

RIO TINTO NEW ZEALAND RETIREMENT FUND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

RIO TINTO NEW ZEALAND RETIREMENT FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

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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 3 to 18. The financial statements comprise the statement of net assets as at 30 June 2013, 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 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 3 to 18:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the Fund as at 30 June 2013 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

14 October 2013
Wellington

RIO TINTO NEW ZEALAND RETIREMENT FUND

**Statement of Net Assets
As at 30 June 2013**

	Note	2013 \$	2012 \$
ASSETS			
Cash at Bank		880,058	2,061,623
Income Tax Receivable	7	16,618	98,766
Investments at Fair Value through Profit & Loss	5	109,966,075	101,796,606
Distributions Receivable		-	191,594
Sundry Debtors		4,021	-
Prepayments		16,064	14,511
Total Assets		<u>110,882,836</u>	<u>104,163,100</u>
LIABILITIES			
Sundry Creditors		<u>30,408</u>	<u>29,693</u>
Total Liabilities		<u>30,408</u>	<u>29,693</u>
NET ASSETS AVAILABLE FOR BENEFITS		<u><u>110,852,428</u></u>	<u><u>104,133,407</u></u>
<i>Represented By:</i>	3 & 4		
Member Accounts		22,224,082	20,979,947
Company Accounts		55,341,668	52,091,068
Transfer Accounts		16,749,821	18,452,116
Retirement Accounts		7,089,775	4,270,396
Locked In Accounts		5,713,525	4,974,952
Insurance Account		2,704,422	2,434,136
Reserve Account		1,029,135	930,792
LIABILITY FOR PROMISED BENEFITS		<u><u>110,852,428</u></u>	<u><u>104,133,407</u></u>

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

Trustee 

Date

14/10/13

Trustee 

Date

14/10/13

RIO TINTO NEW ZEALAND RETIREMENT FUND

**Statement of Changes in Net Assets
For the Year Ended 30 June 2013**

	Note	2013 \$	2012 \$
INVESTMENT ACTIVITIES			
Investment Income			
Gains/(Losses) on Financial Assets at Fair Value Through Profit or Loss	6	11,727,876	(673,057)
Distributions Received		942,396	1,096,334
Interest Received		65,239	42,733
Fee Rebates		173,407	187,877
		<u>12,908,918</u>	<u>653,887</u>
Investment Expenses			
Investment Management Fees		(99,968)	(106,841)
Net Investment Income		<u>12,808,950</u>	<u>547,046</u>
OTHER INCOME			
Employer Reimbursements		<u>272,965</u>	<u>139,550</u>
		272,965	139,550
OTHER EXPENSES			
Consulting Fees		104,183	103,138
Group Life Premiums		55,930	51,161
Other Expenses		-	1,285
Total Other Expenses		<u>160,113</u>	<u>155,584</u>
Change in Net Assets before Taxation and Membership Activities			
		12,921,802	531,012
Income Tax Expense	7	<u>1,053,628</u>	<u>1,175,807</u>
Change in Net Assets after Taxation and before Membership Activities			
		11,868,174	(644,795)
MEMBERSHIP ACTIVITIES			
Contributions			
Member Contributions		2,413,695	2,638,742
Member Tax Credits		128,443	239,602
Employer Contributions		4,735,434	5,174,879
Transfers In from Other Schemes		18,277	14,183
Total Contributions		<u>7,295,849</u>	<u>8,067,406</u>
Benefits Paid			
Withdrawals		12,445,002	7,371,330
Transfers out to Other Schemes		-	245,018
Total Benefits Paid		<u>12,445,002</u>	<u>7,616,348</u>
Net Membership Activities		<u>(5,149,153)</u>	<u>451,058</u>
Net Increase/(Decrease) in Net Assets During Year		6,719,021	(193,737)
Net Assets Available for Benefits at Beginning of Year		104,133,407	104,327,144
Net Assets Available for Benefits at End of Year		<u>110,852,428</u>	<u>104,133,407</u>

