

Rio Tinto New Zealand Retirement Fund

Annual report

for the year ended 30 June 2012



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Front cover: Ship unloader during an alumina discharge, Tiwai.

Message from the Chair



“The Trustees regularly review the Fund’s processes to ensure that they continue to be appropriate in the current environment.”

On behalf of my fellow Trustees, I am pleased to present the Fund’s annual report for the year ended 30 June 2012.

From an investment perspective, the 2011/2012 Fund year again provided significant challenges. The uncertainty in financial markets referred to in last year’s annual report continued through until late 2011, when signs that Europe might finally be taking steps to resolve its sovereign debt and banking issues provided some relief. Share markets continued to improve until the final quarter of the Fund year, when concerns over the worsening European debt crisis and signs that the global economy was slowing again took hold.

Market commentators are predicting that the current low investment return environment is likely to continue for some years. While financial markets appear to have priced in most bad news, they look set to struggle unless the economic momentum improves or policy-makers deliver some positive incentives. The Trustees, via the Investment Committee and the Fund’s investment consultants, continue to carefully monitor the Fund’s investments to ensure that they are well-positioned to cope with the current investment environment and provide sound long-term returns to members.

Most of the changes to KiwiSaver (which also affect the Fund’s locked-in accounts) referred to in last year’s annual report are now in force. The Trustees understand that these changes, and the increase in the minimum compulsory contribution rates which takes effect from 1 April 2013, have reduced the attractiveness of making locked-in contributions. This has prompted the Trustees to make some changes to the Fund to give members and the employers more flexibility. These are summarised on page 9 of this report.

As well as being the start of the new Fund year, 1 July 2012 marked five years since the Fund’s locked-in accounts were introduced. This is important because, if it is five years since you started making contributions to locked-in accounts (and/or to a KiwiSaver scheme) and if you are 65 or older, you can now withdraw your locked-in account balance.

The Trustees regularly review the Fund’s processes to ensure that they continue to be appropriate in the current environment. Recently, because of concerns about the adverse effects volatile investment markets may have on a member’s benefit in the period between the date of terminating employment, and the date of payment or transfer the Trustees introduced a new ‘late payment earnings policy’. See page 9 of this report for further details.

A number of changes occurred among the Trustees during the year, and these are detailed on page 10. I’d like to welcome the Fund’s new Trustees on board and also thank the outgoing Trustees for their contribution to the smooth running of the Fund.

Brian Cooper
Chair of Trustees

Investment overview

What happened in the investment markets over the last 12 months?

The first half of the 2011/2012 Fund year proved to be tough for investors as sovereign debt levels ruled financial markets and investor confidence levels. The lifting of the US debt ceiling in early August led to a credit rating downgrade and sent global share markets into turmoil, with the Dow Jones down 4.3% in a single day. However, it was the European debt crisis that took centre stage, with concerns over the sustainability of government debt levels in Italy, Spain, Hungary, Portugal, Ireland and Greece.

As a result, investor sentiment alternated between hope and fear throughout the latter part of 2011, with the markets often reacting far too quickly to the latest news stories, especially those focused on Europe. There was some positive news in December with US unemployment and housing data giving investors hope that the recovery was taking hold there. This, along with the prospect that European politicians were finally getting to grips with the scale of the challenges facing them, saw global share markets rise strongly in late 2011.

The improvement continued over the first three months of 2012 as share markets globally benefited from signs that the European debt crisis was stabilising, a €1 trillion injection of cheap loans by the European Central Bank and positive economic data from the US. Unfortunately, after a period of consolidation in April, share markets then fell sharply as the gravity of the situation in Europe escalated. Concerns centred on Spanish banks crippled by bad property debts and the inconclusive result of the Greek election. Elsewhere, mixed data from the US and the continuing slowdown in China's economic growth contributed to a weaker share market.

June brought a rescue package for the Spanish banking sector and a pro-euro zone outcome to the second Greek election. Nonetheless, share market volatility continued as increasing signs of a slowdown in global manufacturing and disappointing US housing and employment data preyed on investors' minds.

While gross annual returns from the Fund's trans-Tasman and international shares portfolios were negative, the remaining asset classes all posted positive returns over the year. The strongest returns came from trans-Tasman listed property and New Zealand fixed interest, demonstrating the relative strength of the New Zealand economy.

The outlook

The global economic expansion remains fragile and, in July, the International Monetary Fund (IMF), unimpressed with the policy actions taken to stem the European sovereign debt crisis, cut its 2013 global growth forecast. The IMF cautioned that even the reduced rate might be optimistic if Europe does not do enough to alleviate its debt crisis and if policies to improve growth in emerging markets fail to gain traction.

Share markets continue to be volatile, initially rising in anticipation of stimulus in the US and Europe, only to be disappointed by a lack of action. While recent returns from fixed interest investments have to some extent compensated for weak returns from shares, history suggests that interest rates will eventually rise from their current lows, reducing returns from this type of investment.

In New Zealand, the low interest rate environment continues to play into the hands of the New Zealand share market and the Reserve Bank has indicated that an Official Cash Rate of 2.5% is here to stay until at least 2013. The Kiwi dollar continues to be volatile.



Awarua Bay

The 2011 – 2012 financial year: Quarter by quarter

September 2011 quarter

Prospects for a modest rebound in economic growth over the second half of 2011 were left in tatters in the September quarter, as a new wave of mainly European-driven debt concerns dominated global financial markets. Greece again missed fiscal milestones established as part of earlier bail-out agreements, while at a broader level European policy makers struggled to agree on both a positive response and a credible plan to stop the sovereign debt crisis spreading to larger European countries. All was not well in the US either, where political squabbling over lifting the debt ceiling led to a credit downgrade. Poor second quarter growth figures, together with significant revisions to prior years' data, revealed that the recovery to date had been much weaker than thought.

