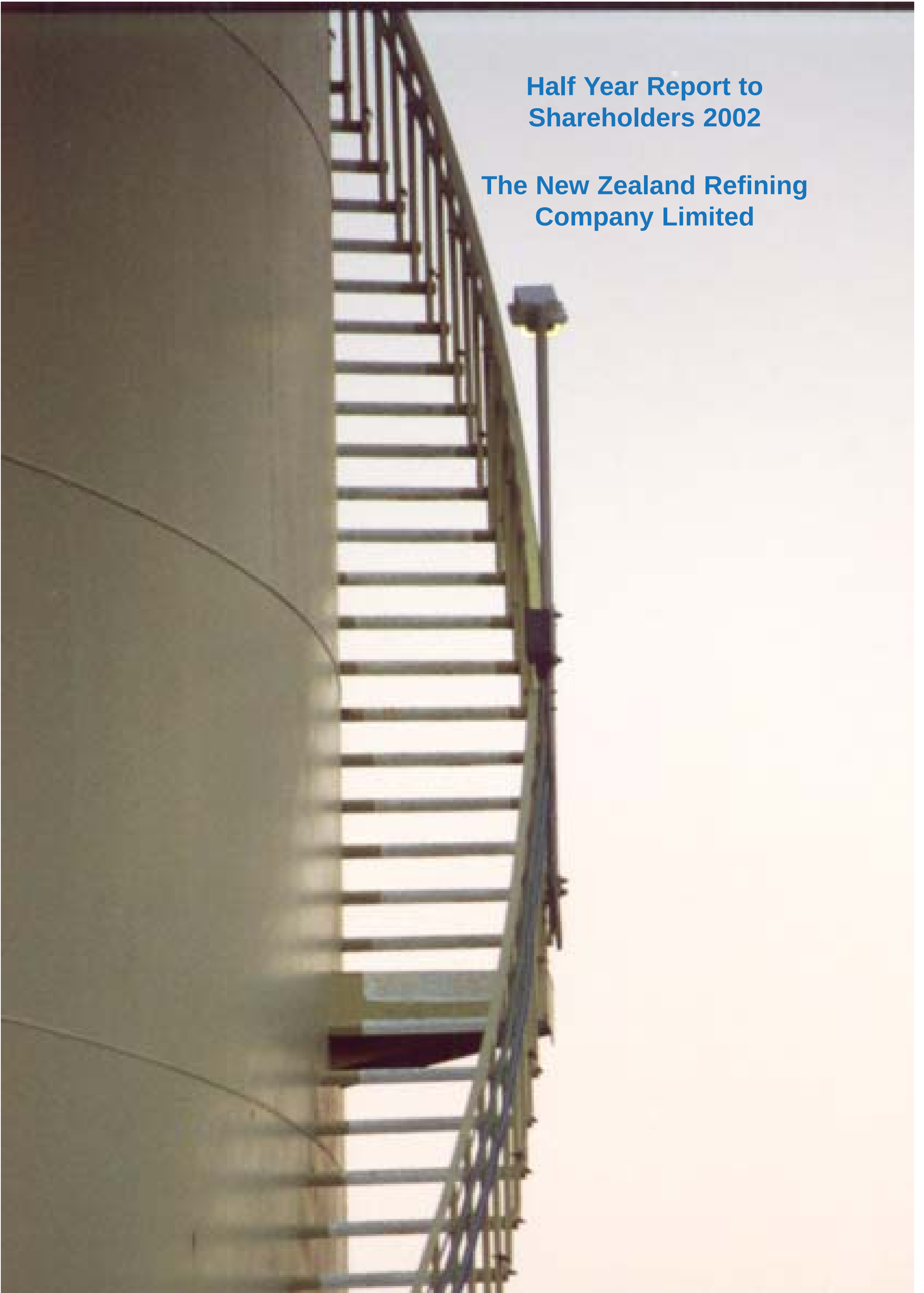
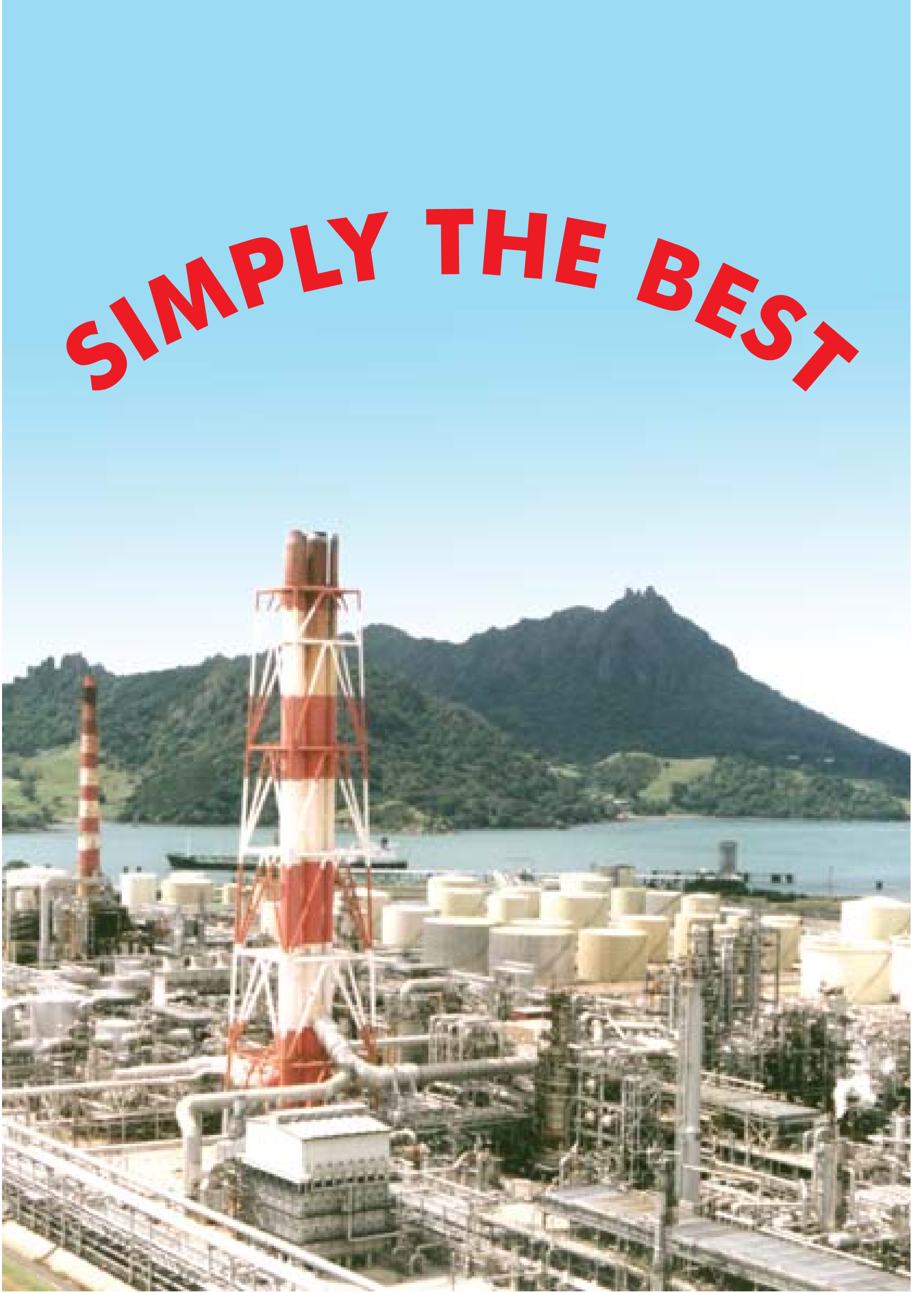


