



Rio Tinto New Zealand Retirement Fund
Annual Report for the Year Ended 30 June 2007

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Chairman's message

The Fund has made good progress during the year, with satisfying investment returns as well as meeting significant challenges, including the Government's KiwiSaver retirement savings initiative and preparing for changes to the taxation of superannuation funds.

The Fund was one of the first to adopt the new KiwiSaver-consistent "complying superannuation fund" rules. The Fund's approach to KiwiSaver started in late 2006, with the formation of a KiwiSaver implementation team to ensure the smooth introduction of the changes which were considered necessary and appropriate for the Fund in response to KiwiSaver. Adopting the complying superannuation fund rules also had significant consequences for payroll and the Fund's administration systems.

The Fund became a complying superannuation fund to allow you to take advantage of member tax credits and tax-free employer contributions made available under the KiwiSaver legislation. At the same time you can continue to enjoy the benefits and features of Fund membership, including the generous employer contributions and insurance coverage.

The trade-off for members in obtaining tax credits and tax-exempt employer contributions is that you have to "lock in" some member contributions and a matching percentage of your employer's contributions until retirement age.

Copies of the KiwiSaver information pack were sent to members in June and can be downloaded from the KiwiSaver page of the Fund website www.realsuper.superfacts.co.nz. I encourage you to read more about the KiwiSaver changes on pages 8–10 of this report.

After last year's very strong results, returns for the year ended 30 June 2007 proved to be more in line with longer-term expectations. While major sharemarkets continued to perform well, returns were affected by the impact of the rising New Zealand dollar on the unhedged portion of the Fund's overseas share investments.

The crediting rates (net of tax and expenses) allocated to your accounts for the year ended 30 June 2007 varied, depending on the option you were invested in, as shown below.

Crediting rates for the year ended 30 June 2007

Cash option	4.89%
Conservative option	6.88%
Balanced option	10.06%
Growth option	12.59%

We continue to carefully consider and respond to members' suggestions about improvements to the Fund. We are pleased to announce that in response to members' desire for greater flexibility, you may now alter your contribution rate, insurance cover and/or chosen investment option on four occasions during the year, rather than just once as previously.

Continuing our commitment to providing you with the best available tools to help you manage your super, the Fund website www.realsuper.superfacts.co.nz has been upgraded. If you have not visited the website recently, we encourage you to do so.

As a Fund member, you can also obtain information from the Fund helpline (0508 266 787) and informative printed documents. The Fund helpline can provide general advice about choosing an investment option and help with routine enquiries. Copies of the Fund's printed documents are available by calling the helpline or can be downloaded from the Fund website.

An election for Member-Elected Trustees was recently conducted. Allan Meikle and Mike Rapson were re-elected and Ken Bolger and Grant Cuff were elected as new Trustees effective 1 November 2007. I would like to thank the Member-Elected Trustees for their dedication and contribution as Trustees and, in particular, Sean Gallagher and Mike McNamara who have now stepped down from Trustee responsibilities.

As you can see, it has been a busy year for the Fund and for superannuation in New Zealand. We remain dedicated to providing premium benefits for you and helping you understand the role of superannuation in ensuring a financially secure retirement.

Phillip Strachan
Chairman of Trustees



Phillip Strachan,
Chairman of Trustees

Investment Overview

In this report, returns are shown on a gross and net basis.

Gross returns do not allow for investment-related expenses or tax.

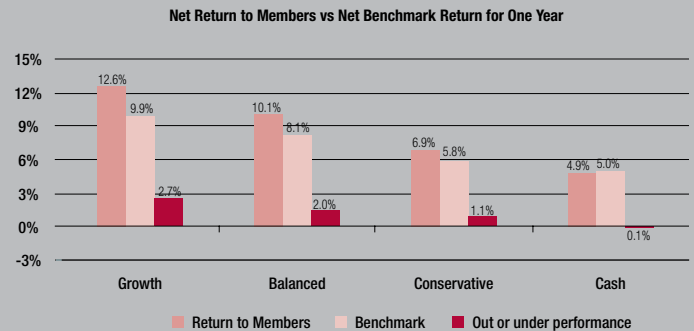
Net returns are gross returns less investment-related expenses and tax.



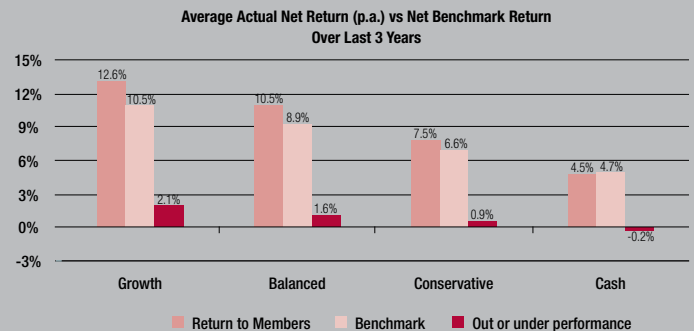
Api Tuwarua, Operator, Metal Products

Investment performance

The graph below shows each investment option's annual return to 30 June 2007 (net of tax and investment-related costs) over the course of the year, as well as the corresponding investment performance benchmark (net of fees). The graph shows that the actual return for each of the investment options was at or above its benchmark (or target) return.



The Fund also continues to perform well over the longer term. The following graph shows the average annual return for each investment option over the last three years as well as the corresponding investment performance benchmark (net of fees).

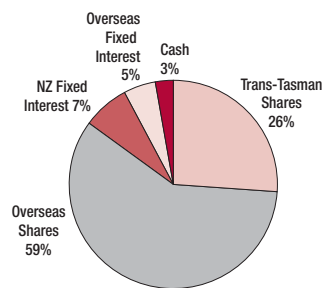


How your investment options performed

Growth option

The Growth investment option invests 85% in growth assets (Trans-Tasman and overseas shares) and 15% in defensive assets (fixed interest and cash). The Trustees' objective is for the Growth option to achieve an average annual return (after tax) of 4% above Consumers Price Index increases over rolling three-year periods.

Benchmark (or target) asset mix



Performance for the year ended 30 June 2007

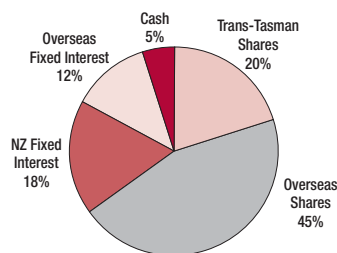
The impact of the rising New Zealand dollar is reflected in this year's return from the Growth option, which was a net 12.59% compared with a return of 18.40% for the previous year.