New Zealand fixed interest posted the Fund's strongest result for the quarter, reflecting a strong demand for government bonds and a fragile risk appetite in investment markets. International fixed interest provided a more modest but still positive return as, although government bonds rallied over the quarter, investment grade credit suffered from investor concerns about Europe's problems and a general slowing in global growth. Aside from cash, the Fund's remaining asset classes posted negative returns for the September quarter.

December 2011 quarter

Despite the huge overhang of sovereign debt and disappointments with the European Union's policy responses, global share markets rose sharply in the final quarter of 2011 supported by an improvement in the US economy. While economic growth turned negative in the euro area, the announcement of a proposed solution for the European debt crisis at the EU leaders' summit in October and the channelling of €150 billion from the European Central Bank to the International Monetary Fund to support bond markets also helped support global share markets.

Led by the New Zealand share market, trans-Tasman shares posted the Fund's only negative return for the December quarter. The quarter's strongest return came from international listed property, which bounced back sharply, benefiting from positive US housing data.

March 2012 quarter

The calendar year started well for investors, with positive events in Europe and good signs from the US economy helping markets pare back losses accumulated through a tough 2011. Following the eagerly awaited Greek bailout, European debt concerns appeared to subside. A European Union agreement, which increased the size of its rescue fund firewall by €300 billion was also well received by investors, who collectively shifted towards growth assets during the quarter.

Positive data from the US, spearheaded by the labour market, indicated a steady recovery for the economy. Much improved employment data and positive consumer spending figures also fuelled the hopes of a recovery, encouraging investors selling 'safe haven' assets, like US Treasury Bonds.

In contrast, China created headlines during the quarter for the wrong reasons, announcing a 0.5% drop in its official growth target to 7.5%. This followed news of a US\$31.5 billion trade deficit for February, caused by imports increasing at twice the rate of exports. This news gave rise to fears of a hard landing and raised doubts about China's ability to act as a global 'shock absorber' on the long road ahead to economic recovery.

For the second successive quarter, international listed property posted the highest return, supported by strong results from the Fund's other growth assets. Returns from fixed interest investments were weaker, reflecting reduced demand for 'safe haven' assets.

June 2012 quarter

Investment markets were extremely volatile over the June quarter as the outlook for Europe deteriorated quickly, reversing some of the previous two quarters' gains. Inconclusive election results in Greece increased investors' concerns about the stability of the European Union and the potential impact on European banks. Spain seemed likely to require bail-out funds to rescue a banking system crippled by bad property debts.

Elsewhere, there were signs of a weakening global economy. Growth continued to slow in China and US employment data was disappointing, which sent commodity prices tumbling.

On a more positive note, the China Central Bank advised that economic and monetary policies would be used to stimulate the economy and at the very end of June, the European Leaders' Summit announced a commitment to stabilising the region.

Most asset classes provided positive returns for the June quarter, with the strongest results coming from New Zealand fixed interest. Unsurprisingly, given the unsettled economic environment, returns from both the trans-Tasman and international shares sectors were negative.

More about investments and earnings

Your investment options

The Fund recognises that different members have different financial needs and that a single investment strategy doesn't suit everyone. That's why the Fund offers members a choice of up to four investment options.

The rate of return from each investment option will vary according to the asset class, or combination of asset classes, in which it invests. Historically, growth assets (e.g. shares and property) have provided the best returns over the long term (more than 10 years). However, growth assets also tend to have the most variation in returns from year to year. On the other hand, defensive assets, such as fixed interest and cash, have historically provided lower returns over the long term, but less variation in returns from year to year. However, you must always remember that past performance cannot be relied on as an indicator of future performance.

If you have not nominated an investment option (or options) in the Fund, your accounts are invested in the 'default' investment option, which is the Balanced investment option.

See pages 5 and 6 for more information about the Fund's investment options.

Each investment option has guidelines for investing

For each investment option, the Trustees have an investment policy that sets investment objectives and a strategy to determine how and where the money in that option will be invested. Having objectives and a strategy helps the Trustees to maximise investment returns for the Fund whilst maintaining an acceptable level of risk. However, the objectives are not a forecast or guarantee of future performance. The investment policy also covers other related matters such as the appointment of investment managers and guidelines for investments in derivatives.

The Trustees, through their Investment Committee, regularly monitor each investment option's performance against its objectives and strategy and make changes where they consider them necessary. A copy of the Fund's Statement of Investment Policy and Objectives is available on request by calling the Fund Member Helpline 0508 266 787.

There are different levels of expected investment risk associated with each of the Fund's investment options. Please refer to the Fund's Investment Statement for more information. You can obtain a copy of the Investment Statement from the 'Documents & forms' page of realsuper.superfacts.co.nz or by calling the Fund Member Helpline 0508 266 787.

Some investment terms explained

Asset class – a broad category of investments such as trans-Tasman shares, property or fixed interest securities.

Asset mix – the proportion of the various asset classes within an investment portfolio. This is often referred to as the 'asset allocation'.

Benchmark – a market index or combination of indices used as a yardstick to assess the performance of an investment portfolio. For example, the benchmark for the Fund's investments in trans-Tasman shares is the NZX 50 Index.

