

Rio Tinto

Rio Tinto New Zealand Retirement Fund

Annual report

for the year ended 30 June 2011



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Front cover: Neil O'Rorke, Process Technician, Rodding, Carbon.

Message from the Chair



“Interestingly, investment markets followed a similar pattern to the previous financial year. The first nine months saw strong growth in share markets, supported by a range of global developments that restored investor confidence.”

On behalf of my fellow Trustees, it is my pleasure to bring you the Fund's annual report for the year ended 30 June 2011. Volatile investment markets, reviews of the Fund's investment strategy and insurance arrangements and a range of legislative changes have certainly kept the Trustees busy during the year.

Interestingly, investment markets followed a similar pattern to the previous financial year. The first nine months saw generally strong growth in share markets, supported by a range of global developments that restored investor confidence. Unfortunately the recovery proved to be fragile and, after showing surprising resilience early in 2011, share markets finally faltered in the June quarter.

Nevertheless, the Fund's Growth, Balanced and Conservative investment options performed well, returning 14.5%, 10.2% and 6.8% respectively (net of tax and investment management fees). More information about the performance of the Fund's investment options and the investment market conditions over the year ended 30 June 2011 appears later in this report.

The Trustees finalised some changes to the Growth, Balanced and Conservative investment options during June 2011. These included changing the timeframe over which the Trustees aim to achieve each option's long-term target return, amending the mix of New Zealand and international fixed interest securities and completing an Investment Manager transition for the Fund's Trans-Tasman shares investments. More information about these changes can be found on page 2.

Also, following a review of the Fund's premium rates for death and disablement cover, the Trustees reduced the insurance premium deducted from members' accounts by 17% from 1 July 2011 and also made a distribution to members' accounts. Your annual membership statement included with this annual report shows the distribution, which is a refund of 20% of the total of insurance premiums charged to your account over the past five years, or since you joined the Fund if you have been a member for less than five years.

The Trustees are always looking at ways to make it easier for you to manage your super and to this end the Fund website has recently had a facelift. As well as having a cleaner and more contemporary look, the new site is easier to use and navigate. A couple of new online tools have also been added to help you check that the investment strategy you have selected is right for you.

Saving for retirement has very much been in the spotlight over the last year with the introduction of new financial services legislation and amendments to KiwiSaver, which also affect KiwiSaver-consistent superannuation schemes such as the Fund.

The new financial services legislation made it compulsory for financial service providers (including trustees of superannuation schemes) to be registered on the financial services providers register. In addition, financial service providers were also required to be members of an approved disputes resolution scheme. The Trustees have registered with an independent dispute resolution scheme operated by Financial Services Complaints Limited (FSCL). See page 12 for more information.

The changes to KiwiSaver halve the maximum member tax credit and remove the tax exemption on employer contributions. For further details, see page 9.

Since the end of the Fund year, investment markets have entered into another period of significant uncertainty, largely due to government debt problems in Europe and the US. However, the Trustees remain confident that the Fund continues to be well positioned to respond to changing environments and maintains its position as one of the pre-eminent employer-sponsored superannuation schemes in New Zealand.

Xiaoling Liu
Chair of Trustees

Investment overview

Investment changes

The Trustees regularly review the Fund's investments to ensure that they remain appropriate as investment markets change and develop.

During the year, changes were made to the investment objectives to reflect the investor timeframes required, and the mix of assets for the Growth, Balanced and Conservative investment options. In addition, one of the managers of the Fund's investments in Trans-Tasman shares was replaced. The changes, which were covered in some detail in the Fund's Winter newsletter, are summarised below.

Investment objectives

Changes to the timeframes over which the Trustees aim to meet their investment objective for each investment portfolio took effect from June 2011. Previously, the Trustees sought to meet the target return for each investment option over rolling three-year periods.

Modelling indicates that the Balanced investment option needs at least a five-year timeframe to measure performance against its objective of achieving an average annual return that exceeds inflation by 3% p.a., while the Growth investment option requires at least a nine-year timeframe to measure performance against its objective of achieving an average annual return that exceeds inflation by 4% p.a. (both measured after tax and investment fees).

To reflect the timeframes indicated as necessary from the strategic asset allocation modelling, performance against the Conservative investment option's return objective will be measured over three years, the Balanced over five years and the Growth over 10 years. (Performance against the Cash investment option's return objective will continue to be measured over one year.)

