

BUNZL PLC
Form 6-K
May 18, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 or 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934**

For MAY 18, 2005

BUNZL PLC

(Exact name of Registrant as specified in its charter)

ENGLAND

(Jurisdiction of incorporation or organisation)

110 Park Street, London W1K 6NX

(Address of principal executive offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.)

Form 20-F Form 40-F

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(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes No

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):)

NOT APPLICABLE

INDEX

Description

1. Listing Particulars in connection with the introduction of up to 222,000,000 ordinary shares in Filtrona plc
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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. When considering what action you should take, you should seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your Bunzl Shares, you should immediately forward this document and the accompanying documents to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

This document, which comprises listing particulars relating to Filtrona plc, has been prepared in accordance with the Listing Rules made under section 74 of the Financial Services and Markets Act 2000. A copy of this document has been delivered to the Registrar of Companies in England and Wales for registration as required by section 83 of that Act. This document has been prepared in connection with the demerger of the Filtrona Business of Bunzl plc (the Demerger) as described in this document, and assumes that, unless the context requires otherwise, the Demerger has become effective. A more detailed description of the Demerger is provided in Part 3 of this document.

Application has been made for the entire ordinary share capital of Filtrona, issued and to be issued, to be admitted to the Official List and to the London Stock Exchange's market for listed securities. Admission to the Official List, together with admission to trading on the London Stock Exchange's market for listed securities (Admission), constitutes admission to official listing on a stock exchange in the United Kingdom. These applications are subject to the passing of the resolution concerning the Demerger by Bunzl Shareholders at the Extraordinary General Meeting. It is currently expected that admission of the Filtrona Shares, to be issued to Bunzl Shareholders on Bunzl's register of members at 7.00 a.m. on 6 June 2005 to the Official List and to trading on the London Stock Exchange's market for listed securities will become effective and that unconditional dealings will commence in the Filtrona Shares at 8.00 a.m. on 6 June 2005. No application is currently intended to be made for the Filtrona Shares to be admitted to listing or dealing on any other exchange.

For a discussion of certain risk factors which might affect your holding of Filtrona Shares see Risk factors in Part 7 of this document.

FILTRONA PLC

(Incorporated and registered in England and Wales under the Companies Act 1985, Registered No. 5444653)

Introduction of up to 220,000,000 ordinary shares of

125 pence each to the Official List

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Sponsored by JPMorgan Cazenove

JPMorgan Cazenove Limited (JPMorgan Cazenove), which is regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Bunzl and Filtrona and no one else in connection with the Demerger and Admission and will not be responsible to anyone other than Bunzl and Filtrona for providing the protections afforded to its customers or for providing advice in relation to the Demerger and Admission.

The distribution of this document in certain jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of any such jurisdiction.

The Filtrona Shares to be distributed in connection with the Demerger will not be, and are not required to be, registered with the SEC under the US Securities Act or any US state securities law. Neither the SEC nor any US state securities commission has approved or disapproved the Filtrona Shares or passed comment or opinion upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the US.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised. The information contained in this document is accurate as at the date of this document, regardless of the time of delivery of this document or of any Filtrona Shares. Neither the delivery of this document nor any issue and allotment made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Filtrona since the date hereof or that the information in this document is correct as of any time subsequent to the date of this document.

THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY.

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Information regarding forward-looking statements

This document contains various forward-looking statements regarding events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of the Group to differ materially from the information presented herein. Forward-looking statements include information concerning possible and assumed future results of the Group's operations, earnings, economic conditions affecting the industries in which the Group operates and demand and other aspects of the Group's business. When used in this document the words estimate, project, intend, anticipate, believe, expect, should, and similar expressions, as they relate to the Group or its management, are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Filtrona undertakes no obligation to update publicly or revise any of the forward-looking statements, whether as a result of new information, future events or otherwise save in respect of any requirement under English statutory law or the Listing Rules. You should rely only on the information contained in this document. Filtrona has not, nor has JPMorgan Cazenove, authorised anyone to provide you with information different from that contained in this document. If anyone provides you with different or inconsistent information, you should not rely on it.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2005	
Latest time and date for receipt of forms of proxy for the Extraordinary General Meeting of Bunzl	10.00 a.m. on 31 May
Extraordinary General Meeting of Bunzl	10.00 a.m. on 2 June
Latest time and date for transfers of Bunzl Shares to be registered in order for transferee to be registered at the Demerger Record Time	9.00 p.m. on 3 June
Demerger Record Time	7.00 a.m. on 6 June
Expected effective date of Demerger, Bunzl Share Consolidation, Filtrona Share Consolidation, Admission and commencement of dealings in Filtrona Shares and Consolidated Bunzl Shares on the London Stock Exchange and crediting of Filtrona Shares and Consolidated Bunzl Shares to CREST accounts	8.00 a.m. on 6 June
Court hearing to approve the Reduction of Capital	8 June
Despatch of definitive certificates for consolidated Filtrona Shares and Consolidated Bunzl Shares (other than in respect of such shares held through CREST) and any fractional entitlement cheques	by 16 June
Payment of fractional entitlements in respect of Filtrona Shares and Consolidated Bunzl Shares held through CREST	by 16 June

Notes:

- (1) Each of the times and dates in the above timetable is based on current expectations and is subject to change.
- (2) All references in this document to times are to London times unless otherwise stated.

Demerger helpline

A shareholder helpline is available on 0870 702 0100 (or +44 870 702 0100 if you are calling from outside the UK) from 8.30 a.m. to 5.30 p.m. Monday to Friday until 1 July 2005. The shareholder helpline will only be able to provide you with information contained in this document, the accompanying Circular and form of proxy and with information relating to the Bunzl Share Register and, after Admission, the Filtrona Share Register and, for legal reasons, will be unable to give advice on the merits of the Demerger, the Bunzl Share Consolidation, the Filtrona Share Consolidation, the Reduction of Capital or the Filtrona Share Incentive Plans or to provide financial or investment advice.

Overseas shareholders

Further details of the Demerger for Bunzl Shareholders who are citizens or residents of countries other than the United Kingdom and holders of Bunzl ADRs are set out in paragraph 3 of Part 3 of this document.

Tax

For a summary discussion of certain tax implications of holding Filtrona Shares for taxpayers resident in the United Kingdom or the United States see paragraphs 15 and 16 respectively of Part 8 of this document.

Anyone who is subject to tax in any other jurisdiction or who is in doubt as to his taxation position in respect of his Filtrona Shares should consult an appropriate professional adviser immediately.

