

FIL International Limited

Directors' report and financial statements

Registered number 1935353

31 December 2008

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Directors' report and financial statements

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Directors' report

The Directors present their Directors' report and the financial statements for the year ended 31 December 2008.

Principal activities and business review

The Company is a wholly owned subsidiary of Filtrona plc and its principal activity during the year was to act as a holding and investment company. There has been no significant change in the Company's activities since the balance sheet date and none are anticipated.

The structure of the activities of this company is in line with the structure of Filtrona plc. Further details of the group's strategy can be found on pages 32 to 33 of the Business Review of the Filtrona plc Annual Report 2008, which does not form part of this report.

Results and dividends

The profit for the financial year was £3,834,000 (2007: £22,812,000).

Dividends paid during the year were £4,000,000 (2007: £26,000,000). The Directors do not recommend the payment of a final dividend for the current year.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of the Filtrona plc group, which include those of the Company, are discussed on pages 32 and 33 of the Filtrona plc Annual Report 2008, which does not form part of this report.

Key performance indicators

The directors of Filtrona plc manage the group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company.

Directors

The Directors who held office during the year were as follows:

Steve Crummett (appointed 19 March 2008)
Steve Dryden (resigned 19 March 2008)
Jon Green

Market value of investments

In the opinion of the Directors, the investments in and amounts owed by the Company's principal subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year.

Directors' indemnities

During the financial year and at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors and the Company Secretary to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities as a director or officer of the Company.

Directors' report *(continued)*

Directors' statement as to disclosure of information to the auditor

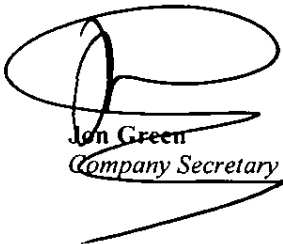
The Directors who were members of the Board at the time of approving this Directors' report, having made enquiries of fellow Directors and of the auditor, confirm that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the auditor is unaware; and
- each Director has taken all steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

In accordance with Section 485 of the Companies Act 2006, a resolution for the re-appointment of KPMG Audit Plc as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



Jon Green
Company Secretary

Registered Office:
Avebury House
201-249 Avebury Boulevard
Milton Keynes
MK9 1AU

26 June 2009

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the Directors' 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 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.

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 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditor's report to the members of FIL International Limited

We have audited the financial statements of FIL International Limited for the year ended 31 December 2008 which comprise the Profit and loss account, the Balance sheet, the Reconciliation of movements in shareholders' funds and the related notes. 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 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

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' responsibilities on page 3.

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 Directors' report 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 Directors' report 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 judgments 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.

Independent auditor's report to the members of FIL International Limited
(continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 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 Directors' report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

26 June 2009

Profit and loss account

for the year ended 31 December 2008

	<i>Note</i>	2008 £000	2007 £000
Administrative expenses		(11)	(5)
Other operating income	5	875	-
		<hr/>	<hr/>
Operating profit / (loss)		864	(5)
Amount written off fixed asset investment	6	(5,505)	-
Income from shares in group undertakings		9,488	461
Profit on disposal of subsidiary undertaking	8	344	24,506
Interest payable and similar charges	7	(1,024)	(25)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2 - 4	4,167	24,937
Tax on profit on ordinary activities	9	(333)	(2,125)
		<hr/>	<hr/>
Profit for the financial year		3,834	22,812
		<hr/>	<hr/>

All income and expenditure in the current and prior year relates to continuing operations.

The Company has no recognised gains and losses other than the gains and losses above and therefore no separate statement of total recognised gains and losses has been prepared.

Balance sheet

at 31 December 2008

	Note	2008 £000	2007 £000
Fixed assets			
Investments	10	25,910	29,372
		<u>25,910</u>	<u>29,372</u>
Current assets			
Debtors – due after more than one year	11	10,201	10,042
Debtors – due within one year	11	3,989	2,849
		<u>14,190</u>	<u>12,891</u>
Creditors: amounts falling due within one year	12	<u>(18,210)</u>	<u>(20,207)</u>
Net current liabilities		<u>(4,020)</u>	<u>(7,316)</u>
Net assets		<u>21,890</u>	<u>22,056</u>
Capital and reserves			
Called up share capital	14	16,923	16,923
Profit and loss account	15	4,967	5,133
Shareholders' funds: equity		<u>21,890</u>	<u>22,056</u>

These financial statements were approved by the Board of Directors on 26 June 2009 and were signed on its behalf by:



Steve Crummett
 Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2008

	2008 £000	2007 £000
Profit for the financial year	3,834	22,812
Dividends on shares classified in shareholders' funds (note 16)	(4,000)	(26,000)
Net reduction in shareholders' funds	(166)	(3,188)
Opening shareholders' funds: equity	22,056	25,244
Closing shareholders' funds: equity	21,890	22,056

Notes

(forming part of the financial statements)

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules except for derivatives which are stated at fair value.

