COMPANY NUMBER 1026288

# RIO TINTO OVERSEAS SERVICES LIMITED

# ANNUAL REPORT AND

# FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 DECEMBER 2005

July 2006

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COMPANIES HOUSE 28/07/2006

| | |
|---|---|
| DIRECTORS: | A V Lawless<br>R P Dowding |
| SECRETARY: | M J Whyte |
| REGISTERED OFFICE: | 6 St. James's Square<br>London<br>SW1Y 4LD |
| AUDITORS: | PricewaterhouseCoopers LLP<br>1 Embankment Place<br>London<br>WC2N 6RH |

## REPORT OF THE DIRECTORS

The directors present their report, together with the audited financial statements for the year ended 31 December 2005.

### PRINCIPAL ACTIVITIES, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Rio Tinto Overseas Services Limited is a wholly owned subsidiary of Rio Tinto plc ("Rio Tinto"). The Company continues to provide services to an overseas company and is expected to do so for the foreseeable future.

The results of the Company for the year ended 31 December 2005 are set out on page 7.

### RESULTS AND DIVIDENDS

The Company's profit for the financial year is £5,000 (2004: £4,000).

No interim dividend was paid during the year (2004 - £nil). The directors do not recommend the payment of a final dividend (2004 - £nil).

### FINANCIAL RISK MANAGEMENT

The directors have identified the need to manage the Company's material financial risks, including foreign exchange, liquidity, credit and interest rate risks. These risks are monitored through a Group Treasury management function which invests surplus funds, mitigates foreign exchange exposure and manages borrowings for Rio Tinto Group companies.

Group Treasury also seeks to limit counter-party risk by conducting most of its banking and dealing activities with a limited number of major international banks, whose status is kept under review.

*Liquidity Risk*

The Company finances its operations through a combination of retained profits, new share issues and intercompany loans.

*Interest Rate Risk*

To the extent that the Company enters into intercompany loan agreements, the Company exposure to interest rate risk arises on those loans on which interest is charged at US Libor. The Company does not participate in interest rate hedging.

*Credit Risk*

Credit risk arises on the balances receivable from other members of the Rio Tinto Group. No material exposure is considered to exist in respect of intercompany balances.

### INDEMNITIES AND INSURANCE

Rio Tinto plc indemnifies officers of subsidiary companies against liabilities arising from the conduct of the Group's business, to the extent permitted by law, by the placing of Directors' and Officers' insurance.

The insurance indemnifies individual directors' and officers' personal legal liability and cost for claims arising out of actions taken in connection with Group business.

## DIRECTORS

The names of the directors in office at the date of this report are shown on page 2. Mr A S Garner resigned on 1 April 2005.

## DIRECTORS' INTERESTS

The directors who held office at 31 December 2005 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 plc, the ultimate parent company, as recorded in the register required to be kept by section 325 of the Companies Act 1985:-

| | Ordinary shares of 10p each of Rio Tinto | | Options over ordinary shares of 10p each of Rio Tinto | | | | Long Term Incentive Plans[3] | |
|---|---|---|---|---|---|---|---|---|
| | 01.01.05[1] | 31.12.05 | 01.01.05[1] | Granted | Exercised | 31.12.05[2] | 01.01.05 | 31.12.05 |
| R P Dowding | 6,331 | 6,202 | 7,618 | 1,792 | 149 | 9,261 | 1,178 | 2,970 |

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 Mining Companies Comparative Plan. For further information regarding Rio Tinto's long-term incentive plans, including the Mining Companies Comparative Plan, please see the Rio Tinto Annual Report and financial statements.

The directors held no other interests in the Company or in any other Rio Tinto Group companies.

The directors are also deemed to have an interest in a trust fund containing 835 Rio Tinto ordinary shares at 31 December 2005 (31 December 2004 - 8,219 ordinary shares) as potential beneficiaries, together with other Rio Tinto Group employees.

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

## 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 LLP, will therefore be deemed to have been re-appointed 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.

## REPORT OF THE DIRECTORS (continued)

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 9 under Note 1 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

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.

BY ORDER OF THE BOARD

M J Whyte
Secretary

6 St. James's Square
London SW1Y 4LD

18 July 2006

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RIO TINTO OVERSEAS SERVICES LIMITED

We have audited the financial statements of Rio Tinto Overseas Services Limited for the year ended 31 December 2005 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**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
18 July 2006

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

| | Note | 2005<br>£000 | 2004<br>£000 |
|---|---|---|---|
| Turnover | 1 | 163 | 110 |
| *Operating costs* | 2 | (163) | (110) |
| Operating profit | | - | - |
| Interest receivable from banks | | 5 | 4 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 5 | 4 |
| Taxation on profit on ordinary activities | 3 | - | - |
| PROFIT FOR THE FINANCIAL YEAR | | 5 | 4 |

| | | | |
|---|---|---|---|
| MOVEMENT IN RETAINED EARNINGS: | | | |
| At 1 January | | 53 | 49 |
| *Retained profit for the year* | | 5 | 4 |
| At 31 December | | 58 | 53 |

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 profit 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 9 to 12 form part of these financial statements.

