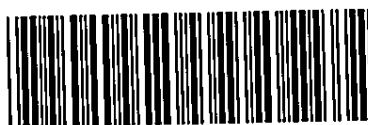


**COMPANY NUMBER 541213**

**RIO TINTO FINANCE & EXPLORATION plc**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**For the year ended 31 December 2007**

**WEDNESDAY**



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## **RIO TINTO FINANCE & EXPLORATION plc**

<b>DIRECTORS</b>	Mr J R F Bavin Mr I M Ledlie Mr M I Murchison (appointed 1 June 2008) Mr C H Welton (appointed 1 June 2008)
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<b>SECRETARY</b>	Mr R P Dowding
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<b>REGISTERED OFFICE</b>	2 Eastbourne Terrace London W2 6LG
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<b>REGISTERED AUDITORS</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
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# **RIO TINTO FINANCE & EXPLORATION plc**

## **DIRECTORS' REPORT**

The directors present their report, together with the audited financial statements for the year ended 31 December 2007

### **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

Rio Tinto Finance & Exploration plc is a wholly owned subsidiary of Rio Tinto plc and has been engaged in mineral exploration

The profit for the year was \$3,000 (2006 - \$149,000 loss)

No interim dividend was paid during the year (2006 - nil) and the directors do not recommend the payment of a final dividend (2006 - nil)

### **FUTURE DEVELOPMENTS**

The directors have no immediate plans to continue mineral exploration and intend to review the future of the company

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The company's principal risks and uncertainties are integrated with those of the Rio Tinto Group and are not managed separately. The Group's risk factors and policies for financial risk management are discussed in its 2007 Annual report and financial statements which do not form part of this report

### **KEY PERFORMANCE INDICATORS**

The company's directors are of the opinion that there are no meaningful financial or non financial KPIs that would be necessary or appropriate for an understanding of the development, performance or position of the company's activities

### **FINANCIAL RISK MANAGEMENT**

As there is no immediate plan to continue mineral exploration the directors do not believe that there are any material financial risks requiring specific management

### **DIRECTORS**

The names of the directors at the date of this report and who served throughout the year are shown on page 2. Mr Lenon resigned as a director with effect 31 August 2007 and Mr Lawton and Mr Ratnage resigned as directors with effect from 25 April 2008

No director had a material interest in any contract or arrangement during the year to which the company or any subsidiary is or was a party

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are required to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss for that period. The financial statements have been prepared on the going concern basis as the directors have satisfied themselves that the company has access to adequate financial resources to continue in operational existence for the foreseeable future

# **RIO TINTO FINANCE & EXPLORATION plc**

## **DIRECTORS' REPORT (continued)**

The directors consider that the 2007 Annual report and financial statements present a true and fair view and have been prepared in accordance with applicable accounting standards, using the most appropriate accounting policies, and supported by reasonable and prudent judgements and estimates. The accounting policies have been consistently applied.

The directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial positions of the company in accordance with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

### **INDEMNITIES AND INSURANCE**

Rio Tinto Group purchased directors' and officers' insurance during the year to indemnify individual directors' and officers' personal legal liability and costs for claims arising out of actions taken in connection with Group business.

### **AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS**

Elective resolutions to dispense with holding annual general meetings, the laying of financial statements before the company in general meetings and the appointment of auditors are currently in force. The auditors, PricewaterhouseCoopers LLP, will therefore be deemed to have been re-appointed at the end of the period of 28 days beginning on the day on which copies of this report and financial statements are sent to members unless a resolution is passed under Section 393 of the Companies Act 1985 to the effect that their appointment be brought to an end.

Each of the directors at the time this report was approved has confirmed that

- so far as the director is aware, there is no relevant audit information (ie information needed by the company's auditors in connection with preparing their report) of which the auditors are unaware, and
- he or she has taken all steps that they ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board



R P Dowding  
Secretary

2 Eastbourne Terrace  
London  
W2 6LG  
7 July 2008

# **RIO TINTO FINANCE & EXPLORATION plc**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RIO TINTO FINANCE & EXPLORATION plc**

We have audited the financial statements of Rio Tinto Finance and Exploration plc for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- The financial statements have been properly prepared in accordance with the Companies Act 1985, and
- The information given in the Directors' Report is consistent with the financial statements.

