



**The New Zealand Refining Company Limited  
Financial Statements**

*For the year ended*

**31 December 2009**

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**The New Zealand Refining Company Limited**  
**Income Statements**  
**For the year ended 31 December 2009**

	Note	Group 2009 \$000	Group 2008 \$000	Parent 2009 \$000	Parent 2008 \$000
<b>Income</b>					
Operating revenue		<b>250,507</b>	397,827	<b>248,595</b>	396,378
<b>Total income</b>	2,3	<b>250,507</b>	397,827	<b>248,595</b>	396,378
<b>Expenses</b>					
Purchase of process materials and utilities		<b>50,106</b>	54,746	<b>50,106</b>	54,746
Materials and contractor payments		<b>28,066</b>	36,747	<b>27,624</b>	36,362
Wages and salaries		<b>43,619</b>	38,564	<b>40,085</b>	35,284
Depreciation, amortisation and disposal costs		<b>67,093</b>	61,012	<b>66,615</b>	60,597
Administration and other expenses		<b>22,248</b>	25,778	<b>25,038</b>	28,312
<b>Profit before finance costs</b>		<b>39,375</b>	180,980	<b>39,127</b>	181,077
<b>Finance costs</b>					
Interest received		<b>(209)</b>	(878)	<b>(238)</b>	(915)
Interest paid		<b>6,129</b>	3,407	<b>6,128</b>	3,405
<b>Net finance costs</b>		<b>5,920</b>	2,529	<b>5,890</b>	2,490
<b>Profit before income tax</b>	3	<b>33,455</b>	178,451	<b>33,237</b>	178,587
Less income tax	4	<b>9,833</b>	53,548	<b>9,803</b>	53,548
<b>Profit after tax</b>		<b>23,622</b>	124,903	<b>23,434</b>	125,039
<b>Attributable to:</b>					
Owners of the Parent		<b>23,574</b>	124,903	<b>23,434</b>	125,039
Minority interest		<b>48</b>	-	<b>-</b>	-
		<b>23,622</b>	124,903	<b>23,434</b>	125,039
<b>Earnings per share of profit attributable to the owners of the Parent:</b>					
		<b>Cents</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	5	<b>8.4</b>	44.6	<b>8.4</b>	44.6
Diluted earnings per share	5	<b>8.4</b>	44.6	<b>8.4</b>	44.6

*The above Income Statements are to be read in conjunction with the notes on pages 8 to 48.*

**The New Zealand Refining Company Limited**  
**Statements of Comprehensive Income**  
**For the year ended 31 December 2009**

	<b>Note</b>	<b>Group 2009 \$000</b>	Group 2008 \$000	<b>Parent 2009 \$000</b>	Parent 2008 \$000
<b>Profit after tax</b>		<b>23,622</b>	124,903	<b>23,434</b>	125,039
<b>Other comprehensive income</b>					
Movement in cash flow hedge reserve		<b>(3,931)</b>	2,357	<b>(3,931)</b>	2,357
Actuarial gain/(loss) recognised in the defined benefit pension plan	12	<b>6,112</b>	(50,584)	<b>6,112</b>	(50,584)
Deferred tax on other comprehensive income		<b>(655)</b>	14,468	<b>(655)</b>	14,468
<b>Total other comprehensive income, net of tax</b>		<b>1,526</b>	(33,759)	<b>1,526</b>	(33,759)
<b>Total comprehensive income for the year</b>		<b>25,148</b>	91,144	<b>24,960</b>	91,280
<b>Attributable to:</b>					
Owners of the Parent		<b>25,100</b>	91,144	<b>24,960</b>	91,280
Minority interest		<b>48</b>	-	<b>-</b>	-
		<b>25,148</b>	91,144	<b>24,960</b>	91,280

*The above Statements of Comprehensive Income are to be read in conjunction with the notes on pages 8 to 48.*

**The New Zealand Refining Company Limited**  
**Balance Sheets**  
**As at 31 December 2009**

	Note	Group 2009 \$000	Group 2008 \$000	Parent 2009 \$000	Parent 2008 \$000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	1,137	26,412	1,039	26,332
Trade and other receivables	7	106,994	123,513	106,698	123,256
Consumable stores and spares	8	13,136	13,430	13,007	13,288
Income tax	15	3,576	-	3,516	-
Derivative financial instruments	26	-	1,400	-	1,400
Loan to subsidiary	23(g)	-	-	460	595
<b>Total current assets</b>		<b>124,843</b>	<b>164,755</b>	<b>124,720</b>	<b>164,871</b>
<b>Non-current assets</b>					
Property, plant and equipment	9	818,244	772,044	817,026	770,761
Investment property	10	4,750	4,500	4,750	4,500
Intangible assets	11	624	278	624	278
Shares in subsidiary	23(g)	-	-	809	809
<b>Total non-current assets</b>		<b>823,618</b>	<b>776,822</b>	<b>823,209</b>	<b>776,348</b>
<b>TOTAL ASSETS</b>		<b>948,461</b>	<b>941,577</b>	<b>947,929</b>	<b>941,219</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Bank overdraft	6	27	51	27	51
Trade and other payables	13	108,794	118,211	108,757	118,090
Income tax	15	-	15,131	-	15,201
Employee entitlements		6,607	7,709	6,607	7,709
Derivative financial instruments	26	2,987	454	2,987	454
Provisions	17	700	-	700	-
<b>Total current liabilities</b>		<b>119,115</b>	<b>141,556</b>	<b>119,078</b>	<b>141,505</b>
<b>Non-current liabilities</b>					
Deferred tax	16	95,887	96,637	95,887	96,637
Employee entitlements		6,248	6,386	6,248	6,386
Provisions	17	5,041	2,938	5,041	2,938
Defined benefit obligation	12	34,660	40,690	34,660	40,690
Bank borrowings	14	147,000	65,000	147,000	65,000
<b>Total non-current liabilities</b>		<b>288,836</b>	<b>211,651</b>	<b>288,836</b>	<b>211,651</b>
<b>TOTAL LIABILITIES</b>		<b>407,951</b>	<b>353,207</b>	<b>407,914</b>	<b>353,156</b>
<b>NET ASSETS</b>		<b>540,510</b>	<b>588,370</b>	<b>540,015</b>	<b>588,063</b>

**The New Zealand Refining Company Limited**  
**Balance Sheets**  
**As at 31 December 2009**

	Note	Group 2009 \$000	Group 2008 \$000	Parent 2009 \$000	Parent 2008 \$000
<b>EQUITY</b>					
Contributed equity	18	212,400	24,000	212,400	24,000
Cash flow hedge reserve		(2,091)	661	(2,091)	661
Retained profits		329,703	563,259	329,706	563,402
<b>Equity attributable to owners of the Parent</b>		<b>540,012</b>	<b>587,920</b>	<b>540,015</b>	<b>588,063</b>
Minority interests		498	450	-	-
<b>TOTAL EQUITY</b>		<b>540,510</b>	<b>588,370</b>	<b>540,015</b>	<b>588,063</b>

The Board of Directors of The New Zealand Refining Company Limited authorised these financial statements for issue on 16 February 2010.

For and on behalf of the Board:



D.A. Jackson  
Director



P.M. Springford  
Director

*The above Balance Sheets are to be read in conjunction with the notes on pages 8 to 48.*

**The New Zealand Refining Company Limited**  
**Statements of Changes in Equity**  
**For the year ended 31 December 2009**

GROUP	Attributable to Owners of the Parent			Total	Minority interests	Total equity
	Contributed equity	Cash flow hedge reserve	Retained profits			
	\$000	\$000	\$000	\$000	\$000	\$000
<b>BALANCE AT 1 JANUARY 2008</b>	<b>24,000</b>	<b>(989)</b>	<b>593,765</b>	<b>616,776</b>	<b>501</b>	<b>617,277</b>
<b>Comprehensive Income</b>						
Profit after tax			124,903	124,903	-	124,903
Other comprehensive income						
Movement in cash flow hedge reserve	-	2,357	-	2,357	-	2,357
Actuarial gain/(loss) recognised in the defined benefit pension plan	-	-	(50,584)	(50,584)	-	(50,584)
Deferred tax on other comprehensive income	-	(707)	15,175	14,468	-	14,468
Total other comprehensive income, net of tax	-	1,650	(35,409)	(33,759)	-	(33,759)
Transactions with owners						
Dividends paid (note 19)	-	-	(120,000)	(120,000)	-	(120,000)
Movement in Minority Interest	-	-	-	-	(51)	(51)
<b>BALANCE AT 31 DECEMBER 2008</b>	<b>24,000</b>	<b>661</b>	<b>563,259</b>	<b>587,920</b>	<b>450</b>	<b>588,370</b>
Profit after tax	-	-	23,574	23,574	48	23,622
Other comprehensive income						
Movement in cash flow hedge reserve	-	(3,931)	-	(3,931)	-	(3,931)
Actuarial gain/(loss) recognised in the defined benefit pension plan	-	-	6,112	6,112	-	6,112
Deferred tax on other comprehensive income		1,179	(1,834)	(655)	-	(655)
Total other comprehensive income, net of tax	-	(2,752)	4,278	1,526	-	1,526
Transactions with owners						
Unclaimed dividends written back	-	-	7	7	-	7
Dividends paid (note 19)	-	-	(72,000)	(72,000)	-	(72,000)
Taxable bonus issue (note 18)	188,400	-	(189,415)	(1,015)	-	(1,015)
Total transactions with owners	188,400	-	(261,408)	(73,008)	-	(73,008)
<b>BALANCE AT 31 DECEMBER 2009</b>	<b>212,400</b>	<b>(2,091)</b>	<b>329,703</b>	<b>540,012</b>	<b>498</b>	<b>540,510</b>

**The New Zealand Refining Company Limited**  
**Statements of Changes in Equity**  
**For the year ended 31 December 2009**

Parent	Contributed equity	Cash flow hedge reserve	Retained profits	Total
	\$000	\$000	\$000	\$000
<b>BALANCE AT 1 JANUARY 2008</b>	<b>24,000</b>	<b>(989)</b>	<b>593,772</b>	<b>616,783</b>
<b>Comprehensive Income</b>				
Profit after tax	-	-	125,039	125,039
Other comprehensive income				
Movement in cash flow hedge reserve	-	2,357	-	2,357
Actuarial gain/(loss) recognised in the defined benefit pension plan	-	-	(50,584)	(50,584)
Deferred tax on other comprehensive income	-	(707)	15,175	14,468
Total other comprehensive Income, net of tax	-	1,650	(35,409)	(33,759)
Transactions with owners				
Dividends paid (note 19)	-	-	(120,000)	(120,000)
<b>BALANCE AT 31 DECEMBER 2008</b>	<b>24,000</b>	<b>661</b>	<b>563,402</b>	<b>588,063</b>
Profit after tax	-	-	23,434	23,434
Other comprehensive income				
Movement in cash flow hedge reserve	-	(3,931)	-	(3,931)
Actuarial gain/(loss) recognised in the defined benefit pension plan	-	-	6,112	6,112
Deferred tax on other comprehensive income		1,179	(1,834)	(655)
Total other comprehensive income, net of tax	-	(2,752)	4,278	1,526
Transactions with owners				
Unclaimed dividends written back	-	-	7	7
Dividends paid (note 19)	-	-	(72,000)	(72,000)
Taxable bonus issue (note 18)	188,400	-	(189,415)	(1,015)
Total transactions with owners	188,400	-	(261,408)	(73,008)
<b>BALANCE AT 31 DECEMBER 2009</b>	<b>212,400</b>	<b>(2,091)</b>	<b>329,706</b>	<b>540,015</b>

