COMPANY NUMBER 245487

RIO TINTO PACIFIC HOLDINGS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 1998

February 1999

DIRECTORS:	B G Gale	(appointed 30 January 1998)
	A V Lawless	(appointed 22 May 1998)
	S F McAdam	
	I C Ratnage	
SECRETARY:	B G Gale	
REGISTERED OFFICE:	6 St. James's Square, London SW1Y 4LD	
AUDITORS:	PricewaterhouseCoopers 1 Embankment Place London WC2N 6NN	

REPORT OF THE DIRECTORS

The directors present their report, together with the audited accounts for the year ended 31 December 1998.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

Rio Tinto Pacific Holdings Limited is a wholly-owned subsidiary of Rio Tinto plc ("Rio Tinto"). The Company is a holding company and the Directors intend the Company to continue its present activities.

The results of the Company for the year ended 31 December 1998 are set out on page 7.

Details of the principal subsidiary and associated undertakings at 31 December 1998 are given on page 10.

DIVIDENDS

An interim dividend of £253,000,000 was paid to shareholders on 22 December 1998 (1997 - £Nil). The directors do not recommend the payment of a final dividend (1997 - £Nil). No preference dividends were paid during the year (1997 - £8,360,404).

DIRECTORS

The names of the directors in office at the date of this report are shown on page 2. The following directors also held office during the year:

G C Lloyd-Davis - resigned 30 January 1998
M M Freeman - resigned 31 May 1998

DIRECTORS' INTERESTS

The directors who held office on 31 December 1998 and whose interests are not reported in the accounts of a parent company had the following interests in the ordinary shares of Rio Tinto, the ultimate parent company, as recorded in the register required to be kept by Section 325 of the Companies Act 1985:-

	Ordinary shares of 10p each of Rio Tinto		Options over ordinary shares of 10p each of Rio Tinto				Long Term Incentive Plans[3]	
	01.01.98[1]	31.12.98	01.01.98[1]	Granted	Exercised	31.12.98[2]	01.01.98[1]	31.12.98
B G Gale	4,646	5,313	2,320	10,761	-	10,046	3,369	3,369

1 Or date of appointment, if later.

2 Options cancelled during the year are not shown above and as such the options figure for the year end will not necessarily be equal to the sum of the opening figure and the options granted, less the options exercised.

3 Represents the maximum number of ordinary shares in Rio Tinto that may be awarded to the directors at a future date as a result of their participation in the FTSE Plan and Mining Companies Comparative Plan. For further information regarding Rio Tinto's long-term incentive plans, including the FTSE Plan, Mining Companies Comparative Plan and Mining Plan, please see the Rio Tinto Group accounts.

DIRECTORS' INTERESTS continued

The directors are also deemed to have an interest in a trust fund containing 379,367 (01.01.98 - 453,556) ordinary shares as potential beneficiaries, together with other Rio Tinto group employees.

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.

AUDITORS

The Company's auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998. Following the merger, Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to re-appoint them as the Company's auditors was passed at an Extraordinary General Meeting of the Company on 6 November 1998. PricewaterhouseCoopers have indicated their willingness to continue in office and the directors have agreed to their so continuing.

ELECTIVE RESOLUTIONS

Elective resolutions to dispense with the holding of annual general meetings, the laying of accounts before the Company in general meeting and the appointment of auditors annually were passed at an Extraordinary General Meeting of the Company on 6 November 1998.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by UK company law to prepare accounts for each financial period which 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. In preparing the accounts, which have been prepared on a going concern basis, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. Applicable accounting standards have been followed. The directors are responsible for maintaining proper accounting records, in accordance with the Companies Act 1985, for safeguarding the assets of the Company, and for taking reasonable steps to prevent and detect fraud and other irregularities.

YEAR 2000

Many computer systems express dates using only the last two digits of the year. These systems require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting commercial disruption. The Company's operations depend not only on its own computer systems, but also to some degree on those of its suppliers and investee companies. There is, therefore, an exposure to further risk in the event that there is a failure by other parties to remedy their own year 2000 issues.

