

Company Number 5111539

**RIO TINTO SEVERO ZAPAD LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

MONDAY



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27/09/2010  
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**Company Information**

<b>DIRECTORS</b>	Mr D S Larsen Mr B J S Matthews Mr U Quellmann
<b>SECRETARY</b>	Mrs G J C Aldridge
<b>REGISTERED OFFICE</b>	2 Eastbourne Terrace London W2 6LG
<b>AUDITORS</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2 6RN

**REPORT OF THE DIRECTORS**

The directors present their Annual report, together with the audited financial statements for the year ended 31 December 2009

**BUSINESS REVIEW**

Rio Tinto Severo Zapad Limited ("the Company") is a wholly-owned subsidiary of Rio Tinto Minerals Development Limited and a member of the Rio Tinto Group ("the Group")

The principal activity of the Company is mineral exploration conducted through joint venture arrangements in Russia

The Company's loss for the financial year was \$2,445 (2008 \$2,598 - profit) No interim dividend was paid during the year (2008 nil) The directors do not recommend the payment of a final dividend (2008 nil)

The Company's future developments are integrated with those of the Group which are discussed in its 2009 Annual report which does not form part of this report

**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 2009 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 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 in office at the date of this report are shown on page 2

Roger Dowding resigned as secretary on 7th April 2010 and was replaced by G J C Aldridge effective from 5 July 2010

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

**INDEMNITIES AND INSURANCE**

The Group purchased Directors' and Officers' insurance during the year The insurance indemnifies individual directors' and officers' personal legal liability and cost for claims arising out of actions taken in connection with group business

**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 2009 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 in accordance with the Companies Act 2006 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

**REPORT OF DIRECTORS (continued)****DISCLOSURE OF INFORMATION TO AUDITORS**

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 to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

**CHANGE OF AUDITORS**

In accordance with section 485 Companies Act 2006 the directors will propose that during the period of appointing auditors the shareholders pass an ordinary resolution to appoint Grant Thornton LLP as auditors of the Company

By order of the board



**G J C Aldridge**

**Secretary**

2 Eastbourne Terrace

London W2 6LG

17 September 2010

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
RIO TINTO SEVERO ZAPAD LIMITED**

We have audited the financial statements of Rio Tinto Severo Zapad Limited ("the Company") for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

**Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out in the Report of Directors, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and 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.

**Scope of the audit of the financial statements**

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.

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its loss 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.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Jonathan Lambert (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
17 September 2010

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	<u>2009</u> US\$	<u>2008</u> US\$
Income		-	4,161
Operating costs	2	(1,286)	(2,186)
<b>(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>(1,286)</u>	<u>1,975</u>
Tax on (loss) / profit on ordinary activities	3	(1,159)	623
<b>(LOSS) / PROFIT FOR THE YEAR</b>		<u><b>(2,445)</b></u>	<u><b>2,598</b></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 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

**BALANCE SHEET  
AS AT 31 DECEMBER 2009**

	Note	<u>2009</u> US\$	<u>2008</u> US\$
<b>FIXED ASSETS</b>			
Investments	4	-	-
<b>CURRENT ASSETS</b>			
Debtors	5	-	1,159
Cash at bank and in hand		35,405	36,691
		<u>35,405</u>	<u>37,850</u>
Creditors due within one year	6	(365,448)	(365,448)
<b>NET CURRENT LIABILITIES</b>		<u>(330,043)</u>	<u>(327,598)</u>
<b>NET LIABILITIES</b>		<u>(330,043)</u>	<u>(327,598)</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	7	2	2
Profit and loss account	8	(330,045)	(327,600)
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>(330,045)</u>	<u>(327,598)</u>

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

The financial statements on pages 6 to 11 were approved by the board of directors on 17 September 2010 and were signed on its behalf by



**Daniel Shane Larsen**  
Director

## NOTES TO THE 2009 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 2006 and applicable UK accounting standards. The directors have reviewed the Company's existing accounting policies and consider that they are suitable. The principal accounting policies have been applied consistently.

**(b) Presentation Currency**

The principal currency affecting the Company's 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\$1.61 £1 (31 December 2008 US\$1.44 £1).

**(c) Fixed Asset Investments**

Fixed asset investments are valued at cost less impairment provisions. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value if higher. The discount rate applied is based upon the Company's weighted average cost of capital, with appropriate adjustment for the risks associated with the relevant unit.

