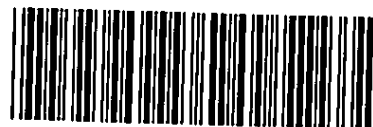


COMPANY NUMBER 00460473

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

TUESDAY



A18 *A1900970* 318
21/04/2009
COMPANIES HOUSE

DIRECTORS:

D S Larsen
B J S Mathews
U Quellmann

SECRETARY:

R P Dowding

REGISTERED
OFFICE:

2 Eastbourne Terrace
London
W2 6LG

AUDITORS:

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2007

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

BUSINESS REVIEW

Rio Tinto London Limited is a wholly owned subsidiary of Rio Tinto plc and continues to provide management services to the Rio Tinto Group companies.

Rio Tinto London Limited is also an investment holding company. Details of its principal subsidiaries and associated undertakings at 31 December 2007 are given on page 24.

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

The loss for the year was £23,991,000 (2006: Loss of £8,162,000). No interim dividend was paid during the year (2006: nil) and the directors do not recommend the payment of a final dividend (2006: nil).

POST BALANCE SHEET EVENTS

In December 2008 the company announced the closure of an office. Certain leasehold improvements are expected to be written off, and a provision recorded from the resulting onerous lease, which expires within ten years of the balance sheet date. However, the amounts of the expected costs have not yet been quantified as the closure has not been completed and there is too much uncertainty to make reliable estimates.

In January 2009, the Company announced a programme of proposed redundancies in the UK. In compliance with industrial relations legislation, a collective consultation committee has been formed so that consultation with employees may take place over a 90 day period.

PRINCIPAL RISKS AND UNCERTAINTIES

The company's principal risks and uncertainties are also 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 reports and financial statements.

KEY PERFORMANCE INDICATORS

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

DIRECTORS

The directors who served during the year were:

D S Larsen	
B J S Mathews	(appointed 1 August 2007)
A V Lawless	(retired 31 July 2007)
J A Kortum	(retired 12 March 2008)
I C Ratnage	(retired 25 April 2008)
C Lenon	(resigned 8 December 2008)

Mr U Quellmann was appointed as a director on 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.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2007 continued**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEMNITIES AND INSURANCE

The Rio Tinto Group purchased third party 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.

EMPLOYMENT POLICIES

The company complies with the Rio Tinto Group's employment policies which are set out in its statement of business practice, *The way we work*. The company employs on the basis of job requirements and does not discriminate on grounds of age, ethnic or social origin, gender, sexual orientation, politics or religion.

The Company employs disabled people where appropriate and accepts the need to maintain and develop their careers. If an employee becomes disabled whilst in employment and, as a result, is unable to perform his or her duties, every effort is made to offer suitable alternative employment and to assist with retraining.

The Company provides clear and timely communication with its employees concerning business performance and corporate developments. It endeavours to maintain effective channels of communication through an internal communication team, which manages the release of information to employees. Information is released through a number of forums, including electronic and paper newsletters and bulletins, video, employee briefings and the Group's intranet.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2007 continued**

The Company participates in the Rio Tinto Share Savings Plan which was introduced in 1983 and renewed in 1993 and 2002. During 2007, the majority of employees participated in the plan.

The Company also participates in the Rio Tinto Share Ownership Plan which was introduced in January 2002. During 2007, the majority of employees participated in the plan.

CHARITABLE CONTRIBUTIONS

The contributions made by the Company during the year for charitable purposes amounted to £98,643 (2006: £189,606).

CREDITOR PAYMENTS

It is the Company's policy to abide by the terms of payment agreed with suppliers. In many cases, the terms of payment are as stated in the supplier's own literature. In other cases, the terms of payment are determined by specific written or oral agreement. The Company does not follow any published code or standard on payment practice. At 31 December 2007, there were 30 days' (2006: 30 days) purchases outstanding in respect of the Company, based on the total amount invoiced by suppliers during the year.

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
17 April 2009

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
RIO TINTO LONDON LIMITED**

We have audited the financial statements of Rio Tinto London Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised gains and Losses, 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 if, in our opinion, the information given in the Report of the Directors' 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 Report of the Directors' 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 loss 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 Report of the Directors' is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

20 April 2009

**PROFIT AND LOSS ACCOUNT
FOR THE YEARS ENDED 31 DECEMBER**

	Note	<u>2007</u> £000	<u>2006</u> £000
Turnover	1	224,675	128,391
Administrative costs		<u>(249,272)</u>	<u>(157,345)</u>
Operating loss	2	(24,597)	(28,954)
Income from shares in associated undertakings		-	1
Interest receivable and similar income		410	207
Interest payable and similar costs	5	<u>(1,500)</u>	<u>(1,289)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(25,687)</u>	<u>(30,035)</u>
Taxation	6	<u>1,696</u>	<u>21,873</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(23,991)</u>	<u>(8,162)</u>

The notes on pages 10 to 33 form part of these financial statements.

All items dealt with in the above profit and loss account relate to continuing operations. There is no material difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEARS ENDED 31 DECEMBER**

	Note	<u>2007</u> £000	<u>2006</u> £000
Loss for the financial year		(23,991)	(8,162)
Actuarial gain on post retirement healthcare plan	18	1,116	1,654
Actuarial gain on unfunded pension arrangement	18	2,097	1,200
Deferred tax liability recognised in the year on actuarial gains / (losses)		(900)	(501)
TOTAL LOSS RECOGNISED IN THE YEAR		(21,678)	(5,809)
Prior year adjustment net of tax		-	(235)
TOTAL RECOGNISED LOSSES SINCE LAST ANNUAL REPORT		(21,678)	(6,044)

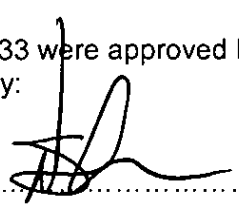
The notes on pages 10 to 33 form part of these financial statements.