DIRECTORS, SECRETARY AND ADVISERS

Directors of the Company

J F Harris Chairman

M J Harper Chief Executive

S W Dryden Finance Director

P J Drechsler Non-executive Director

A R Auer Non-executive Director

P Heiden Non-executive Director

Company Secretary

S W Dryden

Registered and Head Office

Avebury House

201-249 Avebury Boulevard

Milton Keynes

MK9 1AU

Sponsor, Financial Adviser and Broker	JPMorgan Cazenove Limited 20 Moorgate London EC2R 6DA
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Auditors and Reporting Accountants	KPMG Audit Plc 8 Salisbury Square London EC4Y 8BB
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Legal Advisers to the Company in respect of Demerger and Admission	Slaughter and May One Bunhill Row
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London EC1Y 8YY

Legal Advisers to the Sponsor

Ashurst
Broadwalk House
5 Appold Street
London EC2A 2HA

Registrar

Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

PART 1

KEY INFORMATION

The following information is in summary form and should be read in conjunction with the full text of this document from which it is derived. Financial information in this key information section has been extracted without material adjustment from the Accountants' Reports in Parts 5 and 6 of this document. Bunzl Shareholders and holders of Bunzl ADRs should read the whole of this document, including Part 7 which discusses certain risk factors which might affect the holding of Filtrona Shares, and not just rely on the information set out below.

1. Summary description of Filtrona

1.1 General

Filtrona is a business area of Bunzl plc, a UK listed, FTSE 100 support services company with a market capitalisation as at 16 May 2005 of approximately £2.3 billion. It is an international, market leading speciality plastic and fibre products supplier. On 28 February 2005 the Bunzl Board announced its proposal to demerge Filtrona to Bunzl Shareholders.

By concentrating on niche international markets Filtrona has been able to establish and develop strong positions in chosen product categories. Filtrona is segmented into Plastic Technologies and Fibre Technologies, each contributing similar levels of profits to the Bunzl Group. Plastic Technologies produces, sources and distributes protection and finishing products, self-adhesive tear tape and certain security products as well as proprietary and customised plastic extrusions and packaging items for consumer products. Fibre Technologies focuses on the production and supply of special filters for cigarettes and bonded fibre products such as reservoirs and wicks for writing instruments and printers, household products and medical diagnostic devices. The Directors believe that many of the markets and segments within which Filtrona operates have the desirable combination of good growth potential and robust defensive qualities.

Across these niche international markets, Filtrona has a number of market leading blue chip customers including Altria (Philip Morris), Boeing, British American Tobacco, Carlsberg, General Electric, General Motors, Hewlett Packard, Nestlé, Newell Rubbermaid, Reckitt Benckiser and Unilever. Filtrona's emphasis on innovation, quality and service underpins these long standing customer relationships.

Filtrona is a well invested global business, headquartered in the UK, with 40 manufacturing facilities, 32 distribution outlets and sales offices and three research facilities spread across 22 countries in the Americas, Europe and Asia. Filtrona employs some 5,200 people and its senior management comprises an international team of nine individuals who have an average experience in the business of nearly 10 years.

In 2004, under UK GAAP, Filtrona generated annual sales of £477.5 million (2003: £452.6 million), EBITDA of £74.3 million (2003: £71.3 million) and operating profit before goodwill amortisation of £54.2 million (after an allocation of Bunzl corporate costs) (2003: £51.1 million). Plastic Technologies generated sales of £241.5 million (2003: £224.1 million) and operating profit before goodwill amortisation of £33.8 million (2003: £28.6 million) with an EBITA margin of 14%. Fibre Technologies generated sales of £236.0 million (2003: £228.5 million) and operating profit before goodwill amortisation of £27.8 million (2003: £31.1 million) with an EBITA margin of 12%. Of the total sales in 2004, approximately 43% originated from Europe, 39% from North America and 18% from the rest of the world. As at

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31 December 2004 Filtrona had net operating assets of £261.2 million and net debt of £120.0 million. This information is extracted without material adjustment from the Accountants' Report set out in Part 5 of this document. Investors should read the whole of this document and not rely solely on the summarised information set out above.

Application has been made for the Filtrona Shares to be admitted to the Official List and to the London Stock Exchange's market for listed securities. Filtrona is to be classified within the FTSE Support Services sector and is expected to be a constituent of the FTSE 250 Index.

1.2 Plastic Technologies

Plastic Technologies produces, sources and distributes protection and finishing products, self-adhesive tear tape and certain security products as well as proprietary and customised plastic extrusions and packaging items for consumer products.

Filtrona is a market leader in the substantial fragmented protection and finishing market supplying plastic caps and plugs for protecting and finishing industrial threads, pipes, flanges and tubes as well as parts to protect, restrain or insulate wires or electrical components. A broad product offering, sophisticated marketing and IT infrastructure, combined with an expanding international supply and distribution network, underpins its strengths in these low cost but critical components.

Filtrona is the global market leader in self-adhesive tear tape, which is used for the easy opening of fast moving consumer goods packaging (e.g. cigarettes and biscuits) as well as brand communication and security. The materials and printing technology, together with its international production and distribution capability, are the key sources of differentiation in a market where trends towards sophisticated value-added tapes for brand promotion, security and traceability are driving both volume and value growth.

Filtrona is also a supplier of extruded thermoplastic profiles, sheet and special tubing for a wide range of applications such as lighting, fencing, transportation, point of sale displays, refrigeration, medical supplies and traffic control. It is a market leader in the US and, through its Enitor business in the Netherlands, in Europe in its chosen product categories, where in these highly fragmented markets it benefits from economies of scale and broad distribution capability.

In addition Plastic Technologies, through Globalpack, is a market leading producer and supplier of packaging items for toiletries and cosmetics in the Brazilian market. Based in Brazil it supplies containers, closures and, through its joint venture Euro-Matic Filtrona, roll-on balls to the market leading producers of deodorant and cosmetic products.

1.3 Fibre Technologies

Fibre Technologies focuses on the production and supply of special filters for cigarettes and bonded fibre products such as reservoirs and wicks for writing instruments and printers, household products and medical diagnostic devices.

In the niche special filters market, Filtrona is the independent global market leader. The Directors expect that the increasing trend towards potentially reduced exposure products (PREPs), lower tar levels driven by legislation and higher value differentiated cigarettes will underpin strong growth in the special filters market.

Filtrona has utilised the bonded fibre capillary technology applied in the production of cigarette filters to develop enhanced manufacturing techniques for writing instrument ink reservoirs in which Filtrona is also now the global market leader. Bonded fibre technology has a wide variety of current and potential applications and Filtrona has a growing share of the medical diagnostic wick and reservoir market. It also supplies the wicks used in household fragrance products and is actively developing other commercial applications from this technology.

1.4 Strengths

(a) *Track record of profitable, cash generative growth*

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Filtrona's long term sales growth has been strong, with an average annual sales growth over the past 10 years of 11% (12% at constant exchange rates). This has been driven by strong organic growth, which over the last 10 years has averaged 5% per annum (based on separately identifiable businesses) on a constant exchange rate basis, supplemented by a series of strategic acquisitions.

