Rio Tinto plc

COMPANY BALANCE SHEET

At 31 December

	Note	2008 US$m	Restated 2007 US$m
Fixed assets			
Investments	*B*	**2,287**	2,278
		2,287	2,278
Current assets			
Amounts owed by subsidiaries		**9,962**	2,092
Cash at bank and in hand		**3**	6
		9,965	2,098
Creditors due within one year			
Amounts owed to subsidiaries		**(446)**	(214)
Dividends payable		**(7)**	(10)
		(453)	(224)
Net current assets		**9,512**	1,874
Total assets less current liabilities		**11,799**	4,152
Creditors due after more than one year		**(136)**	(169)
Net assets		**11,663**	3,983
Capital and reserves			
Called up share capital	*C*	**160**	172
Share premium account	*D*	**4,705**	1,932
Other reserves	*D*	**29**	17
Profit and loss account	*D*	**6,769**	1,862
Equity shareholders' funds		**11,663**	3,983

(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 amounted to US$4,404 million (2007: US$717 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. Consequently, the company has taken advantage of the exemption within FRS 1 'Cash flow statements (revised 1996)' from preparing a cash flow statement.

The Rio Tinto plc company balance sheet, profit and loss account and the related notes, were approved by the directors on 6 March 2009 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, except for financial guarantees which have been measured at fair value as set out in note (e) below 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 directors have reviewed the Company's existing accounting policies and, other than a change in presentation relating to the fair value of guarantees, consider that they are consistent with last year.

The effect of the change in the presentation of the fair value of guarantees is that investments have been reduced and amounts owed by subsidiaries increased by US$210 million for the comparative period. The current year and prior period retained losses have been unaffected by the change in presentation.

The principal accounting policies are set out below.

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 measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

c Currency translation

The Company's local or '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 rates used are consistent with the rates used by the Group as disclosed in the consolidated financial statements (see note 45). 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.

e Financial guarantees

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'. Such obligations result in corresponding increases in the carrying value of amounts owed by subsidiaries. Payments received are set off against the asset recognised which is initially recorded at fair value.

f Share based payments

Since 2007, most of the Company's share based payment plans have been settled by the issue of shares from Treasury. Previously they were settled through new share 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.

g Revenue recognition

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

h Dividends

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

i 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.

B RIO TINTO PLC FIXED ASSETS

	2008 US$m	Restated 2007 US$m
Fixed asset investments		
Shares in Group companies:		
At 1 January	**2,278**	2,278
Additions	**9**	–
At 31 December	**2,287**	2,278

C RIO TINTO PLC CALLED UP SHARE CAPITAL

	2008 US$m	2007 US$m
Issued and fully paid up share capital		
At 1 January	**172**	172
Ordinary shares purchased and cancelled	**(12)**	–
At 31 December	**160**	172

(a) During the year, there were no shares bought back from the public and held as treasury shares (2007: 27,700,000). During the year, 68,643,919 shares (2007: 969,435) were re-issued from treasury of which 67,880,000 shares (2007: nil) were repurchased and cancelled with a nominal value of US$12 million (2007: nil).

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 2008	1,932	17	1,862
Sale of treasury shares	2,767	–	1,956
Cancellation of shares	–	12	–
Adjustment for share based payments	–	–	64
Premium on issue of shares	6	–	–
Profit for the financial year	–	–	4,404
Dividends paid	–	–	(1,517)
At 31 December 2008	**4,705**	**29**	**6,769**

	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

E RIO TINTO PLC CONTINGENT LIABILITIES

	2008 US$m	2007 US$m
Bank and other performance guarantees in respect of subsidiaries (a)	**35,033**	40,145

(a) The above amount includes US$27.9 billion (2007: US$37.8 billion) guaranteed by the Company to finance the acquisition of Alcan Inc. on 23 October 2007. Of the available Alcan acquisition debt facilities US$5.9 billion (2007: US$2.1 billion) was undrawn at year end.

(b) Rio Tinto plc has given a guarantee to the Rio Tinto Pension Fund in the UK that it will pay any contributions due from Group companies participating in that fund, pro rata to its ownership of those companies, in the event that the companies fail to meet their contribution requirements.