

Registration number: 00358901

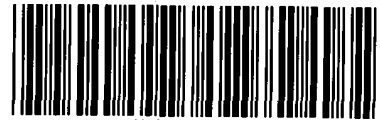
---

**RIO TINTO FINANCE PLC**

---

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

THURSDAY



\*L69MDMZ6\*

LD2

29/06/2017

#283

COMPANIES HOUSE

---

## RIO TINTO FINANCE PLC

---

### COMPANY INFORMATION

---

DIRECTORS	M P Bossick P L Cunningham V E Hames P I Hedley
COMPANY SECRETARY	Rio Tinto Secretariat Limited
REGISTRATION NUMBER	00358901
REGISTERED OFFICE	6 St James's Square London United Kingdom SW1Y 4AD
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP Chartered Accountants, Statutory Auditors 1 Embankment Place London United Kingdom WC2N 6RH

---

## **RIO TINTO FINANCE PLC**

---

### **CONTENTS**

---

	<b>Pages</b>
Strategic report	1 to 2
Directors' report	3 to 5
Independent auditors' report	6 to 7
Income statement	8
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11 to 12
Notes to the financial statements	13 to 26

---

## RIO TINTO FINANCE PLC

---

### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

---

#### Introduction

The directors present their Strategic report on Rio Tinto Finance plc (the "Company") for the year ended 31 December 2016.

The Company is incorporated and registered in England and Wales under the Companies Act 2006 as a public limited company. The Company's ultimate parent undertaking and controlling party is Rio Tinto plc, which together with Rio Tinto Limited and their respective subsidiaries form the Rio Tinto Group (the "Group").

The Company plays a major role in the treasury activities of the Group, including arrangement of external funding, the management of surplus cash and management of the Group's foreign exchange and interest rate exposures.

#### Business review

The Company's future developments are integrated with those of the Group which are discussed in the Group's 2016 Annual Report, which does not form part of this report. The Group's financial instruments and risk management policies are discussed in the 2016 Annual Report.

In 2016 the Company early redeemed, as part of the Group liability management programme, internal bonds issued in aggregate of US\$4,026 million. As a result US\$500 million 2% 2017 bond, US\$1,250 million 1.625% 2017 bond, US\$1,250 million 2.25% 2018 bond, US\$486 million of the 2.875% 2022 bond and US\$540 million of the 3.50% 2022 bond were redeemed, resulting in an aggregate cash outflow of US\$4,129 million before fees.

In conjunction with the Group liability management programme, the Company closed out interest rate swaps with a notional principal amount of US\$1,969 million, giving rise to a net cash inflow of US\$46 million.

The Company made a profit before tax for the year of US\$575 million compared with a loss of US\$25 million for 2015. The result for 2016 reflects net finance expense of US\$20 million (2015: US\$24 million) and other income of US\$505 million (2015: other expenses of US\$13 million) and exchange gains of US\$90 million (2015: US\$12 million).

Other income in 2016 primarily represents an impairment reversal on inter-company receivables of US\$543 million that were repaid by RTA Holdco 1 Limited, a Group subsidiary.

All of the Company's interest payable and receivable is charged or credited at commercial rates, which reflects the standing of the Company or its borrowers.

At the year end the Company held US\$6,601 million of cash and short term deposits (2015: US\$7,821 million).

The Company is able to issue debt under the Group's US\$10 billion (2015: US\$10 billion) European Debt Issuance Programme ("EDIP") against which the cumulative amount issued was US\$1.9 billion at 31 December 2016 (2015: US\$2.1 billion). The carrying value of these bonds after hedge accounting adjustments amounted to US\$2 billion (2015: US\$2.2 billion) in aggregate. Any debt issued by the Company under this programme is guaranteed by Rio Tinto plc and Rio Tinto Limited. The EDIP programme has no expiry date, provided the relevant companies comply with their respective renewal obligations. The bonds are listed on the Luxembourg Stock Exchange.

In November 2015, the Company and Rio Tinto Finance Limited amended and extended, in aggregate, a US\$7.5 billion multi-currency revolving credit facility, originally signed in 2013, with a syndicate of banks which is guaranteed by Rio Tinto plc and Rio Tinto Limited. The facilities comprise a US\$1,875 million three-year multi-currency revolving credit facility and a US\$5,625 million five-year multi-currency revolving credit facility (including a US\$ denominated same day access swing-line facility).

Both facilities have two one-year extension options, the first of which was utilised in November 2016. The US\$1,875 million and US\$5,625 million facilities were amended and their maturities extended to November 2019 and November 2021 respectively (including the US\$ denominated same day access swing-line facility). The remaining extension option could be utilised in 2017 subject to agreement by the banks.

The funds made available under the facility agreements may be used for the general corporate purposes of the Group and contain no financial covenants. The facilities were undrawn as at 31 December 2016 (2015: undrawn).

---

## RIO TINTO FINANCE PLC

---

### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

---

#### Principal risks and uncertainties

The Company's principal risks and uncertainties are integrated with those of the Group and are not managed separately. The principal risks and uncertainties of the Group are discussed in its 2016 Annual Report which does not form part of this report.

#### Key performance indicators

The Company's directors are of the opinion that there are no meaningful financial or other key performance indicators that would be necessary or appropriate for an understanding of the development, performance or position of the Company's activities.

The report was approved by the Board and were signed on its behalf by:



.....  
P I Hedley

Director

Date:

29 June 2017

---

## RIO TINTO FINANCE PLC

---

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

---

The directors present their report and the financial statements for the year ended 31 December 2016.

#### Principal activity

The principal activity of the Company is conducting financing activities for the Group.

#### Results and dividends

The profit for the financial year, after taxation, amounted to US\$543 million (2015: loss US\$20 million).