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Under Financial Reporting Standard ('FRS') 1: *Cash flow statements* the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

Going concern

The financial statements have been prepared on a going concern basis, on the grounds that Filtrona plc, the ultimate parent company, will continue to provide financial and other support to the company at least for the next twelve months from the date of approval of these financial statements and thereafter for the foreseeable future.

Fixed asset investments

Shares in group undertakings are accounted for at cost less any provision for impairment.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Derivatives – fair value hedges

Where a derivative is used to hedge the foreign exchange exposure of an asset or liability, any gain or loss on the derivative is recognised in the profit and loss account.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19: *Deferred tax*.

Deferred tax is not recognised on the unremitted earnings of overseas subsidiaries where there is no commitment to remit these earnings and deferred tax assets are recognised to the extent that they are regarded as more likely than not to be recovered.

Related party disclosures

The Company is a wholly owned subsidiary of Filtrona plc. In accordance with Paragraph 3(c) of FRS 8: *Related party disclosures* the Company is exempt from disclosing transactions or balances with other companies in the Group.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Notes (continued)

2 Analysis of profit on ordinary activities before taxation

All profit before taxation arises from investment activities.

3 Profit on ordinary activities before taxation

Auditor's remuneration:

	2008 £000	2007 £000
Audit of these financial statements	4	4

4 Remuneration of Directors, staff numbers and costs

The Company had no employees in either year and the Directors received no remuneration for their services to the Company in either year. The present Directors are employed by, and receive remuneration from, another group undertaking.

5 Other operating income

The deferred consideration receivable from Itavema Group in respect of the disposal of the Company's investment in Globalpack Industria e Comercio Ltda is denominated in US dollars. During 2008 the Company made a gain, net of losses on associated forward exchange contracts, of £875,000 on the revaluation of this deferred consideration which was recognised in the profit and loss account.

6 Amount written off fixed asset investment

During 2008 the Company impaired the value of its investment in FractureCode Corporation ApS to nil. As a result an impairment loss of £5,505,000 was taken to the profit and loss account for the year.

7 Interest payable and similar charges

	2008 £000	2007 £000
Payable to group undertakings	1,024	25

8 Profit on disposal of subsidiary undertaking

On 29 June 2007, the Company disposed of its investment in Globalpack Industria e Comercio Ltda, with a net book value of £1,218,000, to the Itavema Group for total consideration of £27,900,000. The profit on disposal, after deducting directly attributable costs of £2,176,000, was £24,506,000.

During 2008 £344,000 of accruals made for disposal costs in 2007 were released to the profit and loss account as they were no longer required as being unused.

Notes (continued)

9 Taxation

Analysis of charge in period:

	2008 £000	2007 £000
<i>UK corporation tax</i>		
Current tax on income for the period	3,484	130
Adjustments in respect of prior periods	(61)	83
	<hr/>	<hr/>
	3,423	213
Double taxation relief	(3,779)	(69)
	<hr/>	<hr/>
	(356)	144
<i>Foreign tax</i>		
Withholding tax for the period	689	1,981
	<hr/>	<hr/>
Tax on profit on ordinary activities (see below)	333	2,125
	<hr/>	<hr/>

Factors affecting the tax charge for the current year

The current tax charge for the year is different to the standard rate of corporation tax in the UK of 28.5% (2007: 30.0%). The differences are explained below.

	2008 £000	2007 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	4,167	24,937
	<hr/>	<hr/>
Current tax at 28.5% (2007: 30.0%)	1,187	7,481
<i>Effects of:</i>		
Expenses not deductible for tax purposes (primarily impairment of fixed asset investment)	1,569	-
Impact of grossing overseas dividends	1,075	-
Overseas withholding tax	689	1,981
Non-taxable profit on disposal of subsidiary undertaking	(347)	(7,351)
Double tax relief	(3,779)	(69)
Adjustments in respect of prior periods	(61)	83
	<hr/>	<hr/>
Total current tax (see above)	333	2,125
	<hr/>	<hr/>

Notes (continued)

10 Fixed asset investments

	Shares in subsidiary undertakings £000
<i>Shares</i>	
<i>Cost</i>	
At beginning of year	29,372
Additions	2,043
At end of year	31,415
<i>Provisions</i>	
At beginning of year	-
Impairment loss (note 6)	(5,505)
At end of year	(5,505)
<i>Net book value</i>	
At 31 December 2008	25,910
At 31 December 2007	29,372

Additions:

On 8 July 2008, the Company increased its investment in Filtrona PFP Commercial and Service Kft by £178,000.

On 4 December 2008, the Company increased its investment in Filtrona Filters Hungary Manufacturing Kft by £1,865,000.

In the opinion of the Directors, the investments in and amounts owed by the Company's principal subsidiary undertakings at the year end are worth at least the amount at which they are stated in the balance sheet.

