

# RIO TINTO NEW ZEALAND RETIREMENT FUND

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012

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# RIO TINTO NEW ZEALAND RETIREMENT FUND

## STATEMENT OF NET ASSETS AS AT 30 JUNE 2012

	Notes	2012 \$	2011 \$
<b>ASSETS</b>			
Cash at bank		2,061,623	2,488,014
Income tax receivable		98,766	100,000
Investments – at fair value through profit or loss	6	101,796,606	101,629,442
Distributions receivable		191,594	142,385
Prepayments		14,511	13,603
Deferred tax asset		-	9,547
<b>TOTAL ASSETS</b>		<b>104,163,100</b>	<b>104,382,991</b>
<b>LESS LIABILITIES</b>			
Sundry creditors		29,693	55,847
<b>TOTAL LIABILITIES (EXCLUDING PROMISED BENEFITS)</b>		<b>29,693</b>	<b>55,847</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>4 &amp; 5</b>	<b>104,133,407</b>	<b>104,327,144</b>
<b>LIABILITY FOR PROMISED BENEFITS</b>			
<b>Represented by:</b>			
Member accounts		20,979,947	20,508,460
Company accounts		52,091,068	52,197,767
Transfer accounts		18,452,116	19,814,307
Retirement accounts		4,270,396	4,916,523
Locked in accounts		4,974,952	3,862,185
Insurance account		2,423,217	2,142,678
Reserve account	11	941,711	885,224
		<b>104,133,407</b>	<b>104,327,144</b>

For and on behalf of the Trustees, who authorised the issue of these financial statements on

26 / October 2012.

.....  
Trustee

Date: 26/10/12

.....  
Trustee

Date: 26/10/12

# RIO TINTO NEW ZEALAND RETIREMENT FUND

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 \$	2011 \$
<b>INVESTMENT ACTIVITIES</b>			
<b>Investment Revenue</b>			
Gains on financial assets at fair value through profit or loss	7	(673,057)	10,960,642
Distributions received		1,096,334	1,093,997
Interest received		42,733	48,801
Fee rebates		187,877	154,255
		<b>653,887</b>	<b>12,257,695</b>
<b>Investment Expenses</b>			
Investment management fees		(106,841)	(115,695)
<b>NET INVESTMENT REVENUE/(LOSS)</b>	<b>8</b>	<b>547,046</b>	<b>12,142,000</b>
<b>OTHER REVENUES</b>			
Employer reimbursements		139,550	250,341
<b>TOTAL OTHER REVENUE</b>	<b>8</b>	<b>139,550</b>	<b>250,341</b>
<b>OTHER EXPENSES</b>			
Consulting fees		103,138	98,976
Group life premiums		51,161	48,987
Other expenses		1,285	3,155
<b>TOTAL OTHER EXPENSES</b>		<b>155,584</b>	<b>151,118</b>
<b>CHANGE IN NET ASSETS BEFORE TAXATION AND MEMBERSHIP ACTIVITIES</b>		<b>531,012</b>	<b>12,241,223</b>
Income tax expense	9(a)	1,175,807	2,487,167
<b>CHANGE IN NET ASSETS AFTER TAXATION AND BEFORE MEMBERSHIP ACTIVITIES</b>		<b>(644,795)</b>	<b>9,754,056</b>
<b>MEMBERSHIP ACTIVITIES</b>			
<b>Contributions</b>			
Member contributions	3	2,892,527	2,331,753
Employer contributions		5,174,879	5,423,861
<b>TOTAL CONTRIBUTIONS</b>	<b>4</b>	<b>8,067,406</b>	<b>7,755,614</b>
<b>Benefits Paid</b>			
Withdrawals		7,371,330	4,189,917
Transfers out to other schemes		245,018	75,152
<b>TOTAL BENEFITS PAID</b>		<b>7,616,348</b>	<b>4,265,069</b>
<b>NET MEMBERSHIP ACTIVITIES</b>		<b>451,058</b>	<b>3,490,545</b>
<b>Net Increase/(Decrease) in net assets during year</b>		<b>(193,737)</b>	<b>13,244,601</b>
<b>Net assets available for Benefits at Beginning of Year</b>		<b>104,327,144</b>	<b>91,082,543</b>
<b>Net assets available for Benefits at End of Year</b>	<b>4</b>	<b>104,133,407</b>	<b>104,327,144</b>

