

COMPANY NUMBER 00147115

RIO TINTO METALS LIMITED
ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007



October 2008

DIRECTORS	D S Larsen C Lenon B J S Mathews U Quellmann (appointed 25 April 2008)
SECRETARY	Mr R P Dowding
REGISTERED OFFICE	2 Eastbourne Terrace London W2 6LG
AUDITORS	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

REPORT OF THE DIRECTORS

The directors present their report, together with the audited financial statements for the year ended 31 December 2007

BUSINESS REVIEW

Rio Tinto Metals Limited ("the Company") is a wholly owned subsidiary of Rio Tinto plc and is an investment holding company for the Rio Tinto Group

Details of the principal subsidiary and associated undertakings as at 31 December 2007 are set out on pages 12 to 13

The Company does not produce consolidated financial statements as its results are consolidated into the financial statements of the Rio Tinto Group. The Company's results from year to year are highly sensitive to the timing of dividend flows and of movements in provisions, and do not necessarily reflect the performance of its group undertakings. The profit for the year was \$42,387,000 (2006 \$22,837,000)

An interim dividend of \$Nil was paid during the year (2006 \$30,000,000). The directors do not recommend the payment of a final dividend (2006 \$nil)

FUTURE DEVELOPMENTS

The Company's future developments are integrated with those of the Rio Tinto Group which are discussed in its 2007 Annual report and financial statements which do not form part of this report

PRINCIPAL RISKS AND UNCERTAINTIES

The company's principal risks and uncertainties are integrated with those of the Rio Tinto Group and are not managed separately. The Group's risk factors and policies for financial risk management are also discussed in its 2007 annual report and financial statements which do not form part of this report

KEY PERFORMANCE INDICATORS ("KPIs")

The Company's directors are of the opinion that there are no meaningful financial or non financial KPIs that would be necessary or appropriate for an understanding of the development, performance or position of the company's activities

DIRECTORS

The names of the directors in office at the date of this report, and who served throughout the year, are shown on page 2. Mrs A V Lawless resigned on 31 July 2007. Mr B J S Mathews was appointed as a director on 1 August 2007. Mr I Ratnagire resigned as a director and Mr U Quellman was appointed effective 25 April 2008.

No director had a material interest in any contract or arrangement during the year to which the Company or any subsidiary is or was a party.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss for that period. The financial statements have been prepared on the going concern basis, as the directors have satisfied themselves that the Company has access to adequate financial resources to continue in operational existence for the foreseeable future.

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

The directors consider that the 2007 Annual report and financial statements present a true and fair view and have been prepared in accordance with applicable accounting standards, using the most appropriate accounting policies, and supported by reasonable and prudent judgements and estimates. The accounting policies have been consistently applied.

The directors are responsible for maintaining proper accounting records in accordance with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEMNITIES AND INSURANCE

The Rio Tinto Group purchased directors' and officers' insurance during the year to indemnify individual directors' and officers' personal legal liability and costs for claims arising out of actions taken in connection with the Group's business.

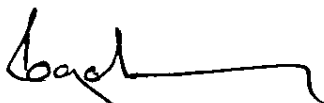
AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

The auditors, PricewaterhouseCoopers LLP, are deemed to have been re-appointed in accordance with an elective resolution passed under Section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006, at the end of the period of 28 days beginning on the day on which copies of this report and financial statements are sent to members unless a resolution is passed under Section 510 of the Companies Act 2006 to the effect that their appointment be brought to an end.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

BY ORDER OF THE BOARD



R P Dowding
Secretary
London
2 October 2008

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
RIO TINTO METALS LIMITED**

We have audited the financial statements of Rio Tinto Metals Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

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 judgments 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.

