

Annual Review 2005

Holcim (New Zealand) Ltd



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FRONT COVER:

Holcim Account Manager Peter Murphy and EnviroSchools Facilitator Robyn Irving with Year Seven student JJ Cootes and Year Eight student Dakota Moeke from Ngaruawahia Primary School.

Holcim's Horotiu concrete plant has donated concrete tiles to help with the upgrade of the school's poolside area. As part of the EnviroSchools programme, the students have designed the tiles in colourful mosaics, featuring pictures of flowers, animals and the school motto.

To thank Holcim for its involvement in the project, students have created a Holcim mosaic that will be donated back to Horotiu concrete plant.

The final part of the project will see Holcim help with the laying of the concrete tiles, and Ngaruawahia students visiting the Horotiu plant in 2006 to carry out some landscaping work.

About Holcim

Holcim (New Zealand) Ltd is a leading supplier of cement, aggregates, ready mixed concrete and lime. The Company's involvement in the New Zealand building industry dates back to its Otago origins in 1881.

Today, Holcim employs more than 530* people at 35 sites and has a strong focus on sustainable development.

Cement

At its Westport Works, Holcim produces up to 500,000 tonnes a year of high quality Portland cement and ships it to ports around the country. About 90% of this cement is delivered to customers in bulk (mainly for ready-mixed concrete production), with the remainder sold as bagged cement. Local production is supplemented by imported cement to meet market demands.

Aggregates

Holcim operates large quarries in the greater Auckland area and Hawkes Bay, supplying approximately a million tonnes of premium aggregates annually, primarily to the concrete and roading markets. Further supplies of aggregates are produced by Millbrook Quarries (50% owned) and Atlas Resources (25% owned).

Concrete

A network of 34 ready-mixed concrete plants owned by subsidiary companies Holcim Concrete (100% owned) and AML (50% owned) supply a large share of New Zealand's ready mixed concrete market. Holcim Concrete operates ready mixed concrete batching plants in the upper North Island.

Lime

Holcim has two lime operations – McDonald's Lime (72% Holcim owned), in the Waikato, and Taylor's Lime (100% owned), in Otago. Both produce large quantities of burnt and hydrated lime, agricultural lime and a range of ground calcium carbonates.

Health and Safety

A major focus at Holcim is the health and safety of all employees, contractors and site visitors. To this end the Company introduced in 2004 Towards Zero Harm, a behaviour-changing safety initiative led by the Managing Director and with the full support of the Board and parent company Holcim Ltd. This initiative has remained to the fore during 2005 and will continue to be a key focus until the goal of zero harm is achieved and maintained.

Employees and Community

The Company's commitment to sustainable development recognises the importance of being a good employer and the need to be supportive of, and have good relationships in the communities in which Holcim operates. To encourage employee initiative and involvement, Holcim aims to provide positive, empowering, healthy and safe worksites, while encouraging young people to consider a career in the industry.

Environmental Sustainability

Over the past five years, Holcim has made a significant effort towards achieving the highest possible level of environmental performance by, for example, using used oil fuel to help

fire its cement kilns, gaining ISO14001 certification by initiating protocols that will meet the international environmental standard, minimising noise and emissions, reducing waste, and conserving energy. During the past three years, Holcim has spent over \$1 million on environmental initiatives at Westport Works alone.

For further information about Holcim New Zealand please visit the website www.holcim.com/nz

Holcim Ltd

Holcim (New Zealand) Ltd is owned by Holcim Ltd, based in Switzerland.

Holcim Ltd is one of the world's leading suppliers of cement, aggregates, concrete and construction-related services. The Holcim group of companies employs some 61,000 people in over 70 countries.

For further information, please visit the website: www.holcim.com

Holcim Ltd has a worldwide commitment to sustainable development in the use of natural resources.

In 2003, Holcim Ltd established the Holcim Foundation for Sustainable Construction (www.holcimfoundation.org) to encourage sustainable responses to technological, environmental, socio-economic and cultural issues affecting building and construction. The Foundation promotes innovative approaches to sustainable construction, mainly through Awards competitions and an international Forum.

**Note: Staff numbers exclude the following partly-owned subsidiaries: AML, Millbrook Quarries, Fiji Industries, Basic Industries and Atlas Resources.*

Chairman’s & Managing Director’s Review

Holcim New Zealand produced a **sound financial performance** despite rising energy costs, and the impact on cement distribution of the Westport Harbour Bar closure.



➡ John Lindsay, Chairman



➡ Rex Williams, Managing Director

Sales rose 8% to \$307 million, however increased costs meant EBITDA was up less than 1%. 9

Towards Zero Harm initiative achieved 21.5% reduction in Lost Time Injury frequency rate through changes in safety behaviour at all levels in only its second year. 16

Cement distribution costs were increased by river bar conditions at Buller Port, **limiting ship movements and forcing more transport by road**. 11

Long-term imported cement supply to New Zealand specifications **secured**. 11

Strong demand for concrete in the Waikato offset a slight decrease in the larger Auckland market. 13

Suite of environmental initiatives now in place across the Company, giving staff the right tools for achieving environmental excellence. 26

Holcim continued to recognise the importance of its local communities through sponsorship and community support. 22

Worldwide sales for Holcim Ltd **increased by 39.8%, with a 27% rise in earnings.** 7

➤ Outlook 2006

A slowing economy is likely to flatten activity somewhat in the Company's key markets.

Governance

Board members

Holcim (New Zealand) Ltd is wholly owned by the public company Holcim Ltd, which is based in Switzerland and subject to the rules of the Swiss Stock Exchange. The Holcim New Zealand Board comprises six directors, of whom three live in New Zealand (including the Managing Director). Three of the six are non-executive directors. The Chairman is John Lindsay of Auckland, who has been a director for six years, and the Deputy Chairman is Tom Clough, a member of Holcim Ltd's Executive Committee. In March, the Board welcomed a new Director, Daniel Bach, from Holcim Ltd. A full list of Board members is shown on Page 36, and Holcim Group's governance structure is detailed on Page 34.

Audit and Compliance Committee

As a good corporate citizen and a member of the Holcim Group, Holcim New Zealand has adopted principles of effective corporate governance. These ensure the Company shows respect for society and the environment, communicates openly and transparently, and always acts in accordance with New Zealand's legal, corporate and ethical guidelines.

The Board's Audit and Compliance Committee has responsibility for ensuring that management has systems to produce an internal and external audit, and accurate annual accounts and financial statements. The Committee similarly ensures that the Company's environmental, health, safety and insurance risks are all identified, managed and monitored.

An Internal Audit Charter governs the internal audit function, and the head of Holcim Group Internal Audit, who reports to the Chairman of Holcim Ltd, regularly monitors and reports on Holcim New Zealand.

Holcim Guidelines for Fair Competition

The Board has the responsibility of ensuring that systems are in place so that all Holcim New Zealand policies (such as pricing), competitive tactics and procedures comply with Holcim Ltd guidelines. A worldwide initiative has been developed to help group companies put these into everyday practical effect. Early in 2005, a small Holcim Group compliance review team visited the Company and reported good compliance.

Perhaps the most important aspect of fair competition is all employees having a high level of understanding of competition law, and being trained in compliance. Holcim New Zealand has invested considerably in this area with the "Safetrac" system, and in producing a simple Competition and Consumer Awareness booklet for all staff.

Towards Zero Harm

The Board is very pleased with the progress being made on Towards Zero Harm, this important safety initiative (Page 16), which has the aim of eliminating workplace accidents at all Holcim New Zealand sites and plants. To again underline the Board's complete support for Towards Zero Harm, the Chairman accompanied the Managing Director to take part in a number of workplace toolbox meetings discussing and reviewing safety initiatives with staff.

Thank you to all employees

This year was particularly challenging for maintaining uninterrupted supplies of cement and concrete to our customers (Page 10). The Directors wish to thank those who worked hard to maintain supplies, and those who supported them.



Economic Performance

↑ Holcim Cement National Sales Manager Murray Dickson (right) and Bhupendra Kumar, General Manager of Wilson Precast Construction discussing the completed Millenium Centre in Greenlane.

Economic Review

The loss of shipping days out of Westport because of the periodic closing of the Westport Bar (Page 10) affected cement margins and reduced the company's net profit by \$6 million. The number of bar closure days was the highest in over 30 years and is a managed risk of the business.



2005 saw significant cost pressures across the board, but particularly in labour and energy. Numerous contingency supply measures were put in place to ensure uninterrupted cement supply during the bar crisis. These added close to \$6 million in unbudgeted costs. These costs were offset through various supply initiatives later in the year to reduce the net impact to \$4 million.

Following a shortage of cement in Indonesia, an alternative imported cement supply chain was put in place out of China. This transition was effected smoothly. The cement exceeds New Zealand Standards.

Holcim Concrete sales, including good contributions from Atlas (25% owned and AML (joint venture), increased by about 3.5%.

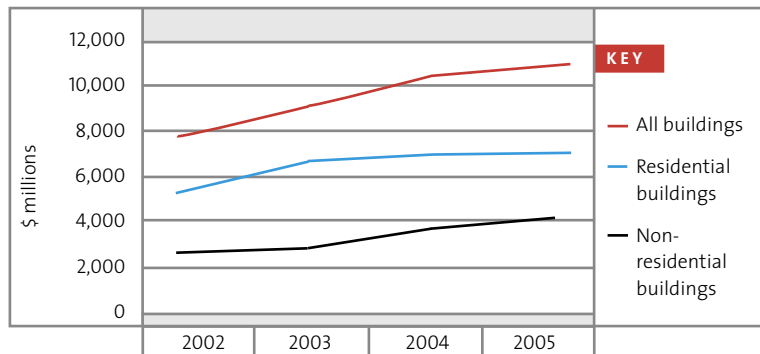
Lime sales were again steady and supported by the Lihir Gold Ltd (Papua New Guinea) contract. Holcim Aggregates performed well, taking into account the costs associated with the closing of Manukau Quarry, an exhausted resource.

→ Supply Chain Specialist, Cement Division, Andrew Van der Bent, who co-ordinated the logistics of cement supply during Westport's port closure. Sedimentation on the Westport Bar, bad weather and low Buller River flows meant that the port was closed to shipping for 46 days – the longest closure since 1971. Consignments due to be shipped from Westport had to be transported by truck, resulting in over 2000 additional truckloads in 46 days.