*The above Statements of Changes in Equity are to be read in conjunction with the notes on pages 8 to 48.*

**The New Zealand Refining Company Limited**  
**Statements of Cash Flows**  
**For the year ended 31 December 2009**

	Note	Group 2009 \$000	Group 2008 \$000	Parent 2009 \$000	Parent 2008 \$000
<b>Cash flows from operating activities</b>					
Receipts from customers		276,980	388,599	274,361	387,028
Payments for supplies and expenses		(113,688)	(110,329)	(115,506)	(112,316)
Payments to employees		(44,369)	(33,926)	(40,544)	(30,646)
<b>Cash generated from operations</b>		<b>118,923</b>	<b>244,344</b>	<b>118,311</b>	<b>244,066</b>
Interest received		209	878	238	915
Interest paid		(5,238)	(3,527)	(5,237)	(3,522)
GST (paid)/received		(6,606)	1,149	(6,610)	1,131
Income taxes paid	15	(29,125)	(41,604)	(29,105)	(41,537)
		(40,760)	(43,104)	(40,714)	(43,013)
<b>Net cash inflow from operating activities</b>	25	<b>78,163</b>	<b>201,240</b>	<b>77,597</b>	<b>201,053</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment, and intangible assets		(112,763)	(128,087)	(112,350)	(127,780)
Proceeds from sale of property, plant and equipment		339	221	339	217
Repayment from /(loan) to subsidiary		-	-	135	(300)
Dividend from subsidiary		-	-	-	149
<b>Net cash used in investing activities</b>		<b>(112,424)</b>	<b>(127,866)</b>	<b>(111,876)</b>	<b>(127,714)</b>
<b>Cash flows from financing activities</b>					
Proceeds from non-current bank borrowings		82,000	65,000	82,000	65,000
Unclaimed dividends		25	-	25	-
Taxable bonus issue	18	(1,015)	-	(1,015)	-
Dividends paid to shareholders	19	(72,000)	(120,000)	(72,000)	(120,000)
Dividends paid to minority interest		-	(51)	-	-
<b>Net cash inflow/(used in) financing activities</b>		<b>9,010</b>	<b>(55,051)</b>	<b>9,010</b>	<b>(55,000)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(25,251)</b>	<b>18,323</b>	<b>(25,269)</b>	<b>18,339</b>
Cash and cash equivalents at the beginning of the year		26,361	8,038	26,281	7,942
<b>Cash and cash equivalents at the end of the year</b>	6	<b>1,110</b>	<b>26,361</b>	<b>1,012</b>	<b>26,281</b>

*The above Statements of Cash Flows are to be read in conjunction with the notes on pages 8 to 48. The cash flows are exclusive of GST.*

**The New Zealand Refining Company Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2009**

**1 Summary of Significant Accounting Policies**

**General Information**

The consolidated financial statements for the 'Group' are for the economic entity comprising The New Zealand Refining Company Limited ('Parent' or 'Company') and its subsidiary, Independent Petroleum Laboratory Limited.

The New Zealand Refining Company Limited is incorporated in New Zealand, registered under the Companies Act 1993 and is an issuer pursuant to the Securities Act 1978. The registered office is Marsden Point, Whangarei, New Zealand.

The Parent Company and the Group are designated as profit oriented entities for financial reporting purposes.

These financial statements were approved by the Directors on 16 February 2010.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**(a) Basis of preparation of financial statements**

*Basis of preparation*

These financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993. In accordance with this legislation, these financial statements comply with Generally Accepted Accounting Practice in New Zealand and the New Zealand equivalents to the International Financial Reporting Standards ('NZ IFRS'). These financial statements also comply with International Financial Reporting Standards.

The historical cost convention, as modified by the revaluation of certain assets and liabilities as indicated in the specific accounting policies below has been adopted during the preparation of these financial statements. These financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000), unless otherwise stated.

*Critical accounting estimates and judgements*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise their judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, the following areas involve judgement and assumptions that can significantly affect the amounts recognised in the financial statements:

- (i) Property, plant and equipment  
Judgements have been made in relation to the Group's depreciation rates as per note 1 (o).

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**Notes to the Financial Statements**  
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(ii) Defined benefit obligation

The present value of the defined benefit obligation depends on a number of factors that are determined by an independent actuary using a number of assumptions. The assumptions include the expected return on plan assets, the expected rate of salary increases, mortality in retirement and an appropriate discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

These assumptions are determined by the independent actuary and are disclosed in note 12.

(iii) Fair value of investment property

The Group remeasures the value of its investment property to fair value each year. The fair value is estimated by an independent valuer which reflects market conditions at the balance sheet date. Changes to market conditions or to the assumptions made in the estimation of fair value will result in changes to the fair value of the investment property. The carrying value of the investment property and the valuation methodology is disclosed in note 10.

**(b) Changes in accounting policies and disclosures**

*New and amended standards adopted by the Group*

The Group has adopted the following new and amended NZ IFRSs as of 1 January 2009:

- NZ IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income. These financial statements have been prepared under the revised disclosure requirements. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- NZ IFRS 8, 'Operating segments'. NZ IFRS 8 replaces NZ IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Leadership Team that makes strategic decisions. This has had no impact on the reportable segments presented.

- NZ IFRS 8, (amendment) 'Operating segments'. NZ IFRS 8 has been amended so that a measure of segment assets is only required to be disclosed if the measure is regularly provided to the chief operating decision maker. The amendment is effective for periods beginning on or after 1 January 2010. The Group has elected to early adopt this amendment for the period beginning 1

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**Notes to the Financial Statements**  
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January 2009. As this change only impacts disclosure aspects, there is no impact on earnings per share.

- NZ IAS 23 (revised), 'Borrowing costs'. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The Group has applied NZ IAS 23 (revised) for qualifying assets that commenced construction on or after 1 January 2009. In accordance with the transition provisions of the standard; comparative figures have not been restated and borrowing costs have not been capitalised on assets that were included as work progress as at 31 December 2008. The Group has not capitalised interest for the year ended 31 December 2009 as no expenditure has been incurred on qualifying assets. The change in accounting policy had no impact on earnings per share.
- NZ IFRS 7 (amendment), 'Financial Instruments – Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

Standards, amendments and interpretations to existing standards that are not yet effective are not expected to have a material impact on the Group's financial statements.

**(c) Basis of consolidation**

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements using the purchase method of consolidation from the date control commences until the date control ceases.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the Income Statement.

Minority interests not held by the Group are allocated their share of profit for the year in the Income Statement and are presented within equity in the Balance Sheet, separately from equity attributable to shareholder suppliers.

*Transactions eliminated on consolidation*

Intra-Group transactions, balances, and any unrealised gains and losses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

**(d) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is

**The New Zealand Refining Company Limited**  
**Notes to the Financial Statements**  
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responsible for allocating resources and assessing performance of the operating segments, has been identified as the Leadership Team that makes strategic decisions.

**(e) Foreign currency translation**

*(i) Functional and presentation currency*

The financial statements are presented in New Zealand dollars, which is the Parent's and the Group's functional and presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges.

**(f) Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable in the ordinary course of the Group's activities for the sale of goods and services, excluding Goods and Services Tax ('GST') after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below:

*(i) Processing fee (oil refining)*

The processing fee is recognised when the Group has processed products for the customer.

*(ii) Pipeline fee (distribution)*

The pipeline fee is recognised when the products have been transferred to the Wiri Oil Services Terminal in South Auckland.

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**Notes to the Financial Statements**  
**For the year ended 31 December 2009**

*(iii) Wiri Terminal rental*

Rental income from operating leases is recognised on an accruals basis in accordance with the substance of the relevant agreements and in accordance with note (h).

*(iv) Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

**(g) Income tax**

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the New Zealand income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax assets or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**(h) Leases**

Leases in which a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the asset is included in the Balance Sheet as property, plant and equipment. Lease income is recognised over the term of the lease on a straight-line basis.

**The New Zealand Refining Company Limited**  
**Notes to the Financial Statements**  
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**(i) Impairment of non-financial assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Income Statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

**(j) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

**(k) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment of trade receivables.

Collectability of trade receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the average cost of capital. The amount of the provision is recognised in the Income Statement.

**(l) Consumable stores and spares**

Inventories of materials and supplies are stated at the lower of cost or net realisable value. Cost comprises the cost of the materials and supplies using weighted average cost.

**(m) Financial assets and liabilities**

*Classification*

The classification of financial assets and liabilities depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets and liabilities at initial recognition. Financial assets are classified on initial recognition into the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. Financial liabilities are classified as either at fair value through profit or loss, or financial liabilities measured at amortised cost.

*(i) Financial assets and liabilities at fair value through profit or loss*

Financial assets and liabilities at fair value through profit or loss are financial assets held for trading or designated as fair value through profit and loss. Derivatives are also categorised as held for trading unless they are designated as hedges.

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*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the Balance Sheet.

*(iii) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the asset within 12 months of the balance sheet date.

*(iv) Financial liabilities measured at amortised cost*

Financial liabilities measured at amortised cost are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. Trade and other payables and borrowings are classified as financial liabilities measured at amortised cost.

*Recognition and measurement*

A financial asset or liability is recognised if the Group becomes a party to the contractual provisions of the asset or liability. Regular purchases and sales of financial assets and liabilities are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset or liability. A financial asset or liability is recognised initially at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instrument. Financial assets and liabilities carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the Income Statement.

After initial recognition, financial assets are measured at their fair values except for loans and receivables which are measured at amortised cost using the effective interest method. After initial recognition, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities at fair value through profit or loss.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the Income Statement.

In the separate financial statements of the Parent, investments in subsidiaries are stated at cost, less any impairment.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

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**(n) Derivative financial instruments and hedging activities**

The Group uses forward exchange contracts to hedge certain capital purchases, interest rate swaps and electricity contracts for differences.

These derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as either:

- (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- (b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

*(i) Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

*(ii) Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated in equity are recycled in the Income Statement in the periods when the hedged item affects profit or loss.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in the Income Statement (e.g. depreciation).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer

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expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any these derivative instruments are recognised immediately in the Income Statement.

**(o) Property, plant and equipment**

The Group has nine classes of property, plant and equipment:

- Freehold improvements
- Buildings and jetties
- Refining plant
- Catalysts
- Refinery to Auckland Pipeline
- Wiri Terminal
- Equipment and vehicles
- Shutdown and tank maintenance
- Capital work in progress.

All classes of property, plant and equipment are initially recorded at cost. Cost may include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Actual costs of a complete process unit shutdown for the purpose of significant inspection, cleaning and repair are capitalised as property, plant and equipment.

Major inspections associated with tank maintenance are capitalised provided the property, plant and equipment recognition criteria is met.

When an asset is disposed of, any gain or loss on disposal is calculated as the difference between the disposal proceeds and the carrying value of the asset, and is recognised in the Income Statement.

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Depreciation is provided on a straight-line basis on all property, plant and equipment other than freehold land, capital work in progress and precious metals (platinum and rhenium) contained in some catalysts. The depreciation rates applied to allocate the assets' cost less estimated residual value (which is zero in all cases except for catalyst containing precious metals), over the estimated useful lives, are as follows:

Freehold improvements	20 years
Buildings and jetties	20 years
Refining Plant	
- tankage	30 years
- rotating equipment	20 years
- piping	20 years
- vessels	20 years
- instruments	10 years
- electrical	20 years
Catalysts	3-10 years
Refinery to Auckland Pipeline	20 years
Wiri Terminal	20 years
Equipment and vehicles (including computers)	3-7 years
Shutdown and tank maintenance	2-20 years

Shutdown costs and major inspections associated with tank maintenance are depreciated over the period to the next planned shutdown or inspection.

Gains and losses in disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income Statement.

**(p) Investment property**

Investment property comprises land held for long-term rental yields that is not occupied by the Group. Investment property is carried at fair value, representing market value determined annually by external valuers. Changes in fair values are recorded in the Income Statement.

**(q) Intangible assets**

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group and which meet the relevant recognition criteria are capitalised and written off over the useful economic life of two to five years.

Costs associated with monitoring computer software programmes and development costs which do not meet the relevant recognition criteria are recognised as an expense as incurred.

**(r) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

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**(s) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement for at least 12 months after the balance date.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

**(t) Provisions**

Provisions are recognised when: the Group has a legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**(u) Employee entitlements**

*(i) Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave, retirement bonuses and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

*(ii) Long-service leave and retirement bonus*

Liabilities for long-service leave and retirement bonus is based on an actuarial assessment and represents the present value of the estimated future cash outflows, which are expected as a result of employee services provided up to balance date.

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(iii) *Pension obligations*

The Group has both a defined benefit plan and defined contribution plan.

*Defined benefit pension plan*

The defined benefit plans defines an amount of pension benefit that an employee will receive on retirement, usually dependent on a combination of factors, such as age, years of service and compensation. Under the defined benefit plan the Group has a legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of 10 year government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in equity unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

The defined benefit plan was closed to new members on 31 December 2002.

*Defined contribution pension plan*

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to a superannuation fund. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The defined contribution plan commenced on 1 January 2003.

(i) *Profit-sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration net profit after tax, safety statistics and plant reliability factors. The Group recognises a provision where contractually obliged or where there is past practice that has created a constructive obligation.

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**(v) Dividends**

Provision is made for the amount of any dividend declared on or before the balance date but not distributed at balance date.

**(w) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**(x) Earnings per share**

*Basic*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

*Diluted*

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding during the year to assume conversion of all diluted potential ordinary shares. The Company has no dilutive potential ordinary shares at 31 December 2009 (31 December 2008: nil).

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**2 Segment Information**

**(a) Description of segments**

The chief operating decision-maker has been identified as the Leadership Team. This Team reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Leadership Team considers the business from an operations perspective and assesses performance of "Oil Refining" and "Distribution".

The Group is organised into two main business segments.

*Oil Refining*

The Company owns and operates an oil refinery located at Marsden Point – 160 kilometres north of Auckland. The oil refinery is able to process a wide range of crude oil types imported from around the world.

*Distribution*

The Company owns infrastructure to support the distribution of manufactured products to its customers. The Refinery to Auckland pipeline transfers product to the Wiri Oil Terminal located in South Auckland (refer note 23(f)).

*Other*

Other segments include the subsidiary company operations and properties. These have not been included in a reportable segment as they are not separately reported to the Leadership Team.

**(b) Reporting measures**

The Leadership Team assesses the performance of the operating segments based on a measure of net profit after tax. This information is measured in a manner consistent with that in the consolidated financial statements.

The Group manages assets and liabilities on a central basis and therefore does not provide any segment information of this nature to the Leadership Team.

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**(c) Segment results**

<b>31 December 2009</b>	<b>Oil Refining \$000</b>	<b>Distribution \$000</b>	<b>Other \$000</b>	<b>Total \$000</b>
Total operating revenue	213,933	33,247	7,133	254,313
Inter-segment revenue	-	-	(3,806)	(3,806)
Revenue from external customers	213,933	33,247	3,327	250,507
Net profit after tax	13,110	12,744	(2,232)	23,622
Interest revenue	(209)	-	-	(209)
Interest expense	6,128	-	1	6,129
Depreciation and amortisation	54,581	12,034	478	67,093
Income tax	4,343	5,460	30	9,833

<b>31 December 2008</b>	<b>Oil Refining \$000</b>	<b>Distribution \$000</b>	<b>Other \$000</b>	<b>Total \$000</b>
Total operating revenue	362,246	33,983	5,299	401,528
Inter-segment revenue	-	-	(3,701)	(3,701)
Revenue from external customers	362,246	33,983	1,598	397,827
Net profit after tax	115,490	12,753	(3,340)	124,903
Interest revenue	(878)	-	-	(878)
Interest expense	3,405	-	2	3,407
Depreciation and amortisation	48,588	12,009	415	61,012
Income tax	48,083	5,465	-	53,548

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Leadership Team is measured in a manner consistent with that in the Income Statement. All revenue is generated in New Zealand.

Revenue derived from major customers, and the relevant operating segments is disclosed in note 23 (a).

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**3 Income and expenses**

Profit before income tax includes the following specific income and expenses:

	Note	Group 2009 \$000	Group 2008 \$000	Parent 2009 \$000	Parent 2008 \$000
<b>Income</b>					
Processing fees		188,690	344,436	188,690	344,436
Natural Gas recovery		20,068	15,991	20,068	15,991
Other refining related income		5,175	1,735	5,175	1,835
Refining revenue		<b>213,933</b>	362,162	<b>213,933</b>	362,162
Distribution revenue		26,722	27,458	26,722	27,458
Operating lease income:					
Wiri land and terminal	23(f)	6,525	6,525	6,525	6,525
Other		84	84	84	84
Gain on investment property	10	250	-	250	-
Dividend from subsidiary		-	-	-	149
Other income		2,993	1,514	1,081	-
<b>Total income</b>		<b>250,507</b>	397,827	<b>248,595</b>	396,378
<b>And charging:</b>					
<b>Purchase of process materials and utilities</b>					
		50,106	54,746	50,106	54,746
Materials and contractor payments		26,331	34,545	25,889	34,160
Consumables stores and spares write-down	8	1,735	2,202	1,735	2,202
<b>Total materials and contractor payments</b>		<b>28,066</b>	36,747	<b>27,624</b>	36,362
Wages and salaries		40,964	37,419	37,430	34,139
Defined contribution pension plan contributions		356	148	356	148
Defined benefit pension plan expense	12(e)	2,299	997	2,299	997
<b>Total wages and salaries</b>		<b>43,619</b>	38,564	<b>40,085</b>	35,284
Depreciation:	9				
Land improvements		1,347	1,303	1,347	1,303
Buildings and jetties		1,129	947	1,129	947
Refining plant		31,976	25,044	31,976	25,044
Catalysts		8,504	7,687	8,504	7,687
Refinery to Auckland Pipeline		11,389	11,364	11,389	11,364
Wiri terminal (leased)		645	645	645	645
Equipment and vehicles		2,420	2,933	1,942	2,518
Shutdown and tank maintenance		9,286	9,971	9,286	9,971
Total depreciation		66,696	59,894	66,218	59,479
Amortisation	11	339	998	339	998
Disposal of property, plant and equipment		58	120	58	120
<b>Total depreciation, amortisation and disposal costs</b>		<b>67,093</b>	61,012	<b>66,615</b>	60,597

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	Note	Group 2009 \$000	Group 2008 \$000	Parent 2009 \$000	Parent 2008 \$000
Administration and other expenses		18,074	21,405	20,961	23,953
Technical service fee	23(b)	2,591	2,614	2,591	2,614
Auditors remuneration:					
Statutory audit fee		130	130	116	116
Other assurance related fees		-	-	-	-
Foreign exchange (gains)/losses unhedged		(1)	241	(1)	241
Directors fees	23(i)	632	651	632	651
Operating lease expenses:					
Wiri land rental		500	500	500	500
Other		243	155	161	155
Donations		79	82	78	82
<b>Total administration and other costs</b>		<b>22,248</b>	25,778	<b>25,038</b>	28,312
<b>Total net finance costs</b>		<b>5,920</b>	2,529	<b>5,890</b>	2,490
<b>Total costs</b>		<b>217,052</b>	219,376	<b>215,358</b>	217,791
<b>Profit before income tax</b>		<b>33,455</b>	178,451	<b>33,237</b>	178,587

The Group has 375 employees (2008: 384 employees).

Under the terms of the Processing Agreement the fee payable by customers for processing crude at the Marsden Point Refinery is subject to an annual margin cap and fee floor. The margin cap for each customer is set at a maximum of USD9.00 per barrel (resulting in a processing fee cap of USD6.30, being 70% of USD9.00). The cap is calculated on a year-to-date basis, but for invoicing and revenue recognition purposes, is calculated monthly. The Processing Fee was capped for 2008. The fee floor comes into effect if the total processing fee for a calendar year does not exceed a minimum value. This was approximately \$113 million for 2009 and is subject to annual Producers Price Index (PPI) based escalation.