No interim dividend was paid during the year (2015: US\$Nil) and the directors do not recommend the payment of a final dividend (2015: US\$Nil).

#### Directors

The directors who served during the year and to the date of this report were:

M P Bossick (appointed 2 May 2017)

P I Hedley (appointed 2 May 2017)

P L Cunningham

V E Hames (appointed 31 October 2016)

M D Andrewes (resigned 2 May 2017)

U Quellmann (resigned 22 August 2016)

E B Evans (resigned 19 August 2016)

The directors had no material interest in any contract or arrangement during the year to which the Company or any subsidiary of the Group is, or was, a party.

#### Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

---

## RIO TINTO FINANCE PLC

---

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

---

#### Corporate governance

The Company is a wholly-owned subsidiary of the Group, therefore, there is no further disclosure required under paragraph 13(2)(c) and (d) of Schedule 7 to the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 ("Schedule 7"), nor are there any restrictions on the voting rights of the shares held ("Schedule 7", 13(2)(f)).

Subject to the provisions of the Companies Act 2006 and the Articles of Association, the directors may issue, offer, allot or grant rights to subscribe for, or convert any security into, shares in the Company and the Company may also purchase, or may enter into a contract under which it will or may purchase, its own shares.

The directors are responsible for the Group's system of internal controls and for reviewing annually the effectiveness of the internal control system. This includes reviewing financial, operational and compliance controls and risk management procedures and their effectiveness. The directors have completed their annual review and assessment for 2016.

#### Internal controls system

The Group Audit & Assurance function performs reviews of the integrity and effectiveness of control activities and provides regular reports to the Group's Audit Committee, Sustainability Committee and other management committees.

Each year, the leaders of the Group's businesses and functions complete a representation letter confirming that adequate internal controls are in place, are operating effectively and are designed to capture and evaluate failings and weaknesses, if any exist, and that action is taken promptly, as appropriate.

In 2016, information was reported by management to the Group Audit Committee to enable the Group Audit Committee to assess the effectiveness of the Group's risk management and internal control systems. In addition, as part of their role, the board and its committees routinely monitor the Group's material business risks.

Due to the limitations inherent in any risk management system, the process for identifying, evaluating and managing the material business risks is designed to manage, rather than eliminate risk, and to provide reasonable, but not absolute, assurance against material misstatement or loss.

The financial statements are subject to internal review for consistency and arithmetical accuracy.

The above disclosure is made in accordance with Disclosure and Transparency Rules 7.2.

#### Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

#### Post balance sheet events

As part of the ongoing Group liability management programme, the Company repaid early on 7 June 2017, US\$232 million of its US\$460 million 3.5% bond due 2022 and US\$131 million of its US\$514 million 2.875% bond due 2022, a total aggregate of nominal value of US\$363 million and cash outflow of US\$380 million before fees. These bonds are internally issued back to back between the Company and Rio Tinto Finance (USA) plc.

In conjunction with the liability management programme, the Company closed out interest rate swaps with a notional principal amount of US\$781 million, giving rise to a net cash inflow of US\$1.4 million. Simultaneously, the Company closed out internally issued back to back swaps with Rio Tinto International Holdings Limited with a notional principal amount of US\$418 million giving rise to a cash outflow of \$0.1 million.

#### Future developments

The Company's future developments are integrated with those of the Group which are discussed in the Group's 2016 Annual Report, which does not form part of this report.

#### Indemnities and insurance

The Articles of Association of the Company's ultimate parent, Rio Tinto plc, provides for it to indemnify, to the extent permitted by law, its officers and officers of wholly-owned subsidiaries against liabilities arising from the conduct of the Group's business. The directors and the company secretary of Rio Tinto plc and certain employees serving as directors of certain subsidiaries, at the Group's request, have been indemnified in accordance with these provisions. All of the directors of the Company have been indemnified by Rio Tinto plc against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. This is a "qualifying third party indemnity" provision as defined by section 234 of the Companies Act 2006. No amounts have been paid under any of these indemnities during the year.

---

## RIO TINTO FINANCE PLC

---

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

---

#### Indemnities and insurance

The Articles of Association of the Company's ultimate parent, Rio Tinto plc, provides for it to indemnify, to the extent permitted by law, its officers and officers of wholly-owned subsidiaries against liabilities arising from the conduct of the Group's business. The directors and the company secretary of Rio Tinto plc and certain employees serving as directors of certain subsidiaries, at the Group's request, have been indemnified in accordance with these provisions. All of the directors of the Company have been indemnified by Rio Tinto plc against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. This is a "qualifying third party indemnity" provision as defined by section 234 of the Companies Act 2006. No amounts have been paid under any of these indemnities during the year.

In accordance with section 233 of the Companies Act 2006 the Company has also purchased and maintains insurance against liabilities arising from claims against directors' and officers' actions taken in connection with the Group's business.

#### Disclosure of information to auditors

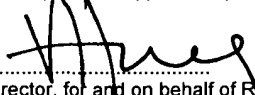
Each of the persons who were directors at the time when this Directors' report is approved has confirmed that:

- so far as that they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the Board and signed by order of the Board.

  
.....  
Director, for and on behalf of Rio Tinto Secretariat Limited  
Company Secretary

Date: 29 June 2017  
6 St James's Square  
London  
United Kingdom  
SW1Y 4AD



---

## RIO TINTO FINANCE PLC

---

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RIO TINTO FINANCE PLC

---

#### Report on the financial statements

##### Our opinion

In our opinion, the financial statements of Rio Tinto Finance plc (the "Company") (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

##### What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2016;
- the income statement and the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

#### Other matters on which we are required to report by exception

##### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

##### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

---

## RIO TINTO FINANCE PLC

---

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RIO TINTO FINANCE PLC (CONTINUED)

---

#### Responsibilities for the financial statements and the audit

##### Our responsibilities and those of the directors

As explained more fully in the Directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

##### What an audit of financial statements involves

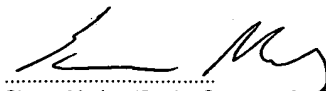
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.



