



# Annual Review 2006

Holcim (New Zealand) Ltd



# Holcim Awards for Sustainable Construction

## New Zealand Entries Encouraged



*Global Holcim Awards Gold 2006: Stuttgart Railway Station, Germany*

In April 2006, US\$1 million in prize money was awarded to the best sustainable construction projects entered in the first global Holcim Awards for Sustainable Construction competition. Joint winners of the Holcim Awards Gold were an urban integration project in Caracas, Venezuela, and the design for a new main railway station in Stuttgart, Germany.

The winners were selected from 15 finalists from all continents, following on from a series of five regional competitions with more than 3,000 submissions from 118 countries (including five New Zealand entries). The Holcim Awards Silver went to a regional master plan and renewal strategy for the Mulini Valley near Amalfi, Italy. Holcim Awards Bronze went to a low-cost housing and urban renewal project in Montreal, Canada. Prize money across all stages of the competition totalled US\$2 million.

The competition was launched in 2004 by the Holcim Foundation for Sustainable Construction in collaboration with five of the world's leading technical universities. The Holcim Foundation is supported by, but independent of the commercial interests of Holcim.

The Holcim Awards aim to promote innovative, future-oriented and tangible sustainable construction projects and reinforce stakeholder awareness of the importance architecture, engineering, and construction have in achieving a more sustainable future.

**Holcim New Zealand will be encouraging entries from New Zealand when the next cycle of the Holcim Awards competition opens (entry period 1 June 2007 to 29 February 2008). For further information please visit the Holcim Awards website, [www.holcimawards.org](http://www.holcimawards.org) or contact Mary Pauwels at Holcim New Zealand, phone 03 339 7553 or [mary.pauwels@holcim.com](mailto:mary.pauwels@holcim.com)**

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#### FRONT COVER:

*Operations Manager – Marine for Holcim Cement, Peter McGrath, at the Westport wharf, where a record tonnage of Holcim cement was loaded for shipment around New Zealand. 2006 was a record-breaking year for Holcim New Zealand Cement Division, with record production of clinker and cement being achieved at Westport Works, and record sales of cement.*

# 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 1888.

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 approximately 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 over 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% owned), in the Waikato, and Taylor's Lime (100% owned), in Otago. Both quarries 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 remains to the fore 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 six years, Holcim has made a significant effort towards achieving the highest possible level of environmental performance by, for example, burning used oil to help fire its cement kilns, gaining ISO 14001 certification at all Holcim sites by initiating protocols that will meet

the international environmental standard, minimising noise and emissions, reducing waste, and conserving energy. During the past four 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](http://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 and aggregates, as well as further activities such as ready-mix concrete and asphalt. The Holcim Group of companies holds majority and minority interests in more than 70 countries on all continents, and employs some 90,000 people.

For further information, please visit the website: [www.holcim.com](http://www.holcim.com)

## Holcim Foundation

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

In 2003, the Company established the Holcim Foundation for Sustainable Construction ([www.holcimfoundation.org](http://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, an international forum and project funding.

**\*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 good financial result in 2006, while making significant progress in improving environmental performance and work safety.



➡ John Lindsay, Chairman



➡ Rex Williams, Managing Director

## ➡ Outlook 2007

Demand in the company's key markets is expected to continue at good levels.

Total sales grew by 1.8% in 2006. **Net profit increased by 1.3% to \$30.3 million.** ..... 8

**Lost-time injury rate halved since adoption of the Towards Zero Harm work-safety initiative in 2004**, and efforts redoubled to reach the goal of Zero Harm..... 16

**Company-wide ISO 14001 accreditation achieved** as another major step in continuously improving environmental performance. .... 24

**Contingency plan implemented to secure national cement supplies to customers** if Port of Westport closed to shipping for a prolonged period: a contingency not needed in 2006. .... 11

Supplies of imported cement meeting New Zealand standards **now fully integrated into the national cement supply network.** ..... 10

**Measures in place to alleviate** Auckland transport delays and costs. .... 13

Need for definition in New Zealand climate change policies **creating major planning uncertainties** in the nationally important cement industry. .... 28

Open days at sites and plants **reinforce strong customer and community relationships.** ..... 22

# Governance

Holcim (New Zealand) Ltd is wholly-owned by Holcim Ltd, a public company based in Switzerland and which is listed there on the Swiss Stock Exchange. The Board of Holcim New Zealand comprises five directors, of whom three (including the managing director) live in New Zealand. The Chairman is John Lindsay, of Auckland, who has been a Director for seven years and the Deputy Chairman is Tom Clough who is a member of Holcim Ltd's executive committee.

A full list of Board members is on page 29 and the Holcim Group governance structure is detailed on page 30.

## Asia-Pacific

Holcim New Zealand is an integral part of the Asia-Pacific grouping of Holcim companies and, although one of the smaller companies, makes a major contribution to the pool of technical and other expertise that is available for sharing among member companies.

## Board Committees

Holcim New Zealand strives to be a good corporate citizen in all aspects of its operations and the Board has adopted a number of principles to ensure 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, ethical and corporate guidelines.

The Board's Audit and Compliance Committee ensures that management has the right systems in place to produce various internal and external audits and to provide accurate annual accounts and financial statements. The Committee also ensures that the Company's health and safety, environmental and insurance risks are all identified, managed and monitored.

The internal audit function within Holcim New Zealand is governed by an internal audit charter and in addition, the head of Holcim Group's Internal Audit Committee regularly monitors the Company's activities for reporting to the Group.

## Fair competition

Holcim New Zealand operates in industries where pricing and competitive tactics are closely scrutinised by regulatory authorities. The Board has the responsibility to ensure all Holcim New Zealand policies in these areas comply with New Zealand law and Holcim Ltd guidelines.

A worldwide initiative developed by Holcim Ltd is in place to help group company employees put these laws and guidelines into effect. This involves a Holcim Group compliance team visiting group companies. Holcim New Zealand was successfully reviewed in 2005 and will be again audited in 2007.

A key factor in ensuring compliance with fair competition rules is having all employees understand the rules and Holcim New Zealand uses the "Safetrac" system to help ensure this happens.

## Safety and Environment

The Board continued giving its full and visible support to programmes improving the company's safety and environmental performance. The Towards Zero Harm initiative (page 16) was supported by the Chairman attending workplace toolbox meetings during the year – these are an important aspect of Towards Zero Harm. At year's end, the Board welcomed the news that all Holcim New Zealand sites and plants had joined Westport Works in achieving compliance with the important environmental standard ISO 14001 (page 24).


## Thank you

The Board would like to thank all in Holcim New Zealand, its joint ventures and subsidiaries for an outstanding effort in a very challenging year.





## Economic Performance

 Nick Kerr, Holcim Cement Project Manager, discusses tilt slab finishing quality with Doru Indries, Production Manager of Atlas Tilt Slab at the Silverdale pre-cast plant.

# Economic Review



2006 saw a continuation of cost pressures for Holcim New Zealand, especially in energy – electricity and coal. Although efficiencies can be applied to reduce energy use (page 25), they often involve considerable capital expenditure and cannot roll back energy costs to the levels of some years ago.

Once again, the company made a major contribution to the country's economic well-being, with record sales during the year of cement, steady sales of lime and a strong finish to the year for concrete sales. Demand for aggregates was driven mainly by Auckland roading and infrastructure projects. (see Operational Reviews beginning page 10).

## Cement supply

In contrast to 2005, the shipping of cement by sea from Westport Works resumed the more usual pattern, with the loss of 73.5 shipping days, compared with 120 the previous year. The company has adopted a risk management approach to any future prolonged Westport Bar closures by establishing a stand-by fleet of road tankers to step in if cement distribution by ship from Westport is disrupted (page 11).

Imported cement is now a regular feature of the country's national cement supply and distribution system and we are pleased to have established a secure source from a cement plant in China. The cement exceeds New Zealand Specifications.

■ Nine new aluminium cement tankers have been purchased from Germany. Seven are quad-axle bulk tankers, taking a payload of 29 tonnes of cement, and are the first of their type in Holcim worldwide.

During the year Holcim New Zealand announced the options being explored to meet the long-term growth in cement demand. These options include a variety of upgrade alternatives at Westport Works; a new cement plant near Weston close to Oamaru; importing cement, either to supplement Westport Works' production, or total imports; or a new cement plant on one of several possible sites in the South Waikato/King Country.

At Weston, Holcim New Zealand has engaged the community in a comprehensive public consultation process, as it prepares to lodge applications for resource consents in 2007. Consents must be in place before Holcim Ltd can consider a greenfields option for capital expenditure. The final decision on whether to proceed with any of the options will be made by parent company Holcim Ltd, and is not expected before 2008.



