

**RIO TINTO NEW ZEALAND RETIREMENT FUND**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2014**

**RIO TINTO NEW ZEALAND RETIREMENT FUND**

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**FOR THE YEAR ENDED 30 JUNE 2014**

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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 2014, 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 2014 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*

24 September 2014  
Wellington

**RIO TINTO NEW ZEALAND RETIREMENT FUND**

**Statement of Net Assets  
As at 30 June 2014**

	Note	2014 \$	2013 \$
<b>ASSETS</b>			
Cash at Bank		862,845	880,058
Investments	6	121,029,077	109,966,075
Employer Contributions Receivable		137,529	-
Income Receivable		4,752	-
Sundry Debtors		618	4,021
Prepayments		16,030	16,064
Income Tax Receivable	8	-	16,618
<b>Total Assets</b>		<b>122,050,851</b>	<b>110,882,836</b>
<b>LIABILITIES</b>			
Member Contributions Refundable		388	-
Employer Contributions Refundable		729	-
Benefits Payable		340,036	-
Sundry Creditors		44,460	30,408
Income Tax Payable	8	109,090	-
<b>Total Liabilities</b>		<b>494,703</b>	<b>30,408</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>		<b>121,556,148</b>	<b>110,852,428</b>
<i>Represented By:</i>	4		
Member Accounts		24,663,051	22,224,082
Company Accounts		62,414,664	55,341,668
Transfer Accounts		16,733,416	16,749,821
Retirement Accounts		8,100,252	7,089,775
Locked In Accounts		6,820,612	5,713,525
Insurance Account		1,708,570	2,704,422
Reserve Account		1,115,583	1,029,135
<b>LIABILITY FOR PROMISED BENEFITS</b>		<b>121,556,148</b>	<b>110,852,428</b>

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

Trustee 

Date

24/9/14

Trustee 

Date

24/9/14

**RIO TINTO NEW ZEALAND RETIREMENT FUND**

**Statement of Changes in Net Assets  
For the Year Ended 30 June 2014**

	Note	2014 \$	2013 \$
<b>INVESTMENT ACTIVITIES</b>			
<b>Investment Income</b>			
Gains on Investments	7	13,594,533	11,727,876
Distribution Income		860,531	942,396
Interest		46,963	65,239
Fee Rebates		194,394	173,407
Sundry Income		4,752	-
		<u>14,701,173</u>	<u>12,908,918</u>
<b>Investment Expenses</b>			
Investment Management Fees		<u>(163,626)</u>	<u>(99,968)</u>
<b>Net Investment Income</b>		<u>14,537,547</u>	<u>12,808,950</u>
<b>OTHER INCOME</b>			
Employer Reimbursements		<u>207,629</u>	<u>272,965</u>
		207,629	272,965
<b>OTHER EXPENSES</b>			
Investment Consulting Fees		118,802	104,183
Catastrophe Insurance Premiums		<u>56,839</u>	<u>55,930</u>
<b>Total Other Expenses</b>		<u>175,641</u>	<u>160,113</u>
<b>Change in Net Assets before Taxation and Membership Activities</b>		14,569,535	12,921,802
Income Tax Expense	8	<u>2,407,241</u>	<u>1,053,628</u>
<b>Change in Net Assets after Taxation and before Membership Activities</b>		12,162,294	11,868,174
<b>MEMBERSHIP ACTIVITIES</b>			
<b>Contributions</b>			
Member Contributions		2,311,484	2,413,695
Member Tax Credits		125,737	128,443
Employer Contributions		4,322,306	4,735,434
Transfers In from Other Schemes		-	18,277
<b>Total Contributions</b>		<u>6,759,527</u>	<u>7,295,849</u>
<b>Benefits Paid</b>			
Withdrawals		8,171,485	12,445,002
Transfers out to Other Schemes		<u>46,616</u>	<u>-</u>
<b>Total Benefits Paid</b>		<u>8,218,101</u>	<u>12,445,002</u>
<b>Net Membership Activities</b>		<u>(1,458,574)</u>	<u>(5,149,153)</u>
<b>Net Increase in Net Assets During Year</b>		10,703,720	6,719,021
Net Assets Available for Benefits at Beginning of Year		<u>110,852,428</u>	<u>104,133,407</u>
<b>Net Assets Available for Benefits at End of Year</b>		<u><u>121,556,148</u></u>	<u><u>110,852,428</u></u>