# RIO TINTO NEW ZEALAND RETIREMENT FUND

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 \$	2011 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash provided from</b>			
Member contributions		2,892,527	2,331,753
Employer contributions		5,174,879	5,423,861
Interest received		42,733	48,343
Gain on forward currency contracts		210,348	-
Employer reimbursements received		139,550	250,341
		<u>8,460,037</u>	<u>8,054,298</u>
<b>Cash applied to</b>			
Benefits paid		7,616,348	4,265,069
Group life premiums		52,069	48,812
Other expenses		120,725	76,752
Income tax paid		-	198,497
Loss on forward currency contracts		-	207,506
		<u>7,789,142</u>	<u>4,796,636</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>10</b>	<b><u>670,895</u></b>	<b><u>3,257,662</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash provided from</b>			
Sale of investments		9,000,000	6,448,007
<b>Cash applied to</b>			
Purchase of investments		(10,000,000)	(8,400,000)
Direct expenses paid		(97,286)	(84,980)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b><u>(1,097,286)</u></b>	<b><u>(2,036,973)</u></b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b><u>(426,391)</u></b>	<b><u>1,220,689</u></b>
<b>CASH AT BEGINNING OF YEAR</b>		<b><u>2,488,014</u></b>	<b><u>1,267,325</u></b>
<b>CASH AT END OF YEAR</b>		<b><u>2,061,623</u></b>	<b><u>2,488,014</u></b>



# RIO TINTO NEW ZEALAND RETIREMENT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Reporting Entity and Statutory Base

The Rio Tinto New Zealand Retirement Fund (the "Fund") is the reporting entity. The Fund is a defined contribution superannuation scheme. The financial statements have been prepared in accordance with the Financial Reporting Act 1993, the Superannuation Schemes Act 1989, NZ IAS 26 Financial Reporting by Superannuation Schemes, other relevant Financial Reporting Standards, and the provisions of the Trust Deed. The Fund is registered in New Zealand under the Superannuation Schemes Act 1989 with the registration number AS/1192.

#### (b) Statement of Compliance

The financial statements have been prepared in accordance with generally accepted accounting policies in New Zealand. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate to profit-oriented entities. These financial standards also comply with International Financial Reporting Standards ("IFRS")

#### (c) Measurement Base

The measurement base adopted is that of historical cost modified by the revaluation of certain financial assets which are measured at fair market values at balance date.

#### (d) Accounting Policies

The following are the significant accounting policies which have been adopted in the preparation of the financial statements:

##### Assets

Assets of the Fund are recorded at fair value as at balance date and changes in the net market values of assets are recognised in the Statement of Changes in Net Assets in the periods in which they occur.

- In the case of unithised investments held through investment managers, the fair value is the value of the unithised investments as advised by the investment manager based on the underlying market values;
- For debtors and receivables, fair value is determined after allowing for doubtful debts.

Financial asset fair values are determined in accordance with the pricing discussed below under the heading Financial Assets at Fair Value through Profit or Loss

##### Investment Income Recognition

Trust distributions are accounted for on an accruals basis. Interest income is accounted for on an accruals basis. Any unrealised gains or losses arising from the revaluation of investments and realised gains or losses from the sale of investments during the year are included in the Statement of Changes in net Assets.

##### Financial Instruments

Financial assets and liabilities are recognised on the Fund's Statement of Net Assets when the Fund becomes a party to the contractual provisions of the instrument. The Fund offsets financial assets and liabilities if the Fund has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis.

##### Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as financial assets through profit or loss where the financial asset:

1. Has been acquired principally for the purpose of selling in the near future; or
2. Is part of an identified portfolio of financial instruments that the Fund manages together and has a recent pattern of short-term profit making; or
3. Is a derivative that is not recognised and effective as a hedging instrument.

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and initially measured at fair value.

# RIO TINTO NEW ZEALAND RETIREMENT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial Assets at Fair Value Through Profit or Loss (Continued)

Investments are classified at fair value through profit or loss. As the Fund's business is investing in financial assets with a view to profiting from their total return in the form of increases in fair value, investments are designated as fair value through profit or loss on initial recognition.

Financial assets designated as at fair value through profit or loss, are measured at subsequent reporting dates at fair value, which for investments in units in pooled investment funds is valued at the closing bid price released by the relevant investment manager, adjusted by PIE tax payable or receivable at year end.

#### Taxation

The tax currently payable is based on taxable income for the year. Taxable income differs from change in net assets before tax as reported in the Statement of Changes in Net Assets because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Fund's liability for current tax is calculated using tax rates that have been enacted or subsequently enacted by the balance date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Changes in Net Assets.

The Fund invests in a number of funds which are Portfolio Investments Entities ("PIE"s). For these investments the Fund can elect to apply a Prescribed Investor Rate ("PIR") of either 0% or 28% (2011: 30%). Gains and losses on investments with a PIR of 0% are taxable directly within the Fund and those with a PIR of 28% (2011: 30%) are taxable within the investment.