### Building consents and GDP

In the 12 months to 30 September 2006, the economy as measured by GDP grew by 1.4%, compared with 2.7% growth in the previous year.

The value of all New Zealand building consents issued in 2006 was \$11.18 billion, an increase of 2.2% over the previous year.

Of this value, \$7.26 billion was in the residential sector (an increase of 6.1%) and \$3.92 billion was derived from the non-residential sector (a decrease of 4.3%).

### Fiji

Holcim New Zealand invests in Fiji through Holcim Offshore Holdings Ltd, which has a 24% share in Fiji Industries Ltd (cement) and a 49% share in Basic Industries Ltd (ready-mix concrete, pipes, precast and aggregates). For the past three years, there has been good growth in the Fiji economy, and building activity has benefited with cement consumption nearing 120,000 tonnes per year.

### Holcim Ltd

In the year to 31 December 2006, parent company Holcim Ltd's consolidated operating profit increased by 32.2% to CHF4.4 billion, on net sales of CHF24 billion which rose 29.8%.

The dynamic state of the construction sector in virtually all markets and the exceptionally favourable weather conditions for construction operations during the whole year boosted demand for products and services. The global spread of Holcim

meant that the company particularly benefited. Approximately three quarters of the Group's total cement capacity is located in developing markets which are seeing high growth in the building materials sector.

Holcim has consistently placed enormous importance on sustainable development. The company has

been named industry leader in the Dow Jones Sustainability Index for the second year in succession. One of the original founders of the Cement Sustainability Initiative of the World Business Council for Sustainable Development in 1999, Holcim has continued to work to successfully reduce CO<sub>2</sub> emissions.

### The Future

Holcim New Zealand is planning for continued growth in all divisions in 2007.

A strong year for Cement in 2006 will provide the basis for further sales nationwide. Sales growth will be supported by ongoing production improvements at Westport Works complemented by regular importation of cement from China. In the long term, however, Holcim is looking at options for increased production. Investigations of the Weston option for a new cement plant will progress to resource consents being sought. A programme of work will also be carried out on the Westport option investigating upgrade options for the Westport Works.

Aggregates will continue to expand sales, particularly in the Auckland region, on the back of a steady roading market and significant infrastructure projects. A reliable supply for this projected growth will be sourced primarily from Bombay Quarry to the south and Millbrook Quarry just north of Auckland, which both increased capacity in 2006.

A robust finish to 2006 for Concrete in the North Island is expected to continue in future with continued growth in association with our joint-venture partners such as AML, which has expanded its North Island supply base. A review of transport has the division well placed to implement improvements that will reduce delays and trim costs.

Strong demand for roading lime will continue to drive growth for Lime production and sales, more than compensating for reduced demand for agricultural lime.

Efforts to drive down accident and injury rates will be an ongoing focus for the board, management and staff alike, while investment in initiatives to build on the achievement of accreditation for ISO 14001 environmental management systems will also continue.

## Financial Result

Despite a slowing domestic economy, net sales for the year increased by 1.8% with strong growth in cement volumes. Production costs, however, increased during the year, resulting in a drop in profit before tax and finance costs of \$1 million to \$56.9 million compared to \$57.8 million in 2005.

This drop in profit was alleviated by lower financing costs and taxes during the year with the result that net profit, at \$30.3 million, was \$0.3 million above 2005.

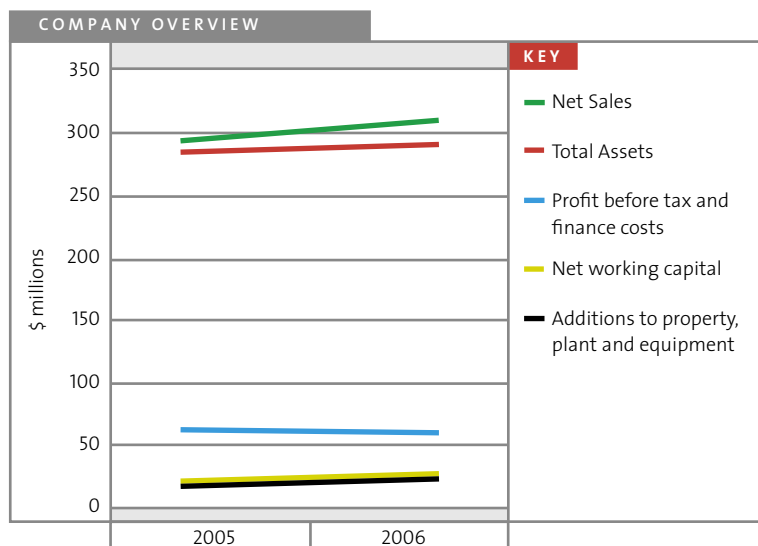


➔ Increased aggregate production at Bombay Quarry allowed a refocus on the Auckland roading market.

A major contributor to the increase in costs was energy (coal and electricity). Energy costs were \$18.7 million during 2006, an increase of 7%.

The Company's commitment to maintain and expand its production capacities continued. The amount spent during 2006 on additions to property, plant and equipment totalled \$26 million, an increase of over \$5 million compared to 2005.

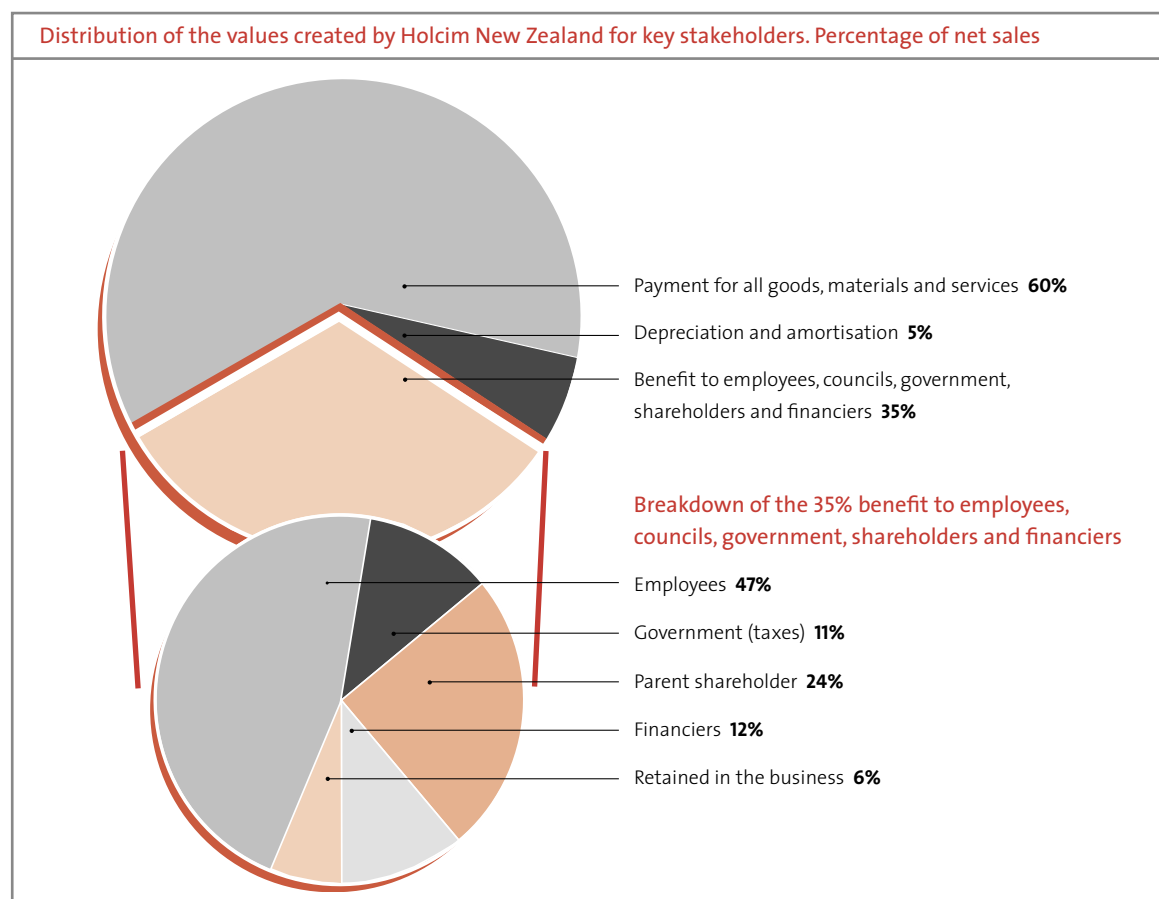
Holcim adopted the New Zealand equivalent to International Financial Reporting standards (NZ IFRS) for the year ended 31 December 2006. As this is the first set of financial results prepared based on NZ IFRS, comparative figures for the 2005 year have been restated accordingly. For this reason, comparative figures from earlier years have been removed from the report.