Investment allocation changes

The global financial crisis has seen sovereign debt in developed economies increase significantly as governments have issued bonds to try to stimulate economic growth. At the same time, market opportunities have been identified for New Zealand non-government bonds.

As a result, the Fund's exposure to international fixed interest markets has been reduced, particularly to developed economies such as the US, Europe and Japan, and its exposure to New Zealand fixed interest increased. While the Conservative, Balanced and Growth options were all affected, the most material changes were to the Conservative and Balanced options, where the allocation to defensive assets is higher.

Investment manager change

As noted in last year's annual report, following the departure of key staff from Brook Asset Management Limited (Brook), one of the two managers of the Fund's investments in Trans-Tasman shares, Brook's management of the Fund's assets was terminated and Harbour Asset Management Limited (Harbour) was appointed in its place. Assets were transferred from Brook to Harbour in two tranches, one in December 2010 and the other in June 2011.

What happened in investment markets over the Fund year

The 2010-11 financial year kicked off well for the Fund's investments. Share market growth was strong, fuelled by a range of global developments including increasing demand for commodities from emerging economies such as China and India, and indications that the US Federal Reserve would expand its balance sheet by another round of quantitative easing (in effect, printing money to buy bonds, lowering borrowing costs and supporting asset markets). However, the fragility of the recovery was highlighted by factors such as the prospect of medium-term deflation, lingering fears of renewed financial risks and downward pressure on labour costs.

While investor confidence continued to grow in the December 2010 quarter, it was not strong enough to shake off concerns, and the prospect of volatility lingered.

The first three months of 2011 saw global growth gather momentum and remain resilient in the face of major political shocks (unrest in the Middle East and North Africa) and a series of major natural disasters (earthquakes in New Zealand and Japan). By the end of March, however, a clear moderation in growth was evident, and there was a further tailing off through the June quarter on the back of rising oil prices and heightened fears of inflation.

Consistent with this expectation, global share markets remained positive in April, but then fell over the final two months of the financial year, against a backdrop of weaker US and European economic data, inflationary concerns (and further policy tightening) in China, and renewed concerns around the government debt crisis in Europe. Performance was stronger for New Zealand shares during May, but weakened in June when global concerns finally caught up with the New Zealand share market.

Despite ending the year on a negative note, returns were positive across all the major asset classes for the full year ended 30 June 2011. This is the second year in a row that we've seen solid market growth since the dark days of the global financial crisis. That said, and whilst the positive financial year return is reassuring, worries about the fragility of the recovery have not gone away, and this is likely to remain a concern for some time to come.

The outlook

A string of weak economic reports in the final quarter have focused investor attention on the potential for a double-dip recession.

In fact, even in the short period since the end of the Fund year, the world has been rocked by several major financial/economic events – an escalation in the debt crisis affecting Greece and other European countries, the raising of the massive US borrowing cap and, most recently, share market turmoil over the possibility of a widespread double-dip recession. In New Zealand, the fluctuating kiwi dollar has also had a marked effect. Such events mean that it is very difficult to predict with any certainty what the coming year will hold for investment markets.

The 2010 – 2011 financial year: Quarter by quarter

September 2010 quarter

The first quarter of the Fund's financial year saw a strong recovery in returns from shares as markets rebounded, leaving behind worries about Mediterranean government debt. Commodity prices also strengthened, reflecting diminishing concern about a double-dip recession and some modestly improving economic data. Positive sentiment early in the quarter was further fuelled by renewed speculation about another round of quantitative easing policies ("QE2") by several central banks.

All asset classes generated positive returns over the quarter, with the Fund's best quarterly return coming from its investments in international listed property.

December 2010 quarter

Global investment markets finished the calendar year on a high, with renewed confidence over stronger economic data in the US and improving investor sentiment. The main economic news over the quarter continued to be set by policy makers. In the US, President Obama announced a large tax-break package.

In Europe, the bailout of Greece and the establishment of the European Financial Stability Mechanism in May didn't prevent the need for a bailout of Ireland in November, and concerns about Belgium also surfaced. However, the impact of these events on markets was fairly muted as much of it was already priced in.

Returns from both New Zealand and international fixed interest were negative for the quarter. All other asset classes generated positive returns. Again, the Fund's best performing sector was international listed property.