*PricewaterhouseCoopers LLP?*  
PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

24 July 2008

# RIO TINTO FINANCE & EXPLORATION plc

## PROFIT AND LOSS ACCOUNT For the year ended 31 December 2007

	Note	2007 US\$000	2006 US\$000
Other operating charges	2	3	(154)
<b>OPERATING PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>3</u>	<u>(154)</u>
Tax on profit/(loss) on ordinary activities	5	-	5
<b>RETAINED PROFIT/ (LOSS) FOR THE YEAR</b>		<u>3</u>	<u>(149)</u>

### MOVEMENT IN RETAINED EARNINGS:

1 January	11,022	11,171
Retained profit/ (loss) for the year	<u>3</u>	<u>(149)</u>
31 December	<u>11,025</u>	<u>11,022</u>

All items dealt with in the above profit and loss account relate to discontinued operations

The Company has no recognised gains or losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents

The notes on pages 8 to 12 form part of these financial statements

# RIO TINTO FINANCE & EXPLORATION plc


## BALANCE SHEET As at 31 December 2007

	Note	2007 US\$000	2006 US\$000
<b>FIXED ASSETS</b>			
Investments		-	-
		<u>-</u>	<u>-</u>
<b>CURRENT ASSETS</b>			
Debtors	6	38,298	38,298
		<u>38,298</u>	<u>38,298</u>
<b>CREDITORS - due within one year</b>	7	(708)	(711)
<b>NET CURRENT ASSETS</b>		<u>37,590</u>	<u>37,587</u>
<b>NET ASSETS</b>		<u>37,590</u>	<u>37,587</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	8	8,700	8,700
Share premium account	9	15,225	15,225
Other reserves	9	2,640	2,640
Profit and loss account	9	11,025	11,022
<b>EQUITY SHAREHOLDERS' FUNDS</b>	9	<u>37,590</u>	<u>37,587</u>

The financial statements on pages 6 to 12 were approved by the board of directors on 7 July 08 and were signed on their behalf by



M Murchison  
Director



C Welton  
Director

The notes on pages 8 to 12 form part of these financial statements

# **RIO TINTO FINANCE & EXPLORATION plc**

## **NOTES TO THE 2007 FINANCIAL STATEMENTS**

### **1. ACCOUNTING POLICIES**

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards. The directors have reviewed the Company's existing accounting policies and consider that they are consistent with last year. The principal accounting policies are set out below.

#### **(a) Group financial statements**

Group financial statements have not been prepared as the Company is itself a wholly owned subsidiary of another company incorporated in England and Wales. In the opinion of the directors the aggregate value of the assets of the Company consisting of shares in, and amounts owing from, its subsidiaries is not less than the aggregate amount at which those assets are included in the balance sheet.

#### **(b) Reporting currency**

The principal currency affecting Rio Tinto's international operations is the US dollar, and during 2000 all financing provided to/by the Company was re-denominated into the US dollar. Accordingly, the directors have concluded that the US dollar should be regarded as the principal currency affecting the Company's own cash flows. As a result, the financial statements are presented in US dollars. The year end exchange rate was US\$1.9982/£1 (31 December 2006 US\$1.9640/£1).

#### **(c) Currency translation**

Transactions denominated in foreign currencies are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year. Exchange differences, except where they relate to share capital, are dealt with in the profit and loss account.

#### **(d) Exploration and evaluation**

Exploration and evaluation expenditure comprise costs which are directly attributable to researching and analysing existing exploration data, conducting geological studies, exploratory drilling and sampling, examining and testing extraction and treatment methods, and compiling pre-feasibility and feasibility studies. Exploration and evaluation expenditure also includes the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalisation of exploration and evaluation expenditure commences when there is a high degree of confidence in the projects viability and hence it is probable that future economic benefits will flow. This is determined at the time the expenditure is incurred and not a later date of the project phases. Any capitalised exploration and evaluation expenditure is reviewed for impairment at the balance sheet date.



# RIO TINTO FINANCE & EXPLORATION plc

## NOTES TO THE 2007 FINANCIAL STATEMENTS (continued)

### 1 ACCOUNTING POLICIES (continued)

#### (e) Deferred tax

Full provision is made for deferred taxation on all timing differences that have arisen but not reversed at the balance sheet date, except that deferred tax assets are recognised only to the extent that it is more likely than not that they will be recovered. Deferred tax is recognised on an undiscounted basis.