RIO TINTO NEW ZEALAND RETIREMENT FUND

**Statement of Cash Flows
For the Year Ended 30 June 2013**

	Note	2013 \$	2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash provided from			
Member Contributions		2,413,695	2,638,742
Member Tax Credits		128,443	239,602
Employer Contributions		4,735,434	5,174,879
Transfers In from Other Schemes		18,277	14,183
Interest Received		65,239	42,733
Gain on Forward Currency Contracts		183,932	210,348
Employer Reimbursements Received		272,965	139,550
		<u>7,817,985</u>	<u>8,460,037</u>
Cash applied to			
Benefits Paid		12,445,002	7,616,348
Group Life Premiums		57,482	52,069
Other Expenses		107,682	120,725
Loss on Forward Currency Contracts		92,459	-
		<u>12,702,625</u>	<u>7,789,142</u>
Net Cash Flows from Operating Activities	8	<u><u>(4,884,640)</u></u>	<u><u>670,895</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash provided from			
Sale of Investments		11,627,481	9,000,000
Cash applied to			
Purchase of Investments		7,842,480	10,000,000
Direct Expenses Paid		81,926	97,286
Net Cash Flows from Investing Activities		<u>3,703,075</u>	<u>(1,097,286)</u>
Net Increase/(Decrease) in Cash Held		(1,181,565)	(426,391)
Cash at Beginning of Year		<u>2,061,623</u>	<u>2,488,014</u>
Cash at End of Year		<u><u>880,058</u></u>	<u><u>2,061,623</u></u>

RIO TINTO NEW ZEALAND RETIREMENT FUND

Notes to the Financial Statements For the Year Ended 30 June 2013

1. Scheme Description

Rio Tinto New Zealand Retirement Fund (the "Fund") is a defined contribution superannuation scheme covering 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.

Registered Office: Level 6, 109 Featherston Street, Wellington, 6011

Funding Arrangements

Members who joined the Fund before 1 April 2008 or after 31 March 2012 must contribute 4% of base salary¹ and may elect to contribute a minimum of 3% of base salary¹ (gross salary² up until 1 May 2012), to a locked-in account.

Members who have joined between 1 April 2008 and 31 March 2012 have been required to contribute 4% of base salary from which a portion of 2% of gross salary must be credited to a locked-in account, (unless they elect to suspend lock-in contributions).

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 contributions 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.

¹ 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.

² 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.

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.

Changes in the Fund

There have been no changes to the Trust Deed during the year.

RIO TINTO NEW ZEALAND RETIREMENT FUND

Notes to the Financial Statements For the Year Ended 30 June 2013

2. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the Financial Reporting Act 1993 and the Superannuation Schemes Act 1989.

The Fund comprises four main investment choices, Growth, Balanced, Conservative and Cash. The financial statements have been prepared at the Fund level as investment assets are not held in separate funds per investment choice and the liabilities of each individual investment choice are met using unithised investment assets across a variety of investment types.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Statement of Compliance

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand. They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities and also with International Financial Reporting Standards ('IFRS') as issued by the International Financial Standards Board.

Measurement Base

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

Functional and Presentation 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.

Classification of Assets and Liabilities

The assets and liabilities are disclosed in the Statement of Net Assets in an order that reflects their relative liquidity. All assets and liabilities are expected to be recovered or settled within 12 months of the reporting date, other than deferred tax assets.

Standards and Interpretations on issue not yet adopted

At the date of authorisation of the financial report, a number of Standards and Interpretations were on issue but not yet effective.

Application of the revised Standards is not expected to materially affect any of the amounts recognised in the financial statements. The following may change the presentation and disclosures presently made in relation to the Fund's financial statements:

NZ IFRS 9 - 'Financial Instruments' - Effective from periods beginning on or after 1 January 2015, with early adoption permitted. This standard introduces new requirements for the classification and measurement of financial assets. All recognised financial assets that are currently in the scope of NZIAS 39 will be measured at either amortised cost or fair value.

NZ IFRS 13 (amendment) - 'Fair Value Measurement' - Effective from periods beginning on or after 1 January 2013 this standard establishes a single source of guidance under NZ IFRS for determining fair value of assets and liabilities. It provides guidance on how to determine fair value under NZ IFRS when fair value is required or permitted by NZ IFRS. Application of this guidance may result in different fair values being determined for the relevant assets. It also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

Accounting Policies

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

Investment Income

Dividend and interest income from unithised products are recognised in the Statement of Changes in Net Assets to the extent that it is probable that the economic benefits will flow to the Fund and the income can be readily measured.

Net realised and unrealised gains and losses are recognised in the Statement of Changes in Net Assets in the period in which they occur.

RIO TINTO NEW ZEALAND RETIREMENT FUND

Notes to the Financial Statements For the Year Ended 30 June 2013

2. Summary of Significant Accounting Policies (Cont'd)

Other Income and Expenses

Other income and expenses are accounted for on an accruals basis.

