

Rio Tinto New Zealand Retirement Fund

Annual report

for the Year Ended 30 June 2008

RioTinto

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A nighttime photograph of an industrial facility, likely a power plant or refinery, featuring a prominent tall smokestack and several illuminated buildings. The scene is set against a dark blue sky and a body of water in the foreground.

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“...the Trustees are committed to providing premium benefits for you and helping you save for a financially secure retirement.”

– Xiaoling Liu
Chair of Trustees

Message From the Chair

The year ended June 2008 provided plenty of challenges for the Fund and its Trustees as well as for New Zealand superannuation schemes generally. Turbulent financial markets, the implementation of changes to the taxation of the Fund’s investments and a substantial amount of new legislation coming into effect (including alterations to KiwiSaver) all contributed to a very busy year.

The strong returns that investment markets enjoyed between 2003 and 2007 came to a grinding halt early in the 2007/2008 Fund year, reflecting stresses in the US financial system, higher oil prices, slower economic growth and a resulting loss of confidence in sharemarkets. The impact of this, particularly for the investment options with exposure to shares, can be seen in the table below. As savings invested in the Fund are intended for retirement, to give a more appropriate long-term perspective each option’s average return for each of the past five years is also shown.

Crediting rates for the period ended 30 June 2008		
Option	One year %	Average over 5 years % p.a.
Growth	-14.5	6.9
Balanced	-9.8	6.2
Conservative	-3.8	5.1
Cash	5.4	4.7

The Trustees understand that the significant fall in investment markets over the past year will no doubt have left members feeling uncomfortable. Unfortunately downturns do occur and often follow an extended period of strong returns. More information about the returns is provided later in this report.

While switching to more conservative strategies following market falls may seem like a good idea, it is also possible that this can ‘lock in’ low points in asset values. So if you are considering changing options, it is suggested that you contact a professional financial advisor, who can assist with information and guidance based on your personal circumstances.

The KiwiSaver legislation was amended effective 1 April 2008 to require most employers to contribute to KiwiSaver on behalf of employees who also contribute to a KiwiSaver scheme. Since your employer is contributing to the Fund, it is not required to contribute to KiwiSaver on your behalf. See page 15 for details.

Over 16% of members have now taken advantage of the opportunity to 'lock in' contributions on a KiwiSaver-consistent basis. If you were locking in contributions, during the year ended 30 June 2008, your member tax credit contributions were recently paid into your locked-in account by Inland Revenue. These are shown on the 'Your Super Value' page on www.realsuper.superfacts.co.nz.

All Fund documentation is available on www.realsuper.superfacts.co.nz. Information about the Fund is also available from the Fund helpline (0508 266 787). The Fund helpline can provide general advice about choosing an investment option and help with routine enquiries.

Looking to next year, the credit crisis which has had such a significant impact on this year's returns has deepened since the Fund's balance date and is expected to take some time to correct. Market commentators anticipate a slowing in global economic growth, so an improvement in sharemarket returns is not likely until there are signs that the global economic outlook is stabilising.

Despite being a difficult year for superannuation funds, retirement savings are of great importance. In this regard, the Trustees are committed to providing premium benefits for you and helping you save for a financially secure retirement.



Investment Overview

New investment structure

As a result of the new portfolio investment entity (PIE) tax regime, which came into effect from 1 October 2007, the Trustees considered that a number of amendments to the structure and management of the Fund's investments was required.

From 1 June 2008:

- The asset allocations of the Conservative and Balanced options have been adjusted to maintain their risk/return profiles similar to those prior to the tax changes.
- A modest increase has been made to the percentage of growth assets (shares, property and listed infrastructure) in the asset allocation for the Growth option to increase its risk and return profile.
- New asset classes, being listed property and listed infrastructure, have been created to provide greater diversification.
- The allocation to international fixed interest and cash has been increased at the expense of the allocation to New Zealand fixed interest. The view was taken that the risk return combination from cash and international fixed interest was more attractive than the opportunities in New Zealand fixed interest.
- Contracts with four of the Fund's existing investment managers were terminated and five new managers have been appointed (refer to the table below for details of the managers).

Details of these changes were set out in the June 2008 Fund newsletter sent to all members. Copies of the newsletter are also available on www.realsuper.superfacts.co.nz.

