

Company Registration No 2168685 (England and Wales)

IEA ENVIRONMENTAL PROJECTS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008



IEA ENVIRONMENTAL PROJECTS LIMITED

COMPANY INFORMATION

Directors

Dr J M Topper
J B Lott
A M Lloyd (Appointed 1 October 2007)

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 2008

The directors present their report and financial statements for the year ended 31 March 2008

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 countries (2007-18), the European Commission, the Organisation of Petroleum Exporting Countries and eighteen industrial sponsors (2007-17). 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.

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 IEA 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 operates 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.

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

Results and dividends

The results for the year are set out on page 6.

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.

IEA ENVIRONMENTAL PROJECTS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

Directors

The following directors have held office since 1 April 2007

Dr J M Topper

Dr E J Dorward King

(Resigned 1 October 2007)

J B Lott

A M Lloyd

(Appointed 1 October 2007)

Employee involvement

The company's policy is to consult and discuss with employees, through staff councils and at meetings, matters likely to affect employees' interests

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance

Disabled persons

The company gives equal consideration to potential staff with disabilities for those vacancies for which they may be considered. If employed, they would qualify for terms and conditions of service equal to those of existing staff

Auditors

The auditors, HLB Vantis Audit Plc, are deemed to be reappointed under section 487(2) of the Companies Act 2006

IEA ENVIRONMENTAL PROJECTS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

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.

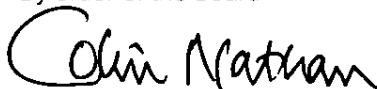
Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Qualifying 3rd party indemnity provisions

The company maintains insurance policies on behalf of all the directors against liability arising from negligence, breach of duty and breach of trust in relation to the company.

By order of the board



C F Nathan

Secretary

28 October 2008

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 2008 set out on pages 6 to 15. 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 2008 and of its result 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 Plc

HLB Vantis Audit Plc

6 November 2008

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 2008

	Notes	2008 £	2007 £
Turnover	2	1,066,892	991,434
Administrative expenses		(1,169,832)	(1,050,052)
Operating loss	3	(102,940)	(58,618)
Other interest receivable and similar income	4	107,024	68,454
Profit on ordinary activities before taxation		4,084	9,836
Tax on profit on ordinary activities	5	(4,084)	(9,836)
Profit/(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 2008

	Notes	2008 £	£	2007 £	£
Fixed assets					
Investments	6		2		2
Current assets					
Debtors	7	444,711		824,244	
Cash at bank and in hand		2,690,124		2,013,670	
		<u>3,134,835</u>		<u>2,837,914</u>	
Creditors amounts falling due within one year	8	<u>(1,676,760)</u>		<u>(1,813,509)</u>	
Net current assets			1,458,075		1,024,405
Total assets less current liabilities			1,458,077		1,024,407
Creditors amounts falling due after more than one year	9		<u>(1,457,977)</u>		<u>(1,024,307)</u>
			<u>100</u>		<u>100</u>
Capital and reserves					
Called up share capital	11		100		100
Shareholders' funds	12		<u>100</u>		<u>100</u>

Approved by the Board and authorised for issue on

28 October 2008


Dr J M Topper
Director


J B Lott
Director

IEA ENVIRONMENTAL PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

1 Accounting policies

1.1 Accounting convention

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of Rio Tinto plc, a company incorporated in England and Wales, and is included in the consolidated accounts of that company.

The Company is the operating agent for IEA Greenhouse Gas R&D Programme (the Programme) which is financed by various countries, sponsors and the EU. The Company's net expenditure in each year is charged to the Programme, the Company making neither profit nor loss.

The financial statements of the Company have been prepared under the historical cost convention and in accordance with s226 and Schedule 4 of the Companies Act 1985.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement.

1.2 Compliance with and departure from accounting standards

The financial statements are prepared in accordance with applicable accounting standards, which have been applied consistently (except as otherwise stated).

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.

The company has taken advantage of the exemption contained in FRS 8, Related Parties, from the requirement to disclose related party transactions.

1.3 Turnover

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

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 £20,024 (2007 £265,825).

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.

1.4 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5 Investments

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

IEA ENVIRONMENTAL PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

1 Accounting policies

(continued)

1.6 Pensions

The company's parent company operates a pension scheme in the UK in which one employee participated with benefits provided on a defined benefit basis. Contributions payable in the year are charged to the profit and loss account as incurred.