Fiji

Through Holcim Offshore Holdings Ltd, Holcim New Zealand has a 24% share in Fiji Industries Ltd (cement) and a 49% share in Basic Industries Ltd (ready-mix concrete, pipes, precast and aggregates). Both these companies performed well, with Fiji Industries' new grinding plant performing exceptionally well. Fiji now comprises Holcim New Zealand's only overseas activity.

Building consents



Building consents and GDP

The annual value of building consents and the annual rate of increase in Gross Domestic Product (GDP) are two key indicators of the country's use of cement, aggregates and concrete.

The value of all building consents issued during 2005 was \$10.95 billion, only a slight increase on the previous 12 months. Of this value, \$6.84 billion was derived from the residential building sector and \$4.10 billion from non-residential.

In 2005, consents for 26,069 new dwellings were issued, a fall of 17%, but the value of non-residential consents rose by \$402 million.

In the year to 30 September 2005, the economy's GDP grew 2.7%, down from the 4.3% growth in the previous 12 months.

Holcim Ltd

In 2005, Holcim Ltd's worldwide sales revenue increased by 39.8% to CHF18.46 billion and the consolidated operating profit rose by 47.3% to CHF3.31 billion. This resulted in a 27.3% increase in EBITDA. Sales gains and cost-savings – for example, due to the increased substitution of fossil fuels – supported robust internal growth. This more than offset rising energy costs and price pressure in some markets.



➔ Darcy Maddern, Oparure Assistant Quarry Manager, with a new Volvo excavator. The excavator includes inbuilt safety features such as anti-slip flooring and a light weight front lift bonnet. At Holcim's request, the machine was also outfitted with an extra safety rail and frame and rotating hazard light. These safety features are an important part of supporting machine operators in their efforts to achieve zero harm.



➔ Shane Coutts, Technical Support Manager, Holcim Cement, and Steve Bowers, of Bowers Brothers Concrete, inspecting some of the products made from Holcim Cement.

Financial Result

The markets for cement, aggregates and concrete remained strong, but increased costs were of concern.

Holcim New Zealand's total sales increased by 8% to \$307.4 million in the year to 31 December 2005, but the impact of increased costs was reflected in a relatively small increase in earnings before interest and tax from \$52.9 million to \$53.4 million. Net profit was \$26.4 million, compared with \$25.6 million the previous year, the 3% increase an overall reflection of the pressure on margins.

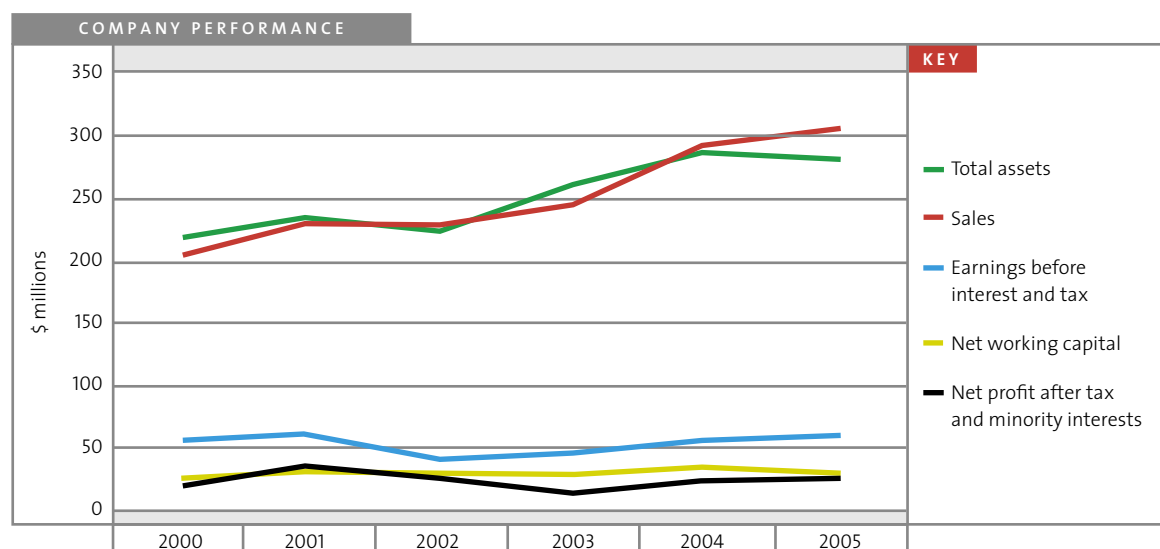
Holcim Cement's total sales were 630,000 tonnes, the highest ever level, reflecting the continuing increase in the country's building and construction activity. The closure of the port of Westport for a considerable period activated alternative ways of transporting cement from Westport Works to the rest of the country, which had a major impact on transport costs.

Our financial commitment to improving the environmental performance of Westport Works continued, with \$2 million spent on upgrading the kilns' dust capture systems, and further investment in more modern emission monitoring equipment.



→ River bar conditions at Westport closed the port for 46 consecutive days, forcing alternative road transport.

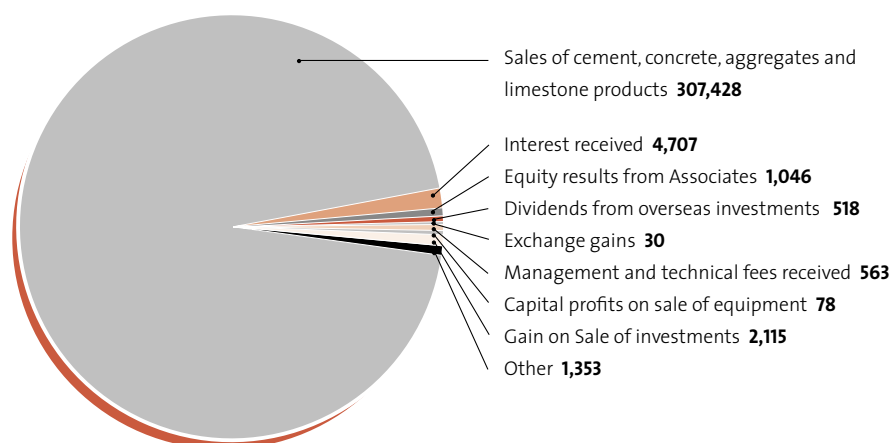
Of concern were rising energy costs - electricity rose 47% from \$5.5 million to \$8.1 million and the cost of coal was 17.5%, or \$1.4 million higher at \$9.4 million. In all, the Company's energy bill increased to \$17.5 million, despite conservation measures.



2005 REVENUE SOURCES

\$'000

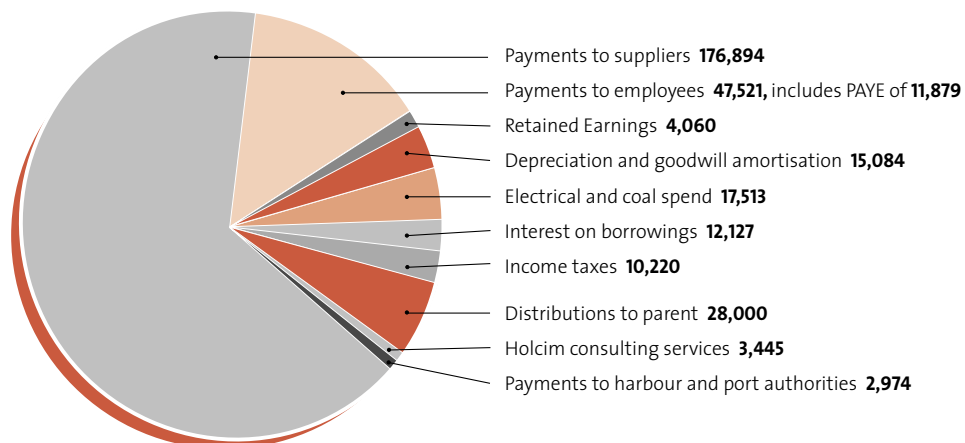
Total \$317,838



2005 ALLOCATION OF REVENUE

\$'000

Total \$317,838



Operational Reviews

Holcim Cement

Market Overview

The market for cement showed further growth in 2005, although there were signs of it flattening towards the end of the year when residential property construction slowed and bad weather combined with lengthy consenting processes to delay some major projects.

Production and Sales

Recommendations implemented from the 2004 manufacturing performance review, combined with other efficiency enhancing projects at the Westport Works, began to show benefits towards the end of 2005.

As a result, clinker production improved, with total volumes up by 30,000 tonnes to over 440,000 tonnes in 2005, the second highest volume on record. This was assisted by a monthly clinker production record of 41,895 tonnes being set in August.

Actual cement production was also up on the previous year, but not by as much as expected, due to the logistics issues arising from the bar crisis together with some significant unscheduled maintenance.

Sales during 2005 reached the highest level ever, but did not show the significant increase of previous years.

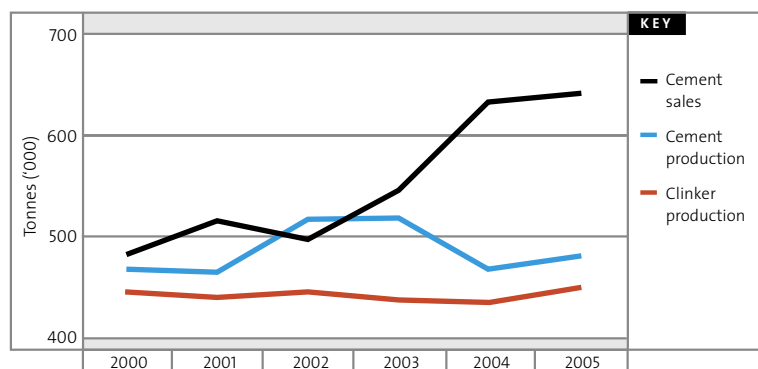


The new megastore for The Warehouse in Christchurch rises up from two large post-tension slabs of concrete produced by Allied Concrete for Naylor Love Construction. The 8000 square metre floor has no visible joints, eliminating normal maintenance, and was all precast in Christchurch using Holcim Ultracem cement. Discussing the specifications are (from left) Allied Concrete Regional Manager Brett Haldane, Holcim General Manager, Cement, Jeremy Smith and Naylor Love Construction Director Scott Watson.