Asset Class	Manager
Trans-Tasman shares	Brook Asset Management Limited (50%)
	ING (NZ) Limited (50%)
International shares	MFS Investment Management (40%)
	Alliance Bernstein (60%)
Trans-Tasman listed property	Brook Asset Management Limited
International listed property	LaSalle Investment Management
International listed infrastructure	Lazard Asset Management
NZ fixed interest	AMP Capital Investors
Overseas fixed interest	AMP Capital Investors
Cash	AMP Capital Investors
Currency	BNZ Investment Management Limited

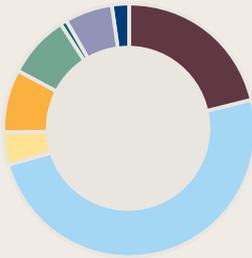
How your investment options performed



Growth option

From 1 June 2008, the benchmark asset mix for the Growth option has been to invest 90% in growth assets (shares, property and infrastructure) and 10% in defensive assets (fixed interest and cash). With a high percentage of its assets in growth assets, the Growth option should typically provide the Fund's strongest longer-term returns but also show the greatest variations. 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



Trans-Tasman shares	21%
International shares	49%
NZ listed property	4%
International listed property	8%
International listed infrastructure	8%
NZ fixed interest	1.5%
International fixed interest	6.5%
Cash	2%

Performance for the year ended 30 June 2008

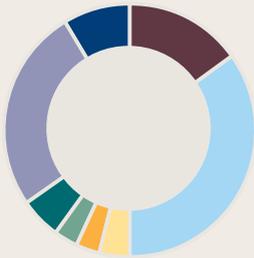
The impact of the global sharemarket correction is reflected in the Growth option's net return of -14.5% for the year, compared with a return of 12.6% for the previous year.

The net return for the Growth option was below its objective which is to achieve an average annual return of 4% net of inflation and tax. Over the past three years, however, the Growth option has earned an average net return of 4.5% p.a.

Balanced option

From 1 June 2008, the benchmark asset mix for the Balanced option has been to invest 60% in growth assets (shares, property and infrastructure) and 40% 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 (target) asset mix



Trans-Tasman shares	15%
International shares	35%
NZ listed property	4%
International listed property	3%
International listed infrastructure	3%
NZ fixed interest	5.5%
International fixed interest	26%
Cash	8.5%

Performance for the year ended 30 June 2008

The Balanced option returned a net -9.8% as positive returns from cash and fixed interest investments provided only marginal relief from the sharemarket downturn.

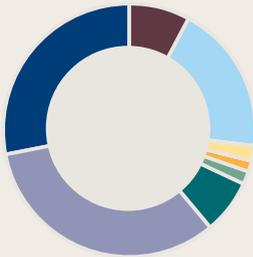
The net return for the Balanced option was below its objective which is to achieve an average annual return of 3% net of inflation and tax. Over the past three years, however, the Balanced option has earned an average net return of 4.5% p.a.

Conservative option

As the benchmark asset mix for the Conservative option requires it to have 68% of its assets invested in defensive assets (fixed interest and cash), it can be expected to provide more stable returns than the Growth and 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.

While returns from the Conservative option are expected to be stable, over the longer term it is unlikely to achieve high returns.

Benchmark (or target) asset mix



Trans-Tasman shares	8%
International shares	19%
NZ listed property	2%
International listed property	1.5%
International listed infrastructure	1.5%
NZ fixed interest	7%
International fixed interest	33%
Cash	28%

Performance for the year ended 30 June 2008

The year's returns from defensive assets were insufficient to outweigh the impact of the sharemarket downturn. As a result the Conservative option returned a net -3.8%.

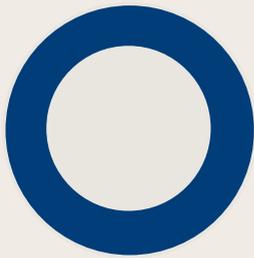
The net return for the Conservative option was below its objective which is to achieve an average annual return of 2% net of inflation and tax. Over the past three years, however, the Conservative option has earned an average net return of 4.2% p.a.

Cash option

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

The Cash option is expected to produce returns near 90-day bank bill rates.

Benchmark (or target) asset mix



■ Cash 100%

Performance for the year ended 30 June 2008

New Zealand's relatively high interest rates are reflected in the net return of 5.4% for the Cash option against a net return of 4.9% for the previous year. The net return for the Cash option was in line with its benchmark which is to produce returns near 90-day bank bill rates.

The average annual net return for the Cash option has been 4.9% over the past three years.

Factors behind the returns

Continued volatility in international investment markets for most of the year has meant that most members are experiencing negative full year investment returns for the first time in some years. Generally, in multi sector portfolios such as the Growth, Balanced and Conservative options offered by the Fund, better performing asset classes provide some cushioning to the impact of poor returns from other asset classes. However, because of the extent of the investment market downturn most superannuation funds are experiencing negative returns this year.

Major factors behind this year's returns were:

- The US sub-prime mortgage crisis;
- The global credit crunch;
- Fears of a global recession; and
- A resulting loss of confidence in sharemarkets.

The long-predicted weakening in the New Zealand economy finally arrived, taking some pressure off the New Zealand dollar, which fell against most major currencies, particularly the Yen and the Euro.