March 2011 quarter

Global share markets advanced in the first quarter of 2011, buoyed by positive economic and earnings news, although the upward move was not seamless. Markets rallied in January and February, helped by encouraging economic data and a robust corporate earnings season. However, some gains were given back in March, largely dictated by events in Japan and

the Middle East. Japan's tragic earthquake and fears of a nuclear disaster triggered a sharp drop in Japanese equities, and heightened market uncertainty. In addition, the conflict in the Middle East and North Africa pushed oil prices higher, raising fears that sustained high oil prices would threaten the global economic recovery. Finally, worries about Europe's sovereign debt crisis re-emerged, as Spain and Portugal's debt was downgraded, and Portugal's Prime Minister resigned after failing to win support for his latest austerity package.

In the US, economic conditions continued to show signs of improvement, with the unemployment rate down to its lowest level in nearly two years.

Returns from all asset classes were positive over the quarter, with New Zealand fixed interest in particular showing a marked improvement. International fixed interest was also back in positive territory. International listed infrastructure provided the quarter's strong result.

June 2011 quarter

Global financial markets were highly volatile during the June quarter, with concerns over global growth prospects and the impact of government debt problems in Europe once again dominating. In the US, economic recovery continued to be restrained by a stagnant housing market and by budgetary cutbacks from state and local governments. In addition, cyclical momentum in the economy weakened. Consumer demand slowed in response to the steep rise in petrol prices earlier in the year and businesses reduced the pace of their hiring.

The New Zealand economy confounded experts with data showing that despite the February 22 earthquake in Christchurch, the economy had grown at twice the forecast rate as high meat and dairy prices boosted incomes and rural investment.

Both Trans-Tasman and international shares posted negative returns for the quarter, while both property sectors posted strong results. New Zealand and international fixed interest also produced sound returns. As was the case for two of the three prior quarters, international listed property posted the highest quarterly return.



Night view of smelter.

More about investments and performance

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 one or more of 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 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 should be aware that past performance should not be relied upon 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 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 Fund's Investment Statement from the 'Documents & forms' page of www.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.

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.

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

Fixed interest – investments that pay a fixed rate of return for a specific period of time. 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 June 2011 and the performance measured against the revised timeframes discussed on page 2 of this annual report.

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 2011

Despite weakening somewhat in the final quarter, the Growth option produced a very pleasing result. This reflects a series of strong performances from the Fund's investments in growth assets, supported by solid returns from defensive investments.

The Growth option achieved a net return of 14.5% for the year, compared with a return of 10.0% for the previous year.

Over the past nine years*, however, the Growth option has earned an average net return of 3.6% p.a. In comparison, the Consumers Price Index increased by an average 2.8% p.a over the last nine years.

* The return is expressed over nine years as the Growth option has not yet operated for the full 10-year 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 2011

While its overall return was more modest than that of the Growth option, the Balanced option produced a very satisfactory result. Once again, its lower exposure to growth assets than the Growth option proved beneficial in the final quarter.

The Balanced option posted a net return of 10.2% compared to 9.8% for the previous year.

Over the past five years, the Balanced option has earned an average net return of 2.1% p.a. In comparison, the Consumers Price Index increased by an average 3.0% p.a over the last five years.

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 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.

Performance for the year ended 30 June 2011

The Conservative option produced another solid result, earning a net 6.8% against a return of 8.7% for the previous year. Again, a modest annual return from cash, which makes up 28% of the Conservative option's investments, put a bit of a dampener on returns from this option.

Over the past three years, the Conservative option has earned an average net return of 5.5% p.a. In comparison, the Consumers Price Index increased by an average 2.9% p.a over the last three years.

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 2011

The Cash option returned a net 2.8%, a small improvement on the previous year. In comparison, the Consumers Price Index increased by 5.3% p.a over the year.

Returns from the Fund's Cash option are influenced by the Official Cash Rate (OCR), which is set by the Reserve Bank. The Reserve Bank lifted the OCR by 0.25% in July 2010 and left it unchanged until March 2011 when it dropped it back to 2.5% to lessen the economic impact of the Christchurch earthquakes.

The 90-day bank bill rate for the year was 3.1%.

The Cash option returned 2.6% for the previous year.