Consumers Price Index (CPI) – is used to measure the rate of inflation. In New Zealand it is based on the change in prices of a selection of household goods and services.

Defensive assets – assets held to provide an income rather than for long-term growth. Examples are fixed interest and cash.

Earnings – investment earnings generally occur as a result of capital gains or losses (the value of the underlying asset changing) and dividends or interest payments.

Fixed interest – investments that pay a fixed rate of return for a specific period of time. This includes investments such as debentures, bonds or unsecured notes and can also include money on deposit in a fixed-interest account with a bank, building society or credit union.

Growth assets – assets expected to grow in value over time (although their value may rise and fall in the short term), such as shares and property.

Sovereign debt – a sovereign bond is a bond (or security) issued by a government as borrower. The term usually refers to bonds issued in foreign currencies. The total amount owed to the holders of the sovereign bonds is called sovereign debt.

How your investment options performed

The following charts show the benchmark (or target) asset mix for each investment option effective as at 30 June 2012 and the performance measured against the timeframe over which the Trustees aim to meet their investment objective for the portfolio.

Growth option

The Growth option continues to target an allocation of 90% in growth assets (shares, property and international listed infrastructure) and 10% in defensive assets (fixed interest and cash). With a higher percentage of its assets in growth assets, it can be expected that the Growth option will 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 10-year periods.

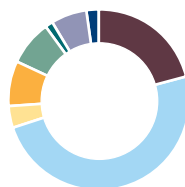
Performance for the year ended 30 June 2012

Although there was a marked improvement in the Growth option's returns mid year, it was insufficient to compensate as returns from shares took a battering at both ends of the Fund year.

As a result, the Growth option posted a net return of -2.6% for the year, compared with a return of 14.5% for the previous year.

Over the past 10 years, however, the Growth option has earned an average net return of 3.0% p.a. In comparison, the Consumers Price Index increased by an average 2.6% over the same period.

Benchmark (or target) asset mix



Trans-Tasman shares	21.0%
International shares	49.0%
Trans-Tasman listed property	4.0%
International listed property	8.0%
International listed infrastructure	8.0%
NZ fixed interest	2.0%
International fixed interest	6.0%
Cash	2.0%

Balanced option

The Balanced option continues to target an allocation of 60% in growth assets (shares, property and international listed infrastructure) and 40% in defensive assets (fixed interest and cash). The Trustees' objective for the Balanced option is to achieve an average annual return (after tax) of 3% above Consumers Price Index increases over rolling five-year periods.

Performance for the year ended 30 June 2012

A higher weighting to defensive assets than the Growth option proved to be a moderating factor (both up and down) for the Balanced option's returns over the Fund year.

The Balanced option posted a net return of -0.1% compared to 10.2% for the previous year.

Over the past five years, the Balanced option has earned an average net return of 0.1% p.a. In comparison, the Consumers Price Index increased by an average 2.7% over the same period.

Benchmark (target) asset mix



Trans-Tasman shares	15.0%
International shares	35.0%
Trans-Tasman listed property	4.0%
International listed property	3.0%
International listed infrastructure	3.0%
NZ fixed interest	12.0%
International fixed interest	20.0%
Cash	8.0%

Conservative option

As the Conservative option requires a target 68% allocation to defensive assets, it can be expected to provide more stable returns than the Growth and Balanced options. The Trustees' objective for the Conservative option is 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 this option is unlikely to achieve high returns.

Performance for the year ended 30 June 2012

Sound returns from fixed interest investments, and New Zealand fixed interest in particular, kept the annual return from the Conservative option in positive territory.

The Conservative option returned a net 2.2% against a return of 6.8% for the previous year.

Over the past three years, the Conservative option has earned an average net return of 5.9% p.a. In comparison the Consumers Price Index increased by an average 2.6% p.a. over the same period.

Benchmark (or target) asset mix



Trans-Tasman shares	8.0%
International shares	19.0%
Trans-Tasman listed property	2.0%
International listed property	1.5%
International listed infrastructure	1.5%
NZ fixed interest	24.0%
International fixed interest	16.0%
Cash	28.0%

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.

Performance for the year ended 30 June 2012

The Cash option returned a net 2.3% for the year, slightly down on the previous year. In comparison, the Consumers Price Index increased by 1.0% over the year.

Returns from the Fund's Cash option are influenced by the Official Cash Rate (OCR) which is the base rate for overnight transactions set by the Reserve Bank. The Reserve Bank left the OCR unchanged at 2.5% over the Fund year. The 90-day bank bill rate for the period was 2.8%.

The Cash option returned 2.8% for the previous year and the average annual net return has been 2.6% p.a. over the past three years.

Benchmark (or target) asset mix



Cash	100%
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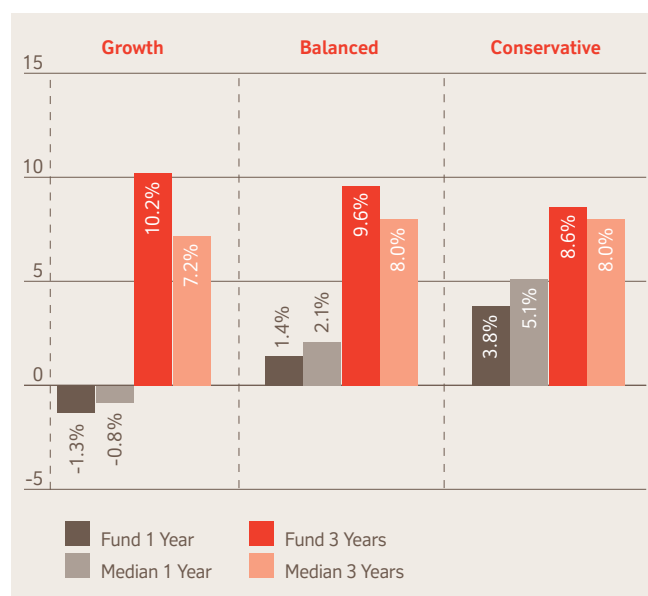
How the Fund performed

The Fund's before-tax returns compared with comparable KiwiSaver funds

Another measure of the Fund's performance is against other similar schemes.