**RIO TINTO NEW ZEALAND RETIREMENT FUND**

**Statement of Cash Flows  
For the Year Ended 30 June 2014**

	Note	2014 \$	2013 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash provided from</b>			
Member Contributions		2,311,872	2,413,695
Member Tax Credits		125,737	128,443
Employer Contributions		4,323,035	4,735,434
Transfers In from Other Schemes		-	18,277
Interest Received		41,712	65,239
Gain on Forward Currency Contracts		443,970	183,932
Employer Reimbursements Received		74,221	272,965
		<u>7,320,547</u>	<u>7,817,985</u>
<b>Cash applied to</b>			
Benefits Paid		7,878,066	12,445,002
Group Life Premiums		56,805	57,482
Other Expenses		119,002	107,682
Loss on Forward Currency Contracts		4,411	92,459
Income Tax Payments		220,728	-
		<u>8,279,012</u>	<u>12,702,625</u>
<b>Net Cash Flows used in Operating Activities</b>	9	<u>(958,465)</u>	<u>(4,884,640)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash provided from</b>			
Sale of Investments		47,541,264	11,627,481
<b>Cash applied to</b>			
Purchase of Investments		46,576,864	7,842,480
Investment Management Fees		23,148	81,926
<b>Net Cash Flows from Investing Activities</b>		<u>941,252</u>	<u>3,703,075</u>
<b>Net Decrease in Cash Held</b>		(17,213)	(1,181,565)
<b>Cash at Beginning of Year</b>		<u>880,058</u>	<u>2,061,623</u>
<b>Cash at End of Year</b>		<u>862,845</u>	<u>880,058</u>

## RIO TINTO NEW ZEALAND RETIREMENT FUND

### Notes to the Financial Statements For the Year Ended 30 June 2014

#### 1. Scheme Description

Rio Tinto New Zealand Retirement Fund (the "Fund") is a defined contribution superannuation scheme registered in New Zealand under the Superannuation Schemes Act 1989 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 salary<sup>1</sup> and may elect to contribute a minimum of 3% of base salary<sup>1</sup> (gross salary<sup>2</sup> 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.

<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.

#### 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

During the year the Trust Deed has been amended three times, appointing new Trustees to replace retiring Trustees. On 2 September 2013 Gretta Stephens replaced Stewart Hamilton; on 10 February 2014 Paula Mayson replaced Glenn Smith; and on 19 May 2014 Paula Checketts replaced Mark Kerrison. There have been no other 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 2014

#### 2. Basis of Preparation

##### 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.

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 unitised investment assets across a variety of investment types.

##### 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.

#### 3. Accounting Policies

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

##### *Investment Income*

Dividend and interest income from unitised 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.

##### *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.

## RIO TINTO NEW ZEALAND RETIREMENT FUND

### Notes to the Financial Statements For the Year Ended 30 June 2014

#### 3. Accounting Policies (Cont'd)

##### *Taxation (cont'd)*

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% (2013: 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.

###### *- 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 amortised cost 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.

## RIO TINTO NEW ZEALAND RETIREMENT FUND

### Notes to the Financial Statements For the Year Ended 30 June 2014

#### 3. Accounting Policies (Cont'd)

##### *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 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 12 (Fair Value).

#### **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' - NZ IFRS 9 (2009)* introduces new requirements for the classification and measurement of financial assets. *NZ IFRS 9 (2010)* introduces additions relating to financial liabilities. *NZ IFRS 9 (2013)* introduces new requirements for hedge accounting.

*NZ IFRS 9 (2009)* contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. As the Fund will continue to measure investment at fair value, this standard is not expected to have significant impact on the Fund's financial statements.

*NZ IFRS 9 (2010)* introduces a new requirement in respect of financial liabilities designated under fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss. As the Fund does not have financial liabilities measured under the fair value option, this standard is not expected to have any impact on the Fund's financial statements.

*NZ IFRS 9 (2013)* introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. As the Fund does not apply hedge accounting, this standard is not expected to have any impact on the Fund's financial statements.

