

Company Number 5111539

**RIO TINTO SEVERO ZAPAD LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**For the year ended 31 December 2007**

October 2008

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## **RIO TINTO SEVERO ZAPAD LIMITED**

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**DIRECTORS**

Mr D S Larsen  
Mr C Lenon  
Mr B J S Mathews  
Mr U Quellmann

**SECRETARY**

Mr R P Dowding

**REGISTERED  
OFFICE \***

2 Eastbourne Terrace  
London  
W26LG

**AUDITORS**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

\* During December 2007 the registered office was relocated and the operating office was closed and relocated into the new registered office

# **RIO TINTO SEVERO ZAPAD LIMITED**

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## **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2007**

The directors present their report and audited financial statements for the year ended 31 December 2007

### **BUSINESS REVIEW**

Rio Tinto Severo Zapad is a wholly owned subsidiary of Rio Tinto plc which conducts mineral exploration in Russia through joint ventures with local partners

The company's future developments are integrated with those of the Rio Tinto Group which are discussed in its 2007 Annual report and financial statements which do not form part of this report

The loss for the year was \$1,252 (2006 \$285,954) No interim dividend was paid during the year (2006 nil) and the directors do not recommend the payment of a final dividend (2006 nil)

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The company's principal risks and uncertainties are also 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 key performance indicators that would be necessary or appropriate for an understanding of the development, performance or position of the company's activities

### **DIRECTORS**

The names of the directors at the date of this report are shown on page 2 Mrs Lawless resigned as a director on 31 July 2007 and Mr Ratnage resigned on 25 April 2008 Mr Mathews was appointed as a director on 1 August 2007 and Mr Quellman was appointed on 25 April 2008

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

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

# **RIO TINTO SEVERO ZAPAD LIMITED**

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## **REPORT OF THE DIRECTORS (continued)**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)**

The directors are responsible for maintaining proper accounting records 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**

The 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 the Group's business.


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

The auditors, PricewaterhouseCoopers LLP, will 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 510 of the Companies Act 2006 to the effect that their appointment be brought to an end.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

By order of the board



R P Dowling  
Secretary  
London  
9 October 2008

# RIO TINTO SEVERO ZAPAD LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF RIO TINTO SEVERO ZAPAD LIMITED

We have audited the financial statements of Rio Tinto Severo Zapad Limited 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 loss 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  
Chartered Accountants and Registered Auditors

London

13 October 2008

# RIO TINTO SEVERO ZAPAD LIMITED

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

	Note	<u>2007</u> US\$	<u>2006</u> US\$
Other operating charges		(1,791)	(316,767)
Exchange gains		3	403
		<hr/>	<hr/>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2	(1,788)	(316,364)
Tax on loss on ordinary activities	3	536	30,410
		<hr/>	<hr/>
<b>RETAINED LOSS FOR THE YEAR</b>		<u>(1,252)</u>	<u>(285,954)</u>

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 material difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents

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

The notes on pages 8 to 11 form part of these financial statements

# RIO TINTO SEVERO ZAPAD LIMITED

## BALANCE SHEET As at 31 December 2007

	Note	<u>2007</u> US\$	<u>2006</u> US\$
<b>FIXED ASSETS</b>			
Investments	4	-	-
<b>CURRENT ASSETS</b>			
Debtors	8	30,946	30,410
Cash at bank and in hand		4,306	1,094
		<u>35,252</u>	<u>31,504</u>
<b>CREDITORS - due within one year</b>	5	(365,448)	(360,448)
<b>NET CURRENT LIABILITIES</b>		<u>(330,196)</u>	<u>(328,944)</u>
<b>NET LIABILITIES</b>		<u>(330,196)</u>	<u>(328,944)</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	6	2	2
Profit and loss account	7	(330,198)	(328,946)
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>(330,196)</u>	<u>(328,944)</u>

The financial statements on pages 6 to 11 were approved by the board of directors on 9 October 2008 and were signed on its behalf by



**D S Larsen**  
Director

The notes on pages 8 to 11 form part of these financial statements

# **RIO TINTO SEVERO ZAPAD LIMITED**

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

### **1. ACCOUNTING POLICIES**

#### **(a) Basis of accounting**

These financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and 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.

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

The principal currency affecting Rio Tinto Group's international operations is the US dollar, and all financing provided to/by the Company is denominated in the US dollar. Accordingly, the directors regard the US dollar 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\$2.00 : £1 (31 December 2006 US\$1.967 : £1).

#### **(c) 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/or
- compiling pre-feasibility and feasibility studies.

Exploration expenditure relates to the initial search for deposits with economic potential. Evaluation expenditure arises for detailed assessment of deposits that have been identified as having economic potential.

Expenditure on exploration activity is not capitalised.

Capitalisation of evaluation expenditure commences when there is a high degree of confidence in the project's viability and it is probable that future economic benefits will flow to the Company.