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 December 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.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
2 October 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	<u>2007</u> \$000	<u>2006</u> \$000
Income from shares in subsidiary undertaking		-	75,839
Other operating income	2	8	25
Other operating costs	3	(3)	-
Exceptional item - profit on disposal of royalty rights	4	44,000	-
		<hr/>	<hr/>
Operating profit		44,005	75,864
Provision against current account		-	(53,600)
Provision against investment	8	(1,695)	-
Loss on liquidation of fixed asset investments		-	(26)
		<hr/>	<hr/>
		42,310	22,238
Interest payable	4	(429)	(2,533)
Interest receivable	5	506	3,132
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		42,387	22,837
Taxation on profit on ordinary activities	6	-	-
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		42,387	22,837
Dividends paid	7	-	(30,000)
		<hr/>	<hr/>
Retained profit/(loss) for the year		<u>42,387</u>	<u>(7,163)</u>
Movement in retained earnings			
At 1 January		42,350	49,513
Result for the year		<hr/>	<hr/>
		42,387	(7,163)
		<hr/>	<hr/>
At 31 December	12	<u>84,737</u>	<u>42,350</u>

The Company has no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical equivalents

All items dealt with in the above profit and loss account relate to continuing operations

The notes on pages 8 to 15 form part of these financial statements

BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	<u>2007</u> \$000	<u>2006</u> \$000
FIXED ASSETS			
Investments	8	<u>373,709</u>	<u>374,540</u>
CURRENT ASSETS			
Debtors	9	72,764	81,458
CREDITORS Amounts falling due within one year	10	<u>(328,731)</u>	<u>(380,643)</u>
NET CURRENT LIABILITIES		<u>(255,967)</u>	<u>(299,185)</u>
NET ASSETS		<u>117,742</u>	<u>75,355</u>
CAPITAL AND RESERVES			
Called up share capital	11	29,725	29,725
Other reserves	12	3,280	3,280
Profit and loss account	12	<u>84,737</u>	<u>42,350</u>
EQUITY SHAREHOLDERS' FUNDS		<u>117,742</u>	<u>75,355</u>

The financial statements on pages 6 to 15 were approved by the Board of Directors on
2 October 2008 and signed on its behalf by



D S Larsen, Director

The notes on pages 8 to 15 form part of these financial statements

NOTES TO THE 2007 FINANCIAL STATEMENTS**1 ACCOUNTING POLICIES****a) Basis of Accounting**

The financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable UK accounting standards. The directors have reviewed the Company's existing accounting policies and consider that they are consistent with last year. The principal accounting policies are set out below.

b) Reporting Currency

The principal currency affecting Rio Tinto's international operations is the US dollar, and all financing provided to/by the Company is denominated in the US dollar. Accordingly, the directors regard the US dollar as the principal currency affecting the Company's own cashflows. As a result, the financial statements are presented in US dollars. The year end exchange rate was US\$1.99 : £1 (31 December 2006 US\$1.96 : £1).

c) Investment Income

Income from investments is recognised when the right to receive payment is established. Dividends from subsidiary undertakings registered overseas are presented inclusive of any overseas withholding tax.

d) Interest Income

Interest is accounted for on an accruals basis. Interest receivable from subsidiary undertakings registered overseas is presented inclusive of any overseas withholding tax.

e) Taxation

The Company does not pay for, or receive payment for, any group relief claimed from, or surrendered to, other group companies. Withholding tax incurred on the receipt of dividends and interest payments from subsidiaries and fellow group companies is presented as part of the tax charge in the profit and loss account.

f) Deferred Taxation

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.

g) 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.

NOTES TO THE 2007 FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)h) Group Financial Statements

Group financial statements have not been prepared as the Company is itself a wholly owned subsidiary of another company incorporated in England and Wales. In the opinion of the directors, the aggregate value of the assets of the Company consisting of shares in, and amounts owing from, its subsidiary companies is not less than the aggregate amount at which those assets are included in the balance sheet.

i) Currency Translation

Transactions denominated in foreign currencies are translated at the rate of exchange ruling on the date of the transaction.

Monetary assets and liabilities expressed in foreign currencies are translated at the rates of exchange ruling at the end of the financial year. Exchange differences, except where they relate to share capital, share premium and reserves, are dealt with in the profit and loss account.

j) Reporting Format

The Company acts as an investment holding company, and hence the dividends received from investee companies and any impairment provisions against investments are presented as operating items.