## Value Creation

Values created by Holcim New Zealand for our key stakeholders		\$000	\$000
		2005	2006
<b>Net Sales</b>		294,775	300,030
Other Income		12,193	9,666
<b>Total Income</b>		306,968	309,696
<b>Less</b>			
Payment for all goods, materials and services		-186,052	-186,832
Depreciation and amortisation		-14,039	-14,957
<b>Less</b>			
Benefits provided to			
Employees		-48,986	-50,979
Government (taxes)		-10,070	-11,328
Parent Shareholder		-28,000	-26,200
Financiers		-12,127	-13,013
<b>Amount retained in the business</b>		7,694	6,387

## Distribution



# Operational Reviews

## Holcim Cement



### Market Overview

After an initial flat period the market for cement lifted in the second half of the year, resulting in record volumes for the year and the fourth continuous year of growth since 2002.

### Production and sales

Westport Works produced a new record 449,000 tonnes of clinker, and 504,000 tonnes of cement, also a record. This increase over last year's record tonnage was achieved as the benefits of operational improvements begun in 2004 after the Works' manufacturing performance review continued to flow through to production, and also reflected the efforts of the Works' management team. Imported cement continued as a component of the customer supply mix, with product made to meet or exceed New Zealand specifications now being sourced on a consistent basis from China.

➔ Bunnings North Shore are one of many customers now receiving bagged cement on 1 tonne pallets, reduced from the 2 tonne pallet size to assist in easier handling and workplace safety.

➔ More than \$22 million in capital investment has been spent over the last four years upgrading the Cement division's operational and environmental performance.

### Distribution

In contrast to 2005, Buller Port experienced much fewer closed days because of Westport Bar conditions. This assisted in enabling a record 481,000 tonnes of cement being shipped out in mv Milburn Carrier II and mv Westport. Even so, to reduce any future risk to cement supply caused by bar conditions, a fleet of 11 cement road tankers is now maintained on standby in Nelson. These are ready to bring cement from Westport for shipping out of the Port of Nelson should this be needed to provide security of customer supply.

### Capital expenditure

A relatively high level of capital expenditure was invested during the year, principally at Westport Works. A total of \$22 million has been spent in the past four years upgrading the division's environmental and operational performance.

This year's projects included the commencement of a major upgrade of the plant's electrical services and further work on the kilns aimed at increasing their operating efficiency.



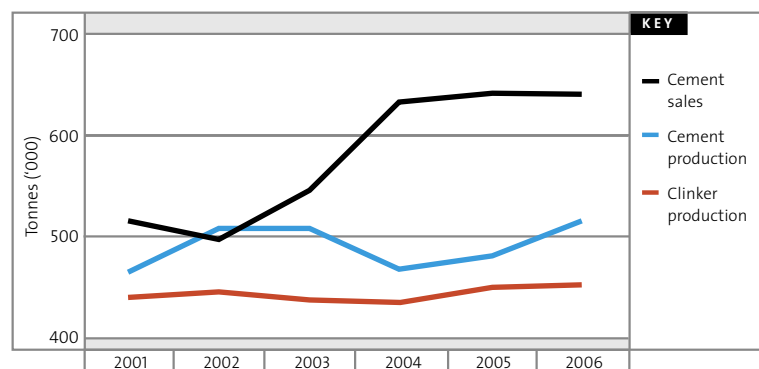
### Shipping

A project to review the remaining operational life of mv Milburn Carrier II was completed during the year. It concluded that the ship would not need replacing before 2020. This is testament to the crew, the engineers and to the very high standard of maintenance carried out since she began service.

### Outlook

The construction industry is yet to be significantly affected by the slower economic growth experienced over the past 18 months. However any further slowing in the economy is likely to be reflected in some easing in this sector, particularly if the demand for residential construction recedes.

Holcim Cement volumes





## Holcim Aggregates

### Production and Sales

Overall, it was a busy year, with the construction market in Auckland and Hawkes Bay particularly active. A refocus on the Auckland roading market during the year was possible after capacity increases at Bombay Quarry. Demand has been driven by roading and infrastructure projects, which have led to quarry operation at capacity.

### Bombay Quarry

Production at Bombay during 2006 has focused on aggregates for the concrete and asphalt markets, including providing 150,000 tonnes of base-course for the strategically important Greenhithe Ring Road under construction by Works Infrastructure.

Capacity was increased at Bombay during the year after investment in processing equipment designed to improve raw feed handling and finished product processing. Production was further supplemented by use of a portable crushing plant to produce base-course.

A long planned investment in additional resources at the quarry reached a further step in October with the lodging of an application

for resource consent and public notification of intent to quarry the Jones Block, north-east of the existing pit within the Bombay Quarry boundary. A hearing date has been set for February 2007.

Consultation has been undertaken with the local community for the past two years, with regular community liaison group meetings. During 2006, the quarry organised a ten-day expo which included an interactive 3D model showing how any effects from quarrying the Jones Block would be managed. It is intended that the new extension will eventually replace the existing pit.

### Manukau Quarry

After 140 years of productive life (nine of them under Holcim's ownership), Manukau Quarry was closed in April.

Production was fully transferred to Bombay to ensure continuous supply to customers.

### Millbrook Quarry

As the result of a joint venture with Wharehine Contractors Ltd in late 2005, Holcim achieved access to additional aggregates from Millbrook Quarry. Consents were obtained to extend the quarry footprint to cover an area of 8.4 hectares, thereby



Holcim aggregates formed part of the concrete spray mix applied by Allied Concrete to one of the two tunnels in the Northern Gateway Project at Waiwera.

significantly increasing aggregate reserves. The quarry has an expected life of over 50 years.

During the year, a major new mobile crushing plant was commissioned to significantly increase concrete chip and sealing chip production. This will supply Allied Concrete plants in Albany and Silverdale and will serve a number of council and Transit New Zealand roading projects on the North Shore.

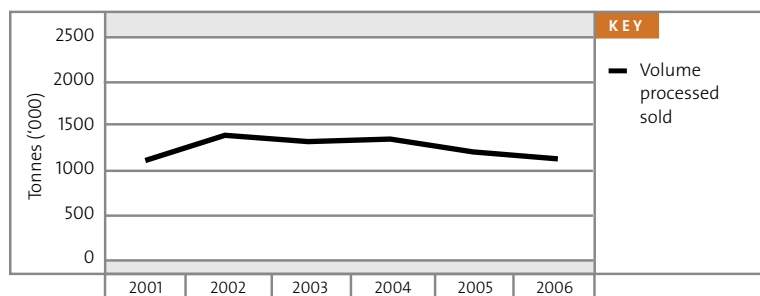
### Hastings Quarry

Significant investment occurred during the year in the first stage of an upgraded crushing plant that will increase capacity while reducing double handling. Further investments were also made in mobile plant. The upgraded crushing plant was commissioned by the Chairman during a special Open Day attended by customers, suppliers and members of the local community.

### Outlook

The future is looking strong. Major construction work on roading and other infrastructure projects continues to grow steadily in Auckland, while demand is likely to remain stable in Hastings.

### Holcim Aggregates volumes



Note: This does not include production or sales from Atlas Resources (25% owned)

## Holcim Concrete

### Production and Sales

The Auckland market slowed a little during the year but finished on a very strong note. Demand also picked up in the rest of the North Island but the South Island market flattened.

### Developments

During the year, AML enhanced its North Island supply base by commissioning a new plant in Wellington, and completing upgrades to plants in Palmerston North, Whangarei, Doubtless Bay and Ruakaka. Planning for an upgrade at Holcim Avondale was well advanced and investigation was commenced into a possible upgrade at Pukekohe.

In August, the Avondale concrete plant became the first in New Zealand to achieve ISO 14001 standard rating.

A new concrete batching plant in Suva was officially opened in April. Holcim New Zealand has a 24% share in Fiji Industries Ltd (cement) and a 49% share in Basic Industries (ready-mix concrete, pipes, precast and aggregates).

### Distribution

Because of the escalating transport costs and delays in Auckland, a review of distribution activities was carried out by LSI consultants and their recommendations will be implemented in 2007. One of these was the appointment of a new distribution manager to control customer services and despatch functions in both regions and to bring in the changes to systems and policies recommended in the review. The position will be filled early in 2007.

GPS technology was installed in all

trucks and is being fine-tuned to improve results.

All Auckland and Waikato concrete trucks were fitted with new safety systems on their delivery chutes. This occurred after a world-wide search identified a solution used by a Holcim company in Canada. Hand injuries from the chutes falling down unexpectedly meant an intervention was necessary. The spring-loaded safety system stops the chutes dropping down suddenly and also makes them easier for operators to lift.