Such capitalised evaluation expenditure is reviewed for impairment at each balance sheet date.

Subsequent recovery of the resulting carrying value depends on successful development of the area of interest or sale of the project. If a project does not prove viable, all irrecoverable costs associated with the project, net of any related impairment provisions, are written off.

#### **(d) Environmental restoration**

No provision for environmental restoration is made in the financial statements until such time as the directors have recognised that a liability will arise.

#### **(e) Fixed asset investments**

Fixed asset investments are included at cost less any permanent diminution in value.



# RIO TINTO SEVERO ZAPAD LIMITED

## NOTES TO THE 2007 FINANCIAL STATEMENTS (continued)

### 1. ACCOUNTING POLICIES (continued)

#### (f) Deferred taxation

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.

#### (g) 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 expressed in foreign currencies are translated at the rate 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.

#### (h) Taxation

The Company pays for (or receives payment for) any group relief received (or surrendered) only where it is justified by commercial circumstances.

### 2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

- (a) The auditors' remuneration relating to the audit of the company's accounts amounting to \$8,280 (2006: 7,885) has, as in the prior year, been borne by a fellow group undertaking.
- (b) The average number of employees during the year, excluding directors was nil (2006: nil).
- (c) No emoluments were paid to any of the directors in respect of their services to the Company (2006: nil).

### 3. TAX ON LOSS ON ORDINARY ACTIVITIES

	<u>2007</u> US\$	<u>2006</u> US\$
The tax credit comprises		
UK corporation tax at 30% (2006: 30%)	<u>536</u>	<u>30,410</u>

The reconciliation from the tax credit at the standard rate of UK corporation tax is as follows:

	<u>2007</u> US\$	<u>2006</u> US\$
Loss on ordinary activities before tax	<u>1,788</u>	<u>316,364</u>
Prima facie tax credit at the standard rate of UK corporation tax at 30% (2006: 30%)	536	94,909
Expenses not deductible for tax purposes	-	(64,499)
	<u>536</u>	<u>30,410</u>

# RIO TINTO SEVERO ZAPAD LIMITED

## NOTES TO THE 2007 FINANCIAL STATEMENTS (continued)

### 4. INVESTMENTS IN GROUP UNDERTAKINGS

	<u>2007</u> US\$	<u>2006</u> US\$
<b>Shares in group undertakings</b>		
<b>Cost or valuation</b>		
1 January	760	698
Additions	-	-
Disposals	-	-
Exchange rate movement	59	62
31 December	<u>819</u>	<u>760</u>
<b>Provisions</b>		
1 January	760	698
Charge for the year	-	-
Disposals	-	-
Exchange rate movement	59	62
31 December	<u>819</u>	<u>760</u>
<b>Net carrying value</b>		
31 December 2007	<u>-</u>	<u>-</u>
31 December 2006	<u>-</u>	<u>-</u>

The following information relates to the Company's principal subsidiary and associated undertakings at 31 December 2007

Company	Country of incorporation	Class of shares held	% held	Nature of business
Rio Tinto Almazpoisk	Russian Federation	Ordinary shares of RUR 1 00 each	100	Exploration
Rio Tinto South West	Russian Federation	Ordinary shares of RUR 1 00 each	100	Exploration

### 5. CREDITORS - due within one year

	<u>2007</u> US\$	<u>2006</u> US\$
Amounts owed to parent undertaking	<u>365,448</u>	<u>360,448</u>

### 6. SHARE CAPITAL

	<u>2007</u> US\$	<u>2006</u> US\$
Authorised		
1,000 ordinary shares of US\$1 each	<u>1,000</u>	<u>1,000</u>
Issued and fully paid		
2 ordinary shares of US\$1 each	<u>2</u>	<u>1</u>

# RIO TINTO SEVERO ZAPAD LIMITED

## NOTES TO THE 2007 FINANCIAL STATEMENTS (continued)

### 7 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Share capital	Other reserves	Profit and loss account	Total
	US\$	US\$	US\$	US\$
At 1 January	2	-	(328,946)	(328,944)
Retained loss for the year	-	-	(1,252)	(1,252)
At 31 December	<u>2</u>	<u>-</u>	<u>(330,198)</u>	<u>(330,196)</u>

### 8. DEBTORS

	<u>2007</u> US\$	<u>2006</u> US\$
Tax relief surrendered to Group	<u>30,946</u>	<u>30,410</u>

### 9 CASH FLOW STATEMENT AND RELATED PARTIES DISCLOSURES

The financial statements do not include a cash flow statement because the Company is a wholly-owned subsidiary and the conditions of FRS 1 exempting inclusion are satisfied. The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Rio Tinto group or investees of the Rio Tinto group.

### 10. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Rio Tinto Minerals Development 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 accounts can be obtained from the company's registered office at 2 Eastbourne Terrace, London, W2 6LG, or from the Rio Tinto Group website at [www.riotinto.com](http://www.riotinto.com).