

COMPANY NUMBER 3075230

RIO TINTO MARKETING SERVICES LIMITED  
ANNUAL REPORT  
AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2001



## **RIO TINTO MARKETING SERVICES LIMITED**

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**DIRECTORS:** R Adams  
J B P Squire (Managing Director)  
C A Ledbury  
W C Malaney  
E Model  
R C Shaw  
M S Travis

**SECRETARY:** B G Gale

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

**AUDITORS:** PricewaterhouseCoopers  
1 Embankment Place  
London WC2N 6RH

**REPORT OF THE DIRECTORS**

The directors present their annual report, together with the audited financial statements for the year ended 31 December 2001.

**PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS**

Rio Tinto Marketing Services Limited is a wholly-owned subsidiary of Rio Tinto plc ("Rio Tinto"). The Company provides marketing and other management services to companies owned by Rio Tinto (Rio Tinto Group companies).

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

**DIVIDENDS**

No dividends were paid during the year.

The directors do not recommend the payment of a final dividend.

**DIRECTORS**

The names of the directors in office at the date of this report are shown on page 2. C A Ledbury was appointed a director on 11 February 2002.

**DIRECTORS' INTERESTS**

No director is interested in any contract with the Company. According to the register required to be kept by Section 325 of the Companies Act 1985, the directors' (other than those who are directors of the parent company) interests in and options on shares and debentures of group companies, were as follows:

	<u>Ordinary shares of 10p each of Rio Tinto plc</u>		<u>Options over ordinary shares of 10p each of Rio Tinto plc<sup>1</sup></u>				<u>Long term incentive plans<sup>2</sup></u>	
	<u>1 January 2001</u>	<u>31 December 2001</u>	<u>1 January 2001</u>	<u>Granted</u>	<u>Exercised</u>	<u>31 December 2001</u>	<u>1 January 2001</u>	<u>31 December 2001</u>
W C Malaney	170	683	10,201	6,518	-	16,719	-	-
E Model	944	1,214	-	-	-	-	-	-
R C Shaw	18,207	19,526	38,033	6,084	1,734	42,383	4,542	3,662
J B P Squire	11,074	13,546	36,651	9,521	-	46,172	11,451	13,220
M S Travis	9,292	8,577	44,551	7,166	13,500	38,217	6,711	5,412

1 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.

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

The directors are also deemed to have an interest in a trust fund containing 197,903 Rio Tinto plc ordinary shares at 31 December 2001 (31 December 2000 – 329,609 ordinary shares) as potential beneficiaries, together with other Rio Tinto Group employees.

**REPORT OF THE DIRECTORS continued**

EMPLOYMENT POLICIES

The Company will employ 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.

EMPLOYEE INVOLVEMENT

Staff are kept informed by managerial briefings and by various written communications. Presentations on the Rio Tinto Group financial performance and on other matters of interest are given.

The Company participates in the Rio Tinto Share Savings Plan and the Rio Tinto Profit Sharing Scheme. During 2001, the majority of employees participated in both.

POLICY ON THE PAYMENT OF CREDITORS

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. The average time to discharge a liability, based on amounts owed to trade creditors at 31 December 2001, was 8 days.


AUDITORS

Elective resolutions to dispense with holding annual general meetings, the laying of financial statements before the Company in general meetings and the appointment of auditors are currently in force. The auditors, PricewaterhouseCoopers, will therefore be deemed to have been reappointed at the end of the period of 28 days beginning on the day on which copies of this report and financial statements are sent to members unless a resolution is passed under Section 393 of the Companies Act 1985 to the effect that their appointment be brought to an end.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

BY ORDER OF THE BOARD

  
B G Gale  
Secretary

6 St James's Square,  
London SW1Y 4LD

16 May 2002

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
RIO TINTO MARKETING SERVICES LIMITED**

We have audited the financial statements on pages 6 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

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

**BASIS OF AUDIT OPINION**

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

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

**OPINION**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*

PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
London

16 May 2002

# RIO TINTO MARKETING SERVICES LIMITED

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

	<u>NOTE</u>	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
Turnover	1	3,102	3,039
Administrative costs		(2,968)	(2,764)
Operating profit	2	<u>134</u>	<u>275</u>
Interest receivable and similar income	5	69	38
Profit on ordinary activities before tax		<u>203</u>	<u>313</u>
Tax on profit on ordinary activities	6	(96)	(105)
Retained profit for the year		<u>107</u>	<u>208</u>
Movement in retained earnings:			
At 1 January		208	-
Retained profit for the year		107	208
At 31 December		<u>315</u>	<u>208</u>

