

COMPANY NUMBER 245487

RIO TINTO PACIFIC HOLDINGS LIMITED
ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2001

June 2002



DIRECTORS: B G Gale
A V Lawless
M R Merton (appointed 22 May 2001)
I C Ratnage

SECRETARY: M J Whyte

REGISTERED
OFFICE: 6 St. James's Square
London
SW1Y 4LD

AUDITORS: PricewaterhouseCoopers
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 2001.

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 has an interest bearing loan with a fellow subsidiary undertaking.

The results of the Company for the year ended 31 December 2001 are set out on page 6.

DIVIDENDS

No interim ordinary dividend was paid to equity shareholders (2000 - £2,600,000,000 – US\$ 4,198,740,000). The directors do not recommend the payment of a final dividend to equity shareholders (2000 - nil). A preference dividend of A\$23,175,000 (US\$11,854,105) was paid on 21 December 2001 (2000 - A\$23,175,000 – US\$12,611,835).

DIRECTORS

The names of the directors in office at the date of this report are shown on page 2.

Mr S F McAdam resigned as a director on 21 May 2001. Mr M R Merton was appointed a director on 22 May 2001.

DIRECTORS' INTERESTS

The directors who held office on 31 December 2001 and whose interests are not reported in the financial statements 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.

	<u>Ordinary shares of 10p each of Rio Tinto</u>		<u>Options over ordinary shares of 10p each of Rio Tinto</u>				<u>Long Term Incentive Plans³</u>	
	01.01.01 ¹	31.12.01	01.01.01 ¹	Granted	Exercised	31.12.01 ²	01.01.01 ¹	31.12.01
B G Gale	8,188	9,557	25,518	6,625	8,048	24,095	2,031	1,630

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 and Mining Companies Comparative Plan, please see the Rio Tinto Annual Report and financial statements.

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.

The directors are also deemed to have an interest in a trust fund containing 197,905 Rio Tinto ordinary shares at 31 December 2001 (1 January 2001 – 329,609 ordinary shares) as potential beneficiaries, together with other Rio Tinto Group employees.

AUDITORS

Elective resolutions to dispense with holding annual general meetings, the laying of financial statements before the Company in general meetings and the appointment of auditors are currently in force. The auditors, PricewaterhouseCoopers, will therefore be deemed to have been reappointed 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 393 of the Companies Act 1985 to the effect that their appointment be brought to an end.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by UK company law to prepare financial statements 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 financial statements, 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.

BY ORDER OF THE BOARD



M J Whyte
Secretary

6 St. James's Square
London SW1Y 4LD

13 June 2002

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

We have audited the financial statements on pages 6 to 11 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 if, in our opinion, the directors' report is not consistent with the financial statements, 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 financial statements.

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 financial statements. It also includes an assessment of the significant estimates and judgements 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 of the state of the Company's affairs at 31 December 2001 and of its result 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

13 June 2002

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

	<u>Note</u>	<u>2001</u> <u>\$000</u>	<u>2000</u> <u>\$000</u>
Interest receivable from fellow subsidiary undertaking		8,074	49,943
Operating costs – exchange losses	2	<u>-</u>	<u>(40,298)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		8,074	9,645
Tax on profit on ordinary activities	3	<u>(1,887)</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		6,187	9,645
Dividends (including appropriations in respect of non-equity shares)	4	<u>(11,825)</u>	<u>(4,211,370)</u>
RETAINED LOSS FOR THE YEAR		<u><u>(5,638)</u></u>	<u><u>(4,201,725)</u></u>

MOVEMENT IN RETAINED EARNINGS

At 1 January		15,279	4,225,943
Retained loss for the year		(5,638)	(4,201,725)
Transfer from/(to) other reserves	8	<u>9,971</u>	<u>(8,939)</u>
At 31 December		<u><u>19,612</u></u>	<u><u>15,279</u></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.

All items dealt with in arriving at the profit for 2001 and 2000 relate to continuing operations.

The notes on pages 8 to 11 form part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2001

	<u>NOTE</u>	<u>2001</u> \$000	<u>2000</u> \$000
CURRENT ASSETS			
Debtors	5	261,569	265,349
CREDITORS: Amounts falling due within one year	6	<u>(2,179)</u>	<u>(321)</u>
NET ASSETS		<u>259,390</u>	<u>265,028</u>
 CAPITAL AND RESERVES			
Called up share capital	7	168,945	168,945
Profit and loss account		19,612	15,279
Other reserves	8	<u>70,833</u>	<u>80,804</u>
Shareholders' funds		<u>259,390</u>	<u>265,028</u>
 ANALYSIS OF SHAREHOLDERS' FUNDS			
Equity		97,695	93,362
Non-equity cumulative redeemable preference shares		<u>161,695</u>	<u>171,666</u>
		<u>259,390</u>	<u>265,028</u>

The financial statements on pages 6 to 11 were approved by the Board of Directors on 13 June 2002 and signed on its behalf by:

.....*M. Maibou*.....

Director

The notes on pages 8 to 11 form part of these financial statements.

NOTES TO THE 2001 FINANCIAL STATEMENTS

1. ACCOUNTING POLICIESa) Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards. Financial Reporting Standard No. 18 "Accounting Policies" became mandatory for accounting periods ending on or after 22 June 2001. The directors have reviewed the Company's existing accounting policies and consider that they are consistent with the requirements of this new Standard.