Simon Morley (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

Date: 29 JUNE 2017

---

**RIO TINTO FINANCE PLC**

---

**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2016**

---

	Note	2016 \$ 000	2015 \$ 000
Finance income	3	432,767	295,110
Finance expense	4	(453,055)	(319,121)
Other income/(expenses)	5	504,584	(12,636)
Net exchange gains	6	90,276	11,573
<b>Profit/(loss) before income tax</b>		<b>574,572</b>	<b>(25,074)</b>
Taxation	7	(31,343)	4,882
<b>Profit/(loss) after tax for the financial year</b>		<b>543,229</b>	<b>(20,192)</b>

The notes on pages 13 to 26 form an integral part of these financial statements.

## RIO TINTO FINANCE PLC

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$ 000	2015 \$ 000
<b>Profit/(loss) after tax for the financial year</b>		<b>543,229</b>	<b>(20,192)</b>
<b>Other comprehensive income/(loss)</b>			
<b>Cash flow hedge reserve:</b>			
Net cash flow hedge losses transferred to the income statement	15	129,814	36,942
Net cash flow hedge fair value losses	15	(88,404)	(55,610)
		<u>41,410</u>	<u>(18,668)</u>
<b>Total comprehensive income/(loss) for the year, net of tax</b>		<u><b>584,639</b></u>	<u><b>(38,860)</b></u>

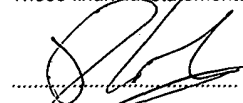
The notes on pages 13 to 26 form an integral part of these financial statements.

# RIO TINTO FINANCE PLC

(REGISTRATION NUMBER: 00358901)  
BALANCE SHEET AS AT 31 DECEMBER 2016

	Note	2016 \$ 000	2015 \$ 000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Other financial assets	8	17,379	40,607
Other receivables	10	2,022	2,959
Tax receivable		-	3,306
		<u>19,401</u>	<u>46,872</u>
<b>Current assets</b>			
Other financial assets	8	29,903,631	24,621,499
Cash and cash equivalents	9	6,600,890	7,821,089
Other receivables	10	937	940
		<u>36,505,458</u>	<u>32,443,528</u>
<b>Total assets</b>		<u>36,524,859</u>	<u>32,490,400</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other financial liabilities	11	(29,823,701)	(22,312,179)
Tax payable		(15,215)	-
Other payables	12	(2,068)	-
		<u>(29,840,984)</u>	<u>(22,312,179)</u>
<b>Non-current liabilities</b>			
Other financial liabilities	11	(4,587,447)	(8,666,432)
		<u>(4,587,447)</u>	<u>(8,666,432)</u>
<b>Total liabilities</b>		<u>(34,428,431)</u>	<u>(30,978,611)</u>
<b>Net assets</b>		<u>2,096,428</u>	<u>1,511,789</u>
<b>EQUITY</b>			
Share capital	14	1,788,807	1,788,807
Cash flow hedge reserve	15	61,314	19,904
Other reserves	15	252	252
Retained earnings/(losses)		246,055	(297,174)
<b>Total equity</b>		<u>2,096,428</u>	<u>1,511,789</u>

These financial statements were approved and authorised by the Board and were signed on its behalf by:



P I Hedley  
Director

Date: 29 June 2017

The notes on pages 13 to 26 form an integral part of these financial statements.

# **RIO TINTO FINANCE PLC**

## **STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016**

	Share capital \$ 000	Cash flow hedge reserve \$ 000	Other reserves \$ 000	Retained (losses)/earnings \$ 000	Total equity \$ 000
At 1 January 2016	1,788,807	19,904	252	(297,174)	1,511,789
<b>Comprehensive income for the year</b>					
Profit for the financial year	-	-	-	543,229	543,229
Net cash flow losses transferred to the income statement	-	129,814	-	-	129,814
Net cash flow hedge fair value loss	-	(88,404)	-	-	(88,404)
<b>Other comprehensive income for the year</b>	-	41,410	-	-	41,410
<b>Total comprehensive income for the year</b>	-	41,410	-	543,229	584,639
<b>At 31 December 2016</b>	<b>1,788,807</b>	<b>61,314</b>	<b>252</b>	<b>246,055</b>	<b>2,096,428</b>

The notes on pages 13 to 26 form an integral part of these financial statements.

# **RIO TINTO FINANCE PLC**

## **STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)**

	Share capital \$ 000	Cash flow hedge reserve \$ 000	Other reserve \$ 000	Retained losses \$ 000	Total equity \$ 000
At 1 January 2015	1,788,807	38,572	252	(276,982)	1,550,649
<b>Comprehensive loss for the year</b>					
Loss for the financial year	-	-	-	(20,192)	(20,192)
Net cash flow losses transferred to the income statement	-	36,942	-	-	36,942
Net cash flow hedge fair value loss	-	(55,610)	-	-	(55,610)
<b>Other comprehensive loss for the year</b>	-	(18,668)	-	-	(18,668)
<b>Total comprehensive loss for the year</b>	-	(18,668)	-	(20,192)	(38,860)
At 31 December 2015	1,788,807	19,904	252	(297,174)	1,511,789

The notes on pages 13 to 26 form an integral part of these financial statements.

---

## RIO TINTO FINANCE PLC

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

---

#### 1 Accounting policies

##### 1.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"), on a going concern basis under the historical cost convention as modified by financial assets and liabilities measured at fair value through profit and loss, and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards.

The Company meets the definition of a qualifying entity. The recognition and measurement requirements of EU-adopted IFRS have been applied with amendments where necessary in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) as these are Companies Act 2006 financial statements.