After a series of strong results, the Fund's investments in international shares posted a return of -9.3% (gross) as the effects of the US sub-prime mortgage crisis spread into all major sharemarkets.

The global sharemarket downturn also had an adverse effect on the Fund's investments in Trans-Tasman shares, which returned -23.8% (gross). While relatively strong prices for commodity stocks gave the Australian sharemarket a slightly better result, returns from the New Zealand sharemarket were very weak.

The Fund's investments in overseas fixed interest posted 1.9% (gross) for the year. Returns from this asset class were sound over the first half of the Fund year but then fell sharply as the effects of the global credit crunch flowed through into even highly rated securities.

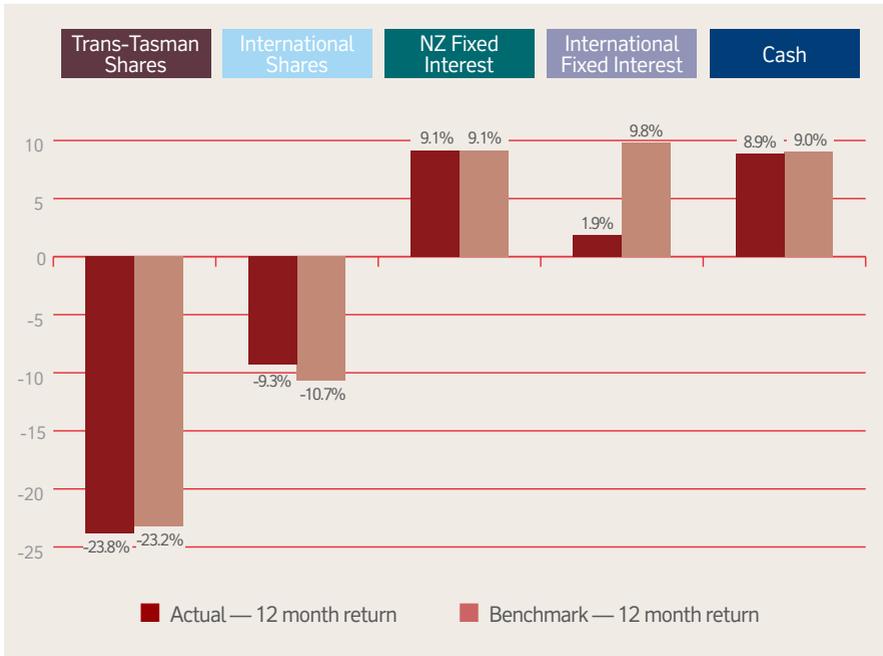
Speculation later in the year that interest rates would reduce helped New Zealand fixed interest return 9.1% (gross).

Cash continued to perform solidly, returning 8.9% (gross) for the year.

How the Fund performed

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. While most managers performed in line with or above their benchmarks, the Fund's investments in Trans-Tasman shares underperformed their index by 0.6% and international fixed interest investments underperformed by nearly 8%.

The Fund's investments in international fixed interest are held in an investment fund with five managers, each with different roles. Generally, if returns from one or two managers are poor, stronger returns from the other managers could be expected to cushion the overall return. In this instance four of the five managers underperformed the index. While the degree of underperformance is extremely surprising, this reflects to a large extent the unprecedented movement and volatility in certain parts of the international fixed interest markets caused by the global financial crisis. While potential future returns from this sector now appear very attractive, the Trustees are monitoring this mandate very closely to ensure that this asset class achieves the recovery expected.



The Fund's benchmarks

Asset class	Market index used	What the benchmark means
Trans-Tasman Shares	NZX 50 Index ¹	Measures the performance of the 50 largest NZ companies by market capitalisation, or about 65% of the listed market
International 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 Listed Property	NZX Sectoral Property Index	A capitalization index designed to measure the performance of the property sector of New Zealand Exchange Limited
International Listed Property	UBS Warburg Global Aggregate Index (100% Hedged)	A customised index incorporating companies that derive value from owning and operating income producing real estate as well as companies that derive most of their value from the development and sale of commercial property
International Listed Infrastructure	NZ Consumers Price Index (CPI) + 5% (100% Hedged) ²	Measures the price change of goods and services purchased by private New Zealand households plus 5% of the expected return above CPI
New Zealand Fixed Interest	NZX NZGS Gross Index	Measures the performance of the New Zealand Government Bond market
International 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

¹ From 1 April 2005. Prior to that date 100% NZSE-40 Index.

² On an after-tax basis. Pre-tax returns will be monitored against gross hedging ratios.

How does the Fund's performance compare?