2 OTHER OPERATING INCOME

	<u>2007</u> \$000	<u>2006</u> \$000
Exchange gain	<u>8</u>	<u>25</u>

NOTES TO THE 2007 FINANCIAL STATEMENTS (Continued)

3 OTHER OPERATING COSTS

	<u>2007</u> \$000	<u>2006</u> \$000
Exchange losses	<u>3</u>	<u>-</u>
	<u>3</u>	<u>-</u>

- a) The auditors' remuneration of \$11,480 (2006 - \$11,040) is borne by a fellow group undertaking
- b) No emoluments were paid to any of the directors in respect of their services to the Company (2006 - \$nil)
- c) The average number of persons employed during the year, excluding directors, was nil (2006 - nil)

4 EXCEPTIONAL ITEM - PROFIT ON DISPOSAL OF ROYALTY RIGHTS

During the year the company sold for \$44m a royalty interest in a property previously sold, subject to the royalty interest, by the company in 1999

5 INTEREST PAYABLE

	<u>2007</u> \$000	<u>2006</u> \$000
Group interest payable	<u>429</u>	<u>2,533</u>

6 INTEREST RECEIVABLE

	<u>2007</u> \$000	<u>2006</u> \$000
Interest receivable from parent and fellow subsidiary undertakings	<u>506</u>	<u>3,132</u>

7 TAXATION

	<u>2007</u> \$000	<u>2006</u> \$000
The tax charge comprises		
<i>Corporation Tax</i>		
UK corporation tax @ 30% (2006 - 30%)	-	-
Adjustment in respect of prior year	-	-
	<u>-</u>	<u>-</u>
Tax on profit/(loss) on ordinary activities	<u>-</u>	<u>-</u>

The tax assessed for the year is lower than the standard rate of corporation tax for the UK (30%) The differences are explained overleaf

NOTES TO THE 2007 FINANCIAL STATEMENTS (continued)

7 TAXATION (continued)

	<u>2007</u> \$000	<u>2006</u> \$000
Profit on ordinary activities before tax	<u>42,387</u>	<u>22,837</u>
Profit on ordinary activities multiplied by standard rate of tax in the UK 30% (2006 30%)	12,716	6,851
Effects of Group relief surrendered to/(from) other companies without charge	(25)	(187)
Other expenses not deductible for tax purposes	509	16,080
Other income not chargeable to UK tax	-	(22,752)
Unrecognised capital losses carried forward	<u>(13,200)</u>	<u>8</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

As at 31 December 2007 there was an unrecognised deferred tax asset of \$197,544,000 (2006 - \$212,346,000) relating to capital losses carried forward

Legislation was enacted in 2007 that reduced the UK statutory corporation tax rate to 28%, effective 1 April 2008

8 DIVIDEND

	<u>2007</u> \$000	<u>2006</u> \$000
Interim dividend	<u>-</u>	<u>30,000</u>

NOTES TO THE 2007 FINANCIAL STATEMENTS (continued)

9 INVESTMENTS IN SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

Investments in subsidiary and associated undertakings comprise shares as follows

	Shares in subsidiary undertakings \$000
<u>Cost</u>	
At 1 January 2007	390,397
Additions	864
Disposals	-
Liquidations	(5)
At 31 December 2007	<u>391,256</u>
<u>Provisions</u>	
At 1 January 2007	15,857
Provision made	1,695
Liquidations	(5)
At 31 December 2007	<u>17,547</u>
<u>Net book value</u>	
At 31 December 2007	<u>373,709</u>
At 1 January 2007	<u>374,540</u>

The net book value included \$316,294,000 (2006 - \$316,294,000) in relation to dormant subsidiary undertakings

In June 2006 a subsidiary of the Company, Rio Holdings SA, was liquidated, giving rise to a profit of \$3,658,000 which was anticipated in the 2005 results. In 2006 costs of \$26,000 were paid in relation to the liquidation.