As a result of the amendments to FRS 101 issued in July 2015 and effective for reporting periods beginning 1 January 2016, the financial statements are now presented in accordance with IAS 1 Presentation of Financial Statements.

##### 1.2 Financial reporting standard 101 - Reduced disclosure exemptions

As permitted by FRS 101, the Company has taken advantage of the following disclosure exemptions available under the standard in relation to:

- the requirements in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d) and 111 of IAS 1 'Presentation of Financial Statements';
- the requirements of IAS 7 'Statement of Cash Flows';
- the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'; and
- the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Where required, equivalent disclosures are given in the consolidated financial statements which can be obtained as set out in Note 18.

##### 1.3 Corporate information

The Company is a public limited company incorporated and domiciled in England and Wales and the information on its ultimate parent is presented in Note 18.

##### 1.4 Presentation and functional currency

The Company's financial statements are presented in US dollars ("US\$") and all values are rounded to the nearest thousand (\$'000) except when otherwise indicated. The US dollar represents the currency affecting the operations and most of the financing provided to and by the Company. Accordingly, the directors regard the US dollar as the principal currency affecting the Company's primary economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at year end. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical costs in foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates as at the date the fair value was determined.

The year-end exchange rate was US\$1.22:£1 (31 December 2015 - US\$1.48:£1).

##### 1.5 Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment.

##### 1.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are shown as current liabilities in the balance sheet.



---

## RIO TINTO FINANCE PLC

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

---

#### 1.7 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

**Fair value:** Where financial instruments are accounted for at fair value, this is the amount at which they could be exchanged in an arm's length transaction between informed and willing parties. Where available, market values have been used to determine fair values. In other cases, fair values have been calculated using quotations from independent financial institutions, or by discounting expected cash flows at prevailing market rates. The fair values of cash, other bank deposits, short term borrowings to/from Group companies and Rio Tinto associate undertakings, and other short term receivables and payables are assumed to approximate to their carrying value, as a result of their short maturity or because they carry floating rates of interest. A further description of the accounting for each class of financial instrument is given below.

**Borrowings:** Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the amounts originally received (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

**Derivatives financial instruments and hedge accounting:** Derivatives are initially recognised at their fair value on the date the derivative contract is entered into and transaction costs are expensed in the income statement. They are subsequently re-measured at their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged. The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (*fair value hedges*) or hedges of highly probable forecast transactions (*cash flow hedges*). Changes in the fair value of derivatives not designated as hedges are recorded in the income statement.

**Fair value hedges:** Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability or firm commitment that is attributable to the hedged risk. Where derivatives are held with different counterparties or with the same counterparty and management has no intention to settle the derivatives and the underlying asset or liability or firm commitment, on a net basis, the fair value of the derivative asset or liabilities and the hedged asset or liability or firm commitment are shown separately in the balance sheet as there is no legal right of offset and/or no intention to settle on a net basis. When the fair value interest rate hedging instrument expires or is sold, or when a fair value interest rate hedge no longer meets the criteria for hedge accounting, the fair value adjustments which have been made to the hedged item are amortised through the income statement over the remaining life of the hedged item or written off immediately where the hedged item is derecognised.

**Cash flow hedges:** The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the year when the hedged items affect the income statement.

Where the cash flow hedge is of a forecast transaction that is still expected to occur and the hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss relating to the instrument which is held in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

**Interest Rate Risk:** The Company borrows in various currencies to fund the Group at floating and fixed rates of interest. Where necessary the Company then uses interest rate and cross currency interest rate swaps to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations. The Company's policy on interest rate risk is integrated with those of the Group and is not managed separately.

**Liquidity Risk:** The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bond issuance, bank loans, commercial paper and group funding, at the same time seeking to obtain funding at favourable borrowing rates. Details of the Company's long term debt are summarised in Note 11.

**Foreign Currency Risk:** The Company has exposures to foreign currency in its borrowings and inter-company balances and has taken steps to reduce the potential for such effects by managing its currency exposures through the use of spot and forward currency exchange contracts, by maintaining asset and liability exposures in matched currencies, and by the use of currency swap contracts.

## RIO TINTO FINANCE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 1.8 Current and deferred income tax

Current tax, including UK corporation tax and overseas tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Except as otherwise required by IAS 12 ("Income taxes"), deferred tax is provided in full on temporary differences at the balance sheet date.

#### 1.9 Finance income and expense

Finance income includes interest income. Finance expense includes interest expense. Interest income and interest expense are recognised on an accruals basis.

#### 2 Critical accounting estimates and judgments

The Group's critical accounting estimates and judgements are discussed in the Group's 2016 Annual Report which does not form part of this report.

#### 3 Finance income

	2016 \$ 000	2015 \$ 000
Interest income from parent and fellow Group undertakings	385,812	282,412
Interest income from Rio Tinto associate undertakings	380	2,005
Interest income on cash and cash equivalents	34,796	10,693
Interest income on held for trading investments	465	-
Net interest income and similar finance income (a)	10,944	-
Other finance income	370	-
	<u>432,767</u>	<u>295,110</u>

- (a) Net interest income and similar finance income includes a fair value loss on cross currency interest rate swaps and interest rate swaps designated as hedges of US\$33 million (2015: gain US\$11 million) and a fair value gain on bonds attributable to currency and interest rate risk of US\$37 million (2015: loss US\$20 million). Net interest income and similar finance income also includes a fair value gain on interest rate swaps not designated in hedging relationships of US\$18 million (2015: gain US\$3 million).

#### 4 Finance expense

	2016 \$ 000	2015 \$ 000
Interest expense - Group undertakings	452,498	286,539
Interest expense on bank loans and overdrafts	557	392
Net interest expense and similar finance charges (a)	-	32,190
	<u>453,055</u>	<u>319,121</u>

- (a) Refer to note 3 (a) for details on net interest expense and similar finance charges.