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**4 Income tax expense**

<b>(a) Reconciliation of income tax expense to tax rate applicable to profits</b>	<b>Note</b>	<b>Group</b>	Group	<b>Parent</b>	Parent
		<b>2009</b>	2008	<b>2009</b>	2008
		<b>\$000</b>	\$000	<b>\$000</b>	\$000
Profit before income tax expense		<b>33,455</b>	178,451	<b>33,237</b>	178,587
Tax at the New Zealand tax rate of 30% (2008: 30%)		<b>10,036</b>	53,535	<b>9,971</b>	53,576
Tax effect of amounts which are either non-deductible or taxable in calculating taxable income:					
Expenses not deductible for tax		<b>9</b>	3	<b>8</b>	3
Imputation credits on dividends received		<b>-</b>	-	<b>-</b>	(51)
Income not subject to tax		<b>(246)</b>	-	<b>(246)</b>	-
Adjustments in respect of current income tax in respect of previous years		<b>34</b>	10	<b>70</b>	20
Income tax expense		<b>9,833</b>	53,548	<b>9,803</b>	53,548
<b>(b) Income tax expense</b>					
Tax payable in respect of the current year	<b>15</b>	<b>11,244</b>	58,340	<b>11,178</b>	58,330
Tax payable /(receivable) in respect of previous years	<b>15</b>	<b>(6)</b>	150	<b>30</b>	160
Deferred tax in respect of current year	<b>16</b>	<b>(1,445)</b>	(4,802)	<b>(1,445)</b>	(4,802)
Deferred tax in respect of previous years	<b>16</b>	<b>40</b>	(140)	<b>40</b>	(140)
Income tax expense		<b>9,833</b>	53,548	<b>9,803</b>	53,548

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<b>(c) Imputation credits</b>	<b>Note</b>	<b>Group 2009 \$000</b>	<b>Group 2008 \$000</b>	<b>Parent 2009 \$000</b>	<b>Parent 2008 \$000</b>
Balance 1 January		<b>91,728</b>	109,322	<b>91,624</b>	109,112
Taxation paid	<b>15</b>	<b>27,096</b>	38,244	<b>27,076</b>	38,178
Attached to dividends received		-	-	-	73
Less attributed dividends		<b>(33,432)</b>	(55,838)	<b>(33,432)</b>	(55,739)
Less attributed to taxable bonus issue		<b>(82,946)</b>	-	<b>(82,946)</b>	-
Balance 31 December		<b>2,446</b>	91,728	<b>2,322</b>	91,624

**(d) Tax Losses**

The Group and Parent have no tax losses (Group 2008: nil; Parent 2008: nil) and no unrecognised temporary differences (2008: nil).

**5 Earnings per share**

**Basic and diluted**

Basic and diluted earnings per share are calculated by dividing the profit by the weighted average number of ordinary shares on issue during the year. The comparative has been restated for the effect of the Taxable Bonus Issue on the number of shares on issue (refer note 18).

	<b>Group 2009 \$000</b>	<b>Group 2008 \$000</b>	<b>Parent 2009 \$000</b>	<b>Parent 2008 \$000</b>
Profit after tax	<b>23,574</b>	124,903	<b>23,434</b>	125,039
Weighted average number of ordinary shares on issue (thousands):				
Shares on issue for full year	<b>240,000</b>	240,000	<b>240,000</b>	240,000
Taxable Bonus Issue dated 30 November 2009	<b>40,000</b>	40,000	<b>40,000</b>	40,000
Total shares on issue	<b>280,000</b>	280,000	<b>280,000</b>	280,000
<b>Basic and diluted earnings (per share)</b>	<b>8.4 cents</b>	44.6 cents	<b>8.4 cents</b>	44.6 cents

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**6 Cash and cash equivalents**

	<b>Group 2009 \$000</b>	Group 2008 \$000	<b>Parent 2009 \$000</b>	Parent 2008 \$000
Cash at bank and in hand	<b>1,137</b>	26,412	<b>1,039</b>	26,332
	<b>1,137</b>	26,412	<b>1,039</b>	26,332

The above amounts are reconciled to cash at the end of the year as shown in the statements of cash flows as follows:

Balances as above	<b>1,137</b>	26,412	<b>1,039</b>	26,332
Bank overdrafts	<b>(27)</b>	(51)	<b>(27)</b>	(51)
<b>Balances per Statements of Cash Flows</b>	<b>1,110</b>	26,361	<b>1,012</b>	26,281

The carrying amount for cash and cash equivalents equals the fair value.

**7 Trade and other receivables**

	<b>Group 2009 \$000</b>	Group 2008 \$000	<b>Parent 2009 \$000</b>	Parent 2008 \$000
<b>Current:</b>				
Processing fees	<b>7,077</b>	32,439	<b>7,077</b>	32,439
Product distribution	<b>2,384</b>	2,439	<b>2,384</b>	2,439
Excise duty (note 13)	<b>94,322</b>	85,340	<b>94,322</b>	85,340
Other	<b>3,211</b>	3,295	<b>2,915</b>	3,038
<b>Total trade and other receivables</b>	<b>106,994</b>	123,513	<b>106,698</b>	123,256

The fair value of trade and other receivables approximates their carrying value.

**8 Consumable stores and spares**

	<b>Group 2009 \$000</b>	Group 2008 \$000	<b>Parent 2009 \$000</b>	Parent 2008 \$000
Spares	<b>11,633</b>	12,184	<b>11,634</b>	12,184
Consumables	<b>1,503</b>	1,246	<b>1,373</b>	1,104
	<b>13,136</b>	13,430	<b>13,007</b>	13,288

Write-downs of spares and consumables to net realisable value is recognised as an expense during the year and are disclosed in note 3.

A proportion of consumable stores and spares will be utilised after more than 12 months. Utilisation is dependent on refining operations and cannot be reliably measured.

Spares and consumables are included in the negative pledge arrangement (refer note 14).

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**9 Property, plant and equipment**

Group	Freehold land and improvements \$000	Buildings and jetties \$000	Refining plant \$000	Capital work in progress \$000	Catalysts \$000	Refinery to Auckland Pipeline \$000	Wiri terminal (leased) \$000	Equipment and vehicles \$000	Shutdown and tank maintenance \$000	Total \$000
<b>At 1 January 2008</b>										
Cost	63,021	88,966	2,048,815	56,851	75,045	220,242	44,169	46,734	60,987	2,704,830
Accumulated depreciation	(38,747)	(76,146)	(1,725,090)	-	(32,941)	(33,726)	(35,863)	(37,378)	(20,316)	(2,000,207)
<b>Net book amount</b>	<b>24,274</b>	<b>12,820</b>	<b>323,725</b>	<b>56,851</b>	<b>42,104</b>	<b>186,516</b>	<b>8,306</b>	<b>9,356</b>	<b>40,671</b>	<b>704,623</b>
<b>Year ended 31 December 2008</b>										
Opening net book amount	24,274	12,820	323,725	56,851	42,104	186,516	8,306	9,356	40,671	704,623
Additions/transfers	609	757	10,917	100,214	8,382	342	-	2,918	3,890	128,029
Disposals	-	-	(14)	-	(320)	-	-	(3)	(377)	(714)
Depreciation charge	(1,303)	(947)	(25,044)	-	(7,687)	(11,364)	(645)	(2,933)	(9,971)	(59,894)
<b>Closing net book amount</b>	<b>23,580</b>	<b>12,630</b>	<b>309,584</b>	<b>157,065</b>	<b>42,479</b>	<b>175,494</b>	<b>7,661</b>	<b>9,338</b>	<b>34,213</b>	<b>772,044</b>
<b>At 31 December 2008</b>										
Cost	63,630	89,723	2,059,203	157,065	63,059	220,584	44,169	49,649	60,311	2,807,393
Accumulated Depreciation	(40,050)	(77,093)	(1,749,619)	-	(20,580)	(45,090)	(36,508)	(40,311)	(26,098)	(2,035,349)
<b>Net book Amount</b>	<b>23,580</b>	<b>12,630</b>	<b>309,584</b>	<b>157,065</b>	<b>42,479</b>	<b>175,494</b>	<b>7,661</b>	<b>9,338</b>	<b>34,213</b>	<b>772,044</b>
<b>Year ended 31 December 2009</b>										
Opening net book amount	23,580	12,630	309,584	157,065	42,479	175,494	7,661	9,338	34,213	772,044
Additions/transfers	1,248	11,620	221,312	(139,868)	1,326	40	-	1,504	16,111	113,293
Disposals	-	-	(1)	-	(392)	-	-	(4)	-	(397)
Depreciation charge	(1,347)	(1,129)	(31,976)	-	(8,504)	(11,389)	(645)	(2,420)	(9,286)	(66,696)
<b>Closing net book amount</b>	<b>23,481</b>	<b>23,121</b>	<b>498,919</b>	<b>17,197</b>	<b>34,909</b>	<b>164,145</b>	<b>7,016</b>	<b>8,418</b>	<b>41,038</b>	<b>818,244</b>
<b>At 31 December 2009</b>										
Cost	64,878	101,343	2,280,514	17,197	63,993	220,624	44,169	51,149	75,912	2,919,779
Accumulated Depreciation	(41,397)	(78,222)	(1,781,595)	-	(29,084)	(56,479)	(37,153)	(42,731)	(34,874)	(2,101,535)
<b>Net book Amount</b>	<b>23,481</b>	<b>23,121</b>	<b>498,919</b>	<b>17,197</b>	<b>34,909</b>	<b>164,145</b>	<b>7,016</b>	<b>8,418</b>	<b>41,038</b>	<b>818,244</b>