The net return for the Growth option was above its benchmark. Over the past three years, the Growth option has earned an average net return of 12.57% p.a.

Balanced option

The Balanced investment option has an asset mix of 65% in growth assets (Trans-Tasman and overseas shares) and 35% in defensive assets (fixed interest and cash). The Trustees' objective is for the Balanced option to achieve an average annual return (after tax) of 3% above Consumers Price Index increases over rolling three-year periods.

Benchmark (or target) asset mix



Performance for the year ended 30 June 2007

The strong New Zealand dollar coupled with rising interest rates impacted on this year's return from the Balanced option, which was a net 10.06% compared with 15.05% for the previous year.

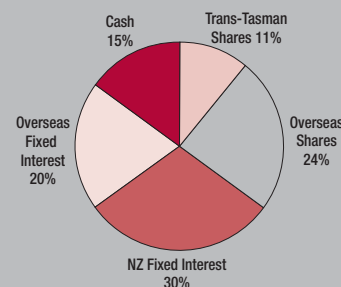
The net return for the Balanced option was above its benchmark. Over the past three years, the Balanced option has earned an average net return of 10.49% p.a.

Conservative option

With 65% invested in defensive assets (fixed interest and cash), the Conservative option is expected to provide more stable returns than the Growth or Balanced options. The Trustees' objective is for the Conservative option to achieve an average annual return (after tax) of 2% above Consumers Price Index increases over rolling three-year periods.

Although the Conservative option has a low risk of negative returns and overall returns are likely to be more stable, over the longer term it is unlikely to achieve high returns.

Benchmark (or target) asset mix



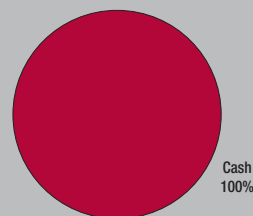
Performance for the year ended 30 June 2007

This year's net return from the Conservative option of 6.88% against last year's net return of 9.94% reflects both the strong New Zealand dollar and rising interest rates. The net return for the Conservative option was above its benchmark. Over the past three years, the Conservative option has earned an average net return of 7.48% p.a.

Cash option

As all of its assets are invested in cash, it is very unlikely that the Cash option will provide a negative return. Over the longer term it is very unlikely that returns from the Cash option will be high.

Benchmark (or target) asset mix



Performance for the year ended 30 June 2007

New Zealand interest rates rose towards the end of the year, lifting the net return of the Cash option to 4.89% against a net return of 4.56% for the previous year. The net return for the Cash option was almost in line with its benchmark.

The average annual net return for the Cash option over the past three years has been 4.54% p.a.

Factors behind the Fund's returns

Major influences on the global economy and markets during the year were:

- strong economic growth, particularly in Asia and Europe;
- merger and acquisition activity; and
- further interest rate rises.

In New Zealand, growth was stronger than expected, which highlighted inflationary pressures and prompted the Reserve Bank to raise interest rates. Higher interest rates attracted money to New Zealand, pushing our dollar higher.

The Fund's investments in overseas shares produced a return of 18.0% (gross). This return reflects the Trustees' 50% hedging level on the Fund's investments in overseas shares over the year, which provided a buffer against the currency impact.

The Fund's investments in Trans-Tasman shares returned 20.8% (gross) for the year. Returns from New Zealand shares were assisted by continuing takeover activity, while the Australian sharemarket benefited from the resource boom and strong economic performance, and provided another very strong result.

At 7.8% (gross) for the year, the result for cash was well above average and reflects the Reserve Bank's efforts to control inflation by raising short-term interest rates. Unfortunately, the higher interest rates held back returns from New Zealand fixed interest investments to a below-average 2.2% (gross). Returns from the Fund's investments in overseas fixed interest, which are fully hedged, were sound at 8.1% (gross).

Murray Wood, Crew Leader Plant Services

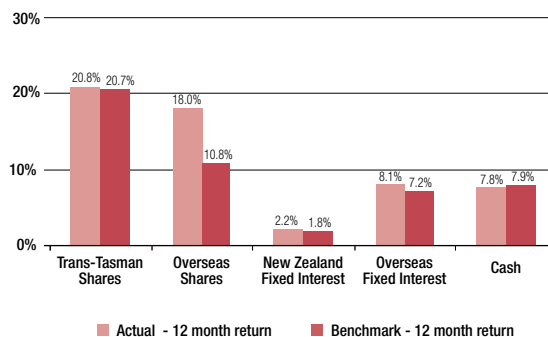
The impact of currency on returns

Approximately half of the Fund's investments in overseas shares are exposed to fluctuations in the New Zealand dollar versus world currencies. Over the year, the value of the New Zealand dollar increased by 27% against the US dollar (the US sharemarket accounts for approximately 60% of overseas shares). As a result, the return from the US portion of the Fund's unhedged investments in overseas shares was around 27% lower than the return a US dollar-based investor would receive. The reverse would have applied had the New Zealand dollar weakened (as it did in the previous Fund year), which is why the Trustees have a policy of hedging half the Fund's investments in overseas shares.

The annual returns for the Fund's four investment options to 30 June 2007 are shown on page 4. To check which investment option you have chosen and the investment earnings applied to your super, please refer to your 2007 Benefit Statement or log in to your account on the Fund's website www.realsuper.superfacts.co.nz.

The following graph compares the gross returns (i.e. investment returns before deduction of tax and investment expenses) for the Fund's investments in each asset class compared with the returns of the selected market indices.

Apart from cash, which underperformed its benchmark by 0.1%, returns from all the asset classes outperformed their benchmark or target returns. At more than 7% above benchmark, overseas shares performed extremely well.