All tax expenses/credits relating to PIE tax have been shown in the Statement of Changes in Net Assets included in Income Tax Expense/Credit with "Gains/losses on Financial Assets through Profit and Loss" presented gross of any tax deducted/credited.

#### Goods and Services Tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

#### Foreign Currencies

Transactions in currencies other than NZ dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance date, assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on balance date. Gains and losses arising on retranslation are included in gains/losses on financial assets at fair value through profit or loss in the Statement of Changes in Net Assets.

#### Expenses

All expenses are accounted for on an accruals basis.

#### Other Payables

Other payables are not interest-bearing and are stated at their fair value.

#### Other Receivables

Other receivables do not carry any interest, are short-term and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.



# RIO TINTO NEW ZEALAND RETIREMENT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Derivative Financial Instruments

The Fund's activities expose it primarily to the financial risks of changes in foreign currency rates and interest rates. The Fund may use foreign currency exchange forward contracts and interest rate swap to hedge these exposures. The Fund does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Fund's policies approved by the Trustees, who provide written principals on the use of financial derivatives.

Changes in the fair value of derivative financial instruments are recognised in the Statement of Changes in Net Assets as they arise.

#### Statement of Cash Flows

The cash flows of the Fund do not include those of the investment managers. The following are definitions and terms used in the Statement of Cash Flows:

Cash comprises cash balances held with banks in New Zealand and overseas

Investment activities comprise acquisition and disposal of investments. Investments include securities not falling within the definition of cash.

Operating activities include all transactions and other events that are not investing activities

#### Promised Benefits

The liability for promised benefits is the Fund's present obligation to pay benefits to members and beneficiaries. It has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities as at balance date. Promised Benefits include amounts allocated to members' accounts and reserves.

#### Contributions and Withdrawals

Contributions and withdrawals are accounted for on an accruals basis.

#### Comparative figures

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year information and other disclosures.

#### Use of significant judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Trustees to exercise their judgement in the process of applying the entity's accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no critical accounting estimates and judgements contained in these financial statements other than those used to determine the liability for promised benefits, which are not brought to account but disclosed by way of note.

#### **(e) Changes in Accounting Policies**

There have been no changes in accounting policies and the accounting policies have been applied consistently to all periods presented in the financial statements.

#### **(f) Functional and Presentational Currency**

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

# RIO TINTO NEW ZEALAND RETIREMENT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (g) Standards & Interpretations on issue not yet adopted

At the date of this report the following standards were on issue but not yet effective. Application of these standards are not expected to have a material impact on the Fund's Net Assets and Changes in Net Assets. The following may change the presentation and disclosures presently made in the Fund's financial statements:

*NZ IFRS 9 – Financial Instruments* – Effective from periods beginning on or after 1 January 2013, with early adoption permitted. This standard introduces new requirements for the classification and measurement of financial assets that are currently in the scope of NZ IAS 39 will be measured at amortised cost or fair value.

#### (h) Classification of Assets and Liabilities

Rio Tinto New Zealand Retirement Fund operates as a superannuation scheme. As such, the assets and liabilities are disclosed in the Statement of Net Assets in an order that reflects their relative liquidity.

### 2. DESCRIPTION OF FUND

The Fund is a defined contribution superannuation scheme covering salaried employees of Rio Tinto Alcan (New Zealand) Limited and New Zealand Aluminium Smelters Limited. Under the Trust Deed contributions are made by Fund members and by the companies.

During the year the Trustees of the Fund were:

#### Employer Representative

Brian Cooper – Chair (appointed 1 December 2011)  
Xiaoling Liu – Chair (resigned 1 December 2011)  
Anita Cowley (resigned 5 August 2011)  
Jason Franklin (resigned 1 January 2012)  
Ryan Cavanagh  
Paula Checketts (appointed 1 January 2012)  
Aaron Guthrie (appointed 1 September 2011, resigned 20 August 2012)  
Glenn Smith (appointed 20 August 2012)

#### Member Representative

Karen Sturman (appointed 20 July 2012)  
Allan Meikle  
Michael Rapson (resigned 11 May 2012)  
Grant Cuff  
Ken Bolger

#### Retirement Benefits

The retirement benefits are determined by contributions to the Fund together with investment earnings on those contributions over the period of membership.

#### Termination Terms

The Trust Deed sets out the basis on which the Fund can be terminated.



