

Registration number: 6287014

RIO TINTO FINANCE (USA) PLC

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**



RIO TINTO FINANCE (USA) PLC

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RIO TINTO FINANCE (USA) PLC

COMPANY INFORMATION

DIRECTORS	S P Allen M P Bossick P L Cunningham P I Hedley
COMPANY SECRETARY	Rio Tinto Secretariat Limited
REGISTRATION NUMBER	6287014
REGISTERED OFFICE	6 St James's Square London United Kingdom SW1Y 4AD
INDEPENDENT AUDITORS'	PricewaterhouseCoopers LLP 1 Embankment Place London United Kingdom WC2N 6RH

RIO TINTO FINANCE (USA) PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their Strategic report on Rio Tinto Finance (USA) plc (the "Company") for the year ended 31 December 2017.

Introduction

The Company is incorporated, domiciled and registered in England and Wales under the Companies Act 2006 as a public limited company. The Company's ultimate parent undertaking and controlling party is Rio Tinto plc, which together with Rio Tinto Limited and their respective subsidiaries form the Rio Tinto Group (the "Group").

The Company's debt issuance is guaranteed by Rio Tinto plc and Rio Tinto Limited.

Business review

The Company's future developments are integrated with those of the Group which are discussed in the Group's 2017 Annual Report which does not form part of this report. The Group's financial instrument and risk management policies are discussed within the 2017 Annual Report.

During 2017, the Company redeemed US\$363 million in aggregate, external bonds issued as part of the Group liability management programme. As a result, US\$232 million of the 3.5% 2022 bond and US\$131 million of the 2.875% 2022 bond were redeemed, resulting in an aggregate cash outflow of US\$380 million before fees.

The Company incurred a premium charge on the early redemption of the external bonds of US\$17 million.

The intra-group bonds invested with Rio Tinto Finance plc were also redeemed on similar terms at the same time as the redemption of the external bonds.

The Company did not raise external funding in 2017.

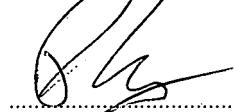
Principal risks and uncertainties

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 2017 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.

The report was approved by the board and signed on its behalf by:



.....
P I Hedley
Director

Date: 27/4/18

RIO TINTO FINANCE (USA) PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the audited financial statements for the year ended 31 December 2017.

Principal activity

The Company plays a major role in raising external funding for the Group.

Results and dividends

The result for the financial year, amounted to US\$Nil (2016: US\$Nil).

No interim dividend was paid during the year (2016: US\$Nil) and the directors do not recommend the payment of a final dividend (2016: US\$Nil).

Directors

The directors who served during the year and to the date of this report were:

S P Allen (appointed 25 October 2017)

M P Bossick (appointed 28 April 2017)

P L Cunningham

P I Hedley (appointed 28 April 2017)

M D Andrewes (resigned 28 April 2017)

V E Hames (resigned 30 September 2017)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 the financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006.

The directors 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.

RIO TINTO FINANCE (USA) PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

Corporate Governance

The Company is a wholly-owned subsidiary of the Group, therefore, there is no further disclosure required under paragraph 13(2)(c) and (d) of Schedule 7 to the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 ("Schedule 7"), nor are there any restrictions on the voting rights of the shares held ("Schedule 7", 13(2)(f)).

Subject to the provisions of the Companies Act 2006 and the Articles of Association, the directors may issue, offer, allot or grant rights to subscribe for, or convert any security into, shares in the Company and the Company may also purchase, or may enter into a contract under which it will or may purchase, its own shares.

The directors of Rio Tinto plc and Rio Tinto Limited are responsible for the Group's system of internal controls and for reviewing annually the effectiveness of the internal control system. This includes reviewing financial, operational and compliance controls and risk management procedures and their effectiveness. The directors have completed their annual review and assessment for 2017.

Post balance sheet events

On 19 April 2018, the Company redeemed early US\$611 million in aggregate, external bonds issued, as part of the Group liability management programme. As a result, US\$229 million (3.500% bond due 2022) and US\$382 million (2.875% bond due 2022), were redeemed, resulting in an aggregate cash outflow of US\$617 million before fees.

Intra-group bonds invested with Rio Tinto Finance plc were also redeemed on similar terms at the same time as the redemption of the external bonds.

These events have been deemed non-adjusting and therefore no adjustments have been made to the balance sheet after year end. There are no other events or circumstances that have arisen that will significantly affect the Company since year end.

Future developments

The Company's future developments are integrated with those of the Group which are discussed in the Group's 2017 Annual Report, which does not form part of this report.