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Parent	Freehold land and improvements \$000	Buildings and jetties \$000	Refining plant \$000	Capital work in progress \$000	Catalysts \$000	Refinery to Auckland Pipeline \$000	Wiri terminal (leased) \$000	Equipment and vehicles \$000	Shutdown and tank maintenance \$000	Total \$000
<b>At 1 January 2008</b>										
Cost	63,021	88,966	2,048,815	56,851	75,045	220,242	44,169	42,857	60,987	2,700,953
Accumulated depreciation	(38,747)	(76,146)	(1,725,090)	-	(32,941)	(33,726)	(35,863)	(34,891)	(20,316)	(1,997,720)
<b>Net book amount</b>	<b>24,274</b>	<b>12,820</b>	<b>323,725</b>	<b>56,851</b>	<b>42,104</b>	<b>186,516</b>	<b>8,306</b>	<b>7,966</b>	<b>40,671</b>	<b>703,233</b>
<b>Year ended 31 December 2008</b>										
Opening net book amount	24,274	12,820	323,725	56,851	42,104	186,516	8,306	7,966	40,671	703,233
Additions/transfers	609	757	10,917	100,214	8,382	342	-	2,610	3,890	127,721
Disposals	-	-	(14)	-	(320)	-	-	(3)	(377)	(714)
Depreciation charge	(1,303)	(947)	(25,044)	-	(7,687)	(11,364)	(645)	(2,518)	(9,971)	(59,479)
<b>Closing net book amount</b>	<b>23,580</b>	<b>12,630</b>	<b>309,584</b>	<b>157,065</b>	<b>42,479</b>	<b>175,494</b>	<b>7,661</b>	<b>8,055</b>	<b>34,213</b>	<b>770,761</b>
<b>At 31 December 2008</b>										
Cost	63,630	89,723	2,059,203	157,065	63,059	220,584	44,169	45,464	60,311	2,803,208
Accumulated Depreciation	(40,050)	(77,093)	(1,749,619)	-	(20,580)	(45,090)	(36,508)	(37,409)	(26,098)	(2,032,447)
<b>Net book Amount</b>	<b>23,580</b>	<b>12,630</b>	<b>309,584</b>	<b>157,065</b>	<b>42,479</b>	<b>175,494</b>	<b>7,661</b>	<b>8,055</b>	<b>34,213</b>	<b>770,761</b>
<b>Year ended 31 December 2009</b>										
Opening net book amount	23,580	12,630	309,584	157,065	42,479	175,494	7,661	8,055	34,213	770,761
Additions/transfers	1,248	11,620	221,312	(139,960)	1,326	40	-	1,183	16,111	112,880
Disposals	-	-	(1)	-	(392)	-	-	(4)	-	(397)
Depreciation charge	(1,347)	(1,129)	(31,976)	-	(8,504)	(11,389)	(645)	(1,942)	(9,286)	(66,218)
<b>Closing net book amount</b>	<b>23,481</b>	<b>23,121</b>	<b>498,919</b>	<b>17,105</b>	<b>34,909</b>	<b>164,145</b>	<b>7,016</b>	<b>7,292</b>	<b>41,038</b>	<b>817,026</b>
<b>At 31 December 2009</b>										
Cost	64,878	101,343	2,280,514	17,105	63,993	220,624	44,169	46,643	75,912	2,915,181
Accumulated Depreciation	(41,397)	(78,222)	(1,781,595)	-	(29,084)	(56,479)	(37,153)	(39,351)	(34,874)	(2,098,155)
<b>Net book Amount</b>	<b>23,481</b>	<b>23,121</b>	<b>498,919</b>	<b>17,105</b>	<b>34,909</b>	<b>164,145</b>	<b>7,016</b>	<b>7,292</b>	<b>41,038</b>	<b>817,026</b>

Property, plant and equipment are included in the negative pledge arrangement as detailed in note 14.

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**10 Investment property**

	<b>Group</b> <b>2009</b> <b>\$000</b>	Group 2008 \$000	<b>Parent</b> <b>2009</b> <b>\$000</b>	Parent 2008 \$000
At 1 January	<b>4,500</b>	4,500	<b>4,500</b>	4,500
Fair value adjustments	<b>250</b>	-	<b>250</b>	-
At 31 December	<b>4,750</b>	4,500	<b>4,750</b>	4,500

The carrying amount of Investment Property is the fair value of the property as determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The Registered Valuer's, Telfer Young (Northland) Limited, are Associates of the New Zealand Institute of Valuers. Fair values were determined on a basis of a willing buyer and willing seller, with regard to comparable regional sales, rentals and estimated replacement costs. Telfer Young (Northland) Limited's valuation report is dated 10 December 2009.

**11 Intangible assets**

**(a) Computer software**

	<b>Group</b> <b>2009</b> <b>\$000</b>	Group 2008 \$000	<b>Parent</b> <b>2009</b> <b>\$000</b>	Parent 2008 \$000
<b>At 1 January</b>				
Cost	<b>21,699</b>	21,641	<b>21,699</b>	21,641
Accumulated amortisation	<b>(21,421)</b>	(20,423)	<b>(21,421)</b>	(20,423)
Net book amount	<b>278</b>	1,218	<b>278</b>	1,218
<b>At 31 December</b>				
Opening net book amount	<b>278</b>	1,218	<b>278</b>	1,218
Additions	<b>685</b>	58	<b>685</b>	58
Amortisation charge	<b>(339)</b>	(998)	<b>(339)</b>	(998)
Closing net book amount	<b>624</b>	278	<b>624</b>	278
<b>At 31 December</b>				
Cost	<b>22,384</b>	21,699	<b>22,384</b>	21,699
Accumulated amortisation	<b>(21,760)</b>	(21,421)	<b>(21,760)</b>	(21,421)
Net book amount	<b>624</b>	278	<b>624</b>	278

**(b) Other intangible assets**

Included within intangible assets are 24,730 Assigned Amount Units (AAU's) issued by the Crown to the Company in March 2008. The AAU's were issued as a result of the Company's performance under the Negotiated Greenhouse Gas Agreement (NGA) signed with the Crown in 2003.

The NGA requires the Company to achieve an agreed level of energy efficiency. If the Company's performance is outside of the agreed range, the shortfall or excess is converted into theoretical 'CO<sub>2</sub> tonnes' at milestones during the contract period. The CO<sub>2</sub> tonnes are aggregated, resulting in either the transfer of CO<sub>2</sub> equivalent units to the Company (achieving better than target) or a transfer of units (or payment of a carbon charge) to the Crown if the Company fails to meet its target.

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The term of the NGA is until 31 December 2022, subject to a 2012 review which will establish the milestone dates for the period 1 January 2013 to 31 December 2022, the Target Energy Efficiency Index endpoint and the resulting target pathway.

The AAU's are assessed at a nil value (2008: nil) as we are unable to measure their value reliably in the absence of a functioning emission trading scheme and an active market.

**12 Defined benefit obligation**

The Company contributes to a defined benefit pension plan for eligible employees. This plan closed to new members on 31 December 2002 due to the Company's decision to move from providing a defined benefit pension plan to a defined contribution pension plan from 1 January 2003. The last full actuarial valuation was dated 31 March 2007.

At each balance date an accounting update is performed by an independent actuary in accordance with NZ IAS 19 'Employee Benefits' as summarised below:

**(a) Plan information**

All active members have defined benefits with a pension commencing on retirement.

**(b) Reconciliation of the present value of the defined benefit obligation**

<b>Group and Parent</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
<b>At 1 January</b>	<b>86,911</b>	70,468
Plus current service cost	<b>2,225</b>	1,694
Plus interest cost	<b>2,987</b>	3,173
Plus contributions by plan participants	<b>875</b>	846
Plus actuarial (gains)/losses	<b>(345)</b>	13,638
Less benefits paid	<b>(2,876)</b>	(2,908)
<b>At 31 December</b>	<b>89,777</b>	86,911

**(c) Reconciliation of the fair value of plan assets**

<b>Group and Parent</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
<b>At 1 January</b>	<b>59,649</b>	76,332
Plus expected return on assets	<b>3,672</b>	4,199
Less actuarial gains/(losses)	<b>3,750</b>	(20,253)
Plus employer contributions	<b>1,485</b>	1,433
Plus contributions by plan participants	<b>875</b>	846
Less benefits paid	<b>(2,876)</b>	(2,908)
<b>At 31 December</b>	<b>66,555</b>	59,649

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**(d) Reconciliation of the (liability) recognised in the Balance Sheet**

<b>Group and Parent</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Present value of the defined benefit obligation	<b>(89,777)</b>	(86,911)
Less fair value of plan assets	<b>66,555</b>	59,649
Surplus/(deficit)	<b>(23,222)</b>	(27,262)
Contributions tax	<b>(11,438)</b>	(13,428)
<b>Liability in the balance sheet</b>	<b>(34,660)</b>	(40,690)

**(e) Amounts recognised in the Income Statement**

<b>Group and Parent</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Service cost	<b>2,225</b>	1,694
Interest cost	<b>2,987</b>	3,173
Expected return on assets	<b>(3,672)</b>	(4,199)
<b>Superannuation expense</b>	<b>1,540</b>	668
Contributions tax	<b>759</b>	329
<b>Superannuation expense plus contributions tax</b>	<b>2,299</b>	997

**(f) Amounts recognised in the Statement of Comprehensive Income**

<b>Group and Parent</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Actuarial gains/(losses)	<b>6,112</b>	(50,584)

The 2009 actuarial gain determined under the accounting update is a result of the greater than expected investment returns of the Fund in the latter part of the year and from the higher discount rate of 4.3% used in 2009 compared to 3.5% used in 2008. Offsetting some of these gains were losses resulting from the higher than assumed salary increases granted to members and the change in the mortality tables used.

**(g) Cumulative amount recognised in the Statement of Comprehensive Income**

<b>Group and Parent</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Cumulative amount of actuarial losses	<b>(44,574)</b>	(50,686)

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**(h) Movements in the net (liability)/asset recognised in the Balance Sheet**

<b>Group and Parent</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
<b>Opening net (liability)/asset including contributions tax</b>	<b>(40,690)</b>	8,752
Superannuation expense including contributions tax	<b>(2,299)</b>	(997)
Amounts recognised in the Statement of Comprehensive Income grossed up for contributions tax	<b>6,112</b>	(50,584)
Employer contributions including contributions tax	<b>2,217</b>	2,139
<b>Closing net (liability)/asset including contributions tax</b>	<b>(34,660)</b>	(40,690)

**(i) Plan assets**

The percentage invested in each asset class at the balance sheet date:

<b>Group and Parent</b>	<b>2009</b>	<b>2008</b>
Equity	<b>52%</b>	45%
Fixed income	<b>40%</b>	41%
Property	<b>7%</b>	3%
Cash	<b>1%</b>	11%

**(j) Fair value of plan assets**

The fair value of plan assets includes no amounts relating to any:

- of the employer's own financial instruments
- property occupied by, or other assets used by, the employer.

**(k) Actual return on plan assets**

<b>Group and Parent</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Actual return on plan assets	<b>7,422</b>	(16,054)

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each asset class. The returns used for each asset class are net of investment tax and investment fees.

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**(l) Principal actuarial assumptions at the balance sheet date**

<b>Group and Parent</b>	<b>2009</b>	<b>2008</b>
Discount rate	<b>4.3%</b>	3.5%
Expected rate of return on plan assets	<b>6.2%</b>	5.5%
Expected rate of future salary increases	<b>4.0%</b>	4.0%
Pension increases	<b>No provision</b>	No provision
Mortality in retirement	<b>NZLT</b>	NZLT
	<b>(2005/2007)</b>	(2000/2002)
	<b>with a two</b>	with a two year
	<b>year set-back</b>	set-back

**(m) Historical information**

<b>Group and Parent</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Present value of defined benefit obligation	<b>(89,777)</b>	(86,911)	(70,468)	(69,101)
Fair value of plan assets	<b>66,555</b>	59,649	76,332	75,185
(Deficit)/surplus in plan	<b>(23,222)</b>	(27,262)	5,864	6,084
Experience adjustments gain/(loss) – plan assets	<b>3,750</b>	(20,253)	(1,717)	4,947
Experience adjustments gain/(loss) – plan liabilities	<b>(2,815)</b>	(1,247)	(2,395)	(512)
Change in assumptions (loss)/gain – plan liabilities	<b>3,160</b>	(12,391)	3,338	-

**(n) Expected contributions**

<b>Financial year ending</b>	<b>2010</b>
	<b>\$000</b>
Expected employer contributions (net)	<b>1,507</b>
Expected contributions by plan participants	<b>836</b>

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**13 Trade and other payables**

	<b>Group 2009 \$000</b>	Group 2008 \$000	<b>Parent 2009 \$000</b>	Parent 2008 \$000
Trade payables	<b>14,472</b>	32,871	<b>14,435</b>	32,750
Excise duty (note 7)	<b>94,322</b>	85,340	<b>94,322</b>	85,340
	<b>108,794</b>	118,211	<b>108,757</b>	118,090

The fair value of trade and other payables approximates their carrying value.