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

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

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

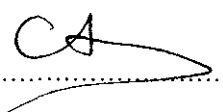
# RIO TINTO MARKETING SERVICES LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2001

	NOTE	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
FIXED ASSETS			
Tangible assets	7	39	26
CURRENT ASSETS			
Debtors	8	811	1,249
Cash at bank and in hand		1,058	576
		<u>1,869</u>	<u>1,825</u>
CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(593)	(643)
NET CURRENT ASSETS		<u>1,276</u>	<u>1,182</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,315	1,208
CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	10	(1,000)	(1,000)
NET ASSETS		<u>315</u>	<u>208</u>
CAPITAL AND RESERVES			
Called up share capital	12	-	-
Profit and loss account		315	208
EQUITY SHAREHOLDERS' FUNDS	13	<u>315</u>	<u>208</u>

The financial statements on pages 6 to 13 were approved by the Board of Directors on 16 May 2002 and signed on its behalf by:

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

NOTES TO THE 2001 FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a) Basis of Accounting

The financial statements have been prepared under the historical convention and in accordance with applicable UK accounting standards. Financial Reporting Standard 18 "Accounting Policies" became mandatory for accounting periods ending on or after 22 June 2001. The directors have reviewed the Company's existing accounting policies and consider that they are consistent with the requirements of this new Standard.

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

b) Turnover

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

c) Depreciation

Depreciation is provided on a straight line basis over estimated asset lives, with annual rates varying between 8% and 34%.

d) Deferred Tax

Deferred tax is provided using the liability method in respect of all timing differences to the extent that, in the opinion of the directors, they are expected to reverse in the foreseeable future. Provision is made at the tax rate which is expected to prevail on reversal.

e) Currency Translation

Transactions denominated in foreign currencies are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the financial year. Exchange differences are dealt with in the profit and loss account.

f) Post Retirement Benefits

The expected cost of pensions and other post retirement benefits in respect of defined benefit schemes is charged to the profit and loss account so as to spread the cost of post retirement benefits over the service lives of employees in the schemes. Contributions to group pension schemes are based on pension costs across all the participating companies in the scheme. Variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes. In the case of group pension schemes, this adjustment is based on the allocation by the principal employer of such variations between companies in the schemes. The cost of post retirement benefits is assessed in accordance with the advice of qualified actuaries.



**NOTES TO THE 2001 FINANCIAL STATEMENTS continued**

**2. OPERATING PROFIT**

	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
Operating profit is stated after charging:		
Staff costs (see note 3)	1,717	1,822
Depreciation	33	30
Auditors' remuneration:		
- audit fees	7	3
- non audit fees	3	-

**3. STAFF COSTS**

The average number of persons employed during the year, including directors, was 23 (2000 – 24). The costs of employment were:-

	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
Wages and salaries	1,412	1,656
Severance costs	179	11
Social security costs	126	155
	<u>1,717</u>	<u>1,822</u>

The Company participates in the Rio Tinto Pension Fund in the UK. This scheme is of the defined benefit type. The assets of the scheme are held in a separate trustee administered fund. The details of the most recent actuarial review, which was carried out as at 31 March 2000, are disclosed in the financial statements of Rio Tinto plc, the ultimate holding company.

FRS 17 "Post retirement benefits", which deals with accounting for post retirement benefits, is effective for the year ending 31 December 2003 but the following additional disclosures are required for the current year:

The Rio Tinto Pension Fund is a defined benefit scheme. However, the contributions paid by the Company (where applicable) will be accounted for as if the scheme was a defined contribution scheme, as the Company's contributions to the scheme are set at a common level rather than reflecting the characteristics of the Company's workforce. The Company is therefore unable to identify its share of the underlying assets and liabilities of the Rio Tinto Pension Fund on a consistent and reasonable basis.

Information on the Rio Tinto Pension Fund is disclosed in the financial statements of Rio Tinto plc, the ultimate holding company. This disclosure shows a surplus of US\$320 million for UK pension funds, calculated in accordance with FRS 17. It also shows that there were no contributions to the UK pension fund in 2001 and that it is expected that there will be no regular employer or employee contributions to the UK scheme in the period before the next full valuation.

Certain of the Company's employees are entitled to participate in the Rio Tinto plc 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 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.