The following chart compares the performance of the Fund's Growth, Balanced and Conservative options against the equivalent median returns for corresponding KiwiSaver investment funds as measured by the Mercer KiwiSaver Fund Survey. Performance is shown before tax and after fees. It shows that all three options have outperformed the median over three years. Over one year none of the Fund's investment options outperformed the median. This reflects the performance of share markets over the past year, as all three options continue to hold more in international shares and fixed interest investments and less in New Zealand fixed interest and cash investments than the average KiwiSaver scheme.

Fund returns v. KiwiSaver median – periods ended 30 June 2012



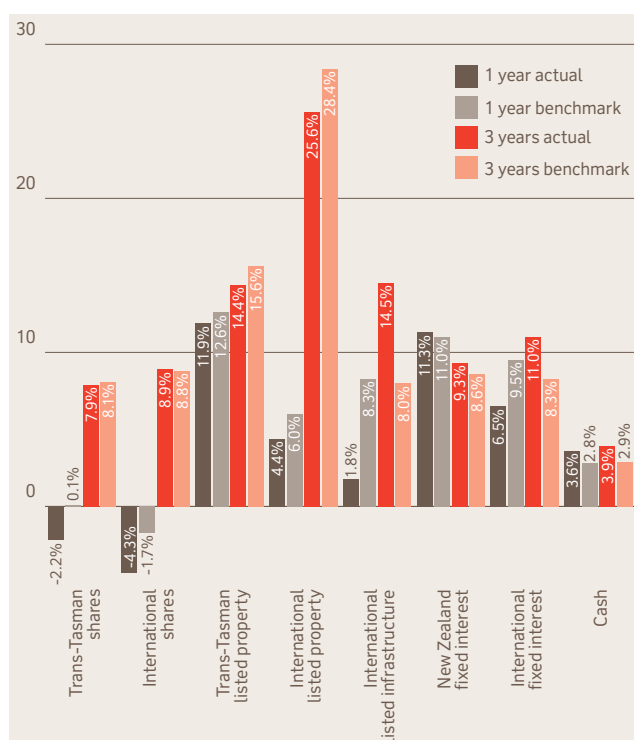
Notes:
 >> Earnings are shown before deducting tax but after deducting fees.
 >> Past performance is not an indication of future performance.

Gross returns compared with market indices

The following chart 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.

As the chart shows, over the past year some managers have found the recent investment environment difficult. However, over the last three years, the average annual gross return for most asset classes is above, or in line with (plus or minus 1%), the respective benchmark. The only exception is international listed property, which returned 25.6% against a benchmark of 28.4%. The Investment Committee continues to carefully monitor the Fund's returns and evaluate each manager's performance taking into account different investment styles and characteristics of the market indices used.

Fund returns v. selected market indices – year ended 30 June 2012



Notes:
 >> Earnings are shown before deduction of tax and fees.
 >> Past performance is not an indication of future performance.

The Fund's performance benchmarks

Benchmark	Market index used	What the index means
Trans-Tasman Shares	NZX 50 Gross Index with Imputation Credits	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
Trans-Tasman Listed Property	NZX Sectoral Listed Property Index with Imputation Credits	A capitalisation index designed to measure the performance of the property sector listed with the New Zealand Exchange Limited
International Listed Property	UBS Warburg Global Aggregate Index (100% Hedged ¹)	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 + 5% (100% Hedged ¹)	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	ANZ NZ All Government Stock Index	Measures the performance of the New Zealand Government Bond market
International Fixed Interest	Barclays Capital Global Aggregated Index 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	ANZ 90-Day Bank Bill Index	Summarises the returns on NZ bank bills over the past 90 days

¹ On an after-tax basis. Pre-tax returns will be monitored against gross hedging ratios.

Investment management

The Trustees' Investment Committee advises the Trustees on investment matters, including the investment objectives and strategy for the Fund's four investment options. In doing this, the Committee enlists the expertise of the Fund's investment consultant, Mercer.

Day-to-day decisions about investments in shares, property, infrastructure, fixed interest and cash are made by professional investment managers on the Trustees' behalf. Managers have the authority to make these decisions through an agreed mandate that sets out how the relevant assets must be managed.

Investment managers are assessed and chosen based on a number of factors, including their approach to investing and their systems, staff and capability in adding value to their investment portfolios.

Risk and return

All investments are subject to some level of risk. This means that there is a chance, even if it is a small one, that you could lose money because of investment performance in a given year.

Risk is the likelihood of fluctuations or 'volatility' in the level of investment earnings over a given period, including the likelihood of negative investment earnings. Generally, higher risk investments have a greater chance of fluctuations over the short term, but may offer the prospects of higher investment earnings over a longer period. Conversely, lower risk investments generally provide stable investment earnings over the short term, but over the long term may produce lower investment earnings which may not be sufficient to meet your retirement goals.