The Fund's selected market indices (used as benchmarks) are:

Asset class	Market index used	What the index means
Trans-Tasman Shares	80% NZX 50 Index	Measures the performance of the 50 largest NZ companies by market capitalisation, or about 65% of the listed market
	14% NZX Mid Cap Index	Measures the performance of the NZX 50 excluding the 10 largest NZ companies
	6% NZX Small Cap Index	Measures the performance of NZ listed companies with a market capitalisation of up to \$150 million
Overseas Shares	Morgan Stanley Capital International (MSCI) World Accumulation Index (50% hedged into NZD)	Consists of the market indices of 23 developed countries (including Australia and New Zealand) and is a measure of international sharemarket performance
New Zealand Fixed Interest	NZX NZGS Gross Index	Measures the performance of the New Zealand Government Bond market
Overseas Fixed Interest	Lehman Brothers Global Aggregate Index (100% hedged into NZD)	Consists of over 9,500 international fixed interest securities and provides a representation of the movements in value and interest rates of this asset sector
Cash	NZX 90 Day Bank Bill Index	Summarises the returns on NZ bank bills over the past 90 days

How does the Fund's performance compare?

To ensure that the Fund's performance is in line with that of its peers, the Trustees now receive a copy of a quarterly investment performance survey of 65 New Zealand superannuation funds, conducted by their investment consultants.

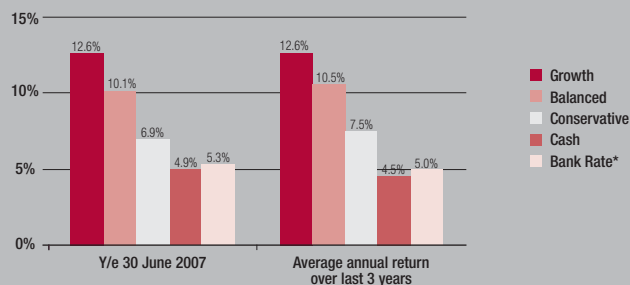
The following table summarises the comparative performance of the Fund's Balanced option on a before and after tax basis.

Before tax		Last Quarter %	Last Year %	Last 3 Years % p.a.	Last 5 Years % p.a.
	Return	3.41	13.94	14.73	12.22
	Ranking	4/65	10/65	11/65	18/65
	Median	1.41	9.83	13.22	11.18
After tax					
	Return	2.90	9.38	10.03	8.40
	Ranking	5/65	13/65	29/65	33/65
	Median	0.84	6.38	9.41	7.72
Inflation (CPI)		0.99	2.00	2.94	2.53

Source: Mercer Investment Performance Survey

Fund returns vs bank returns

The following chart compares the crediting rate for each investment option for the last year, and the average annual crediting rate for each of the last three years, with the return that could in each case have been earned from investing in deposits with a trading bank (after allowance for tax at 33%).



*After allowance for tax at 33%

Taking your super seriously

We work hard to make sure your super works for you and understand how important superannuation is for a financially secure retirement. We take your superannuation seriously and aim to provide you with the level of support you need to gain the most from your benefit.

“We understand how important superannuation is for a financially secure retirement.”

So what's available to you as a Fund member?

In addition to regular documents such as the investment posters and annual report and benefit statement, you can call the Fund Helpline, 0508 266 787, for advice about your super. There's also the Fund website, www.realsuper.superfacts.co.nz, where you can get your latest benefit information and investment option returns, and update your details.

During the year we also held Wealth Education seminars to explain KiwiSaver and help members plan for their retirement.

For person-to-person advice, your Superannuation Inquiries Officer, Lynley Harris, is available to answer your queries. Lynley is available on 03 218 5722.

What's new with your super and what's coming

We're always actively looking for ways to make your super meaningful to you. For example, the Fund recently became a complying superannuation fund for KiwiSaver purposes.

The following is an outline of what that recent change offers members.

Complying superannuation fund

The Fund's complying superannuation fund status means you can choose to “lock in” some contributions and benefit from:

- “tax credit” contributions to the Fund for your benefit, matching your locked-in member contributions in amounts of up to \$20 a week (\$1,040 a year); and
- a tax exemption on locked-in employer contributions (up to a maximum of 4% of your gross salary including bonuses and allowances).

“If you choose to “lock in” some contributions, you will qualify for member tax credit contributions and a tax exemption on some employer contributions.”

Under the lock-in provisions, future contributions you elect to lock in cannot be withdrawn until the date you would ordinarily qualify for New Zealand Superannuation (currently age 65), or if you joined after age 60, the date you complete five years of KiwiSaver scheme and/or complying superannuation fund membership. Under certain circumstances, the Trustees have the discretion to permit earlier withdrawals from your locked-in balance. Briefly these are:

- to go towards a first home purchase;
- to alleviate significant financial hardship;
- if you permanently emigrate from New Zealand;
- if you are suffering serious illness; or
- to give effect to a relationship property sharing order.

Locking in contributions

To obtain the full benefit of the tax exemption on locked-in employer contributions to the Fund, you need to lock in member contributions of amounts equal to 4% of your gross salary (including bonuses and allowances) plus a matching 4% employer contribution with the remainder of your contributions being made to your usual account.

Under proposed law changes, from 1 April 2008 the minimum permitted rate of contributions to the locked-in section of the Fund will be 5% of your gross salary (comprising a 4% locked-in member contribution and a matching 1% employer contribution), unless:

- you already contribute to a locked-in account; and
- you have already elected that some of your employer's contributions will count towards your 4% locked-in member contribution.

In these cases, transitional rules will apply to your contribution levels from 1 April 2008 to 31 March 2011. During that time you can increase your locked-in member contributions to 4% of your gross salary over four years. The changes to contribution levels are shown in the following table:

Minimum locked-in contributions (as percentage of gross salary)				
Year Beginning 1 April	2008	2009	2010	2011
Members who establish locked-in accounts <i>before</i> 1 April 2008	Employer 2%	2%	3%	4%
	Employee 2%	2%	3%	4%
Members who start contributing to locked-in accounts <i>on or after</i> 1 April 2008	Employer 1%	2%	3%	4%
	Employee 4%	4%	4%	4%

A member contribution of 4% of gross salary to the Fund is greater than the current usual 4% of base salary, so this means a lock in will require a slightly greater member contribution than you may currently be making (except while the transitional rules apply).

Example of how a (KiwiSaver-consistent) locked-in account with the Fund could help you:

Andrew has just joined NZAS on a salary of \$50,000.

Let's say Andrew decides not to lock in any contributions.