Taxation

Income tax expense in the Statement of Changes in Net Assets comprises of current and deferred tax. The tax currently payable/receivable is based on taxable income and loss for the year. Taxable income and loss differs from the Change in Net Assets before tax and membership activities as reported in the Statement of Changes in Net Assets because it excludes items of income or 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 substantively enacted by the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used for taxation purposes. 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 profits will be available against which deductible temporary difference 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 using tax rates enacted or substantively enacted at the reporting date. 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 Investment Entities ('PIEs'). For these investments, the Fund can elect to apply a Prescribed Investor Rate ('PIR') of either 0% or 28% (2012: 0% or 28%).

Gains and losses on investments with a PIR of 0% are taxable directly within the Fund and those with a PIR of 28% 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 tax deducted/credited.

Investments have been shown net of tax payable on the Statement of Net Assets.

Financial instruments

- Classification

The Fund classifies its investments as financial assets at fair value through profit or loss. These financial assets are designated by the Fund at fair value through profit or loss at inception.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Trustees to evaluate the information about these financial assets on a fair value basis together with other related financial information. The Trustees have determined that all financial assets of the Fund are designated at fair value through profit and loss with the exception of cash, cash equivalents, and receivables which are measured at amortised cost.

- Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and are initially recognised at fair value of the financial assets or financial liabilities from this date. Investments are derecognised when the right to receive cash flows from the investments has expired or the Fund has transferred substantially all risks and rewards of ownership. All realised gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognised in the Statement of Changes in Net Assets.

RIO TINTO NEW ZEALAND RETIREMENT FUND

Notes to the Financial Statements For the Year Ended 30 June 2013

2. Summary of Significant Accounting Policies (Cont'd)

Financial instruments (cont'd)

- Measurement

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Changes in Net Assets.

Fair Value Estimation

The Fair Value of unitised funds is determined using the exit price as calculated by the fund manager at balance date.

Other Receivables

Other receivables do not carry any interest and are short-term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. These amounts are initially recognised at fair value, and subsequently measured at amortised cost.

Other Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at balance date. These amounts are unsecured and are usually paid within 30 days of recognition. These amounts are initially recognised at fair value, and subsequently measured at amortised cost.

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.

Statement of Cash Flows

The following are definitions of the terms used in the Statement of Cash Flows:

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

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

Promised Retirement Benefits

Promised Retirement Benefits are the benefits which the Fund is presently obliged to transfer in the future to members and participants as a result of membership of the Fund up to the date at which the actuarial valuation of promised benefits is determined.

Contributions and Benefits

Contributions and benefits are accounted for on an accruals basis.

Benefits are recognised in Statement of Changes in Net Assets when they become payable resulting in a financial liability.

Critical Judgement and Accounting Estimates

The Trustees have applied their judgement in selecting the accounting policy to designate financial assets through profit or loss at inception. This policy has a significant impact on the amounts disclosed in the financial statements. It is possible to determine the fair values of all financial assets as quoted market prices that are readily available. Therefore there are no material assumptions or major sources of estimation uncertainty that have a significant risk of making material adjustments to the carrying amounts of assets and liabilities at year end. However as with all investments their value is subject to variation due to market fluctuations. For the purposes of the fair value hierarchy of financial assets at fair value through profit or loss, the Trustees have to apply their judgement as to what constitutes quoted in an active market. For further details please refer to Note 11 (Fair Value).

RIO TINTO NEW ZEALAND RETIREMENT FUND

Notes to the Financial Statements
For the Year Ended 30 June 2013

3. Liability for Promised Benefits

Changes in promised benefits as at 30 June 2013:

	Member Accounts \$	Company Accounts \$	Transfer Accounts \$	Retirement Accounts \$	Locked In Accounts \$	Insurance Account \$	Reserve Account \$	Total 2013 \$
Balance 30 June 2012	20,979,947	52,091,068	18,452,116	4,270,396	4,974,952	2,434,136	930,792	104,133,407
Adjustments to opening balances								
Contributions received	1,846,929	4,618,382	14,535	32,865	815,785	(32,647)	-	7,295,849
Benefits transferred to retirement accounts	(680,209)	(1,324,445)	(1,503,442)	3,519,021	(10,925)	-	-	-
Benefits paid	(2,212,273)	(5,387,913)	(1,909,850)	(312,985)	(626,154)	(729,846)	(9,725)	(11,188,746)
Partial withdrawals	(84,410)	(151,762)	(75,692)	(933,173)	(11,219)	-	-	(1,256,256)
Employer reimbursement for claims	-	-	-	-	-	272,965	-	272,965
Net revenue	-	-	-	-	-	-	12,808,950	12,808,950
Income tax expense	-	-	-	-	-	-	(1,053,628)	(1,053,628)
Other expenses	-	-	-	-	-	-	(104,183)	(104,183)
Insurance and administration deductions	-	(501,177)	-	(317)	(24)	445,132	456	(55,930)
Interest credited	2,374,098	5,997,515	1,772,154	513,968	571,110	314,682	(11,543,527)	-
Balance 30 June 2013	22,224,082	55,341,668	16,749,821	7,089,775	5,713,525	2,704,422	1,029,135	110,852,428