## RIO TINTO FINANCE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 5 Other income/(expenses)

- (a) The audit fees incurred during the year were US\$131,547 (2015: US\$159,393) and were borne by Rio Tinto London Limited, a fellow Group subsidiary. The Company paid US\$11,582 (2015: US\$18,613) in fees for non-audit services.
- (b) No emoluments were paid or payable to directors during the year in respect of their services to the Company (2015: US\$Nil).
- (c) The average number of persons employed during the year, excluding directors, was Nil (2015: Nil).
- (d) Employees who are involved in the management and operation of the Company have contracts of service with other Group entities and therefore their remuneration is included with those entities' financial statements.
- (e) Other income/(expenses) primarily represents provisions against inter-company receivables due from Group subsidiaries of US\$29 million and an impairment reversal of US\$543 million relating to inter-company receivables repaid by RTA Hold Co 1 Limited, a Group subsidiary.

#### 6 Net exchange gains

	2016 \$ 000	2015 \$ 000
Net exchange gains - Group transactions	115,430	123,842
Net exchange losses - third party transactions (a)	(25,154)	(112,269)
	90,276	11,573

- (a) Includes foreign exchange losses on cross currency interest rate swaps of US\$184 million (2015: US\$195 million) of which US\$130 million (2015: US\$37 million) was recycled from the cash flow hedge reserve; and foreign exchange gains on Euro and Sterling denominated listed bonds of US\$184 million (2015: US\$195 million) designated as hedges.

## RIO TINTO FINANCE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 7 Taxation

	2016 \$ 000	2015 \$ 000
<b>Corporation tax</b>		
Current tax on profit/(loss) for the year	16,000	(5,000)
Adjustments in respect of prior periods	15,306	-
	<u>31,306</u>	<u>(5,000)</u>
<b>Foreign tax</b>		
Foreign tax on income for the year	37	118
<b>Total current tax</b>	<u>31,343</u>	<u>(4,882)</u>
<b>Tax expense/(credit) in the income statement</b>	<u>31,343</u>	<u>(4,882)</u>

#### Factors affecting tax charge/(credit) for the year

The tax on profit/(loss) for the year is lower than the standard rate of corporation tax in the UK (2015 - higher than) of 20% (2015 - 20.25%).

The differences are reconciled below:

	2016 \$ 000	2015 \$ 000
Profit/(loss) before tax	<u>574,572</u>	<u>(25,074)</u>
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	114,914	(5,077)
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than impairment	3,065	-
Non-taxable net impairment reversal	(102,937)	-
Group relief	489	77
Adjustments to tax charge in respect of prior periods	15,306	-
Unrelieved foreign tax	506	118
<b>Total tax charge/(credit) for the year</b>	<u>31,343</u>	<u>(4,882)</u>

A reduction to the main rate of UK corporation tax to 19%, with effect from 1 April 2017, was substantively enacted on 26 October 2015. A further reduction to 17%, with effect from 1 April 2020, was substantively enacted on 6 September 2016. Any deferred tax balances have been calculated at the reduced rates to the extent that they are expected to unwind.

## RIO TINTO FINANCE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 8 Other financial assets

	2016 \$ 000	2015 \$ 000
<b>Non-current</b>		
Amounts owed by Group undertakings (a)	12,886	15,246
Derivative financial instruments	4,493	25,361
	<u>17,379</u>	<u>40,607</u>
<b>Current</b>		
Amounts owed by Group undertakings (b)	29,598,724	24,562,202
Amounts owed by Rio Tinto associated undertakings	-	5
Accrued interest	51,590	43,857
Other investments (c)	249,627	-
Derivative financial instruments	3,690	13,261
Other financial assets	-	2,174
	<u>29,903,631</u>	<u>24,621,499</u>

- (a) Amounts owed by Group undertakings represent interest rate swaps that were transacted with external counterparties and are back to back internally issued to Rio Tinto International Holdings Limited, a fellow group subsidiary. Refer to note 13 for further details.
- (b) Amounts owed by Group undertakings include provisions against receivables from fellow subsidiaries of US\$112 million (2015: US\$626 million) and derivative assets issued to Rio Tinto International Holdings Limited, a fellow group subsidiary.
- (c) Other investments represent US\$250 million of highly liquid financial assets held in managed investment funds classified as held for trading and are categorised as level 1 in the fair value hierarchy.

#### 9 Cash and cash equivalents

	2016 \$ 000	2015 \$ 000
Cash at bank and in hand	147,029	132,236
Money market funds and other cash equivalents	6,453,861	7,688,853
	<u>6,600,890</u>	<u>7,821,089</u>

#### 10 Other receivables

	2016 \$ 000	2015 \$ 000
<b>Non-current</b>		
Prepayments	2,022	2,959
	<u>2,022</u>	<u>2,959</u>
<b>Current</b>		
Prepayments	937	940
	<u>937</u>	<u>940</u>

## RIO TINTO FINANCE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 11 Other financial liabilities

	2016 \$ 000	2015 \$ 000
<b>Non-current</b>		
Borrowings (a)	2,002,070	2,169,793
Derivative financial instruments	457,707	275,234
Amounts owed to Group undertakings (b) (c) (d)	2,127,670	6,212,320
Other loans	-	9,085
	<u>4,587,447</u>	<u>8,666,432</u>
<b>Current</b>		
Accrued interest	27,522	24,297
Amounts owed to Group undertakings (b) (c) (d)	29,792,632	22,287,309
Derivative financial instruments	56	96
Other loans	2,995	-
Other financial liabilities	496	477
	<u>29,823,701</u>	<u>22,312,179</u>