**BALANCE SHEET
AS AT 31 DECEMBER**

	Note	2007 £000	Restated (a) 2006 £000
FIXED ASSETS			
Tangible assets	7	41,512	25,252
Investments	8	276	276
		<u>41,788</u>	<u>25,528</u>
CURRENT ASSETS			
Debtors	10	119,794	63,511
Deferred tax	13	17,331	16,893
Cash at bank and in hand	9	4,651	6,981
		<u>141,776</u>	<u>87,385</u>
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	11	<u>(145,730)</u>	<u>(89,894)</u>
NET CURRENT LIABILITIES		<u>(3,954)</u>	<u>(2,509)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>37,834</u>	<u>23,019</u>
Creditors: Amounts falling due after more than one year	12	(717)	(717)
Provisions for liabilities and charges	14	(49,811)	(11,507)
NET (LIABILITIES)/ASSETS – Excluding post retirement benefit liability		<u>(12,694)</u>	<u>10,795</u>
Post Retirement benefit liability – net of deferred tax	18	(20,756)	(19,580)
NET LIABILITIES – Including post retirement benefit liability		<u>(33,450)</u>	<u>(8,785)</u>
CAPITAL AND RESERVES			
Called up share capital	15	4,800	4,800
Profit and loss account	16	(38,250)	(13,585)
EQUITY SHAREHOLDERS' DEFICIT	17	<u>(33,450)</u>	<u>(8,785)</u>

(a) The 31 December 2006 balance sheet has been restated to conform to the 2007 presentation of liabilities, and accordingly the related balance sheet notes have been restated. See notes 11, 12, 14 and 18.

The financial statements on pages 7 to 33 were approved by the Board of Directors on 17 April 2009 and signed on its behalf by:


 D S Larsen
 Director

The notes on pages 10 to 33 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 accounting policies have been applied consistently throughout the year. The principal accounting policies are set out below.

b) Turnover

Turnover for the year represents the value of services provided to fellow group undertakings, together with commissions, guarantee fees and similar income receivable from fellow group undertakings.

c) Post Retirement Benefits

The Company participates in a Group pension scheme in the UK. For members who joined before 1 April 2005 the scheme is of the defined benefit type. Members who join on or after 1 April 2005 participate in a new defined contribution section under the Group scheme. Pension costs are assessed in accordance with the advice of qualified independent actuaries.

FRS 17 'Post retirement benefits' was adopted in 2005. However, the contributions to the Rio Tinto Pension Fund are accounted for as if the scheme was a defined contribution scheme as the Company's contributions are set at a common level rather than reflecting the characteristics of the Company's workforce and the Company is unable to identify its share of the assets and liabilities of the scheme on a consistent and reasonable basis.

Contributions to the scheme are charged to the profit and loss account as they are incurred.

The Company also operates an unfunded unapproved pension arrangement in the UK and a post-retirement medical plan in the UK. FRS 17 'Post retirement benefits' is applied, under which both the unfunded unapproved pension arrangement and the post-retirement medical plan are accounted for as defined benefit schemes. Values attributed to scheme liabilities are assessed in accordance with the advice of qualified independent actuaries.

The defined benefit schemes are funded directly by the company. For defined benefit post-employment plans, the present value of the plan liabilities is recognised as a liability on the balance sheet. There are no plan assets to either scheme. Actuarial gains and losses arising in the year are taken to the Statement of Recognised Gains and Losses. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience, and adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Pension scheme liabilities have been measured using the projected unit method. Other movements in the deficit are recognised in the income statement, including the current service cost, any past service cost and the effect of any curtailment or settlements. The interest cost is also charged to the income statement.

NOTES TO THE 2007 FINANCIAL STATEMENTS continued

1. ACCOUNTING POLICIES - continuedd) Depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated to write off the cost of tangible fixed assets, less their residual values.

(i) Fixtures, Fittings and Equipment

Depreciation is provided on a straight-line basis over estimated lives, with annual rates varying between 10% and 33%.

(ii) Freehold Properties

Depreciation is provided on a straight-line basis on freehold buildings on the basis of estimated life, subject to a maximum of 50 years. Freehold improvements are depreciated on completion of the construction work, at which point the related cost is transferred to freehold property. Freehold land is not depreciated.

(iii) Leasehold Properties

These are amortised in equal instalments over the unexpired period of the lease. Premiums are written down to net realisable value when a building is no longer in use.

e) Operating Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the lease term.

f) Deferred Tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

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.

g) Group Financial Statements

The financial statements contain information about Rio Tinto London Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Rio Tinto plc, a company incorporated in England and Wales.

NOTES TO THE 2007 FINANCIAL STATEMENTS continued**1. ACCOUNTING POLICIES - continued****h) 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.

i) 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.

j) Investment Income

Income from investments in subsidiary/associate undertakings is recognised when the right to receive payment is established.

k) Share based payments

The parent Company operates a number of equity-settled share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the appropriate service period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, earnings per share). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

The parent Company operates a numbers of cash-settled share based plans. The fair value of cash-settled share plans is recognised as a liability over the vesting period of the awards. Movements in that liability between accounting dates are recognised as an expense. The grant date fair value of the awards is taken to be the market value of the shares at the date of the award reduced by a factor for anticipated relative Total Shareholder Return ('TSR') performance. Fair values are subsequently remeasured at each accounting date to reflect the number of awards expected to vest based on the current and anticipated TSR performance. If any awards are ultimately settled in shares, the liability is transferred direct to equity as the consideration of the equity instruments issued.

Where employees of the Company are also eligible for share based payment schemes operated by other companies within the Rio Tinto Group who have neither a direct nor indirect ownership interest in the Company, provision is made for the fair value of awards at the grant date. The difference between the fair value at the grant date and any amount subsequently recharged to Company is recognised directly in the profit and loss reserve.