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

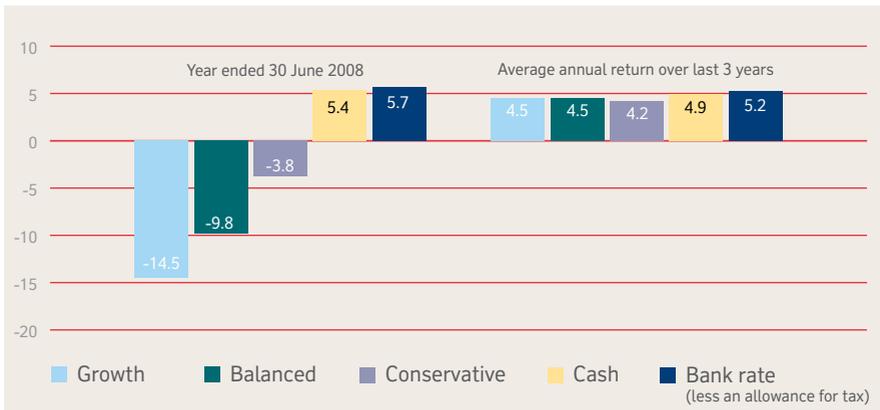
The following table compares the performance of the Fund's Balanced option (on a before tax basis) with the performance of all balanced funds covered by the survey.

		Year to 30/06/08 %	Last 3 years % p.a.	Last 5 years % p.a.
Before tax	Return	-6.46	8.34	9.97
	Ranking	52/57	19/57	26/57
	Median	-1.99	7.68	9.75
Inflation (CPI)		4.02	3.33	3.04

The table above shows that the Balanced option's return was significantly below the median last year. This is because while the Balanced option has an allocation to growth assets (shares, property and infrastructure) which is similar to the growth asset allocations of the other balanced funds in the survey, it only recently moved away from investing its allocation to growth assets solely in shares. As a result, the Balanced option had greater exposure last year to sharemarket volatility than other survey participants. It should be noted that in recent years (2004-2007) the Balanced option has benefited from fully investing its allocation to growth assets in shares.

Fund 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).



Fund and superannuation news

Your account balances are now updated more frequently

The Trustees continue to look at ways to improve the Fund's operation. As mentioned in the June newsletter, it was originally intended to introduce daily unit pricing. However, because of complications surrounding the new portfolio investment entity (PIE) tax regime this has had to be postponed for the time being. So that the investment earnings allocated to members' accounts reflect the actual investment earnings of each of the Fund's investment options, since 1 July 2008 earning rates have been allocated as a combination of a Monthly Earning Rate (reflecting the actual returns received less an allowance for estimated investment expenses and tax) and an Interim Earning Rate which is updated at least weekly and applies for any period for which a monthly rate cannot be calculated because the investment managers' returns are not yet available. Current investment earning rates are available on www.realsuper.superfacts.co.nz.

Previously, the earning rate for each investment option was calculated on a recurring quarterly basis.

To give you a more current picture of how your super is tracking, a weekly Interim Earning Rate is also applied to your account balances. The Interim Earning Rate is also used to calculate final benefits before a Monthly Earning Rate is available.

The Interim Earning Rate is, in most instances, an *indicative* return only. It is an approximation of the projected Monthly Earning Rate and is based on the earnings of four investment options in the Mercer Super Trust (see next page).

These similar options are unitised with asset allocations that are in line with - but not exactly the same as - the Fund's investment options. The Trustees have selected unitised funds because their units are priced daily and on an after-tax basis.



Allan Broomhall, Equipment Reliability Officer,
Metal Products

RTNZRF investment option	Similar fund*
Cash	Mercer Cash option
Conservative	Mercer Conservative option
Balanced	Mercer Balanced option
Growth	Mercer High Growth option

*Minor adjustments will be made to reflect the lower investment fees applicable to the Fund's investment options.

When the Monthly Earning Rate for your option becomes available, it is likely to be slightly different from the Interim Earning Rate that has been applied to your account balances for the previous period (which can be up to about seven weeks). Where this occurs a correction (either an increase or a reduction) is made to your account balances.

Example of how the new earning rates will work:

John leaves the Fund on 20 August when the July Monthly Earning Rate for the Balanced option (in which his accounts are invested) of 0.4% is available. His account balance at 30 June was \$5,000 and contributions of \$300 were paid into his accounts on 28 July.

Based on the Mercer Balanced fund unit prices, the Interim Earning Rate applying for the period between 31 July and 20 August was 15% p.a.

John's benefit will be calculated as:

Opening balance at 30 June		= \$ 5,000.00
Plus interest 1 July 2008 - 31 July	$5,000 \times 0.4\%$	= \$ 20.00
Plus contributions paid 28 July		= \$ 300.00
Plus interest on contributions for 3 days (28 July - 31 July) $(300 \times 0.4\% \times \frac{3}{31})$		= \$ 0.12
Balance at 31 July		= \$ 5,320.12
Plus interest for 20 days (1 August - 20 August)	$5,320.12 \times 15\% \times \frac{20}{365}$	= \$ 43.73
Benefit payable		= \$ 5,363.85

At the end of each financial year (30 June) the final Monthly Earning Rate for each investment option will now be calculated for the month of June, based on the Fund's financial statements, information from the investment managers, taxation and the rates already credited for the first 11 months of the financial year.