Benchmark (or target) asset mix



Cash	100%
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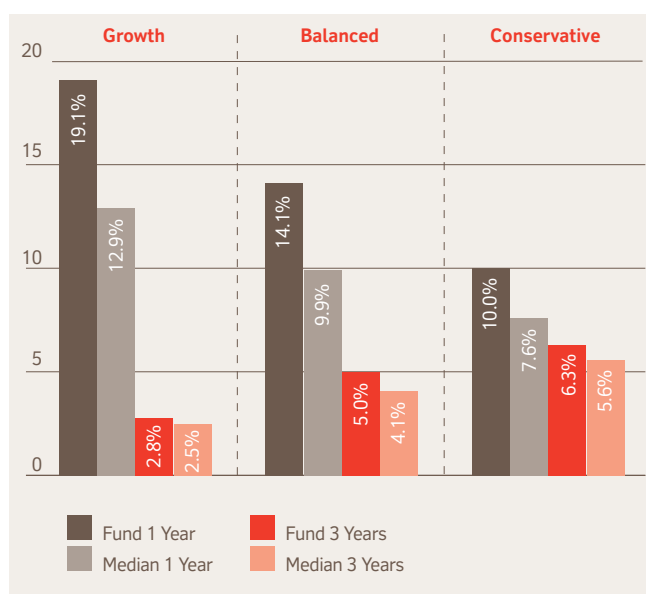
How the Fund performed

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

Another measure of the Fund's performance is a comparison 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 the Fund's investment options have all outperformed the median over both one and three years. The most significant outperformance has been over one year. In part this is because all three options held 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 2011



Notes:

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

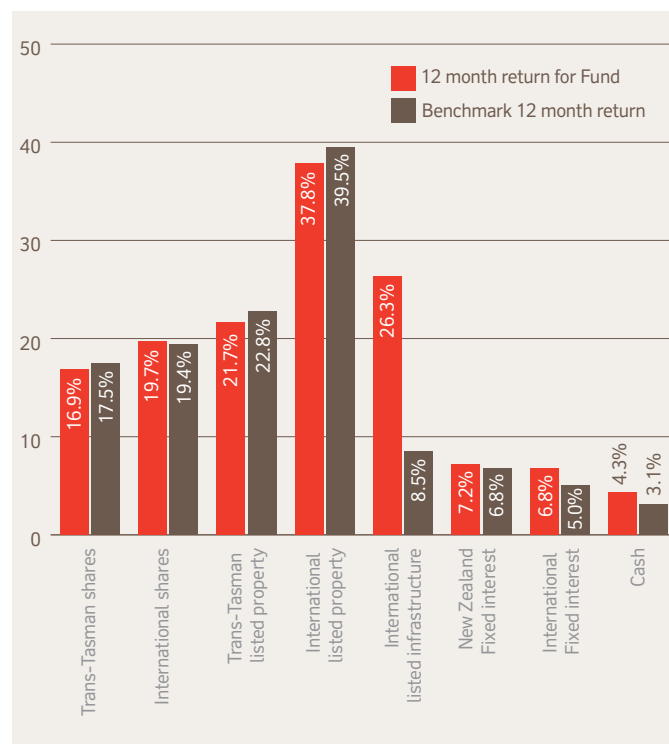
The Fund's performance benchmarks

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 Index with net dividends reinvested (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.

The graph below 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.

Fund returns v. selected market indices — year ended 30 June 2011



Notes:

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

Investment management

The Trustees' Investment Committee advises the Trustees on investment matters including the investment objectives and strategy for the 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 of 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 the long term. 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 earning rate.

If you would like more information about the risks associated with superannuation investments, please refer to or obtain 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.

Who are the Fund's investment managers?

Mandate	Investment manager	Investment fund	Fund assets at 30 June 2011	
			(\$m)	%
Trans-Tasman shares	Harbour Asset Management Limited ¹	Harbour Australasian Equities Fund	7.6	7.3
	OnePath (NZ) Limited ²	OnePath NZ Trans-Tasman Equity	7.4	7.2
International Shares	Mercer (N.Z.) Limited	Mercer Hedged Overseas Shares Investment Portfolio	18.4	17.6
		Mercer Overseas Shares Plus Unhedged Investment Portfolio	15.2	14.5
Trans-Tasman property	Mint Asset Management Limited	Mint Listed Property	3.7	3.5
International property	ING Clarion Real Estate Securities, LLC	OnePath Global Listed Property	4.5	4.3
Infrastructure	Lazard Asset Management	Lazard Global Listed Infrastructure	4.5	4.4
		BNZ Infrastructure Hedged Overlay	0.1	0.1
New Zealand fixed interest	AMP Capital Investors (New Zealand) Limited	AMP Capital NZ Fixed Interest Fund	9.2	8.9
International fixed interest	AMP Capital Investors (New Zealand) Limited	AMP Capital Hedged Global Fixed Interest Fund	14.3	13.8
Cash ³	AMP Capital Investors (New Zealand) Limited	AMP Capital NZ Cash Fund	19.2	18.4
TOTAL			104.1	100.0