Impairments of investments in subsidiaries carrying exploration and evaluation projects follow the Group's treatment of the capitalisation of exploration and evaluation expenditures which is to capitalize expenses when there is a high degree of confidence in the projects viability and hence it is probable that future economic benefits will flow.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indications exist, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(d) 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.

**(e) 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.

**(f) Taxation**

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



## NOTES TO THE 2009 FINANCIAL STATEMENTS

**1 ACCOUNTING POLICIES (continued)****(g) 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 subsidiary companies is not less than the aggregate amount at which those assets are included in the balance sheet.

**2 OPERATING COSTS**

- (a) The auditors' remuneration of \$3,610 (2008 \$5,400) relating to the audit of the Company's accounts is borne by a fellow group undertaking
- (b) The average number of employees during the year, excluding directors was nil (2008 nil)
- (c) No emoluments were paid to any of the directors in respect of their services to the Company (2008 nil)
- (d) Other operating costs in the year represent bank charges (2008 \$2,186)

**3 TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<u>2009</u> US\$	<u>2008</u> US\$
The tax credit comprises		
UK corporation tax at 28% (2008 28.5%)	-	623
Adjustment in respect of prior period	<u>(1,159)</u>	<u>-</u>

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

	<u>2009</u> US\$	<u>2008</u> US\$
(Loss) / profit on ordinary activities before tax	<u>(1,286)</u>	<u>1,975</u>
Prima facie tax charge at the standard rate of UK corporation tax of 28.5% (2008 28.5%)	(360)	(563)
Income not taxable	-	1,186
Group relief surrendered for nil payment	360	-
Adjustment in respect of prior year	<u>(1,159)</u>	<u>-</u>
Current tax credit for the year	<u>(1,159)</u>	<u>623</u>

The June 2010 Budget Statement announced reductions to the UK statutory corporation tax rate from the current rate of 28%. The new rates expected are 27% effective 1 April 2011, 26% effective 1 April 2012, 25% effective 1 April 2013 and 24% effective 1 April 2014. These changes will have no impact on the financial statements prepared to 31 December 2009.

## NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

## 4 INVESTMENTS IN GROUP UNDERTAKINGS

	<u>2009</u> US\$	<u>2008</u> US\$
Shares in group undertakings		
Cost or valuation		
1 January	355	724
Liquidated	-	(369)
31 December	<u>355</u>	<u>355</u>
Provisions		
1 January	(355)	(724)
Liquidated	-	369
31 December	<u>(355)</u>	<u>(355)</u>
Net carrying value		
31 December	<u>-</u>	<u>-</u>

The following information relates to the Company's principal subsidiary at 31 December 2009

<i>Company</i>	<i>Country of incorporation</i>	<i>Class of shares held</i>	<i>% held</i>	<i>Nature of business</i>
Rio Tinto Almazpoisk LLC	Russian Federation	Ordinary shares of Russian Rouble 1 each	100	Exploration

## 5 DEBTORS

	<u>2009</u> US\$	<u>2008</u> US\$
Amounts receivable from Group undertakings	<u>-</u>	<u>1,159</u>

## 6 CREDITORS, due within one year

	<u>2009</u> US\$	<u>2008</u> US\$
Amounts payable to immediate parent undertaking	<u>365,448</u>	<u>365,448</u>

The amount payable to immediate parent undertaking is repayable on demand and does not bear an interest

## 7 SHARE CAPITAL

	<u>2009</u> US\$	<u>2008</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>2</u>

**NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)**

**8 MOVEMENTS IN SHAREHOLDER'S FUNDS**

	<i>Share capital</i>	<i>Other reserves</i>	<i>Profit and loss account</i>	<i>Total</i>
	US\$	US\$	US\$	US\$
At 1 January	2	-	(327,600)	(327,598)
Retained profit for the year	-	-	(2,445)	(2,445)
At 31 December	<u>2</u>	<u>-</u>	<u>(330,045)</u>	<u>(330,043)</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 Financial Reporting Standard ("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 Group or investees of the 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. The Group's consolidated financial statements can be obtained from 2 Eastbourne Terrace, London, W2 6LG or Rio Tinto website ([www.riotinto.com](http://www.riotinto.com)).