In order to minimise unnecessary risk, the Trustees maintain a diverse portfolio of investments. By spreading the Fund's investments across a range of asset classes and by relying on multiple investment managers, the Trustees aim to minimise the volatility of investment earnings.

Despite the Trustees' best efforts to construct investment options that maximise investment earnings while minimising risk, risk cannot be eliminated. Every investment option carries with it some risk of a negative earnings rate.

If you would like more information about the risks associated with superannuation investments, please refer to the Fund's Investment Statement, which is available from the 'Documents & forms' page on the Fund's website or by calling the Fund Member Helpline on 0508 266 787.

Mandate	Investment manager	Investment fund	Fund assets at 30 June 2012	
			(\$m)	%
Trans-Tasman shares	Harbour Asset Management Limited	Harbour Australasian Equity Fund	6.6	6.3
	OnePath (NZ) Limited	OnePath NZ Trans-Tasman Equity	6.9	6.7
International shares	Mercer (N.Z.) Limited	Mercer Hedged Overseas Shares	15.1	14.5
		Mercer Overseas Shares Plus Unhedged	15.2	14.6
Trans-Tasman listed property	Mint Asset Management Limited	Mint Listed Property	3.5	3.4
International listed property	ING Clarion Real Estate Securities, LLC	OnePath Global Listed Property Fund	3.9	3.8
Infrastructure	Lazard Asset Management	Lazard Global Listed Infrastructure	4.1	3.9
		BNZ Infrastructure Hedged Overlay	-0.1	-0.1
New Zealand fixed interest	AMP Capital Investors (New Zealand) Limited	AMP NZ Fixed Interest	9.0	8.7
International fixed interest	AMP Capital Investors (New Zealand) Limited	AMP International Bond Fund	13.5	12.9
Cash²	AMP Capital Investors (New Zealand) Limited	AMP Capital Cash Fund	26.4	25.3
TOTAL			104.1	100.0

² Includes \$2.1m in bank account



Reduction Line No. 4

Superannuation news

New late payment earnings policy

Since 1 April 2012, a new late payment earnings policy has applied for the period between a member terminating employment with an employer-sponsor and his or her benefit being paid from the Fund. This is known as the late payment earnings policy.

The late payment earnings policy is intended to preserve the value of members' leaving service benefits during the period when (following termination) their benefit payment is being administered and delays may be experienced.

Regardless of the reason for terminating employment (including death or disablement), the following earnings will be applied to a member's accounts (for each applicable investment option) when processing his or her payment or transfer from the Fund:

- Up until the date of termination –
 - i. the *declared monthly earning rate* for the latest month for which this is known as at the date of payment; and
 - ii. the *interim earning rate*³ for the period from the end of the month referred to in (i) up to the date of termination.
- From the day following the date of termination to the date of payment –
 - i. earnings equivalent to the Fund's bank account earning rate (net of tax) for the month last ending prior to the date of payment.

Note: The late payment earnings policy does not apply to members who elect to remain in the Fund following their termination of employment by way of a retirement account membership. In this case earnings based on the member's chosen investment option(s) will continue to apply.

³ This rate is not based on the returns of the Fund's actual investments, but of investment options within the Mercer Super Trust with similar asset allocations to the Fund's which are used as a 'proxy' for the Fund's investment option returns. Refer to pages 22 and 23 of the Fund's investment statement dated 30 April 2012, which is available from the 'Documents & forms' page on realsuper.superfacts.co.nz.

KiwiSaver turns five

It is now five years since KiwiSaver started. If you have reached your 'end payment date', that is you have completed five years' membership of a KiwiSaver scheme and/or a complying superannuation fund (such as the Fund) and have attained age 65:

- you are entitled to withdraw all or part of your locked-in account balances;
- you are no longer entitled to member tax credits; and
- your employer is no longer required to make compulsory employer contributions on your behalf.

Changes to the Fund

As mentioned earlier in this report, following changes to KiwiSaver which have made contributing to locked-in accounts less attractive, the Trustees reviewed the Fund rules to give members and Rio Tinto more flexibility. As a result of the review:

- new members can now elect to lock in contributions rather than being compulsorily required to lock in the first 2% of salary of their own contributions;
- if you joined the Fund before 1 April 2008, all your employer contributions are now paid to your standard (unlocked) account;
- if you joined the Fund on or after 1 April 2008 and are making locked-in contributions, employer contributions equal to the minimum compulsory employer contribution rate (currently 2%, increasing on 1 April 2013 to 3% of salary less contribution tax) will continue to be paid to your locked-in account;
- for simplicity's sake, from 1 May 2012 locked-in contributions have been, and will continue to be, calculated on your before-tax salary excluding bonuses and allowances (i.e. your base salary) in the same way as contributions to your standard accounts;
- if you are contributing to KiwiSaver but not making locked-in contributions to the Fund, your employer can make any compulsory employer contributions normally required to be paid to KiwiSaver to the Fund instead; and
- if you have suspended your regular locked-in contributions, you can make withdrawals from your standard (i.e. non-locked-in) accounts and have these paid into your locked-in accounts in the Fund.

Letters were sent to members explaining these changes. They were also summarised in the 'Fund news' section of some of the monthly investment updates, which can be found on the 'Documents & forms' page of realsuper.superfacts.co.nz.

New legislation

The next step in the Government's efforts to tighten up the financial sector, the **Anti-Money Laundering and Countering Financing of Terrorism Act 2009** is due to come into full force on 30 June 2013. Once this comes into effect, before any benefit can be paid you will need to verify your identity by providing a certified copy of documentation such as the personal details page from your passport, driver licence or credit card (with photograph). New employees joining the Fund will also need to provide photo identification.

