

Company Registration No. 2168685 (England and Wales)

IEA ENVIRONMENTAL PROJECTS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

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IEA ENVIRONMENTAL PROJECTS LIMITED

COMPANY INFORMATION

Directors

Dr J M Topper
Dr E J Dorward King
J B Lott

Secretary

C F Nathan

Company number

2168685

Registered office

Gemini House
10-18 Putney Hill
London
Great Britain
SW15 6AA

Auditors

HLB Vantis Audit Plc
The White Cottage
19 West Street
Epsom
Surrey
KT18 7BS

IEA ENVIRONMENTAL PROJECTS LIMITED

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IEA ENVIRONMENTAL PROJECTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2007

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

Principal activities and review of the business

The principal activity of the company continued to be that of Operating Agent for the IEA Greenhouse Gas R&D Programme on behalf of its members. This is an international collaboration supported by eighteen nations (2006-17), the European Commission and seventeen industrial sponsors (2006-16). Its purpose is to provide information on technologies for the abatement of greenhouse gas emissions from the burning of fossil fuels. The members are represented through an Executive Committee.

Since 3rd July 2001, the Company has also been the owner of IEA Coal Research Limited, the Operating Agent for IEA Clean Coal Centre, an international organisation set up to provide information about and analysis of all aspects of coal-related combustion technologies, the economics and associated environmental control technologies.

The results for the year are considered satisfactory by the directors.

Review of the business

The Centre continues to research and disseminate information on subjects relevant to Greenhouse gases. The subjects are decided by the members and, increasingly, are published electronically rather than by hard copy.

The company may only charge to the Greenhouse Gas R&D programme the exact costs of the operation and therefore makes neither a profit nor a loss.

Principal risks and uncertainties

The company exists solely to operate the IEA Greenhouse Gas R&D programme under the terms of the Implementing Agreement.

The primary members of the IEA Greenhouse Gas R&D programme are government agencies of countries interested in Greenhouse gas emissions and interest in the subject is increasing as concerns over global warming and future energy supplies continue to exercise authorities around the world. Individual government agencies may have financial constraints imposed on them and sometimes replace direct subscription to the Programme by a consortium of commercial sponsors, in addition to individual sponsor membership by commercial organisations.

Results and dividends

The results for the year are set out on page 5.

Financial Instruments

The company makes sales on credit and manages the risks arising through credit control procedures. The company is exposed in its operations to the risk of changes in foreign currency exchange rates. Certain amounts are invoiced in US dollars based on the exchange rate ruling at the date of the transaction. The policy is to obtain funding in advance based on budgeted requirements.

Directors

The following directors have held office since 1 April 2006:

Dr J M Topper

Dr E J Dorward King

IEA ENVIRONMENTAL PROJECTS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

J B Lott

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that HLB Vantis Audit Plc be reappointed as auditors of the company will be put to the Annual General Meeting

Directors' responsibilities

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- 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 proper accounting records that 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 1985. 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.

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board



C F Nathan

Secretary
11/9/2007

IEA ENVIRONMENTAL PROJECTS LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF IEA ENVIRONMENTAL PROJECTS LIMITED

We have audited the financial statements of IEA Environmental Projects Limited for the year ended 31 March 2007 set out on pages 5 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the 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).

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 judgements 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.

IEA ENVIRONMENTAL PROJECTS LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF IEA ENVIRONMENTAL PROJECTS LIMITED

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 March 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

HLB Vantis Audit

HLB Vantis Audit Plc

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Chartered Accountants

Registered Auditor



The White Cottage
19 West Street
Epsom
Surrey
KT18 7BS

IEA ENVIRONMENTAL PROJECTS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2007

	Notes	2007 £	2006 £
Turnover	2	991,434	1,069,293
Administrative expenses		(1,050,052)	(1,098,018)
Operating loss	3	(58,618)	(28,725)
Other interest receivable and similar income	4	68,454	37,900
Profit on ordinary activities before taxation		9,836	9,175
Tax on profit on ordinary activities	5	(9,836)	(9,175)
Loss for the year		-	-