All cement suppliers within New Zealand were required to import significant volumes of cement or clinker during the year to meet market demand.

A cement shortage in Indonesia, contributed to by the loss of the Aceh plant in the tsunami, meant switching to a new import base in China. This transition occurred smoothly with help from Holcim Trading offices in Singapore and China.

Holcim Cement volumes



Distribution

Distribution of cement produced at Westport Works was put to its greatest test when sedimentation on the Westport Bar, bad weather and low Buller River flows meant the port of Westport was shut to shipping on Anzac weekend and remained closed for 46 days – the longest closure in several decades. The Westport Bar subsequently closed the port for a further consecutive 12 days and 7 days.

In extremely difficult circumstances, Holcim cement division and logistics staff, the sales team, suppliers, bagging and transport contractors, the port operator and others in the industry worked around the clock to avoid any major stock outs. The Christchurch cement mill had to be started up at very short notice, clinker trucked over the hill from Westport, and staff brought in from Australia to help run it.

Consignments due to be shipped from Westport had to be trucked to either Nelson or Lyttelton ports. It required 120 truckloads to transport the equivalent of a 3000 tonne shipment, resulting in more than 2000 additional truck journeys over those 46 days.

Constraints on rail capacity between Westport and Christchurch precluded rail being used as a primary distribution option.

Thanks are due to all those employees and contractors who helped the Company through this difficult time, and special thanks to our customers for their understanding and forbearance.

Total volumes shipped increased over the previous two years, despite significant disruptions.

Internal Projects

Capital investment in 2005 increased significantly, with \$4.5 million of new quarry equipment (a new loader and a late-model second-hand one, plus two new dump trucks) and new delivery trucks and cement trailers. An additional \$2 million was invested to upgrade the electrostatic precipitators, used to capture dust from the stacks at Westport.

A new weighbridge system was installed at seven Cement division sites in 2004. The system was consolidated in 2005 and is now performing efficiently. Improvements over old systems and processes include less office and paper work for plant and depot staff, better reporting of deliveries, the capability to record weighbridge transactions round the clock, and the remote visibility of individual weighbridge systems.

Future Options

High current demand and future projections for cement consumption, together with a current capacity shortfall and aging plant, have prompted Holcim New Zealand to explore its future cement manufacturing and distribution opportunities.

Holcim's cement manufacturing plant at Cape Foulwind, Westport, was established almost 50 years ago and has supplied a substantial percentage of the country's cement needs in this time. However, current and projected future cement demand exceeds the capacity of this plant.

The company is assessing a range of alternatives, including New Zealand production, importing and reconfiguration of shipping.

Outlook

There are clear signs of the economy slowing. It is possible the construction industry will hold up longer than the economy in general due to a continuing backlog of Government and local body funded infrastructure projects, together with a number of commercial projects still in the pipeline.

Significantly increased costs in fuel, especially coal and electricity, along with larger wage settlements during 2005, will affect the Company next year, requiring new ways of finding cost reductions, especially in energy.

Holcim Aggregates

Production and Sales

Production at Bombay Quarry rose by 10% as it moved to replace quantities lost by the planned closure of Manukau Quarry in December and the sale of Whatawhata Quarry in 2004. However, overall volumes were down by 19% for the year due to the loss of these two quarries, which contributed a combined 43% to the annual production total. The continuing growth in Bombay Quarry production comes after a 55% increase in 2004.

Manukau Quarry, originally opened in the 1860's and owned by Holcim since 1997, has been a successful and profitable operation. Although it presented many unique challenges being so close to the city, the quarry contributed around six million tonnes of highly regarded basalt to construction and roading projects over the years. The siting of a unique lava cave at one corner of the 40 hectare quarry provided an environmental challenge, and quarry staff worked with local geological experts and cavers to ensure the underground tunnels were preserved.

Towards the end of 2005, Holcim achieved access to an additional aggregates supply when the Company entered into a joint venture with Wharehine Contractors Ltd, which has operated the greywacke quarry at Whangaripo, north of Auckland, since 1959. Wharehine will continue to manage operations on behalf of the joint venture, which will trade under the name Millbrook Quarries Limited. The quarry has an expected life of over 50 years and has recently obtained consents for production increases.

Capital Expenditure

The division has purchased a new 30 tonne excavator and loader for Hastings Quarry and a new 80 tonne excavator for Bombay, to replace existing machinery.

Bombay Quarry is currently investing in upgrading the capacity of the tertiary plant to meet the increasing demand for aggregates supply.

Workforce

Holcim is working with EXITO on a project to encourage more school leavers and other people – men and women – to consider quarrying as



Aggregates Sales & Distribution Manager Garth Dixon (centre) with Andrew Rose (right), Works Infrastructure Project Manager, and Guy Clifford, Works Infrastructure Construction Manager, checking progress at the Greenhithe project on the North Shore. Holcim will supply aggregate for the project which is part of Auckland's State Highway development.

a career, with the aim of alleviating a shortage of skilled labour in the industry.

Bombay Quarry has also taken on an apprentice, as part of the Government's Modern Apprentice Programme.

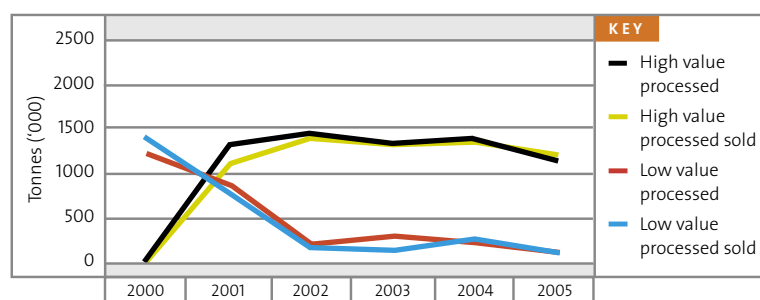
Community Consultation

Bombay Quarry's Community Liaison Group continued to meet during 2005 to ensure effective communication with the local community on any issues of common concern.

Outlook

Demand for aggregates is expected to be strong and plants should continue to work at capacity in line with extensive roading and infrastructure projects planned in the Auckland region.

Holcim Aggregates volumes



Note: This does not include production or sales from Millbrook Quarries or Atlas Resources

Holcim Concrete

Production and Sales

Ready mixed concrete production in the upper half of the North Island was marginally ahead of 2004, with a much stronger demand in the Waikato region making up for a slight easing in the Auckland market. Sales of concrete products went particularly well in Wellington and Tauranga.

The six Waikato/King Country plants ran at capacity for most of the year. Total production across all concrete plants rose 3.5% during the year.

Upgrades

Plans are well underway in 2005 to upgrade the Avondale plant. The plant is approximately 40 years old. Upgrade options for the East Tamaki plant will be developed during 2006. Reinvestment in these assets will strengthen the Company's position in the growing Auckland market.

Distribution

Lengthy traffic delays in the Auckland region, have continued in 2005 and are now being factored into each journey. These additional running costs are being offset by the gradual upgrade of the fleet of concrete trucks, making them more reliable and fuel-efficient.

Additional investment is being made in a GPS satellite navigation system that tracks the position of each truck, making it possible to reduce time delays and know exactly when each truck is due in to collect the next batch. Combined with an upgrade in truck radio systems, this is the first step in a series of



improvements to assist better customer service with more precise timing of deliveries.


Costs

With rising employment, electricity, fuel and other transport costs, the division is working on achieving further efficiencies.

The market for skilled frontline operators and transport staff continues to be difficult.

Projects

Among the larger projects supplied during the year were the Spring Hill Corrections Facility at Hampton Downs; the Fisher and Paykel warehouse extension; Quay Park Arena in Auckland; the Arapuni Dam project in the Waikato; Huntly Power Station turbine building and water

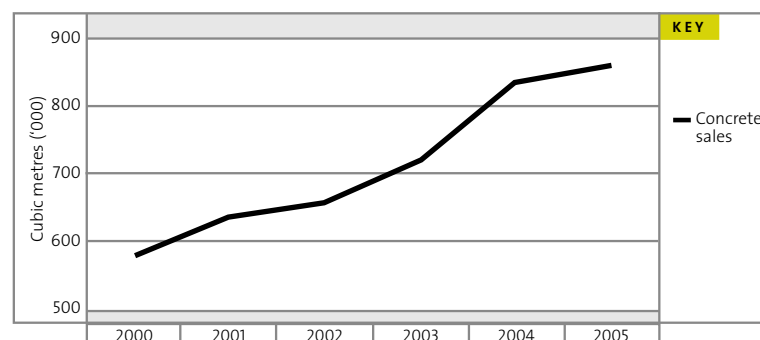
 Holcim Concrete Regional Manager, Sales, Steve Jackson (far right) with members of the Spring Hill Corrections Facility project team. From left, Colin Smith, Construction Manager, Mainzeal Construction; Grant Rouse, Project Manager, Wallace Construction; Dean Hope, Project Manager, Foster Construction; Paul Warrener, Project Manager, Dominion Constructors. Once completed, Spring Hill will be the largest new prison ever constructed in New Zealand.

cooling system; the Waikato water treatment facility extension; Toll Holdings inland port at Hamilton; and the Tainui Bridge.

Outlook

Demand is expected to continue at current levels in 2006. While residential construction is likely to stay at lower levels, there are a number of bigger infrastructure projects that should keep the market active.

Holcim Concrete volumes



Lime

Production and Sales

Burnt lime sales were approximately 150,000 tonnes, similar to the previous year, with Lihir Gold Ltd, in Papua New Guinea continuing as a major customer. A big landslide affected the Lihir plant during the year, shutting it down for three weeks, but sales were well back on track by year end. New Zealand Steel continues to take big volumes of burnt lime, which enables the production of high quality steel.

Agricultural lime production showed a 10% increase at almost 300,000 tonnes, assisted by the steady growth in the dairying sector.

Roading lime experienced a record year, with continuing interest in lime for road stabilisation. Unheard of 20 years ago, this technology is now gaining in popularity among roading engineers and is increasingly being specified in roading projects, particularly where poor quality clay or lower grade aggregates are used as a base. The lime stabilising technology also allows contractors to lay roading on wet soils or in poor weather year round.



Taylor's Lime kiln had a record six-week continuous run during the year, supplying Carter Holt Harvey pulp and paper mills, which contributed towards a good result.

