490	610,851
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	53,293	116,062
Tax effect of expenses that are not deductible in determining taxable profit	630	-
Taxation charge	53,923	116,062

11 Tangible fixed assets

Group	Leasehold improvements £	Plant and office equipment £	Computers £	Total £
Cost				
At 1 January 2020	234,444	23,070	9,475	317,017
Additions	-	-	843	12,184
At 31 December 2020	234,444	23,070	10,318	329,201
Depreciation and impairment				
At 1 January 2020	132,761	22,895	6,439	203,911
Depreciation charged in the year	23,939	175	1,485	30,687
At 31 December 2020	156,700	23,070	7,924	234,598
Carrying amount				
At 31 December 2020	77,744	-	2,394	94,603
At 31 December 2019	101,683	175	3,036	113,106

The company had no tangible fixed assets at 31 December 2020 or 31 December 2019.

12 Fixed asset investments

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Investments in subsidiaries	13	-	-	934,832	934,832

J.E.M. ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

12 Fixed asset investments (Continued)

Movements in fixed asset investments Company	Shares in group undertakings
	£
Cost or valuation	
At 1 January 2020 and 31 December 2020	934,832
Carrying amount	
At 31 December 2020	934,832
At 31 December 2019	934,832

13 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
K & N Filters (Europe) Ltd	UK	Ordinary	100.00

14 Stocks

	Group 2020 £	2019 £	Company 2020 £	2019 £
Finished goods and goods for resale	1,645,576	2,128,212	-	-

15 Debtors

	Group 2020 £	2019 £	Company 2020 £	2019 £
Amounts falling due within one year:				
Trade debtors	564,915	689,115	-	-
Corporation tax recoverable	-	6,920	-	-
Amounts owed by group undertakings	100	659,183	100	100
Other debtors	3,112,536	1,321,212	-	-
Prepayments and accrued income	53,184	71,980	-	-
	3,730,735	2,748,410	100	100

J.E.M. ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

16 Creditors: amounts falling due within one year

	Group 2020 £	2019 £	Company 2020 £	2019 £
Trade creditors	127,857	123,247	-	-
Amounts owed to group undertakings	1,686,774	816,228	816,228	816,228
Corporation tax payable	51,509	194	-	-
Other taxation and social security	20,105	21,215	-	-
Other creditors	2,119	-	-	-
Accruals and deferred income	121,800	263,383	-	-
	<u>2,010,164</u>	<u>1,224,267</u>	<u>816,228</u>	<u>816,228</u>

17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

	Liabilities 2020 £	Liabilities 2019 £
Group		
Accelerated capital allowances	<u>14,596</u>	<u>17,370</u>

The company has no deferred tax assets or liabilities.

	Group 2020 £	Company 2020 £
Movements in the year:		
Liability at 1 January 2020	17,370	-
Credit to profit or loss	(2,774)	-
Liability at 31 December 2020	<u>14,596</u>	<u>-</u>

18 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>13,646</u>	<u>14,087</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

J.E.M. ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

19 Share capital

	Group and company	
	2020	2019
	£	£
Ordinary share capital		
Issued and fully paid		
250,100 Ordinary shares of £1 each	250,100	250,100

20 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Within one year	136,318	114,308	-	-
Between two and five years	309,216	366,496	-	-
	<u>445,534</u>	<u>480,804</u>	<u>-</u>	<u>-</u>

J.E.M. ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

21 Related party transactions

The company has taken advantage of the exemption available in accordance with FRS102 section 1.12(e) 'Related party disclosures' not to disclose transactions entered into between two or more members of a group, as the company as the company is a wholly owned subsidiary undertaking of the group to which it is party to the transactions.

22 Controlling party

The company's ultimate parent undertaking is K & N Holdings II, 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 Holdings II, Inc. these financial statements may be obtained from the company's registered office.

The ultimate controlling party is West Street Capital Partners VII Investments, L. P. by virtue of its shareholding in K & N Holdings II, Inc.

23 Cash generated from/(absorbed by) group operations

	2020 £	2019 £
Profit for the year after tax	226,567	494,789
Adjustments for:		
Taxation charged	53,923	116,062
Finance costs	1,538	20
Investment income	-	(1,037)
Depreciation and impairment of tangible fixed assets	30,687	29,789
Movements in working capital:		
Decrease in stocks	482,636	1,455,211
Increase in debtors	(989,245)	(744,199)
Increase/(decrease) in creditors	734,582	(1,495,844)
Cash generated from/(absorbed by) operations	540,688	(145,209)

24 Cash absorbed by operations - company

	2020 £	2019 £
Profit for the year after tax	-	-
Cash absorbed by operations	-	-

J.E.M. ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

25 Analysis of changes in net funds - group

	1 January 2020	Cash flows	31 December 2020
	£	£	£
Cash at bank and in hand	292,366	528,504	820,870
	<u> </u>	<u> </u>	<u> </u>

26 Analysis of changes in net funds - company

	1 January 2020	31 December 2020
	£	£
Cash at bank and in hand	47	47
	<u> </u>	<u> </u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.