### Projects

New Zealand's largest new prison, the Spring Hill Corrections Facility at Hampton Downs, was almost completed during the year. Other large projects supplied during the year included the Arapuni Dam, the Auckland Northern Busway, an apartment tower on the North Shore, and the commencement of an Auckland City Council footpath renewal programme that will replace 600km of the city's footpaths over the next ten years.

### Concrete Masonry

Strong concrete sales in a competitive market during the year were supported by the significant product and service improvement in concrete masonry. A focus on



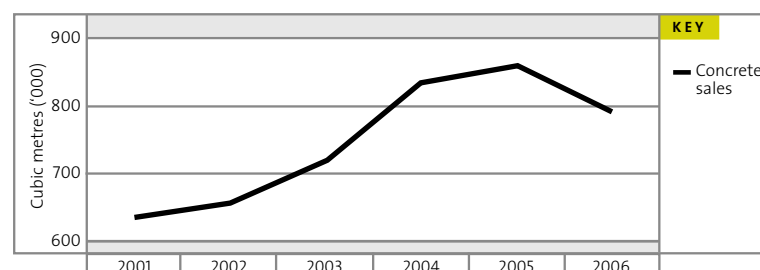
Nick Hirst (Holcim) Ian Finlayson (Stahlton Prestressed Flooring) and Greg Wichman (McConnell Dowell Constructors Ltd) examine the finish on the new busways under construction on Auckland's North Shore. Holcim Concrete & Aggregates supplied the concrete, Stahlton Prestressed Flooring supplied the beams, and this segment of the project at the Wairau interchange has been constructed by McConnell Dowell.

product development has resulted in improvements to colour, shape, texture and buildability. As a result concrete blocks produced were lighter, and more geometrically correct. The improvements have contributed to a substantial increase in sales volume. At the same time, more efficiency and improvements in service delivery meant the division was able to handle a significant increase in volumes without needing extra resources.

### Outlook

Major infrastructure and commercial construction projects in Auckland will continue to drive demand for concrete. The residential market is likely to remain static.

### Holcim Concrete volumes



## Lime

### Production and Sales

Sales of burnt lime at 147,000 tonnes were steady compared to last year, with the plant breakdown of a large customer, Pacific Steel, reducing volumes in the last quarter.

New Zealand Steel volumes increased significantly in the last quarter. Roding lime had another excellent year with sales increasing by 17%, as the cost-effective benefits of this product for use in highway and building subdivision stabilisation continue to be realised. High seasonal demand for roading product stretched production capacity at times.

Agricultural lime sales eased off after three years of growth, reflecting farmers' caution about future farm profitability.

McDonald's Lime major export customer, Lihir gold mine, was back in full production for the year after a three-week shutdown in 2005. McDonald's staff visited Papua New Guinea to review the logistics process and to ensure excellent service is maintained.



### Energy use

Thermal energy comprises about 40% of the cost of producing burnt lime in the kilns, and both McDonald's Lime and Taylor's Lime rely on coal to produce this.

At McDonald's Lime (Otorohanga), outputs suffered due to several unplanned outages, partly attributable to lower quality coal. This affected production costs, and the gas-fired kiln was used to maintain production levels.

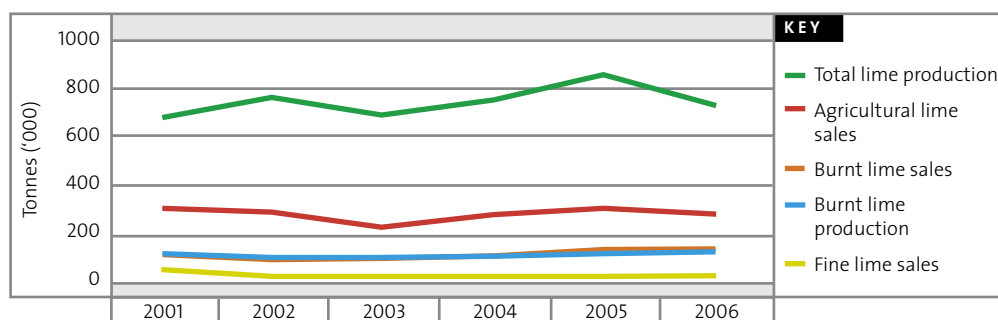
➤ Duncan Clarke, agricultural lime sales representative, McDonald's Lime, discusses on farm Aglime spreading with Shane and Gavin Wealleans.

Taylor's Lime (Dunback) relies long-term on a local, lower-quality coal, but uses the kiln's flue heat to dry the coal to increase its thermal output and reduce production costs.

### Outlook

Lime production is expected to increase in 2007, in line with increased sales volumes.

### Lime volumes







## Social Performance

↑ Holcim-sponsored EnviroSchools Expos help students, including these pupils from Russell (Kororareka) School, learn about living landscapes, healthy water, zero waste, precious energy, and ecological building.

## Safety Initiatives

In its third year Towards Zero Harm continued to integrate an intensive safety focus throughout Holcim New Zealand. 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 and beyond by changing perceptions and behaviours.

Since its introduction, there has been a 50% reduction in the Lost Time Injury (LTI) frequency rate, but the key message for the year was that there was no room for complacency as Holcim New Zealand progresses towards its Zero Harm goal.

The focus for 2006 then was to reinvigorate Towards Zero Harm, to further encourage proactive reporting and investigation of incidents and near hits, and to introduce divisional accountability. In April, the Holcim Safety Council and safety consultants Dupont initiated a review of Towards Zero Harm. A refocus on effective implementation was recognised as a key to maintaining continuous improvement.

A safety leadership initiative in the third quarter saw 25 Holcim staff undergo a four day programme (run over three months) focusing on the people aspects of safety, as well as the systems, legislation, accountability, coaching and processes needed for excellent health and safety management.

### Communicating Towards Zero Harm

Communication and staff training continued to drive safety awareness, reporting and compliance to ensure all staff were thoroughly aware of their responsibilities regarding the safety of themselves and their co-



➔ Preventing falls from tasks carried out at height is a Towards Zero Harm focus area.

workers, and to ensure all hazards and incidents were proactively reported and acted upon.

There has been a significant increase in hazard and incident reporting since the first year of Towards Zero Harm in 2004 and this trend continued to rise during the year.

### Safety Tours and Toolbox Meetings

continue to be the main vehicles for communicating safety issues and suggestions. Company-wide in 2006, some 13,000 safety “conversations” about safe and unsafe behaviours took place during safety tours. Toolbox meetings, where staff gather at the beginning of the day to talk about the tasks ahead, identify any hazards and ensure the right controls are put in place, have also become an accepted part of weekly and monthly site routines.

### Safety Alerts and the Good Ideas

database continue to record potential hazards as well as safety suggestions and communicate these to managers

via automatic email and to staff via the intranet.

**The Dashboard**, which also continues on the Company intranet, is a short summary updated monthly to provide progress reports on Towards Zero Harm targets.

### Incident Investigation and Reporting

procedures were upgraded Company-wide during the year after updated procedures were trialled the previous year. This has encouraged further reporting of situations where the potential for injury or damage has been identified, even if no actual outcome has occurred. By year's end, approximately 600 near hits and potential injury or damage incidents had been reported in this way then subjected to the stringent seven-day Incident Cause Analysis Method (ICAM) to determine the underlying causes and how these might be removed to prevent a recurrence of any further near hits or incidents.



Twenty-two Holcim staff underwent the ICAM training, conducted by a Melbourne company and used across many different industries in Australia. Holcim sponsored the ICAM training in New Zealand, providing both an opportunity for other organisations to attend and to share learning from other industry perspectives.

### New Safety Initiatives

Existing safety initiatives, such as the procedures for lockout and isolation, and confined spaces, have become fully integrated into work practice. These continued throughout 2006, while a number of new initiatives have been in the planning stages ready for introduction in 2007. These include:

**Job Hazard Analysis** – a hazard management process that works through the various tasks involved on each site, identifies the potential hazards and the controls, policies, and training necessary to prevent them occurring. Planning was completed during the year and the process will be introduced in 2007.

**Prevention of Falls** – Research has been conducted into what is best practice internationally in preventing falls from tasks carried out at height.

**Traffic Safety and Signage** – A sub-committee has been studying traffic flows at each site and making recommendations for identifying areas where people could be at risk from moving vehicles, and how best to manage this risk to enable safe walking. Signs alerting pedestrians will be consistent across Holcim, ensuring clarity of message.



→ Principals from firms contracting to Holcim are now required to take part in a Towards Zero Harm site safety induction session. Their employees are given a site-specific safety induction.