Andrew's contributions of 4% of his salary would be	$\$50,000 \times 4\%$	= \$2,000	
NZAS' contributions of 10% of his salary would be	\$5,000 less 33% withholding tax	= \$3,350	
Total		<u>\$5,350</u>	
Total account balances after:	20 years approximately*		\$181,000
	30 years approximately*		\$364,000

However, if instead, Andrew elects to lock in member contributions of 4% of his salary and employer contributions of 4% of his salary, his locked-in employer contributions will be tax free and his member contributions will attract member tax credit contributions of \$20 a week.

The balance of NZAS' contributions will be allocated to his company account and can be accessed when he leaves NZAS' service.

Andrew's locked-in contributions would be	$\$50,000 \times 4\%$	\$2,000
NZAS' locked-in contributions of 4% of his salary would be		\$2,000 (tax-free = extra \$660)
Total locked-in contributions		<u>\$4,000</u>

Total locked-in account balances (including annual \$1,040 member tax credit contribution) after:

20 years approximately*	\$171,000
30 years approximately*	\$343,000

The balance of NZAS' contributions (which go to an "unlocked" account) of approximately \$3,000 less 33% withholding tax would be

Total unlocked account balance after:	20 years approximately*	\$68,000
	30 years approximately*	\$136,000

Total of locked-in and unlocked account balances:

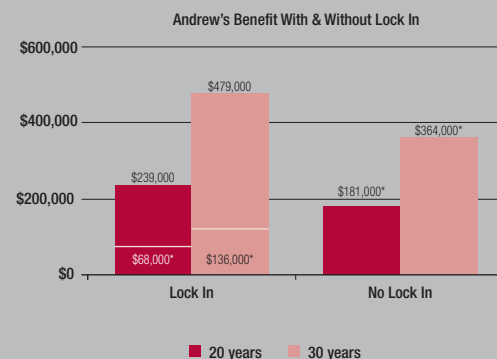
After 20 years approximately:	$\$171,000 + \$68,000$	\$239,000
After 30 years approximately:	$\$343,000 + \$136,000$	\$479,000

After both 20 and 30 years, Andrew has approximately 25% extra in his super accounts for retirement than he would have had, had he not locked in any of his contributions.

*The example above is for illustrative purposes only and employs a number of assumptions, including a net investment return of 5% p.a., that contributions are made monthly and no salary increases. It also excludes, for ease of illustration, the effect of any allowances or bonuses on locked-in contribution amounts.

"... in this example if Andrew elects to lock in contributions he will have almost 25% extra super savings for his retirement"

The graph below shows Andrew's total account balances after 20 and 30 years with no lock-in and with lock-in. The graph also shows (in each case) the "unlocked" cash amount available to Andrew when he leaves NZAS. It illustrates the difference locking in savings can make.



*This portion of Andrew's benefit is "unlocked" and can be withdrawn when he leaves NZAS.

Important – members with locked-in accounts

If you elect to lock in contributions, it's important that the Fund has your IRD number (also referred to as your tax file number). You also need to ensure that the Fund holds your current residential address. If you move (particularly if you have been permitted to retain your locked-in account in the Fund after leaving service) please advise the Fund helpline as soon as practicable.

“If you lock in contributions, don't forget the Fund needs your IRD number and current residential address.”

Employers are “exempt employers”

What this means is that new employees will not be enrolled in KiwiSaver but will continue to be enrolled in the Fund. A new unsubsidised category of membership has been added to the Fund for temporary/fixed-term employees.

As a member of an “exempt employer's” superannuation fund, if you have completed three or more years of Fund or KiwiSaver membership during the period after 1 July 2007 then, subject to income and house price caps, you may qualify for a first home deposit subsidy of up to \$5,000. Couples (if both qualify) may combine the subsidy.

“If you are a first home buyer, you may qualify for a first home deposit subsidy of up to \$5,000.”

So where are we at?

At the time of preparing this annual report, 12% of members have decided to have contributions paid into a locked-in account. As you can see from Andrew's example, locking in contributions may be worth considering.

When you leave your employer

If you change jobs or retire:

- at or after age 45, having completed 15 or more years' service; or
- after having reached aged 55; or
- on becoming totally disabled; or
- on the grounds of ill-health

you may be eligible to leave your benefit (including your locked-in savings) in the Fund. In that case your “unlocked” savings will be transferred to a retirement account in your name and your locked-in savings will remain in your locked-in account.

If you are not eligible or do not wish to leave your benefit in the Fund when you leave service, you need to complete the appropriate section on your employee termination form to advise details of the complying superannuation fund or KiwiSaver scheme your locked-in account balance is to be transferred to.

If you do not advise the Trustees which KiwiSaver scheme or complying superannuation fund your locked-in account balance is to be transferred to, that balance will be forwarded to Inland Revenue where it will be randomly allocated to an account in your name in one of the default KiwiSaver schemes selected by the Government.

Recent tax changes

In last year's Annual Report we described some upcoming tax changes affecting the Fund. One was a change to the tax on your employer's contributions, which took effect on 1 April 2007, and this is detailed below. The remainder of the changes took effect on 1 October 2007 (see “PIE tax regime” on page 11), apart from the revised tax on investment income, which takes effect on 1 April 2008.

Taxation of employer contributions

Employer contributions (other than those paid into your locked-in account) are subject to withholding tax, which for most members is a standard 33%.

A revised withholding tax rates scale came into effect on 1 April 2007. The revised scale is based on the aggregate of your taxable income and your employer's before-tax contributions to the Fund for your benefit, as follows:

Your taxable income and your employer's before-tax contributions to the Fund	Withholding tax rate
Up to \$11,400	15%
Over \$11,400 and up to \$45,600	21%
Over \$45,600	33%

PIE tax regime

During the year, the Trustees evaluated the advantages and disadvantages of the Fund becoming a PIE (Portfolio Investment Entity). After discussions with their advisers, the Trustees decided that since the 19.5% tax rate on the Fund's investment income would only apply to very few members (that is, members whose total income including investment income from the Fund was less than \$38,000) the additional administration costs could not justify the Fund becoming a PIE. However, by investing directly into PIEs, the Fund is still able to benefit from the new rules that apply to gains made on its investments in New Zealand shares and certain Australian shares. The investment funds into which the Fund invests are, or are expected to become, PIEs.

“The investment funds into which the Fund invests are, or are expected to become, PIEs.”

Taxation of investment income

Effective 1 April 2008 the rate of tax on the Fund's taxable investment income will reduce from 33% to 30%.