# RIO TINTO NEW ZEALAND RETIREMENT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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### 3. FUNDING ARRANGEMENTS

Members who have joined the Fund between 1 April 2008 and 31 March 2012 have been required to contribute 4% of base salary<sup>1</sup> from which a portion of 2% of gross salary<sup>2</sup> must be credited to a locked-in account, (unless they elect to suspend lock-in contributions). From 1 May 2012, the required 2% contribution to a locked-in account has been calculated on base salary.

Members who joined before 1 April 2008 or after 31 March 2012 must contribute 4% of base salary and may elect to contribute a minimum of 2% of base salary (gross salary up until 1 May 2012), to a locked-in account.

Members are required to contribute to the Fund at a minimum rate of 4% of their base salary, unless a member and his or her employer have entered into a "salary sacrifice" arrangement whereby the member's future salary and/or bonus income is reduced in return for the employer agreeing to contribute matching additional amounts to the Fund. In that case, the member may contribute at a lower or nil rate as long as the employer's additional after-tax contributions, plus the member's continuing contributions (if any), together total not less than 4% of the member's base salary. Base salary is calculated for this purpose as if no salary sacrifice has occurred.

Whether or not a member is required or has agreed to contribute to a locked-in account or enters into a salary sacrifice arrangement, each participating company must make standard company contributions in respect of each subsidised member equal to 10% of the member's base salary plus 5% of any lump sum bonus (unless the member has attained New Zealand Superannuation age (currently 65) and elected to cease contributions in which case the employer is required to contribute 4% of the member's base salary).

Salary and bonus income is deemed to include, for this purpose, any amounts sacrificed. Where lock-in applies, a portion of those company contributions equal to 2% of the member's base salary (gross salary up until 1 May 2012) must be credited to a locked-in account. These standard company contributions are sourced from direct contributions to the Fund in amounts which before deducting contribution tax are at least equal to 4% of each member's base salary, with the Reserve Account being used to fund the remaining contributions to the extent that funds allow.

<sup>1</sup> Base salary is a member's before tax salary excluding bonuses and allowances. It is calculated, where relevant, as if no salary sacrifice has occurred.

<sup>2</sup> Gross salary is a member's before tax salary including bonuses and allowances. If a member's gross salary is reduced by salary sacrifice, the reduced figure is the member's gross salary.

RIO TINTO NEW ZEALAND RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012

4. LIABILITY FOR PROMISED BENEFITS

Changes in Promised Benefits allocated to members' and reserve accounts for the year ended 30 June 2012:

	Member Accounts \$	Company Accounts \$	Transfer Accounts \$	Retirement Accounts \$	Locked In Account \$	Insurance Account \$	Reserve Account \$	Total 2012 \$
Balance 30 JUNE 2011	20,508,460	52,197,767	19,814,307	4,916,523	3,862,185	2,142,678	885,224	104,327,144
Adjustments to opening balances	-	12,435	-	-	36,322	-	(48,757)	-
Contributions received	1,910,062	4,690,096	-	-	1,471,086	-	(3,839)	8,067,405
Benefits transferred to retirement accts	(93,126)	(373,002)	(268,558)	1,019,197	-	(284,511)	-	-
Benefits paid	(992,543)	(2,863,409)	(669,188)	(1,002,542)	(371,776)	(62,697)	-	(5,962,155)
Partial withdrawals	(198,654)	(541,458)	(230,189)	(683,891)	-	-	-	(1,654,192)
Employer reimbursement for claims	-	-	-	-	-	139,550	-	139,550
Net revenue	-	-	-	-	-	-	547,046	547,046
Income tax expense	-	-	-	-	-	-	(1,175,807)	(1,175,807)
Other expenses	-	-	-	-	-	(51,161)	(104,423)	(155,584)
Insurance and Administration deductions	-	(539,392)	-	(179)	(15)	539,586	-	-
Interest Credited	(154,252)	(491,969)	(194,256)	21,288	(22,850)	10,691	831,348	-
<b>Balance 30 JUNE 2012</b>	<b>20,979,947</b>	<b>52,091,068</b>	<b>18,452,116</b>	<b>4,270,396</b>	<b>4,974,952</b>	<b>2,434,136</b>	<b>930,792</b>	<b>104,133,407</b>

RIO TINTO NEW ZEALAND RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012

4. LIABILITY FOR PROMISED BENEFITS

Changes in Promised Benefits allocated to members' and reserve accounts for the year ended 30 June 2011:

	Member Accounts \$	Company Accounts \$	Transfer Accounts \$	Retirement Accounts \$	Locked In Account \$	Insurance Account \$	Reserve Account \$	Total 2011 \$
Balance 1 July 2010	17,793,052	44,325,117	18,213,101	5,367,845	2,406,143	2,082,363	894,922	91,082,543
Adjustments to opening balances	30	(1,023)	-	-	122	-	871	-
Contributions received	1,527,077	5,434,869	-	-	1,290,997	(501,312)	3,983	7,755,614
Employer reimbursement for claims	-	-	-	-	-	250,341	-	250,341
Benefits transferred to retirement accts	(74,937)	(98,108)	(59,672)	669,304	-	(436,587)	-	-
Benefits paid	(409,880)	(1,318,932)	(211,117)	(1,216,742)	(138,356)	(80,322)	(2,811)	(3,378,160)
Partial withdrawals	(204,546)	(310,606)	(25,315)	(346,442)	-	-	-	(886,909)
Net revenue	-	-	-	-	-	-	12,142,000	12,142,000
Income tax expense	-	-	-	-	-	-	(2,487,167)	(2,487,167)
Other expenses	-	-	-	-	-	(48,987)	(102,131)	(151,118)
Insurance and Administration deductions	-	(626,509)	-	(145)	(8)	626,662	-	-
Interest Credited	1,877,664	4,792,959	1,897,310	442,703	303,287	250,520	(9,564,443)	-
<b>Balance 30 JUNE 2011</b>	<b>20,508,460</b>	<b>52,197,767</b>	<b>19,814,307</b>	<b>4,916,523</b>	<b>3,862,185</b>	<b>2,142,678</b>	<b>885,224</b>	<b>104,327,144</b>



# RIO TINTO NEW ZEALAND RETIREMENT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### 5. VESTED BENEFITS

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.

2012 \$	2011 \$
100,593,593	101,299,242

### 6. INVESTMENTS

	2012 \$	2011 \$
<b>Investment by sectors</b>		
Short Term Deposits	24,302,668	16,771,602
NZ Fixed Interest	9,010,282	9,224,481
Overseas Fixed Interest	13,445,485	14,326,813
Trans Tasman Equities	13,483,544	15,127,672
Overseas Equities	34,070,570	37,926,005
Overseas Properties	7,420,327	8,023,286
Forward Foreign Exchange Contracts	(36,270)	229,583
	<u>101,796,606</u>	<u>101,629,442</u>
<b>Investments by Managers</b>		
OnePath	10,841,887	11,912,112
AMP Capital Investors (New Zealand) Limited	46,758,435	40,322,896
Harbour Asset Management	6,569,073	7,574,759
Lazard Asset Management Pacific Co.	3,842,839	4,466,991
Mercer Overseas Shares Plus	15,194,941	15,151,022
Mercer Hedged Overseas Shares Plus	15,132,789	18,388,407
Mint Tran-Tasman Property Fund	3,517,108	3,664,088
BNZ Hedge	(60,466)	149,167
	<u>101,796,606</u>	<u>101,629,442</u>

Investments that amounted to more than 5% of the net assets are as follows:

AMP Capital Investors Funds (Global)	13,445,485	14,326,813
AMP Gross Income Cash Fund	24,302,668	16,771,602
AMP Gross Income Fixed Interest Fund	9,010,282	9,224,481
Harbour Asset Management	6,569,073	7,574,759
OnePath Wholesale Australasian Share Fund	6,914,471	7,563,183
Mercer Overseas Shares Plus	15,194,941	15,151,022
Mercer Hedged Overseas Shares Plus	16,132,789	18,388,407

# RIO TINTO NEW ZEALAND RETIREMENT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### 7. GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 \$	2011 \$
Short Term Deposits	145,288	190,088
NZ Fixed Interest	566,854	130,746
Overseas Fixed Interest	717,028	999,330
Trans Tasman Equities	(605,461)	1,941,257
Overseas Equities	(1,964,281)	6,322,774
Overseas Properties	474,217	1,645,912
Forward Foreign Exchange Contracts	(6,702)	(269,465)
	<hr/>	<hr/>
Total changes in net market values	(673,057)	10,960,642

### 8. TOTAL OPERATING GAIN/(LOSS)

	2012 \$	2011 \$
Total operating gain/(loss) is calculated as the sum of net investment revenue/(loss) and other revenue	686,596	12,392,341