*All interest rate figures are illustrative only (none are actual).

Switching investment options

Investment switches may now be made monthly rather than quarterly. Your newly selected investment option will take effect from the first of the month following the date your completed form is received by the Fund Administrator so long as NZAS HR has received the completed form for forwarding to the Fund Administrator at least five days before the end of the prior month. Note that the change will not be reflected on the website until the Monthly Earning Rate for the prior month has been finalised (typically around the 24th of the following month). Until that time your account balances on the website will reflect the Interim Earning Rate applicable to your previous investment option.

To change investment options, complete the form available from NZAS HR or from the library page of www.realsuper.superfacts.co.nz

Your new investment option will apply to your total account balances and all future contributions.

Remember that:

- your choice of investment option is solely your responsibility;
- the Trustees (by offering or implementing your chosen option) are not to be regarded as representing, or implying, that any investment option is appropriate for you; and
- by law the Trustees are obliged to implement your chosen option.

Is there anything else I need to know?

The Trustees reserve the right to alter the new earning rates policy in the event of significant market movements, for example, if any of the large global sharemarkets or the Australian

or New Zealand sharemarkets fall by more than 10% in a single day or if any or all of those sharemarkets are forced to close for an entire day or more because of any other unexpected event.

Tax issue – 2007 accounts

The Trustees are continuing to discuss the tax liability issue referred to in the June 2008 newsletter with their advisors.

KiwiSaver

Since 1 April 2008, with some exceptions, employees contributing to a KiwiSaver scheme have been entitled to compulsory employer contributions. The compulsory employer contribution rate is currently 1% of before-tax pay until 31 March 2009 and this rate will increase to 2% on and from 1 April 2009.

Employers are not required to contribute to KiwiSaver for an employee's benefit if:

- They were already contributing to an existing scheme such as the Fund for the employee's benefit prior to 1 April 2008; or
- As is now the case for the Fund, an existing scheme is a complying superannuation fund and the contributions that would otherwise be payable to a KiwiSaver scheme for an employee joining on or after 1 April 2008 are allocated by agreement to the scheme on a KiwiSaver-consistent locked-in basis.

This means that unless you are an unsubsidised member of the Fund, your employer is not required to contribute to KiwiSaver on your behalf.

Tax on the Fund's investment income

Tax on the Fund's investment income reduced from 33% to 30% on 1 April 2008.

Tax on your employer's contributions to the Fund

Contribution tax (formerly known as 'withholding tax') is deducted from your employer's contributions to the Fund on your behalf, excluding locked-in contributions up to a current limit of 4% of before-tax pay (this limit will reduce to 2% on and from 1 April 2009). The amount of the contribution tax varies, depending on your earnings and any before-tax employer contributions in the prior tax year (or an estimate of the current year's earnings and before-tax employer contributions if you have worked for less than one year).

Following changes to personal income tax rates, new contribution tax rates and earnings (plus before-tax employer contributions) thresholds have applied to your employer's contributions to the Fund since 1 October 2008.

Earnings plus before-tax employer contributions	Contribution tax rate
Up to \$16,800	12.5%
\$16,801 - \$48,000	21%
\$48,001 or more	33%

The upper limit for the 21% contribution tax rate (which will reduce to 20% on 1 April 2011) will rise to \$57,600 on 1 April 2009, then to \$60,000 on 1 April 2011.

Because the maximum portion of your employer's contributions that is exempt from contribution tax when locked in will reduce from 4% to 2% on and from 1 April 2009, your employer proposes that

members will be permitted to reduce their locked-in contribution rates accordingly (so that only tax-advantaged amounts need be locked in when lock-in applies).

Fund withdrawal tax

Fund withdrawal tax (FWT) of up to 5% may, in limited circumstances, be imposed on the withdrawal from the Fund of certain of your employer's contributions (excluding locked-in contributions), and earnings on those contributions. FWT liability will most commonly be triggered by a withdrawal at age 65 while still in service. The liability for FWT reduces by 25% for each of the four preceding income years during which your total taxable income (from all sources), plus before-tax employer superannuation contributions made for your benefit, was less than \$70,000 (This figure was \$60,000 prior to 1 October 2008).

This threshold will increase to \$75,000 on 1 April 2010 and to \$80,000 on 1 April 2011.

Format of summary financial report

The Accounting Standards Review Board now requires the Fund's financial statements to be prepared in accordance with New Zealand equivalents to International Financial Reporting Standards. The changes to the format of the summary financial report on pages 25 to 27 reflect this requirement.