Your Super partners

We recently talked to Lynley Harris about her role with the Fund. Feedback from members has consistently shown that they rely on and appreciate Lynley's help with their superannuation queries concerning the Fund and how it works. Many Fund members will also know Lynley as the Human Resources Officer in Business Services at the Smelter.

What does your role with the Fund involve?

In this role I see many members with questions about the Fund. I process all the documents for new employees, terminating employees and retirement account holders, and also handle any day-to-day enquiries that come up about the Fund. I am, like all the members, not an expert on the subject, so it is sometimes difficult to have the answer right at my fingertips. However, I am able to access information through other people who work on the Fund and can then get back to members.

Where do you suggest members look for more information?

I think that the reAl super website is a very useful tool, and would encourage members to use it. It shows members not only what their current account balances are but also other information about retirement and investments. Members can also call the Fund helpline 0508 266 787 if they have questions about the Fund.

How long have you been a Fund member?

I have been a member of the company superannuation scheme for most of my time with NZAS. During this time I have also served two terms as a Member-Elected Trustee. That was a challenging time and gave me some insight into the background work done by the Trustees and administration people at Mercer, and also how the investment managers manage our funds.

From your experience as a Member-Elected Trustee, is there any aspect of the Fund you think members need to take particular care with?

The thing I learnt most from that time was we should all keep our nominated beneficiaries up to date and have a current will. I can't stress this strongly enough as we have many different family situations in this day and age. When the Fund Trustees are required to determine how to pay a death benefit it can be very difficult to make a decision, and also stressful for the family who are waiting on funds to be paid out, if this information is not up to date.

What do you think are the most valuable features of the Fund?

I think we have a very good superannuation scheme and one of the few where we are lucky enough to receive generous company contributions, and have no administration fees charged to Fund members. We also have the choice of investment options and an insurance scheme that covers ill health, total disablement and death.

The introduction of the KiwiSaver-consistent complying superannuation fund section is a positive move and I would encourage people to consider what this offers. It is not often the Government gives us money for saving towards retirement and also tax savings on company contributions.



Lynley Harris

“The introduction of the KiwiSaver-consistent complying superannuation fund section is a positive move and I would encourage people to consider what this offers.”



Tony Della

"Undoubtedly the highlight (of my role) is the ability to provide immediate assistance to members."

Your Super, your 'Experience'

To help members make the most of their super, there are a number of ways of accessing information about the Fund including printed material, the website and your Fund Helpline. Recently, we caught up with Tony Della, one of the Helpline Services consultants who work with the Fund.

How long have you been working with the Fund?

12 months.

What are the most common types of questions you receive?

The most common queries concern account balances, insurance arrangements within the Fund, the options upon leaving employment and, more recently, KiwiSaver and the measures the Fund has taken in response to it.

What's the most difficult question you've been asked?

KiwiSaver provided some interesting and difficult questions.

What do you do from day to day?

Answer telephone queries from members of around 50 superannuation funds in Australia and New Zealand. We are generally able to resolve around 80% of queries at the point of first contact. I also answer email queries from members of a number of different super funds. All Helpline consultants also perform "liaison" duties for a particular fund. This involves working with that fund's administrators and consultants to ensure the Helpline's fund information is up to date and accurate.

What are the highlights of your role?

Undoubtedly the highlight is the ability to provide members with immediate assistance and information. The fact that we are able to resolve such a high proportion of queries straightaway means we get a strong sense of helping members with their *reAI* super questions.

Wills and Powers of Attorne

Your superannuation is an important way of saving for your retirement, but have you given enough thought to how all your assets will be treated when you pass away? A will can provide you with great peace of mind knowing that your assets, which might include your super, will be distributed in the manner you choose when you die. A power of attorney is also an important related option worth considering, and means that you have legally nominated a person or institution to help administer your affairs should you become unable to do so. This article aims to provide you with some good basic information about wills and powers of attorney, and get you thinking about these important legal issues.

"A will ensures you get to say who gets what from your estate."

Wills

A will is a legal document that lists how you wish your assets to be distributed when you die. It must be prepared in a way that complies with New Zealand law. If you die without a will, legislation will determine who gets what from your assets. Without a will, your assets will most likely be distributed to your partner if you are married or have been in a relationship with them for more than three years, and to your children/or other legal dependants. There are no guarantees, however, and if for example you have been with your partner for less than three years, they may not be deemed eligible to receive your assets. If you don't have a will and are single and don't have children or other dependants, your assets will most likely be distributed to your parents or amongst other relatives. If you have no relatives and are without a will, the Government is entitled to access and use your estate as it wishes. A will ensures you get to say who gets what from your estate.

A will is an important safeguard that can also document who you would like to care for your children if both you and your partner die. If you and your partner both die and still have dependent children, wills can ensure your children are cared for in the manner you choose. In this situation, if wills were not prepared, your elected carer(s) would have to apply through the court system for legal guardianship.

y: Why you need them

If you have children from a previous relationship, a will also ensures that if you die, the guardian(s) you have elected must spend your money and use your assets in the manner you have indicated. In this way, you can be sure that your children are guaranteed to benefit from the assets you leave them.

Ensure that a trusted person knows where a copy of your will is held. Many legal firms can safely store wills for a small fee.

Administering your will

An executor of a will is a person or institution responsible for administering the assets in your will (your estate). An executor should be a person or institution you trust to administer your estate in a legal and proper fashion. If you do not elect someone, the New Zealand Public Trust can perform this function, but will charge a fee to your estate.

Power of attorney

This title refers to the power given to a person you nominate (your “attorney”) to oversee your affairs should you become incapacitated or otherwise unable to act - for example, because you are living overseas. Overseeing your affairs might include things such as accessing your bank account and signing forms on your behalf. Nominating someone to act as your attorney is an important concern, and one that is often thought of too late – when a person is disabled and unable to manage their affairs. You can elect someone to act in this role by preparing a legal document called a “power of attorney” that outlines your wishes, in a similar way to your will. This should be done through a lawyer.

“Ensure that a trusted person knows where a copy of your will is held. Many legal firms can safely store wills for a small fee.”

Without a nominated attorney, if you become incapacitated or unable to manage your affairs for another reason, the Government will appoint a person or institution to make decisions on your behalf. However, this can be a lengthy and expensive process and you should be aware that there is no guarantee that your preferred person or institution will be appointed.