Filtrona has achieved consistent double-digit EBITA margins during this 10 year period (11.4% for the year ended 31 December 2004 under UK GAAP). The Directors believe that Filtrona's commitment to customer service, technology leadership and geographic reach underpin this sustained margin and sales growth.

The business also has a strong track record of converting earnings into cash. Over the last three years Filtrona's Cash Conversion Rate has averaged 73% despite significant investment in the business, particularly in 2004.

The 10 year financial information above has been extracted without material adjustment from the underlying consolidation schedules of Bunzl. Investors should read the whole of this document and not rely solely on the summarised information set out above.

(b) *Favourable industry trends*

Growth in demand for many of Filtrona's products and services is further enhanced by certain market dynamics.

In Plastic Technologies, the tear tape market is experiencing an increasing trend towards more sophisticated value-added tapes for brand promotion, security and traceability. Filtrona is well positioned to benefit from this trend both as the global market leader for self-adhesive tear tape and with its materials and printing technology. The trend towards supplier consolidation (i.e. the move by large businesses to reduce the number of suppliers which they use) within industrial markets is expected by the Directors to continue to play to the strengths of the protection and finishing products business, which offers a wide and expanding product range. This trend is also likely to benefit Filtrona's extrusion business with its multi-site manufacturing capability. In Brazil roll-on deodorant products continue to take market share from more traditional packaging formats.

In Fibre Technologies there is an increasing trend within the cigarette industry towards utilising special filters, as major multi-nationals focus on key brands with a special filter which provide differentiation from their competition. Special filters, where Filtrona is the global market leading independent manufacturer, are estimated by Filtrona currently to represent 12% of the total cigarette filter market. Special filter volumes are expected by the Directors to grow faster than the overall cigarette market as demand for lower tar levels continues to rise and as PREPs are introduced into the market. Investment in research and development has given Filtrona market leading capillary expertise which has driven product innovation in each of its key product lines. The development of the writing instrument market in Asia is accelerating and Filtrona is well positioned to serve this market from its new facility in Ningbo (near Shanghai), China.

(c) *Strong niche international market positions*

Filtrona has strong positions within each of its niche markets, borne out by its world leading position in protection and finishing products, self-adhesive tear tape, special filters and certain bonded fibre components. The plastic profile and sheet market is significantly more fragmented but, within the US and the Netherlands where it is active, Filtrona is a leading supplier in its principal served markets. Through Globalpack, Filtrona has a strong market position in Brazil in packaging for the toiletries and cosmetics markets.

These leading positions within niche markets have enabled Filtrona to deliver high added value with excellent service from a position of being a low cost producer, thereby delivering attractive margins over a long period. The Directors believe that high levels of customer service, innovation and technology leadership, rapidly developing IT and distribution infrastructure and investment in capabilities and people are key sources of differentiation for Filtrona.

(d) *Long term blue chip customer relationships*

Filtrona has developed its business by maintaining a close relationship with a portfolio of blue chip customers who are successful market leaders within their respective markets. The high standards of service and supply demanded by such customers have helped to drive continuous improvement throughout Filtrona.

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Filtrona enjoys long standing and strong customer relationships and manages large customers via a key account management structure. This enables customers' organisations to be accessed at different levels, thereby ensuring that Filtrona better understands and responds to their needs. Filtrona's senior management has developed and maintains close relationships with corresponding senior management in Filtrona's customers' businesses.

(e) *Well invested global infrastructure*

Filtrona has a strong capital investment policy and has a well invested and efficient production, sourcing and supply infrastructure. This ensures not only the high product quality that customers demand but also the levels of service and geographic reach that provide an important differentiator compared with competitors. Filtrona has effectively leveraged individual locations by offering sister businesses the opportunity to use the existing infrastructure and management to exploit new opportunities in a fast and cost effective manner.

In Richmond (Virginia), São Paulo (Brazil), Bangalore (India) and Surabaya (Indonesia), existing Fibre Technologies locations have provided a base to accelerate the growth of the tear tape business. In Brazil Filtrona's protection and finishing products business outsources local requirements to Globalpack and in China Filtrona's protection and finishing products representative office is based at the fibre products facility in Ningbo. The experience of managing the extrusion facility in Monterrey (Mexico) has helped to facilitate a rapid and smooth start up of the new special filters facility there.

(f) *Experienced, stable management team*

Filtrona's senior management comprises an international team of nine individuals who have an average experience in the Filtrona Business of nearly 10 years. Senior management combines strong manufacturing process and product development know-how with a detailed knowledge of customers' needs and hence excellent levels of service. The senior management team is supported by motivated and enthusiastic employees, which is evidenced by the low levels of staff turnover within the businesses.

(g) *Track record of successful acquisitions*

Filtrona's management has extensive experience of integrating acquisitions. Over the last five years, Filtrona has acquired 15 businesses and has spent £60 million (£55 million in Plastic Technologies, £5 million in Fibre Technologies) on acquisitions which have extended the global footprint, broadened the product offering within its chosen markets or provided access to key customers and leveraged Filtrona's low cost product supply base. Paragraph 2 of Part 2 of this document contains further details of the Baumgartner Fibertec, Davidson Plastics and Skiffy Group acquisitions which have been the most significant acquisitions during the last five years.

Filtrona is highly selective in the acquisitions it makes, focusing on high levels of returns. The consistently high level of Return on Capital Employed that Filtrona has maintained, which has averaged 26% over the last three years (as set out in paragraph 1.6 below), is indicative of Filtrona's ability to drive value from selective acquisitions.

(h) *High levels of corporate social responsibility*

Filtrona has for many years adhered to policies with respect to business standards, health, safety and the environment.

Filtrona has a long standing commitment to achieving continual improvement in health and safety performance. ITC Filtrona in India became the first Bunzl company to gain OHSAS18001:1999 International Standard for Occupational Health and Safety Management Systems. PT Filtrona, the filters business in Indonesia, and Globalpack in Brazil, have attained SA8000 certification. SA8000 is a social accountability standard.

In the environmental aspects of its operations, all significant sites have attained ISO14001 environmental management accreditation except the recently acquired Skiffy Amsterdam, whose accreditation is currently being progressed. The high quality of the manufacturing locations is key to obtaining this accreditation and the significant manufacturing sites have also attained ISO9001 quality system accreditation.