Half Year Report to Shareholders 2002

The New Zealand Refining Company Limited


SIMPLY THE BEST

Operational Highlights

Six Months to 30 June 2002

- Crude Distiller Unit 2 Plant Integrity Award from Shell Global
- ISO14001 Accreditation
- Increased RAP throughputs to service South of Auckland
- Resolution of Diesel Filtration Issue
- Higher Intake

FINANCIAL SUMMARY FOR THE GROUP

Six Months to 30 June 2002

	June 2002 $000	June 2001 $000	Movement %
OPERATING RESULTS			
Operating revenue	82,993	84,614	-2%
Other income	396	1,156	-66%
Surplus before income tax	37,311	27,716	35%
Surplus after income tax	23,167	16,452	41%
SHARE INDICATORS			
Net asset backing	$13.33	$12.73	5%
Earnings per share (annualised)	$1.93	$1.37	41%
NUMBERS			
Shareholders	2519	2297	10%
Employees	282	263	7%

Chairman's Letter to Shareholders

The first six months of 2002 have again been very busy for the Company and we have managed to make meaningful progress on a broad range of issues.

The Company has produced a solid Operating Surplus before tax of $37,311,000 (2001 $27,716,000).

Processing Fee income of $63,448,000 was down on last year by 4.5%. Higher throughput was unfortunately offset by a slightly lower margin of USD$2.06 (2001 - USD$2.12) and a stronger New Zealand dollar (0.445 vs 0.424 in 2001).