Changes to excise duties have no direct impact on the results of the Parent Company as they are collected from the oil companies (note 7) and paid to the NZ Customs Department on the same day each month.

**14 Bank borrowings**

	<b>Group 2009 \$000</b>	Group 2008 \$000	<b>Parent 2009 \$000</b>	Parent 2008 \$000
Bank loans	<b>147,000</b>	65,000	<b>147,000</b>	65,000
Total bank borrowings	<b>147,000</b>	65,000	<b>147,000</b>	65,000
Effective interest rate	%	%	%	%
Bank loans	<b>3.4712</b>	5.8471	<b>3.4712</b>	5.8471

The Group has the following un-drawn borrowing facilities:

Working capital facility (expiry 2010)	<b>47,000</b>	35,000	<b>47,000</b>	35,000
Cash advance facility (expiry 2011)	<b>45,000</b>	100,000	<b>45,000</b>	100,000
Cash advance facility (expiry 2011)	<b>61,000</b>	-	<b>61,000</b>	-
<b>Total un-drawn borrowing facility</b>	<b>153,000</b>	135,000	<b>153,000</b>	135,000

The carrying amounts of bank borrowings approximate their fair value. The borrowings are unsecured. The Parent Company borrows under a negative pledge arrangement which requires certain certificates and covenants. All these requirements have been met.

The Company has the ability to determine which facility will be drawn upon to meet funding requirements.

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**15 Income tax (receivable)/payable**

	<b>Note</b>	<b>Group 2009 \$000</b>	<b>Group 2008 \$000</b>	<b>Parent 2009 \$000</b>	<b>Parent 2008 \$000</b>
<b>At 1 January</b>		<b>15,131</b>	<b>(1,755)</b>	<b>15,201</b>	<b>(1,752)</b>
Tax payable in respect of current year	4	11,244	58,340	11,178	58,330
Tax payable/(receivable) in respect of previous years	4	(6)	150	30	160
Income tax payments		(27,096)	(38,244)	(27,076)	(38,178)
Supplementary dividends		(2,029)	(3,363)	(2,029)	(3,363)
Research and Development tax Credit		(820)	-	(820)	-
Use of money interest		-	3	-	4
<b>At 31 December</b>		<b>(3,576)</b>	<b>15,131</b>	<b>(3,516)</b>	<b>15,201</b>

**16 Deferred tax**

<b>Group and Parent</b>	<b>Depreciation \$000</b>	<b>Provisions \$000</b>	<b>Other \$000</b>	<b>Total \$000</b>
<b>At 1 January 2008</b>	118,115	(6,220)	4,152	116,047
Deferred tax in respect of previous years	4	-	44	(184)
Deferred tax charged to Income Statement	4	(3,116)	(564)	(1,122)
Deferred tax on items included in other comprehensive income		-	-	(14,468)
<b>At 31 December 2008</b>	<b>114,999</b>	<b>(6,740)</b>	<b>(11,622)</b>	<b>96,637</b>
Deferred tax in respect of previous years	4	88	(48)	-
Deferred tax charged to Income Statement	4	(269)	(1,163)	(13)
Deferred tax on items included in other comprehensive income		-	-	655
<b>At 31 December 2009</b>	<b>114,818</b>	<b>(7,951)</b>	<b>(10,980)</b>	<b>95,887</b>

The amount of the deferred tax balance expected to be utilised within one year is \$7.0 million (2008: \$5.2 million).

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**17 Provisions**

**Group and Parent**

<b>Movements</b>	<b>2009 Restoration \$000</b>	<b>2009 Restructuring \$000</b>	<b>2009 Total \$000</b>	<b>2008 Restoration \$000</b>
<b>At 1 January</b>	<b>2,938</b>	-	<b>2,938</b>	3,430
Additional provisions				
Charged against asset	1,211	-	1,211	-
Charged to Income Statement	-	700	700	-
Finance charge	351	-	351	307
Change in interest rate: -charged to Income Statement	541	-	541	(427)
-offset against asset	-	-	-	(372)
<b>At 31 December</b>	<b>5,041</b>	<b>700</b>	<b>5,741</b>	2,938

*Restoration*

The restoration provision relates to restoration obligations in relation to a lease agreement for the seabed upon which the jetty is situated at Marsden Point. The lease agreement expires in 2025 and this provision will be utilised if the lease is not renegotiated for a further term. The additional provision charged during the year relates to restoration costs associated with a jetty extension that was completed during 2009.

The restoration provision has been discounted using an interest rate of 10.1% (2008: 11.2%).

*Restructuring*

An organisational review was undertaken during the year to ensure that the Group had the appropriate resources in place to fulfil the strategic aims. This organisational review resulted in the disestablishment of a small number of positions. The provision at 31 December 2009 is expected to be fully utilised during the first half of 2010.

**18 Equity**

On 30 November 2009, the Group made a Taxable Bonus Issue of 40 million ordinary shares. Shareholders received one share for every six existing shares held, amounting to \$188.4 million, and the Company incurred resident withholding tax of \$1.015 million on the Taxable Bonus Issue. At 31 December 2009 there were 280 million no par value shares issued and fully paid (2008: 240 million). All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

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**19 Dividends**

	Cents per share		Total	
	2009 Cents	2008 Cents	2009 \$000	2008 \$000
Final dividend for the year ended 31 December 2008	30.0	-	72,000	-
Interim dividend for the year ended 31 December 2008	-	15.0	-	36,000
Final dividend for the year ended 31 December 2007	-	35.0	-	84,000
Total	30.0	50.0	72,000	120,000

The dividends are fully imputed. Supplementary dividends of \$2.029 million (2008: \$3.363 million) were paid to shareholders not tax-resident in New Zealand for which the Group received a foreign investor tax credit entitlement.

**20 Capital expenditure commitments**

Group and Parent	2009 \$000	2008 \$000
Capital expenditure contracted for in relation to property, plant and equipment at the end of the year but not yet incurred:	5,176	20,451

**21 Operating lease commitments**

**As Lessee**

The Group leases a small number of equipment and vehicles under non-cancellable operating leases.

The Group also leases land under a non-cancellable lease that expires in 2024 with no right of renewal.

The lease expenditure charged to the income statement during the year is disclosed in note 3.

Group and Parent	2009 \$000	2008 \$000
Commitments for operating leases which are unable to be cancelled fall due as follows:		
- no later than one year	701	602
- one to five years	2,164	2,139
- beyond five years	5,132	5,625
Total	7,997	8,366

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**As Lessor**

The Group leases land and plant under a non-cancellable operating lease, which expires in 2024 with no right of renewal. The Group also leases land under an agreement that has two rights of renewal for 21 years each.

<b>Group and Parent</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>

Commitments for operating leases where the Group is lessor are as shown below.

- no later than one year	<b>6,609</b>	6,609
- one to five years	<b>26,434</b>	26,434
- beyond five years	<b>60,817</b>	67,466
<b>Total</b>	<b>93,860</b>	100,509

**22 Contingent liabilities**

<b>Group and Parent</b>	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>

Contingent liabilities under contracts, guarantees and other agreements arising in the ordinary course of business on which no loss is anticipated are as follows:

Guarantee to the New Zealand Stock Exchange	<b>75</b>	75
<b>Total</b>	<b>75</b>	75

**23 Related parties**

The Group enters into transactions with the Oil Companies who are also Shareholders of the Parent. Details of shareholdings at 31 December are:

	<b>2009</b>	<b>2008</b>
	<b>%</b>	<b>%</b>
BP New Zealand Holdings Limited (BP)	23.66	23.66
Mobil Oil NZ Limited (Mobil)	19.20	19.20
Shell New Zealand Holding Company Limited (Shell)	17.14	17.14
Chevron New Zealand (Chevron)	12.69	12.69

The Group also enters into transactions with Wiri Oil Services Limited ('Wiri Oil'), a company that is owned by Shareholders of the Parent.

**(a) Revenue from related parties**

Revenue from the segments Oil Refining and Distribution is derived from the Oil Companies as follows:

Total income received from each Oil Company was:	<b>Group</b>	Group	<b>Parent</b>	Parent
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>\$000</b>	\$000	<b>\$000</b>	\$000
BP	<b>62,727</b>	105,206	<b>62,418</b>	105,010
Chevron	<b>42,706</b>	84,846	<b>42,673</b>	84,749
Mobil	<b>49,915</b>	79,164	<b>49,750</b>	78,981
Shell	<b>83,762</b>	120,434	<b>83,582</b>	120,390
Wiri Oil	<b>6,736</b>	6,682	<b>6,648</b>	6,525
<b>Total</b>	<b>245,846</b>	396,332	<b>245,071</b>	395,655

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**(b) Operating costs**

The Parent has an operating service agreement with Shell International group of companies and a number of 'arms length' transactions are conducted with Shell and associates.

The total expenditure in this category are:	<b>Group 2009 \$000</b>	Group 2008 \$000	<b>Parent 2009 \$000</b>	Parent 2008 \$000
Process materials and utilities	<b>844</b>	836	<b>844</b>	836
Technical Service Fee	<b>2,591</b>	2,614	<b>2,591</b>	2,614
Administration and other expenses	<b>2,022</b>	1,138	<b>2,022</b>	1,132

**(c) Project expenditure**

The Parent Company uses the Shell International group of companies for technical and engineering expertise on various capital projects. The total cost of these services for the Group and Parent during 2009 was \$1.4 million (2008: \$0.3 million).

**(d) Accounts receivable**

Amounts owing at 31 December:	<b>Group 2009 \$000</b>	Group 2008 \$000	<b>Parent 2009 \$000</b>	Parent 2008 \$000
BP	<b>41,070</b>	34,333	<b>41,042</b>	34,320
Chevron	<b>15,984</b>	24,460	<b>15,979</b>	24,460
Mobil	<b>18,418</b>	22,355	<b>18,395</b>	22,355
Shell	<b>29,446</b>	40,843	<b>29,430</b>	40,843
Wiri Oil	<b>21</b>	-	<b>10</b>	-
<b>Total</b>	<b>104,939</b>	121,991	<b>104,856</b>	121,978

**(e) Accounts payable**

Amounts payable at 31 December:	<b>Group 2009 \$000</b>	Group 2008 \$000	<b>Parent 2009 \$000</b>	Parent 2008 \$000
BP	<b>107</b>	-	<b>107</b>	-
Chevron	<b>140</b>	-	<b>140</b>	-
Mobil	<b>23</b>	16	<b>23</b>	16
Shell	<b>2,422</b>	19	<b>2,422</b>	19
<b>Total</b>	<b>2,692</b>	35	<b>2,692</b>	35

**(f) Wiri Terminal**

Wiri Terminal is leased to Wiri Oil. The rental is disclosed in note 3. An option exists for the oil companies to purchase Wiri Terminal at an agreed independent valuation of the market value of the Companies' interest.