### 9. INCOME TAX

	2012 \$	2011 \$
Change in net assets before Tax and Membership Activities	531,012	12,241,223
<b>(a) Adjustments for Permanent Differences</b>		
Non deductible group life premiums	51,161	48,987
Non assessable investment gains and losses	3,542,949	(3,918,486)
FDR/PIE income	223,349	169,174
Non assessable Employer reimbursement	(139,550)	(250,341)
	<hr/>	<hr/>
Surplus after permanent differences	4,208,921	8,290,557
	<hr/>	<hr/>
Income tax @ 28% (2011:30%)	1,178,498	2,487,167
Prior period adjustment	(2,691)	-
	<hr/>	<hr/>
Income tax expense	1,175,807	2,487,167
	<hr/>	<hr/>
<b>(b) The income tax expense is represented by:</b>		
Current tax	13,472	(254)
PIE income tax expense	1,165,026	2,496,968
Prior period adjustment	(2,691)	-
Deferred tax (asset)/liability	-	(9,547)
	<hr/>	<hr/>
Income tax expense	1,175,807	2,487,167

# RIO TINTO NEW ZEALAND RETIREMENT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### 10. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO NET INCREASE IN NET ASSETS DURING THE YEAR

	2012 \$	2011 \$
Net Increase/(decrease) in net assets accrued during the year	(193,737)	13,244,601
<b>Non-cash items</b>		
Gains on investments	(20,233)	(10,433,150)
Distributions received as units	(1,047,125)	(1,000,087)
Fee rebates received as units	(187,877)	(154,255)
Tax amounts paid in investments	2,068,664	1,759,812
<b>Movements in other working capital items</b>		
(Increase)/decrease in income tax receivable	1,234	(100,000)
Increase in deferred tax asset	9,547	(9,547)
Increase in distributions receivable	(49,209)	(93,910)
Decrease in prepayments	(908)	175
Increase/(decrease) in sundry creditors	(26,154)	39,303
Increase/(decrease) in income tax payable	-	(97,051)
<b>Items classified as investing activities</b>		
Investment management fees	116,693	101,771
	<hr/>	<hr/>
NET CASH FLOWS FROM OPERATING ACTIVITIES	670,895	3,257,662
	<hr/>	<hr/>

### 11. USE OF RESERVES

#### Trust Deed Provisions

The Reserve Account may be used by the Trustees, where applicable at the direction or with the consent of Rio Tinto Alcan (New Zealand) Limited, for the following:

- Payment of company contributions
- Providing benefits equitably to all members
- Increasing members' accounts equitably to all members
- Payment of all or any investment – related expenses of the Fund
- Transfer of monies to the Insurance Account



# RIO TINTO NEW ZEALAND RETIREMENT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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### 12. FINANCIAL INSTRUMENTS

The Fund's assets principally consist of financial instruments which comprise, units in unlisted trusts, listed and unlisted securities and derivative financial instruments. It holds these investment assets in accordance with the Trustees' Statement of Investment Policy and Objectives (SIPO) which establishes investment portfolio objectives and target asset allocations.

The allocation of assets between the various types of financial instruments is determined by the Trustees who manage the Fund's portfolio of assets to achieve the Fund's investment objectives. Divergence from target asset allocations and the composition of the portfolio is monitored by the Fund on at least a quarterly basis.

The Fund's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk

The nature and extent of the financial instruments employed by the Fund are discussed below. This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk.

The Trustees of the Fund have overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Trustees are responsible for developing and monitoring the Fund's risk management policies, including those related to its investment activities. The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, including those risks managed by the Fund's investment managers, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Trustees receive quarterly reports from the Fund's Investment Consultant and management to monitor compliance with the Fund's SIPO.

The Trustees oversee how management monitors compliance with the Fund's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund.

#### Fair Value

The carrying amounts of financial assets and financial liabilities recorded in the financial statements represent their respective fair values, determined in accordance with the Fund's accounting policies.

All assets and liabilities have been designated as at fair value through changes in net assets upon initial recognition because the performance of these instruments is evaluated on a fair value basis using information provided by investment managers in accordance with investment strategy of the Fund. The Investment Committee and Board of Trustees use the fair value information to monitor the risk and performance of the financial instruments.

NZ IFRS 7 requires the classification of financial instruments into 1 of 3 hierarchy levels based on how their fair values are measured.

The different hierarchy levels are defined as follows:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Investments held by the Fund are all categorised as Level 2.

# RIO TINTO NEW ZEALAND RETIREMENT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### 12. FINANCIAL INSTRUMENTS (CONTINUED)

#### Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

#### Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund is indirectly exposed to currency risk in that future exchange rate movements will affect the Fund's valuation of investments in unitised products which invest in foreign currency denominated investments. No sensitivity analysis is completed on the currency risk the Fund is indirectly exposed to as the Trustees have determined this to be immaterial to the Fund.