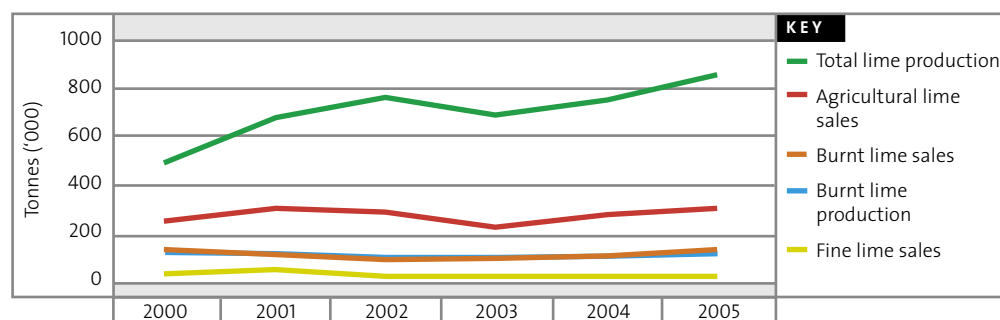
McDonald's Lime operations achieved record production during the year. The Oparure quarry processed approximately 750,000 tonnes of limestone, almost 50,000 tonnes greater than the previous record. Burnt lime production from the Otorohanga kilns was also a record.

→ Andy Campbell, (right) Commercial Manager, McDonald's Lime, and Colin Morgan, New Zealand Steel Plant Supervisor Iron Making, inspecting lime chip delivered to New Zealand Steel at Glenbrook.

Outlook


Modest sales growth is expected, with market demand likely to firm in the roading sector and with some other customers.

Lime volumes





Social Performance

 Cameron Blair (left) is pictured with Westport Works Electrical Engineer Craig Shaw. Cameron is a Holcim Westport Works Scholarship recipient, and worked over the holiday period, helping develop plant wide lock-out procedures at the Works, an important aspect of Towards Zero Harm.

Cameron plans to study a Bachelor of Commerce at Otago University in 2006, and will return to the Works part time between his studies.

Safety Initiatives

Towards Zero Harm

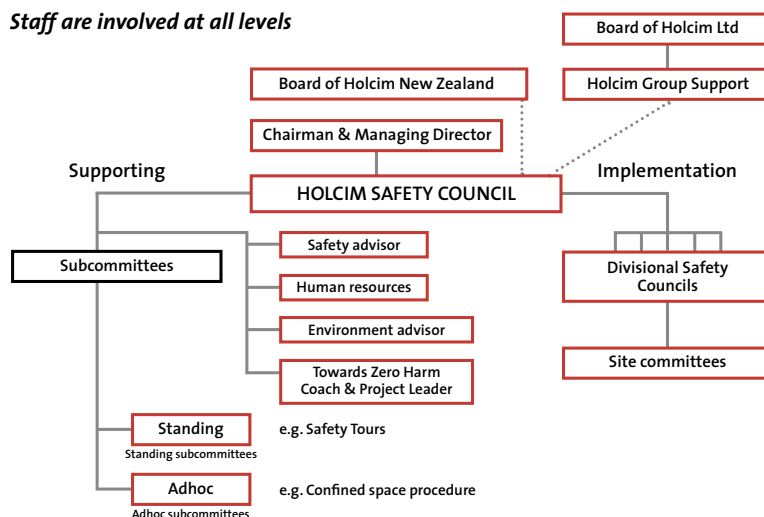
An initiative introduced Company wide in 2004, Towards Zero Harm continued to be a primary focus for Holcim in 2005. Led by the Managing Director and with the full support of the Board, Towards Zero Harm aims to achieve and maintain a zero injury rate by 2009, by changing perceptions and behaviours. It is founded on ten principles, adopted by the Holcim Safety Council.

The Ten Principles of Towards Zero Harm

1. All harm is preventable
2. Everyone is responsible for preventing harm
3. Employee involvement is essential
4. Managers and supervisory staff are accountable for preventing harm
5. Working safely is a condition of employment
6. All operating exposures can be safeguarded
7. Safety tours are a must
8. Training everyone to work safely is essential
9. All incidents, near hits and hazards must be reported and acted upon
10. We will promote off-the-job health and safety.

Holcim New Zealand Health & Safety Organisation Structure

Staff are involved at all levels



Communication and staff training were at the heart of Towards Zero Harm activities in 2005, to ensure all staff were thoroughly aware of their responsibilities regarding the safety of themselves and their co-workers, and to ensure all hazards and incidents were reported and acted upon. Staff now know, with the initiative in its second year, that the Company remains fully committed to Towards Zero Harm.

This commitment has seen the Company achieve a 21.5% reduction in the Lost Time Injury frequency rate compared with last year.

By the end of the year, 90% of managers and employees had undergone the half-day Action Employees Can Take (AECT) training. Some disruption was caused to the training schedule mid-year due to the Westport port closure, however the momentum picked up towards the end of 2005 and training is ongoing. The AECT courses showed employees how to take responsibility

for safety, how to identify hazards and put controls in place to prevent them, and helped them understand that the only way to stop unsafe behaviours occurring is to report them and change them. Attendance at these courses was compulsory and they have now also become part of the induction programme for new employees.

Sub-committees of employees across all divisions worked on particular safety issues, such as confined spaces and incident investigation.

Confined Spaces

Confined space procedures are now in place throughout the Company and training in these is ongoing.

During the year, all confined spaces were identified, labelled, and written work instructions were put up on how to enter them safely. All confined spaces require a permit for entry, and persons entering the space have to confirm all hazards have been identified and controls are in

place before they can gain entry. In the event something does go wrong, emergency procedures have been documented.

A special “shoehorn” device has been created by employees to enable the rescue of a driver from inside the bowl of a concrete truck in the event of an injury while cleaning out the bowl.

Lockout and Isolation Procedures

New lockout procedures were put in place Company-wide during 2005 and are now standard practice. Known as “Lock, Tag and Try,” the procedures ensure that the person locking out a piece of machinery has their own lock, which shuts off the energy source and tags it with a warning. No-one else can start it without the key to unlock it.

Safety Tours

Safety tours are a vital component of Towards Zero Harm and involve all levels of management visiting and observing the workforce to reinforce good practices and safe behaviours.

During 2005, there were 12,000 observations of safe and unsafe behaviours and practices at sites across the Company.

Large amounts of data were captured about unsafe acts and conditions identified during these site safety tours, and data was analysed to show trends and lessons learned. These were communicated to all sites and, if relevant, discussed at regular site toolbox meetings.

Communication of Towards Zero Harm

As well as toolbox meetings and safety tours, employees can learn about Holcim safety initiatives through:

- Safety alerts and the Good Ideas database – available on the Intranet and easily accessed by employees to find out ideas on how they can assist in eliminating injuries or illness.
- Dashboard on the Intranet – a one-page summary, updated monthly, showing progress on Towards Zero Harm targets and linked to current focus areas. Like the Good Ideas database, the “dashboard” is continually added to.
- Hazardous Substances Alert through Chem Alert (reported in the Environmental Review).
- Incident Investigation and Reporting – new processes for encouraging reporting of all incidents have been trialled at Westport, along with an assessment matrix to show level of risk. The processes will be introduced Company wide.
- Safety videos – four of these were produced during the year, one for induction and the others to go out to sites for structured use during toolbox meetings or Health and Safety meetings.



➔ A Holcim employee climbs out of the bowl of a concrete truck during a safety exercise at Avondale Concrete Plant. A special “shoehorn” device has been created by employees to enable the rescue of a driver from inside a concrete bowl in the event of an injury while cleaning out the bowl.



➔ Bombay Quarry Operations Manager James Boyce discusses correct Personal Protective Equipment with an employee from Stone Creations during a recent safety tour.

→ DuPont Consultant Ken Richardson leads one of the first safety seminars in Auckland, as part of Towards Zero Harm. Action Employees Can Take (AECT) training shows employees how to identify hazards and put controls in place to prevent them.



Contractor Safety

Piloted at Taylor's Lime and at the Dunedin cement depot during 2005, a new process for managing contractors on site will be introduced to other sites in 2006. Contractors are involved in safety practices through a six-stage process. They must have their own Health and Safety policy and training and must take part in Company induction, site induction, on-site toolbox meetings, site audits, and annual evaluation.

Personal Protection Equipment (PPE)

A new policy was introduced in 2005 to standardise minimum PPE requirements at all operating sites. This ensures that all site employees and visitors in operational areas wear safety boots, high visibility clothing, safety glasses and hard hats. In addition, specific hazardous activities (such as grinding) have minimum PPE requirements (such as the use of gloves, double face protection etc).

Safety Councils

Safety Councils have been set up in each division: Concrete and Aggregates Safety Council, Westport Area Safety Council (which includes Westport Works and Quarry, Shipping and Buller Port Services), and the Lime Safety Council. They have two main roles: to assist with divisional implementation of actions proposed by the corporate subcommittees and agreed to by the Holcim Safety Council, and to address specific areas within their division. They are a key link between corporate direction and how that is implemented at each site.

Outlook

In 2006, the focus of Towards Zero Harm will be ensuring the effective Company-wide rollout of the key improvement areas of contractor safety and incident investigation. Monitoring and auditing of existing initiatives such as safety tours, confined spaces and lockout and isolation procedures will be looked at, as will two new improvement areas – working at heights and hazard management.

Safety Performance

There has been a noted improvement in the number of Lost Time Injuries and the frequency rate (per hours worked) has also improved during the year, an indication that Towards Zero Harm initiatives are having an impact on heightened awareness and behaviour change in safety practices. However, the severity rate has increased, showing that injuries are resulting in longer periods off work. This was largely due to five serious injuries during the year (involving a crushed hand and a number of sprains and strains) that have a long recovery time.

ACC Audit

Two routine audits were conducted during the year, at Westport Works, the packing plant and head office, as part of the ACC Partnership Programme. Membership of this Partnership Programme means that Holcim manages all work-related injuries in-house. As a result, Holcim has maintained secondary level status for the fifth consecutive year. The aim is to work towards tertiary status, the most difficult level to reach and sustain, with the Towards Zero Harm project contributing to this aim.