(i) *Well positioned for future growth*

The Directors believe that Filtrona is well positioned for future growth. Key drivers of growth are expected to be:

- (i) continued development of product lines in protection and finishing products and in plastic profile and sheet manufacturing;
- (ii) continued growth of brand promotion, security and track and trace opportunities;
- (iii) commercialisation of bonded fibre developments;
- (iv) new packaging formats at Globalpack driven by product innovation;
- (v) the development of more sophisticated filter products for PREPs leading to further special filter manufacturing outsourcing decisions by tobacco manufacturers;
- (vi) continued growth of high value-added bonded non-woven fibre products;
- (vii) the recently built manufacturing facilities in lower cost locations coming fully on stream; and

- (viii) the emergence of Asia as a demand generator and source.

1.5 Strategy

Filtrona has pursued a consistent strategy of focusing its resources on niche international markets where it has, or can develop, a significant competitive advantage and which have good growth potential. The operations are strongly cash generative and have allowed complementary acquisitions to be funded out of internally generated cash.

Following the Demerger the Filtrona management team will continue this strategy independently, focusing on building Filtrona's core activities and achieving sustainable profitable growth through organic investment and acquisitions, while maintaining its market leading positions and strong customer relationships.

The Filtrona business strategy is to continue to pursue the following:

- (i) enhancement of competitive position in each line of business;
- (ii) expansion and adaptation of the global footprint;
- (iii) reduction of production costs;
- (iv) improvement of service and supply chain efficiency; and
- (v) enhancement of the business through selective acquisitions.

1.6 Financial information

The table below, the contents of which have been extracted without material adjustment from the Accountants' Reports in Parts 5 and 6 of this document, summarises the trading record of Filtrona for the three years ended 31 December 2004. Investors should read the whole of this document and not rely solely on the summarised information set out below.

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	Year ended 31 December			
	IFRS 2004 £m	UK GAAP 2004 £m	UK GAAP 2003 £m	UK GAAP 2002 £m
Sales	477.5	477.5	452.6	442.4
Operating profit (<i>Note 1</i>)	49.6	54.2	51.1	48.0
Profit on ordinary activities before taxation	47.3	49.4	45.7	41.2
Trading cash flow (<i>Note 2</i>)	30.7	30.7	44.4	36.4
Cash Conversion Rate	62%	57%	87%	76%
Capital Employed	209.4	209.4	193.6	197.0
Return on Capital Employed	23.7%	25.9%	26.4%	24.4%

Notes:

- (1) Operating profit is stated before charging interest, taxation and goodwill/intangible amortisation.
 - (2) Trading cash flow is net cash inflow from operating activities less net cash outflow for capital expenditure.
- (a) *Financial commentary*

Sales grew in 2004 and 2003 under UK GAAP by 5.5% and 2.3% respectively. At constant exchange rates sales growth for 2004 and 2003 was 12.2% and 5.6% respectively.

Under UK GAAP operating profit before goodwill amortisation grew by 6.1% and 6.5% in 2004 and 2003 respectively. At constant exchange rates, growth for 2004 and 2003 was 14.6% and 11.3% respectively.

Accounting under IFRS reduced 2004 reported profit on ordinary activities before taxation by a combination of recurring and non-recurring adjustments which total £2.1 million. Recurring adjustments were the expensing of share options and the non-amortisation of goodwill and the amortisation of other intangible assets. Expensed share option costs were £1.1 million in 2004 and the amortisation charge reduced from £3.0 million under UK GAAP to £0.5 million under IFRS.

Non-recurring IFRS charges in 2004 were:

(i) the reduction in the carrying value of a manufacturing facility in Germany. Under UK GAAP, the £1.3 million charge was permitted to be offset against this facility's revaluation reserve (under IFRS it is charged to the income statement); and

(ii) £2.2 million of fair value adjustments which were recognised in goodwill under UK GAAP have been charged to the income statement under IFRS.

2. Board and management

The Board consists of the Chairman, Chief Executive, Finance Director and three non-executive Directors as follows:

Jeff Harris (aged 57) - Chairman

Mr Harris was appointed Chairman of Filtrona on 12 May 2005. He was Chairman of Alliance UniChem plc from 2001 to 2005, having previously been Finance Director of UniChem plc since 1986, Chief Executive since 1992 and Chief Executive of the enlarged Alliance UniChem plc since 1997. He is also a non-executive director of Associated British Foods plc, Anzag AG and Bunzl.

Mark Harper (aged 49) - Chief Executive

Mr Harper joined Filtrona in 1986 and held a number of general management positions, including Managing Director of Moss Plastic Parts in Europe and President of Alliance Plastics in the US, before being appointed Managing Director of Filtrona in 1996. He was appointed to the Bunzl Board in 2004. On the Demerger becoming effective he will cease to be a director of Bunzl.

Steve Dryden (aged 37) - Finance Director

Mr Dryden was appointed Finance Director of Filtrona in 2002 and prior to that was Finance Director of a group of the Plastic Technologies businesses between 1999 and 2002 and Moss Plastic Parts between 1996 and 1998. Prior to joining Filtrona he worked in various finance positions in Rolls-Royce plc.

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Paul Drechsler (aged 49) - non-executive Director

Mr Drechsler was appointed as a non-executive Director of Filtrona on 12 May 2005 and is the senior independent non-executive Director. He is Chief Executive of Wates Group, having been appointed in 2004. Prior to this he spent 25 years at Imperial Chemical Industries plc where his experience included positions in Brazil, the Netherlands and the US and Chairmanship of the ICI pension fund. He was appointed to the ICI board as an executive director in 1999.

Adrian Auer (aged 56) - non-executive Director

Mr Auer was appointed as a non-executive Director of Filtrona on 12 May 2005. He was Group Finance Director of RMC plc from 2002 to 2005 and at Taylor Woodrow plc from 2000 to 2002. He was previously Finance Director of Admiral plc and SWALEC (South Wales Electricity). He is currently a non-executive director of Bespak plc and Foseco plc and is the non-executive Chairman of Readymix plc.

Paul Heiden (aged 48) - non-executive Director

Mr Heiden was appointed a non-executive Director of Filtrona on 12 May 2005. He has been the Chief Executive of FKI plc since 2003. Previously with Hanson plc, he moved to Rolls-Royce plc in 1992, becoming the director responsible for its Industrial Businesses in 1997, and Finance Director in 1999. He will resign from the Bunzl Board on the Demerger becoming effective, having been a non-executive director since 1998.

3. Current trading and prospects

In 2004 Filtrona again showed its strength as a global supplier of speciality products with excellent increases in sales and operating profit at constant exchange rates. The increases in the second half of 2004 were greater than those in the first and Filtrona has continued to trade strongly in 2005.

The Directors expect Plastic Technologies to continue to grow as investments in marketing programmes, distribution infrastructure and new plant and equipment enhance Filtrona's competitive position and capability.

In Fibre Technologies the Directors expect growth to continue as new facilities in Mexico and China come fully on stream and sustained investment in research and development delivers new products and applications.