The mandatory effective date of *NZ IFRS 9* is not specified but will be determined when the outstanding phases of the standard setting process are finalised.

**RIO TINIO NEW ZEALAND RETIREMENT FUND**

Notes to the Financial Statements  
For the Year Ended 30 June 2014

**4. Liability for Promised Benefits**

*Changes in promised benefits as at 30 June 2014:*

	Member Accounts \$	Company Accounts \$	Transfer Accounts \$	Retirement Accounts \$	Locked In Accounts \$	Insurance Account \$	Reserve Account \$	Total 2014 \$
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
Contributions received	1,687,496	5,352,003	-	-	888,534	(1,167,876)	(630)	6,759,527
Benefits transferred to retirement accounts	(240,315)	(935,873)	(666,068)	1,842,256	-	-	-	-
Benefits paid	(1,338,001)	(2,901,664)	(834,674)	(1,007,556)	(357,430)	(490,153)	(219,484)	(7,148,962)
Partial withdrawals	(85,769)	(264,706)	(146,459)	(463,397)	(108,808)	-	-	(1,069,139)
Employer reimbursement for claims	-	-	-	-	-	-	207,629	207,629
Net revenue	-	-	-	-	-	-	14,537,547	14,537,547
Income tax expense	-	-	-	-	-	-	(2,407,241)	(2,407,241)
Other expenses	-	-	-	-	-	-	(118,802)	(118,802)
Insurance and administration deductions	-	(478,415)	-	(493)	-	421,553	516	(56,839)
Interest credited	2,415,558	6,301,651	1,630,796	639,667	684,791	240,624	(11,913,087)	-
Balance 30 June 2014	24,663,051	62,414,664	16,733,416	8,100,252	6,820,612	1,708,570	1,115,583	121,556,148

**RIO INTO NEW ZEALAND RETIREMENT FUND**

Notes to the Financial Statements  
For the Year Ended 30 June 2014

**4. Liability for Promised Benefits (Cont'd)**

*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
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

**Guaranteed Benefits**

No guarantees have been made in respect of any part of the liability for promised benefits. (2013: Nil).

## RIO TINTO NEW ZEALAND RETIREMENT FUND

### Notes to the Financial Statements For the Year Ended 30 June 2014

#### 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.

2014	2013
\$	\$
118,731,995	107,118,872

#### 6. Investments

2014	2013
\$	\$

##### Investments by Sector

Short Term Deposits	21,085,413	25,041,316
New Zealand Fixed Interest	10,562,955	9,626,354
Overseas Fixed Interest	15,993,534	14,283,607
Trans Tasman Equities	17,954,753	14,940,027
Overseas Equities	48,085,145	38,942,765
Overseas Property	7,213,467	7,025,204
Forward Foreign Exchange Contracts	133,810	106,802
	<u>121,029,077</u>	<u>109,966,075</u>

##### Investments by Manager

AMP Capital Investors (New Zealand) Limited	47,641,319	48,951,277
Mercer (N.Z.) Limited	-	35,355,781
ANZ (NZ) Limited	58,217,328	11,031,519
Harbour Asset Management Limited	9,021,892	7,529,210
Lazard Asset Management Pacific Co.	6,127,155	3,586,984
Mint Trans-Tasman Property Fund	-	3,402,743
BNZ	21,383	108,561
	<u>121,029,077</u>	<u>109,966,075</u>

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

AMP Capital Hedged Global Fixed Interest Fund	15,993,534	14,283,607
AMP Capital NZ Cash Fund	21,084,830	25,041,316
AMP Capital NZ Fixed Interest Fund	10,562,955	9,626,354
Mercer Overseas Shares Plus	-	18,534,395
Mercer Hedged Overseas Shares Plus	-	16,821,386
ANZ Wholesale Australasian Share Fund	8,932,862	7,410,818
ANZ Wholesale International Property Securities Fund	7,213,467	-
ANZ Wholesale International Share Fund	41,957,990	-
Harbour Australasian Equity Fund	9,021,892	7,529,210
Lazard Global Listed Infrastructure Fund	6,127,155	-