Indemnities and insurance

The Articles of Association of the Company's ultimate parent, Rio Tinto plc, provides for it to indemnify, to the extent permitted by law, its officers and officers of wholly-owned subsidiaries against liabilities arising from the conduct of the Rio Tinto Group's business. The directors and the company secretary of Rio Tinto plc and certain employees serving as directors of certain subsidiaries, at the Group's request, have been indemnified in accordance with these provisions. All of the directors of the Company have been indemnified by Rio Tinto plc against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. This is a "qualifying third party indemnity" provision as defined by section 234 of the Companies Act 2006. No amounts have been paid under any of these indemnities during the year.

In accordance with section 233 of the Companies Act 2006 the Company has also purchased and maintains insurance against liabilities arising from claims against directors' and officers' actions taken in connection with the Group's business.

Disclosure of information to auditors

Each of the persons who were directors at the time when this Directors' report is approved has confirmed that:

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

RIO TINTO FINANCE (USA) PLC

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)**

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the board and signed by order of the board.



.....
Director, for and on behalf of Rio Tinto Secretariat Limited
Company secretary
Rob Bellhouse
Date: 27/04/2018
6 St James's Square
London
United Kingdom
SW1Y 4AD

Independent auditors' report to the members of Rio Tinto Finance (USA) plc

Report on the audit of the financial statements

Opinion

In our opinion, Rio Tinto Finance (USA) plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2017; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

Other than those disclosed in note 4 to the financial statements, we have provided no non-audit services to the Company in the period from 1 January 2017 to 31 December 2017.

Our audit approach

Overview

Overall materiality	Overall materiality: \$19.2 million (2016: \$22.9m) based on 1% of total assets
Audit scope	Full scope statutory audit
Key audit matters	-Risk of material misstatement in external borrowings -Risk of material misstatement in intercompany borrowings

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including

fraud. We designed audit procedures to respond to the fraud risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We designed audit procedures that focused on the risk that non-compliance with laws and regulations, including, but not limited to, the Companies Act 2006, could give rise to a material misstatement in the Company's financial statements. Our tests included, but were not limited to, checking the financial statement disclosures to underlying supporting documentation, enquiries with management, and the reading of board minutes throughout the financial year whilst assessing any significant items for their potential audit impact. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p>Risk of material misstatement in external borrowings</p> <p>The Company issues external borrowings in the form of bonds listed on the New York Stock Exchange. This is the Company's principal activity and, therefore, is considered a key audit matter.</p> <p>As at 31 December 2017, \$1,824 million of external borrowings were held by the Company.</p> <p>Refer to note 7 to the financial statements.</p>	<p>We obtained confirmations to satisfy ourselves as to the existence of each external borrowing held as at 31 December 2017.</p> <p>We tested the cash paid on the redemption of external borrowings during the year ended 31 December 2017 as part of the Rio Tinto Group's liability management programme to bank statements.</p> <p>Based on the procedures performed, we noted no material issues from our work.</p>
<p>Risk of material misstatement in intercompany balances</p> <p>The Company has a non-current intercompany receivable of \$1,824 million as at 31 December 2017.</p> <p>This receivable consists of four bonds invested with Rio Tinto Finance Plc, mirroring the four external bonds listed on the New York Stock Exchange.</p> <p>Refer to note 5 to the financial statements.</p>	<p>We agreed the intercompany balance to the accounting records of Rio Tinto Finance Plc.</p> <p>We considered the recoverability of this intercompany debtor by evaluating the ability of Rio Tinto Finance Plc to repay this debt, including its net assets as at 31 December 2017.</p> <p>Based on the procedures performed, we noted no material issues from our work.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

The Company's principal activity is to raise external funding for the Rio Tinto Group. Our detailed audit procedures are tailored to test material financial statement line items, together with the related financial statement disclosures.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures, and in evaluating the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	\$19.2 million (2016: \$22.9m).
How we determined it	Based on 1% of total assets.
Rationale for benchmark applied	We considered the nature of the business and activities in Rio Tinto Finance (USA) plc (being the raising of external funding for the Rio Tinto Group) and determined that total assets is the most appropriate basis for the calculation of the overall materiality level.

We determined that we would report to those charged with governance misstatements identified during our audit above \$1.9 million (2016: \$2.3 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the members on 18 June 2013 to audit the financial statements for the year ended 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ended 31 December 2012 to 31 December 2017.



Simon Morley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 April 2018

RIO TINTO FINANCE (USA) PLC

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 \$ 000	2016 \$ 000
Finance income	2	100,032	275,640
Finance expense	3	(100,032)	(275,640)
Result before income tax		-	-
Taxation		-	-
Result for the financial year		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		-	-

The notes on pages 13 to 17 form an integral part of these financial statements.