Filtrona's position as a leading supplier in the niche markets it serves and continued investment in lowering unit cost, improving service and supply chain efficiency, and in developing new products give the Directors confidence that Filtrona will sustain its positive development. As a result the Directors are confident in the financial and trading prospects of Filtrona for the current financial year.

4. Dividends

The Directors consider that had the Demerger been effective throughout the year ended 31 December 2004, in the absence of unforeseen circumstances and taking into account the terms of the Demerger and the Filtrona Share Consolidation, the Directors would have recommended total dividends for the year ended 31 December 2004 of 5.9 pence per consolidated Filtrona Share.

Following the Demerger Filtrona will pursue a progressive dividend policy that will seek to provide growth in dividends per share while maintaining appropriate levels of dividend cover. It is expected that Filtrona will declare its first interim dividend at the time of its interim results, which will be announced on 30 August 2005, taking account of the performance of the Filtrona Business during the first half of 2005.

5. Risk factors

See "Risk factors" in Part 7 of this document for a discussion of the risks that might affect your holding of Filtrona Shares.

PART 2

INFORMATION ON FILTRONA

1. Overview

Filtrona is a business area of Bunzl plc, a UK listed, FTSE 100 Support Services company with a market capitalisation of approximately £2.3 billion. It is an international, market leading speciality plastic and fibre products supplier which is segmented into Plastic Technologies and Fibre Technologies, each contributing similar levels of profits to Bunzl. Plastic Technologies produces, sources and distributes protection and finishing products, self-adhesive tear tape and certain security products as well as proprietary and customised plastic extrusions and packaging items for consumer products. Fibre Technologies focuses on the production and supply of special filters for cigarettes and bonded fibre products such as reservoirs and wicks for writing instruments and printers, household products and medical diagnostic devices. The Directors believe that many of the markets and segments within which Filtrona operates have the desirable combination of good growth potential and robust defensive qualities.

Across these niche international markets, Filtrona has a number of market leading blue chip customers including Altria (Philip Morris), Boeing, British American Tobacco, Carlsberg, General Electric, General Motors, Hewlett Packard, Nestlé, Newell Rubbermaid, Reckitt Benckiser and Unilever. Filtrona's emphasis on value addition through innovation, quality and service underpins these long standing customer relationships.

Filtrona is a well invested global business, headquartered in the UK, with 40 manufacturing facilities, 32 distribution outlets and sales offices and three research facilities, spread across 22 countries in the Americas, Europe and Asia. Filtrona employs some 5,200 people and its international senior management team comprises nine individuals who have an average experience in the business of nearly 10 years.

In 2004 under UK GAAP, Filtrona generated annual sales of £477.5 million (2003: £452.6 million), EBITDA of £74.3 million (2003: £71.3 million) and operating profit before goodwill amortisation of £54.2 million (after an allocation of Bunzl corporate costs) (2003: £51.1 million). Plastic Technologies generated sales of £241.5 million (2003: £224.1 million) and operating profit before goodwill amortisation of £33.8 million (2003: £28.6 million) with an EBITA margin of 14%. Fibre Technologies generated sales of £236.0 million (2003: £228.5 million) and operating profit before goodwill amortisation of £27.8 million (2003: £31.1 million) with an EBITA margin of 12%. Of the total sales in 2004, approximately 43% originated from Europe, 39% from North America and 18% from the rest of the world. As at 31 December 2004, Filtrona had net operating assets of £261.2 million and net debt of £120.0 million. This information is extracted without material adjustment from the Accountants' Report set out in Part 5 of this document.

Investors should read the whole of this document and should not rely solely on the summarised information above.

2. History

Filtrona's strong competitive position has been developed over the last 10 years through significant investment in new global production and service capabilities. Significant new facilities have been established in China (Plastic and Fibre Technologies), India (Plastic Technologies), Mexico (Plastic and Fibre Technologies), the US (Plastic and Fibre Technologies) and Venezuela (Fibre Technologies) ensuring that Filtrona is

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better able to supply its multi-national customers and target growth from developing economies. Joint ventures have also provided the filters business with access to the growing markets of the Middle East and central Asia and, more recently, joint ventures have been established in Plastic Technologies relating to the supply of roll-on deodorant balls in Brazil and patented track and trace technology in coated and security products. A number of complementary niche businesses have also been acquired enhancing Filtrona's product offering and geographical reach, including:

- (i) the entry in 1996 into the self-adhesive tear tape market through the acquisition of Payne for debt free consideration of £43.2 million;

- (ii) the addition of significant extra filter and bonded fibre technology and capacity in the US by the acquisition of American Filtrona Corporation in 1997 for £83.1 million (net of cash). This acquisition also added a significant extrusion business in the US to Filtrona's existing Plastic Technologies business and united the Filtrona brand name, which had not previously been available for use by Bunzl in the US;

- (iii) the acquisition in 1998 of Enitor, a leading Dutch extruder with annual sales prior to acquisition of 16 million;
- (iv) the purchase in 2000 of Davidson Plastics, a profile extrusion operation located in the US which had annual sales prior to acquisition of US\$22 million, and Pexco, a specialist medical tubing extruder, which had annual sales prior to acquisition of US\$7 million;
- (v) the acquisition in 2003 of Baumgartner Fibertec, a Swiss based business engaged in the development, manufacture and supply of cigarette filters and capillary reservoirs which, prior to acquisition, had annual sales of CHF40 million; and
- (vi) the purchase in 2004 for £19.2 million (debt free) of the Skiffy Group, based in the Netherlands, which provided expertise in the manufacture and supply of small nylon parts for protection and finishing applications and a significant additional number of potential new customers for the existing Plastic Technologies product range.

3. Products and end markets

3.1 Protection and finishing

(a) Products

Filtrona's protection and finishing products business is an international sourcing and supply group, sourcing a wide range of products and tooling, particularly from Asia, to supplement its own production of injection moulded and dip moulded vinyl products for general protection, electrical, fastening and finishing applications. It operates in Europe through its Moss Plastic Parts and Skiffy brand names, and in the US through Alliance Plastics and Moulding Specialists.

These predominantly plastic components are low value but are critical to customers delivering their final product. Filtrona's position as a leading supplier in this fragmented substantial market is based on excellent service and a broad product offering.

Production facilities are located in the UK, the Netherlands, Mexico, the US and Brazil, with some 300 injection moulding machines. Filtrona has a broad industrial customer base, with over 59,000 customers in Europe and the Americas, including a large number of blue chip customers such as Carlsberg, General Motors and Parker Hannifin. No one customer represents more than 3% of turnover.

(b) *Markets*

Protection and finishing products include plugs and caps for holes, threads, corners, pipes and flanges which are used to protect customers products during transit, processing and finishing. The market for such products is fragmented, with end users including the automotive, general engineering, white goods, pneumatics, hydraulics and oil and gas industries.