#### (f) Investment income

Investment income is accounted for on an accruals basis.

### 2. OTHER OPERATING CHARGES

	2007 US\$000	2006 US\$000
Write back inter company debtor/(creditor)	(3)	138
Other charges	-	16
	<u>(3)</u>	<u>154</u>

### 3 OPERATING PROFIT/ (LOSS)

No emoluments were paid or payable to any of the directors during the year in respect of their services to the company (2006 - nil).

Auditors' remuneration of \$12k (2006 \$12k), relating to the audit of the company's accounts, was borne by Rio Tinto Mining and Exploration Limited, a fellow subsidiary company.

### 4. EMPLOYEES

	2007 US\$000	2006 US\$000
Staff costs		
Salaries and wages	-	-
Social security costs	-	-
	<u>-</u>	<u>-</u>

The average number of employees during the year, excluding directors, was nil (2006 -nil).

# RIO TINTO FINANCE & EXPLORATION plc

## NOTES TO THE 2007 FINANCIAL STATEMENTS (continued)

### 5. TAX ON LOSS ON ORDINARY ACTIVITIES

	2007 US\$000	2006 US\$000
The tax charge/(credit) comprises		
UK corporation tax at 30% (2005 - 30%)	-	(5)

The reconciliation from the tax charge/ (credit) at the standard rate of UK corporation tax is as follows

	2007 US\$000	2006 US\$000
Profit(Loss) on ordinary activities before tax	3	(154)
Prima facie tax credit at the standard rate of UK corporation tax at 30% (2005 - 30%)	1	(46)
Non deductible expenditure	-	41
Non-taxable income	(1)	
	<u>-</u>	<u>(5)</u>

### 6. DEBTORS

	2007 US\$000	2006 US\$000
Amounts owed by parent undertaking	38,293	38,293
Amounts owed by subsidiary undertakings	5	-
Corporation tax – amounts due from the parent undertaking in respect of group relief	-	5
	<u>38,298</u>	<u>38,298</u>

# RIO TINTO FINANCE & EXPLORATION plc

## NOTES TO THE 2007 FINANCIAL STATEMENTS (continued)

### 7. CREDITORS - due within one year

	2007 US\$000	2006 US\$000
Amounts owed to fellow group undertakings	708	711
Amounts owed to subsidiary undertakings	-	-
	<u>708</u>	<u>711</u>

### 8. SHARE CAPITAL

	2007 US\$000	2006 US\$000
Authorised, issued and fully paid 6,000,000 ordinary shares of £1 each	<u>8,700</u>	<u>8,700</u>

### 9. MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital US\$000	Share premium US\$000	Other reserves US\$000	Profit and loss account US\$000	Total US\$000
At 1 January	8,700	15,225	2,640	11,022	37,587
Retained profit for the year	-	-	-	3	3
Currency translation and exchange	-	-	-	-	-
At 31 December	<u>8,700</u>	<u>15,225</u>	<u>2,640</u>	<u>11,025</u>	<u>37,590</u>

The company's share capital and share premium were translated into US dollars on 1 November 2000 when the US dollar became its functional currency. The currency translation adjustments have been dealt with in other reserves.

### 10. CASH FLOW STATEMENT

The financial statements do not include a cash flow statement because the company is a wholly owned undertaking of Rio Tinto plc and the conditions of FRS 1 - Cash Flow Statements exempting inclusion are satisfied.

### 11. RELATED PARTIES

The company is exempt from disclosing related party transactions with group undertakings or investees of the Rio Tinto group under the terms of FRS 8 - Related Party Disclosures.

# **RIO TINTO FINANCE & EXPLORATION plc**

## **NOTES TO THE 2006 FINANCIAL STATEMENTS (continued)**

### **12. ULTIMATE PARENT UNDERTAKING**

The immediate parent undertaking is Rio Tinto European Holdings Limited. The ultimate parent undertaking and controlling party is Rio Tinto plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Rio Tinto plc consolidated financial statements can be obtained from the company's registered office at 2 Eastbourne Terrace, London, W2 6LG.