NOTES TO THE 2007 FINANCIAL STATEMENTS continued

2. OPERATING LOSS

	<u>2007</u> £000	<u>2006</u> £000
The operating loss is stated after charging / (crediting):		
Employment costs (see note 3) – (restated)	108,706	54,819
Depreciation (note 7)	6,814	4,816
Auditors' remuneration		
- Audit services	30	43
- Other assurance services	-	5
Loss / (Profit) on disposal of fixed assets	391	(178)
Operating lease rentals – properties	1,386	1,991
Operating lease rentals – plant and equipment	566	364
Increase in provision for rental obligations under onerous leases (note 14)	-	184

During the year, £1,751,000 (2006: £1,155,000) was paid to PricewaterhouseCoopers LLP in respect of audit services provided to other Rio Tinto group companies and £1,725,000 (2006: £1,639,000) for non-audit services provided to other Rio Tinto group companies.

3. EMPLOYMENT COSTS

The average number of persons employed during the year, including directors, was 316 (2006: 254). The costs of employment were:

	<u>2007</u> £000	<u>2006</u> £000
Wages and salaries	51,528	39,093
Severance costs	3,366	1,178
Social security costs	7,932	3,665
Provision for post-retirement benefits (note 17)	4,442	7,080
Other pension costs	20	551
Share-based payments – (restated (a))	41,418	3,252
	<u>108,706</u>	<u>54,819</u>

(a) The 2006 comparative figures have been restated to include all share-based payments amounts as detailed in the Share-based Payment section in note 3.

NOTES TO THE 2007 FINANCIAL STATEMENTS continued

3. EMPLOYMENT COSTS - continuedPost Retirement Benefits

The Company participates in a Group pension scheme in the UK. In addition, the Company provides unfunded pensions and post retirement healthcare benefits to eligible employees. It also reimburses fellow Group companies for the pension costs of foreign employees seconded to it.

Refer to Note 18 - Post retirement benefits for full details.

Other Employee Benefits

The Company's employees are entitled to participate in The Rio Tinto Employee Share Ownership Plan (the "ESOP"). The trustee of the ESOP is the HSBC Trustee (C.I.) Limited, (the "Trustee"), which is an independent professional trust company resident in the Island of Jersey.

The ESOP provides for the issue of shares to the Company's employees (including directors and officers) in connection with the Rio Tinto Group incentive plan arrangements, which are described in the Rio Tinto Group financial statements. Charges to the Company arising in connection with the ESOP are spread over the employees' period of service in respect of which the shares are granted. Costs relating to the administration of the ESOP are absorbed by the Company in the year that they are incurred. The shares held by the Trustee at the year-end represent shares to be awarded to employees in future periods. During the period prior to allocations, dividends are attributable to the Trust Fund.

Share Based Payments

The compensation cost that has been recognised in the income statement for Rio Tinto's share based compensation plans, and related liability, is set out in the table below.

	Expense recognised for the year		Liability at the end of the year	
	<u>2007</u> £000	<u>2006</u> £000	<u>2007</u> £000	<u>2006</u> £000
Equity-settled plans	5,922	2,423	—	—
Cash-settled plans (a)	35,496	829	45,833	10,222
	<u>41,418</u>	<u>3,252</u>	<u>45,833</u>	<u>10,222</u>

(a) The 2006 liability figure has been restated to align the note to the 2006 balance sheet

NOTES TO THE 2007 FINANCIAL STATEMENTS continued

3. EMPLOYMENT COSTS - continuedLattice based option valuation model

The fair value of share options is estimated as at the date of grant using a lattice-based options valuation model. The significant assumptions used in the valuation model are disclosed below. Expected volatilities are based on the historical volatility of Rio Tinto's share returns under the UK and Australian listings. Historical data are used to estimate employee turnover rates within the valuation model. Under the Share Option Plans, it is assumed that after options are vested, 20 per cent p.a. of participants will exercise their options when the market price is at least 20 per cent above the exercise price of the option. Participants in the Share Savings Plans are assumed to exercise their options immediately after vesting. The implied lifetime of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. The risk-free rate used in the valuation model is equal to the yield available on the UK and Australian zero-coupon government bonds (for plc and Limited options respectively) at the date of grant with a term equal to the expected term of the options.

a) Share Savings Plans

Awards in these plans are settled in equity and accounted for accordingly. The fair value of each award on the day of grant was estimated using a lattice based option valuation model, including allowance for the exercise price being at a discount to market price. The key assumptions used in the valuation are noted in the following table:

Rio Tinto plc – Share savings plan

	Risk-free interest rate %	Expected volatility %	Dividend yield %	Turnover rates %	Implied lifetime years
<i>Awards made in the period</i>	<i>5.0</i>	<i>35.0</i>	<i>1.5</i>	<i>10.0</i>	<i>2.2-5.2</i>

NOTES TO THE 2007 FINANCIAL STATEMENTS continued

3. EMPLOYMENT COSTS - continued

A summary of the status of the company's performance based share savings plan at 31 December 2007 and changes during the period ended 31 December 2007, is presented below.

	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Options outstanding at 1 January	146,719	14.26	149,059	11.84
Granted	20,936	30.47	30,582	20.72
Forfeited	(6,245)	14.30	(2,178)	14.06
Exercised	(30,238)	11.12	(28,565)	9.59
Cancellations	-	20.13	(1,382)	12.38
Expired	(1,035)	10.36	(797)	11.72
Options outstanding at 31 December (£9 - £36)	130,137	18.39	146,719	14.26
Weighted average grant-date fair value of options granted during the period (£)		13.16		7.93
Share price at date of grant for options granted during the period (£)		41.31		24.63
Estimated weighted average share price of options exercised during the period (£)		28.55		27.86

b) Share Option Plans

The group has a policy of settling these awards in equity, although the directors at their discretion can offer a cash alternative. The awards are accounted for in accordance with the requirements applying to equity settled share based payment transactions. The performance conditions in relation to Total Shareholder Return have been incorporated in the measurement of fair value for these awards by modelling the correlation between Rio Tinto's TSR and that of the index. The relationship between Rio Tinto's TSR and the index was simulated many thousands of times to derive a distribution which, in conjunction with the lattice based option valuation model, was used to determine the fair value of the options. The key assumptions are noted in the following table:

Rio Tinto Limited – Share option plan

	Risk-free interest rate %	Expected volatility %	Dividend yield %	Turnover rates %	Implied lifetime years
<i>Awards made in the period</i>	5.8	27.0	2.2	3.0	5.9

NOTES TO THE 2007 FINANCIAL STATEMENTS continued

3. EMPLOYMENT COSTS - continued

A summary of the status of the company's performance based share option plans at 31 December 2007 and changes during the period ended 31 December 2007, is presented below.