The **Financial Markets Conduct Bill** is aimed at rebuilding investor confidence in New Zealand's investment markets and providing better information and disclosure for non-expert investors. Once passed, amongst other things the new legislation will:

- replace the current investment statement and prospectus disclosure regime with a short product disclosure statement and an internet-based register of offers of financial products; and
- provide additional governance and registration requirements for certain schemes, including superannuation schemes such as the Fund.

The Commerce Select Committee reported back on the Bill on 7 September 2012.

Fund management

As a member of the Fund, you can be confident that the operation 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 Trustees 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 usually 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 (unless a position becomes vacant more than 12 months prior to the next scheduled election, as was the case this year).

Changes to the Trustees

During the year there were several changes to the Company-Appointed Trustees:

- Aaron Guthrie was appointed in September 2011 in place of Anita Cowley who resigned effective August 2011
- Brian Cooper replaced Xiaoling Liu effective December 2011
- Paula Checketts replaced Jason Franklin effective January 2012

In addition, Mike Rapson resigned as a Member-Elected Trustee effective May 2012.

Fund Secretariat

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 advisers.

As at 30 June 2012, the Trustees of the Fund were:

Company-Appointed



Brian Cooper (Chair)

Chief Operating Officer Primary Aluminium

Pacific Aluminium



Ryan Cavanagh

General Manager – Operations

New Zealand Aluminium Smelters Limited



Paula Checketts

Manager Commercial Services

New Zealand Aluminium Smelters Limited



Aaron Guthrie

Total Rewards Manager

Rio Tinto

Member-Elected



Ken Bolger

Specialist, Site Electrical Engineer

New Zealand Aluminium Smelters Limited



Grant Cuff

Accountant

New Zealand Aluminium Smelters Limited



Allan Meikle

VDC Casting Superintendent

New Zealand Aluminium Smelters Limited

Changes to the Trustees after 30 June 2012:



Karen Sturman

Superintendent Strategy and Support

Elected to fill the vacant position as a Member-Elected Trustee following Mike Rapson's resignation and took office from 20 July 2012.



Glenn Smith

Human Resources and External Affairs (Pacific Aluminium)

Appointed to fill the vacant position as a Company-Appointed Trustee following Aaron Guthrie's resignation and took office from 15 August 2012.

Investment Committee

The Investment Committee's terms of reference 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:

- Brian Cooper (Chair)
- Glenn Smith (from 15 August 2012)
- Grant Cuff
- Karen Sturman (from 20 July 2012)

The Investment Committee is assisted by Wayne Grant of Rio Tinto Services.

Membership and Benefits Committee

The Membership and Benefits Committee's terms of reference 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:

- Ryan Cavanagh (Chair)
- Ken Bolger
- Paula Checketts
- Allan Meikle

The Membership and Benefits Committee is assisted by Amanda Oliver of Rio Tinto Services.

A dedicated service team

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

Service	Adviser
Administration, accounting, actuarial, and superannuation and communication consulting	Mercer (N.Z.) Limited
Audit services	KPMG
Investment consultant	Mercer
Legal advice	Chapman Tripp
Taxation services	PricewaterhouseCoopers

Privacy Act

Your personal information may be held by and, when necessary, passed amongst Rio Tinto, the Trustees and the Fund's professional advisers for the purposes of managing your benefit in the Fund. If you wish to check or amend your personal information, please call the Fund Member Helpline 0508 266 787.



Blaine Morch, Superintendent, Power Supply.

Further information

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

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

Amanda Oliver
Fund Secretary
Rio Tinto New Zealand Retirement Fund
GPO Box 384D
Melbourne VIC 3001
Australia

Complaints procedure

Current legislation requires the Trustees to be members of an approved disputes resolution scheme. The Trustees have elected to register with an independent disputes resolution scheme operated by Financial Services Complaints Limited (FSCL) and approved by the Ministry of Consumer Affairs.

If you have a complaint, first call the Fund Member Helpline 0508 266 787. If your complaint is complex, we may ask you to provide details in writing.

Once your complaint is received, the Trustees have 40 working days to respond to your complaint. If you are not satisfied with the Trustees' response or if your complaint has not been resolved after 40 working days, you may refer the matter to FSCL by emailing info@fscl.org.nz or calling FSCL on 0800 347 257.

Alternatively you may write to FSCL at:

Financial Services Complaints Limited
101 Lambton Quay
PO Box 5967, Lambton Quay
Wellington 6145

Full details of how to access the FSCL scheme can be obtained on their website www.fscl.org.nz.

Trust Deed amendments

An amendment made to the Fund's Trust Deed, effective 20 March 2012:

- confirms that, if a member who joined the Fund on or after 1 April 2008 is not making locked-in contributions to the Fund but is contributing to KiwiSaver, Rio Tinto may make any compulsory employer contributions to the member's locked-in account in the Fund instead of to KiwiSaver; and
- allows members who have suspended their regular locked-in contributions to make withdrawals from their unlocked accounts and have these paid into their locked-in accounts in the Fund.

The Deed of Amendment also made other, minor updates and amendments.

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 Fund Member Helpline 0508 266 787.

Benefit entitlements

Enclosed with this report is a Membership Statement showing your personal benefit entitlements as at 30 June 2012. If, at some other time, you would like an up-to-date estimate of your benefits, you should call the Fund Member Helpline 0508 266 787. You can also obtain an estimate of your benefits from the Fund website realsuper.superfacts.co.nz.