**Contractor Induction Training** – During the year, contractors began to receive new intensive site inductions as part of a new safety initiative. The principals and some contractors working for all Holcim's existing and new contracting firms were required to undergo a three-hour contractor safety management induction session. They were provided with information to pass on to their staff before entering Holcim sites. Then, at each site, all contractors and visitors were given a site-specific safety induction, relevant to the purpose of their visit. In total, just under 1000 contractors and site visitors received induction training in 2006.

### Divisional Accountability

To help support Towards Zero Harm initiatives, each division of Holcim is required to introduce its own safety council.

Each divisional safety council takes responsibility for integrating Company safety initiatives into individual projects, while ensuring that safety issues specific to each division are dealt with quickly and appropriately.

Concrete and Aggregates Safety Council, formed in 2005, continued during the year. Other safety councils set up during 2006 were Westport Area (Cement and Buller Port Services), Lime, Cement, and Land Distribution.

By year end, the four operational divisions had each engaged their own safety coach to further support and encourage internal accountability.

# Safety Performance

The overall improvement in the number of Lost Time Injuries in the last four years has levelled out, with a slight increase in the number and frequency rate (per million hours worked) in 2006. However, there was an improvement in the severity rate (days lost per 1000 hours worked) and the mean duration rate (number of hours lost per injury), because most injuries were of a less serious nature.

Most of the injuries occurring at work are still caused by sprains and strains, with half of those related to back injuries, despite all the effort in training and hazard identification in this area. Although this is an industry-wide issue, the Company is determined to continue its efforts in changing behaviours to prevent these injuries occurring.

A number of McDonald's Lime employees attended a Move @ Work programme focussing on changing habits of movement. Employees were taught to assess each task and ensure they were properly balanced before carrying out manual handling. This type of programme will be used throughout Holcim to help prevent sprains and strains.

## Cardinal Rules

All Holcim Group companies will adopt five Health and Safety Cardinal Rules, based on an analysis of accidents that have occurred throughout the Group in recent years. The Cardinal Rules have been developed to improve safety, preserve lives and prevent harm and become effective on 1 January 2007.

Any incident involving one or more of the Cardinal Rules will be investigated and appropriate action will be taken to ensure similar incidents do not recur.

## Health and Safety Cardinal Rules

1. Do not override or interfere with any safety provision, nor allow anyone else to override or interfere with them regardless of their relative seniority to yourself.
2. Personal Protective Equipment (PPE) rules, applicable to a given task, must be adhered to at all times.
3. Isolation and Lock-Out Procedures must always be followed.
4. No person may work if under the influence of alcohol or drugs.
5. All injuries and incidents must be reported.

## ACC Partnership Programme

During the year, Holcim achieved tertiary status, the highest level awarded in the ACC Partnership Programme. This recognises the company's robust health and safety management systems.

Holcim has been a fully self managing member of the ACC Partnership Programme since 2000, taking on ACC's usual role of administering, remunerating and rehabilitating employees who were injured at work. Tertiary status will mean significant savings through a levy rebate that acknowledges the Company takes responsibility for managing injury rehabilitation.

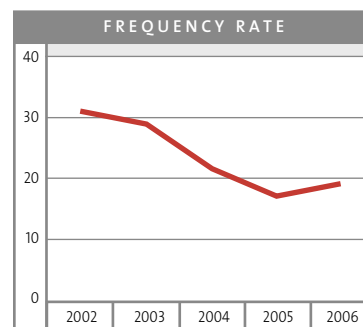
Routine ACC Audits are carried out at representative sites each year. In 2006 audits carried out at McDonald's Lime, Otorohanga Concrete Plant and Horotiu Masonry Plant, contributed to the awarding of ACC Partnership tertiary status.



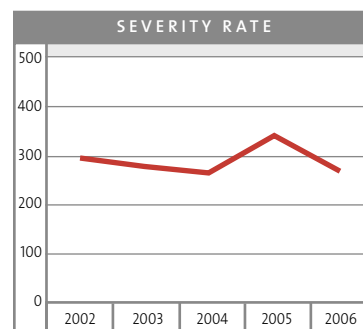
Wearing correct personal protective equipment (PPE) for the task is one of the Health and Safety Cardinal Rules being put in place at all Holcim Group companies worldwide.



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 million hours worked.

# Employee Initiatives

Holcim maintains a strong commitment to developing its employees at all levels. Staff training, particularly in safety issues, received a continued emphasis during the year.

## Learning and Development

An extensive review of learning and development systems and processes was conducted during 2005. Recommendations submitted to the executive in early 2006 were endorsed and a specialist training and development contractor was engaged to assist with implementation of some of the first initiatives.

Recommendations were wide-ranging and included a review of the induction programme, development of a database to improve the capture of training information, optimising links with ITO's, regular review of training providers, and the development of a framework which captures core skills and competencies required for roles within the company. Implementation of the initiatives will continue throughout 2007 and 2008.


## Staff retention and demographics

In the current tight job market, Holcim New Zealand experienced a higher turnover than in the past, across all areas of operations. Concrete and Aggregates experienced the highest turnover, although it stabilised towards the end of the year.

## Health and Wellness

Supporting the health and wellbeing of the workforce is an important part of achieving the goal of zero harm. As the result of a decision in 2005 to extend the scope of health services and education for staff, Holcim



 Peter Rolls (McDonald's Lime) took the opportunity to have a company funded annual health and wellness check, here provided by Sue Russell of Life Care Consultants.

GENDER			
ALL EMPLOYEES			
	2004	2005	2006
Female	10.3%	13%	12%
Male	89.7%	87%	88%
MANAGEMENT POSITIONS			
Female	13.5%	14%	12%
Male	86.5%	86%	88%

TURNOVER				
	2003	2004	2005	2006
Resignations	46	64	65	65
Retirements	4	6	7	5
Death in service	2	0	0	2
Redundancies	24	3	9	7
Dismissals	12	4	4	6
Average number of staff	518	525	539	523
Voluntary turnover	10.0%	13.3%	13.7%	13.7%
Total turnover	16.9%	14.7%	15.7%	16.2%

AGE OF EMPLOYEES					
Age band	2003	2004	*	2005	2006
15 – 39 years	29.9%	30.1%	15 – 29 years	8.9%	9%
40 – 59 years	59.5%	58%	30 – 49 years	49.4%	49%
60 years plus	9.8%	11%	50 – 60 years	28.4%	28%
			60 years plus	11.9%	13%
Age unknown	0.8%	0.9%		1.4%	1%

\* 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.

tendered the contract for extended health services and subsequently appointed Life Care Consultants to develop the Company's health and wellness programme.

Additional efforts were made to stimulate staff to take advantage of the free annual health and wellness checks provided by the Company. 113 employees used the service at a cost of \$14,000 in the first six months of Life Care's contract, from June to November inclusive. A new focus during the year was on checking blood sugar and cholesterol levels to aid early detection of diabetes or heart problems.

14 employees used the Employee Assistance Programme (EAP) to access free confidential counselling for help with work-related or personal issues. Of these, 11 were self referred and three were referred by their supervisor.

#### **Superannuation**

After a two year review of the superannuation scheme, Holcim New Zealand decided to introduce a new plan, specifically tailored for the Company within the ASB Superannuation Master Trust.

The new plan is similar to the existing scheme, but offers additional benefits including greater flexibility, portability and some access to funds. No change has been made to the current scheme, however it is now closed to new members. Current scheme members were offered the opportunity to transfer to the new plan if they so chose.

There is no change to the Holcim (New Zealand) Limited Superannuation Fund which closed to new members in 2001, nor to the separate arrangements for shipping staff.

#### **Payroll System Upgraded**

The completion of the SAP payroll implementation project occurred during June, when the final two payrolls joined the new streamlined SAP payroll system. Access to payroll-related information has improved with designated timesheet administrators and managers now entering timesheet data directly into SAP. They are also able to check leave balances and undertake basic reporting for their direct reports.

#### **Harmony Project**

The Holcim Group Harmony Project is aimed at standardising how human resource information is recorded across all group companies throughout the world within SAP. Phase 1 of this project is complete at Holcim New Zealand and Harmony Phase 2, which incorporates training and personnel development, is planned for implementation during 2007.

#### **Brand Compliance**

In an increasingly competitive world, where brand perception counts significantly towards market success, the quality of the Holcim New Zealand brand will take on even more importance.

Since adopting the Holcim brand in 2002 considerable effort has gone into consistent branding of

everything from silos and cement trucks to safety helmets and brochures.

The brand compliance audit, initiated Company-wide in 2005, focused on these visual aspects of the brand. It continued during the year and identified areas for improvement.

All individual employees have been encouraged to take responsibility for creating a positive brand image through individual performance on and off the job.

#### **Key Leadership Competencies**

During the year, Holcim Ltd introduced a leadership competency model based on four dimensions:

- Think the Business
- Deliver Results
- Energise People
- Act as a Role Model.