	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
		Weighted average exercise price		Weighted average exercise price
	Number	A\$	Number	A\$
Options outstanding at 1 January	1,214,261	43.53	1,415,718	36.17
Granted	137,379	75.12	189,273	71.06
Forfeited	(17,374)	71.57	(29,165)	53.64
Exercised	(220,100)	31.88	(360,666)	33.65
Expired	-	-	(899)	39.87
Options outstanding at 31 December (A\$33 - A\$94)	<u>1,114,166</u>	<u>50.84</u>	<u>1,214,261</u>	<u>43.53</u>
Weighted average grant-date fair value of options granted during the period (A\$)		14.37		17.09
Share price at date of grant for options granted during the period (A\$)		75.57		70.85
Estimated weighted average share price of options exercised during the period (A\$)		<u>102.04</u>		<u>76.64</u>

There were no cash settled options for Rio Tinto Limited outstanding as at 31 December 2007 (2006 - nil), in addition to the equity settled options shown above.

Rio Tinto plc – Share option plan

	Risk-free interest Rate %	Expected volatility %	Dividend yield %	Turnover rates %	Implied lifetime years
<i>Awards made in the period</i>	<u>5.0</u>	<u>34.0</u>	<u>2.4</u>	<u>3.0</u>	<u>5.2</u>

NOTES TO THE 2007 FINANCIAL STATEMENTS continued

3. EMPLOYMENT COSTS – continued

A summary of the status of the company's performance based share option plans at 31 December 2007 and changes during the period ended 31 December 2007, is presented below.

	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Options outstanding at 1 January	2,764,834	16.33	3,147,635	13.45
Granted	409,383	27.29	476,085	27.11
Forfeited	(28,758)	24.73	(33,104)	25.16
Exercised	(482,468)	12.50	(825,782)	11.95
Options outstanding at 31 December (£8 - £35)	<u>2,662,991</u>	<u>18.75</u>	<u>2,764,834</u>	<u>16.33</u>
Weighted average grant-date fair value of options granted during the period (£)		6.25		7.40
Share price at date of grant for options granted during the period (£)		27.48		26.89
Estimated weighted average share price of options exercised during the period (£)		<u>39.25</u>		<u>29.01</u>

In addition to the equity settled options shown above, there were 51,399 (2006 - 53,677) cash settled options outstanding as at 31 December 2007.

c) Share Ownership Plan

The fair values of awards of Matching and Free Shares by Rio Tinto are taken to be the market value of the shares on the date of purchase. These awards are settled in equity. The total fair value of shares awarded during the year was £801,870 (2006: £696,400).

d) Mining Companies Comparative Plan

Awards under this plan are accounted for in accordance with the requirements applying to cash settled share based payment transactions. If any awards are ultimately settled in shares, the liability is transferred direct to equity as the consideration for the equity instruments issued. The grant date fair value of the awards is taken to be the market value of the shares at the date of the award reduced by 50% for the anticipated relative TSR performance. In addition for the valuations after 2005 the market value is reduced for non receipt of dividends between measurement date and date of vesting. Forfeitures are assumed prior to vesting at three per cent p.a. of outstanding awards. In accordance with the method of accounting for cash settled awards, fair values are subsequently re-measured each year to reflect the number of awards expected to vest based on the current and anticipated TSR performance.

NOTES TO THE 2007 FINANCIAL STATEMENTS continued

3. EMPLOYMENT COSTS - continued

A summary of the status of the Company's performance based share plans at 31 December 2007, and changes during the period, is presented below.

Rio Tinto plc - Mining Companies Comparative Plan

	<u>2007</u>	<u>2007</u> Weighted average fair value at grant date	<u>2006</u>	<u>2006</u> Weighted average fair value at grant date
	Number	£	Number	£
Non vested awards at 1 January	1,507,950	7.36	1,356,810	6.62
Awarded	365,456	12.61	386,065	9.02
Forfeited	(4,882)	10.39	(22,105)	8.18
Failed performance conditions	(152,261)	6.26	(178,133)	6.20
Vested	(29,152)	6.26	(34,687)	6.22
Non vested awards at 31 December	1,687,111	8.60	1,507,950	7.36
Weighted-average share price at vesting		27.99		28.67

Rio Tinto Limited - Mining Companies Comparative Plan

	<u>2007</u>	<u>2007</u> Weighted average fair value at grant date	<u>2006</u>	<u>2006</u> Weighted average fair value at grant date
	Number	A\$	Number	A\$
Non vested awards at 1 January	574,751	19.35	520,307	17.27
Awarded	105,538	34.91	166,624	23.59
Forfeited	(22,006)	31.36	(32,499)	19.90
Failed performance conditions	(54,947)	17.50	(73,451)	16.84
Vested	(6,200)	17.58	(6,230)	16.84
Non vested awards at 31 December	597,136	23.04	574,751	19.35
Weighted-average share price at vesting		77.95		71.65

NOTES TO THE 2007 FINANCIAL STATEMENTS continued

3. EMPLOYMENT COSTS - continuede) Management Share Plan

The Management Share Plan was introduced during 2007. The awards will be settled in equity including the dividends accumulated from date of award to vesting. The awards are accounted for in accordance with the requirements applying to equity-settled, share based payment transactions. The fair value of each award on the day of grant is set equal to share price on the day of grant. Forfeitures are assumed prior to vesting at three per cent per annum of outstanding awards.