Nominating beneficiaries

A death benefit is payable if you die while you are 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. Your spouse will automatically be a nominated beneficiary, unless you otherwise notify the Trustees in writing.

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, 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 if 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 your death, total and permanent disablement or ill-health. 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 (or another date nominated by the Trustees) by completing and returning an 'Application to Change Insurance Cover' form at least five working days before you wish the change to take effect. Forms are available from the 'Documents & forms' page of the Fund website realsuper.superfacts.co.nz or by calling the Fund Member Helpline 0508 266 787.

Note that 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. The Trustees may then impose restrictions on the amount, or the conditions for payment, of your increased cover (or refuse to allow the increase).

Membership summary

Contributory members	
Contributory members as at 1 July 2011	819
Plus: New entrants	49
Less: Leaving service withdrawals	64
Transfers to retirement account	8
Transfers to another fund	1
	73
Total contributory members as at 30 June 2012	795
Retirement account members	
Retirement account members as at 1 July 2011	46
Plus: Transfers from active membership	8
Less: Deaths	1
Full withdrawals	11
	12
Total retirement account members as at 30 June 2012	42
Total membership as at 30 June 2012	837

Earning rates

Every month between July and May, the Trustees determine a monthly earnings rate for each investment option, based on the Fund's investment returns less an estimated allowance for investment expenses and taxes.

After the end of each Fund year (30 June), final earnings rates are calculated for June, based on the Fund's financial statements, information from investment managers, taxation and the rates already applied for the previous 11 months.

The following table shows the monthly earnings rates used during the year and the cumulative earning rates for the period commencing 1 July 2011.

Period	Cash		Conservative		Balanced		Growth	
	Monthly rate	Cumulative year-to-date rate	Monthly rate	Cumulative year-to-date rate	Monthly rate	Cumulative year-to-date rate	Monthly rate	Cumulative year-to-date rate
2011								
July	0.2%	0.2%	-0.6%	-0.6%	-1.5%	-1.5%	-2.5%	-2.5%
August	0.2%	0.4%	-1.5%	-2.1%	-3.2%	-4.6%	-5.0%	-7.4%
September	0.2%	0.6%	-0.4%	-2.4%	-0.9%	-5.4%	-1.7%	-9.0%
October	0.2%	0.8%	1.7%	-0.7%	3.0%	-2.6%	4.6%	-4.8%
November	0.2%	1.0%	-0.6%	-1.3%	-1.6%	-4.2%	-2.6%	-7.3%
December	0.2%	1.2%	0.6%	-0.7%	0.6%	-3.6%	0.7%	-6.6%
2012								
January	0.2%	1.4%	1.1%	0.4%	1.9%	-1.8%	2.6%	-4.2%
February	0.2%	1.5%	1.0%	1.3%	1.9%	0.1%	2.7%	-1.6%
March	0.2%	1.7%	0.9%	2.2%	1.4%	1.5%	1.9%	0.3%
April	0.2%	1.9%	0.2%	2.4%	-0.1%	1.4%	-0.4%	-0.1%
May	0.2%	2.1%	-0.6%	1.8%	-1.8%	-0.4%	-3.4%	-3.5%
June	0.2%	2.3%	0.4%	2.2%	0.4%	-0.1%	0.9%	-2.6%

NB: Past performance is not a guide to future performance.

When you leave the Fund, for each applicable investment option an interim earnings rate will be allocated to your accounts for the period from the start of the month for which a monthly earnings rate has yet to be declared to the date you become entitled to your benefit (or, in the case of retirement account holders, to the date your benefit is otherwise payable).

The interim earnings rate will be calculated using the returns earned by four unitised funds outside the Fund with asset allocations very similar to those of the Fund's investment options. Those unitised funds are used because the unit prices are readily available and are calculated on an after-tax basis. They are referred to as 'proxy funds':

Fund investment option	Proxy fund*
Cash	Mercer Super Investment Trust Cash Fund
Conservative	Mercer Super Investment Trust Conservative Fund
Balanced	Mercer Super Investment Trust Balanced Fund
Growth	Mercer Super Investment Trust High Growth Fund

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

As explained on page 9 a new late payments earnings policy has been introduced to ensure that members are not affected financially by any delay in paying out or transferring their benefit.

If, regardless of the reason, your employment is terminated (including by death or disablement) and you do not elect (if permitted) to leave your benefit in the Fund, earnings for the period from the date of termination until the date when your benefit is actually paid (or, in the case of a locked-in account balance, transferred to your new KiwiSaver scheme or complying superannuation fund) will be applied to your balance based on the after-tax rate of interest earned by the Fund's bank account for the month last ending before the date of payment. This is to ensure that any delays in processing benefit payments or transfers, for whatever reason, do not result in benefits being eroded by adverse movements in the Fund investment option or proxy fund returns.

If, when you leave service, you are permitted and elect to leave your benefit in the Fund, then the investment earnings rate(s) of the investment option(s) you have selected will continue being applied to your account balance(s) for the period from when you leave service until your benefit is paid (or transferred to another scheme).

If you elect to switch investment options, the amount switched will be calculated based on the monthly earnings rate(s) then applying to your current investment choice(s). The new investment option(s) you choose will take effect from the first of the month following the date your completed 'Application to Change Investment Option(s)' form is received by the Fund's Administration Manager or your online switch is submitted.

If the Trustees declare a negative year-end or monthly earnings rate in any year for any investment option in which your account balances are invested, a corresponding reduction will be made to your accounts. A reduction will also be made to your accounts if the interim earnings rate(s) for the final period before a benefit becomes payable is negative.