Holcim New Zealand has adopted the model and will be integrating the competencies into systems and processes in 2007. This new model is aimed at promoting balanced leadership and highlights the skills and behaviours required to successfully meet our future challenges.

#### **Project Contributions**

Throughout the year Holcim New Zealand staff contributed to a number of Holcim Ltd initiatives. The Company also provided opportunities for staff from both Holcim Ltd and Group companies to gain learning opportunities at Holcim New Zealand.



# Community Initiatives

Holcim recognises the importance of its local communities and its role in industry. As part of this recognition Holcim undertakes a number of sponsorships and donations.

Some of the sponsorships reflect the Company's values in sustainable development (Enviroschools), technical expertise (the University of Canterbury School of Engineering) and its role within the industry (conferences and building awards). Others support the local communities in which the Company operates.

Environmental education continues to be a significant priority for Holcim after 13 years of partnership with Tanya Jenkins and her environmental education roadshow, which visits primary schools and promotes the protection of New Zealand's most endangered and treasured species.

In 2006 Holcim New Zealand also continued funding for Enviroschools Expos, bringing staff and students together to a central location for hands-on activities learning about living landscapes, healthy water, zero waste, precious energy and ecological building.

In addition to a number of donations to national charities during the year, the Company sponsored Wellington Architecture Week, the New Zealand Concrete Industry Conference, and a teaching and research position at the University of Canterbury School of Engineering. Adjunct Professor Des Bull, who holds the position, is working with the building industry on concrete construction technologies.



The annual Westport Works tertiary study award, of \$2000 a year for each year of tertiary study, was awarded to Buller High School dux Steven Basher. Steven, who was also 2006 captain of the 1st XI Cricket and Soccer, will start second-year mathematics at Canterbury University after achieving an A+ for Stage I. Work at Westport in January/February 2007 forms part of his scholarship entitlement.

A commitment has been made for an engineering graduate to commence a Westport Works cadetship at the beginning of 2008. The first cadetship has been awarded to Hayen Leach, who has worked at Westport on a range of jobs including re-bricking the interior of the cement kilns. All of these projects will count towards the work experience required for his degree. In addition to holiday work, the cadetship assists with his tuition fees and offers a position after graduation.

Support initiated in 2005 to a University of Canterbury student

Westport Works Manager Chris Dempsey and Buller Mayor Martin Sawyers opened the Used Oil Collection Facility, a partnership project between Holcim New Zealand and Buller District Council. The facility allows local residents to drop off used oil from vehicle oil changes and other domestic uses, and the oil will become part of the Used Oil Collection Programme providing used oil as an alternative fuel for the cement kilns.

research project identifying little blue penguin colonies on the West Coast was continued in 2006. Penguin colonies have now been mapped along the West Coast between the Heaphy and Cascade Rivers, with one more breeding season to be studied in 2007. The project also involves advocacy work to help save the habitat of the little blue penguin from coastal development.

Other major sponsorships funded by Westport Works included the Buller Marathon, Buller Community Services, Buller Country Music Club, Buller High School, the Reefton Roller Park, and Sport Buller.



➔ *As part of ensuring visitor safety, personal protective equipment (PPE) was provided to all who attended the Oparure Quarry open day, which celebrated the quarry's 25th year of operation.*

St John West Coast has continued to receive support from Holcim in funding a first aid training vehicle, which travels 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.

In recognition of the role the Lyttelton cement depot has played in its local community for the past 15 years, Holcim New Zealand has taken up a two-year sponsorship of the Lyttelton Rugby Club. Club management and coaches report that they are more than satisfied with the club's 2006 results.

Holcim Concrete sponsorships in 2006 included once again the Association of Consulting Engineers New Zealand (ACENZ) Conference and its keynote speaker Wayne Pethrick (Futures-Lab) who spoke on the industry outlook; and a category prize in the New Zealand Institute of Building (NZIOB) annual awards for excellence, acknowledging an outstanding large concrete construction project.

McDonald's Lime initiated its first year sponsorship of a trade training scholarship administered by the Otorohanga District Development Board. Students from the trade training school are often given work experience at the plant.

For the second year running, McDonald's Lime has continued to



sponsor the rehabilitation of the Spirit Cave, which is part of the heritage Waitomo caves region just under a kilometre away from the quarry. The cave was opened to the public in 2005 after the Company worked with a local commercial operator to clean up the cave and lay walkways. During 2006, quarry staff worked with the cave operator on a plan to rid the area around the cave of pests such as possums, rats and stoats that are killing native flora and birdlife. The eradication programme, which included a perimeter fence, is due to start in early 2007 and will be monitored for nine months to gauge its effectiveness.

#### Open Days

As part of the Company's involvement in its local communities, four sites held open days during the year, inviting local customers, suppliers, neighbours and business partners to gain a greater understanding of operations on site.

The Westport Works open day at its quarry and plant was the first since its establishment in 1958. Buses brought visitors from Westport and

the focus was to ensure visitors could get close enough to experience the excitement of the operating plant while being completely safe.

More than 100 people attended the Taylor's Lime open day in February, which included the opportunity to see and hear a blast using two tonnes of explosives to move more than 10,000 tonnes of rock and dirt. Former All Black coach Alex (Grizz) Wylie was the guest speaker at Taylor's as well as at the Oparure Quarry open day organised by McDonald's Lime, which attracted 130 visitors. Four buses took guests on a tour of Oparure Quarry, which also included a blasting demonstration. Peter Muggeridge, quarry manager in the early 1980s, who initiated the first blast in 1980, was given the honour of lighting the fuse at the open day, to acknowledge the quarry's 25th year of operation.

A new crushing plant was pressed into action by Holcim New Zealand Chairman John Lindsay at the Hastings Quarry open day. As with the other open days, there was a strong emphasis on safety for the 80 guests attending.



## Environmental Performance

↑ Lab technician Neil Hateley tests the quality of the constructed wetland at the Westport Works. The pH is tested regularly as part of the Works Environmental Monitoring Programme, and to assess the effectiveness of the wetland in reducing the pH of the water.



# Environmental Management



This year saw the realisation of an important goal – achieving Company-wide ISO 14001 certification. ISO 14001 is the international standard specifying the requirements for an effective environmental management system. Compliance with ISO 14001 is audited and certified annually by an external authority.

➔ At all Holcim New Zealand concrete plants water from vehicle washing is captured for recycling / reuse. Monitoring this water quality is a requirement of our ISO 14001 accreditation.

## Environmental Management System

Holcim New Zealand's decision to gain the important ISO 14001 certification began a couple of years ago, as an important step in implementing the Company's Environmental Policy Statement: "To provide positive contributions to our business and community by continuously improving our environmental performance".

An eight-person team headed by former Environmental Coach Robyn Flynn took responsibility for guiding the project. Westport Works cement plant led the way by gaining ISO 14001 at the end of 2004 and the team then worked on the formidable task of having ISO 14001 in place at all other sites and plants by the end of 2006.

At Holcim New Zealand, ISO 14001 is partnered with another important environmental programme.

Holcim Ltd developed a mandatory, transparent and job-related environmental performance reporting system called Plant Environmental Profile, or PEP. Essentially, PEP measures key areas of a site or plant's environmental performance, and uses a points system to arrive at an overall Environmental Performance Indicator (EPI). PEP is much tougher than complying with the terms of a resource consent (although such compliance is part of the scoring system).

The partnership of ISO 14001 and PEP ensures that our environmental performance improves, and continues as the way of doing business at all Holcim New Zealand sites and plants.

# Environmental Performance

Four examples of environmental initiatives undertaken at Holcim sites during 2006 are:


## Bombay Quarry – Noise Reduction

Bombay Quarry, just south of Auckland is one of the region's most important sources of aggregate. A crushing plant on site produces aggregate in various grades. The plant operates well within the noise limits specified in the quarry's resource consents, and communicates regularly with neighbours attending Community Liaison Group meetings to maintain good community relations. One initiative agreed with this group was to work on achieving further low-frequency noise reduction. Quarry Manager James Boyce looked for noise absorption options suitable for use on the crusher. Because the crusher jaws required access for regular maintenance, any solution needed to allow for this. Building a wall around the crusher in the quarry was not practicable, and would also be visually unappealing to neighbours. The solution appeared to be some kind of reasonably portable sound-absorbing material, and after considerable research, two suitable products were found and tested. They were panels of auto-claved aerated concrete, and cement-wood fibre, and both could be easily removed for crusher maintenance. The total cost of installation was less than \$100,000 and the solution is now being considered for use in other Holcim New Zealand locations.



