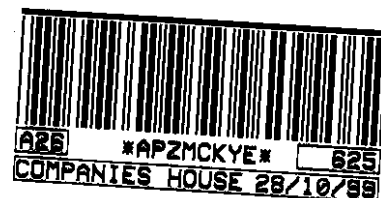


FIL International Limited

Directors' report and financial statements

31 December 1998

Registered number 1935353



Directors' report and financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	2
Report of the auditors to the members of FIL International Limited	3
Profit and loss account	4
Balance sheet	5
Notes	6

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

Principal activity

The principal activity of the company was the sale in North America of cigarette filters produced by and purchased from Filtrona Limited. The company made no sales in 1998.

Business review

There have been no significant events since the end of the year.

Directors and directors' interests

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

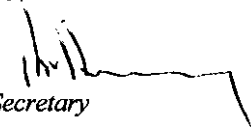
TL Dixon
JG Dobbin
AK Edwards
MJ Harper
DK Webster

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company. The interests of the directors in the ordinary shares of Bunzl plc, the ultimate holding company, including options granted and exercised, are disclosed in the accounts of Filtrona International Limited, the immediate holding company, of which they are also directors.

Auditors

Pursuant to Section 386 of the Companies Act 1985, a resolution has been passed enabling the company to dispense with its obligations to appoint auditors and KPMG Audit Plc will therefore continue in office.

By order of the board


Secretary

110 Park Street
London
W1Y 3RB

17 October 1999

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Report of the auditors to the members of FIL International Limited

We have audited the financial statements on pages 4 to 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditors

17 October 1999

Profit and loss account
for the year ended 31 December 1998

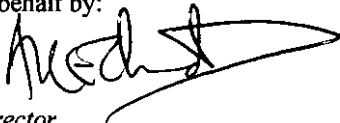
	<i>Note</i>	1998 £000	1997 £000
Turnover	<i>1</i>	-	8,862
Purchases from group undertaking		-	(8,852)
Other operating charges		-	(10)
		<hr/>	<hr/>
Result for the financial year	<i>2-4</i>	-	-
Profit and loss account brought forward		-	-
		<hr/>	<hr/>
Profit and loss account carried forward		-	-
		<hr/> <hr/>	<hr/> <hr/>

During both the current and preceding year the company had no recognised gains or losses other than those included in the profit and loss account. In both years the results of the company arose entirely from continuing operations.

Balance sheet
at 31 December 1998

	<i>Note</i>	1998 £000	1997 £000
Current assets			
Debtors	5	-	626
Creditors: amounts falling due within one year	6	-	(626)
		<hr/>	<hr/>
Net assets		-	-
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	7	-	-
Profit and loss account		-	-
		<hr/>	<hr/>
Shareholders' funds - equity		-	-
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 17 October 1999 and were signed on its behalf by:



Director

AK EDWARDS

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 company's financial statements.

Basis of preparation

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

The company is exempt under the provisions of Financial Reporting Statement No 1 from the requirement to prepare a separate cash flow statement on the grounds that it is a wholly-owned subsidiary undertaking of a company registered in the EC which incorporates the cash flow statements of FIL International Limited in its consolidated cash flow statement.

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 rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise in the foreseeable future.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods to customers and arose as a result of the company's principal business activity. All the sales were made to North America.

2 Result for the financial year

1998	1997
£000	£000

Result for the financial year is stated after charging

Auditors' remuneration - audit	-	1
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Notes (continued)

3 Remuneration of directors

None of the directors received any remuneration from the company during the current and preceding years.

4 Staff numbers and costs

The company had no direct employees during the year and incurred no staff costs (1997: £Nil).

5 Debtors

	1998 £000	1997 £000
Trade debtors	-	626
	<u> </u>	<u> </u>

6 Creditors: amounts falling due within one year

	1998 £000	1997 £000
Amounts owed to fellow subsidiary undertakings	-	626
	<u> </u>	<u> </u>

7 Called up share capital

	1998 £	1997 £
<i>Authorised</i>		
Ordinary shares of £1 each	1,000	1,000
	<u> </u>	<u> </u>
<i>Allotted, called up and not paid</i>		
Ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>

Notes *(continued)*

8 Related party disclosures

The company is controlled by Filtrona International Limited its parent company. The ultimate controlling party is Bunzl plc.

The company is a wholly owned subsidiary of Filtrona International Limited. In accordance with paragraph 3(c) of FRS 8 'Related Party Transactions' the company is exempt from disclosing details of arrangements with other companies in the Bunzl group.

9 Ultimate parent undertaking

The company is a wholly owned subsidiary undertaking of Filtrona International Limited, a company registered in England and Wales.

Filtrona International Limited is itself a wholly-owned subsidiary undertaking of Bunzl plc, registered in England and Wales.

Copies of group financial statements of Bunzl plc may be obtained from the registered office of Bunzl plc, 110 Park Street, London, W1Y 3RB.