A summary of the status of the Company's fixed share plans at 31 December 2007, and changes during the period, is presented below.

Rio Tinto plc – Management Share Plan

	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
		Weighted average fair value at grant date		Weighted average fair value at grant date
	Number	£	Number	£
Non vested awards at 1 January	-	-	-	-
Granted	53,190	30.09	-	-
Forfeited	(433)	28.33	-	-
Vested	(67)	27.15	-	-
Non vested awards at 31 December	52,690	30.20	-	-
Weighted-average share price at vesting		43.75		-

Rio Tinto Limited - Management Share Plan

	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
		Weighted average fair value at grant date		Weighted average fair value at grant date
	Number	A\$	Number	A\$
Non vested awards at 1 January	-	-	-	-
Granted	4,950	81.65	-	-
Forfeited	-	76.02	-	-
Vested	-	74.84	-	-
Non vested shares at 31 December	4,950	81.89	-	-
Weighted-average share price at vesting		98.69		-

NOTES TO THE 2007 FINANCIAL STATEMENTS continued

4. DIRECTORS' EMOLUMENTS

	<u>2007</u> £000	<u>2006</u> £000
(a) <u>Aggregate remuneration of the directors:</u>		
Aggregate emoluments	3,041	1,814
Amounts receivable under long term incentive schemes (excluding shares and share options)	94	146
	<u>2007</u>	<u>2006</u>
The number of directors to whom retirement benefits are accruing under defined benefit pension schemes in respect of qualifying services	5	5
The number of directors in respect of whose qualifying services shares were received or receivable under long-term incentive schemes	6	5
The number of directors who exercised share options	1	5
(b) <u>Highest paid director</u>	<u>2007</u> £000	<u>2006</u> £000
Aggregate emoluments and benefits (excluding gains on exercise of share options and value of shares) received under long-term incentive schemes.	637	470
Accrued pension entitlement on retirement (per annum)	151	42
Accrued pension entitlement on retirement (cash balance)	-	23
Gain on share options exercised	550	839

During 2007, the highest paid director conditionally received Rio Tinto plc shares under long-term incentive schemes. There were no payments for loss of office made.

5. INTEREST PAYABLE AND SIMILAR COSTS

	<u>2007</u> £000	<u>2006</u> £000
HMRC assessment	-	4
Bank overdraft charge	-	48
Post retirement benefit – other finance costs (note 18)	1,500	1,237
	<u>1,500</u>	<u>1,289</u>

NOTES TO THE 2007 FINANCIAL STATEMENTS continued

6. TAXATION

	<u>2007</u> £000	<u>2006</u> £000
Current tax:		
Withholding tax	99	4
Total current tax charge	99	4
Deferred tax:		
Origination and reversal of timing differences	(1,861)	(13,164)
Adjustment to estimated recoverable amount of deferred tax asset arising in previous periods	66	(8,713)
Total deferred tax credit (note 13)	(1,795)	(21,877)
Tax credit on loss on ordinary activities	(1,696)	(21,873)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 30% (2006: 30%). The differences are explained below:

	<u>2007</u> £000	<u>2006</u> £000
Loss on ordinary activities before tax	(25,687)	(30,035)
Loss on ordinary activities multiplied by standard rate of tax in the UK of 30% (2006: 30%)	(7,706)	(9,011)
Effects of:		
Group relief surrendered from other companies without charge	(1,218)	(4,706)
Expenses not deductible for tax purposes	5,110	1,960
Withholding tax	99	4
Share plan costs	11,427	(1,283)
Timing differences for which deferred tax is recognised:		
Transfer pricing adjustment	(10,500)	10,500
Severance provision	758	308
Pension / healthcare	1,454	2,185
Accelerated capital allowances and other timing differences	675	47
Current tax charge for the year	99	4

The Company pays for (or receives payment for) any group relief received (or surrendered) only where it is justified by commercial circumstances. There are no taxation charges or credits attributed to either the provisions against carrying values of investments or profits or loss on sale of subsidiaries.

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

NOTES TO THE 2007 FINANCIAL STATEMENTS continued

7. TANGIBLE FIXED ASSETS

	<u>Land & Buildings</u> £000	<u>Fixtures, Fittings & Equipment</u> £000	<u>Total</u> £000
<u>Cost</u>			
At 1 January 2007	38,742	3,800	42,542
Additions	16,046	7,431	23,477
Disposals	(17,097)	(3,208)	(20,305)
At 31 December 2007	<u>37,691</u>	<u>8,023</u>	<u>45,714</u>
<u>Accumulated depreciation</u>			
At 1 January 2007	14,212	3,078	17,290
Charge for the year	6,219	595	6,814
Disposals	(17,083)	(2,819)	(19,902)
At 31 December 2007	<u>3,348</u>	<u>854</u>	<u>4,202</u>
<u>Net book value</u>			
At 31 December 2007	<u>34,343</u>	<u>7,169</u>	<u>41,512</u>
At 31 December 2006	<u>24,530</u>	<u>722</u>	<u>25,252</u>
		<u>2007</u> £000	<u>2006</u> £000
The net book value of land and buildings (including refurbishment costs) comprises:			
Freehold land & buildings		17,334	23,888
Leasehold land & buildings		<u>17,009</u>	<u>642</u>
		<u>34,343</u>	<u>24,530</u>

Freehold land and buildings mainly comprise the cost of a central London office purchased in 1975 and the adjacent property purchased in 2006, less depreciation. The directors have not commissioned a valuation in use of the building, but are confident that the market value is substantially greater than the net book value. These buildings are currently in process of being redeveloped. Leasehold land and buildings relate to improvements undertaken to new, short lease offices.