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**(g) Independent Petroleum Laboratory Limited ('IPL')**

The Parent owns 74.2% of IPL, incorporated and domiciled in New Zealand, (2008: 74.2%) with the cost of the investment amounting to \$809 thousand (2008: \$809 thousand).

	<b>Parent 2009 \$000</b>	Parent 2008 \$000
Services sold to Parent	<b>3,724</b>	3,219
Goods and services sold to IPL	<b>330</b>	333

In November 2001 a revolving credit facility was set up by the Parent to assist with its cash flow. The facility is unsecured, repayable on demand and was subject to an interest rate of 5.01% at 31 December 2009 (2008: 7.86%).

	<b>Parent 2009 \$000</b>	Parent 2008 \$000
Interest paid by IPL to Parent on this facility	<b>29</b>	37
Balance owing by IPL to Parent on this facility at 31 December	<b>460</b>	595

**(h) Insurance**

43% (2008: 43%) of the Group's Material Damage and Business Interruption Insurance is held by companies related to shareholders. These companies received 43% (2008: 43%) of the insurance premium paid by Parent.

	<b>Group 2009</b>	Group 2008	<b>Parent 2009</b>	Parent 2008
Shareholders, related insurance companies and percentage of the insurance premium are:				
BP - Jupiter Insurance Ltd	<b>20%</b>	20%	<b>20%</b>	20%
Shell - Solen Versicherungen AG	<b>15%</b>	15%	<b>15%</b>	15%
Chevron - Iron Horse	<b>8%</b>	8%	<b>8%</b>	8%
Total	<b>43%</b>	43%	<b>43%</b>	43%

**(i) Key management personnel/Directors fees**

	<b>Group 2009 \$000</b>	Group 2008 \$000	<b>Parent 2009 \$000</b>	Parent 2008 \$000
Payments made to key management personnel: Salaries and other short-term employee benefits	<b>3,547</b>	3,831	<b>3,547</b>	3,831
Number of personnel	<b>8</b>	7	<b>8</b>	7

The 2008 payments made to key management personnel have been re-stated to include the value of all benefits and to be consistent with the 2009 disclosure.

Directors fees are disclosed in note 3 of these financial statements.

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**(j) Defined benefit pension plan**

For a description of this plan see note 12.

The Parent charges an administration fee to the Pension Fund of \$37,266. (2008: \$37,872).

**24 Events after balance date**

There have been no events after balance date. (2008: The Group declared a final dividend of 30 cents per share, fully imputed, payable March 2009).

**25 Reconciliation of net cash flow from operating activities to reported profit**

	<b>Group 2009 \$000</b>	Group 2008 \$000	<b>Parent 2009 \$000</b>	Parent 2008 \$000
<b>Operating profit after taxation</b>	<b>23,622</b>	124,903	<b>23,434</b>	125,039
<b>Adjusted for:</b>				
Depreciation, amortisation and disposal costs	<b>67,093</b>	61,012	<b>66,615</b>	60,597
Movement in deferred taxation	<b>(750)</b>	(19,410)	<b>(750)</b>	(19,410)
Less deferred tax on items included in other comprehensive income	<b>(655)</b>	14,468	<b>(655)</b>	14,468
Provisions	<b>1,592</b>	(120)	<b>1,592</b>	(120)
Revaluation of investment property	<b>(250)</b>	-	<b>(250)</b>	-
<b>Impact of changes in working capital items</b>				
Decrease/(increase) in trade and other receivables	<b>16,519</b>	(9,231)	<b>16,558</b>	(9,202)
(Decrease)/increase in trade and other payables	<b>(9,417)</b>	7,978	<b>(9,333)</b>	8,088
Decrease in unclaimed dividends	<b>(20)</b>	-	<b>(20)</b>	-
(Decrease)/increase in employee entitlements	<b>(1,240)</b>	5,778	<b>(1,240)</b>	5,780
(Decrease)/increase in income tax	<b>(18,707)</b>	16,886	<b>(18,717)</b>	16,953
Decrease in consumable stores and spares	<b>294</b>	118	<b>281</b>	151
Dividend from subsidiary	-	-	-	(149)
Movement between defined benefit employer contributions and expense	<b>82</b>	(1,142)	<b>82</b>	(1,142)
<b>Net cash inflow from operating activities</b>	<b>78,163</b>	201,240	<b>77,597</b>	201,053

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## **26 Financial risk management**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk.

Risk management is performed by Group management who evaluate and hedge certain financial risks including currency risk and interest rate risk under a Treasury Policy that is approved by the Board of Directors.

### **Market risk**

#### **(i) Currency risk**

The Group is exposed to foreign exchange risk as a result of the processing fee being calculated in US Dollars and billed in New Zealand Dollars. Exposure also exists for certain operating and capital expenditures. The currencies in which the Group primarily deals are US Dollar, Pounds Sterling, Euro and Australian Dollar. The Group does not enter into hedging agreements for revenue or operating expenditure. The Treasury Policy requires that the Group enters into foreign exchange contracts for the purchase of all capital items over NZ\$100 thousand and that the full amount of the purchase can be hedged. Foreign exchange instruments approved under the Policy are forward exchange contracts and currency options.

#### **(ii) Price risk**

The Group is exposed to significant commodity price risk exposure in relation to the purchase of electricity. This exposure exists as a result of the Group purchasing electricity via the New Zealand Electricity Wholesale Market, which is subject to price volatility caused by both demand/supply and transmission constraints. During 2008 the Board amended the Treasury Policy and the Group no longer enters into hedging agreements for electricity. Hedging contracts held at the time the policy changed were held until maturity. No contracts were outstanding at 31 December 2009.

#### **(iii) Interest rate risk**

The Groups interest rate risk arises from short and long-term borrowings typically used to finance major capital projects. Borrowings are at variable rates, exposing the Group to interest rate risk. The Group Treasury Policy requires that the interest rate risk be managed to minimise the medium-term cost of borrowings. This is achieved by entering into hedging relationships to fix the interest rate on core debt within parameters outlined in the Treasury Policy. These parameters are between zero and 60 – 100% of debt, depending on the maturity date, and core debt is determined by reference to the Groups forecast debt levels over five years.

At 31 December 2009 there were no interest rate hedge agreements in place (2008: nil). The Group continually re-assesses its interest rate hedging position against market conditions. The cost of fixed v's variable interest rates is assessed over the life of potential hedging instruments and the objective of the Treasury Policy has been achieved to date.

### **Credit risk**

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers from outstanding receivables and committed transactions.

For banks and financial institutions only parties with a minimum long-term Standard and Poors rating of A+ or A1 are accepted. Gross limits are set for financial institutions and the usage of these limits is determined by assigning product weightings to the principal amount of the transaction. Transactions are spread across a number of counterparties to avoid

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concentrations of credit exposure. No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance by counterparties.

No collateral is held over receivables that are mainly due from the oil companies as detailed in note 23(d). Little credit risk has been identified by the Group in relation to these oil companies.

The maximum exposure to credit risk at balance date is the carrying amount of cash and cash equivalents, derivative financial instruments, and trade and other receivables (excluding prepayments). Credit risk due to significant concentration of receivable balances is detailed in note 23(d).

Overdue trade receivable balances at 31 December 2009 totalled \$45 thousand (2008: \$112 thousand). Management consider that these balances are not impaired.

**Sensitivity analysis**

The table below illustrates what the impact on the profit before tax and total equity before tax would have been if the market risk factors had moved by the percentage indicated, assuming all other factors had stayed the same. The market risk factors in relation to the Group have been identified as 50 basis points (BP) decrease in interest rates (2008: 200 BP) and a 200 BP increase (2008: 100 BP), 10% movement of the New Zealand Dollar against all other currencies (2008: 10%), and \$10/mwh decrease (2008: \$10/mwh) and \$20/mwh increase (2008 \$20/mwh) in the price of electricity. These factors are considered reasonably possible over the short-term.

**Group**

**Interest rate**

	2009 \$000					2008 \$000				
	Carrying amount	-50BP		+200BP		Carrying amount	-200BP		+100BP	
		Profit	Equity	Profit	Equity		Profit	Equity	Profit	Equity
Cash and cash equivalents	1,137	(6)	(6)	23	23	26,412	(528)	(528)	264	264
Bank overdraft	(27)	-	-	(1)	(1)	(51)	1	1	(1)	(1)
Term loan	(147,000)	735	735	(2,940)	(2,940)	(65,000)	1,300	1,300	(650)	(650)
<b>Total increase/ (decrease)</b>	<b>(145,890)</b>	<b>729</b>	<b>729</b>	<b>(2,918)</b>	<b>(2,918)</b>	<b>(38,639)</b>	<b>773</b>	<b>773</b>	<b>(387)</b>	<b>(387)</b>

**Foreign exchange rates**

	2009 \$000					2008 \$000				
	Carrying amount	-10%		+10%		Carrying amount	-10%		+10%	
		Profit	Equity	Profit	Equity		Profit	Equity	Profit	Equity
Cash and cash equivalents	1,137	3	3	(3)	(3)	26,412	18	18	(15)	(15)
Derivative financial instruments	(2,987)	-	2,591	-	2,145	946	-	1,182	-	(1,006)
Trade and other payables	(108,794)	(93)	(93)	91	91	(118,211)	(33)	(33)	33	33
<b>Total increase/ (decrease)</b>	<b>(110,644)</b>	<b>(90)</b>	<b>2,501</b>	<b>88</b>	<b>2,233</b>	<b>(90,853)</b>	<b>(15)</b>	<b>1,167</b>	<b>18</b>	<b>(988)</b>

**Electricity spot price**

	2009 \$000					2008 \$000				
	Carrying amount	-\$10/MwHr		+\$20/MwHr		Carrying amount	-\$10/MwHr		+\$20/MwHr	
		Profit	Equity	Profit	Equity		Profit	Equity	Profit	Equity
Derivative financial instruments	-	-	-	-	-	946	-	(739)	-	1,478
Trade and other payables	(108,794)	229	229	(457)	(457)	(118,211)	230	230	(460)	(460)
<b>Total increase/ (decrease)</b>	<b>(108,794)</b>	<b>229</b>	<b>229</b>	<b>(457)</b>	<b>(457)</b>	<b>(117,265)</b>	<b>230</b>	<b>(509)</b>	<b>(460)</b>	<b>1,018</b>