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

IEA ENVIRONMENTAL PROJECTS LIMITED

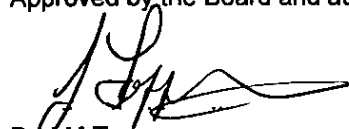
BALANCE SHEET

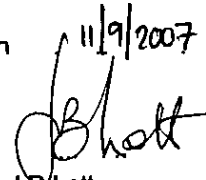
AS AT 31 MARCH 2007

	Notes	2007 £	£	2006 £	£
Fixed assets					
Investments	6		2		2
Current assets					
Debtors	7	824,244		825,594	
Cash at bank and in hand		2,013,670		1,784,071	
		<u>2,837,914</u>		<u>2,609,665</u>	
Creditors: amounts falling due within one year	8	<u>(1,813,509)</u>		<u>(1,779,123)</u>	
Net current assets			<u>1,024,405</u>		<u>830,542</u>
Total assets less current liabilities			<u>1,024,407</u>		<u>830,544</u>
Creditors: amounts falling due after more than one year	9		<u>(1,024,307)</u>		<u>(830,444)</u>
			<u>100</u>		<u>100</u>
Capital and reserves					
Called up share capital	11		<u>100</u>		<u>100</u>
Shareholders' funds	12		<u>100</u>		<u>100</u>

Approved by the Board and authorised for issue on

11/9/2007


Dr M Topper
Director


J B Lott
Director

IEA ENVIRONMENTAL PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

1 Accounting policies

1.1 Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with s226 of, and Schedule 4 to, the Companies Act 1985. The accounts have been prepared in accordance with applicable accounting standards. Although the ultimate parent company is listed on the London Stock Exchange, the financial statements have not been prepared in accordance with International Financial Reporting Standards, as the company is a minor subsidiary and the directors consider that the costs outweigh the benefits.

These financial statements present information about the result of the individual company and not about the group. Group financial statements are not required as the company's transactions are included in the consolidated accounts of its ultimate parent company.

The company has taken advantage of the exemption in FRS 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90% or more of the voting rights are controlled within the group and its cash flows are included in the cash flow statement prepared by its ultimate parent company.

1.2 Compliance with and departure from accounting standards

The financial statements are also prepared in accordance with Article 6 of the Implementing Agreement for the IEA Greenhouse Gas R&D Programme together with any specific instructions as approved by the Executive Committee.

Any capital expenditure in respect of accommodation and equipment is expensed in the year of purchase. This is contrary to the Companies Act 1985 but in accordance with the Implementing Agreement which governs the Company's activities and this treatment is considered appropriate to give a true and fair view. This difference in treatment has no material effect in this year's financial statements (2006 - not material).

Funds temporarily surplus to requirements are deposited with the company's bankers.

The company has taken advantage of the exemption in FRS 18 from the requirement by FRS 8 to disclose related party transactions, on the basis that it is a subsidiary undertaking where 90% or more of the voting rights are controlled within the group and the consolidated financial statements are publicly available.

1.3 Turnover

Turnover represents contributions received from member countries and the sales of services, excluding Value Added Tax.

1.4 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.5 Revenue recognition

The current position is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value to which costs to date bear to total expected costs for that contract. The net income thus deferred on on-going projects during the year was £265,825 (2006 £233,064).

The above policy is considered by the directors to more accurately reflect the not for profit nature of the company and as such they have applied the true and fair override in this regard.

IEA ENVIRONMENTAL PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

1 Accounting policies (continued)

1.6 Pensions

The company's parent company operates a defined benefits scheme in which one member of staff was a member. The company also operates a sub-fund in the defined benefits scheme under the Industry Wide Coal Staff Superannuation Scheme. Contributions payable in the year are charged to the profit and loss account as incurred.

1.7 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.8 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating loss	2007 £	2006 £
Operating loss is stated after charging		
Loss on foreign exchange transactions	29,740	-
Research and development	332,841	509,779
Auditors' remuneration	4,845	4,175
Remuneration of auditors for non-audit work	12,700	12,715
and after crediting		
Profit on foreign exchange transactions	-	(16,430)

"Remuneration of auditors for non-audit work" relates to fees paid to a firm associated with the auditors for the performance of non-audit work.

Not included in Operating income is the following, project specific, income received during the year. The net income or expenditure on the project will be taken to income once the project is complete.

Bio-fix network £4,592

CO2 Recycle £17,857

GHGT 9 £79,498

IEA ENVIRONMENTAL PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

4	Investment income	2007	2006
		£	£
	Bank interest	68,454	37,900
5	Taxation	2007	2006
		£	£
	Domestic current year tax		
	U K corporation tax	9,836	6,800
	Adjustment for prior years	-	2,375
	Current tax charge	9,836	9,175
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	9,836	9,175
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30 00% (2006 - 30 00%)	2,951	2,753
	Effects of		
	Adjustments to previous periods	-	2,375
	Other tax adjustments	6,885	4,047
		6,885	6,422
	Current tax charge	9,836	9,175

IEA ENVIRONMENTAL PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

6 Fixed asset investments

	Unlisted Investments £
Cost	
At 1 April 2006 & at 31 March 2007	2
Net book value	
At 31 March 2007	2
	<hr/>
At 31 March 2006	2
	<hr/>