Holcim Audit

As part of a worldwide safety audit of all companies in the Group, Holcim Ltd sent three auditors to New Zealand to review our Health and Safety practices. The goal is to achieve a "Green Pyramid" – sufficient green, or "achieved" blocks on a pyramid of 19 blocks made up of people-related, process-related and management commitment tasks all focused on

Health and Safety international standards (and similar to the ACC audit standards).

The Company achieved a Green Pyramid by having over 85% of "green" blocks.

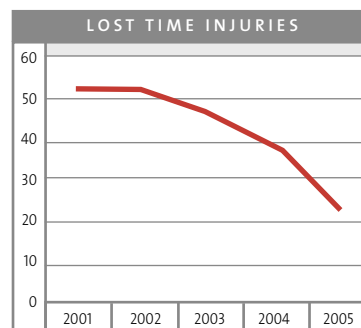
Four areas for improvement were identified: the need to review safe working procedures, to continue to manage change, to improve planned inspections of all sites, plant and equipment, and to continue to build management commitment and planning. All these areas have been planned for completion in 2006.

Two Holcim New Zealand Health and Safety staff were seconded to carry out similar audits on Holcim's operations in South Africa and the Philippines, and picked up further ideas for improvement along with systems that could be adapted.

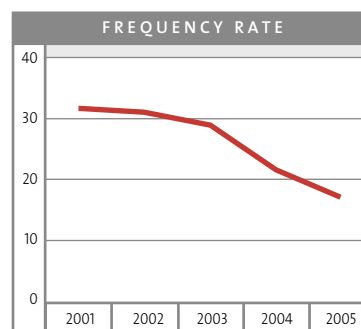
Holcim Ltd launched a "Passion for Safety" initiative in 2005. During the year, Holcim Ltd expressed further interest in the behavioural change aspects of Towards Zero Harm and, like Holcim New Zealand, are working with DuPont.

OSH Monitoring

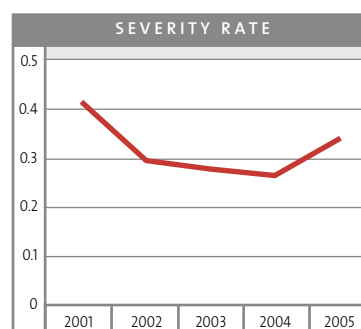
There were four interventions again in 2005 as part of routine OSH audits. Minor actions were required, such as additional bunding beside a road. These were dealt with immediately and no further action is needed.



A Lost Time Injury (LTI) is one where the employee is unable to resume work for the next shift.



The Frequency Rate is the number of LTI's per million hours worked.



The Severity Rate of accidents is the number of days lost per 1000 hours worked.

Employee Initiatives

Consolidation of past training initiatives occurred during the year, with an emphasis on nurturing the safety focus at all levels, and on finding new ways to revitalise it and keep it front of mind.

Staff retention and demographics

Holcim's workforce remained stable during 2005, although there was a slightly higher turnover than usual in management positions. This was particularly evident in Holcim Concrete and Aggregates following a restructure in the operational and technical areas. Most management positions were filled internally, however the majority of supervisory positions were recruited externally.

Driver positions were more stable than in the previous year, but difficulty continues in recruiting skilled and semi-skilled employees where a tight labour market prevails.

GENDER			
ALL EMPLOYEES			
	2003	2004	2005
Female	10.4%	10.3%	13%
Male	89.6%	89.7%	87%
MANAGEMENT POSITIONS			
Female	10.7%	13.5%	14%
Male	89.3%	86.5%	86%

Training and Development

Expenditure on staff training continued to rise significantly due to the high proportion of staff undergoing Towards Zero Harm three-day management and half-day AECT (Action Employees Can Take) training. On top of a 58% increase in 2004, Holcim's investment in training and development

TURNOVER				
	2002	2003	2004	2005
Resignations	50	46	64	65
Retirements	8	4	6	7
Death in service	1	2	0	0
Redundancies	12	24	3	9
Dismissals	8	12	4	4
Average number of staff	536	518	525	539
Voluntary turnover	10.5%	10.0%	13.3%	13.7%
Total turnover	10.5%	16.9%	14.7%	15.7%

LENGTH OF SERVICE					
Service	2002	2003	2004	*	2005
Less than 1 year	55	45	68		61
1 – 4 years	143	146	143	1 – 14 years	303
5 – 19 years	219	207	192	15 – 29 years	131
20 – 39 years	115	115	116	30 years plus	44
40 years plus	4	5	6		
Total	536	518	525	Total	539

* New Age Band applied in 2005

AGE OF EMPLOYEES					
Age band	2002	2003	2004	*	2005
15 – 39 years	30.4%	29.9%	30.1%	15 – 29 years	8.9%
40 – 59 years	59.9%	59.5%	58%	30 – 49 years	49.4%
60 years plus	8.7%	9.8%	11%	50 – 60 years	28.4%
				60 years plus	11.9%
Age unknown	1.0%	0.8%	0.9%		1.4%

* New Age Band applied in 2005

Note: Staff demographics exclude the following partly owned subsidiaries: AML, Millbrook Quarries, Fiji Industries, Basic Industries and Atlas Resources.

this year was \$1.1 million, a further 18% increase on the previous year. A project was initiated in 2005 to review Holcim's training strategy and policy and, after benchmarking the Company's training procedures against other similar companies, developed recommendations for future training management.

Health and Wellness

380 employees took advantage of free annual health and wellness checks, a 34% increase on the previous year. The checks were provided by Holcim at a cost of \$29,666.

Fifteen employees used the Employee Assistance Programme (EAP) to

access free confidential counselling for help with work-related or personal issues. Of these, eight were self referred and seven were referred by their supervisor.

Pandemic Preparation

To ensure the Company has the right resources in place to address concerns about the potential for an Avian Flu outbreak in New Zealand, Holcim has considered what precautions should be taken and is working with Injury Management New Zealand on a Pandemic Preparedness Plan.

Drug and Alcohol Policy

The Drug and Alcohol Free Workplace programme, an important part of Towards Zero Harm, held courses at a number of sites during the year, with updated information about more recent drugs on the market, such as P and party pills.

A review of testing procedures was carried out during the year.

Holcim's Drug and Alcohol Policy was introduced two years ago and provides for both pre-employment, just-cause and post-accident drug and alcohol testing. Of the 131 tests done in 2004, 11 were positive. In 2005, 140 pre-employment medicals were carried out and the 12 who returned a positive test were no longer considered for employment.

Recruitment/Appointment Process

This was reviewed during the year to ensure the right level of information is provided to candidates and to new employees at induction. The review also looked at preferred relationships for recruitment providers. Recommendations from the review will be implemented in 2006.



→ Holcim employees take turns "blowing in the bag" as part of a Drug and Alcohol refresher course this year.

Superannuation

The recommendations from the 2004 review of Holcim's superannuation policy were held over during 2005 for further investigation.

Payroll

The Company payroll system is in need of upgrading and preparations began in 2005 to introduce a new system that will avoid double-handling and be more in line with the requirements of Holcim Ltd. It will also provide a much more streamlined and efficient system and, for employees, more relevant information on payslips.

In 2005, 70% of employees transferred to the SAP payroll system. All employees will have transferred to the new system by the second quarter of 2006.

Communication

A comprehensive internal communication review occurred in 2005 that involved surveys and in-depth interviews, giving staff the opportunity to suggest which communication activities they felt were working well and recommending improvements.

Employees rated the Company highly in encouraging initiative, communicating policies, communicating expectations and listening. Areas suggested for improvement included more information about the future direction of Holcim, about important developments relating to their worksite and job, and about their pay and conditions; acknowledgement of success; improvements to the Intranet; and a need for more consistency with performance appraisals and toolbox meetings.

Brand Compliance

During 2005, Holcim initiated a brand compliance audit to see if, three years on from the launch of the new Holcim brand in New Zealand, the brand was presented consistently and correctly.

Branded collateral, such as signs, uniforms, retail presence and publications are being collected and the review will continue in 2006.

Community Initiatives

The importance of its local communities and its role in the industry was recognised by Holcim in 2005 through sponsorship, particularly in communities close to Holcim sites.

Corporate sponsorship during the year included the second year of a three-year commitment to a part-time teaching and research position in structural engineering at the University of Canterbury School of Engineering. The position is held by Professor Des Bull, who is working with the building industry on concrete construction technologies.

A significant partnership for Holcim is its work with Enviroschools, which the Company has sponsored for 12 years. Enviroschools visits schools around the country educating students and promoting the protection of New Zealand's most endangered and treasured species, to help develop a sense of environmental responsibility.

In the South Island, Enviroschools continued to take its environmental roadshow to the many primary schools in Holcim's communities with Tanya Jenkins, from Environmental Education and Promotions. A new partnership with the Holcim Dunedin Cement Depot and a local school has also been initiated.

In the North Island Enviroschools facilitator Robyn Irving initiated a joint project between Holcim Horotiu and Ngaruawahia School (as featured in the cover photo). Holcim has helped the school beautify its swimming pool area, while the school students have helped Holcim with the design and planting of an area beside the car park at the Horotiu concrete plant.

In addition, Holcim has sponsored schools to take part in Expos run by Enviroschools in the Bay of Plenty, Hamilton, Northland and Otago. The Expos bring students, teachers and Enviroschools facilitators together for a day filled with hands-on activities, presentations and performances about current projects, and learning about Enviroschools theme areas such as living landscapes, healthy water, zero waste, precious energy and ecological buildings.

A new commitment in 2005 was funding for an eye movement recording system for a Parkinson's disease research group at the Christchurch-based Van Der Veer Institute. One of the most accurate ways of measuring motor impairments in Parkinson's is through digital recordings of eye movements, requiring highly accurate recorders. Measurements recorded at the Van Der Veer Institute have attracted worldwide interest and the Institute plans to use the new equipment for a three-year study to reflect and predict future problems with thinking and balance.

A further commitment was made to fund the third edition of the Cancer Kids calendar and to provide support to the Christchurch Arts Festival.

Holcim continued to fund the annual Holcim Westport Works Scholarship. This tertiary study award provides a Buller High School leaver \$2000 a year for each year of their study. This year's award recipient was Cameron Blair, dux and head prefect, who worked at Westport Works over the summer holidays.