## Westport Works – Energy Audit

Keeping Westport Works operating takes a lot of energy – about \$10.9 million worth annually. This includes electricity, coal, the Alternative Fuels and Raw Materials (AFR) programme's used oil, and transporting cement from the Port of Westport. Westport Works has had an energy use reduction project in place for some time, but Works Manager Chris Dempsey thought it prudent to commission a comprehensive Energy Audit to ensure that all energy conservation options were being considered. The audit was conducted by Enercon of Christchurch which has experience of large plants like Westport Works. Holcim New Zealand also wanted to know the expected economic payback time for any specific energy-saving solutions – although saving energy was important, so was keeping

 **Bombay Quarry Operations Manager**  
James Boyce shows a member of the Quarry's Community Liaison Committee the sound absorbing panels fitted to the crusher.

the Works economically viable. In common with many similar-sized industrial operations, the Energy Audit discovered immediate changes to energy use costing little that could have a payback period of twelve months or less. These included reducing the amount of water content in slurry and reducing clinker wastage in the coolers and transport system. The audit also revealed another set of changes that could have a payback period of between one and three years. Together these could reduce the Works' energy bill by a sizeable 7%.

#### **Holcim Concrete Products Horotiu – Waste Reduction**

Ensuring that all concrete blocks meet or exceed building standards almost inevitably means wastage in the manufacturing process. Until Horotiu started a project to reduce waste, and recycle block waste, it had to be collected and disposed of away from the site at considerable cost.

Towards the end of 2004 however, Horotiu started a quality programme aimed at reducing the amount of waste needing disposal. In that year over 7% of production went to waste, but Horotiu set a target of reducing this by 50% for 2005, which was achieved.

Then, in 2006 they achieved a further 10% reduction to just 2.1% of production. Production waste is now taken by Waikato Concrete Crushing Ltd for recycling into a 10mm base course for construction products.

This project has resulted in both environmental and economic benefits. There is an increase in production; and reductions in waste, raw material use and cost, and waste disposal costs. There is now also more manufacturing time as the plant is not remanufacturing block products. In fact the reduction in waste has given the plant an increase equivalent to a month's manufacturing time.

#### **Dunedin Cement Depot - Recycling**

"Coals to Newcastle" is a familiar enough term for selling product to where it's traditionally made – but Holcim Cement's Dunedin Depot is pioneering "Polypropylene to China". Imports of bulk cement are now an important part of the country's cement supply, but their regular arrival at Dunedin and Lyttelton resulted in a bit of a recycling headache – what to do with the large polypropylene bags the bulk cement comes in. A major issue was the bulkiness of the bulk bags – any solution was going to involve somehow compressing them into manageable bales. Thinking of bales, Dunedin Cement Depot hit on the idea of a wool press, so one was located, refurbished and put into service. Business Development Manager Richard Stock then worked on finding a market for the bales. To everyone's surprise, the market turned out to be China – and not only that, the buyer was willing to pay for the polypropylene for recycling. The bales are compressed and loaded into a container. When it's full (about 15 tonnes worth) the container is shipped with its load to China – a "diversion from landfill" that happens about every three months. These bales are reprocessed in China and made into other products.



### Alternative Fuels and Raw Materials

2006 marks the tenth anniversary of Holcim New Zealand's Alternative Fuels and Raw Materials (AFR) Programme at Westport Works.

Perhaps the most visible and immediate benefits of the AFR Programme have been in lessening demand for non-renewable fuels and resources at Holcim New Zealand. Up to 20% of the total thermal energy requirement at the Westport Works has now been routinely replaced by used oil – making possible a very significant reduction in non-renewable coal consumption. In more recent times, Holcim New Zealand has employed iron oxide AFR to measurably improve the efficiency with which we extract raw materials from our Westport quarry, to provide an improvement in our energy consumption, and to reduce CO<sub>2</sub> emissions from our kilns.

An important point about the use of AFRs at Westport Works is that any emissions resulting from their use must be within those specified in the plant's existing resource consents.

Used oil, the principal AFR used at Westport Works, is provided through the Government-approved Used Oil Recovery Programme. This scheme involves a high level of co-operation among used oil producers, oil companies and Holcim New Zealand, with the used oil being transported securely to Westport Works, mainly by sea. During the year, approximately 13,300 tonnes of used oil was consumed in the kilns, just short of last year's record of 13,500 tonnes. The Company is still concerned about



➔ Used oil, shown being unloaded at Westport, is collected from throughout New Zealand through the Government-approved Used Oil Programme, and provides an alternative fuel for the cement kilns at Westport Works, thus reducing the need for non-renewable fossil fuels such as coal.

indications that significant quantities of used oil from outside the Used Oil Recovery Programme are finding their way to users who burn it at low temperatures for heating. This is an environmentally hazardous practice, and very much contrasts with the environmental security offered by the Government-approved Used Oil Recovery Programme.

### Climate Change

Although sometimes not fully realised, cement is a vital component of peoples' lives because it enables the building of hospitals, homes, offices, bridges and a host of other structures. Manufacturing cement produces greenhouse gases (GHG) – almost exclusively carbon dioxide – and Holcim Ltd and Holcim New

Zealand have devoted considerable effort over the past decade in a successful bid to reduce GHG output in the manufacturing process.

Nationally, New Zealand's Climate Change Policy over the past two years has been accompanied by a great deal of uncertainty. Such policy uncertainty affects the company's ability to plan for the future. To help eliminate this, and as part of a broader suite of solutions, Holcim New Zealand is advocating that New Zealand should establish an emissions trading scheme, with appropriate international linkages and safeguards. Consequently, during the year Holcim New Zealand sponsored a visit by Holcim Ltd Vice President of Environmental Strategy, Bruno Vanderborght, who met with the Minister Responsible for Climate Change, ministerial officials, and representatives of energy intensive industry to discuss and explain Holcim Ltd experiences in the European Union Emissions Trading Scheme (EU ETS). This visit enhanced the standing of Holcim New Zealand as a credible voice in the industrial sector.

In the meantime, in line with the Holcim Group target, GHG reduction strategies at Westport Works are continuing to focus on reducing carbon dioxide emissions per tonne of cement, and the company has recently introduced a new capital expenditure review process that evaluates carbon emissions as part of the decision-making process for purchasing and investment.

#### Westport Works air emission profile 2006

##### Average specific concentrations for the three kilns

	2004	2005	2006
Nitrogen oxide	3200	1800	1970
Sulphur dioxide	2900	3000	3490
Dust	200	70	110
Volatile Organic Compounds	27	32	13
Mercury	0.007	0.009	0.007
(g/tonne cementitious material)			
Dioxins/Furans	0.0043	0.024	0.022
(micrograms TEQ/tonne cementitious material)			

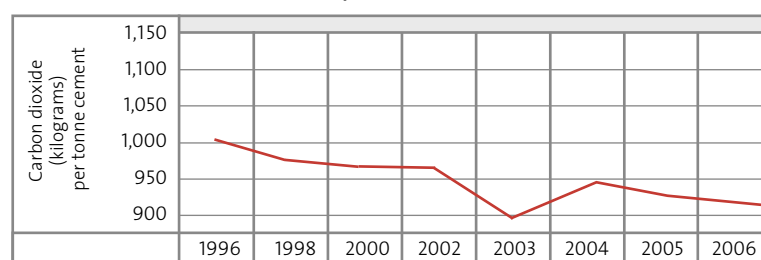
*The emissions reporting format used in the 2006 Annual Review has been changed from previous issues to be consistent with that adopted by our parent company, Holcim Ltd, in its Corporate Sustainable Development Report 2005.*

*Year by year changes in stack emission figures can reflect variations in the fuel (eg. coal) and, to a lesser degree, operational aspects such as the number and duration of kiln shuts. Figures reported are readings at stack level, rather than ambient air readings.*

##### Notes:

- Data presented in this table are estimates based on continuous monitoring results and annual independent monitoring from cement kiln stacks, and does not include other point sources or fugitive emissions which are difficult to estimate.
- Some historical data has been adjusted due to corrected measurements and corresponding recalculations.
- TEQ: Toxic equivalent – a sum parameter accounting for the relative toxicity of the individual dioxin and furan compounds. In cases where the measurements were below detection limit, 50% of the detection limit was set as the default value.