1 Following the departure of a significant number of key staff from Brook Asset Management Limited, the assets formerly managed by Brook were transferred to Harbour Asset Management Limited in two tranches during December 2010 and June 2011.

2 Formerly known as ING (NZ) Limited.

3 Includes \$2.5m in the Fund's bank account

Superannuation news

KiwiSaver has proved to be more popular than anyone imagined when it was first established in 2007. At 30 June 2011, there were 1.76 million members and Government incentives for the 2010/2011 KiwiSaver year totalled \$1 billion. As a result, in its May 2011 Budget, the Government announced changes aimed at making KiwiSaver more sustainable in the longer term.

The changes, which apply both to KiwiSaver schemes and to lock-in arrangements within KiwiSaver-consistent schemes such as the Fund, are:

- for the KiwiSaver year commencing 1 July 2011 onwards, member tax credits have been halved from \$1 to 50c for every \$1 contributed by the member, up to a maximum member tax credit of \$521.43 per year. This means that a member making locked-in member contributions of \$20 per week or more will receive \$521.43 – half the previous maximum; and
- from 1 April 2012, the tax-free status of employer contributions to KiwiSaver schemes, and to locked-in accounts in KiwiSaver-consistent schemes such as the Fund, will end and all KiwiSaver-type employer contributions will be subject to contribution tax in the same manner as employer contributions to other superannuation schemes.

So that employees' ongoing savings are not unduly affected by these changes, the Government has introduced intended legislation under which from 1 April 2013, the compulsory minimum employer contribution and the minimum employee contribution rate will both increase to 3% of an employee's salary or wages.

Both the \$1,000 kick-start contribution for first time KiwiSavers only and the targeted first home purchase subsidy of up to \$5,000 remain in place. (Note that because the employers have an exemption from the requirement to automatically enrol new employees in KiwiSaver, the first home purchase subsidy, which is administered by Housing New Zealand, is available to all Fund members who meet the qualifying criteria. Visit www.hnzc.co.nz for details.)

In addition, from 1 April 2012, employers will no longer be able to choose to deduct tax from employer contributions at a flat rate of 33%. Instead, all employers will be required to deduct tax at a progressive rate, which is usually the same as (or less than) an employee's marginal tax rate.

This change will not affect Fund members as tax is already deducted at progressive rates. The current progressive rates are:

Earnings plus before-tax employer contributions in the previous income year (to 31 March)*	Contribution tax deducted from employer contributions to the Fund
\$0 - \$16,800	10.5%
\$16,801 - \$57,600	17.5%
\$57,601 - \$84,000	30%
\$84,001 or more	33%

* or your employer's estimate of your before-tax earnings and before-tax superannuation contributions during the current income year if you have not been employed for all of the previous income year.



Rodney Lietze, Power Supply, Reduction North.

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 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 the Trustees

There were no changes to the Trustees during the Fund year. At the election held over September and October 2010, Ken Bolger, Grant Cuff, Allan Meikle and Mike Rapson were all re-elected for the period 1 November 2010 to 31 October 2013.

However, Anita Cowley, one of the Fund's company-appointed Trustees, retired from her position with effect from 5 August 2011. Aaron Guthrie (Manager – Total Rewards, People & Organisation Support, Aus/NZ) was appointed to the vacant Trustee position from 1 September 2011.

Further, it has been announced that Xiaoling Liu, company-appointed Trustee and Chair, will be moving to a position with Rio Tinto Minerals from 1 November 2011 and so will relinquish her role with the Fund. At the time of publishing this report a replacement had yet to be confirmed, however an appointment will be made, and advised to members, in due course.