The Fund is also exposed to currency risk in respect of directly held investments denominated in foreign currency. As at balance date the Fund's direct exposure to currency risk is disclosed in the derivative financial instrument note.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is exposed to interest rate risk in that future interest rate movements will affect cash flow and net market values of fixed interest assets and, indirectly, the valuation of investments in unitised products which invest in cash and fixed interest investments. As at balance date the Fund's exposure to indirect interest rate risk was as follows:

	2012 \$	2011 \$
Unlisted Investments		
- AMP Superannuation Investment Trust – Cash Fund	24,302,668	16,771,602
- AMP Gross Income NZ Fixed Interest Fund	9,010,282	9,224,481
- AMP Capital Hedged Global Fixed Interest Fund	13,445,485	14,326,813
	<hr/>	<hr/>
	46,758,435	40,322,896
	<hr/>	<hr/>

#### Other market price risk

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Fund's financial instruments are valued at fair value with changes in fair value recognised in the Statement of Changes in Net Assets, all changes in market conditions will directly affect investment revenue.

#### Sensitivity analysis

The Trustees have determined that the long term expected volatility for each asset class will provide a reasonably possible change in the prices of the investments that comprise each asset class. The expected volatility rates were provided by the Fund's investment consultant Mercer Consulting. The following table illustrates the effect on change in net assets after tax and net assets available to pay benefits from possible changes in market price risk.



# RIO TINTO NEW ZEALAND RETIREMENT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### 12. FINANCIAL INSTRUMENTS (CONTINUED)

#### Other Market Price Risk (Continued)

2012

Asset Class	Sensitivity variable	Expected Volatility	Change in Changes in Net Assets \$'000	Change in Net Assets \$'000
Domestic Equity	Trans Tasman Equities	20.0%	±2,697	±2,697
International Equity	International Equities	16.9%	±5,119	±5,119
Domestic Fixed Interest	NZX NZ Government Stock	4.9%	±442	±442
International Fixed Interest	International Global Aggregate Bonds (hedged)	5.1%	±686	±686
International Property	UBS Property Hedged	17.7%	±1,313	±1,313
Overseas Infrastructure	NZCPI + 5%	4.9%	±188	±188
Cash	NZX 90 Day Bank Bill	1.8%	±437	±437
<b>Total</b>			<b>±10,882</b>	<b>±10,882</b>

2011

Asset Class	Sensitivity variable	Expected Volatility	Change in Changes in Net Assets \$'000	Change in Net Assets \$'000
Domestic Equity	Trans Tasman Equities	22.0%	±3,328	±3,328
International Equity	International Equities	18.6%	±6,247	±6,247
Domestic Fixed Interest	NZX NZ Government Stock	3.6%	±334	±334
International Fixed Interest	International Global Aggregate Bonds (hedged)	5.4%	±778	±778
International Property	UBS Property Hedged	16.0%	±1,272	±1,272
Overseas Infrastructure	NZCPI + 5%	3.6%	±161	±161
Cash	NZX 90 Day Bank Bill	1.4%	±235	±235
<b>Total</b>			<b>±12,355</b>	<b>±12,355</b>

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Fund's change in net assets after tax and net assets available to pay benefits, on the basis that all other variables remain constant.

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each asset classes' expected return in future years.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.



# RIO TINTO NEW ZEALAND RETIREMENT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### 12. FINANCIAL INSTRUMENTS (CONTINUED)

#### Credit Risk

Financial instruments which potentially expose the Fund to credit risk consist of cash and short term deposits, and receivables and, indirectly, investments in unitised products which invest in cash and fixed interest investments. The maximum exposure to credit risk is the carrying value of these financial instruments. The significant counterparties of the Fund are the investment managers listed in Note 6, which the Trustees consider to be financial institutions of high quality. The investments are held in trust by the investment managers for the benefit of the Fund. The managers maintain diversified investment portfolios in accordance with the portfolio mix adopted by the Trustees.

#### Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's liquidity position is monitored on a weekly basis. The Fund's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, Fund expenses plus investing activities.

The following tables summarise the expected maturity profile of the Fund's financial liabilities based on the earliest date on which the Fund can be required to pay. The table includes gross settled derivative financial liabilities (i.e. foreign exchange contracts) into relevant maturity groupings based on the remaining period to the contractual maturity date at balance date. The amounts in the table are the contractual undiscounted cash flows.