RIO TINTO FINANCE (USA) PLC

**(REGISTRATION NUMBER: 6287014)
BALANCE SHEET AS AT 31 DECEMBER 2017**

	Note	2017 \$ 000	2016 \$ 000
ASSETS			
Current assets			
Receivables	5	23,955	27,545
		<u>23,955</u>	<u>27,545</u>
Non-current assets			
Receivables	5	1,824,243	2,182,900
Total assets		<u>1,848,198</u>	<u>2,210,445</u>
LIABILITIES			
Current liabilities			
Other financial liabilities	6	23,876	27,466
		<u>23,876</u>	<u>27,466</u>
Non-current liabilities			
Borrowings	7	1,824,243	2,182,900
Total liabilities		<u>1,848,119</u>	<u>2,210,366</u>
NET ASSETS		<u>79</u>	<u>79</u>
EQUITY			
Share capital	8	99	99
Other reserves		(20)	(20)
Total equity		<u>79</u>	<u>79</u>

These financial statements were approved and authorised by the board and were signed on its behalf by:


.....
P I Hedley
Director

Date: 27/4/18

The notes on pages 13 to 17 form an integral part of these financial statements.

RIO TINTO FINANCE (USA) PLC

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Share capital	Other reserves	Total equity
	\$ 000	\$ 000	\$ 000
At 1 January 2017	99	(20)	79
At 31 December 2017	99	(20)	79

	Share capital	Other reserves	Total equity
	\$ 000	\$ 000	\$ 000
At 1 January 2016	99	(20)	79
At 31 December 2016	99	(20)	79

The notes on pages 13 to 17 form an integral part of these financial statements.

RIO TINTO FINANCE (USA) PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The financial statements have been prepared using the historical cost convention, and in accordance with the Companies Act 2006, as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

The Company meets the definition of a qualifying entity and has accordingly adopted FRS 101. Therefore, the recognition and measurement requirements of EU-adopted IFRS have been applied with amendments where necessary in order to comply with Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) as these are Companies Act 2006 financial statements.

1.2 Financial reporting standard 101 - Reduced disclosure exemptions

As permitted by FRS 101, the Company has taken advantage of the following disclosure exemptions available under the standard in relation to:

- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d) and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Where required, equivalent disclosures are given in the consolidated financial statements which can be obtained as set out in Note 11.

The Company's financial statements are presented in US dollars and all values are rounded to the nearest thousand (\$'000) except when otherwise indicated. The principal currency affecting the Company's operations is the US dollar, and the majority of the financing provided to and by the Company is denominated in US dollars. 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 dollar which is both the presentation and the functional currency of the Company. The year-end exchange rate was US\$1.34:£1 (31 December 2016: US\$1.22:£1).

1.3 Finance income and expense

Finance income includes interest income. Finance expense includes interest expense. Interest income and expense are recognised on an accruals basis.

1.4 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

RIO TINTO FINANCE (USA) PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

Loans and receivables: Loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are measured at fair value on initial recognition and are subsequently measured at amortised cost using the effective interest method unless there is objective evidence that the asset is impaired, where it is written down to its recoverable amount and the irrecoverable amount is recognised as an expense.

Borrowings: Borrowings, which comprise of listed bonds, are recognised initially at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost. Any difference between the amounts originally received for borrowings and other financial liabilities and the redemption value is recognised in the Statement of comprehensive income over the period of the borrowings using the effective interest method.

1.5 Risk management

Financial risk management: The Company's principal financial risks and uncertainties including exposure to price, credit risk, liquidity risk and cash flow risks, are integrated with those of the Group and are not managed separately. The Group's principal risks and uncertainties are discussed in the financial instrument and risk management policies of the Group's 2017 Annual Report which does not form part of this report.

Capital risk management: The Company's objectives, policies and processes for managing capital are integrated with those of the Group and are not managed separately. The Group's capital management policy is discussed in the financial instrument and risk policies of the Group's 2017 Annual Report which does not form part of this report.

2 Finance income

	2017 \$ 000	2016 \$ 000
Interest receivable from fellow group undertakings	100,032	275,640
	<u>100,032</u>	<u>275,640</u>

3 Finance expenses

	2017 \$ 000	2016 \$ 000
Interest payable on external borrowings	100,032	275,640
	<u>100,032</u>	<u>275,640</u>

4 Result before taxation

- The audit fees for the Company are borne by Rio Tinto Finance plc. The fee for the audit of the financial statements was US\$32,251 (2016: US\$29,233). Non-audit fees in relation to the annual update of the Group's EMTN programme (under which the Company is an issuer of debt) are borne by other Group companies and totalled US\$27,488 in the year ended 31 December 2017 (2016: US\$25,053).
- No emoluments were paid or payable to directors during the year in respect of their services to the Company (2016: \$nil).
- The average number of persons employed during the year, excluding directors, was nil (2016: nil).
- Employees who are involved in the management and operation of the Company have contracts of service with other Group entities and, therefore, their remuneration is included within those entities financial statements.