NOTES TO THE 2007 FINANCIAL STATEMENTS (continued)**9 INVESTMENTS IN SUBSIDIARY AND ASSOCIATED UNDERTAKINGS (continued)**

Interests in principal subsidiary and associated undertakings comprise

Company (incorporated in England and Wales unless otherwise shown)	Class of Shares held	% held	Nature of Business Activities
Balderton Trading Corp (British Virgin Islands)	Ordinary of US\$1	100	Land holding
Rio Tinto Mining and Exploration Limited	Ordinary of £1	100	Exploration
Minera Tinyaccllia SA (Peru)	Quota	100	Exploration
Rio Tinto Aluminium Holdings (UK) Limited	Ordinary of £1	100	Investment holding
and through Rio Tinto Aluminium Holdings (UK) Limited			
- Anglesey Aluminium Metal Limited	Ordinary of £1	51	Aluminium smelting
- Rio Tinto Aluminium (UK) Limited	Ordinary of £1	100	Aluminium sales
- Rio Tinto Commercial Services Limited	Ordinary of £1	100	Alumina purchases

Where impairment provisions are required, the discount rates used in calculating the present value of expected future cash flows are derived from the Company's weighted average cost of capital, with appropriate risk adjustments. When adjusted to include inflation and grossed up at the UK tax rate of 30% for 2007, the discount rate applied was equivalent to 8%.

10 DEBTORS

	<u>2007</u> \$000	<u>2006</u> \$000
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	52,057	7,475
Amounts owed by parent undertakings	20,707	73,983
	<u>72,764</u>	<u>81,458</u>

Amounts owed by subsidiary undertakings are shown net of provisions of \$345,705,000 (2006 – \$345,705,000),

NOTES TO THE 2007 FINANCIAL STATEMENTS (continued)

11 CREDITORS Amounts falling due within one year

	<u>2007</u> \$000	<u>2006</u> \$000
Amounts owed to subsidiary undertakings	<u>328,731</u>	<u>380,643</u>
	<u>328,731</u>	<u>380,643</u>

Included above is \$328,720,000 (2006 - \$328,720,000) owed to dormant subsidiary undertakings

12 CALLED UP SHARE CAPITAL

	<u>2007</u> \$000	<u>2006</u> \$000
Authorised 24,000,000 ordinary shares of £1 each	<u>34,800</u>	<u>34,800</u>
Issued, called up and fully paid 20,500,000 ordinary shares of £1 each	<u>29,725</u>	<u>29,725</u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>Share capital</u> \$000	<u>Other reserves</u> \$000	<u>Profit and loss account</u> \$000	<u>Total</u> \$000
At 1 January 2007	29,725	3,280	42,350	75,355
Profit for the year	-	-	42,387	42,387
Dividends paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2007	<u>29,725</u>	<u>3,280</u>	<u>84,737</u>	<u>117,742</u>

In 2000, 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 adjustment has been included in other reserves.

14 CASH FLOW STATEMENT AND RELATED PARTY DISCLOSURES

The financial statements do not include a cash flow statement because the Company is a wholly owned subsidiary and the conditions of Financial Reporting Standard No 1 exempting inclusion are satisfied. The Company is also exempt under the terms of Financial Reporting Standard No 8 from disclosing related party transactions with entities that are part of the Rio Tinto group or investees of the Rio Tinto group.

NOTES TO THE 2007 FINANCIAL STATEMENTS (continued)**15 COMMITMENTS AND CONTINGENCIES**

The Company has a capital commitment of \$16m (2006- \$16m) in respect of the purchase of shares in a Group subsidiary, contingent on certain conditions being met. The commitment expires in 2009, and is subject to further payments of approximately \$800,000 a year.

16 ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Rio Tinto European 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 Rio Tinto plc consolidated financial statements can be obtained from its registered office at 5 Aldermanbury Square, London, EC2V 7HR.