#### Carbon dioxide emissions at Westport Works



*A commitment by Holcim New Zealand to lowering its CO<sub>2</sub> emissions contributes to achieving a target set by Holcim Ltd to reduce its global average net specific CO<sub>2</sub> emissions by 20% by 2010, with 1990 as the base year. Holcim Ltd is on target to achieve this goal.*

# Directory

## Board of Directors



➔ **John Lindsay \***  
CHAIRMAN  
NON EXECUTIVE DIRECTOR  
*Auckland*



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



➔ **Murray Valentine \***  
NON EXECUTIVE DIRECTOR  
*Dunedin*



➔ **Daniel Bach**  
DIRECTOR  
Holcim Ltd  
*Zurich, Switzerland*



➔ **Rex Williams**  
MANAGING DIRECTOR  
*Christchurch*

\* Members of the Board Audit  
& Compliance Committee

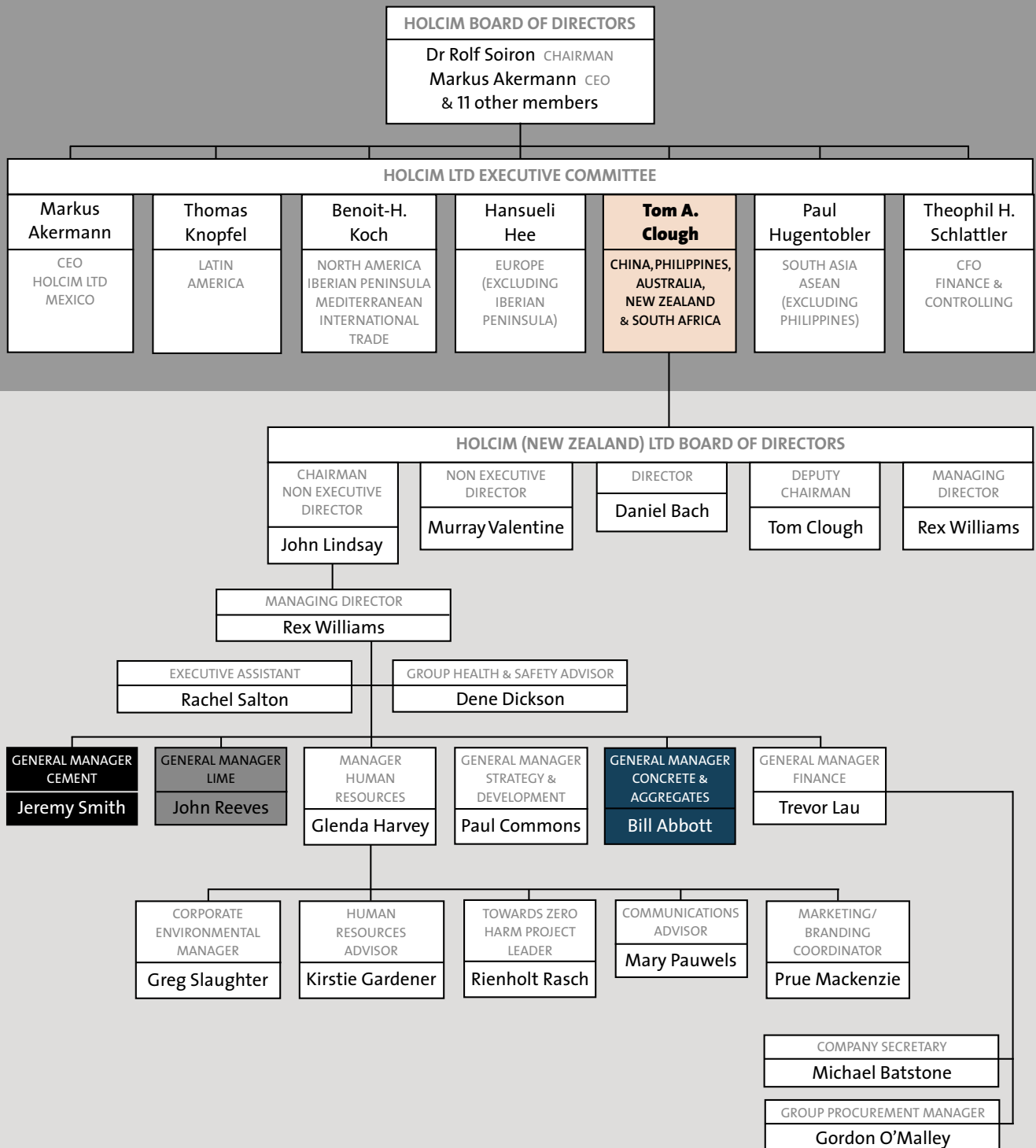
## Holcim New Zealand Executive Team

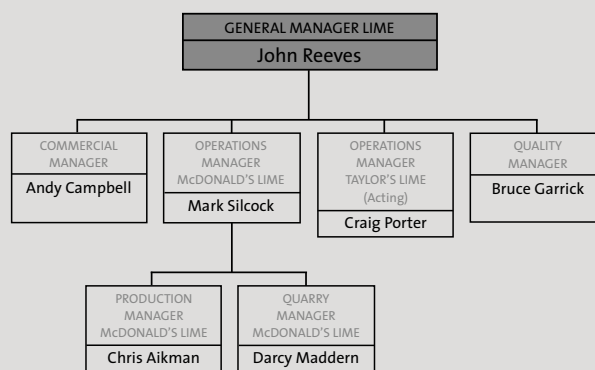
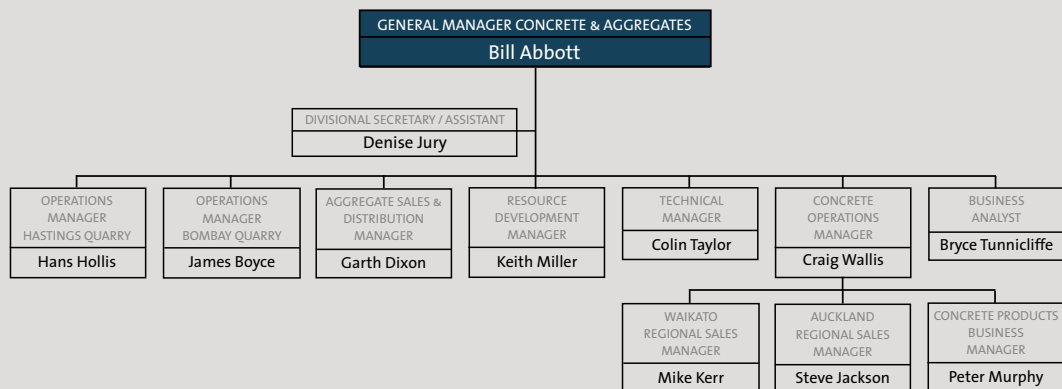
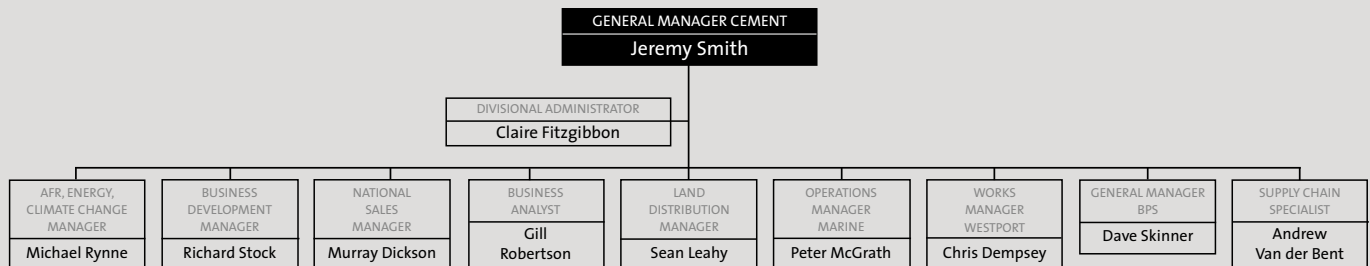


- Back row - left to right:** **John Reeves** GENERAL MANAGER - *Lime*  
**Bill Abbott** GENERAL MANAGER - *Concrete and Aggregates*
- Centre row - left to right:** **Michael Batstone** COMPANY SECRETARY  
**Jeremy Smith** GENERAL MANAGER - *Cement*  
**Trevor Lau** GENERAL MANAGER - *Finance*
- Front row - left to right:** **Glenda Harvey** MANAGER - *Human Resources*  
**Rex Williams** MANAGING DIRECTOR
- Absent - inset:** **Paul Commons** GENERAL MANAGER - *Strategy and Development*

As at December 2006

# Company Structure





As at December 2006



# Directory

## Operating Subsidiaries - Directors

### AML LIMITED

Rex Williams

Paul Commons

Scott O'Donnell

Jocelyn O'Donnell

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

### BULLER PORT SERVICES LIMITED

Rex Williams

Jeremy Smith

Andrew Van der Bent

*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

Ron Gillespie

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

Citibank N.A

Westpac Banking Corporation

### REGISTERED OFFICE

1/1 Show Place, Addington

PO Box 6040, Christchurch

New Zealand

Tel + 64 3 339 7500

Fax + 64 3 339 7499

communication-nz@holcim.com

www.holcim.com/nz