**RIO TINTO NEW ZEALAND RETIREMENT FUND**

**Notes to the Financial Statements  
For the Year Ended 30 June 2014**

<b>7. Gains on Investments</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Short Term Deposits	190,931	169,683
New Zealand Fixed Interest	(33,646)	(254,821)
Overseas Fixed Interest	930,420	539,617
Trans Tasman Equities	3,155,772	4,026,979
Overseas Equities	7,383,532	6,089,813
Overseas Property	1,076,015	1,156,045
Forward Foreign Exchange Contracts	891,509	560
<b>Total Gains on Investments</b>	<u><u>13,594,533</u></u>	<u><u>11,727,876</u></u>

<b>8. Income Tax</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Current Tax	2,403,784	1,055,422
Prior Period Adjustment	3,457	(1,794)
	<u><u>2,407,241</u></u>	<u><u>1,053,628</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>14,569,535</u>	<u>12,921,802</u>
Prima facie Income Tax @ 28%	4,079,470	3,618,105
Tax effect of:		
Non Assessable/Deductible Income & Expenditure	(298,180)	(312,425)
Non deductible group life premiums	15,915	15,660
FDR/PIE income	(1,335,284)	(2,189,488)
Non assessable Employer reimbursement	(58,137)	(76,430)
Prior period adjustment	3,457	(1,794)
<b>Income Tax Expense</b>	<u><u>2,407,241</u></u>	<u><u>1,053,628</u></u>
<b>Current Tax</b>		
Opening Balance	16,618	98,766
Current year movement	(122,251)	(83,942)
Prior period adjustment	(3,457)	1,794
<b>Closing Balance</b>	<u><u>(109,090)</u></u>	<u><u>16,618</u></u>

**RIO TINTO NEW ZEALAND RETIREMENT FUND**

**Notes to the Financial Statements  
For the Year Ended 30 June 2014**

**9. Reconciliation of Net Cash Flows from Operating Activities to Increase in Net Assets**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Increase in Net Assets	10,703,720	6,719,021
<b>Non-cash Items</b>		
Gains on Investments	(13,154,974)	(11,636,402)
Distributions Received	(860,531)	(1,133,990)
Fee Rebates	(194,394)	(173,407)
Interest	(5,251)	-
PIE Tax	2,060,804	971,479
<b>Movements in Other Working Capital Items</b>		
Decrease in income tax receivable	16,618	82,148
Decrease in distributions receivable	-	191,594
Decrease/(increase) in prepayments	34	(1,553)
Increase in income receivable	(4,752)	-
Decrease/(increase) in sundry debtors	3,403	(4,021)
Increase in contributions receivable	(137,529)	-
Increase in contributions refundable	1,117	-
Increase in benefits payable	340,036	-
Increase in sundry creditors	14,052	715
Increase in income tax payable	109,090	-
<b>Items classified as investing activities</b>		
Investment managers fees	150,092	99,776
<b>Net Cash Flows used in Operating Activities</b>	<u>(958,465)</u>	<u>(4,884,640)</u>

**10. 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 2014**

**11. 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.

**Categories 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
<b>30 June 2014</b>					
<b>ASSETS</b>					
Short Term Deposits and Cash	-	21,085,413	862,845	-	21,948,258
Forward Foreign Exchange Contract	133,810	-	-	-	133,810
Investments	-	99,809,854	-	-	99,809,854
Contributions Receivable	-	-	137,529	-	137,529
Income Receivable	-	-	4,752	-	4,752
Sundry Debtors	-	-	618	-	618
Prepayments	-	-	16,030	-	16,030
<b>Total Financial Assets</b>	<b>133,810</b>	<b>120,895,267</b>	<b>1,021,774</b>	<b>-</b>	<b>122,050,851</b>
<b>LIABILITIES</b>					
Contributions Refundable	-	-	-	1,117	1,117
Benefits Payable	-	-	-	340,036	340,036
Sundry Creditors	-	-	-	44,460	44,460
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>385,613</b>	<b>385,613</b>
<b>30 June 2013</b>					
<b>ASSETS</b>					
Short Term Deposits and Cash	-	25,041,316	880,058	-	25,921,374
Forward Foreign Exchange Contract	106,802	-	-	-	106,802
Investments	-	84,817,957	-	-	84,817,957
Sundry Debtors	-	-	4,021	-	4,021
Prepayments	-	-	16,064	-	16,064
<b>Total Financial Assets</b>	<b>106,802</b>	<b>109,859,273</b>	<b>900,143</b>	<b>-</b>	<b>110,866,218</b>
<b>LIABILITIES</b>					
Sundry Creditors	-	-	-	30,408	30,408
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,408</b>	<b>30,408</b>

