

Continued focus on standardised operational performance has resulted in sustained reliability of production of lime, clinker and cement at all plants. In particular, significant progress was made on cement milling capability and ship loading at Birkenhead. Efforts will be concentrated on ensuring ongoing reliability, while at the same time working towards reducing production costs.

Review of operations



Results summary

12 months ended 31 December

	2002 \$ million	2001 \$ million	% change
Operating revenue - sale of goods	447.6	341.5	31.1
Operating revenue - services	29.5	34.7	(15.0)
Operating revenue	477.1	376.2	26.8
Revenue arising from swap arrangements ¹	9.7	11.6	(16.4)
Other revenue	2.6	5.4	(51.9)
Sales revenue	489.4	393.2	24.5

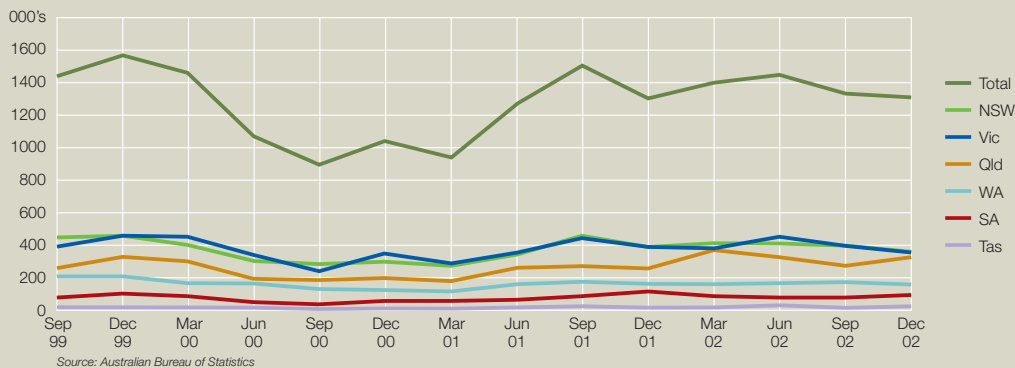
¹ Relates to production swaps. The real underlying transaction is included in sale of goods.

Construction and mining materials

Our cost reduction strategy is methodical and is well embedded in the organisation. A three-year program of continuous improvement is underway. Major elements of the program are use of alternative fuels, increased labour efficiencies, transport and procurement savings.

During 2002, as part of this program, we delivered cost reductions of around \$3 million. Major items included successful renegotiation of power costs for the Dongara and Munster operations in Western Australia, procurement savings, use of alternative raw materials, and workplace reforms at Birkenhead.

Dwelling units approved - seasonally adjusted



From far left:

Cockburn Cement bulk cement delivery

Sunstate Cement General Slag Blended cement was used in the construction of the elevated Airtrain City Link between Brisbane airport and Brisbane City

Concrete tilt up panels demonstrate the versatility of cement use for modern housing

Type LH cement from Cockburn Cement used in gravity anchors for the Woodside Energy Trunkline System Expansion Program at Burrup Peninsula in north west Western Australia

Additionally, a water injection process incorporated in kilns 5 and 6 has reduced stack emissions by 47% and 75% respectively.

Improvements in waste management at the Munster plant have resulted in a process to return kiln dust, a waste from the clinker manufacturing process, back into the manufacturing process. Fifty percent of the kiln 6 dust, which previously went to landfill, is returned to the manufacturing process.

Renegotiation of the power supply contract for the Munster and Dongara plants is expected to deliver significant savings.

Northern Cement and Lime: Progressive improvements in performance have resulted from the implementation of the standardisation of process management of cement and lime production operations.

Hy-Tec: Commissioning of a concrete batching plant located at Mascot was completed late in 2002. The Mascot facility incorporates leading edge technology

with its production processes designed to minimise waste and protect the local environment and community.

An additional plant to supply the Melbourne CBD is due to be commissioned in 2003.

Industrial action was taken at Birkenhead during the year, as a result of on-going negotiations over a new Enterprise Bargaining Agreement (EBA). During this industrial action, supply was maintained to all customers and essential maintenance work was carried out. Following the action, staff returned to work and a new EBA was certified for Birkenhead, which allows the necessary flexibility to achieve essential reforms.

We experienced some disruption due to gas outages in South Australia. We anticipate that the new pipeline being constructed between Victoria and South Australia will eliminate this problem by the end of 2003.

In July 2002 the Minister for Environment in Western Australia gave approval for the Munster operation's plan for long-term dredging of shellsand from Owen Anchorage. This provides on-going access to this key raw material for the production of cement and lime, well beyond the term of the current State Government Agreement Act.

Operational performance/highlights

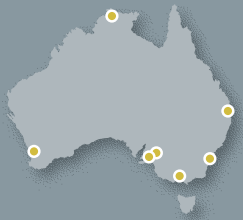
Angaston: Improved kiln reliability and environmental performance has been achieved following installation of a baghouse filter on kiln 3.

Birkenhead: Significantly increased packing capacity of grey cement powders and the added flexibility of handling different sizes and shapes of bags has been achieved following the installation of a new palletiser.

Efficiencies in the manufacture of the specially engineered Drypak range of products were achieved from the installation of a robotic packer. Added flexibility to handle a variety of bag designs has enabled closer matching of customer design requirements.

Munster/Dongara: Significant improvements in environmental performance at the Munster plant have resulted from capital projects to reduce particulates and fugitive dust impacts on the surrounding community.

Right: Blended cement from the Birkenhead operation in South Australia used in the construction of the high rise residential complex at the Docklands in Melbourne in Melbourne



Cement, clinker, slag and flyash

- Adelaide Brighton Cement
- Cockburn Cement
- Morgan Cement
- Northern Cement
- Swan Cement
- Independent Cement & Lime (50% owned)
- Sunstate Cement (50% owned)



Lime

- Adelaide Brighton Cement
- Cockburn Cement
- Northern Cement
- Independent Cement & Lime (50% owned)



Ready mixed concrete

- Hy-Tec Concrete



Pavement Technology

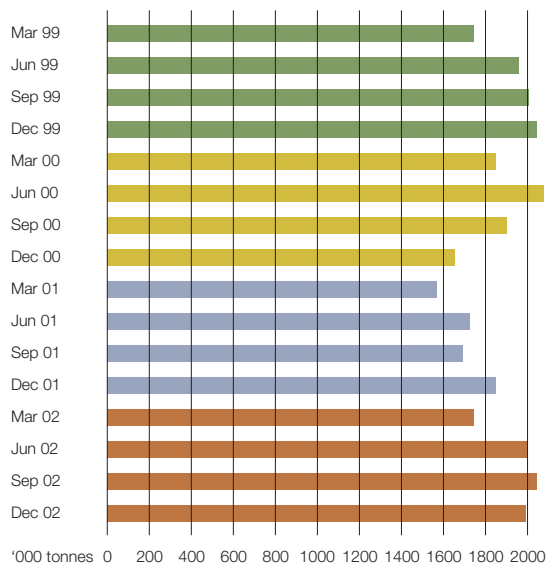
Other operations

Pavement Technology

Pavement Technology is a specialist provider of construction, maintenance and rehabilitation services to the road pavement industry, with operations in Victoria, South Australia, Northern Territory and Western Australia. Despite the decline in activity following changes in governments in South Australia and Northern Territory, the Pavement Technology business remained profitable and cash positive on a stand-alone basis.

Activity is expected to recover as a result of the forecast increase in infrastructure spending. As a valuable customer for the cement and lime operations, it contributes to our vertical integration model.

Portland Cement production



Source: Australian Bureau of Statistics