Fund Management

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

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 the Fund 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 properly.

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.

Changes to Company-Appointed Trustees

During the year Phillip Strachan and Shane Sullivan resigned as Company-Appointed Trustees and were replaced by Xiaoling Liu and Jason Franklin. Xiaoling Liu was also appointed as Chair of Trustees in place of Phillip Strachan.

Changes to Member-Elected Trustees

An election for Member-Elected Trustees was held during August 2007. As mentioned in last year's annual report, 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 new Trustees from 1 November 2007.

The Trustees would like to thank Phillip Strachan, Shane Sullivan, Sean Gallagher and Mike MacNamara for their dedication and contributions as Trustees.



Alistair Gall, Environmental Engineer,
Technology and Sustainability

As at 30 June 2008 the Trustees of the Fund were:

Company-Appointed



Xiaoling Liu (Chair)
President Primary
Metal Pacific
Rio Tinto Alcan
Limited



Paul Hemburrow
General Manager
New Zealand
Aluminium Smelters
Limited



Anita Cowley
Manager
Superannuation
Rio Tinto Services
Limited



Jason Franklin
Manager
Commercial
Services
New Zealand
Aluminium
Smelters Limited

Member-Elected



Ken Bolger
Specialist Site
Electrical Engineer
New Zealand
Aluminium Smelters
Limited



Grant Cuff
Accountant
New Zealand
Aluminium Smelters
Limited



Allan Meikle
Superintendent VDC
New Zealand
Aluminium Smelters
Limited



Mike Rapson
Principal Advisor
Tax Advisory
Rio Tinto Alcan
New Zealand
Limited

There have been no further changes to the Trustees of the Fund since the previous Annual Report.

The Fund Secretariat within Rio Tinto Services supports and advises the Trustees and the committees. It also helps manage the input and advice from the Fund's professional advisors.

Investment Committee

The terms of reference of the investment committee are 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:

- Xiaoling Liu (Chair)
- Anita Cowley
- Grant Cuff
- Mike Rapson

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

Membership and Benefits Committee

The terms of reference of the membership and benefits committee are to assist the Trustees in relation to:

- Ill-health and total disablement benefit claims and the distribution of death benefits;
- The determination of complaints;
- The preparation and review of all communications with members; and
- The preparation and review of the accounts, annual report and investment statement.

Current members:

- Paul Hemburrow (Chairman)
- Ken Bolger
- Jason Franklin
- Allan Meikle

The membership and benefits committee is assisted by Brett Grant of Rio Tinto Services.

A dedicated service team

In addition to the Fund Secretariat (a team within Rio Tinto Services dedicated to the management and administration of the Fund and the provision of investment advice) the Trustees are supported by a number of superannuation professionals who assist them to undertake various specialist tasks as follows:

Service	Advisor
Administration, actuarial, superannuation and communication consulting	Mercer
Accounting and audit services	KPMG
Investment consultant	Mercer
Investment management*	AllianceBernstein AMP Capital Investors (New Zealand) Limited BNZ Investment Management Limited Brook Asset Management Limited ING (NZ) Limited LaSalle Investment Management Lazard Asset Management MFS Investment Management
Legal advice	Chapman Tripp
Taxation services	PricewaterhouseCoopers

*During the Fund year, the Fund's investment contracts with Capital International, Fisher Funds Management Limited, State Street Global Advisors Australia and Tyndall Investment Management New Zealand Limited were terminated.

Privacy Act

Your personal information may be held by and, when necessary, passed among the Company, the Trustees and the Fund's professional advisors for the purposes of the Fund. If you wish to check or amend your personal information, please call the Fund's Helpline **0508 266 787**.

Further information

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

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

Brett Grant
Secretary to the Trustees
Rio Tinto New Zealand Retirement Fund
Rio Tinto Services Limited
GPO Box 384D
Melbourne VIC 3001
Australia

Trust deed amendments

On 3 October 2008, the trust deed was amended effective 1 April 2008. The amendments were made partly to reflect recent changes to legislation and also to expand and clarify some of the provisions relating to members with locked-in accounts.

Materially, the amendments:

- Allow locked-in contributions by and on behalf of a member with a locked-in account who reaches New Zealand Superannuation age (currently 65), but who has not yet completed five years' membership of a KiwiSaver scheme or complying superannuation fund (the "Locked-in Payment Date"), to continue being made at the minimum rate required by the KiwiSaver legislation until the member's Locked-in Payment Date (unless the member suspends his or her contributions – see below).
- Permit a member contributing to a locked-in account to suspend his or her regular locked-in contributions for a period of

between three months and five years. Unless the member and the employer agree otherwise, if a member suspends contributions to the locked-in account, the employer's contributions to the locked-in account will also be suspended. However, the employer's standard rate of contributions to the Fund will continue (with those contributions being made on a non-locked-in basis). The member is also required to resume (or commence) contributing on a non-locked in basis. Members may make voluntary lump sum contributions to their locked-in accounts during any such suspension period.