Westport Works manager Chris Dempsey (right) and St John West Coast Training co-ordinator Ian Rodgers (left) shake hands on Holcim New Zealand's sponsorship deal with St John. Holcim has provided \$10,000 over two years to fund a St John first aid training vehicle that will be available throughout the West Coast. As part of the sponsorship St John conducts monthly training sessions with the Westport Works rescue team.

A new Westport sponsorship this year was a research project studying the little blue penguin and identifying colonies on the West Coast.

Other major sponsorships funded by Westport Works included the Buller Marathon, Enviroschools, Buller Country Music Club, Buller High School and the Buller Cricket Association.

The Australasian Cave and Karst Management Association annual conference was sponsored by Westport Works in 2005 with a cash donation, handbook information, conference speaker and plant and quarry tours during the conference, which is held in New Zealand every fifth year and in Australia the other years.

St John West Coast also received support from Holcim in a two-year project to fund a first aid training vehicle, travelling around workplaces, schools and communities promoting first aid. As part of the sponsorship, St John provides monthly training sessions with the Westport Works rescue team to help maintain effective first response skills.

Holcim Concrete sponsorships in 2005 included, once again, a category award in the New Zealand Institute of Building annual awards for excellence, acknowledging an outstanding concrete construction project.

Corporate sponsorship of the New Zealand Concrete Industry Conference and the New Zealand Consulting Engineers Conference also continued.



Taylor's Lime continued its support of the East Otago Community Health Trust – a locally based community health and medical centre that has had difficulty attracting doctors to the area.

With the support of Holcim and the local community, the Health Trust has been able to raise sufficient funding to purchase the health and medical centre and refurbish it. The existing GP has remained and another has been attracted to work at the centre.

McDonald's Lime quarry at Oparure supported the preservation of a special limestone cave just under a kilometre away from the quarry and part of the heritage Waitomo caves region. Easy access has resulted in significant damage to the cave walls and stalactites. The Company has worked during the year with a local commercial cave operator to clean up and rehabilitate the cave, which once held the remains of fossil bird bones, including moa. Glow-worms add to the subtle lighting now installed in the cave and the pathway, built of recycled plastics, is wide enough for

→ Holcim New Zealand was a major sponsor of the 2005 Buller half-marathon, and pictured along the scenic course is marathon organiser Dennis Straker. The event had 2200 entrants in 2005, and will celebrate its 25th anniversary in 2007. Dennis has been organising the race for the last 20 years, working for the last few years as the "Holcim Race Director".



→ Holcim Concrete Regional Manager, Sales, Steve Jackson (centre) and New Zealand Institute of Building (NZIOB) President Bob Hall present Bryce Solomon of the Carson Group with an NZIOB award. Holcim sponsored the awards category for projects worth \$15 million through to \$50 million, which was won by Carson Group for their Waitakere Hospital Redevelopment. The \$43 million project involved constructing 15,000 sq m of new building space and refurbishing 9000 sq m of the existing maternity and aged-care facility to create West Auckland's District hospital.

wheelchairs and prams. Work has also been done outside and above the cave, including fencing, drainage, and plantings of native trees and shrubs.

Sir David Attenborough filmed the cave during the year with the BBC Natural History Unit and the documentary was screened in October.



➔ The "Waste to Energy System" team of engineering students from Canterbury University visiting Westport Works. Mentored by AFR Business Development Manager, Michael Rynne and Lindsay Halliday, Operations Manager for Holcim subsidiary Geocycle, the four final year students were involved in an alternative fuels project. Holcim New Zealand was among 17 businesses each sponsoring a team of final year mechanical engineering students to undertake projects addressing industry needs.

Holcim Awards

Five New Zealand entries were among more than 300 entries received from 17 countries in the Asia Pacific region in the inaugural Holcim Awards for Sustainable Construction, held in September. Globally, the Awards, organised by the Holcim Foundation for Sustainable Development, attracted over 1500 submissions from 118 countries and the three best projects in each region will go forward to the global Awards celebration in April 2006.

The Awards encourage innovative, future-oriented and tangible approaches within the building and construction industry and focus on five target issues: quantum change and transferability, ethical standards and social equity, ecological quality and energy conservation,



➔ At the Asia Pacific Region prizegiving of the Holcim Awards for Sustainable Construction, the Silver Award was presented to a Philippines design for a pre-cast concrete structure designed to assist regeneration of coral reefs. By encouraging coral growth, the project will increase the number of fish species for local fishing communities.

economic performance and compatibility, and contextual response and aesthetic impact.

New Zealand entries included a design for an eco-viaduct, an environmentally-friendly cowshed dairy yard complex, and several

houses set amongst pohutukawa trees. Projects from China, the Philippines and Japan won the top three awards for the region.

For further information please visit the Holcim Awards website, www.holcimawards.com



Environmental Performance

↑ Westport Works Manager Chris Demspey and Lincoln university student Robyn Blyth at Cape Foulwind beach searching for colonies of little blue penguins. Holcim New Zealand is sponsoring Robyn's research project – 'The conservation and ecology of the little blue penguin on the West Coast'. Already into its second year, the project has been judged a success, with the discovery of several local penguin colonies.

Environmental Programme

The environmental programme undertaken by Holcim New Zealand is designed to achieve the following environmental goals.

HOLCIM NEW ZEALAND ENVIRONMENTAL GOALS	
AREA	GOALS
SYSTEMS	To have quality systems in place for each operation that ensure activities, products and services are complying with Holcim's corporate policies.
ENVIRONMENTAL EFFECTS	To minimise the adverse effects of activities, products and services. To encourage suppliers and customers to adopt sound environmental practices.
COMPLIANCE	To meet legislative requirements and internally set performance standards.
TRAINING	To educate employees to conduct their activities in an environmentally responsible manner and in accordance with Holcim policies.
ENVIRONMENTAL AUDITS	To carry out regular environmental audits to assess compliance with internal and external performance standards.
MANAGEMENT REVIEW	To regularly review environmental performance for each operation and review Holcim New Zealand's overall performance annually.
REPORTING	To measure and report on environmental performance and efforts to eliminate or minimise adverse effects on the environment.
RAW MATERIALS	To use raw materials effectively, minimising waste where possible.
WASTE	To minimise waste generation and to use environmentally appropriate waste treatment and disposal methods.
ENERGY	To conserve energy and improve process controls.
CARBON DIOXIDE	To reduce carbon dioxide emissions in accordance with the global commitment of Holcim Ltd.
SPECIAL CONTAMINANTS	To identify, mitigate and remove sources of special contaminants that are hazardous to human health, such as PCBs and asbestos.
DUST MITIGATION	To manage and reduce dust at all operations.
CHEMICAL, FUEL AND BULK PRODUCT MANAGEMENT	To safely use, handle and store chemicals, fuels and bulk products in a way that minimises adverse effects on people and the environment.
EMERGENCY RESPONSE	To put in place appropriate emergency response and recovery procedures that ensure employees are trained, properly equipped and have the resources to respond and recover from emergencies such as fire or spills.
INCIDENT REPORTING AND CORRECTIVE ACTION	To have in place an incident reporting and corrective action procedure for all operations, to ensure that environmental performance continuously improves, and that adverse effects on the environment are minimised.
COMMUNITY INVOLVEMENT	To work with our local community, building and maintaining mutual respect and trust.

ISO 14001

ISO 14001 is the international standard specifying the requirements for an environmental management system, with compliance being audited and certified annually by an external authority.



Westport Works began the year with its newly acquired ISO 14001 certification, achieved after a considerable team effort led by Environmental Advisor Allanagh Clarke. Gaining this ISO standard is a key part of Holcim New Zealand's determination to ensure that Westport Works operates at the highest level of environmental performance.

In the past three years, the Company has spent over \$1 million on initiatives to upgrade Westport Works' environmental performance.

Using the experience gained in certifying Westport Works, the

■ A little blue penguin, the subject of a research project sponsored by the Westport Works. The project has discovered several penguin colonies along the coast near the Works.

Company has now embarked on a programme to gain ISO 14001 certification for all sites and plants by the end of 2006.

Plant Environmental Profile – PEP

A company wanting to improve its environmental performance must have an effective way of integrating its Environmental Goals (see page 26) and ISO 14001 with the job performance expected of

ENVIRONMENTAL MANAGEMENT SYSTEM

The evaluation categories for the Plant Environmental Profile (PEP).

Legal Compliance
Fuel, Lubricants and Chemical Management
Waste Management
Resources Consumption
Water Management
Air Emissions
Noise
Plant and Site Appearance
Traffic Management



◀ Black Oyster Catchers are now a regular sight at the Westport Works' planted wetland.



◀ One of the Dotterils nesting in the wetlands beside Westport Works.



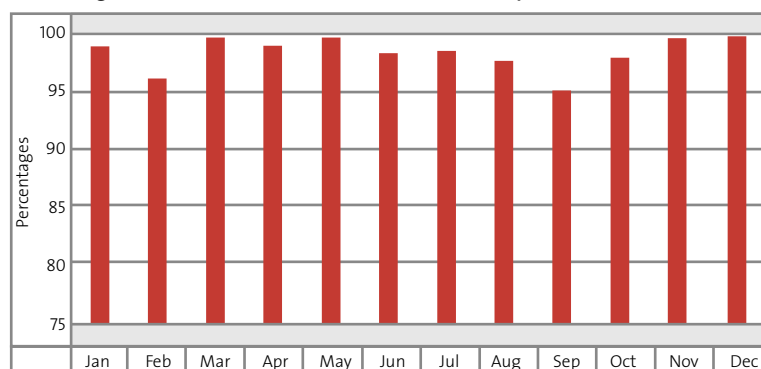
➔ Works Manager Chris Dempsey (foreground), Allanagh Clarke, Paul Kidd and Kim Thomas help with a new stage of planting in the wetlands beside Westport Works. Several thousand trees and shrubs have been planted on the former wasteland since 2004, with the plants pictured having been relocated from the Works quarry.

its managers. This provides an extra incentive for managers and staff to deal effectively with environmental issues and make continuous performance improvements.

To address this and other issues, Holcim Ltd has developed a mandatory, transparent and job-related environmental performance reporting system called Plant Environmental Profile, or PEP. During 2005, Holcim New Zealand introduced PEP to ready mixed concrete plants and aggregate quarries, with the results available to staff on the company's Intranet.