The company also operates a sub-fund in the Industry Wide Coal Staff Superannuation Scheme with benefits provided on a defined benefits basis. Contributions payable in the year are charged to the profit and loss account as incurred.

For defined benefit schemes, when the benefits of a scheme are improved, past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately, following the introduction of, or changes to, a defined benefit plan, the past service cost is recognised as an expense immediately.

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

	2008	2007
	£	£
Operating loss is stated after charging		
Loss on foreign exchange transactions	-	29,740
Research and development	297,054	332,841
Fees payable to the company's auditor for the audit of the company's annual accounts	6,179	4,845
Remuneration for accountants for non-audit work	13,318	12,700
and after crediting		
Profit on foreign exchange transactions	(1,852)	-

IEA ENVIRONMENTAL PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

4	Investment income	2008	2007
		£	£
	Bank interest	107,024	68,454
		<u>107,024</u>	<u>68,454</u>
5	Taxation	2008	2007
		£	£
	Domestic current year tax		
	U K corporation tax	8,270	9,836
	Adjustment for prior years	(4,186)	-
		<u>4,084</u>	<u>9,836</u>
	Current tax charge	4,084	9,836
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>4,084</u>	<u>9,836</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2007 - 30.00%)	<u>1,225</u>	<u>2,951</u>
	Effects of		
	Other tax adjustments	<u>2,859</u>	<u>6,885</u>
		<u>2,859</u>	<u>6,885</u>
	Current tax charge	4,084	9,836

IEA ENVIRONMENTAL PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

6 Fixed asset investments

	Unlisted investments £
Cost	
At 1 April 2007 & at 31 March 2008	2
Net book value	
At 31 March 2008	2
At 31 March 2007	2

Holdings of more than 20%

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

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 this undertaking for the last relevant financial year were as follows

		Capital and reserves	Profit/(loss) for the year
		2008	2008
	Principal activity	£	£
IEA Coal Research Limited	Operating agent IEA Clean Coal Centre	2	-

7 Debtors

	2008 £	2007 £
Trade debtors	394,547	817,565
Other debtors	24,686	6,679
Prepayments and accrued income	25,478	-
	444,711	824,244

IEA ENVIRONMENTAL PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

8	Creditors amounts falling due within one year	2008	2007
		£	£
	Trade creditors	12,756	45,474
	Amounts owed to subsidiary undertakings	194,030	136,235
	Corporation tax	8,270	19,011
	Other creditors	1,253,547	1,316,234
	Accruals and deferred income	208,157	296,555
		<u>1,676,760</u>	<u>1,813,509</u>
9	Creditors amounts falling due after more than one year	2008	2007
		£	£
	Amounts held on behalf of contributing countries	<u>1,457,977</u>	<u>1,024,307</u>

Amounts held on behalf of contributing countries consist of the following

Winding up fund

The winding-up fund exists to cover the costs arising from the closure of the IEA Greenhouse Gas R&D Programme. No agreement has been made nor are there any plans to wind up the Programme at the present time. The size of the fund is assessed annually by the Operating Agent and any proposed changes are agreed annually by the Executive Committee. The size of the fund as at 31 March 2008 was £287,622 (2007 £287,622).

Members' unspent balances

Members' unspent balances are the sums of money remaining once charges have been made for working capital and other commitments during the year. The balance as at 31st March 2008 was £1,170,355 (2007 £736,685).

IEA ENVIRONMENTAL PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

10 Pension costs

Four employees (2007 four) of IEA Environmental Projects Limited were members of two pension schemes. The assets of the schemes are held in separate trustee administered funds.

One employee participated in the Rio Tinto Pension Fund ("the Fund") with benefits provided on a defined benefit basis. 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.

The employee participating in the Rio Tinto Pension Fund ceased employment on 31 July 2007. This triggered a debt payment of £5,800 in accordance with Section 75 of the Pension Act 1995.

Three employees were members of the Industry Wide Coal Staff Superannuation Scheme (IWCSSS) with benefits provided on a defined benefit basis. 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 as at the 31 March 2008.

The most recent actuarial valuation of the IWCSSS was conducted with an effective date of 31 December 2006. As a result of the findings of that valuation, the Company's contribution rate in respect of future accrual of benefits, provision of death-in-service lump sum benefits and the administration expenses incurred by the IWCSSS was increased to 26.3% of Pensionable Pay with effect from 1 July 2007. Prior to that date the Company's contribution rate was 17.45% of Pensionable Pay plus an annual expense charge of £1,000. The actuarial valuation at the 31 December 2006 revealed a funding shortfall of £120,000 in respect of benefits accrued up to the date of the valuation and the Company will make additional payments of £2,000 per month for a period of five years from 1 November 2007 to eliminate this shortfall. The funding position will be reviewed at the next actuarial valuation which will be at an effective date of 31 December 2009.