- (a) Under its European Debt Issuance Program, the Group has issued three Rio Tinto Finance plc bonds consisting of a EUR750 million 2.0% bond due 2020, a EUR500 million 2.875% bond due 2024 and a GBP500 million 4.0% bond due 2029. The bonds are listed on the Luxembourg Stock Exchange. The Euro denominated bonds were swapped as at the issue date using cross currency interest rate swaps to US dollar floating rate bonds. The GBP denominated bond was swapped using cross currency interest rate swaps to a US dollar fixed rate bond. Details of the cross currency interest rate swaps are disclosed in note 13.
- (b) Included in amounts due to Group undertakings are back to back internally issued bonds with Rio Tinto Finance (USA) plc, a Group company, consisting of US\$460 million 3.5% bond due 2022, US\$514 million 2.875% bond due 2022, US\$500 million 4.75% bond due 2042 and US\$750 million 4.125% bond due 2042 (2015: nine bonds being US\$1,000 million 1.375% bond due 2016, US\$500 million LIBOR plus 0.840% bond due 2016, US\$500 million 2.0% bond due 2017, US\$1,250 million 1.625% bond due 2017, US\$1,250 million 2.250% bond due 2018, US\$1,000 million 3.5% bond due 2022, US\$1,000 million 2.875% bond due 2022, US\$500 million 4.75% bond due 2042 and US\$750 million 4.125% bond due 2042).
- (c) Fair value hedge accounting has been applied to the full notional of the internally issued bonds with Rio Tinto Finance (USA) plc and the partial term to 2023 of the US\$500 million 4.75% bond due 2042 and the US\$750 million 4.125% bond due 2042.
- (d) Amounts owed to Group undertakings also includes interest rate swaps (2015: interest rate swaps and foreign currency options) that were transacted with external counterparties and then back to back internally issued to Rio Tinto International Holdings Limited; a fellow subsidiary.
- (e) The Company and Rio Tinto America Inc, a fellow Group subsidiary, can issue commercial paper under the Group's US\$4 billion Commercial Paper programme. This was not utilised in 2016 and 2015.
- (f) In November 2015, the Company and Rio Tinto Finance Limited amended and extended, in aggregate, a US\$7.5 billion multi-currency revolving credit facility, originally signed in 2013, with a syndicate of banks which is guaranteed by Rio Tinto plc and Rio Tinto Limited. The facilities comprise a US\$1,875 million three-year multi-currency revolving credit facility and a US\$5,625 million five-year multi-currency revolving credit facility (including a US\$ denominated same day access swing-line facility).

Both facilities have two one-year extension options, the first of which was utilised in November 2016. The US\$1,875 million and US\$5,625 million facilities were amended and their maturities extended to November 2019 and November 2021 respectively (including the US\$ denominated same day access swing-line facility). The remaining extension option could be utilised in 2017 subject to agreement by the banks. The funds made available under the facility agreements may be used for the general corporate purposes of the Group and contain no financial covenants.

The facilities were undrawn as at 31 December 2016 (2015: undrawn).

## RIO TINTO FINANCE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 12 Other payables

	2016 \$ 000	2015 \$ 000
<b>Current</b>		
Other payables	2,068	-
	<u>2,068</u>	<u>-</u>

#### 13 Financial instruments

Except where stated, the information given below relates to the financial instruments of the Company and the information is grouped into the following sections:

13.1 - Financial assets and liabilities by categories

13.2 - Capital and financial risk management

13.3 - Financial liability analysis

##### 13.1 Financial assets and liabilities by categories

Set out below, by category, are the carrying amounts of all of the Company's financial instruments that are presented in the financial statements.

	2016 \$ 000	2015 \$ 000
<b>Financial assets</b>		
<b>Loans and receivables</b>		
Cash and cash equivalents	6,600,890	7,821,089
Amounts owed by Group undertakings (a)	29,611,610	24,577,448
Amounts owed by Rio Tinto associated undertakings	-	5
Accrued interest	51,590	43,857
Other receivables	-	2,174
<b>Total loans and receivables</b>	<u>36,264,090</u>	<u>32,444,573</u>
<b>Held at fair value</b>		
Other investment	249,627	-
<b>Total</b>	<u>249,627</u>	<u>-</u>
<b>Fair value through profit and loss - derivatives used for hedging</b>		
Interest rate swaps	2,012	14,739
<b>Total derivatives designated as hedges</b>	<u>2,012</u>	<u>14,739</u>
<b>Fair value through profit and loss - derivatives not used for hedging</b>		
Interest rate swaps	2,481	10,622
Foreign currency option	-	12,086
Foreign currency forward and swap derivative contracts	3,690	1,175
<b>Total derivatives not designated as hedges</b>	<u>6,171</u>	<u>23,883</u>
<b>Total financial assets</b>	<u>36,521,900</u>	<u>32,483,195</u>

## RIO TINTO FINANCE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 13.1 Financial assets and liabilities by categories (continued)

	2016 \$ 000	2015 \$ 000
<b>Financial liabilities</b>		
<b>Amortised cost</b>		
Borrowings (c)	2,002,070	2,169,793
Amounts owed to Group undertakings (b)	31,920,302	28,499,629
Accrued interest	27,522	24,297
Other financial liabilities	496	477
Other loans	2,995	9,085
<b>Total liabilities at amortised cost</b>	<b>33,953,385</b>	<b>30,703,281</b>
<b>Fair value through profit and loss - derivatives used for hedging</b>		
Cross currency interest rate swaps	381,513	259,684
Interest rate swaps	63,307	304
<b>Total derivatives designated as hedges</b>	<b>444,820</b>	<b>259,988</b>
<b>Fair value through profit and loss - derivatives not used for hedging</b>		
Interest rate swaps	12,887	15,246
Foreign currency forward and swap derivative contracts	56	96
<b>Total derivatives not designated as hedges</b>	<b>12,943</b>	<b>15,342</b>
<b>Total financial liabilities</b>	<b>34,411,148</b>	<b>30,978,611</b>