- Allow an employee who joins the Fund and is a member of a KiwiSaver scheme to defer contributing to the Fund until the earlier of 12 months after joining the Fund and when he or she completes 12 months' KiwiSaver membership.

Statement of investment policy and objectives

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

Benefit entitlements

Enclosed with this report is a Benefit Statement showing your personal benefit entitlements as at 30 June 2008 and the amounts of member and employer contributions paid to the Fund for your benefit during the year. If, at some other time, you would like an up-to-date estimate of your benefits, you should call the Fund's Helpline 0508 266 787. You can also obtain an estimate of your benefits from the website www.realsuper.superfacts.co.nz.

Nominating beneficiaries

A death benefit is payable if you die while you remain a Fund member. At the Trustees' discretion this may be paid to your nominated beneficiaries, to your estate or to any person you are obliged to support (except that any locked-in account balance is required by law to be paid to your estate).

Before you joined the Fund you were given a nomination of beneficiary form to complete to indicate to the Trustees who you would like your benefit paid to in the event of your death.

While the Trustees are not bound by your nomination (which can only apply to a non locked-in balance), they will take your wishes into account. You should remember to keep your beneficiary details up-to-date by completing a new form if your personal circumstances change. You should also ensure that you have an up-to-date will to ensure that to the extent paid to your estate, your benefit is distributed as you would like.

Insurance options

If 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 each month with effect from the first of the following month by completing and returning the 'Application to Change Contributions (including Diversion to Locked-In Account), Suspend or Resume Contributions to Locked-In Account, Insurance Cover Level and Member Investment Choice' form available from the Fund website www.realsuper.superfacts.co.nz or by calling the helpline 0508 266 787. Note that your form must be returned five working days prior to the date you wish the change to take effect. 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.



Membership summary

Contributory Members	
Contributory Members as at 1 July 2007	822
Plus: New Entrants	67
Less: Leaving Service Withdrawals	(34)
Ill-health Withdrawals (including Total and Permanent Disablement)	(2)
Transfers to Retirement Account	(9)
Transfers to another fund	(2)
	(47)
Total Contributory Members as at 30 June 2008	842
Retirement Account Members	
Retirement Account members as at 1 July 2007	56
Plus: Transfers from active membership	9
Less: Deaths	(1)
Full withdrawals	(15)
	(16)
Total Retirement Account members as at 30 June 2008	49
Total Membership as at 30 June 2008	891

Interest rates

After the end of the 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 during the year ended 30 June 2008 the Trustees determined quarterly investment returns (net of tax and investment management fees), which were used as interim interest rates and were applied to the member account balances of members who exited during the Fund year. The interim interest rates were applied retrospectively and prospectively, which meant that the interim interest rate for each quarter applied as the interim interest rate for the next quarter, until the interim interest rate for that quarter had 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 2007. Note that the final cumulative interest rates shown below are not the final annual crediting 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
2007								
1 July – 30 Sept	2.70%	2.70%	2.40%	2.40%	2.10%	2.10%	1.30%	1.30%
1 Oct – 31 Dec	-3.50%	-0.89%	-2.60%	-0.26%	-1.20%	0.87%	1.30%	2.62%
2008								
1 Jan – 31 Mar	-11.10%	-11.90%	-8.40%	-8.64%	-4.30%	-3.46%	1.40%	4.05%
1 April – 30 June	-2.90%	-14.45%	-1.30%	-9.83%	-0.30%	-3.75%	1.30%	5.41%

Since 1 July 2008, Monthly Earning Rates have been applied to Fund members' balances. Each Monthly Earning Rate is based on information provided by the Fund's investment managers less an allowance for expenses. At the end of each Fund year, the final Monthly Earning Rate for each investment option will now be calculated for the month of June based on the Fund's accounts, information provided by investment managers and the rates already allocated for the first 11 months of the Fund year (see pages 13 and 14 for details).