PEP measures key areas of environmental performance relevant to the site, and uses a points system to arrive at an overall Environmental Performance Indicator, shown as a percentage of the maximum points possible. Scores are expected to improve each year. PEP is a much tougher audit than just legal compliance with, for instance, resource consent compliance being only one of the measurements. The audit involves meeting much stricter conditions than those in a resource consent. As an example, scores are marked down considerably if a site uses any potable (drinking) water for their processes. Scores improve as use is made of rainwater captured on site and a perfect score in this category results from a minimal amount of new water used per cubic metre of concrete produced. Also scored highly is the water being captured on site, used and recycled with no discharge to stormwater drains.

Percentage time within Consent Conditions at Westport Works 2005



The Consent Conditions, as specified by the West Coast Regional Council, require that average hourly particulate emissions from the kilns at Westport Works be less than 150 milligrams per cubic metre of air, and the average hourly nitrous oxide emissions be less than 3000 milligrams per cubic metre of air. The Conditions also specify that the particulate control equipment must monitor the emissions for over 99.5% of the time the kilns are operational.

Emission Monitoring and Reporting (EMR)

A key part of ensuring continuous improvement with environmental performance is securing accurate emission data and Holcim Ltd has adopted the EMR system to establish accurate data about emissions from all Holcim plants. The value of EMR was shown during 2005 at Westport Works, when a series of particulate (dust) emission exceedences being reported were more closely studied. The reported exceedences were of major concern because remedial steps to eliminate them did not appear to be working. During EMR analysis it became apparent the more likely cause was that the readings of particulate and aerosol emissions were being combined to produce a high particulate reading. Once this was understood, an auditable way of correcting the readings was established (see graph, Page 28).

Incident Reporting System

Year 2005 saw the first full twelve months' operation of the Incident Reporting System across all divisions. The goal of full coverage was set in 2002 and the new system was trialled in that year at Westport Works. In 2003, it was adopted by Holcim Cement followed by Holcim Concrete and Aggregates, and finally Lime in 2004. With this system, any employee can report any type of incident, including a near-hit. The incident remains live with regular status reports being circulated to the person who reported the incident, their manager, and to any other appropriate person until it is fully



→ Led by Group Environmental Coach Robyn Flynn, members of the Christchurch head office help "clean up the world" in Barrington Park, Christchurch. The Clean up the World Programme involves businesses helping clean up public areas in their community. Head office took the initiative to invite other local businesses to join the programme.

resolved. Lessons learned from the incident are recorded and distributed to relevant staff (including the person who originally reported it).

As far as environmental incidents are concerned, the Incident Reporting System operates to ensure everybody's environmental performance improves and that adverse effects on the environment are minimised.

Managing chemical risks

Holcim New Zealand sites and plants receive, store and use dozens of different chemicals, many of which are hazardous substances; or

they can become hazardous if not handled, mixed or used correctly. With "lessons learned" from the new Incident Reporting System involving chemical incidents in 2004, it was decided the Company needed a better way of managing its inventory of hundreds of chemicals to ensure the highest level of employee and community safety, and environmental security. Holcim New Zealand has therefore adopted "Chem Alert", a comprehensive database and management system developed by Risk Management Technologies to enable safer handling and management of chemicals in the workplace.

ENVIRONMENTAL INCIDENTS 2005							
Holcim Cement		Holcim Aggregates		Holcim Concrete		Lime	
04	05	04	05	04	05	04	05
48	32	10	22	9	18	18	2

– Includes near hits or potential incidents.

– Excludes Westport Works environmental exceedences. See graph, Page 28.

➔ **Pukekohe Concrete Plant Manager**
 Rod Palmer checks the rain water gauge at
 Holcim's Pukekohe batching plant. The plant
 has set up a system that captures rainwater
 to be used in the plant's production process.



Chem Alert puts all workplace chemicals into three categories: Red – High Risk, Amber – Medium Risk, and Green - Low Risk. Details of the safe handling, use and disposal of each chemical are on a readily available colour-coded sheet, written and illustrated in simple terms. If a chemical is involved in any incident, a material safety data sheet is immediately available – there's even technical advice for the fire brigade and for medical personnel.

An important part of Chem Alert is a list of suggestions on replacing a red chemical with an amber one that does the same job (or an amber chemical with a green). When implemented this results in an overall reduction in risks to health and safety and in potential damage to the environment. The system was successfully trialled at Westport Works in 2005 and will be introduced to the rest of the Company in 2006.

AFR Programme

Holcim New Zealand has operated an Alternative Fuels and Raw Materials (AFR) Programme at Westport Works since 1996. AFRs are usually wastes or by-products that are otherwise very difficult to recycle or dispose of in an environmentally secure way. The AFR programme recovers energy and materials from such selected wastes in a manner that minimises environmental impact, conserves non-renewable natural resources and helps to reduce the plant's energy and raw materials bill.

The programme is a key part of the commitment by Holcim Ltd and Holcim New Zealand to promoting eco-efficiency, conservation of non-renewable natural resources and the overall reduction of CO₂ output in cement-making.

The principal AFR used at Westport Works is used oil, which is collected from around the country through



➔ Neil Hateley, Westport Works Fuel and Environmental technician, uses the new flash point tester. The machine, worth \$6000, measures the explosion point (flash point) of used oil for burning in the kiln.

the Government-approved Used Oil Recovery Programme. This involves a high level of cooperation among used oil producers and oil companies, with the used oil being transported securely to Westport Works, mainly by sea.

In 2005, a record level of 13,500 tonnes of used oil was used at Westport Works to help fire the cement kilns. Because Westport was closed to shipping at times, extra used oil storage was found in Auckland and elsewhere, and alternative transport arranged.

Of the 89 used oil shipments made in 2005, our routine acceptance testing detected the presence of contaminants in two instances. One required consultation with the

regulatory authorities to ensure the appropriate response. Such events highlight the value of our monitoring and testing programme even after almost 10 years of otherwise incident-free operation.

During the year, the AFR programme also handled 2,500 tonnes of millscale. Essentially iron oxide or rust, millscale is a by-product of steelmaking. With iron being an important part of the clinker and cement recipe, it is an ideal non-energy component of the AFR programme, while safely solving another industry's waste disposal problem.

As previously reported, Holcim New Zealand has been examining further suitable energy-rich AFRs for use at Westport Works. After a considerable period of research, community consultation and feasibility studies, Holcim New Zealand applied to the West Coast Regional Council for

permission to conduct trial burning of two prospective AFRs – SCL (spent cell liner) which is a by-product of the aluminium industry, and SBF (solvent-based fuels) which has physical properties similar to petrol.

Early in 2005, permission was granted by the Regional Council, contingent on adherence to the existing plant emission limits. This consent enables the Company to plan for future trials. The trials are subject to resolving a number of commercial and logistical issues, and are therefore some time off.

Climate Change

The cement industry is one whose viability would be affected by any “carbon tax” proposal in terms of New Zealand’s commitments to the Kyoto Protocol. An NGA allows a business to negotiate an agreement for a reduction in carbon tax (or an exemption) in return for undertakings such as investing in greenhouse gas reduction research and reducing CO₂ production. Holcim Cement has qualified to pursue an NGA with the Government’s Climate Change Office, while McDonald’s Lime and Taylor’s Lime are declared technically eligible, and awaiting sign-off from the Joint Ministerial Council for Climate Change.

In December, a degree of uncertainty was re-introduced into New Zealand Climate Policy with the publication of a major government policy review document. This removes the option of a “broad-based” carbon tax, but still leaves open the prospect of a tax targeted specifically at “large



➔ A Carters' employee is pictured stacking bags of Holcim Ultracem. The bags are printed with an environmental message, which acts as a reminder to Holcim customers to keep waterways clean when using cement or concrete.

final emitters" (LFEs), such as Holcim New Zealand. Clarity on this changed circumstance is not expected before April 2006 at the earliest.

Worldwide, the cement industry annually produces about 5% of manmade CO₂ emissions and in 2005, Holcim Ltd set a CO₂ reduction target of 20% by 2010, using 1990 as a reference. In 1995, and before the recent concerns about greenhouse gases, Holcim New Zealand had already signed a voluntary agreement to reduce CO₂ emissions from Westport Works.

Westport Works air emission profile 2005

Three-kiln averages

Dust and oxides (Kilograms per tonne of cement)			
	2003	2004	2005
Total solid particles (dust)	0.14	0.2	0.07
Nitrogen oxide	2.91	3.2	1.8
Sulphur dioxide	3.04	2.9	3.0

Heavy metals and compounds (Micrograms per cubic metre of gas)			
Arsenic	5.1	<2.0	11 #
Cadmium	3.1	<1.0	<10 #
Lead	17.7	10.0	29 #
Mercury	5.7	2.0	4
Thallium	13.4	11.0	4

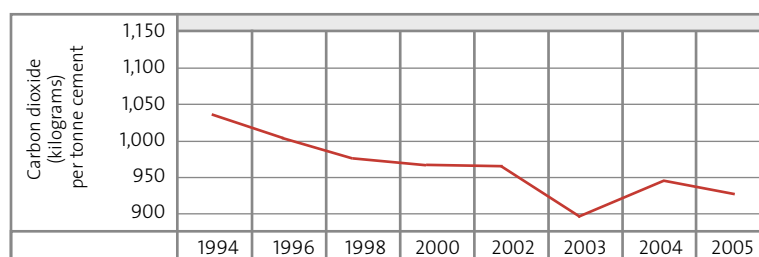
Organics (Milligrams per cubic metre of gas)			
HCl	15.0	3.0	2.8
Benzene	2.7	1.3	3.3

Dioxins (Nanograms per dry cubic metre of gas at 10%, dry, at 0degC)			
Dioxin	0.0042	0.002 *	0.009 *

#Natural levels of heavy metals in raw materials from the quarry can vary significantly from year to year. The levels are within the Holcim Group guidelines.