- (a) Amounts owed by Group undertakings include the fair value of interest rate swaps of US\$13 million (2015: US\$15 million) that were transacted with external counterparties and back to back internally issued to Rio Tinto International Holdings Limited, a fellow subsidiary company.
- (b) Amounts owed to Group undertakings include the fair value of interest rate swaps of US\$2 million (2015: US\$11 million) and foreign currency options of US\$Nil (2015: US\$12 million) that were transacted with external counterparties and are back to back internally issued to Rio Tinto International Holdings Limited, a fellow subsidiary company.
- (c) The carrying amount of all financial assets and financial liabilities is a reasonable approximation of the fair value except for the borrowings. Borrowings with a carrying value of US\$2,002 million (2015: US\$2,170 million) relate to listed bonds with a fair value of US\$2,165 million (2015: US\$2,156 million) and are categorised as level 1 in the fair value hierarchy.



---

## RIO TINTO FINANCE PLC

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

---

#### 13.2 Capital and financial risk management

The Company's capital risk and financial risks and uncertainties including the exposure to price, credit risk, liquidity risk and cash flow risks, are integrated with those of the Group and are not managed separately. The Group's objectives, policies and processes for managing capital, and principal risks and uncertainties are discussed in the financial instrument and risk management policies of the Group's 2016 Annual Report which does not form part of this report.

#### Foreign exchange sensitivities

The estimated retranslation effect on financial assets and financial liabilities of a ten percent strengthening in the closing exchange rate of the US dollar against significant currencies would be broadly equal and opposite to the sensitivity associated with a ten percent weakening of the US dollar against these currencies.

The impact is expressed in terms of the strengthening of the dollar and the effect on the income statement (excluding tax), assuming that each exchange rate moves in isolation. The sensitivities based on financial assets and financial liabilities held at 31 December 2016 where balances are not denominated in the functional currency of the Company are as follows; US dollar/Euro: US\$44 million gain (2015: US\$56 million gain), US dollar/Sterling: US\$54 million gain (2015 US: US\$96 million loss) and US dollar/Australian dollar: US\$41 million gain (2015: US\$12 million gain).

#### Interest rate sensitivities

Based on the Company's net financial assets and financial liabilities as at 31 December 2016, the effect on the income statement of a half percentage point increase in US dollar LIBOR interest rates, with all other variables held constant, would be a credit of US\$13 million (2015: credit of US\$37 million).

The Company has an exposure to interest rate volatility within shareholder's equity arising from fair value movements on derivatives in the cash flow hedge reserve. These derivatives have an underlying exposure to pound sterling and the US dollar rates. With all factors remaining constant and based on the composition of derivatives impacting the cash flow hedge reserve at 31 December 2016, the sensitivity of a 100 basis point increase in interest rates in each currency in isolation would impact equity, before tax by US\$84 million charge (2015: US\$100 million charge) for pound sterling and US\$95 million credit (2015: US\$103 million credit) for US dollar. A 100 basis point decrease would have broadly the same impact in the opposite direction.

These balances will not remain constant throughout 2017, and therefore this information should be used with care.

#### Credit risk related to financial instruments and cash deposits

Credit risk from investments in government securities (primarily US Government) or money market funds and balances with banks and financial institutions is managed by the Group. Investments of surplus funds are only made with approved counterparties who have been assigned specific credit limits beforehand based on specific assessment criteria. The limits are set to minimise the concentration of credit risk and therefore mitigate the potential for financial loss through counterparty failure.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as disclosed in Note 13.1.

## RIO TINTO FINANCE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 13.3 Financial liability analysis

The table below analyses the Company's financial liabilities by relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. As the amounts disclosed in the table are the contractual undiscounted cash flows, these balances will not necessarily agree with the amounts disclosed in the balance sheet.

	Within 1 year or on demand \$ 000	Between 1 and 5 years \$ 000	After 5 years \$ 000	Total \$ 000
<b>At 31 December 2016</b>				
<b>Non-derivative financial liabilities</b>				
Borrowings	-	786,246	1,135,860	1,922,106
Amounts owed to Group undertakings	29,887,826	383,139	3,383,303	33,654,268
Expected future interest payments (a)	55,263	205,325	240,952	501,540
Other loans	2,996	-	-	2,996
Other financial liabilities	496	-	-	496
<b>Derivative financial liabilities</b>				
Derivatives designated in hedge - net settled	(8,041)	(29,761)	(19,347)	(57,149)
Derivatives designated in hedge - gross settled				
- gross inflows	(55,263)	(991,571)	(1,376,812)	(2,423,646)
- gross outflows	72,975	1,241,802	1,784,815	3,099,592
Derivatives not designated in hedge - net settled	(9,629)	(40,881)	-	(50,510)
Derivatives not designated in hedge - gross settled				
- gross inflows	(29,000)	-	-	(29,000)
- gross outflows	29,000	-	-	29,000
<b>Total</b>	<b>29,946,623</b>	<b>1,554,299</b>	<b>5,148,771</b>	<b>36,649,693</b>