The products within the electrical range protect, space, restrain, insulate and position wires for a number of end markets, including capital goods, automotive, white goods and lighting. Fasteners include nylon rivets, latches, clips, washers, spacers and bushes and are also used in similar end markets.

Finishing components are used for adding functionality and completing tubular and extruded products. Typical applications include office or school furniture, hospital equipment, commercial catering equipment, machinery and cabinets.

The market for protection and finishing products is highly fragmented with many smaller competitors based in North America and Europe. The Directors believe that none of these competitors can offer either the range or international supply capability of Filtrona.

(c) *Sources of differentiation*

The breadth of the customer base is a key strength of the business. The Directors believe few competitors have the scale and supply chain competence to service economically so many customers with such an extensive range and that Filtrona's distribution network, advanced IT systems and logistics capability provide real differentiation in the protection and finishing market.

The Directors believe that, given the critical nature of these low cost components, the breadth of product offering and quality of service are also key differentiators. Filtrona's wide product range and quality of service are supported by an extensive library of approximately 20,000 moulds, catalogues in nine languages,

35,000 SKUs and a global logistics and manufacturing capability. Filtrona also uses sophisticated business to business marketing techniques to drive high rates of new customer acquisition.

(d) Growth drivers

Management is pursuing growth through continued investment in supply chain logistics and IT, as well as extending geographic coverage and the range of products offered. Filtrona's sourcing capability is growing rapidly for both finished products and tooling and a new representative office has just been established in China, located at the Filtrona Fibertec Ningbo facility.

Furthermore, given the fragmentation of the market, the Directors believe there is ample scope for further selective value enhancing acquisitions.

3.2 Coated and security

(a) Products

Filtrona, under the brands Payne, Morane and Laminex, provides self-adhesive tear tape, coated film products and identity systems, cards and accessories. It has locations in the UK, US, Brazil, Germany, France, Spain, India, Indonesia and Singapore. Filtrona is in the process of consolidating the brands under the name of Payne. Filtrona also has a joint venture which owns patented technology for individual item level track and trace, otherwise known as 'pack DNA'.

Filtrona has pioneered the tear tape industry move away from wax tear tape to self-adhesive tape, which offers more efficient processing to its customers. Filtrona is now the global market leader in self-adhesive tear tape for easy opening, brand communication and security applications. Filtrona supplied over 29 million kilometres of tear tape in 2004 and has strong relationships with blue chip customers including Altria (Philip Morris), British American Tobacco, Kraft, Nestlé and United Biscuits.

Through its brand Morane (to be rebranded as Payne Coated Film Products), Filtrona supplies coated film products for encapsulation, lamination, industrial and document security applications. Over the last 30 years, Filtrona has been supplying the film to create unique national identity cards, national voting cards and printed security passports for governments and agencies worldwide.

Under the Laminex brand (to be rebranded Payne Security), Filtrona supplies identity systems, cards and accessories for security, health and safety and promotional use.

The Directors believe that FractureCode (its joint venture based in Denmark), which is currently undergoing a major trial with a leading blue chip consumer products company, is expected to become a high growth business. FractureCode has the potential to add value where customers

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require identification of items to an individual item level for track and trace and security applications.

(b) *Markets*

Tear tape is a product which allows consumers to open product packaging easily. It also provides a promotional medium for marketing to consumers and can carry various anti-counterfeit features.

The tear tape market is split between wax tear tape and self-adhesive tear tape. Wax tear tape requires the tape to be passed through a molten wax bath before being applied to the packaging medium. Self-adhesive tear tape requires no wax to adhere to the packaging, is faster to apply and results in lower machine downtime compared with the wax alternative.

The higher volume tear tape customers are to be found in the tobacco industry, which has recognised the easy opening ability of tear tape. Certain customers have taken advantage of the use of tear tape as a brand promotion tool and as a medium to carry anti-counterfeit security measures effectively.

Further market growth is dependent upon Filtrona persuading fast moving consumer goods customers (who specify the type of packaging for their product) of the benefits that tear tape can bring to their products.

A variety of other products form the balance of the coated and security product portfolio. Items range from plastic sheet for laminating documents and simple PVC cards to higher value-added security documents and card identification systems.

The Directors expect the market for individual item identification to grow rapidly, as is evidenced by the growth in RFID (radio frequency identification) chip applications. FractureCode is an individual item

system which does not involve the high cost of an electronic chip and can be printed onto standard product packaging, including tear tape, labels and cartons.

In the tear tape market Filtrona's competitors are principally suppliers to the tobacco industry.

Competition in coated film products comes from a variety of European and US based manufacturers, with low priced competition from Korea and China.

(c) *Sources of differentiation*

Within the tear tape market, Filtrona seeks to differentiate itself from the competition through technology, innovation and its global supply infrastructure. Since pioneering self-adhesive tear tape, Filtrona has sought to maintain its technological advantage over the competition, both in terms of materials and processes. Recent innovations include the development of printing technology that significantly improves brand security and customer communication. The Directors believe that the FractureCode track and trace technology is unique and can also be integrated into tear tape and other packaging media to provide further added value to customers.

Filtrona's global infrastructure provides a low cost, flexible source of supply as well as penetration into higher growth emerging markets.

As a leading UK supplier of coated films for document encapsulation, the Morane business is highly regarded for its high quality, comprehensive range and excellent service level. Laminex is well regarded for its robust software and its highly efficient identity card bureau service.

(d) *Growth drivers*

The Directors expect the self-adhesive tear tape market to grow over the next few years, driven by enhanced usage for easy opening in consumer goods applications outside the tobacco industry, particularly in the US, and for enhanced brand protection and security within the tobacco industry. Filtrona is well positioned to benefit from this trend, not only as the market leader with an international presence, but also through its combination of proprietary materials and printing technology. Developments in digital print technology will also open up opportunities for the printing of unique sequential numbers or codes onto tear tape which can be used for consumer promotions.

The increasing focus on document security (e.g. drivers' licences, visas and passports) will enable the coated film products business to continue to develop value-added applications and the Directors expect the identity card market to continue its growth path.

The Directors believe that FractureCode is a new product and that the market has potential for strong growth.

3.3 Plastic profile and sheet

(a) Products

Filtrona is a leading supplier in the US and the Netherlands of extruded thermoplastic profiles, sheet and speciality tubes in its chosen product categories. The products are proprietary and custom made to exacting customer standards and are used for a wide range of applications such as lighting, fencing, transportation, point of sale displays, refrigeration, medical supplies, aerospace, and traffic control.

(b) Markets

Lighting products include thermoplastic lens wraps and sheet for fluorescent tube lighting for commercial, industrial and public sector applications. Filtrona is a leading supplier of these items in the US and Mexico.