The Trustees reserve the right to alter the earnings rate policy in the event of significant market movements (for example, if any of the large global sharemarkets or the New Zealand or Australian sharemarkets falls 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).



Aluminium ingot

Summary financial statements

	2012	2011
Statement of Changes in Net Assets	\$	\$
Investment Activities		
Net Investment Revenue	547,046	12,142,000
Other Revenues	139,550	250,341
Less		
Other Expenses		
Consulting Fees	103,138	98,976
Group Life Premiums	51,161	48,987
Other Expenses	1,285	3,155
Total Other Expenses	<u>155,584</u>	<u>151,118</u>
Change in Net Assets Before Taxation and Membership Activities	531,012	12,241,223
Income Tax Expense	1,175,807	2,487,167
Change in Net Assets After Taxation and Before Membership Activities	<u>(644,795)</u>	<u>9,754,056</u>
Membership Activities		
Member Contributions	2,892,527	2,331,753
Employer Contributions	5,174,879	5,423,861
Less		
Benefits Paid	(7,616,348)	(4,265,069)
Net Membership Activities	<u>451,058</u>	<u>3,490,545</u>
Net (Decrease) / Increase in Net Assets During the Year	<u>(193,737)</u>	<u>13,244,601</u>

Statement of Net Assets		
Assets		
Financial Assets – Fair Value Through Profit or Loss	101,796,606	101,629,442
Current Assets	2,366,494	2,753,549
Total Assets	<u>104,163,100</u>	<u>104,382,991</u>
Less		
Liabilities		
Sundry Creditors	29,693	55,847
Total Liabilities	<u>29,693</u>	<u>55,847</u>
Net Assets Available for Benefits	<u>104,133,407</u>	<u>104,327,144</u>
Vested Benefits*	<u>100,593,593</u>	<u>101,299,242</u>

Statement of Cash Flows		
Net Cash Flows from Operating Activities	670,895	3,257,662
Net Cash Flows used in Investing Activities	(1,097,286)	(2,036,973)
Net (Decrease) / Increase in Cash Held	(426,391)	1,220,689
Cash at Beginning of Year	2,488,014	1,267,325
Cash at End of Year	<u>2,061,623</u>	<u>2,488,014</u>

Notes to the summary financial report

An abridged version of the Fund's audited financial statements for the year ended 30 June 2012 which were authorised for issue on 26 October 2012 is shown to the left. The summary financial statements have been extracted from the full audited financial statements dated 26 October 2012. The summary financial statements have 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 comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). The Trustees have made an explicit and unreserved statement of compliance with NZ IFRS in note 1 of the Fund's full financial statements.

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 statements 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-oriented entity.

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

* 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.

Audit report



Independent auditor's report on the summary financial statements

To the members of Rio Tinto New Zealand Retirement Fund

The accompanying summary financial statements on page 15, which comprise the summary statement of net assets as at 30 June 2012 and the summary statements of changes in net assets and cash flows for the year then ended and notes, are derived from the audited financial statements of Rio Tinto New Zealand Retirement Fund ("the superannuation scheme") for the year ended 30 June 2012. We expressed an unmodified audit opinion on those financial statements in our report dated 26 October 2012.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Rio Tinto New Zealand Retirement Fund.

Trustees' responsibility for the financial statements

The trustees are responsible for the preparation of a summary of the audited financial statements, in accordance with FRS-43 *Summary Financial Statements*.

Auditor's responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (New Zealand) (ISA (NZ)) 810 *Engagements to Report on Summary Financial Statements*.

Other than in our capacity as auditor we have no relationship with, or interests in, the superannuation scheme.

Opinion

In our opinion, the summary financial statements have been correctly extracted from the audited financial statements of Rio Tinto New Zealand Retirement Fund for the year ended 30 June 2012, and the information reported in the summary financial statements is consistent, in all material respects, with the audited financial statements, in accordance with FRS-43 *Summary Financial Statements*.

A handwritten signature in blue ink that reads 'KPMG'.

26 October 2012

Wellington

Trustees' statement

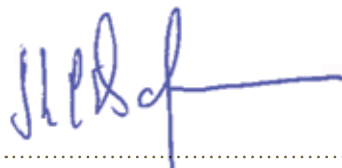
The Trustees of the Rio Tinto New Zealand Retirement Fund:

- 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 2012 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 2012;
- iv state that during the year ended 30 June 2012 more than 10% of the market value of the assets of the Fund (calculated in accordance with generally accepted accounting practice) was invested in underlying funds issued and managed by (or by associated persons of) each of Mercer (N.Z.) Limited, OnePath (NZ) Limited and AMP Capital Investors (New Zealand) Limited, who manage certain of the Fund's investments. The relevant underlying funds were:
 - Mercer Super Investment Trust
 - OnePath Wholesale Australasian Share Fund and OnePath Wholesale International Property Fund; and
 - AMP Capital Investment Funds – AMP Capital NZ Fixed Interest Fund, AMP Capital Hedged Global Fixed Interest Fund and AMP Capital NZ Cash Fund;
- v 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 2012;
- vi 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 2012;
- vii state that the market value of the Fund's assets subject to complying fund rules (i.e. held in locked-in accounts) as at 30 June 2012 was \$4,940,961 relating to 324 members; and
- viii state that the value of withdrawals made from locked-in accounts during the year ended 30 June 2012 was \$405,767.

Signed for and on behalf of the Trustees:



Trustee



Trustee