The Company is participating in a programme designed to address the impact of the year 2000 issue on companies based in Rio Tinto plc's head office in London. A committee has been established to control the exercise, including a member of the Rio Tinto plc board of directors and senior members of the information technology, internal audit, finance and procurement departments.

YEAR 2000 continued

As part of this exercise, an analysis of significant risks has been performed to determine the impact of the year 2000 issue on relevant companies' activities. From this, prioritised action plans have been developed that are designed to address the key risks in advance of critical dates and without disruption to the underlying business processes. Priority has been given to those systems that could cause a significant financial impact if they were to fail. The plan also includes a requirement for the testing of all critical systems.

The risk analysis also considers the impact on relevant companies of year 2000 failure by significant suppliers and investee companies. In appropriate cases formal assurance is being sought from these other parties.

The total cost of modifying relevant computer systems is being absorbed by Rio Tinto London Limited, so this Company has not incurred any such costs.

BY ORDER OF THE BOARD

B G Gale
Secretary

6 St. James's Square,
London SW1Y 4LD

25 February 1999

AUDITORS' REPORT TO THE MEMBERS OF RIO TINTO PACIFIC HOLDINGS LIMITED

We have audited the accounts on pages 7 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report, including as described on page 4 the accounts. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if 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 transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of the Company's affairs at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

25 February 1999

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

	Note	1998 £000	1997 £000
Income from shares in subsidiary undertaking		340,000	-
Interest receivable from fellow subsidiary undertaking		-	3,866
Exceptional item – net foreign exchange loss	2	(79,832)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	260,168	3,866
Tax on profit on ordinary activities	4	-	(1,373)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		260,168	2,493
Dividends (including appropriations in respect of non-equity shares)	5	(253,000)	(3,457)
RETAINED PROFIT/(LOSS) FOR THE YEAR		7,168	(964)
MOVEMENT IN RETAINED EARNINGS			
At 1 January		85,978	86,942
Retained profit/(loss) for the year		7,168	(964)
At 31 December		93,146	85,978

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.

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

The notes on pages 9 to 13 form part of these accounts.

BALANCE SHEET AS AT 31 DECEMBER 1998

	NOTE	1998 £000	1997 £000
FIXED ASSETS			
Investments	6	386,500	386,500
CURRENT ASSETS			
Debtors	7	640,589	631,070
CREDITORS: Amounts falling due within one year	8	(8,933)	(6,582)
NET CURRENT ASSETS		631,656	624,488
NET ASSETS		1,018,156	1,010,988
CAPITAL AND RESERVES			
Called up share capital	9	925,010	925,010
Profit and loss account		93,146	85,978
Equity shareholders' funds		1,018,156	1,010,988

The accounts on pages 7 to 13 were approved by the Board of Directors on 25 February 1999 and signed on its behalf by:

B G Gale, Director

The notes on pages 9 to 13 form part of these accounts.

NOTES TO THE 1998 ACCOUNTS

1. ACCOUNTING POLICIES

a) The accounts have been prepared on the historical cost basis and in accordance with applicable UK accounting standards.

b) Investment Income

Dividends from companies registered in England and Wales are accounted for on an accruals basis. Interest is accounted for on an accruals basis.

c) Group Accounts

Group accounts 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 subsidiaries is not less than the aggregate of the amount at which those assets are included in the balance sheet.

d) Investments

Fixed asset investments are valued at cost less impairment provisions. Impairment provisions are determined by comparing the carrying value of the investment with its recoverable amount. The recoverable amount is the higher of the amount that can be obtained from selling the investment or the value of expected cash flows arising from holding the investment, discounted at the rate of return that the market would expect from an equally risky investment.

e) 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 denominated in foreign currencies are translated at the rate of exchange ruling at the end of the financial year. Exchange differences are dealt with in the profit and loss account.

2. EXCEPTIONAL ITEM - NET FOREIGN EXCHANGE LOSS

The Company has entered into a number of foreign exchange forward contracts with fellow subsidiary undertakings. The net foreign exchange loss on these contracts was £79,832,000 (1997 - nil).