Transportation products are made for aerospace and automotive customers. For example Filtrona's extruded profiles can be found inside the passenger cabins on many of Boeing's commercial aeroplanes. Filtrona also supplies extrusions which help in the positioning of passenger safety restraint systems. This market is growing as car manufacturers are increasingly offering multiple airbags as standard on their vehicles.

Filtrona is the leading US supplier of inserts for chain link fencing. This market has displayed growth assisted by the added emphasis on securing premises under the homeland security programme. Filtrona's national supply capability is critical to success in this market.

In the medical sector, Filtrona is an extruder of high quality medical tubes used in surgical procedures. Filtrona's customers are increasingly requiring extra value-added features to be supplied along with the standard extruded medical tubing. This includes secondary coiling, banding, solvent bonding and packaging, which Filtrona is well placed to supply, both technically and geographically.

Filtrona supplies the point of sale products that are used in store to hold the pricing information in place on the shelf and also delivers the high response levels expected by retailers to support their promotional campaigns. In the point of sale sector, major retailers are re-branding and updating their images and stores with the trend moving towards the opening of more super-centre type locations. Filtrona conducted a survey in September 2003 which estimated the size of this market for all plastic purchases at US\$5.0 billion in the US. In both the US and the Netherlands, Filtrona has a particularly strong position in the scanning profile market where the expertise in multiple polymer extrusion is critical to success.

Filtrona's chosen markets are fragmented. The profile market, which represents over 90% of sales, is highly fragmented and is made up of much smaller local suppliers.

(c) *Sources of differentiation*

Filtrona benefits from economies of scale compared with its smaller, more local competitors, both in terms of its cost base and in terms of service, exemplified by its multi-point supply. In addition, investment in sophisticated IT systems enables it to manage its business and its customer relationships efficiently.

Filtrona has built up relationships with key blue chip customers in this market, including Boeing, General Electric, Hussman and Wal-Mart.

(d) *Growth drivers*

Management are driving growth through focusing on development of proprietary niche products and technologies in growing segments such as transportation, medical supplies and point of sale displays.

3.4 Consumer packaging

(a) *Products*

In its consumer packaging business, Globalpack, Filtrona has a market leading position in the Brazilian market as a producer of packaging for toiletries and cosmetic items. Based in São Paulo, Globalpack supplies containers, tubes, closures and, through its joint venture Euro-Matic Filtrona, roll-on balls to the market leading producers of deodorant and cosmetic products.

(b) *Markets*

Globalpack serves blue chip customers such as Avon, Johnson & Johnson, Natura and Unilever and has a unique position derived from the high level of innovative solutions provided to its customers. Globalpack supplies packaging using a range of processes including injection moulding, blow moulding, extrusion and printing and, as such, offers a full service range to its principal customers.

Globalpack, through Euro-Matic Filtrona, is the market leading supplier of roll-on deodorant balls in Brazil. This joint venture, combined with Globalpack's capability in producing bottles, housings and caps, has positioned it as the leading supplier of roll-on deodorant packaging in the Brazilian market.

The principal competitors to Globalpack are privately owned Brazilian companies and divisions of larger packaging groups.

(c) *Sources of differentiation*

Globalpack is the only Brazilian supplier with the capability to produce a full roll-on deodorant packaging set (i.e. container, ball, housing and cap). It has a full print capability for the decoration of tubes and containers and is known for innovation and quality.

(d) *Growth drivers*

The Brazilian cosmetics and toiletries market continues to expand with consumers' disposable incomes. Globalpack will continue to drive growth through the innovative new packaging formats it is able to offer the blue chip cosmetics and toiletries suppliers, both in Brazil and in the surrounding region.

3.5 Cigarette filters

(a) Products

Filtrona produces a wide range of filters from monoacetate to multi-segment special filters with novel mouthpieces and sophisticated adsorbent materials. Filtrona's special filters provide its customers with an opportunity to differentiate their products in the market relative to its competitors.

Fibre Technologies, with over 50 years of experience in the industry, is the largest independent producer of special filters for the cigarette market. It supplies cigarette filters to, among others, the top four global cigarette manufacturers, Altria (Philip Morris), British American Tobacco, Imperial Tobacco and Japan Tobacco International, which together represent some 44% of the cigarette market.

Filtrona has a relatively low share of the monoacetate market, as the larger tobacco companies tend to self-manufacture. Filtrona supplies cigarette filters into this market where multi-national customers require additional capacity or flexible production runs and to smaller independent cigarette manufacturers who do not wish to add complexity to their business. However, the Directors believe the key area of differential advantage in its business is the supply of special filters.

Cigarette filter specifications are individual to brands, blends and manufacturers and are created to fulfil identified market niches. Filtrona's strategically positioned, well invested manufacturing facilities in 14 locations around the world ensure that filters are delivered in a timely and cost effective way to fulfil customer needs.

(b) Markets

The market for cigarette filters includes monoacetate filters and special filters.

Monoacetate filters are manufactured from paper wrapped cellulose acetate tow. Cellulose acetate tow is a white, virtually tasteless filling material which is bonded with a plasticiser.

In special filters, additives like carbon or menthol are combined with a monoacetate filter to change the taste of the cigarette smoke and the performance of the filters. Multiple filter sections can be combined together, with additives, to form a multi-segment filter, or the monoacetate filter can itself be modified to alter performance of the filter.

Filtrona estimates that standard monoacetate filters account for approximately 88% of the cigarette filters market, with special filters accounting for the remaining 12%. The special filters share has grown from 11.7% of filtered cigarettes in 2003 to 12.2% in 2004.

The principal competition for Filtrona is from cigarette companies choosing to manufacture their filters in-house. The Directors believe that Filtrona's expertise, technology, innovation, low cost production footprint and high quality customer service offers an advantage over self-manufacture of special filters and this has been recognised by the major tobacco manufacturers who source from Filtrona. While occasionally some volume is taken back in-house by its customers, historically Filtrona has been able to offset these movements through new outsourced business from within its current customer base.

(c) *Sources of differentiation*

A global footprint is an important source of differentiation within the special filters market. Filtrona has operations in 14 locations spread across the world, with two in the US, one in Mexico, three in South America, four in Europe and four in the Middle East and Asia. This provides a low cost, flexible source of supply as well as important penetration into the higher growth emerging markets.

Technology, innovation and manufacturing flexibility are also important differentiators in the cigarette filters market. Filtrona's commitment to research and innovation is underlined by the operation of the Technology Centre in the UK. The Technology Centre was designed to bring together laboratory services, product development, materials testing and process engineering in one facility. Together these disciplines help Filtrona to research and source the best available materials and develop filter production techniques for use in its plants throughout the world.