The principal companies in which the Company's interest at the year end is more than 20% are as follows:

	Country of incorporation	Principal activity	Proportion of nominal value and class of shares held at 31 December 2008
<i>Subsidiary undertakings</i>			
Filtrona Special Fiber Products Ningbo Co Ltd	China	Trading	100% Registered capital
Filtrona BV	The Netherlands	Holding company	100% Ordinary shares €453.7802
Moss Overseas Ltd	England & Wales	Holding company	100% Ordinary shares £1.00
Filtrona Filters Hungary Manufacturing Kft	Hungary	Trading	90% Ordinary Shares HUF1.00
Filtrona PFP Commercial and Service Kft	Hungary	Trading	99.796% Ordinary Shares HUF1.00
Filtrona International GmbH	Germany	Trading	100% Ordinary shares €1.00
Filtrona Brasileira Industria e Comercio Ltda	Brazil	Trading	100% Ordinary shares BRL1.00
FractureCode Corporation ApS	Denmark	Trading	80% Ordinary shares DKK1.000
Filtrona Plasticos S.A.	Spain	Trading	100% Ordinary shares €6.01
Moss Pièces Plastiques SAS	France	Trading	100% Ordinary shares €2.700
PT Filtrona Indonesia	Indonesia	Trading	98.832% Ordinary shares IDR207.500
Filtrona Italia SpA	Italy	Trading	25% Ordinary shares €1.00
Moss Ceska Republika SRO	Czech Republic	Trading	100% Ordinary shares CZK1.00
Filtrona Paraguay S.A.	Paraguay	Trading	99.926% Ordinary shares PYG1.000.000

Notes (continued)

11 Debtors

	2008 £000	2007 £000
Amounts owed by group undertakings	578	358
Other debtors	13,612	12,533
	<u>14,190</u>	<u>12,891</u>

Other debtors represent amounts due from the Itavema Group for the purchase of Globalpack Industria e Comercio Ltda of which £10,201,000 (2007: £10,042,000) is due after more than one year.

12 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Amounts owed to group undertakings	14,741	18,667
Corporation tax	597	920
Accruals and deferred income	128	570
Derivative liabilities (note 13)	2,744	50
	<u>18,210</u>	<u>20,207</u>

13 Derivatives

The Company uses derivatives to hedge its exposure to foreign exchange risk. It does not hold or issue derivatives for trading purposes.

	Derivative liabilities		Fair value 2007 £000	Contractual or notional amount 2007 £000
	Fair value 2008 £000	Contractual or notional amount 2008 £000		
<i>Fair value hedges</i>				
Forward foreign exchange contracts	2,744	10,729	50	10,111

Fair value hedges are hedges of the currency risk exposure to changes in the fair value of recognised assets or liabilities. The fair value has been calculated at year end forward exchange rates compared to contracted rates. During the year a fair value loss of £2,694,000 has been recorded in the profit and loss account.

Notes (continued)

14 Called up share capital

	2008 £000	2007 £000
<i>Authorised</i>		
17,373,239 (2007: 17,373,239) ordinary shares of £1 (2007: £1) each	17,373	17,373
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
16,923,239 (2007: 16,923,239) ordinary shares of £1 (2007: £1) each	16,923	16,923
	<hr/>	<hr/>

15 Reserves

	Profit and loss account £000
At beginning of year	5,133
Profit for the financial year	3,834
Dividends on shares classified in shareholders' funds (note 16)	(4,000)
	<hr/>
At end of year	4,967
	<hr/>

16 Dividends

The aggregate amount of dividends comprises:

	2008 £000	2007 £000
Interim dividends paid in respect of current year	4,000	26,000
	<hr/>	<hr/>

The aggregate amount of dividends proposed and recognised as liabilities as at the year end is £nil (2007: £nil).

17 Contingent liabilities

On 8 April 2009, the Company, together with certain other fellow subsidiary undertakings, agreed to provide an unsecured guarantee to Lloyds TSB Bank plc, The Royal Bank of Scotland plc and other third parties in respect of the Term Loan and Revolving Credit Facility agreement signed by Filtrona plc on 16 April 2009.

18 Post balance sheet event

On 16 March 2009, the Company purchased the remaining 20 per cent of the issued share capital of FractureCode Corporation ApS after ITO Technologies ApS ("ITO") exercised a put option under a share purchase agreement dated 22 December 2005 between ITO, FIL International Limited, Filtrona and Jens Jacob Juul Rasmussen for a consideration of €3.1 million.

Notes *(continued)*

19 Ultimate parent company and parent undertaking of larger group of which the company is a member

The Company's immediate parent undertaking is Filtrona International Limited, a company incorporated in England and Wales

The ultimate parent company is Filtrona plc, a company incorporated in England and Wales. This is the only group in which the results of the company are consolidated.

The Annual Report of Filtrona plc is available to the public from the registered office of Filtrona plc at Avebury House, 201-249 Avebury Boulevard, Milton Keynes, MK9 1AU.