Summary Financial Report

for the year ended 30 June 2008

	2008 \$	2007 \$
Statement of Changes in Net Assets		
Investment Activities		
Net Investment Income	(9,749,928)	10,614,075
Net (Loss)/Income	<u>(9,749,928)</u>	<u>10,614,075</u>
Other Revenues		
Employer Reimbursements	468,392	-
Total Other Revenue	<u>468,392</u>	<u>-</u>
Less		
Other Expenses		
Consulting Fees	45,000	67,500
Group Life Premiums	48,381	54,431
Interest Paid	166,047	-
Other Expenses	824	8,121
Total Other Expenses	<u>260,252</u>	<u>130,052</u>
Change in Net Assets Before Taxation and Membership Activities	(9,541,788)	10,484,023
Income Tax/Expense	763,040	3,517,801
Change in Net Assets After Taxation and Membership Activities	<u>(10,304,828)</u>	<u>6,966,222</u>
Membership Activities		
Member Contributions	1,392,474	1,150,651
Employer Contributions	5,964,612	5,707,541
Less		
Benefits Paid	(6,924,549)	(4,152,947)
Net Membership Activities	<u>432,537</u>	<u>2,705,245</u>
Net (Decrease)/Increase in Net Assets During the Year	<u><u>(9,872,291)</u></u>	<u><u>9,671,467</u></u>

	2008 \$	2007 \$
Statement of Net Assets		
Assets		
Financial Assets - Fair Value Through Changes in Net Assets	83,037,998	102,585,826
Current Assets	7,239,390	861,680
Total Assets	<u>90,277,388</u>	<u>103,447,506</u>
Less		
Current Liabilities		
Benefits Payable	-	242,118
Income Tax Payable	513,775	2,490,895
Sundry Creditors	56,066	49,654
Total Current Liabilities	<u>569,841</u>	<u>2,782,667</u>
Non-Current Liabilities		
Payable to Tax Management New Zealand	-	1,085,001
Total Non-Current Liabilities	<u>-</u>	<u>1,085,001</u>
Total Liabilities	569,841	3,867,668
Net Assets Available for Benefits	89,707,547	99,579,838
Vested Benefits*	87,507,683	100,048,430
Statement of Cash Flows		
Net Cash Flows (Used in)/From Operating Activities	(2,460,929)	1,996,238
Net Cash Flows (Used in)/From Investing Activities	8,840,034	(1,661,405)
Net /Increase in Cash Held	6,379,105	334,833
Cash at Beginning of Year	846,812	511,979
Cash at End of Year	<u>7,225,917</u>	<u>846,812</u>

*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.

Notes to the summary financial report

A summary of the Fund's audited financial statements for the year ended 30 June 2008 which were authorised for issue on 11 December 2008 is shown on pages 25 and 26. The summary financial report has been extracted from the full audited financial statements dated 12 December 2008. The summary financial report has been prepared in accordance with FRS-43 - Summary Financial Statements.

The full financial statements have been prepared in accordance with generally accepted accounting practice and they comply with the New Zealand equivalent to International Financial Reporting Standards (NZ IFRS).

The Fund changed its accounting policies on 1 July 2007 to comply with NZ IFRS-1: First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards, with 1 July 2006 as the date of transition.

The transition from superseded policies to NZ IFRS has not materially affected the Fund's net assets, changes in net assets and cash flows from the date of IFRS transition of 1 July 2006.

The financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Fund operates.

The summary financial report cannot be expected to provide as complete an understanding as is provided by the full financial statements of changes in net assets, net assets and cash flows of the Fund. A copy of the full financial statements can be obtained, free of charge, from the Fund's administration manager. The Fund is a profit orientated entity.

The auditor has examined the summary financial report for consistency with the audited financial statements and has issued an unqualified opinion.

Events after balance date

Subsequent to balance date, the credit crisis and other events impacting on financial markets have continued to cause turbulence in global capital markets. These events impact the valuation of financial instruments.

At 31 October 2008, (the most recent date as at which a Monthly Earning Rate has been applied) the value of the Fund's investment portfolio has declined by approximately 12% due to the impact of recent market events on the prices of the Fund's underlying assets.



Audit report

To the members of Rio Tinto New Zealand Retirement Fund

We have audited the summary financial report of Rio Tinto New Zealand Retirement Fund for the year ended 30 June 2008 as set out on pages 25 to 27.

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 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-43: *Summary Financial Reports*.

Other than in our capacity as auditor we have no other relationship with or interests in the Rio Tinto New Zealand Retirement 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-43: *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 12 December 2008.

We completed our work for the purposes of this report on 12 December 2008.

KPMG

Sean Hill
Partner

Melbourne
12 December 2008

Trustees' Statement

The Trustees of the Rio Tinto New Zealand Retirement Fund:

- I. state that all contributions required to be made to the Fund in accordance with the terms of the Trust Deed have been made;
- II. certify that all 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 2008 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 2008;
- 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 2008;
- 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 Exemption Notice, to incur costs for the year ended 30 June 2008;
- VI. state that the market value of the Fund's assets subject to complying fund rules (i.e. total locked-in account balances) as at 30 June 2008 was \$565,693.28, with locked-in accounts maintained for 140 members; and
- VII. state that the value of withdrawals made from locked-in accounts (in accordance with the complying fund rules) during the year ended 30 June 2008 was \$5,150.00.

Signed for and on behalf of the Trustees:



Mike Rapson
Trustee



Anita Cowley
Trustee