Intake was higher by 675,000 barrels as there were no planned maintenance shutdowns during the period and the plants ran very reliably.

Volume through the Refinery to Auckland Wiri pipeline has increased steadily, as a result of both Auckland growth and the pipeline being used to supply areas south of Auckland. Pipeline income improved from $11,784,000 to $14,399,000, a function of both volume and price increases.

Management's focus on costs has not dissipated. The first six month's operating cash costs were $38.687 million compared to $41.070 million in 2001 mainly due to the absence of shutdowns in the current period. However, several factors are emerging that threaten to halt the downward trend.

The Company has continued to focus strongly on the reliability and integrity of its assets. The accelerated Tank Maintenance program has continued with some 15 tanks expected to be maintained this year incurring a cost in the vicinity of $7,000,000. The program is planned to end by the middle of next year when tank maintenance costs will reduce significantly to a more modest and long term sustainable level.

There have been some changes to the treatment of depreciation that have resulted in a lower depreciation charge ($11.131 million in this period compared to $12.670 million last half year). As a result of the Company's review of the requirements of Financial Reporting Standard FRS3 (Accounting for Property, Plant and Equipment), the life of the Refinery to Auckland pipeline has been reviewed and extended to that of the balance of refinery. The Company has also reviewed its policy of not depreciating Land Improvements relating to the Refinery and has decided to adopt economic lives the same as for the other Refinery Assets.

The Company's Material Damage and Business Interruption Insurances were renewed in April and commenced from May 1st. NZRC's excellent claims history paled into insignificance when compared to the events of September 11 and other major oil industry related disasters over recent years. The cost of our insurance has risen over 300%, whilst the coverage has substantially reduced. The Company was unable to obtain full indemnity insurance and settled on a Maximum Loss Sum Insured that is still considerably above the "maximum credible loss" scenario determined by our insurance advisers.

The Refinery, because of the business it is in and of our obligations to employees and all stakeholders, should be a safe place to work, and to a very large extent it is. External reviews by several organisations like Shell, our Insurance Advisers, Lloyds and OSH continue to confirm that our Safety Systems are in place and that we operate in a safe manner. However, we continue to have an unacceptable level of Lost Time Incidents - most of which are of relatively low severity but are still totally unacceptable to us. Management has embarked on a path of greater employee consultation and involvement in safety matters together with a focus on behavioural aspects of workplace safety.

The Diesel fuel filterability issue is a subject that has been of concern over the last year. I am pleased to be able to report that all significant issues relating to the incident have been resolved. The net cost of this issue to NZRC was $2,480,000.

The Government, after considerable study and consultation has amended the fuel specifications. There are numerous changes, many of which the Refinery either already meets or can meet by changing or modifying operating practises.

As indicated to you in earlier announcements, sulphur in diesel and benzene in petrol are two areas where the Refinery must invest in order to continue in the Refining business. The Board believes that over time refining offers better returns to Shareholders than cessation of refining activities and conversion to an import terminal. Expenditure of up to $8,000,000 has been approved for the initial design stages of this investment project. This work involves the selection and licensing of the required technology, initial design of the new equipment required and studies to ensure that the new equipment can be successfully integrated into the existing plant.

The initial cost estimate of the project - aptly named "Future Fuels Project" was $130-$150 million. The design work now in hand will produce a firm estimate for the Board to consider hopefully by its April 2003 meeting. Until then the cost numbers cannot be refined any further. It is the Company's aim to secure financing for the funding of the Project. Initial discussions have commenced with a number of prospective financiers who are showing keen interest.

The other major item of strategic importance is Greenhouse Gases and the Kyoto Protocol. As one of New Zealand's largest emitters of CO2, we are obviously concerned about the potential impact of carbon charges on the Company especially as the requirement to make cleaner fuels will inherently increase our energy usage.

The Government has recently released its Preferred Policy Package for Climate Change. The package addresses a number of our concerns about "carbon leakage" by which charges on NZRC would cause products to be sourced from overseas for no environmental benefit. We will continue to work constructively with Government on these policy issues as well as being proactive in seeking better ways to utilise energy streams.

Our goal is to have sufficient certainty about how NZRC will be treated for Greenhouse Gases so that we can make our decision concerning the Future Fuels expenditure.

The next six months, like every six months in the life of the Refinery, will be challenging. The volatility of margins, the stronger New Zealand Dollar, Future Fuels, Greenhouse Gases and most importantly Safety, will provide all of the Staff, Management and the Board with challenge.