## RIO TINTO NEW ZEALAND RETIREMENT FUND

### Notes to the Financial Statements For the Year Ended 30 June 2014

#### 11. Financial Instruments (Cont'd)

##### Hierarchy of Fair Value Measurements

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).

##### 30 June 2014

Description	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Assets and Liabilities at Fair Value Through Profit or Loss				
Derivatives	-	133,810	-	133,810
Investments	-	120,895,267	-	120,895,267

There were no transfers between the levels in the period.

##### 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.

##### 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.

##### 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, fixed interest securities and receivables and, indirectly, investments in unitised products. The maximum exposure to credit risk is the carrying value of these financial instruments.

The significant counterparties of the Fund are its investment managers, AMP Capital Investors (New Zealand) Limited ("AMP"); ANZ (NZ) Limited ("ANZ") (formerly OnePath (NZ) Limited); Harbour Asset Management Limited ("Harbour"); Lazard Asset Management Pacific Co. ("Lazard"); and Bank of New Zealand ("BNZ") and their nominee companies, which the Trustees consider to be financial institutions of high quality.

## RIO TINTO NEW ZEALAND RETIREMENT FUND

### Notes to the Financial Statements For the Year Ended 30 June 2014

#### 11. Financial Instruments (Cont'd)

##### 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 unitised products. The underlying securities comprise cash, domestic and international equity instruments, New Zealand commercial property and domestic and international fixed interest securities.

Due to the unitised 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. The mix of cash, fixed interest and equity investments, local and international, in the portfolio is a strategy the Trustees employ to minimise the effect on the Fund of volatility in any particular investment sectors.

Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

##### (i) 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 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 unitised products, which invest in foreign currency denominated investments. Risk management activities are undertaken by the investment managers to operate within the guidelines provided by the Trustees.

##### (ii) 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 unitised products which invest in cash and fixed interest investments.

	2014	2013
	\$	\$
AMP Capital Investors (NZ) Limited		
Short Term Deposits	21,085,413	25,041,316
Fixed Interest - Onshore	10,562,955	9,626,354
Fixed Interest - Offshore	15,993,534	14,283,607

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

##### (iii) 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 unitised products. The Fund is indirectly exposed to other price risks through its investment in the unitised products. This investment is unitised and the underlying securities comprise cash, domestic and international equity instruments, New Zealand commercial property and international fixed interest securities.

##### 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.

## **RIO TINTO NEW ZEALAND RETIREMENT FUND**

### **Notes to the Financial Statements For the Year Ended 30 June 2014**

#### **12. Commitments and Contingent Liabilities**

There were no commitments or contingent liabilities outstanding as at 30 June 2014. (2013: Nil).

#### **13. Sensitivity Analysis**

A ten percent decrease in the unit prices of the Funds investments in unitised products would have an adverse impact on the value of the Fund's assets of \$12,137,329 (2013: \$10,983,672). Conversely a ten percent increase in the unit prices of the Funds investment in unitised products would have a positive impact on the value of the Fund's assets of \$12,137,329 (2013: \$10,983,672).

#### **14. 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 \$207,629 (2013: \$272,965) 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 \$4,322,306 and Plan expenses of \$553,023, including audit fee of \$25,300 (2013: Employer contribution of \$4,735,434 and expenses of \$557,542, including audit fee of \$21,850).

#### **15. Events After Balance Date**

The Trustees resolved to move the investments held in the AMP Capital Global Fixed Interest Fund to the Mercer Overseas Fixed Interest Portfolio (73%) and the AMP Capital Global Short Duration Fund (27%). This transfer was actioned in July 2014. There have been no other material events after balance date that require adjustment to or disclosure in the financial statements. (2013: Nil).