RIO TINTO NEW ZEALAND RETIREMENT FUND

Notes to the Financial Statements
For the Year Ended 30 June 2013

3. Liability for Promised Benefits (Cont'd)

Changes in promised benefits as at 30 June 2012:

	Member Accounts \$	Company Accounts \$	Transfer Accounts \$	Retirement Accounts \$	Locked In Accounts \$	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 accounts	(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	-
Balance 30 June 2012	20,979,947	52,091,068	18,452,116	4,270,396	4,974,952	2,434,136	930,792	104,133,407

Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for promised benefits. (2012: Nil).

RIO TINTO NEW ZEALAND RETIREMENT FUND

**Notes to the Financial Statements
For the Year Ended 30 June 2013**

4. 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.

2013	2012
\$	\$
<u>107,118,872</u>	<u>100,593,593</u>

5. Investments

2013	2012
\$	\$

Investments by Sector

Short Term Deposits	25,041,316	24,302,668
New Zealand Fixed Interest	9,626,354	9,010,282
Overseas Fixed Interest	14,283,607	13,445,485
Trans Tasman Equities	14,940,027	13,483,544
Overseas Equities	38,942,765	34,170,570
Overseas Property	7,025,204	7,420,327
Forward Foreign Exchange Contracts	<u>106,802</u>	<u>(36,270)</u>
	<u>109,966,075</u>	<u>101,796,606</u>

Investments by Manager

AMP Capital Investors (New Zealand) Limited	48,951,277	46,758,435
Mercer (N.Z.) Limited	35,355,781	30,327,730
OnePath (NZ) Limited	11,031,519	10,841,887
Harbour Asset Management Limited	7,529,210	6,569,073
Lazard Asset Management Pacific Co.	3,586,984	3,842,839
Mint Trans-Tasman Property Fund	3,402,743	3,517,108
BNZ	<u>108,561</u>	<u>(60,466)</u>
	<u>109,966,075</u>	<u>101,796,606</u>

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

AMP Capital Hedged Global Fixed Interest Fund	14,283,607	13,445,485
AMP Capital NZ Cash Fund	25,041,316	24,302,668
AMP Capital NZ Fixed Interest Fund	9,626,354	9,010,282
Mercer Overseas Shares Plus	18,534,395	15,194,941
Mercer Hedged Overseas Shares Plus	16,821,386	15,132,789
OnePath Wholesale Australasian Share Fund	7,410,818	6,914,471
Harbour Asset Management	7,529,210	6,569,073

RIO TINTO NEW ZEALAND RETIREMENT FUND

**Notes to the Financial Statements
For the Year Ended 30 June 2013**

6. Gains on Financial Assets at Fair Value Through Profit or Loss	2013	2012
	\$	\$
Short Term Deposits	169,683	145,288
New Zealand Fixed Interest	(254,821)	566,854
Overseas Fixed Interest	539,617	717,028
Trans Tasman Equities	4,026,979	(605,461)
Overseas Equities	6,089,813	(1,964,281)
Overseas Property	1,156,045	474,217
Forward Foreign Exchange Contracts	560	(6,702)
Total	<u><u>11,727,876</u></u>	<u><u>(673,057)</u></u>

7. Income Tax	2013	2012
	\$	\$
Current Tax	1,055,422	1,179,498
Prior Period Adjustment	(1,794)	(2,691)
	<u><u>1,053,628</u></u>	<u><u>1,176,807</u></u>

The total charge for the year can be reconciled to the Change in Net Assets as follows:

Change in Net Assets before Tax and Membership Activities	<u>12,921,802</u>	<u>531,012</u>
Prima facie Income Tax @ 28%	3,618,105	148,683
Tax effect of:		
Non Assessable/Deductible Income & Expenditure	(312,425)	992,026
Non deductible group life premiums	15,660	14,325
FDR/PIE income	(2,189,488)	62,538
Non assessable Employer reimbursement	(76,430)	(39,074)
Prior period adjustment	(1,794)	(2,691)
Income Tax Expense	<u><u>1,053,628</u></u>	<u><u>1,175,807</u></u>
Current Tax		
Opening Balance	98,766	100,000
Current year movement	(83,942)	(13,472)
Prior period adjustment	1,794	2,691
	<u>-</u>	<u>9,547</u>
Closing Balance	<u><u>16,618</u></u>	<u><u>98,766</u></u>

RIO TINTO NEW ZEALAND RETIREMENT FUND

**Notes to the Financial Statements
For the Year Ended 30 June 2013**

8. Reconciliation of Net Cash Flows from Operating Activities to Increase/(Decrease) in Net Assets

	2013	2012
	\$	\$
Increase/(Decrease) in Net Assets	6,719,021	(193,737)
Non-cash Items		
Gains on Financial Assets at Fair Value Through Profit or Loss	(11,636,402)	(20,233)
Distributions Received	(1,133,990)	(1,047,125)
Fee Rebates	(173,407)	(187,877)
PIE Tax	971,479	2,068,664
Movements in Other Working Capital Items		
(Increase)/decrease in income tax receivable	82,148	1,234
Decrease in deferred tax	-	9,547
Decrease/(increase) in distributions receivable	191,594	(49,209)
Increase in prepayments	(1,553)	(908)
Increase in sundry debtors	(4,021)	-
Increase/(decrease) in sundry creditors	715	(26,154)
Items classified as investing activities		
Investment managers fees	99,776	116,693
Net Cash Flows from Operating Activities	<u>(4,884,640)</u>	<u>670,895</u>

9. 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 equitable 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 2013**

10. Financial Instruments

The Fund is involved with a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in the accounting policies.

The Trustees have approved a Statement of Investment Policy and Objectives (SIPO) which establishes investment portfolio objectives and target asset allocations. Performance against these targets is reviewed at least quarterly by the Trustees and asset reallocations undertaken as required.

Classification of Financial Instruments

	Held for trading	Designated at fair value through profit or loss	Loans and receivables at amortised cost	Financial liabilities at amortised cost	Total
30 June 2013					
ASSETS					
Short Term Deposits and Cash	-	25,041,316	880,058	-	25,921,374
Forward Foreign Exchange Contracts	106,802	-	-	-	106,802
Investments at Fair Value through profit and loss	-	84,817,957	-	-	84,817,957
Sundry Debtors	-	-	4,021	-	4,021
Total Financial Assets	106,802	109,859,273	884,079	-	110,850,154
LIABILITIES					
Sundry Creditors	-	-	-	30,408	30,408
Total Financial Liabilities	-	-	-	30,408	30,408
30 June 2012					
ASSETS					
Short Term Deposits and Cash	-	24,302,668	2,061,623	-	26,364,291
Investments at Fair Value through profit and loss	-	77,530,208	-	-	77,530,208
Total Financial Assets	-	101,832,876	2,061,623	-	103,894,499
LIABILITIES					
Forward Foreign Exchange Contracts	36,270	-	-	-	36,270
Sundry Creditors	-	-	-	29,693	29,693
Total Financial Liabilities	36,270	-	-	29,693	65,963

RIO TINTO NEW ZEALAND RETIREMENT FUND

Notes to the Financial Statements For the Year Ended 30 June 2013

10. Financial Instruments (Cont'd)

Credit Risk

Credit Risk is the risk a counterparty to a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

Financial instruments which potentially expose the Fund to credit risk consist of cash and short term deposits, fixed interest securities and receivables and, indirectly, investments in unitholdings. The maximum exposure to credit risk is the carrying value of these financial instruments. The manager maintains diversified investment portfolios in accordance with the portfolio mix adopted by the Trustees. The investments are held in trust by the investment manager for the benefit of the Fund.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Fund is directly exposed to foreign exchange risk and indirectly exposed to interest rate risk. The Fund is directly exposed to other price risk through its investment in unitholdings. The underlying securities comprise cash, domestic and international equity instruments, New Zealand commercial property and domestic and international fixed interest securities.

Due to the unitholdings nature of some of the Fund's investments, it is not practical to determine the sensitivity of the unit price to changes in foreign exchange rates, interest rates or other market factors. These investments are managed by the fund managers and the Fund has no influence over how these risks are controlled or mitigated but considers the portfolio to be such a diverse nature as to reduce significant exposure to the impact of market movements.