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**Parent**

**Interest rate**

	2009 \$000					2008 \$000				
	Carrying amount	-50BP		+200BP		Carrying amount	-200BP		+100BP	
		Profit	Equity	Profit	Equity		Profit	Equity	Profit	Equity
Cash and cash equivalents	1,039	(6)	(6)	23	23	26,322	(526)	(526)	263	263
Loan to subsidiary	460	(2)	(2)	9	9	595	(12)	(12)	6	6
Bank overdraft	(27)	-	-	(1)	(1)	(51)	1	1	(1)	(1)
Term loan	(147,000)	735	735	(2,940)	(2,940)	(65,000)	1,300	1,300	(650)	(650)
<b>Total increase/(decrease)</b>	<b>(145,528)</b>	<b>727</b>	<b>727</b>	<b>(2,909)</b>	<b>(2,909)</b>	<b>(38,134)</b>	<b>763</b>	<b>763</b>	<b>(382)</b>	<b>(382)</b>

**Foreign exchange rates**

	2009 \$000					2008 \$000				
	Carrying amount	-10%		+10%		Carrying amount	-10%		+10%	
		Profit	Equity	Profit	Equity		Profit	Equity	Profit	Equity
Cash and cash equivalents	1,039	3	3	(3)	(3)	26,332	18	18	(15)	(15)
Derivative financial instruments	(2,987)	-	2,591	-	2,145	946	-	1,182	-	(1,006)
Trade and other payables	(108,757)	(93)	(93)	91	91	(118,090)	(33)	(33)	33	33
<b>Total increase/(decrease)</b>	<b>(110,705)</b>	<b>(90)</b>	<b>2,501</b>	<b>88</b>	<b>2,233</b>	<b>(90,812)</b>	<b>(15)</b>	<b>1,167</b>	<b>18</b>	<b>(988)</b>

**Electricity Spot Price**

	2009 \$000					2008 \$000				
	Carrying amount	-\$10/MwHr		+\$20/MwHr		Carrying amount	-\$10/MwHr		+\$20/MwHr	
		Profit	Equity	Profit	Equity		Profit	Equity	Profit	Equity
Derivative financial instruments	-	-	-	-	-	946	-	(739)	-	1,478
Trade and other payables	(108,757)	229	229	(457)	(457)	(118,090)	230	230	(460)	(460)
<b>Total increase/(decrease)</b>	<b>(108,757)</b>	<b>229</b>	<b>229</b>	<b>(457)</b>	<b>(457)</b>	<b>(117,144)</b>	<b>230</b>	<b>(509)</b>	<b>(460)</b>	<b>1,018</b>

**Liquidity risk**

The Group monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on the Group's undrawn committed borrowing facilities (note 14).

Surplus cash held by the operating entities over and above balance required for working capital management are invested in interest bearing current accounts, time deposits, and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. At the reporting date, the Group held money market funds of \$1.039 million (2008: \$26.322 million).

The table below analyses the Group's financial liabilities including gross and net-settled derivative financial liabilities, into relevant maturity groupings, based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

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Group 2009	\$000 Carrying amount	\$000 Contractual cashflows	\$000 Less than 6 months	\$000 Between 6 months – 1 year	\$000 Between 1 -2 years
<b>Non derivative financial liabilities</b>					
Bank overdraft	(27)	(27)	(27)	-	-
Trade and other payables	(108,794)	(108,794)	(108,794)	-	-
Bank borrowings	(147,000)	(148,734)	(148,734)	-	-
	<b>(255,821)</b>	<b>(257,555)</b>	<b>(257,555)</b>	-	-
<b>Derivative financial instruments</b>					
Gross settled derivatives – forward exchange contracts					
Gross settled derivatives outflow		(26,537)	(26,537)	-	-
Gross settled derivatives inflow		23,645	23,645	-	-
	<b>(2,987)</b>	<b>(2,892)</b>	<b>(2,892)</b>	-	-
<b>Group 2008</b>					
	\$000 Carrying amount	\$000 Contractual cashflows	\$000 Less than 6 months	\$000 Between 6 months – 1 year	\$000 Between 1 -2 years
<b>Non derivative financial liabilities</b>					
Bank overdraft	(51)	(51)	(51)	-	-
Trade and other payables	(118,211)	(118,211)	(118,211)	-	-
Bank borrowings	(65,000)	(65,986)	(65,986)	-	-
	<b>(183,262)</b>	<b>(184,248)</b>	<b>(184,248)</b>	-	-
<b>Derivative financial instruments</b>					
Gross settled derivatives – forward exchange contracts					
Gross settled derivatives outflow		(9,646)	(6,519)	(3,127)	-
Gross settled derivatives inflow		10,943	7,338	3,605	-
	1,400	1,297	819	478	-
<b>Net settled derivatives – electricity contracts for differences</b>	<b>(454)</b>	<b>(3,448)</b>	<b>(2,004)</b>	<b>(1,444)</b>	-
<b>Parent 2009</b>					
	\$000 Carrying amount	\$000 Contractual cashflows	\$000 Less than 6 months	\$000 Between 6 months – 1 year	\$000 Between 1 -2 years
<b>Non derivative financial liabilities</b>					
Bank overdraft	(27)	(27)	(27)	-	-
Trade and other payables	(108,757)	(108,757)	(108,757)	-	-
Bank borrowings	(147,000)	(148,734)	(148,734)	-	-
	<b>(255,784)</b>	<b>(257,518)</b>	<b>(257,518)</b>	-	-
<b>Derivative financial instruments</b>					
Gross settled derivatives					
Gross settled derivatives outflow		(26,537)	(26,537)	-	-
Gross settled derivatives inflow		23,645	23,645	-	-
	<b>(2,987)</b>	<b>(2,892)</b>	<b>(2,892)</b>	-	-

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Parent 2008	\$000 Carrying amount	\$000 Contractual cashflows	\$000 Less than 6 months	\$000 Between 6 months – 1 year	\$000 Between 1 -2 years
<b>Non derivative financial liabilities</b>					
Bank overdraft	(51)	(51)	(51)	-	-
Trade and other payables	(118,090)	(118,090)	(118,090)	-	-
Bank borrowings	(65,000)	(65,986)	(65,000)	-	-
	<u>(183,141)</u>	<u>(184,127)</u>	<u>(183,141)</u>	<u>-</u>	<u>-</u>
<b>Derivative financial instruments</b>					
Gross settled derivatives					
Gross settled derivatives outflow		(9,646)	(6,519)	(3,127)	-
Gross settled derivatives inflow		10,943	7,338	3,605	-
	<u>1,400</u>	<u>1,297</u>	<u>819</u>	<u>478</u>	<u>-</u>
<b>Net settled derivatives</b>	<u>(454)</u>	<u>(3,448)</u>	<u>(2,004)</u>	<u>(1,444)</u>	<u>-</u>

### Capital risk management

The Group's objective when managing capital (net assets of the Group) is to safe guard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders, and to maintain an appropriate capital structure. The Group borrows under a negative pledge arrangement (refer note 14) The Group monitors rolling forecasts which takes into consideration the Group's debt financing plans and covenant compliance, to ensure that it is able to continue meeting funding requirements. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

### Derivative financial instruments

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

#### (a) Forward foreign exchange contracts

At 31 December 2009 the Group had entered into forward exchange contracts to sell the equivalent of NZ\$26.5 million (2008: NZ\$9.6 million).

These contracts are hedging committed or highly probable forecast purchases of property, plant and equipment denominated in foreign currency expected to occur at various dates during the next 12 months. The contracts are timed to mature when the liability is scheduled to be settled.

At balance date there were no contracts that had not been designated as hedges (2008: nil).

There was no ineffectiveness to be recorded from cash flow hedges (2008: nil).

Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 31 December 2009 are recognised in the Income Statement in the period or

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periods during which the hedged forecast transaction affects the Income Statement. As the gain or loss is generally included in the initial amount recognised for the purchase of property, plant and equipment, recognition is over the lifetime of the asset.

(b) *Electricity contracts for differences*

There were no contracts outstanding at 31 December 2009. The electricity contracts for differences held at 31 December 2008 had all been designated as hedges and were hedging highly probable electricity costs expected to be incurred during 2009.

There was no ineffectiveness to be recorded from cash flow hedges (2008: nil).

**Financial instrument classifications**

All financial assets other than derivatives are classified as loans and receivables. All financial liabilities other than derivatives are classified as measured at amortised costs. The fair value of financial assets and liabilities approximates their carrying value.

	<b>Group</b> <b>2009</b> <b>\$000</b>	Group 2008 \$000	<b>Parent</b> <b>2009</b> <b>\$000</b>	Parent 2008 \$000
Trade and other receivables	<b>106,994</b>	123,513	<b>106,698</b>	123,256
Cash and cash equivalents	<b>1,137</b>	26,412	<b>1,039</b>	26,332
Loan to subsidiary	-	-	<b>460</b>	595
Total loans and receivables	<b>108,131</b>	149,925	<b>108,197</b>	150,183
Financial liabilities measured at amortised cost	<b>(255,822)</b>	(183,262)	<b>(255,784)</b>	(183,141)
<b>Derivative assets designated in hedging relationships</b>				
Forward foreign exchange contracts	-	1,400	-	1,400
<b>Total derivative assets designated in hedging relationships</b>	-	1,400	-	1,400
<b>Derivative liabilities designated in hedging relationships</b>				
Electricity contracts for differences	-	(454)	-	(454)
Forward foreign exchange contracts	<b>(2,987)</b>	-	<b>(2,987)</b>	-
<b>Total derivative liabilities designated in hedging relationships</b>	<b>(2,987)</b>	(454)	<b>(2,987)</b>	(454)

Effective 1 January 2009, the Group adopted the amendment to NZ IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

All the Group's financial instruments have been measured at the fair value measurement hierarchy of level 2.

## **Auditors' Report**

to the shareholders of The New Zealand Refining Company Limited

We have audited the financial statements on pages 1 to 48. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 December 2009 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 8 to 20.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### **Directors' Responsibilities**

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 31 December 2009 and their financial performance and cash flows for the year ended on that date.

### **Auditors' Responsibilities**

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

### **Basis of Opinion**

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company other than in our capacity as auditors.

**Auditors' Report**

The New Zealand Refining Company Limited

**Unqualified Opinion**

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- (b) the financial statements on pages 1 to 48:
  - (i) comply with generally accepted accounting practice in New Zealand;
  - (ii) comply with International Financial Reporting Standards; and
  - (iii) give a true and fair view of the financial position of the Company and Group as at 31 December 2009 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 16 February 2010 and our unqualified opinion is expressed as at that date.



Chartered Accountants

Auckland