Fund beneficiaries

Did you know that you can nominate the person (or people) you would like to receive your super (excluding any locked-in account balance, which must be paid to your estate) should you die while you’re a member of the Fund? Although different and separate from a will, death benefit nominations are available through the Fund by accessing the website or by calling the Fund Helpline on 0508 266 787. You may have completed one of these forms when you became a Fund member, but is your nomination up to date? Check on-line or through the Helpline today, particularly if your personal circumstances have changed – such as getting married, becoming a parent or getting divorced.

Insurance cover

Also think about whether your insurance cover from the Fund suits your current personal circumstances. Where your personal circumstances change, you may want to consider altering the amount of insurance cover provided by the Fund for death, total and permanent disablement and ill-health benefits. For example, you may consider that you require less cover when your children leave home, or alternatively more cover if you have recently married or have dependants reliant on your income. You can change your level of insurance effective 1 July, 1 October, 1 January and 1 April each year (although if you decide to change to a higher level of cover, you may have to complete a medical questionnaire and, if required, attend a medical examination).

More information about wills and powers of attorney in New Zealand can be found online by using one of the popular internet search engines. Legal firms specialising in these areas can also be found in your local telephone directory. The Trustees advise that this information has been prepared to provide general information only and is not intended as personal legal advice.



John Tinnock, Operator, Rodding

Your Trustees

Overview of '07 election

Voting in the latest Trustee elections closed on 12 October 2007. Eight nominations were received for the four Member-Elected Trustee positions, and the successful candidates were Allan Meikle and Mike Rapson (who were re-elected) and new Trustees Ken Bolger and Grant Cuff.

We congratulate the new Member-Elected Trustees, who will play a significant part in overseeing the Fund's operations and management and will contribute to the expertise and knowledge of the Fund and its membership.

Two of the current Member-Elected Trustees – Sean Gallagher and Mike McNamara – decided not to stand for re-election.

We talk with Mike and Sean to find out some of the highlights of their experience in this role.

What have you enjoyed most about being a Member-Elected Trustee?

Mike: The most enjoyable aspect of my term has been watching the yearly results with the net amounts in double figures. Also knowing that one day soon these accumulated monies will assist our members in their well earned retirement. The Fund has grown slowly but surely over the terms I have been privileged to serve the membership. This has not occurred due to any influence that I, in particular, have had upon it, but from the dedicated and professional input from your Board of Trustees, both Company and Member-Elected.

Sean: I've particularly enjoyed being part of a highly motivated team of Trustees who are so focused on maximising the benefits to all members of what is an exceptional superannuation scheme. I've also enjoyed my association with the Investment Committee, and being closely involved with reviewing fund managers and understanding the nuts and bolts of how they make their decisions.

What thoughts would you like to leave with members about the Fund?

Mike: I would ask that you, as members of this Retirement Fund, keep in mind that this is a long-term investment. It will be subject to the ups and downs of world markets so don't lose heart should any periods of low earnings pass our way. Remember, it's the end result that counts.

Sean: During my six years as a Trustee, I've seen some key improvements to the Fund, including member investment choice, salary sacrifice and the introduction of the website and the member Helpline. The improvements keep coming, with the recent introduction of more flexibility for members in changing their contributions, investment options and insurance cover. And through all this, investment returns have continued to exceed Fund targets. It's a great scheme, make the most of it.

Fund Management

As a member of the Fund, you can be confident that the management of your superannuation investment is in the hands of people you know.

The overall running of the Fund is the responsibility of the Trustees. To assist with this, the Trustees have delegated the performance of certain functions to committees, each of which consists of a smaller group of Trustees. These committees report back to the full Trustee group.

Who's looking after your Fund?

Trustees

As well as having overall responsibility for managing the Fund, the Trustees must ensure it is governed in accordance with the Fund's Trust Deed (the legal document that governs the operation of the Fund) and relevant legislation.

The Trustees have a duty to act in members' best interests. They are also responsible for making sure that your rights as a member are protected, that your benefits are paid correctly and on time, and that the assets of the Fund are invested according to a proper process.

There are eight Trustees. Four are appointed by the company and four are elected by members. Elections are held for Member-Elected Trustee positions every three years.

As at 30 June 2007 the Trustees of the Fund were:

Company-Appointed



Phillip Strachan
(Chairman)
Chief Financial Officer

Rio Tinto Aluminium
Limited



Paul Hemburrow
General Manager
Operations

New Zealand
Aluminium Smelters
Limited



Anita Cowley
Manager
Superannuation

Rio Tinto Services
Limited



Shane Sullivan
Manager Business
Services

New Zealand
Aluminium Smelters
Limited

Member-Elected



Sean Gallagher
Manager Retrofits

Boyne Smelters
Limited



Mike McNamara
Supervisor Hire
Equipment

New Zealand
Aluminium Smelters
Limited



Allan Meikle
Superintendent VDC

New Zealand
Aluminium Smelters
Limited



Mike Rapson
Principal Advisor
Tax Advisory

Rio Tinto New Zealand
Limited

Changes to the Trustees since the last Annual Report

Since the last Annual Report, Paul Hemburrow has replaced Brian Cooper as a Company-Appointed Trustee.

Additionally, an election for Member-Elected Trustees has been conducted. Two of the Member-Elected Trustees, Sean Gallagher and Mike McNamara did not stand for re-election. Allan Meikle and Mike Rapson were re-elected and Ken Bolger and Grant Cuff were elected as the new Member-Elected Trustees effective 1 November 2007.

Investment Committee

The Trustees' Investment Committee is designed to assist the Trustees in relation to:

- the investments of the Fund, including the development and maintenance of appropriate investment objectives and strategies; and
- the management of all investment processes.

Current members:

- Phillip Strachan (Chairman)
- Anita Cowley
- Grant Cuff*
- Mike Rapson

*Replacing Sean Gallagher, who did not stand for re-election as a Member-Elected Trustee

The investment committee is assisted by Wayne Grant of Rio Tinto Services.



Wayne Grant
Rio Tinto Services

Membership and Benefits Committee

The Trustees' Membership and Benefits Committee is designed to assist the Trustees in relation to:

- ill-health and total disablement benefit claims and the distribution of death benefits;
- the preparation and review of all communications with members;
- the preparation and review of the accounts, Annual Report and investment statement; and
- the determination of complaints.