Currency Risk

The Fund is exposed to currency risk in that future currency movements will affect the valuation of foreign currency denominated investments. These movements will also indirectly affect the valuation of investments in unitholdings, which invest in foreign currency denominated investments. Risk management activities are undertaken by the investment managers to operate within the guidelines provided by the Trustee.

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 directly exposed to interest rate risk through cash at bank. The Fund is indirectly exposed to interest rate risk in that future interest rate movements will affect cash flows and, the valuation of investments in unitholdings which invest in cash and fixed interest investments.

Other Price Risk

Other price risk is the risk that the fair value of the Fund's investments will increase/decrease due to a change in the unit prices of the Fund's unitholdings. The Fund is indirectly exposed to other price risks through its investment in the unitholdings. This investment is unitholdings and the underlying securities comprise cash, domestic and international equity instruments, New Zealand commercial property and international fixed interest securities.

A ten percent decrease in the unit prices of the Fund's investments in unitholdings would have an adverse impact on the value of the Fund's assets of \$10,983,672 (2012: \$10,186,072). Conversely a ten percent increase in the unit prices of the Fund's investment in unitholdings would have a positive impact on the value of the Fund's assets of \$10,983,672 (2012: \$10,186,072).

Liquidity Risk

Liquidity risk is the risk the Fund will encounter difficulty in raising funds to meet its obligations. However, to control liquidity risk, the Fund invests in financial instruments, which are readily redeemable. In addition, the Fund invests within established limits to ensure there is no concentration of risk. All financial assets at fair value through profit and loss can be realised within 12 months. There are no significant financial liabilities

RIO TINTO NEW ZEALAND RETIREMENT FUND

Notes to the Financial Statements For the Year Ended 30 June 2013

10. Financial Instruments (Cont'd)

Risk Management

Risk Management activities are undertaken by the Fund's investment manager to operate within the guidelines provided by the Trustees. The assets of the Fund have been invested in a number of different asset classes. This was to reduce the risk of substantial capital loss and, as far as practical to match the future cash flow requirements of the Fund. In determining these assets classes, the Trustees considered the characteristics of each asset class.

Interest Rate Risk

The Fund is exposed to interest rate risk in that future interest rate movements will affect cash flows and, indirectly, the valuation of investments in managed funds which invest in cash and fixed interest investments.

	2013	2012
	\$	\$
AMP Capital Investors (NZ) Limited		
Short Term Deposits	25,041,316	24,302,668
Fixed Interest - Onshore	9,626,354	9,010,282
Fixed Interest - Offshore	14,283,607	13,445,485

Interest rate risk management activities are undertaken by the investment manager in accordance with the investment mandate set by the Trustees.

Capital Management

Net assets available to pay benefits are considered to be the Fund's capital for the purposes of capital management. The Fund does not have to comply with externally imposed capital requirements.

The Fund's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns to its members and maximise the Fund's members value.

11. Fair Value

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

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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 (that is, as prices) or indirectly (that is, derived from prices).

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

RIO TINTO NEW ZEALAND RETIREMENT FUND

**Notes to the Financial Statements
For the Year Ended 30 June 2013**

11. Fair Value (Cont'd)

The level in the fair value hierarchy with in which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'quoted in an active market' requires significant judgement by the Fund. The Fund considers investments to be classified as level 2 investments.

Hierarchy of Fair Value Measurements - 30 June 2013

Description	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Assets and Liabilities at Fair Value Through Profit or Loss				
Derivatives	-	106,802	-	106,802
Investments	-	109,859,273	-	109,859,273

There were no transfers between the levels in the period.

Hierarchy of Fair Value Measurements - 30 June 2012

Description	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Assets and Liabilities at Fair Value Through Profit or Loss				
Derivatives	-	(36,270)	-	(36,270)
Investments	-	101,832,876	-	101,832,876

There were no transfers between the levels in the period.

12. Commitments and Contingent Liabilities

There were no commitments or contingent liabilities outstanding as at 30 June 2013. (2012: Nil).

13. Related Parties

The Fund holds no investments in any of the employer companies or any of its related parties. During the period the employer companies reimbursed \$272,965 (2012; 139,550) to the Fund for death and disablement claims paid to members. No payments were made to the Trustees of the Fund during the period and there were no other related party transactions, except for employer contributions of \$4,735,434 (2012: \$5,174,879).

14. Events After Balance Date

There have been no material events after balance date that require adjustment to or disclosure in the financial statements. (2012: Nil).