

COMPANY NUMBER 00007132

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

September 2008



DIRECTORS

D S Larsen
C Lenon
B J S Mathews
U Quellmann

SECRETARY

R P Dowding

**REGISTERED
OFFICE**

2 Eastbourne Terrace
London
W26LG

AUDITORS

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

REPORT OF THE DIRECTORS

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

BUSINESS REVIEW

Rio Tinto Western Holdings Limited is a wholly owned subsidiary of Rio Tinto plc ("Rio Tinto"). The Company is an investment holding company for the Rio Tinto Group

Details of the principal subsidiary undertakings at 31 December 2007 are set out on pages 11 and 12

The Company does not produce consolidated financial statements as its results are consolidated into the financial statements of the Rio Tinto Group. The company's results from year to year are highly sensitive to the timing of dividend flows and of movements in provisions, and do not necessarily reflect the performance of its group undertakings. The profit for the year was \$2,015,000,000 (2006 loss \$122,000,000)

No interim dividend was paid during the year (2006 \$nil). The directors do not recommend the payment of a final dividend (2006 \$nil)

In January 2008 the company allotted 61,111,111 cumulative redeemable non convertible fixed rate preference shares of \$90.00 each. In February 2008 the company acquired the entire issued share capital of Rio Tinto Escondida Limited for \$5,500,000,000

FUTURE DEVELOPMENTS

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

KEY PERFORMANCE INDICATORS ("KPIs")

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

DIRECTORS

The names of the directors in office at the date of this report are shown on page 2. Mrs A V Lawless resigned as a director on 31 July 2007 and Mr I C Ratnage resigned as a director on 25 April 2008. Mr B J S Mathews was appointed as a director on 1 August 2007 and Mr U Quellmann was appointed as a director on 25 April 2005

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 (continued)**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

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

INDEMNITIES AND INSURANCE

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

AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

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

In so far as the directors are aware:

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

BY ORDER OF THE BOARD



R P Dowding
Secretary
London
22 September 2008

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

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

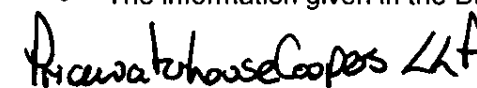
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended.
- The financial statements have been properly prepared in accordance with the Companies Act 1985, and
- The information given in the Directors' Report is consistent with the financial statements.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

29 September 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 December 2007

	Note	<u>2007</u> \$m	<u>2006</u> \$m
Income from shares in subsidiary undertaking		69	-
Other operating costs		(149)	(73)
Exceptional item – Receipt of payment for shares	4	<u>2,200</u>	<u>-</u>
Operating profit/(loss)		2,120	(73)
Interest paid to group companies		<u>(105)</u>	<u>(49)</u>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2	2,015	(122)
Taxation on profit / (loss) on ordinary activities	3	<u>-</u>	<u>-</u>
Retained profit / (loss) for the year	8	<u>2,015</u>	<u>(122)</u>

MOVEMENT IN RETAINED EARNINGS

At 1 January	26	148
Retained profit / (loss) for the year	<u>2,015</u>	<u>(122)</u>
At 31 December	<u>2,041</u>	<u>26</u>

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

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

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

The notes on pages 8 to 13 form part of these financial statements

BALANCE SHEET AS AT 31 December 2007

	Note	<u>2007</u> \$m	<u>2006</u> \$m
FIXED ASSETS			
Investments	4	<u>2,225</u>	<u>2,228</u>
		2,225	2,228
CURRENT ASSETS			
Debtors	5	2,703	488
CREDITORS Amounts falling due within one year	6	<u>(1,561)</u>	<u>(1,364)</u>
NET CURRENT ASSETS		<u>1,142</u>	<u>(876)</u>
NET ASSETS		<u>3,367</u>	<u>1,352</u>
CAPITAL AND RESERVES			
Equity share capital	7	43	43
Share premium account	8	43	43
Capital reserve	8	1,108	1,108
Other reserves	8	132	132
Profit and loss account	8	<u>2,041</u>	<u>26</u>
EQUITY SHAREHOLDERS' FUNDS		<u>3,367</u>	<u>1,352</u>

The financial statements on pages 6 to 13, were approved by the Board of Directors on 12 September 2008 and signed on its behalf by



D S Larsen, Director

The notes on pages 8 to 13 form part of these financial statements

NOTES TO THE 2007 FINANCIAL STATEMENTS

1 ACCOUNTING POLICIESa) Basis of Accounting

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

b) Reporting Currency

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

c) Investment Income

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

d) Interest Income

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

e) Taxation

The Company does not pay for, or receive payment for, any group relief claimed from, or surrendered to, other Group companies.

Withholding tax incurred on dividends and interest payments received from subsidiary and other Rio Tinto group entities is presented within the taxation charge in the profit and loss account.

NOTES TO THE 2007 FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (Continued)f) Preference Shares

In 2006, the Company issued 17,000,000 cumulative redeemable non convertible floating rate preference shares of A\$100 each. This share capital was recorded in US dollars at its historical exchange rate. In 2007, 61,111,111 fixed rate preference shares of \$90.00 each were issued.

Any change in the US dollar equivalent (calculated at the year-end exchange rate) above the book value is included within other operating costs in the profit and loss account.