A fully imputed interim dividend of $1.00 share (2001 $0.50) will be paid on September 25th 2002. This interim dividend is higher than in previous years but because the Refinery operates in a volatile market where future profitability is difficult to predict, it should not be interpreted as an indication of future dividends.

I.F. FARRANT
CHAIRMAN OF THE BOARD

Statement of Financial Performance For The Group

Six Months to 30 June 2002

	6 Mths to 30.6.02 $000	6 Mths to 30.6.01 $000	12 Mths to 31.12.01 $000
Group Operating Revenue	82,993	84,614	176,719
Surplus Before Taxation	37,311	27,716	60,399
Taxation	14,144	11,264	23,942
Surplus After Taxation	23,167	16,452	36,457
Minority interest surpluses of subsidiary	(1)	(3)	36
Surplus After Taxation and Minority Interests	**23,166**	**16,449**	**36,493**

Statement of Movements in Equity For The Group

Six Months to 30 June 2002

	6 Mths to 30.6.02 $000	6 Mths to 30.6.01 $000	12 Mths to 31.12.01 $000
Equity at the beginning of year	326,795	302,316	302,316
Movements in minority interests	9	25	0
Unclaimed dividends written off	-	-	8
Surplus after taxation	23,166	16,449	36,493
	23,175	16,474	36,501
Movements in minority interest	0	0	22
Dividends (see Note 2)	30,049	13,274	12,000
Equity at the end of the period	**319,921**	**305,516**	**326,795**

Statement of Financial Position For The Group

At 30 June 2002

	30.6.02	30.6.01	31.12.01
	$000	$000	$000
Equity			
Share capital	24,000	24,000	24,000
Retained Earnings	295,706	281,263	302,589
Minority Interests	215	253	206
Total Equity	319,921	305,516	326,795
Non-current Liabilities			
Payroll Provisions	3,317	2,813	3,205
Finance Lease	0	667	0
Deferred Tax	6,464	4,610	5,332
Total Non-current Liabilities	9,781	8,090	8,537
Current Liabilities			
Bank Overdraft	71	41	65
Current Portion of Term Borrowing	881	2,388	1,996
Accounts Payable	73,787	63,667	79,914
Taxation	3,883	3,652	0
Provision for Dividend (see Note 2)	0	12,000	0
Total Current Liabilities	78,622	81,748	81,975
Total Equity and Liabilities	**408,324**	**395,354**	**417,307**
Non-Current Assets			
Fixed Assets	299,751	304,284	310,260
Total Non-Current Assets	299,751	304,284	310,260
Current Assets			
Consumable Stores and Spares	10,183	8,723	9,351
Accounts Receivable	81,117	53,032	72,992
Taxation	0	0	3,184
Short Term Deposits	17,273	29,315	21,520
Total Current Assets	108,573	91,070	107,047
Total Net Assets	**408,324**	**395,354**	**417,307**

Statement of Cash Flows For The Group

Six Months to 30 June 2002

	6 Mths to 30.6.02 $000	6 Mths to 30.6.01 $000	12 Mths to 31.12.01 $000
Operating Activities			
Cash was provided from			
Receipts from Customers	77,336	101,450	185,633
GST	0	0	1,288
Interest Received	396	1,156	1,851
	77,732	102,606	188,772
Cash was applied to			
Payments to Employees	(11,761)	(12,115)	(23,912)
Payments for Supplies & Expenses	(30,978)	(33,615)	(66,842)
Income Tax	(5,945)	(5,400)	(24,192)
Interest Paid	10	115	(44)
GST	(1,290)	(349)	0
	(49,964)	(51,364)	(114,990)
Net cash inflows from Operating Activities	27,768	51,242	73,782
Investment Activities Cash was provided from			
Proceeds from Sale of Plant	5	37	56
Contribution from Minority Interest in Subsidiary	10	22	14
Proceeds from return of Catalyst	1,227	0	0
	1,242	59	70
Cash was applied to			
Purchase of Plant	(1,776)	(4,416)	(7,823)
Purchase of Catalyst	(324)	(262)	(15,448)
	(2,100)	(4,678)	(23,271)
Net cash (outflow) from Investment Activities	(858)	(4,619)	(23,201)
Financing Activities Cash was provided from			
Bank Loan	0	0	300
Unclaimed Dividends	0	0	8
	0	0	308
Cash was applied to			
Bank Loan Repayment	0	0	(300)
Long Term Borrowing	(1,115)	(715)	(1,773)
Dividends Paid	(30,049)	(49,274)	(60,000)
	(31,164)	(49,989)	(62,073)
Net cash inflow (outflow) Financing Activities	**(31,164)**	**(49,989)**	**(61,765)**