*All three kilns below MfE guideline of 0.1 nanogram

Carbon dioxide emissions at Westport Works



Directory

Board of Directors



→ **John Lindsay ***
CHAIRMAN
NON EXECUTIVE DIRECTOR
Auckland



→ **Tom Clough**
DEPUTY CHAIRMAN
DIRECTOR
EXCO MEMBER
Holcim Ltd
Zurich, Switzerland



→ **Jerry Maycock**
NON EXECUTIVE DIRECTOR
Brisbane, Australia



→ **Daniel Bach**
DIRECTOR
ASSISTANT EXCO MEMBER
Holcim Ltd
Zurich, Switzerland



→ **Murray Valentine ***
NON EXECUTIVE DIRECTOR
Dunedin



→ **Rex Williams**
MANAGING DIRECTOR
Christchurch

* Members of the Board Audit & Compliance Committee

Holcim New Zealand Executive Team

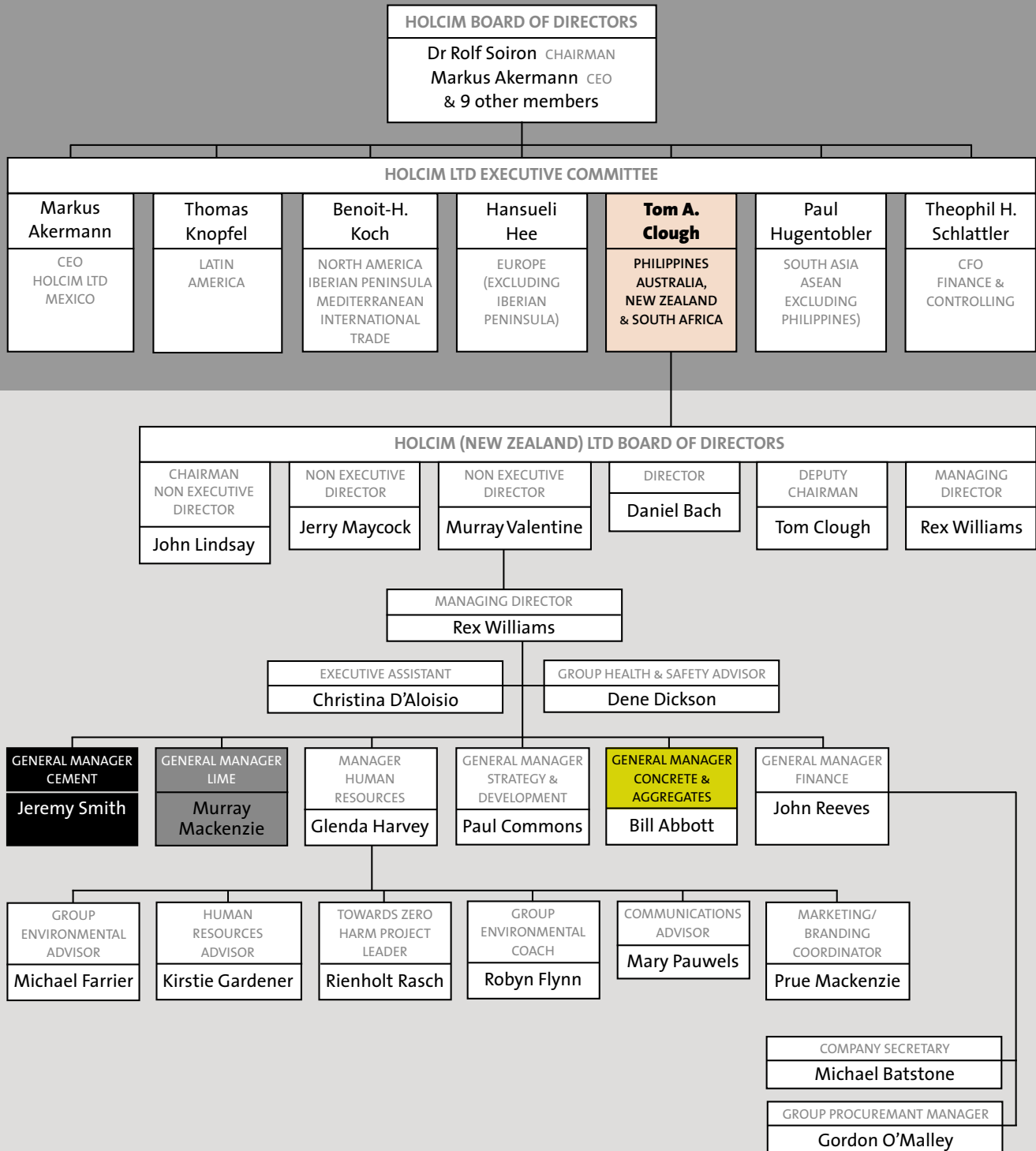


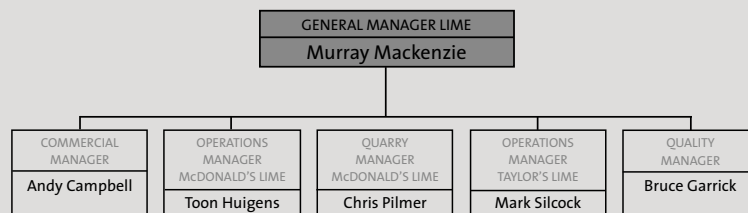
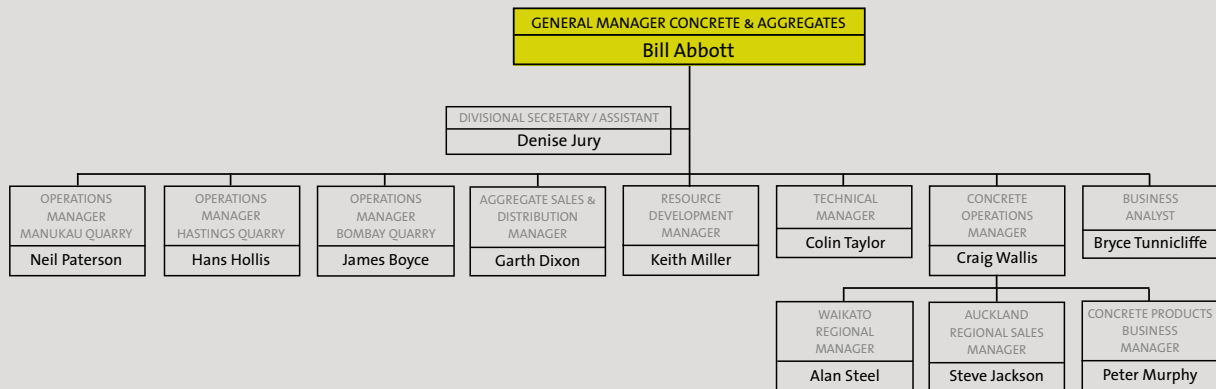
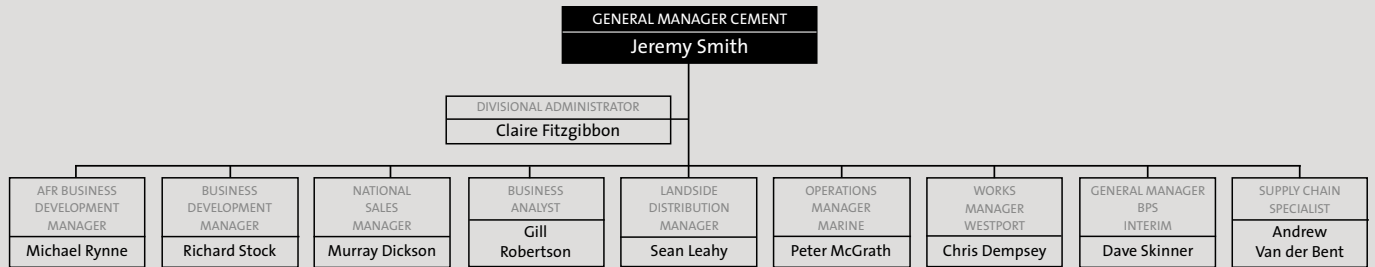
(Left to right):

Murray Mackenzie GENERAL MANAGER - Lime
Jeremy Smith GENERAL MANAGER - Cement
Bill Abbott GENERAL MANAGER - Concrete and Aggregates
Rex Williams MANAGING DIRECTOR
Glenda Harvey MANAGER - Human Resources
John Reeves GENERAL MANAGER - Finance
Michael Batstone COMPANY SECRETARY
Paul Commons GENERAL MANAGER - Strategy and Development

As at December 2005

Company Structure





As at December 2005

Directory

Operating Subsidiaries - Directors

AML LIMITED

Rex Williams

Paul Commons

Scott O'Donnell

Peter Carnahan

50% Holcim (New Zealand) Ltd owned. Concrete company

BULLER PORT SERVICES LIMITED

Rex Williams

Jeremy Smith

100% Holcim (New Zealand) Ltd owned.

Holds management contract for Port of Westport

MCDONALD'S LIME LIMITED

Rex Williams

John Lindsay

John Reeves

Bill Jacob

Craig Richardson

Clive Eades

72% Holcim (New Zealand) Ltd owned. Lime manufacturer

HOLCIM SUPERANNUATION LTD

John Lindsay

Murray Valentine

100% Holcim (New Zealand) Ltd owned. Trustee of Holcim (New Zealand) Ltd's Superannuation Scheme

MILLBROOK QUARRIES LTD

Rex Williams

Bill Abbott

Stephen Dodd

Phillip Schmidt

50% Holcim (New Zealand) Ltd owned. Aggregates quarry

AUDITORS

PriceWaterhouseCoopers

SOLICITORS

Anthony Harper

BANKERS

ANZ National Bank Limited

Bank of New Zealand

Westpac Banking Corporation

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www.holcim.com/nz

As at December 2005



BILL RICHARDSON

1940-2005

Our industry lost a visionary leader and gentleman, and Holcim New Zealand lost a trusted business partner and good friend with the sudden death in March of Bill Richardson.

Bill was the founder in 1978 of the HW Richardson Group, which at the time of his death at only 64 years of age, owned 26 companies, employed more than 1000 staff throughout the country and had a reported turnover of about \$400 million.

A true Southlander – humble, publicity-shy and with huge community spirit – Bill and his wife Shona lived in Invercargill.

Holcim New Zealand worked with Bill through the joint venture involving the ready-mixed concrete operator AML, and in the South Island the Group's Allied Concrete is a major customer of Holcim Cement.

Bill cheerfully admitted to a "lack of scholastic achievement", but became one of the country's most respected business leaders. His secret, he once said, was curiosity: "Without curiosity you are inclined to accept what is, rather than learn what's possible, which is the difference between a follower and a leader."