Shareholders funds not attributed to equity shares have been classified as intercompany debt. As the shares are non-convertible to equity shares, the full value including accumulated dividends, has been classified as intercompany debt.

g) Investments

Fixed asset investments are valued at cost less impairment provisions. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value if higher. The discount rate applied is based upon the Company's weighted average cost of capital, with appropriate adjustment for the risks associated with the relevant unit.

h) Group Financial Statements

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

i) Currency Translation

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

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

j) Reporting Format

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

NOTES TO THE 2007 FINANCIAL STATEMENTS (continued)

2 PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

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

3 TAXATION

	<u>2007</u> \$m	<u>2006</u> \$m
Current tax*		
UK corporation tax on profits of the period	-	-
Deduct Double taxation relief	-	-
	<hr/>	<hr/>
Withholding tax on dividends receivable	-	-
	<hr/>	<hr/>
Total current tax	-	-
	<hr/>	<hr/>

The tax assessed for the year is different from the standard rate of corporation tax in the UK (30%) The differences are explained below

	<u>2007</u> \$m	<u>2006</u> \$m
Profit / (loss) on ordinary activities before tax	<u>2,015</u>	<u>(122)</u>
Profit / (loss) on ordinary activities multiplied by standard rate of tax in the UK 30%	605	(37)
Effects of		
Utilisation of losses (not previously recognised)	(9)	-
Group relief claimed without payment	-	8
Income not subject to taxation	(672)	-
Expenses not deductible	<u>76</u>	<u>29</u>
Current tax charge for the year	<hr/>	<hr/>

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

NOTES TO THE 2007 FINANCIAL STATEMENTS (continued)

EXCEPTIONAL ITEM – RECEIPT OF PAYMENT FOR SHARES

The exceptional item relates to the redemption of the Class B Common Stock, redeemed by Rio Tinto Western Holdings in Rio Tinto American Holdings

4 INVESTMENTS

	<u>2007</u> \$m	<u>2006</u> \$m
<u>Cost</u>		
At 1 January	2,228	2,217
Additions	-	11
Provision for impairment	(3)	-
At 31 December	<u>2,225</u>	<u>2,228</u>

In 2008 the company redeemed its Class B Common Stock in Rio Tinto American Holdings for \$2,200m

The following information relates to the Company's principal subsidiaries at 31 December 2007

Company	Country of Incorporation	Class of shares held	% held	Nature of business activity
Rio Tinto America Holdings Inc	United States of America (USA)	Common	100	Investment holding
Rio Tinto Minerals Limited	England and Wales	Ordinary	100	Investment holding
Rio Tinto Peru Limited	England and Wales	Ordinary	100	Investment holding

Through Rio Tinto America Holdings Inc the Company owns

Company	Country of Incorporation	Class of shares held	% held	Nature of business activity
- Kennecott Energy & Coal Company	USA	Common	100	Coal mining
- Kennecott Minerals Holdings Company	USA	Common	100	Gold, silver and lead/zinc mining
- Kennecott Utah Copper Corporation	USA	Common	100	Copper, gold mining and smelting
- Luzenac America Inc	USA	Common	100	Talc Mining
- Rio Tinto America Inc	USA	Common	100	Finance
- Three Crowns Insurance Company	Bermuda	Ordinary	100	Insurance Services
- U S Borax Inc	USA	Common	100	Borax mining

NOTES TO THE 2007 FINANCIAL STATEMENTS (continued)

4 INVESTMENTS (Continued)

Through Rio Tinto Minerals Limited the Company owns

Company	Country of Incorporation	Class of shares held	% held	Nature of business activity
- Borax Europe Limited	England and Wales	Ordinary	100	Borates marketing

Through Rio Tinto Peru Limited the Company owns

Company	Country of Incorporation	Class of shares held	% held	Nature of business activity
- Rio Tinto Peru Limitada	Peru	Quota	100	Mining developments

5 DEBTORS

	<u>2007</u> \$m	<u>2006</u> \$m
Amounts falling due within one year		
Amounts receivable from parent and fellow subsidiary undertakings	<u>2,703</u>	<u>488</u>
	<u>2,703</u>	<u>488</u>

6 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2007</u> \$m	<u>2006</u> \$m
17,000,000 cumulative redeemable non convertible floating rate preference shares of A\$100 each due to parent and fellow subsidiary undertakings, and accrued dividends thereon	<u>1,561</u>	<u>1,364</u>
	<u>1,561</u>	<u>1,364</u>

The preference shares carry a cumulative preferential dividend (at a rate based upon the aggregate of the Australian Bank Bill Short Term Rate and a margin of 50 basis points), payable yearly in arrears. 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 every three preference shares held). Shares have a final redemption date of 1 May 2011, but may be redeemed earlier at the option of the holder, or later, at the option of the Company, and at two days notice by mutual agreement.

NOTES TO THE 2007 FINANCIAL STATEMENTS (continued)

7 EQUITY

	<u>2007</u> \$m	<u>2006</u> \$m
Authorised 35,000,000 ordinary shares of £1 each	<u>51</u>	<u>51</u>
Allotted, issued, called up and fully paid 30,000,000 ordinary shares of £1 each	<u>43</u>	<u>43</u>

8 RECONCILIATION IN MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>Equity Share Capital</u>	<u>Share premium</u> \$m	<u>Capital reserve</u> \$m	<u>Other reserves</u> \$m	<u>Profit and loss account</u> \$m	<u>Total</u> \$m
At 1 January 2007	43	43	1,108	132	26	1,352
Profit for the year	-	-	-	-	2,015	2,015
At 31 December 2007	<u>43</u>	<u>43</u>	<u>1,108</u>	<u>132</u>	<u>2,041</u>	<u>3,367</u>

In 2000, the Company's share capital, share premium and capital reserves were translated into US dollars at the exchange rate in force when the US dollar became the functional currency. The resulting currency translation adjustment has been included in other reserves.

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 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.

10 ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Rio Tinto European Holdings Limited. The ultimate parent undertaking and controlling party is Rio Tinto plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Rio Tinto plc consolidated financial statements can be obtained from its registered office at 5 Aldermanbury Square, London, EC2V 7HR.