In addition, legislation imposes a levy on company pension schemes to fund the statutory Pension Protection Fund. The PPF levy is included within the company contribution rate for the Rio Tinto Pension Fund. For the Industry Wide Coal Staff Superannuation Scheme, the PPF levy was included within the company contribution rate until 31 March 2007 but since 1 April 2007 has been payable separately. In 2008 this amounted to £1,985 (2007 Nil).

The cost of contributions to the above schemes amount to £42,504 (2007 £21,612). This includes the Section 75 debt payment of £5,800 detailed above.

With effect from 1 April 2008, employees of IEA Environmental Projects Limited (except for the three employees participating in the IWCSSS) are eligible to join the defined contribution section of the Rio Tinto Pension Fund.

11 Share capital	2008	2007
	£	£
Authorised		
100 Ordinary Shares of £1 each	100	100
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
100 Ordinary Shares of £1 each	100	100
	<u> </u>	<u> </u>

IEA ENVIRONMENTAL PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

12	Reconciliation of movements in shareholders' funds	2008 £	2007 £
	Loss for the financial year	-	-
	Opening shareholders' funds	100	100
		<hr/>	<hr/>
	Closing shareholders' funds	100	100
		<hr/>	<hr/>

13 Financial commitments

At 31 March 2008 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2009

	Land and buildings	
	2008	2007
	£	£
Operating leases which expire		
Between two and five years	19,658	19,658
	<hr/>	<hr/>

14	Directors' emoluments	2008 £	2007 £
	Emoluments for qualifying services	16,500	17,000
		<hr/>	<hr/>

IEA ENVIRONMENTAL PROJECTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2008

15 Employees

Number of employees

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

	2008 Number	2007 Number
Administration and technical	10	9

Employment costs

	2008 £	2007 £
Wages and salaries	350,213	297,945
Social security costs	32,111	28,085
Other pension costs	42,054	21,523
	<u>424,378</u>	<u>347,553</u>

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, 2 Eastbourne Terrace, London, W2 6LG. Alternatively, they are available to download from www.riotinto.com

17 Related party transactions

The company made charges to IEA Greenhouse Gas R&D programme of £867,113 (2007 £960,544)

The company was recharged expenses by IEA Coal Research Limited, its subsidiary undertaking during the year for services of £490,837 (2007 £102,178). IEA Coal Research Ltd was owed £194,030 by the company at the balance sheet date (2007 £131,846)

There were no other material related party transactions during the year

IEA ENVIRONMENTAL PROJECTS LIMITED
MANAGEMENT INFORMATION
FOR THE YEAR ENDED 31 MARCH 2008

IEA ENVIRONMENTAL PROJECTS LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

	2008 £	2007 £
Turnover		
Charges made to IEA Greenhouse Gas Programme	867,113	960,544
Charges made to third parties	99,328	30,390
Other income	100,451	500
	<hr/>	<hr/>
	1,066,892	991,434
 Administrative expenses	 (1,169,832)	 (1,050,052)
	<hr/>	<hr/>
Operating loss	(102,940)	(58,618)
 Other interest receivable and similar income		
Bank interest received	107,024	68,454
	<hr/>	<hr/>
Profit before taxation	4,084	9,836
	<hr/>	<hr/>

IEA ENVIRONMENTAL PROJECTS LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED 31 MARCH 2008

	2008	2007
	£	£
Administrative expenses		
Salaries	333,713	280,945
Directors' remuneration	16,500	17,000
Social security	32,111	28,085
Pensions	42,054	21,523
Office equipment, supplies and services	149,054	109,490
Communications (including publishing)	89,810	85,687
Travel expenses	157,410	111,748
External contracts for technical studies	297,054	332,841
Legal and professional fees	32,226	1,733
Accountancy	13,318	12,700
Auditors remuneration	6,179	4,845
Bank charges	2,255	1,665
Bad debts	-	12,050
Foreign exchange differences	(1,852)	29,740
	<hr/>	<hr/>
	1,169,832	1,050,052
	<hr/>	<hr/>