## RIO TINTO FINANCE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 13.3 Financial liability analysis (continued)

At 31 December 2015	Within 1 year or on demand \$ 000	Between 1 and 5 years \$ 000	After 5 years \$ 000	Total \$ 000
<b>Non-derivative financial liabilities</b>				
Borrowings	-	818,420	1,287,123	2,105,543
Amounts owed to Group undertakings	22,501,394	3,634,624	4,594,404	30,730,422
Expected future interest payments (a)	61,714	236,449	327,296	625,459
Other financial liabilities	477	9,085	-	9,562
<b>Derivative financial liabilities</b>				
Derivatives designated in hedge - net settled	(3,155)	(9,912)	-	(13,067)
Derivatives designated in hedge - gross settled				
- gross inflows	(61,714)	(1,054,869)	(1,614,419)	(2,731,002)
- gross outflows	64,740	1,231,168	1,821,347	3,117,255
Derivatives not designated in hedge - net settled	(26,859)	(107,436)	(15,029)	(149,324)
Derivatives not designated in hedge - gross settled				
- gross inflows	(22,000)	-	-	(22,000)
- gross outflows	22,000	-	-	22,000
<b>Total</b>	<u>22,536,597</u>	<u>4,757,529</u>	<u>6,400,722</u>	<u>33,694,848</u>

- (a) Interest payments have been projected using interest rates applicable at the end of the financial year. Where debt is subject to variable interest rates, future interest payments are subject to change in line with market rates.

#### Offsetting and enforceable master netting agreements

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. There were no material amounts offset in the balance sheet and no material enforceable master netting agreements were identified.

## RIO TINTO FINANCE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 13.4 Fair value of derivative financial instruments

The table below shows the financial instruments carried at fair value by valuation method at 31 December 2016:

	Level 1 (a) \$ 000	Level 2 (b) \$ 000	Level 3 (c) \$ 000	Total \$ 000
<b>Derivatives</b>				
Foreign currency forward and swap contracts	-	3,634	-	3,634
Interest rate swaps (d)	-	(71,701)	-	(71,701)
Cross currency interest rate swaps (d)	-	(381,513)	-	(381,513)
	<u>-</u>	<u>(449,580)</u>	<u>-</u>	<u>(449,580)</u>

The table below shows the financial instruments carried at fair value by valuation method at 31 December 2015:

	Level 1 (a) \$ 000	Level 2 (b) \$ 000	Level 3 (c) \$ 000	Total \$ 000
<b>Derivatives</b>				
Foreign currency forward and swap contracts	-	1,079	-	1,079
Foreign currency options	-	12,086	-	12,086
Interest rate swaps (d)	-	9,811	-	9,811
Cross currency interest rate swaps (d)	-	(259,684)	-	(259,684)
	<u>-</u>	<u>(236,708)</u>	<u>-</u>	<u>(236,708)</u>

- (a) Valuation is based on unadjusted quoted prices in active markets for identical financial instruments.
- (b) Valuation is based on inputs that are observable for the financial instruments which include quoted prices for similar instruments or identical instruments in markets which are not considered to be active, or inputs, either directly or indirectly based on observable market data.
- (c) Valuation is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).
- (d) Interest rate and currency interest rate swaps are valued using applicable market quoted swap yield curves adjusted for relevant basis and credit default spreads. Currency interest rate swaps valuations also use market quoted foreign exchange rates. A discounted cash flow approach is applied to the cash flows derived from inputs to determine fair value.
- (e) There were no transfers between level 1 and level 2, or between level 2 and level 3 in the years ended 31 December 2016 and 31 December 2015.

## RIO TINTO FINANCE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 14 Share capital

##### Allotted, called up and fully paid

	2016 \$ 000	2015 \$ 000
1,584,510 (2015: 1,584,510) ordinary shares of £1 each (2015: £1 each)	2,298	2,298
1,786,509,460 (2015: 1,786,509,460) ordinary shares of \$1 each (2015: \$1 each)	1,786,509	1,786,509
	<u>1,788,807</u>	<u>1,788,807</u>

#### 15 Reserves

##### Other Reserves

The Company's share capital in issue at the date when the US\$ became the functional currency was translated into US dollars at the exchange rate then in force. The currency translation adjustment at that time has been included in "other reserves".

##### Cash flow hedge reserve

The Company has issued a GBP500 million 4% bond due 2029 that has been designated in a cash flow hedge relationship. The cash flow hedge reserve records gains and losses on cash flow hedges that are recognised initially in equity.

#### 16 Related party transactions

The Company is exempt under the requirements of IAS 24 Related Party Disclosures from disclosing related party transactions entered into between wholly-owned Group entities.

The Group has a 30 percent interest in Minera Escondida Limitada, an associate entity of the Group. A revolving credit facility of US\$750 million (the Company's share US\$225 million) was made available to Minera Escondida Limitada in 2012 with an expiry date of 31 December 2015. The revolving credit facility was then re-instated on 14 November 2016. The facility was undrawn as at 31 December 2016.

#### 17 Post balance sheet events

As part of the ongoing Group liability management programme, the Company repaid early on 7 June 2017, US\$232 million of its US\$460 million 3.5% bond due 2022 and US\$131 million of its US\$514 million 2.875% bond due 2022, a total aggregate of nominal value of US\$363 million and cash outflow of US\$380 million before fees. These bonds are internally issued back to back between the Company and Rio Tinto Finance (USA) plc.

In conjunction with the liability management programme, the Company closed out interest rate swaps with a notional principal amount of US\$781 million, giving rise to a net cash inflow of US\$1.4 million. Simultaneously, the Company closed out internally issued back to back swaps with Rio Tinto International Holdings Limited with a notional principal amount of US\$418 million giving rise to a cash outflow of \$0.1 million.

These events have been deemed non-adjusting and therefore no adjustments have been made to the balance sheet after year end. There are no other events or circumstances that have arisen that will significantly affect the Company since year end.

#### 18 Parent and ultimate parent undertaking

The Company's immediate parent is Rio Tinto International Holdings Limited. The ultimate parent and controlling party is Rio Tinto plc. Rio Tinto plc consolidated financial statements can be obtained from the registered office at 6 St James's Square, London, SW1Y 4AD or from the Rio Tinto website at [www.riotinto.com](http://www.riotinto.com).