NOTES TO THE 2007 FINANCIAL STATEMENTS continued

8. INVESTMENTS

	<u>Subsidiary Undertakings</u>		<u>Other Investments</u>	
	<u>Shares £000</u>	<u>Loans £000</u>	<u>Shares £000</u>	<u>Total £000</u>
<u>Cost</u>				
At 1 January and 31 December 2007	116	250	10	376
<u>Provisions</u>				
At 1 January and 31 December 2007	100	-	-	100
<u>Net book value</u>				
At 31 December 2007	16	250	10	276
At 31 December 2006	16	250	10	276

Interests in principal subsidiary, associated and fellow group undertakings are listed as follows:

Company	Country of Incorporation or Registration	Ordinary shares held, number and nominal value	% held
Rio Tinto Marketing Services Limited	England & Wales	2 of £1 each	100
Rio Tinto Overseas Services Limited	England & Wales	2 of £1 each	100
Bougainville Copper Foundation (associate)	Papua New Guinea	Company limited by guarantee	33.33

The Company's principal subsidiaries provide services mainly to other Rio Tinto Group and related companies.

In the event of liquidation of Bougainville Copper Foundation, the Company is required to make good any deficiency. The Company has been indemnified against loss by a fellow group undertaking.

Other investments comprise 879 (2006: 864) ordinary shares of Rio Tinto plc held under the Employee Share Ownership Plan, and amounts to £10,214 (2006: £10,214). The market value of this investment was £46,736 at 31 December 2007 (2006: £23,466). The nominal value of the shares held in the Employee Share Ownership Plan at 31 December 2007 was £88 (2006: £86).

9. CASH AT BANK AND IN HAND

Cash at bank includes £3,218,360 (2006: £3,044,000) for which there are restrictions on remittances.

NOTES TO THE 2007 FINANCIAL STATEMENTS continued

10. DEBTORS: Amounts falling due within one year

	<u>2007</u> £000	<u>2006</u> £000
Amounts receivable from subsidiary undertakings	5,020	6,208
Amounts receivable from parent and fellow subsidiary undertakings	54,617	18,495
Amounts receivable from Rio Tinto related undertakings	264	487
Amounts receivable from Rio Tinto Limited and its subsidiaries	50,382	27,830
Other debtors	9,344	8,943
Prepayments and accrued income	167	1,548
	<u>119,794</u>	<u>63,511</u>

11. CREDITORS: Amounts falling due within one year

	<u>2007</u> £000	<u>2006</u> £000
Trade creditors	152	11,405
Amounts payable to subsidiary undertakings	1,601	1,685
Amounts payable to parent and fellow subsidiary undertakings	77,542	40,762
Amounts payable to Rio Tinto Limited and its subsidiaries	11,111	15,272
Other creditors	24,478	6,345
Other taxes and social security	-	1,085
Accruals – (restated (a))	30,846	13,340
	<u>145,730</u>	<u>89,894</u>

(a) The 2006 figures have been restated to exclude share based payments liabilities now categorised as provisions.

12. CREDITORS: Amounts falling due after more than one year

	<u>2007</u> £000	<u>Restated (a)</u> <u>2006</u> £000
Accruals	<u>717</u>	<u>717</u>

(a) The 2006 figures have been restated to exclude share based payments liabilities now categorised as provisions.

NOTES TO THE 2007 FINANCIAL STATEMENTS continued

13. DEFERRED TAX

	<u>2007</u> £000	Restated (a) <u>2006</u> £000
<u>Balances at 31 December:</u>		
Transfer pricing adjustment	-	10,500
Share based payments	16,739	7,327
Severance provision	1,016	308
Accelerated capital allowances	(424)	(1,242)
Deferred tax asset	<u>17,331</u>	<u>16,893</u>
<u>Movement in year:</u>		
At 1 January	16,893	3,132
Deferred tax credit in profit and loss account (note 6)	1,795	21,877
Movement on deferred tax asset on post retirement / pension benefits (note 17)	(1,357)	(8,116)
At 31 December	<u>17,331</u>	<u>16,893</u>

All deferred tax assets and liabilities at 31 December 2007 have been recognised at 28% (2006: 28%/30%). At 31 December 2007, and 2006, there were no unrecognised deferred tax assets or liabilities.

(a) A deferred tax asset of £6,837,000 was recognised at 1 January 2006 in relation to post retirement and pension benefits. This amount, and subsequent movements are shown in note 18 as netted off against the liability for post retirement and pension benefits. This is a restatement of the disclosure from 2006, in line with FRS 17.

14. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Share based</u> <u>payments (a)</u> £000	<u>Other</u> <u>Provisions</u> £000	<u>2007</u> <u>Total</u> £000	Restated(c) <u>2006</u> <u>Total</u> £000
At 1 January	10,222	1,285	11,507	8,198
Provision for future obligations on leasehold property	-	-	-	184
Expense for the year	35,496	-	35,496	829
Other movements	115	-	115	1,195
Severance provisions (b)	-	2,693	2,693	1,101
At 31 December	<u>45,833</u>	<u>3,978</u>	<u>49,811</u>	<u>11,507</u>

(a) Share based payments relate to cash-settled share based payments which are described in note 3

(b) The severance provisions relates to the closure of an office with certain relocation allowances and employee severance packages. The provision recorded represents management's best estimate. Uncertainty remains on the actual liability as the closure has not yet been completed.

(c) The 2006 comparative figures have been restated to include share based payments liabilities which were previously categorised as accruals.