**NOTES TO THE 2001 FINANCIAL STATEMENTS continued**

**4. DIRECTORS' EMOLUMENTS**

The directors' emoluments disclosed below represent all amounts receivable by directors from the Company during the year. Apart from aggregate emoluments of £136,505 (2000 - £131,771) and amounts receivable under long term incentive schemes (excluding shares) of £nil (2000 - £3,645), these amounts were receivable in respect of their services to fellow group undertakings.

	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
<b>(a) <u>All directors</u></b>		
Aggregate emoluments	623	600
Amounts (excluding shares) receivable under long term incentive schemes	-	91
	<u>2001</u> <u>Number of</u> <u>directors</u>	<u>2000</u> <u>Number of</u> <u>directors</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	1	3
The number of directors who exercised share options	2	-
	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
<b>(b) <u>Highest paid director</u></b>		
Aggregate emoluments and benefits (excluding gains on exercise of share options and value of shares) received under long term incentive schemes	190	220

At 31 December 2001, the highest paid director's accrued pension entitlement on retirement was £81,892 per annum (2000 - £73,977).

During 2001 (and 2000), the highest paid director received shares under long term incentive schemes.

One director has acted in a non-executive capacity (2000 - one) and did not receive any emoluments or benefits in respect of his services to the Company (2000 - £nil). He exercised share options during the year (2000 - none).

# RIO TINTO MARKETING SERVICES LIMITED

## NOTES TO THE 2001 FINANCIAL STATEMENTS continued

### 5. INTEREST RECEIVABLE

	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
Bank interest	69	38

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
Corporation tax at 30% (2000 – 30%) based on taxable profit for the year	85	105
Under provision in prior year	11	-
	<u>96</u>	<u>105</u>

### 7. TANGIBLE FIXED ASSETS

	<u>Office equipment, fixtures and fittings £000</u>	<u>Motor vehicles £000</u>	<u>Total £000</u>
<u>Cost</u>			
At 1 January 2001	56	-	56
Additions	26	20	46
At 31 December 2001	<u>82</u>	<u>20</u>	<u>102</u>
<u>Accumulated depreciation</u>			
At 1 January 2001	30	-	30
Charge for the year	28	5	33
At 31 December 2001	<u>58</u>	<u>5</u>	<u>63</u>
<u>Net book value</u>			
At 31 December 2001	<u>24</u>	<u>15</u>	<u>39</u>
At 31 December 2000	<u>26</u>	<u>-</u>	<u>26</u>

# RIO TINTO MARKETING SERVICES LIMITED

## NOTES TO THE 2001 FINANCIAL STATEMENTS continued

### 8. DEBTORS

	<u>2001</u>	<u>2000</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year:		
Amounts owed by fellow subsidiary undertakings	779	1,181
Amounts owed by Rio Tinto related undertakings	-	45
Other debtors	32	4
Prepayments	-	19
	<u>811</u>	<u>1,249</u>

### 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2001</u>	<u>2000</u>
	<u>£000</u>	<u>£000</u>
Amounts owed to fellow subsidiary undertakings	116	-
Trade creditors	83	63
Corporation tax	69	105
Accruals	325	442
Other creditors	-	33
	<u>593</u>	<u>643</u>

### 10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>2001</u>	<u>2000</u>
	<u>£000</u>	<u>£000</u>
Amounts owed to fellow subsidiary undertaking	1,000	1,000

### 11. DEFERRED TAXATION

No provision for deferred tax was required at 31 December 2001 (2000 - £nil). Potential deferred tax assets of £1,034 (2000 - £2,291) in respect of accelerated capital allowances were not recognised in the financial statements.

### 12. SHARE CAPITAL

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>£</u>
Authorised: ordinary shares of £1 each	1,000,000	1,000,000
Issued and fully paid: ordinary shares of £1 each	2	2

**NOTES TO THE 2001 FINANCIAL STATEMENTS continued**

**13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>
Shareholders' funds at 1 January	208	-
Retained profit for the year	107	208
Shareholders' funds at 31 December	<u>315</u>	<u>208</u>

**14. CASH FLOW STATEMENT AND RELATED PARTY DISCLOSURES**

The financial statements do not include a cash flow statement because the Company is a wholly-owned subsidiary and the conditions of Financial Reporting Standard No.1 exempting inclusion are satisfied. The Company is also exempt under the terms of Financial Reporting Standard No. 8 from disclosing related party transactions with entities that are part of the Rio Tinto Group or investees of the Rio Tinto Group.

**15. 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.