RIO TINTO FINANCE (USA) PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)**

5 Receivables

	2017	2016
	\$ 000	\$ 000
Current		
Interest owed by group undertakings	23,955	27,545
Non-current		
Amounts owed by group undertakings	1,824,243	2,182,900
Total receivables	1,848,198	2,210,445

Amounts owed by group undertakings consist of four bonds invested with Rio Tinto Finance plc, a Group company, consisting of US\$229 million 3.5% bond due in 2022, US\$383 million 2.875% bond due 2022, US\$500 million 4.75% bond due 2042 and US\$750 million 4.125% bond due 2042 (2016: four bonds invested with Rio Tinto Finance plc, a Group company, consisting of US\$460 million 3.5% bond due in 2022, US\$514 million 2.875% bond due 2022, US\$500 million 4.75% bond due 2042 and US\$750 million 4.125% bond due 2042).

The Company did not invest in new bonds in 2017.

These bonds have been classified as loans and receivables.

During 2017, Rio Tinto Finance plc redeemed US\$363 million in aggregate, intra-group bonds invested as part of the Group liability management programme. As a result, US\$232 million of the 3.5% 2022 bond and US\$131 million of the 2.875% 2022 bond were redeemed, resulting in an aggregate cash outflow of US\$380 million before fees.

6 Other financial liabilities

	2017	2016
	\$ 000	\$ 000
Current		
Interest payable	23,876	27,466
	23,876	27,466

RIO TINTO FINANCE (USA) PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)**

7 Borrowings

	2017	2016
	\$ 000	\$ 000
Non-current		
Borrowings	1,824,243	2,182,900
Total borrowings	1,824,243	2,182,900

The Company did not issue any new bonds in 2017. The Company has issued four bonds consisting of a US\$229 million 3.5% bond due in 2022, US\$383 million 2.875% bond due 2022, US\$500 million 4.75% bond due 2042 and US\$750 million 4.125% bond due 2042 (2016: four bonds consisting of a US\$460 million 3.5% bond due in 2022, US\$514 million 2.875% bond due 2022, US\$500 million 4.75% bond due 2042 and US\$750 million 4.125% bond due 2042).

These bonds are classified as financial liabilities and are guaranteed by Rio Tinto plc and Rio Tinto Limited.

During 2017, the Company redeemed US\$363 million in aggregate, external bonds issued as part of the Group liability management programme. As a result, US\$232 million of the 3.5% 2022 bond and US\$131 million of the 2.875% 2022 bond were redeemed, resulting in an aggregate cash outflow of US\$380 million before fees.

Borrowings with a carrying value of US\$1,824 million (2016: US\$2,183 million) relate to listed bonds with a fair value of US\$2,019 million (2016: US\$2,279 million) and are categorised as level 1 in the fair value hierarchy.

The Company has invested in internal bonds with Rio Tinto Finance plc under similar terms as the bonds issued with external counterparties and, therefore, the Company is not exposed to interest rate risk.

There are no events or circumstances that have arisen since year end that will significantly affect the Company.

8 Share capital

Allotted, called up and partly paid shares

	2017		2016	
	No. 000	\$ 000	No. 000	\$ 000
Ordinary share capital of £1 each	50	99	50	99

9 Reserves

Other Reserves

In 2012, the Company's share capital was translated into US dollars at the exchange rate in force when the US dollar became the functional currency. The resulting currency translation has been included in other reserves.

10 Related party transactions

The Company has taken advantage of the exemption contained within paragraph 8(k) of FRS 101 and has not disclosed transactions entered into with wholly-owned group entities.

RIO TINTO FINANCE (USA) PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

11 Parent and ultimate parent undertaking

The immediate parent undertaking is Rio Tinto International 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 the Rio Tinto plc consolidated financial statements can be obtained from the registered office at 6 St James's Square, London, SW1Y 4AD or from the Rio Tinto website at www.riotinto.com.

12 Post balance sheet events

On 19 April 2018, the Company redeemed early US\$611 million in aggregate, external bonds issued, as part of the Group liability management programme. As a result, US\$229 million (3.500% bond due 2022) and US\$382 million (2.875% bond due 2022), were redeemed, resulting in an aggregate cash outflow of US\$617 million before fees.

Intra-group bonds invested with Rio Tinto Finance plc were also redeemed on similar terms at the same time as the redemption of the external bonds.

These events have been deemed non-adjusting and therefore no adjustments have been made to the balance sheet after year end. There are no other events or circumstances that have arisen that will significantly affect the Company since year end.