Current members:

- Paul Hemburrow (Chairman)
- Ken Bolger*
- Allan Meikle
- Shane Sullivan

*Replacing Mike McNamara, who did not stand for re-election as a Member-Elected Trustee

The Membership and Benefits Committee is assisted by Brett Grant of Rio Tinto Services, who is also the Fund Secretary.



Brett Grant
Rio Tinto Services

A dedicated service team

The Fund Secretariat within Rio Tinto Services supports and advises the Trustees and the Fund's Investment and Membership and Benefits Committees. It also helps manage the input and advice from the Fund's professional advisers.

In addition to the Fund Secretariat, the Trustees are supported by a number of superannuation professionals who assist them to undertake various specialist tasks as follows.

Service	Adviser
Administration, accounting, actuarial, superannuation and communication consulting	Mercer (N.Z.) Limited
Investment consulting	Mercer Investment Consulting
Investment management	AMP Capital Investors (New Zealand) Limited Brook Asset Management Limited Capital International, via Capital National Alliance Fisher Funds Management Limited State Street Global Advisors Australia (via Arcus Investment Management Limited) Tyndall Investment Management New Zealand Limited
Legal advice	Chapman Tripp
Audit services	KPMG
Taxation services	PricewaterhouseCoopers

There have been no changes to any of the advisers since the last Annual Report.

Privacy Act

Your personal information may be held by and, when necessary, passed between your employer, the Trustees and the Fund's professional advisers for the purposes of the proper running of the Fund. If you wish to check or amend your personal information, please call the Fund Helpline on 0508 266 787.

Further information

If you would like further information about the Fund or your benefits, please call the Fund Helpline on 0508 266 787.

Any correspondence to the Trustees should be addressed to the Fund Secretary at the following address:

Brett Grant

Fund Secretary
Rio Tinto New Zealand Retirement Fund
Rio Tinto Services Limited
GPO Box 384D
Melbourne VIC 3001
Australia
Email: brett.grant@riotinto.com

Trust Deed amendments

By a deed dated 19 June 2007, the Fund Trust Deed was amended to:

- rename the Fund as the Rio Tinto New Zealand Retirement Fund;
- allow members greater flexibility to make more frequent decisions in relation to investment choice, contribution rates and levels of insurance cover;
- clarify the intended effect of the provisions in the Fund's Trust Deed for forfeiture of benefits on bankruptcy;
- add a new unsubsidised category of membership for temporary/fixed-term employees to satisfy the criteria in the KiwiSaver Act 2006 for employers with existing superannuation funds who wish to obtain an exemption from the KiwiSaver automatic enrolment rules;
- introduce a facility for the Fund to become a "complying superannuation fund" (as defined in the Income Tax Act 2004), allowing members who agree to a KiwiSaver-equivalent "lock in" of certain future contributions to access KiwiSaver-equivalent:
 - tax credit contributions (for locked-in member contributions); and
 - withholding tax exemptions (for those employer contributions that are locked in);
- prescribe certain other amendments to provide greater consistency between the Fund and a KiwiSaver scheme, namely:
 - a KiwiSaver-equivalent facility for early withdrawals in cases of serious illness; and
 - a facility for a new member who is already a member of a KiwiSaver scheme to defer making member contributions to the Fund for a period of 12 months from the date of joining the Fund.

Minor clause numbering changes were made to the Trust Deed as a result of these changes.

As four earlier deeds of amendment existed, a consolidated deed was put in place incorporating all of the earlier amendments and the amendments described above.

Statement of investment policy and objectives

A copy of the Trustees' investment policy and objectives for the Fund is available free of charge by calling the Fund Helpline on 0508 266 787.

Benefit entitlements

Enclosed with this report is a Benefit Statement showing your personal benefit entitlements as at 30 June 2007. If, at another time, you would like an up-to-date estimate of your benefits, you should call the Fund Helpline on 0508 266 787. You can also obtain an estimate of your benefits from the website www.realsuper.superfacts.co.nz.

Membership summary

Contributory members

Contributory members as at 1 July 2006	806
Plus: New entrants	49
Less benefits paid during the year for:	
Death	(3)
Total and permanent disablement	(1)
Leaving service withdrawals	(18)
Ill-health withdrawals	(2)
Transfers to retirement account	(7)
Transfers to another fund	(2)
	(33)

Total contributory members as at 30 June 2007 822

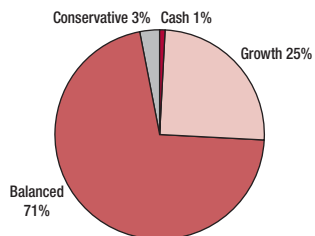
Retirement account members

Retirement account members as at 1 July 2006	52
Plus: Transfers from active membership	7
Less: Full withdrawals	(3)

Total retirement account members as at 30 June 2007 56

Total membership as at 30 June 2007 878

Percentage of members invested in each investment option



Steven Kidd, Superintendent Information Systems

Interest rates

After the end of each Fund year, once the audited financial statements for the Fund become available, the Trustees declare annual interest rates ('crediting rates') to be applied to members' accounts. Each interest rate takes into account the actual investment earnings of the investment option in which a member has elected to invest his or her account balance(s), less any taxes and investment-related fees or expenses incurred for the investment option.

For each quarter the Trustees determine quarterly investment returns (net of tax and investment management fees), which are used as interim interest rates and are applied to the member account balances of members who become entitled to benefits during the Fund year. The interim interest rates are applied retrospectively and prospectively, which means that the interim interest rates for each quarter apply as the interim interest rates for the next quarter, until the interim interest rates for that next quarter have been calculated. The following table shows the interim interest rates used during the year and the cumulative interest rates for the period commencing 1 July 2006. Note that the final cumulative interest rates shown below are not the final annual crediting rates.