3. OPERATING COSTS

a) The auditors' remuneration is borne by a fellow group undertaking (1997 - nil).

b) The average number of persons employed during the year, excluding directors, was nil (1997 - nil).

c) No emoluments were paid to any of the directors in respect of their services to the Company (1997 - nil).

NOTES TO THE 1998 ACCOUNTS continued

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge based on the profit for the year is made up as follows:

	1998 £000	1997 £000
UK corporation tax at 31% (1997 31.5%)	-	1,218
Irrecoverable ACT	-	155
Tax charge for the year	-	1,373

In prior years it was the practice of those companies within the UK group relief rules to pay for group relief. In 1998 this practice has ceased where it is no longer justified by commercial circumstances. Accordingly, the Company has ceased to pay for group relief with effect from 1 January 1998. This has had no impact on the 1998 Corporation Tax credit as no group relief surrender has been assumed.

5. DIVIDENDS PAID

	1998 £000	1997 £000
'A' preference shares		
Dividends paid	-	8,361
Dividends accrued in previous year	-	(4,904)
	-	3,457
Ordinary shares		
Dividends paid	253,000	-
	253,000	3,457

6. FIXED ASSET INVESTMENT

Company	Country of Incorporation	Number held and class of shares	% held	Nature of Business Activities
Rio Tinto Australian Holdings Limited	England and Wales	17,767,031 Ordinary shares of £1 each	100	Holding company

NOTES TO THE 1998 ACCOUNTS continued

6. FIXED ASSET INVESTMENT continued

Through Rio Tinto Australian Holdings Limited the Company owns 49% of Rio Tinto Limited, a company incorporated in Australia. This interest comprised 294,139,520 shares (1997 - 313,704,802 shares) listed on the Melbourne stock exchange with a market value of A$19.35 (1997 - A$17.90) each.

	1998 £000	1997 £000
Cost		
At 1 January and 31 December	386,500	386,500

There were no movements during the year.

7. DEBTORS

	1998 £000	1997 £000
Amount due from fellow subsidiary undertaking	-	500,000
Amount due from ultimate parent undertaking	9,519	-
Amount due from parent undertaking	628,980	128,980
Taxation recoverable	2,090	2,090
	640,589	631,070

8. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £000	1997 £000
Amount due to other group companies	8,634	-
Amount due to ultimate parent undertaking	-	5,065
Amount due to subsidiary undertaking	299	299
Corporation tax	-	1,218
	8,933	6,582

NOTES TO THE 1998 ACCOUNTS continued

9. SHARE CAPITAL

	1998 £000	1997 £000
Authorised		
Equity capital		
925,010,000 Ordinary shares of £1 each (1997 - 925,010,000)	925,010	925,010
Non-equity capital		
500,000,000 5.8684% cumulative redeemable 'A' preference shares of £1 each (1997 - 500,000,000)	500,000	500,000
425,000,000 4.48966% cumulative redeemable 'B' preference shares of £1 each (1997 - 425,000,000)	425,000	425,000
	1,850,010	1,850,010
Issued and fully paid		
Equity capital		
925,010,000 Ordinary shares of £1 each (1997 - 925,010,000)	925,010	925,010

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £000	1998 £000
Profit for the financial year	260,168	2,493
Dividends and appropriations	(253,000)	(3,457)
Non-equity share capital redeemed	-	(500,000)
Equity share capital issued	-	500,000
Net addition to/(reduction from) shareholders' funds	7,168	(964)
Opening shareholders' funds	1,010,988	1,011,952
Closing shareholders' funds	1,018,156	1,010,988

NOTES TO THE 1998 ACCOUNTS continued

11. DEFERRED TAX

A potential deferred tax credit of £24,747,954, arising from losses carried forward estimated to be £79,832,112, has not been recognised in the profit and loss account. This represents the full amount for deferred taxation.

12. CASH FLOW STATEMENT AND RELATED PARTY DISCLOSURES

The accounts 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.

13. 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 accounts. Copies of Rio Tinto plc consolidated accounts can be obtained from its registered office at 6 St. James's Square, London.