

Cleanaway

Despite flat operating conditions in its key European markets, Cleanaway continued to perform steadily and generated strong cash flow during the year. Revenue growth was 3% on the previous year. In a year when no major acquisitions were undertaken, this was achieved through a focus on organic growth, particularly in the municipal segments in the United Kingdom and Australia.

A strategic priority for Cleanaway during the year was to improve customer service and productivity through streamlining its operations. The Clean Run program was introduced as a global initiative that focuses on enhancing customer service and productivity in all Cleanaway locations.

Reflecting the importance for Cleanaway of a strong environmental record and recognising its duty of care to its customers and to the public to manage waste safely, Cleanaway will launch its Global Environmental Report in October 2003. This builds on the work already undertaken in Cleanaway UK, where a comprehensive environmental report was published in 2002.

United Kingdom

The United Kingdom, where Cleanaway sourced 46% of its revenue in 2002/03, remains an attractive growth market. This growth will be supported by the full impact of the Waste Strategy 2000, which sets recovery and recycling targets, and the legislative framework to meet European Community directives regarding the treatment and reduction of wastes going to landfill.

The UK Dry Waste division performed robustly, demonstrating the merits of Cleanaway's focus on the collection and recycling segments. A greater share of the outsourced municipal waste collection

market was achieved during the year, with new municipal tenders won including Thurrock, Medway, Croydon and Tower Hamlets and the extension of the Lambeth contracts. In a very competitive market, Cleanaway UK won 40% of all tenders it submitted, bringing the total UK municipal order book to around £750 million.

New business was also won in grounds maintenance, including the Newham and prestigious Hyde Park contracts, along with major contract renewals such as Richmond and Liverpool.

Rostock, Germany





A\$ millions	Year ended 30 June 2003	Year ended 30 June 2002	Change %
Sales	2,618	2,533	3
Comparable operating profit ¹	260	267	(3)

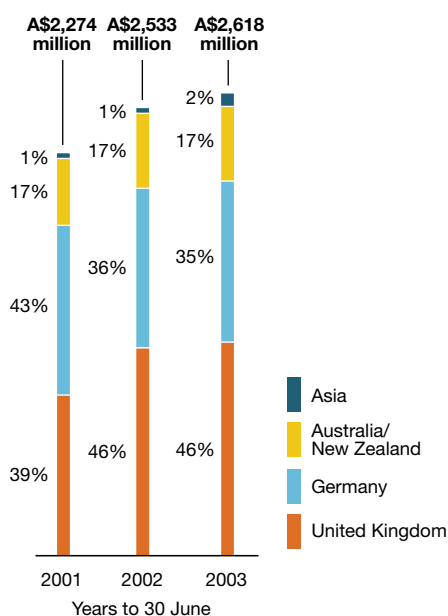
¹ Comparable operating profit is defined on page 81.

The advanced-technology Materials Recycling Facility at Rainham in Essex was commissioned during the last financial year and its performance this year has exceeded expectations. It is now operating at close to full capacity. There is an increasing requirement in the UK market for further development of this kind of recycling infrastructure. In July 2003, Cleanaway also announced a joint venture with Greenwich Council for the development and operation of a Materials Recycling Facility. It is expected to commence operating in mid-2004.

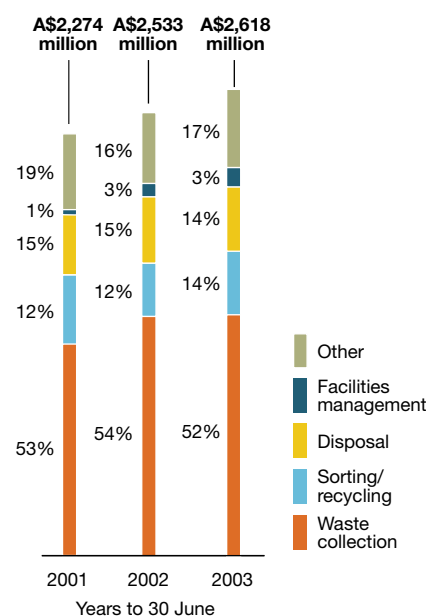
The overall performance of Cleanaway UK was constrained by pressure in the technical waste segment, which has been impacted adversely by the introduction of the Landfill Directive in July 2002, and margin pressure in the Building Repairs and Maintenance business, which was sold in March.