NOTES TO THE 2007 FINANCIAL STATEMENTS continued

15. CALLED UP SHARE CAPITAL

	<u>2007</u> <u>£000</u>	<u>2006</u> <u>£000</u>
Authorised: ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
Issued and fully paid: ordinary shares of £1 each	<u>4,800</u>	<u>4,800</u>

16. PROFIT AND LOSS ACCOUNT

	Share based payments reserve £000	Retained earnings £000	Total profit and loss account £000
At 1 January 2007	7,139	(20,724)	(13,585)
Actuarial gain on pension scheme	-	3,213	3,213
Deferred tax liability on actuarial gain on pension scheme	-	(900)	(900)
Share based payments	8,239	(11,226)	(2,987)
Retained loss for the financial year	-	(23,991)	(23,991)
At 31 December 2007	<u>15,378</u>	<u>(53,628)</u>	<u>(38,250)</u>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' EQUITY/(DEFICIT)

	<u>2007</u> <u>£000</u>	<u>2006</u> <u>£000</u>
Loss for the year	(23,991)	(8,162)
Share based payments	8,239	2,423
Distribution to related entity	(11,226)	-
Actuarial gain on pension scheme (Note 18)	3,213	2,854
Deferred tax liability on actuarial gain on pension scheme	<u>(900)</u>	<u>(501)</u>
Net deduction to shareholders' funds	<u>(24,665)</u>	<u>(3,386)</u>
Opening shareholders' funds as previously reported	-	881
Prior year adjustment - FRS20 net of tax	-	<u>(6,280)</u>
Opening shareholders' deficit	<u>(8,785)</u>	<u>(5,399)</u>
Closing shareholders' deficit	<u>(33,450)</u>	<u>(8,785)</u>

NOTES TO THE 2007 FINANCIAL STATEMENTS continued

18. POST RETIREMENT BENEFITSa) UK funded pension scheme

The Company participates in a Group pension scheme in the UK. For members who joined before 1 April 2005 the scheme is of the defined benefit type. Members who join on or after 1 April 2005 participate in a new defined contribution section under the group scheme. The assets of the scheme are held in a separate trustee administered fund. The details from the most recent actuarial reviews which were carried out as at 31 March 2006 are disclosed in the accounts of Rio Tinto plc, the ultimate holding company.

The Rio Tinto Pension Fund provides benefits on both a defined benefit and a defined contribution basis. However, the contributions paid by the Company are accounted as if the scheme were a defined contribution scheme, as the Company is unable to identify its share of the underlying assets and liabilities in the scheme. The cost of contributions to the Group scheme amount to £nil (2006: £nil). No regular Company contributions are currently payable.

The last actuarial valuation was conducted with an effective date of 31 March 2006. As a result of the findings of that valuation, no regular employer contributions are expected to be made to the Fund during 2008. Thereafter the contribution requirements will be reviewed on a six-monthly basis. An annual valuation of the Fund was carried out by independent qualified actuaries on 31 December 2007 under International Accounting Standards 19 "Employee Benefits" and on this basis the Fund had a surplus of £206 million (2006: £141 million).

b) UK unfunded pension arrangement

The Company operates an unfunded unapproved pension arrangement in the UK. A full actuarial valuation was carried out at 31 December 2007 by a qualified independent actuary. The major assumptions used by the actuary were:

	<u>2007</u>	<u>2006</u>
Assumptions:		
RPI Inflation	3.4%	3.1%
Discount rate	5.9%	5.2%
Pension increases in payment	3.4%	3.1%
General salary increases	5.4%	5.1%
Life expectancy of male aged 65 at the valuation date	19.2 years	19.1 years
Life expectancy of male aged 65 in 20 years time	20.2 years	20.2 years
	<u>2007</u>	<u>2006</u>
	£000	£000
Total market value of assets	-	-
Present value of liability	(20,135)	(17,271)
Deficit in the scheme	(20,135)	(17,271)
Gross pension liability	(20,135)	(17,271)
Related deferred tax asset at 28%	5,638	4,836
Net pension liability	(14,497)	(12,435)

NOTES TO THE 2007 FINANCIAL STATEMENTS continued

18. POST RETIREMENT BENEFITS- continued

	<u>2007</u> £000	<u>2006</u> £000
Employer contributions due within one year	-	-
<u>Analysis of the amount charged to operating profit</u>		
Employer's part of current service cost	(4,442)	(2,978)
Vested past service cost	-	(4,102)
Total operating charge	<u>(4,442)</u>	<u>(7,080)</u>
<u>Analysis of the amount charged to other finance income</u>		
Interest on pension scheme liabilities	(1,000)	(692)
Net return charge	<u>(1,000)</u>	<u>(692)</u>
<u>Analysis of amount recognised in STRGL</u>		
Experience gains arising on the scheme liabilities	378	380
Changes in assumptions underlying the present value of scheme liabilities	1,719	820
Actuarial gain recognised in STRGL	<u>2,097</u>	<u>1,200</u>
<u>Movement in scheme deficit during the year</u>		
Deficit in scheme at beginning of the year	(17,271)	(11,141)
Movement in year:		
Current service cost (total)	(4,442)	(2,978)
Aggregate contributions	481	442
Past service costs	-	(4,102)
Other finance income	(1,000)	(692)
Actuarial gain recognised in STRGL	2,097	1,200
Deficit in scheme at end of the year	<u>(20,135)</u>	<u>(17,271)</u>

NOTES TO THE 2007 FINANCIAL STATEMENTS continued

18. POST RETIREMENT BENEFITS- continued

	<u>2007</u> £000	<u>2006</u> £000
<u>History of experience gain and losses</u>		
Difference between expected and actual return on scheme assets:		
Amount - gain / (loss)	-	-
Percentage of scheme assets	0%	0%
Experience gains and losses on scheme liabilities		
Amount - gain	378	380
Percentage of the present value of the scheme liabilities	2%	2%
Total amount recognised in STRGL		
Amount - gain	2,097	1,200
Percentage of the present value of the scheme liabilities	10%	7%

c) UK Post Retirement Healthcare Plan

The Company operates a post-retirement medical plan in the UK. A full actuarial valuation was carried out at 30 September 2007 by a qualified independent actuary. Details of the full actuarial valuation at 30 September 2007 have been updated to 31 December 2007. The major assumptions used by the actuary were:

	<u>2007</u>	<u>2006</u>
Assumptions:		
RPI Inflation	3.4%	3.1%
Discount rate	5.9%	5.2%
Real Medical Trend Inflation in the short term	2.5%	2.5%
Real Medical Trend Inflation in the long term	2.5%	2.5%
Life expectancy of male aged 65 at the valuation date	19.2 years	19.1 years
Life expectancy of male aged 65 in 20 years time	20.2 years	20.2 years
	<u>2007</u>	<u>2006</u>
	£000	£000
Total market value of assets	-	-
Present value of liability	(8,693)	(9,924)
Deficit in the scheme	(8,693)	(9,924)
Gross liability	(8,693)	(9,924)
Related deferred tax asset at 28% (2006: 30%)	2,434	2,779
Net liability	<u>(6,259)</u>	<u>(7,145)</u>
Employer contributions due within one year	-	-

NOTES TO THE 2007 FINANCIAL STATEMENTS continued

18. POST RETIREMENT BENEFITS- continued

	<u>2007</u> <u>£000</u>	<u>2006</u> <u>£000</u>
<u>Analysis of the amount charged to operating profit</u>		
Employer's part of current Service Cost	-	-
Vested past service cost	-	-
Previously unrecognised surplus deducted from past service cost	-	-
Curtailment and Settlement	-	-
Previously unrecognised surplus deducted from C/S losses	-	-
Increase in recoverable surplus from inc in m/ship	-	-
	<hr/>	<hr/>
Total operating charge	-	-
	<hr/>	<hr/>
<u>Analysis of the amount charged to other finance income</u>		
Interest on pension scheme liabilities	(500)	(545)
	<hr/>	<hr/>
Net return - charge	(500)	(545)
	<hr/>	<hr/>
<u>Analysis of amount recognised in STRGL</u>		
Experience gains arising on the scheme liabilities	729	809
Changes in assumptions underlying the present value of scheme liabilities	387	845
	<hr/>	<hr/>
Actuarial gain recognised in STRGL	1,116	1,654
	<hr/>	<hr/>
<u>Movement in scheme deficit during the year</u>		
Deficit in scheme at beginning of the year	(9,924)	(11,648)
Movement in year:		
Aggregate contributions	615	615
Other finance costs	(500)	(545)
Actuarial gain recognised in STRGL	1,116	1,654
	<hr/>	<hr/>
Deficit in scheme at end of the year	(8,693)	(9,924)
	<hr/>	<hr/>

NOTES TO THE 2007 FINANCIAL STATEMENTS continued

18. POST RETIREMENT BENEFITS- continued

	<u>2007</u> £000	<u>Restated(a)</u> <u>2006</u> £000
<u>History of experience gain and losses</u>		
Difference between expected and actual return on scheme assets:		
Amount - gain / (loss)	-	-
Percentage of scheme assets	0%	0%
Experience gains and losses on scheme liabilities		
Amount - gain	729	809
Percentage of the present value of the scheme liabilities	8.5%	8%
Total amount recognised in STRGL		
Amount - gain	1,116	1,654
Percentage of the present value of the scheme liabilities	13%	17%
<u>Summary of post retirement benefit Other Finance Costs</u>		
UK unfunded pension Other Finance Costs	(1,000)	(692)
UK Post Retirement Healthcare Other Finance Costs	(500)	(545)
Total Post Retirement benefit Other Finance Costs	<u>(1,500)</u>	<u>(1,237)</u>
<u>Summary of post retirement benefit scheme</u>		
UK unfunded pension arrangement	(20,135)	(17,271)
UK Post Retirement Healthcare Plan	(8,693)	(9,924)
Less: Deferred tax (below)	8,072	7,615
Net Post Retirement benefit liability	<u>(20,756)</u>	<u>(19,580)</u>
	<u>2007</u> £'000	<u>Restated</u> <u>2006</u> £'000
<u>Movement in deferred tax asset on post retirement benefits:</u>		
At 1 January	7,615	-
Deferred tax credit in profit and loss account (note 13)	1,357	8,116
Deferred tax charge in profit and loss reserve (note 16)	(900)	(501)
At 31 December	<u>8,072</u>	<u>7,615</u>

(a) A deferred tax asset of £6,837,000 was recognised at 1 January 2006 in relation to post retirement and pension benefits. This amount and subsequent movements are netted off against the liability for post retirement and pension benefits. This is a restatement of the disclosure from 2006, in line with FRS 17.

NOTES TO THE 2007 FINANCIAL STATEMENTS continued

19. CONTINGENT LIABILITIES AND COMMITMENTS

	<u>2007</u> £000	<u>2006</u> £000
a) Annual obligations under operating leases on land and buildings comprise:-		
Expiring within one year	1,352	995
Expiring between one and five years	38	1,417
Expiring between five and ten years	1,227	-
Expiring between 15 and 20 years	5,820	-
	<u>8,437</u>	<u>2,412</u>
Annual obligations under operating leases on plant and equipment comprise:-		
Expiring within one year	37	29
Expiring between one and five years	1,251	729
	<u>1,288</u>	<u>758</u>
b) Under group banking arrangements, bank balances of £1,394,000 (2006: £2,126,000) form part of offset arrangements under which they could be used to settle the overdrafts of other companies within the group.		

20. 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 FRS 1 exempting inclusion are satisfied. The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Rio Tinto Group or investees of the Rio Tinto Group.

Under the terms of the Rio Tinto Pension Fund Trust Deed, a fee is charged to the Rio Tinto Pension Fund in respect of the provision of services to the Fund. During the year, £3,930,509 (2006: £1,511,522) was charged.

21. POST BALANCE SHEET EVENTS

In December 2008 the company announced the closure of an office. Certain leasehold improvements are expected to be written off, and a provision recorded from the resulting onerous lease, which expires within ten years of the balance sheet date. However, the amounts of the expected costs have not yet been quantified as the closure has not been completed and there is too much uncertainty to make reliable estimates.

In January 2009 the Company announced a programme of proposed redundancies in the UK. In compliance with industrial relations legislation, a collective consultation committee has been formed so that consultation with employees may take place over a 90 day period.

22. 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 2 Eastbourne Terrace, London, W2 6LG, or from the Rio Tinto website at www.riotinto.com.