As at 30 June 2011, the Trustees of the Fund were:

Company-Appointed



Xiaoling Liu (Chair)

President
Primary Metals
Pacific Region

Rio Tinto Alcan
New Zealand
Limited



Ryan Cavanagh

General Manager

New Zealand
Aluminium
Smelters Limited



Anita Cowley

Manager
Benefits

Rio Tinto Services
Limited



Jason Franklin

Manager
Commercial
Services

New Zealand
Aluminium
Smelters Limited

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.

Member-Elected



Ken Bolger

Specialist Site
Electrical Engineer

New Zealand
Aluminium
Smelters Limited



Grant Cuff

Management
Accountant

New Zealand
Aluminium
Smelters Limited



Allan Meikle

VDC Casting
Superintendent

New Zealand
Aluminium
Smelters Limited



Mike Rapson

Principal Adviser,
Tax Advisory and
Commercial

Rio Tinto Alcan
New Zealand
Limited

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)
- Aaron Guthrie (Anita Cowley as at 30 June 2011)
- 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:

- Ryan Cavanagh (Chairman)
- Ken Bolger
- Jason Franklin
- 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 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	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	PwC

Privacy Act

Your personal information may be held by and, when necessary, passed amongst the Company, 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.



Stu Murray, Superintendent, Maintenance, Metal Products.

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 also 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

New legislation requires all financial service providers (including trustees of superannuation schemes) to be members of an approved disputes resolution scheme. The Trustees have registered 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. If you are not satisfied by 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
P O 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

No amendments have been made to the Trust Deed since the date of the last Annual Report. However, a Deed of Amendment is currently being prepared (and other administrative changes are being considered) to take account of changes to the rules for KiwiSaver and KiwiSaver-style superannuation schemes. The Deed of Amendment is being made:

- to clarify that if, while making only "unlocked" contributions to the Fund, a member who joined on or after 1 April 2008 also contributes to KiwiSaver from pay, then Rio Tinto can contribute to a locked-in account in the Fund at whatever rate is necessary to discharge its compulsory KiwiSaver contribution obligations (so that no Fund/KiwiSaver employer contributions split is required); and
- to allow members to direct withdrawals from "unlocked" accounts during lock-in suspension periods for the purpose of crediting the amounts withdrawn to locked-in accounts.

The Deed of Amendment will prescribe other (more 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 2011. 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 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. 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 so 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 www.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 2010		801
Plus:	New entrants	56
Less:	Leaving service withdrawals	(31)
	Transfers to retirement account	(6)
	Transfers to another fund	(1)
		(38)
Total contributory members as at 30 June 2011		819
Retirement account members		
Retirement account members as at 1 July 2010		51
Plus:	Transfers from active membership	6
Less:	Deaths	(3)
	Full withdrawals	(8)
		(11)
Total retirement account members as at 30 June 2011		46
Total membership as at 30 June 2011		865

Earning rates

For each month the Trustees determine an earning rate (net of tax and investment management fees) for each investment option based on information provided by the Fund's investment managers less an allowance for an estimate of investment expenses and taxes.

As at the end of each Fund year (30 June) the final earning rate for each investment option is calculated for the month of June, based on the Fund's financial statements, information from the investment managers, taxation and the rates already determined for the first 11 months of the Fund year.

The following table shows the interim earning rates used during the year and the cumulative earning rates for the period commencing 1 July 2010. Note that rates shown below are the adjusted final rates.

Period	Cash		Conservative		Balanced		Growth	
	Interim rate	Cumulative year-to-date rate	Interim rate	Cumulative year-to-date rate	Interim rate	Cumulative year-to-date rate	Interim rate	Cumulative year-to-date rate
2010								
July	0.2%	0.2%	1.8%	1.8%	3.0%	3.0%	4.5%	4.5%
August	0.2%	0.5%	0.1%	1.8%	-0.6%	2.3%	-1.5%	2.9%
September	0.2%	0.7%	2.0%	3.9%	3.6%	6.0%	5.1%	8.2%
October	0.3%	1.0%	0.7%	4.6%	1.2%	7.2%	1.7%	10.1%
November	0.2%	1.2%	-0.5%	4.1%	-0.6%	6.5%	-0.8%	9.2%
December	0.3%	1.4%	1.1%	5.2%	1.8%	8.4%	2.8%	12.2%
2011								
January	0.3%	1.7%	0.8%	6.1%	1.3%	9.8%	1.8%	14.2%
February	0.2%	1.9%	0.9%	7.1%	1.6%	11.5%	2.3%	16.9%
March	0.2%	2.2%	0.4%	7.5%	0.5%	12.1%	0.6%	17.6%
April	0.2%	2.4%	0.8%	8.4%	0.9%	13.1%	0.9%	18.7%
May	0.2%	2.6%	-0.5%	7.9%	-1.1%	11.8%	-1.7%	16.7%
June	0.2%	2.8%	-0.1%	6.8%	-1.4%	10.2%	-1.9%	14.5%

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

When you leave the Fund, for each applicable investment option an interim earning rate will be allocated to your accounts for the period from the start of the month for which a monthly earning rate has yet to be declared to the date your benefit is payable.