Overall in the UK, growth will be underpinned by environmental and political trends, particularly as the UK lags behind much of Western Europe in providing alternatives to landfill.

Revenue segmentation by region



Revenue segmentation by service



London, United Kingdom



Hamburg, Germany



“Cleanaway applies its valuable international expertise to develop solutions for the local requirements of our customers in the collection, recycling and treatment of waste, while helping our customers comply with the environmental and waste legislation which is now a feature of this industry.”

Gerben Westra
Chief Executive Officer, Cleanaway

Germany

In its second largest market, Cleanaway was one of the best performers in its sector. Revenue was sustained at the previous year's levels, despite weak economic conditions and the introduction of a new deposit scheme for drinks containers.

The introduction in January 2003 of a single-use drinks packaging deposit scheme resulted in reduced waste flows into the national packaging recycling system, Duales System Deutschland (DSD). Cleanaway, which is a major supplier to DSD, was impacted by this overall reduction in volume.

During the year, DSD undertook a re-tendering of all contracts with its waste management suppliers. While Cleanaway expects to continue to be a major supplier to DSD, some profit contraction has been factored into the new contracts, which will commence in January 2004. Business streamlining, including the consolidation of facilities, will help to mitigate part of the impact of the expected margin reductions.

The impact of fluctuating recovered paper prices over the year was slightly positive for Cleanaway. Recovered paper is a commodity that mainly arises through separate collection from households, commercial and industrial sources, and from sorting of co-mingled recyclables.

During the year, Cleanaway Germany acquired the majority of its PET recycling plant in Zurich, Switzerland. The Cleanaway PET operations in both Zurich and Rostock focus on bottle-to-bottle PET recycling and further expansion of this fast-growing business segment is envisaged.

Last year, Cleanaway Germany undertook the development of a landfill site in Tallin, the capital of Estonia. The construction of the facility has now been completed and the official opening took place in June 2003.

Cleanaway remains one of the most profitable waste management operators in Germany and, looking forward, its approach in this market is to provide high quality local service and to achieve further economies of scale in regional recycling and processing plants.

Asia-Pacific

Cleanaway also operates in Australia, where it is the market leader, and in Asia and New Zealand.

In a highly competitive market, Cleanaway Australia performed particularly well.

With the addition of its 18 new municipal contract wins and contract extensions achieved during the year, the total value of its Australian municipal contracts now stands at more than A\$530 million.

Initiatives to develop new market segments have included the successful launch during the year of the 'bio-insert' bin, a breakthrough in kerbside green waste collection technology, which is exclusive to Cleanaway. The bins, which reduce the volume of green waste by around 50%, are an integral part of Cleanaway's new contract with the Tea Tree Gully council in South Australia.

Rainham, United Kingdom



Brisbane, Australia



In Asia, Cleanaway offers a range of services centred on industrial/hazardous waste and landfill gas-to-energy in Taiwan and, more recently, Cleanaway commenced landfill gas-to-energy businesses in mainland China. Cleanaway is a specialist in developing and operating landfill gas-to-energy facilities, and the new Nanjing plant – which commenced operations last year – is performing in line with expectations. A new site in Xian is under construction. The results in Asia for 2002/03 were flat, reflecting the soft Taiwan economy and a lower level of one-off site remediation projects compared to the high level of project work in 2001/2002. ○

Kaohsiung, Taiwan



Customer focus

Total Waste Management at BASF, UK

Cleanaway UK has been providing a Total Waste Management (TWM) service to BASF, the world's leading chemical company, since early 2001.

Cleanaway works with BASF at its Cramlington site in Northumberland, at Seal Sands at Teeside and – as a result of the approach taken at that site – Cleanaway also recently gained the TWM contract for BASF's UK headquarters at Cheadle in Cheshire.

In addition to demonstrating a clear commitment to environmental and health and safety issues, Cleanaway has also been able to develop innovative and

tailored solutions to deal with BASF's wide range of waste. Added value for BASF was delivered by strong local TWM teams building on the vast experience of Cleanaway in waste management and recycling.

Cleanaway's positive impact on BASF has resulted in Seal Sands, its largest UK manufacturing site, adopting waste minimisation and waste recycling in its business objectives for 2003, including a Cleanaway-led housekeeping awareness program, which is fully supported by BASF management.