Interim Interest Rates

	Growth		Balanced		Conservative		Cash	
	Interim interest rate	Cumulative year to date rate	Interim interest rate	Cumulative year to date rate	Interim interest rate	Cumulative year to date rate	Interim interest rate	Cumulative year to date rate
2006								
1 July - 30 Sept	0.90%	0.90%	1.00%	1.00%	1.20%	1.20%	1.20%	1.20%
1 Oct - 31 Dec	4.40%	5.34%	3.50%	4.54%	2.30%	3.53%	1.20%	2.41%
2007								
1 Jan - 31 Mar	1.20%	6.61%	1.00%	5.58%	0.90%	4.46%	1.20%	3.64%
1 April - 30 June	3.60%	10.44%	2.70%	8.43%	1.50%	6.03%	1.20%	4.89%

The final crediting rates shown elsewhere in the report are significantly higher than the cumulative interim interest rates shown above. This is because of differences between the tax allowance in the calculation of each interim interest rate and the final tax expense calculated as part of the audited financial statements. This significantly increased the final return from the Fund's investments in overseas shares. As a result, returns to investors in the Growth and Balanced investment options (which hold significant proportions of their investments in overseas shares) have increased by 2.15% and 1.63% respectively. Refer to the tables on page 5 for details of each investment option's asset mix.

Financial Statements

An abridged version of the Fund's audited financial statements for the year ended 30 June 2007, which were authorised for issue on 23 October 2007, is shown on page 20. These financial statements were prepared in accordance with generally accepted accounting practice, as defined in section 3 of the Financial Reporting Act 1993.

The abridged financial statements have been extracted from the full audited financial statements for the year ended 30 June 2007, on which an unqualified audit report was issued dated 23 October 2007. The abridged financial statements cannot be expected to provide as complete an understanding as is provided by the full financial statements of the financial performance, position and cash flows of the Fund. A copy of the full financial statements can be obtained at no charge by calling the Fund Helpline on 0508 266 787 or by writing to the Fund Secretary (see page 17 for details) or Mercer, PO Box 1849, Wellington 6140 or by facsimile 04 914 0434. The auditor has examined the abridged financial statements for consistency with the full audited financial statements and has issued an unqualified opinion dated 15 November 2007.

Abridged financial statements

for the year ended 30 June 2007

	2007	2006
	\$	\$
Statement of Financial Performance		
Investment Activities		
Net Investment Revenue	10,614,075	13,326,436
Other Revenue	-	18
<i>Less</i>		
Other Expenses		
Administration Fees	-	494
Consulting Fees	67,500	67,500
Group Life Premium	54,431	68,060
Sundry Expenses	8,121	684
Total Other Expenses	130,052	136,738
Surplus before Taxation and Membership Activities	10,484,023	13,189,716
Income Tax Expenses	1,001,788	848,628
Surplus after Taxation and before Membership Activities	9,482,235	12,341,088
Membership Activities		
Member Contributions	1,150,651	1,052,857
Employer Contributions	5,707,541	5,329,354
<i>Less</i> Benefits Paid	4,152,947	7,358,644
Net Membership Activities	2,705,245	(976,433)
Benefits Accrued During Year	12,187,480	11,364,655

	2007	2006
	\$	\$
Statement of Financial Position		
Assets		
Investments	102,585,826	90,130,832
Current Assets	886,798	717,072
Total Assets	103,472,624	90,847,904
<i>Less</i>		
Current Liabilities		
Benefits Payable	242,118	804,889
Sundry Creditors	49,654	129,705
Non-current Liabilities		
Payable to Tax Management NZ	1,085,001	-
Deferred Tax Liability	-	4,939
Total Liabilities	1,376,773	939,533
Liability for Accrued Benefits	102,095,851	89,908,371
Vested Benefits*	100,048,430	88,240,283
Statement of Cash Flows		
Net Cash Flows from Operating Activities	1,996,238	(577,195)
Net Cash Flows from Investing Activities	(1,661,405)	866,936
Net Increase in Cash Held	334,833	289,741
Cash at Beginning of Year	511,979	222,238
Cash at End of Year	846,812	511,979

*Vested Benefits are benefits payable to members or beneficiaries under the conditions of the Trust Deed, on the basis of all members ceasing to be members of the Fund at balance date.

Auditors' report



To the members of the Rio Tinto New Zealand Retirement Fund,

We have audited the summary financial report of Rio Tinto New Zealand Retirement Fund ("the Fund") for the year ended 30 June 2007 as set out on page 20.

Responsibilities of the Trustees and Auditor

The Trustees are responsible for the preparation of a summary financial report in accordance with generally accepted accounting practice in New Zealand. It is our responsibility to express to you an independent opinion on the financial report presented by the Fund Trustees.

Basis of opinion

Our audit was conducted in accordance with New Zealand Auditing Standards and involved carrying out procedures to ensure the summary financial report is consistent with the full financial report on which the summary financial report is based. We also evaluated the overall adequacy of the presentation of information in the summary financial report against the requirements of FRS-39: *Summary Financial Reports*.

Other than in our capacity as auditors we have no other relationship with or interests in the Fund.

Unqualified opinion

In our opinion:

- the summary financial report has been correctly extracted from the full financial report; and
- the information reported in the summary financial report complies with FRS-39: *Summary Financial Reports* and is consistent in all material respects with the full financial report from which it is derived and upon which we expressed an unqualified audit opinion in our report to members dated 23 October 2007.

We completed our work for the purposes of this report on 23 October 2007.

A handwritten signature in black ink that reads 'KPMG' in a stylized, cursive font.

Chartered Accountants

Wellington

Trustees' statement

The Trustees of the Rio Tinto New Zealand Retirement Fund:

- I. state that all the contributions required to be made to the Fund in accordance with the terms of the Trust Deed have been made;
- II. certify that all the benefits required to be paid from the Fund in accordance with the terms of the Trust Deed have been paid;
- III. certify that the market value of the assets of the Fund as at 30 June 2007 exceeded the total value of the benefits that would have been payable had all members of the Fund ceased to be members at that date and had provision been made for the continued payment of all benefits being paid to members and other beneficiaries as at 30 June 2007;
- IV. state that, in their opinion, after due enquiry by them, neither the value of the Fund's assets relative to its liabilities (including contingent liabilities) nor the ability of the Fund to pay its debts as they become due in the normal course of business have materially and adversely changed since 30 June 2007; and
- V. state that by reason of their meeting all "administrative costs", (as defined in clause 7(3) of the Securities Act (Employer Superannuation Schemes) Exemption Notice 2004, for the Fund), the employers participating in the Fund were not required, under the terms of the offer of Fund membership required by clause 7 of that Notice, to incur costs for the year ended 30 June 2007.

Signed for and on behalf of the Trustees:



Trustee



Trustee