30 June 2012	Less than 3 months \$'000	3 Months to 1 year \$'000	Total Contractual Cash Flows \$'000	Carrying Amount (Asset)/Liabilities \$'000
Foreign exchange contracts				
(Inflow)	(5,507)	-	(5,507)	
Outflow	5,627	-	5,627	120
Creditors & accruals	30	-	30	30
Vested benefits	100,593	-	100,593	100,593
<b>Total</b>	<b>100,743</b>	<b>-</b>	<b>100,743</b>	<b>100,743</b>

30 June 2011	Less than 3 months \$'000	3 Months to 1 year \$'000	Total Contractual Cash Flows \$'000	Carrying Amount (Asset)/Liabilities \$'000
Foreign exchange contracts				
(Inflow)	(6,438)	-	(6,438)	
Outflow	6,208	-	6,208	(230)
Creditors & accruals	56	-	56	56
Vested benefits	101,299	-	101,299	101,299
<b>Total</b>	<b>101,125</b>	<b>-</b>	<b>101,125</b>	<b>101,125</b>

Vested benefits have been included in the less than 3 months column, as this is the amount that members could call upon as at year-end. This is the earliest date on which the Fund can be required to pay members' vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

# RIO TINTO NEW ZEALAND RETIREMENT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### 12. FINANCIAL INSTRUMENTS (CONTINUED)

#### Liquidity Risk (Continued)

##### Derivative Financial Instruments

A derivative financial instrument is a contract whose value depends on (or derives from) the value of an underlying asset, reference rate or index.

The Fund may use derivatives as part of its normal investment management procedures. Derivatives are principally used as a means to hedge against market movements. The most commonly used derivatives are options, swaps and forward foreign exchange rate contracts.

The table below details the effective exposure and fair value of investment management derivatives for the Fund. The effective exposure provides an indication of the Fund's exposure to various asset classes through the use of derivative instruments. The fair value in the table below gives no indication of the ultimate gain or loss that will occur upon settlement of the derivatives, as the ultimate gain or loss will depend on the applicable market price at the time of settlement.

Derivatives held by the Fund are valued on a mark-to-market basis, which includes the calculation and recognition of unrealised gains and losses on current positions. Accordingly, the Statement of Net Assets reflects all unrealised gains and losses on derivatives held by the Fund.

The Fund's exposure to fluctuations in foreign currency exchange rates through its monetary assets at the balance date was as follows:

	Fair Value 2012 \$	Fair Value 2011 \$
<b>Assets</b>		
AUD	4,229,922	4,955,609
GBP	79,785	135,131
EUR	158,386	180,196
JPY	44,377	59,500
USD	994,122	1,107,078
	5,506,592	6,437,514
<b>Liabilities</b>		
AUD	(4,374,018)	(4,799,675)
GBP	(78,503)	(126,981)
EUR	(156,742)	(177,235)
JPY	(43,628)	(56,339)
USD	(973,721)	(1,047,678)
	(5,626,612)	(6,207,908)
<b>NET EXPOSURE</b>	(120,020)	229,606

##### *Sensitivity analysis*

The Trustees have determined that for the coming year the reasonably possible change for the all currencies is 5% (2011: all currencies 5%).

A rate increase would decrease the assets of the Fund by \$47,339 (2011: \$80,282) and a rate decrease would increase the assets of the Fund by \$52,322 (2011: \$88,733).

A rate increase would increase the liabilities of the Fund by \$267,934 (2011: \$295,615) and a rate decrease would decrease the liabilities of the Fund by \$296,137 (2011: \$326,732).

This analysis assumes that all other variables, in particular interest rates, remain constant. The sensitivity analysis was performed on the same basis for both 2011 and 2012. No sensitivity analysis is completed on the currency risk the Fund is indirectly exposed to as the Trustees have determined this to be immaterial to the Fund.

# RIO TINTO NEW ZEALAND RETIREMENT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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### 13. COMMITMENTS AND CONTINGENT LIABILITIES

There were no commitments outstanding as at 30 June 2012 (2011: Nil).

### 14. RELATED PARTIES

The Fund holds no direct investments in any of the employer companies or any of its related parties and during the year had no related party transactions except for the receipt of employer contributions of \$5,174,879 (2011: \$5,423,861).

The employer companies paid administration fees on behalf of the Fund of \$447,659 (2011: \$467,035), including audit fees of \$18,900 (2011: \$20,475).





## Independent auditor's report

### To the Members of Rio Tinto New Zealand Retirement Fund

#### Report on the financial statements

We have audited the accompanying financial statements of Rio Tinto New Zealand Retirement Fund ("the fund") on pages 2 to 20. The financial statements comprise the statement of net assets as at 30 June 2012, the statements of changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Trustees' responsibility for the financial statements*

The trustees are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the fund's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

#### *Opinion*

In our opinion the financial statements on pages 2 to 20:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the fund as at 30 June 2012 and of its financial performance and cash flows for the year then ended.



### **Report on other legal and regulatory requirements**

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Rio Tinto New Zealand Retirement Fund as far as appears from our examination of those records.

*KPMG*

26 October 2012  
Wellington