

COMPANY BALANCE SHEET

At 31 December

	Note	2007 US\$m	2006 US\$m
Fixed assets			
Investments	B	2,488	2,314
		2,488	2,314
Current assets			
Amounts owed by subsidiaries		1,882	4,033
Cash at bank and in hand		6	4
		1,888	4,037
Creditors due within one year			
Amounts owed to subsidiaries		(214)	(564)
Dividends payable		(10)	(7)
		(224)	(571)
Net current assets		1,664	3,466
Total assets less current liabilities		4,152	5,780
Creditors due after more than one year		(169)	(28)
Net assets		3,983	5,752
Capital and reserves			
Called up share capital	C	172	172
Share premium account	D	1,932	1,919
Other reserves	D	17	17
Profit and loss account	D	1,862	3,644
Equity shareholders' funds		3,983	5,752

(a) The Rio Tinto plc company balance sheet has been prepared in accordance with applicable UK accounting standards. Note A explains the principal accounting policies.

(b) Profit after tax for the year dealt with in the profit and loss account of the Rio Tinto plc parent company amounted to US\$717 million (2006: US\$2,694 million). As permitted by section 230 of the United Kingdom Companies Act 1985, no profit and loss account for the Rio Tinto plc parent company is shown.

The Rio Tinto plc company balance sheet, profit and loss account and the related notes, were approved by the directors on 5 March 2008 and the balance sheet is signed on their behalf by



Paul Skinner
Chairman



Tom Albanese
Chief executive



Guy Elliott
Finance director

A PRINCIPAL ACCOUNTING POLICIES UNDER UK GAAP**a Basis of Accounting**

The Rio Tinto plc entity financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards. The directors have reviewed the Company's existing accounting policies and consider that they are consistent with the requirements of Financial Reporting Standard ('FRS') 18 'Accounting Policies'. The financial statements have been prepared on a going concern basis.

The Company's accounting policies are consistent with last year.

b Deferred tax

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 only recognised to the extent that it is more likely than not that they will be recovered.

Deferred tax is recognised on an undiscounted basis.

c Currency translation

The Company's functional currency is the US dollar. Transactions denominated in other currencies, including the issue of shares, are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in other currencies are translated at the rate of exchange ruling at the end of the financial year. Exchange differences are charged or credited to the profit and loss account in the year in which they arise.

d 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.

Obligations for financial guarantees issued by the Company to other Group companies are reflected as liabilities at fair value, in accordance with FRS 26 'Financial Instruments – Measurement'.

B RIO TINTO PLC FIXED ASSETS**Fixed asset investments**

Shares in Group companies:

	2007 US\$m	2006 US\$m
At 1 January	2,314	2,284
Reductions	–	(6)
Recognition of fair value of financial guarantees	174	36
At 31 December	2,488	2,314
<i>Loans to Group companies:</i>		
At 1 January	–	1,346
Repayments	–	(1,346)
At 31 December	–	–
Total	2,488	2,314

Such obligations result in corresponding increases in the carrying value of investments in subsidiaries.

e Share based payments

In 2007, most of the Company's share based payment plans were settled by the issue of shares from Treasury. Previously they were settled through new issues. The fair value of the grant is recognised as an addition to the cost of the investment in the subsidiary in which the relevant employees work. The fair value is recognised over the relevant vesting period, with a corresponding adjustment to the profit and loss account reserve. Any payments received from the Company's subsidiaries in respect of these share based payments result in an adjustment to reduce the cost of the investment. The fair value of the share plans is determined at the date of grant, taking into account any market based vesting conditions attached to the award (eg Total Shareholder Return). When market prices are not available, the Company uses fair values provided by independent actuaries using a lattice based option valuation model.

Non market vesting conditions (eg earnings per share targets) are taken into account in estimating the number of awards likely to vest. The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date, at which point the estimate is adjusted to reflect the actual awards issued. No adjustment is made after the vesting date even if the awards are forfeited or not exercised.

f Revenue recognition

Interest is accounted for on the accruals basis. Dividend income is recognised when the right to receive payment is established.

g Dividends

Dividends payable are recognised when they meet the criteria for a present obligation (ie when they have been approved).

h Treasury shares

The consideration paid for shares repurchased by the Company and held as treasury shares is recognised as a reduction in shareholders' funds through the profit and loss account reserve.

C RIO TINTO PLC CALLED UP SHARE CAPITAL

	2007 US\$m	2006 US\$m
Share capital account		
At 1 January	172	172
At 31 December	172	172

(a) During the year, 27,700,000 (2006: 46,340,000) shares were bought back and held as treasury shares, of which 969,435 (2006: 1,117,021) were re-issued from treasury. The nominal value of shares bought back was US\$6 million (2006: US\$8.5 million). In addition, nil (2006: 800,000) shares were bought back and cancelled during the year.

D RIO TINTO PLC SHARE PREMIUM AND RESERVES

	Share premium account US\$m	Other reserves US\$m	Profit and loss account US\$m
At 1 January 2007	1,919	17	3,644
Own shares repurchased	–	–	(1,372)
Treasury shares utilised	–	–	43
Adjustment for share based payments	–	–	(6)
Premium on issue of shares	13	–	–
Profit for the financial year	–	–	717
Dividends paid	–	–	(1,164)
At 31 December 2007	1,932	17	1,862
	Share premium account US\$m	Other reserves US\$m	Profit and loss account US\$m
At 1 January 2006	1,888	17	5,632
Own shares repurchased	–	–	(2,394)
Provision for share buybacks	–	–	(288)
Treasury shares utilised	–	–	36
Adjustment for share based payments	–	–	(6)
Premium on issue of shares	31	–	–
Profit for the financial year	–	–	2,694
Dividends paid	–	–	(2,030)
At 31 December 2006	1,919	17	3,644

E RIO TINTO PLC CONTINGENT LIABILITIES

	2007 US\$m	2006 US\$m
Bank and other performance guarantees in respect of subsidiaries (a)	40,145	2,874

(a) The above amount includes \$37.8 billion guaranteed by the Company to finance the acquisition of Alcan Inc. on 23 October 2007.