(d) *Growth drivers*

Filtrona's multi-national tobacco customers require Filtrona to supply special filters to support their brands in their chosen end use markets, but particularly in Russia, Japan, South Korea and Venezuela,

where special filters have either a leading or rapidly growing market share. Filtrona provides a flexible service that can support the strong growth profile that a successful brand requires.

Filtrona customers also recognise the expertise that Filtrona has in the supply of special filters and are increasingly looking to outsource production in return for a simplification of their business and a reduction in their total costs.

Cigarettes with multi-segment filters are expected to account for a growing share of the future cigarette market. Filtrona is ideally placed to offer such filters to its global customer base and the Directors believe that this represents a significant future opportunity.

3.6 Bonded fibres

(a) Products

Filtrona, under the Fibertec brand, supplies bonded fibre structures for use as functional components in consumer and industrial products including those shown in the table below. The facilities for the bonded fibre products are located in Richmond, Virginia (US), Reinbek (Germany) and Ningbo (China), although the markets for these products are global.

The Directors believe that Filtrona is the market leader in its primary market of bonded fibre ink reservoirs for high quality roller ball and fine liner pens, markers and highlighters. From this base Filtrona has expanded into wicking, filtration and absorptive components for medical devices, absorptive media and ink transfer wicks for inkjet printers, ink cartridges and other imprinting machines. It is also growing strongly in household product applications for bonded fibres, such as air fresheners and insect repellents.

The table below shows some of the applications for Filtrona's core competence of capillary transfer science, as well as the key products for which Filtrona supplies components.

Product categories	Applications
Writing instruments	Roller ball pens Fine liner pens Markers Highlighters
Printing systems	Ink transfer wicks for inkjet printers Cartridges for inkjet printers Other imprinting machines
Medical devices	Diagnostics – detection of disease and conditions Life Sciences – bench top research in DNA/RNA Biotechnology – downstream processing Medical – directly treating or managing conditions

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Household products	Air fresheners (bathroom, aromatherapy, cars) Insecticide/repellent dispensing (electrically heated)
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(b) *Technology*

Capillary transfer science is the basis for many of the performance features and product functions of Filtrona's bonded fibre products. Capillary action is the means by which fluid moves through porous channels within a medium due to surface tension.

Knowledge of the properties of the relevant fluid as well as the media substrate enables Filtrona to model capillary behaviour and to design bespoke transfer systems for a wide array of applications.

Filtrona has invested heavily in process equipment to lower the unit cost of production and is planning to relocate some of this equipment to China to exploit the regional market.

Bonded fibre products are highly adaptable to meet fluid transfer and storage requirements. Selection of a given fibre composition and structure can be made to optimise function and fit.

Bonded fibre products can provide one way or two way fluid transfer. A reservoir for printer cartridges, for example, must be able to be quickly filled, safely contain ink without leakage and release on demand over the product life cycle.

Bonded fibre products may also serve as wicks, transferring fluids from one substrate to another using capillary action.

(c) Markets

In Western Europe and North America, the market for ink reservoirs is relatively mature. However in the new developing economies in Asia and the Far East, ink reservoirs represent a growth market in which Filtrona has a strong position.

Filtrona's assessment of the competition in the medical and household products markets is that it stems from alternative solutions rather than alternative fibre component suppliers.

(d) Sources of differentiation

The Directors believe that long term investment in capillary fibre research has yielded industry leading technology and Filtrona is recognised as a leading innovator in the continuous bonding of fibres. Since its foundation in 1954, the business has patented more than 60 products in the US alone. This emphasis on focused innovation is a key differentiator in this market. Filtrona has a truly international supply position with customers on every continent supplied from Filtrona Fibertec's existing European and US facilities and its new Chinese operation. The Directors believe that no other competitor can match Filtrona Fibertec's global reach and service level.

(e) Growth drivers

Growth is driven both through a combination of product innovation and expanding the use of existing technologies to provide new applications such as wicks and reservoirs for in vitro medical devices where Filtrona is now a leading provider. The new product development pipeline contains a number of significant products and applications in ink reservoirs, medical diagnostics, medicine dispensing and diesel filtration.

The new Filtrona Fibertec facility in Ningbo, China offers a dual benefit of being a low cost source of production as well as providing access to a growing local market.

4. Joint ventures

4.1 Plastic Technologies

In 2000 Globalpack, Filtrona's consumer packaging business in Brazil, established a joint venture with Euro-Matic, a leading international manufacturer of plastic balls for a variety of applications, in order to manufacture and supply roll-on deodorant balls. Combined with Globalpack's ability to produce bottles, housings and caps, Euro-Matic Filtrona has helped position Globalpack as the leading supplier of roll-on deodorant packaging in the Brazilian market.

In 2002 Filtrona established a Danish based joint venture, FractureCode Corporation with ITO Technologies, in order to develop a new technology in conjunction with Filtrona's existing self-adhesive tear tape business Payne. FractureCode is a patented process which can apply a unique identifying mark to tear tape or other packaging media with a randomly printed code, which enables customers to mark their products individually in such a way that they can be tracked throughout the distribution chain. It can also be used as a brand authentication device as it is very difficult to replicate. Initial trials of FractureCode, which has not yet been used in commercial production, have been encouraging.

4.2 Fibre Technologies

Most of Filtrona's cigarette filters businesses are wholly-owned. However the filter businesses in Thailand, India and Jordan are operated through joint venture companies Filthai Company Limited, ITC Filtrona Limited and Filtrona Jordan respectively. Based in Bangkok, Filthai was established in the 1970s and manufactures and supplies monoacetate and special filters principally to the Thai market. ITC Filtrona was formed in 1993 in Bangalore to supply monoacetate filters to the local Indian market. Filtrona Jordan was set up in 1995 and is based near Amman, from where it manufactures and supplies monoacetate filters for both the local domestic market and exports. Together these companies accounted for less than 10% of Filtrona's total cigarette filter sales in 2004.

5. Summary financial information

5.1 Trading information

The table below summarises the trading record of Filtrona for the three years ended 31 December 2004. The contents of the table and financial information set out in this section have been extracted without material adjustment from the Accountants' Reports in Parts 5 and 6 of this document. Investors should read the whole of this document and not just rely solely on the summarised information set out below.

	Year ended 31 December			
	IFRS 2004 £m	UK GAAP 2004 £m	UK GAAP 2003 £m	UK GAAP 2002 £m
<i>By business segment</i>				
Sales:				
Plastic Technologies	241.5	241.5	224.1	224.1
Fibre Technologies	236.0	236.0	228.5	218.3
Total	477.5	477.5	452.6	442.4
Operating profit*:				
Plastic Technologies	33.2	33.8	28.6	28.2
Fibre Technologies	23.9	27.8	31.1	29.2
Corporate activities	(7.5)	(7.4)	(8.6)	(9.4)
Total	49.6	54.2	51.1	48.0

By geographical origin**