The financial statements have been prepared on a going concern basis, which assumes that the Company will continue to operate.

b) Investment Income

Interest is accounted for on an accruals basis.

c) Reporting Currency

The principal currency affecting Rio Tinto's international operations is the US dollar, and during the year 2000 all financing provided to/by the Company was re-denominated into the US dollar. Accordingly, the directors have concluded that the US dollar should be regarded as the principal currency affecting the Company's own cash flows. As a result, the financial statements are presented in US dollars. The year-end exchange rate was US\$1.45:£1 (31 December 2000 : US\$1.49:£1).

d) Currency Translation

Except as noted below, 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, are dealt with in the profit and loss account.

e) Preference Shares

Prior to 2000, the Australian dollar share capital, which is redeemable, was recorded in Sterling at its historic exchange rate. This share capital has been translated into US dollars at the rate in force when the Company's functional currency changed during 2000. Any increase in the US dollar equivalent (calculated at the year-end exchange rate) above the book value is transferred from the profit and loss account to other reserves.

The shareholders' funds attributed to non-equity shares comprise the amount included in share capital in respect of these shares (being the net proceeds of issue translated at the historic exchange rate) plus any amount included in other reserves because the US dollar value of the preference shares at the year-end exchange rate exceeds their carrying value.

f) Taxation

Payment is made for group relief claimed only to the extent that a corresponding receipt has been claimed by the company surrendering the tax losses. In most cases, the Company does not pay for or receive payment for, any group relief claimed from or surrendered to other Group companies.

NOTES TO THE 2001 FINANCIAL STATEMENTS

2. OPERATING COSTS

- a) The auditors' remuneration is borne by a fellow group undertaking (2000 – nil).
- b) The average number of persons employed during the year, excluding directors, was nil (2000 – nil).
- c) No emoluments were paid to any of the directors in respect of their services to the Company (2000 – nil).

3. TAXATION

The tax charge is made up as follows:

	<u>2001</u> \$000	<u>2000</u> \$000
UK Corporation tax at 30% (2000 – 30%) on adjusted profit	1,887	—

In general, the Company does not pay for, or receive payment for, any group relief claimed from or surrendered to other Group companies. Taxable profits for 2001 are offset by tax losses surrendered from various Group companies, and one of those companies has charged for the Group relief it surrenders. This is reflected in the tax charge shown above.

4. DIVIDENDS AND APPROPRIATIONS

	<u>2001</u> \$000	<u>2000</u> \$000
Cumulative redeemable preference shares		
Dividend paid	11,854	12,612
Adjustment on currency translation	-	32
Movement in dividend accrual	<u>(29)</u>	<u>(14)</u>
	11,825	12,630
Ordinary shares		
Dividend paid	—	4,198,740
	<u>11,825</u>	<u>4,211,370</u>

5. DEBTORS

	<u>2001</u> \$000	<u>2000</u> \$000
Amounts due from parent and fellow subsidiary undertakings	261,469	222,712
Amount due from ultimate parent undertaking	-	42,316
Accrued income	<u>100</u>	<u>321</u>
	<u>261,569</u>	<u>265,349</u>

The amounts due from parent and fellow subsidiary undertakings include an interest bearing loan of \$164,881,771 (2000: \$173,455,654). Accrued income represents interest on this loan.

NOTES TO THE 2001 FINANCIAL STATEMENTS continued

6. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2001</u> \$000	<u>2000</u> \$000
Corporation tax	1,887	-
Accrued preference dividend	<u>292</u>	<u>321</u>
	<u>2,179</u>	<u>321</u>

7. SHARE CAPITAL

	<u>2001</u> \$000	<u>2000</u> \$000
<u>Authorised, issued and fully paid</u>		
<u>Equity capital</u>		
5,000,000 Ordinary shares of £1 each (2000 – 5,000,000)	7,250	7,250
<u>Non-equity capital</u>		
309,000,000 7.5% cumulative redeemable preference shares of A\$1 each (2000 - 309,000,000)	<u>161,695</u>	<u>161,695</u>
	<u>168,945</u>	<u>168,945</u>

The preference shares carry a fixed cumulative preferential dividend at the rate of 7.5% per annum, payable yearly in arrears on 23 December. The shares are redeemable at par at the option of shareholders, on provision of not less than two days notice. There is no fixed redemption date. The shares have a preferential right to return of capital and of arrears and accruals of dividends, on a winding up. The holders have voting rights (1 vote for each 11,175 preference shares held).

8. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>Share capital</u> \$000	<u>Profit and loss account</u> \$000	<u>Other reserves</u> \$000	<u>Total</u> \$000
At 1 January 2001	168,945	15,279	80,804	265,028
Transfer from other reserves (see note 1e)	-	9,971	(9,971)	-
Retained loss for the year	<u>-</u>	<u>(5,638)</u>	<u>-</u>	<u>(5,638)</u>
At 31 December 2001	<u>168,945</u>	<u>19,612</u>	<u>70,833</u>	<u>259,390</u>

The Company's share capital has been translated into US dollars at the exchange rate in force when the US dollar became the functional currency. The currency translation adjustment has been included in other reserves. At the year-end exchange rate, the US dollar value of the preference shares is below their carrying value and hence the amount included in other reserves (\$9,971,000) as at 1 January 2001 has been released to the profit and loss account reserve.

NOTES TO THE 2001 FINANCIAL STATEMENTS continued

9. 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.

10. 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 Rio Tinto plc consolidated financial statements can be obtained from its registered office at 6 St. James's Square, London.