Statement of Cash Flows For The Group *Continued*

	6 Mths to 30.6.02 $000	6 Mths to 30.6.01 $000	12 Mths to 31.12.01 $000
Net Increase/(decrease) in cash held	(4,254)	(3,366)	(11,184)
Operating cash brought forward	21,456	32,640	32,640
Closing cash carried forward	17,202	29,274	21,456
Composition of cash			
Cash and Bank Balances	85	181	77
Short Term Investments	17,188	29,134	21,444
Bank Overdraft	(71)	(41)	(65)
	17,202	29,274	21,456
Reconciliation with operating surplus			
Surplus before minority interest	23,167	16,452	36,457
Items not involving cash flows			
Deferred tax movement	1,132	963	1,685
Depreciation	8,724	9,713	19,910
Catalyst depreciation	2,651	2,957	5,358
Provision for retirement bonuses & long service leave	82	(225)	275
Impacts of changes in working capital			
Consumable stores and spares	(832)	1	(627)
Accounts receivable	(8,125)	27,908	7,949
Accounts payable	(6,098)	(11,428)	4,710
Tax payable	7,067	4,901	(1,935)
Net cash flow from Operating Activities	27,768	51,242	73,782

Other Information For The Group

Six Months to 30 June 2002

	6 Mths to 30.6.02 $000	6 Mths to 30.6.01 $000	12 Mths to 31.12.01 $000
Interest Received	396	1,156	1,851
Interest Paid	(10)	(115)	44
Capital Commitments	514	11,107	325
Bonds and Guarantees	75	75	75

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Statement of Accounting Policies

Apart from the accounting policies relating to the compliance with Financial Reporting Standard No. 5, Events After Balance Date, the accounting policies used in the preparation of these financial statements are consistent with those used in the audited financial statements to 31st December 2001.

2. Changes in Accounting Policies

As at 31 December 2001, the Group changed its accounting policy in order to comply with the requirements of Financial Reporting Standard No.5, Events After Balance Date (FRS-5). The Group changed its accounting policy with respect to the date of recognition of the liability to pay dividends to shareholders. Under the new policy, dividends are recognised at the date they are declared by the Directors. Formerly, a liability was recognised at balance date, even if the dividend for that financial year had been declared after that date. Under the Standard, the restatement of prior periods is not acceptable.
There have been no other changes in accounting policies.

3. Change in Accounting Estimates

FRS-3, a new financial reporting standard on Property Plant and Equipment came into effect on 1 January 2002 and requires that all assets be reviewed each year to ascertain their useful lives. The depreciation charge for the half year has changed as a result of the reassessment of the useful lives of the Pipeline and Wiri Terminal assets and Land improvement assets. The financial effect of the change is to decrease the depreciation charge for the half year by $1Million.

4. Presentation Basis

The interim financial statements are presented in accordance with Financial Reporting Standard No.24 (FRS-24) Interim Financial Statements and should be read in conjunction with the audited financial statements to 31st December 2001.

5. Diesel Filtration Issue

In autumn and early winter of 2001 the Parent Company supplied diesel to its Customers that, although meeting all Customer and statutory standards, had the propensity to block diesel fuel filters.

Customers have claimed reimbursement of costs from the Parent Company. The Parent Company has also incurred costs investigating the issue and both producing new diesel and reprocessing affected diesel. All but one of the customers have received final settlement and all (insurance and supplier) recoveries have been received by the Parent Company.

The total net costs of this issue as at 30 June 2002 (ie total costs less recoveries)and the net total costs relating to each period are as follows:

Total Net cost of issue	As Reported in Financial Performance		
	30 Jun 2002	31 Dec 2001*	30 Jun 2001
$2.48 M	$(4.00)M	$6.48 M	$2.71 M
		(* Incl $2.71M for half year)	

6. Audited Information

The financial statements do not include any audited information.

7. Stock Exchange Listing Requirements

The relevant information required by Listing Requirement 10.4.2 is properly disclosed.

8. Audit Committee

The Group has a formally constituted audit committee of the Board of Directors.

Directory

The New Zealand Refining Company Limited.

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Facsimile (09) 4328035

Share Registrar:
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Private Bag 92119,
Auckland 1020.

Bankers:
The National Bank of
New Zealand Limited.
ANZ Banking Group Ltd.

Legal Advisors:
MinterEllisonRuddWatts.
Webb Ross Johnson.

Auditors:
PricewaterhouseCoopers.

Chairman:
I.F. Farrant

Directors:
A.N. Clark
G.A. Cumming
P.W. Griffiths
A.C. Heng
G.W. Henson
P. Logan
Sir Colin Maiden
K. Pronk
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General Manager
A.P. Davey

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