## BALANCE SHEET AS AT 31 DECEMBER 2005

| | Note | 2005 £000 | 2004 £000 |
|---|---|---|---|
| CURRENT ASSETS | | | |
| Cash at bank | | 114 | 113 |
| | | 114 | 113 |
| CREDITORS: Amounts falling due within one year | 4 | (56) | (60) |
| NET ASSETS | | 58 | 53 |
| CAPITAL AND RESERVES | | | |
| *Called up share capital* | 5 | - | - |
| Profit and loss account | | 58 | 53 |
| EQUITY SHAREHOLDERS' FUNDS | | 58 | 53 |

The financial statements on pages 7 to 12, were approved by the Board of Directors on 18 July 2006 and signed on its behalf by:

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R P Dowding, Director

The notes on pages 9 to 12 form part of these financial statements.

## NOTES TO THE 2005 FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a) 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 principal accounting policies are set out below.

*Changes in accounting policies*

The Company has adopted FRS21, 'Events after the balance sheet date' in these financial statements. However, there has been no impact in the current year, or prior year, financial statements of the adoption of this standard.

In addition, the Company has adopted paragraphs 15-50 of FRS 25, 'Financial instruments: disclosure and presentation', being those paragraphs relating to presentation only, in these financial statements. However, there has been no impact in the current year, or prior year, financial statements of the adoption of this standard.

In addition, the Company has adopted FRS17, 'Retirement benefits', in these financial statements. Refer to note 1d) below for impact of the adoption of this standard.

b) Turnover

Turnover for the year represents fees receivable in respect of services provided to an overseas group company.

c) 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 rates of exchange ruling at the end of the financial year. Exchange differences are dealt with in the profit and loss account.

d) Post Retirement Benefits

The Company participates in one pension scheme, the Rio Tinto International Pension Fund. This is a group defined benefit pension scheme. Pension costs are assessed in accordance with the advice of qualified independent actuaries.

FRS 17 'Post retirement benefits' has been adopted in the year. However, the contributions to the Rio Tinto International 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 it 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. No prior year comparatives have been restated on adoption of this standard.

## NOTES TO THE 2005 FINANCIAL STATEMENTS (continued)

e) Taxation

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

f) Deferred Tax

Full provision is made for deferred taxation on all timing differences that have arisen but not reversed at the balance sheet date, except that deferred tax assets are only recognised to the extent that it is more likely than not that they will be recovered. Deferred tax is recognised on an undiscounted basis.

2. OPERATING COSTS

a) Operating costs comprise:

| | 2005<br>£000 | 2004<br>£000 |
|---|---|---|
| Staff costs: | | |
| Wages and salaries | 132 | 83 |
| Pension contributions | 22 | 21 |
| Other | 9 | 6 |
| | 163 | 110 |

b) The average number of persons employed during the year, excluding directors, was 3 (2004 – 3). All employees work outside the United Kingdom.

c) No emoluments were paid to any of the directors in respect of their services to the Company (2004 – £nil).

d) The auditors' remuneration is borne by a fellow group undertaking (2004 – £nil).

Post Retirement Benefits

The Company participates in the Rio Tinto International Pension Fund in the UK. This funded scheme is of the defined benefit type. The assets of the International scheme are held in a separate trustee administered fund.

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 International Pension Fund amount to £22,000 (2004: £21,000), and represent the regular contributions paid during the year. A formal funding review of the International Pension Fund as at 31 March 2005 is currently underway, following which the trustees and company will review the rate of contributions required, initial indications are that contributions will increase.

An annual valuation of the International Pension fund was undertaken by independent qualified actuaries on 31 December under International Accounting Standards 19 "Employee Benefits" and no surplus or deficit (2004: deficit of $2m) was identified.

**NOTES TO THE 2005 FINANCIAL STATEMENTS (continued)**

2. OPERATING COSTS (continued)

Other employee benefits

Certain of the Company's employees are entitled to participate in the Rio Tinto plc Employee Share Option Plan, (the "ESOP"). The trustee of the ESOP is 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 Rio Tinto London Limited, the immediate parent undertaking. 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.

3. TAXATION

| | 2005<br>£000 | 2004<br>£000 |
|---|---|---|
| **Current tax:** | | |
| UK corporation tax on profits of the year | - | - |
| Tax on profit on ordinary activities | - | - |

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

| | 2005<br>£000 | 2004<br>£000 |
|---|---|---|
| Profit on ordinary activities before tax | 5 | 4 |
| Profit on ordinary activities multiplied by standard rate of tax in the UK 30% (2004: 30%) | 2 | 1 |
| Effects of: | | |
| Group relief surrendered from other companies without charge | (2) | (1) |
| Current tax charge for the year | - | - |

## NOTES TO THE 2005 FINANCIAL STATEMENTS (continued)

4. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2005<br>£000 | 2004<br>£000 |
|---|---|---|
| Amounts payable to parent undertaking | 39 | 59 |
| Amounts payable to fellow subsidiary undertaking | 17 | 1 |
| | 56 | 60 |

5. SHARE CAPITAL AND RESERVES

| | 2005<br>£000 | 2004<br>£000 |
|---|---|---|
| Authorised:<br>1,000,000 ordinary shares of £1 each | 1,000 | 1,000 |
| Allotted, issued, called up and fully paid:<br>2 ordinary shares of £1 each | - | - |

The only movements in shareholders' funds are those in retained earnings, which are shown on page 7.

6. CONTINGENT LIABILITIES

Under a group banking arrangement, balances of £114,000 (2004 - £113,000) could be used to offset the liabilities of other members of the group.

7. 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.

8. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Rio Tinto London 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, SW1Y 4LD.