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
IEA Coal Research Limited	England and Wales	Ordinary	100 00

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows

	Capital and reserves 2007 £	Profit for the year 2007 £
Principal activity		
IEA Coal Research Limited	Operating agent for IEA Clean Coal Centre 2	-
	<hr/>	<hr/>

The company owns all of the share capital in IEA Coal Research Limited which is incorporated in England and Wales and acts as operating agent for the IEA Clean Coal Centre

7 Debtors	2007 £	2006 £
Trade debtors	817,565	816,746
Other debtors	6,679	8,848
	<hr/>	<hr/>
	824,244	825,594
	<hr/>	<hr/>

Trade debtors consist of amounts invoiced by the company, not yet received at the balance sheet date but expected to be recoverable

IEA ENVIRONMENTAL PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

8	Creditors: amounts falling due within one year	2007 £	2006 £
	Trade creditors	45,474	2,963
	Amounts owed to subsidiary undertakings	136,235	60,915
	Corporation tax	19,011	6,800
	Other creditors	1,316,234	1,381,835
	Accruals and deferred income	296,555	326,610
		<u>1,813,509</u>	<u>1,779,123</u>
9	Creditors: amounts falling due after more than one year	2007 £	2006 £
	Winding-up fund	287,622	287,622
	Members unspent balances	736,685	542,822
		<u>1,024,307</u>	<u>830,444</u>

The winding-up fund relates to the estimate made by the board of IEA Environmental Projects Limited of the costs required to wind up the programme. No agreement has been made, nor are there any plans to wind up the programme at the present time. The provision is reviewed annually by the Operating Agent and the proposed changes are agreed by the Executive Committee. Any unspent monies on winding up are due back to the members in addition to the members' unspent balances.

Member's unspent balances are the sums of money remaining once charges have been made for working capital, allocation to the winding up fund and other commitments during the year.

IEA ENVIRONMENTAL PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

10 Pension costs

For the whole of the year four employees (2006 four) of IEA Environmental Projects Limited were members of two defined benefit pension schemes. The assets of the schemes are held in separate trustee administered funds.

One employee was a member of the Rio Tinto Pension Fund ("the Fund"). The Fund provides benefits on a defined benefit basis. However, the contributions paid by the company are accounted as if the scheme were a defined contribution scheme, as the Company is unable to identify its share of the underlying assets and liabilities in the scheme.

Three employees were members of the Industry Wide Coal Staff Superannuation Scheme (IWCSSS). IWCSSS provides benefits on a defined benefit basis, but the contributions paid by the Company are accounted as if the scheme were a defined contribution scheme, as the Company is unable to identify its share of the underlying assets and liabilities in the scheme.

An actuarial valuation, with effective date of 31 December 2006 is currently underway for IWCSSS and the directors anticipate this valuation will be completed in time for appropriate disclosures to be made in the financial statements for the year ending 31 March 2008.

The employee participating in the Rio Tinto Pension fund ceased employment on 31 July 2007.

The cost of contributions to the above defined benefit schemes amount to £21,612 (2006 £17,652).

11 Share capital	2007	2006
	£	£
Authorised		
100 Ordinary of £1 each	100	100
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
100 Ordinary of £1 each	100	100
	<u> </u>	<u> </u>
 12 Reconciliation of movements in shareholders' funds	 2007	 2006
	£	£
Loss for the financial year	-	-
Opening shareholders' funds	100	100
	<u> </u>	<u> </u>
Closing shareholders' funds	100	100
	<u> </u>	<u> </u>

IEA ENVIRONMENTAL PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

13 Financial commitments

At 31 March 2007 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2008

	Land and buildings	
	2007	2006
	£	£
Operating leases which expire		
Between two and five years	19,658	-

14 Directors' emoluments

	2007	2006
	£	£
Emoluments for qualifying services	17,000	14,000

15 Employees

Number of employees

The average monthly number of employees (including directors) during the year was

	2007	2006
	Number	Number
Administration and technical	9	8

Employment costs

	2007	2006
	£	£
Wages and salaries	297,945	318,621
Social security costs	28,085	23,623
Other pension costs	21,523	17,652
	347,553	359,896

IEA ENVIRONMENTAL PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

16 Control

The company is a 100% subsidiary undertaking of Rio Tinto International Holdings Limited, a company incorporated in England and Wales

The smallest group into which the company is consolidated is Rio Tinto International Holdings Limited
The largest group into which the company is consolidated is Rio Tinto plc, a company incorporated in England and Wales

The consolidated accounts of Rio Tinto plc are available to the public and may be obtained from Rio Tinto plc, 6 St James Square, London, SW1Y 4LD Alternatively, they are available to download from www.riotinto.com