The interim earning 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'. The proxy funds are:

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.

If you elect to switch investment options, the amount switched will be calculated based on the monthly earning rate(s) 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 earning rate in any year for any investment option in which your account balances are invested, a corresponding reduction will be made to your accounts.

The Trustees reserve the right to alter the earning rate policy in the event of significant market movements (for example, if any of the large global share markets or the New Zealand or Australian share markets falls by more than 10% in a single day or if any or all of those share markets are forced to close for an entire day or more because of any other unexpected event).



Donna Carter, Safety & Loss Prevention, Technology & Sustainability.

Summary financial statements

	2011	2010
	\$	\$
Statement of Changes in Net Assets		
Investment Activities		
Net Investment Revenue	12,142,000	8,712,291
Other Revenues	250,341	204,648
Less		
Other Expenses		
Consulting Fees	98,976	94,425
Group Life Premiums	48,987	49,815
Other Expenses	3,155	15,251
Total Other Expenses	151,118	159,491
Change in Net Assets Before Taxation and Membership Activities	12,241,223	8,757,448
Income Tax Expense	2,487,167	2,202,971
Change in Net Assets After Taxation and Before Membership Activities	9,754,056	6,554,477
Membership Activities		
Member Contributions	2,331,753	1,535,505
Employer Contributions	5,423,861	5,857,137
Less		
Benefits Paid	4,265,069	4,659,674
Net Membership Activities	3,490,545	2,732,968
Net Increase in Net Assets During the Year	13,244,601	9,287,445
Net Assets Available for Benefits at Beginning of Year	91,082,543	81,795,098
Net Assets Available for Benefits at End of Year	104,327,144	91,082,543
Statement of Net Assets		
Assets		
Investments at Fair Value Through Profit or Loss	101,629,442	89,866,560
Other Assets	2,753,549	1,329,578
Total Assets	104,382,991	91,196,138
Less		
Liabilities		
Income Tax Payable	–	97,051
Sundry Creditors	55,847	16,544
Total Liabilities	55,847	113,595
Net Assets Available to Pay Benefits	104,327,144	91,082,543
Vested Benefits*	101,299,242	88,105,258
Statement of Cash Flows		
Net Cash Flows from Operating Activities	3,257,662	2,498,065
Net Cash Flows used in Investing Activities	(2,036,973)	(4,381,795)
Net Increase / (Decrease) in Cash Held	1,220,689	(1,883,730)
Cash at Beginning of Year	1,267,325	3,151,055
Cash at End of Year	2,488,014	1,267,325

Notes to the summary financial report

A summary of the Fund's audited financial statements for the year ended 30 June 2011 which were authorised for issue on 7 October 2011 is shown to the left. The summary financial statements have been extracted from the full audited financial report dated 7 October 2011. 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 2011 and the summary statements of changes in net assets and cash flows for the year then ended and related notes, are derived from the audited financial statements of Rio Tinto New Zealand Retirement Fund ("the fund") for the year ended 30 June 2011. We expressed an unmodified audit opinion on those financial statements in our report dated 7 October 2011.

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 auditors we have no relationship with, or interests in, the fund.

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 2011, are a fair summary of those financial statements in accordance with FRS-43 *Summary Financial Statements*, and are consistent, in all material respects, with the audited financial statements.

A handwritten signature of the KPMG auditor, written in blue ink. The signature is stylized and appears to be 'KPMG' followed by a flourish.

7 October 2011

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 2011 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 2011;
- iv state that during the year ended 30 June 2011 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 2011;
- 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 2011;
- 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 2011 was \$3,749,886 relating to 297 members; and
- viii state that the value of withdrawals made from locked-in accounts during the year ended 30 June 2011 was \$152,974.

Signed for and on behalf of the Trustees:

.....
Trustee

.....
Trustee

