

COMPANY NUMBER 3075230

RIO TINTO MARKETING SERVICES LIMITED  
ANNUAL REPORT  
AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2002



# **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 LLP  
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 2002.

**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 2002 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.

**DIRECTORS' INTERESTS**

No director has an interest 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 2002</u>	<u>31 December 2002</u>	<u>1 January 2002</u>	<u>Granted</u>	<u>Exercised</u>	<u>31 December 2002</u>	<u>1 January 2002</u>	<u>31 December 2002</u>
C A Ledbury	897	3,110	1,871	-	(1,871)	-	-	-
W C Malaney	683	1,511	16,719	5,861	-	22,580	-	-
E Model	1,214	1,586	-	-	-	-	-	-
R C Shaw	19,526	17,758	42,383	6,562	-	48,945	3,662	1,763
J B P Squire	14,457	13,287	46,172	8,604	-	54,776	13,220	12,877
M S Travis	8,577	8,276	38,217	6,444	(1,871)	42,790	5,412	2,601

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 102,136 Rio Tinto plc ordinary shares at 31 December 2002 (31 December 2001 – 197,903 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 2002, 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 2002, was 4 days.

AUDITORS

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 27 January 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the annual general meeting.

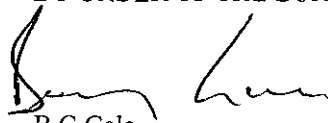
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 adoption of new accounting standards in the year as explained on page 8 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 2002 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

  
B G Gale  
Secretary

6 St James's Square,  
London SW1Y 4LD

4 September 2003

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

We have audited the financial statements on pages 6 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 9.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 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. The other information comprises only the directors' report.

**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 2002 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 4 September 2003

# RIO TINTO MARKETING SERVICES LIMITED

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	<u>NOTE</u>	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u> (Restated)
Turnover	1	3,202	3,102
Administrative costs		(2,989)	(2,968)
Operating profit	2	<u>213</u>	<u>134</u>
Interest receivable and similar income	5	55	69
Profit on ordinary activities before tax		<u>268</u>	<u>203</u>
Tax on profit on ordinary activities	6	(102)	(92)
Retained profit for the year		<u>166</u>	<u>111</u>
Movement in retained earnings:			
At 1 January as previously stated		315	208
Prior year adjustment – FRS 19	1	9	5
At 1 January as restated		<u>324</u>	<u>213</u>
Retained profit for the year		166	111
At 31 December		<u>490</u>	<u>324</u>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<u>NOTE</u>	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>
Profit for the financial year		166	<u>111</u>
Prior year adjustment	1, 12	9	
Total gains and losses recognised since the last annual report		<u>175</u>	

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

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.

The notes on pages 8 to 14 form part of these financial statements.

# RIO TINTO MARKETING SERVICES LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2002

	<u>NOTE</u>	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u> (Restated)
<b>FIXED ASSETS</b>			
Tangible assets	7	25	39
<b>CURRENT ASSETS</b>			
Debtors	8	840	820
Cash at bank and in hand	9	1,203	1,058
		<u>2,043</u>	<u>1,878</u>
<b>CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	10	(578)	(593)
<b>NET CURRENT ASSETS</b>		<u>1,465</u>	<u>1,285</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,490	1,324
<b>CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	11	(1,000)	(1,000)
<b>NET ASSETS</b>		<u>490</u>	<u>324</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	-	-
Profit and loss account		490	324
<b>EQUITY SHAREHOLDERS' FUNDS</b>	14	<u>490</u>	<u>324</u>

The financial statements on pages 6 to 14 were approved by the Board of Directors on 4 September 2003 and signed on its behalf by:




Directors

The notes on pages 8 to 14 form part of these financial statements

NOTES TO THE 2002 FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a) Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards. The directors have reviewed the Company's existing accounting policies and consider that they are consistent with the requirements of Financial Reporting Standard 18 "Accounting Policies". Except where they have been modified to implement Financial Reporting Standard 19 "Deferred Tax", the Company's accounting policies are consistent with last year.

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

Prior to the adoption of FRS 19, the Company provided for deferred tax where, in the opinion of the directors, it was probable that a timing difference would reverse within the foreseeable future. Under FRS 19, 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 considered more likely than not that they will be recovered.

The comparative figures for the year ended 31 December 2001 have been restated following the implementation of FRS 19, which has increased shareholder's funds as at 31 December 2001 by £9,000 and increased the profit for the year ended 31 December 2001 by £4,000. In addition, the implementation of FRS 19 has decreased the profit for the year ended 31 December 2002 by £2,000.

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 using the following annual rates:

Motor vehicles	25%
Office equipment, fixtures and fittings	20% - 33%

d) 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.

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.



**NOTES TO THE 2002 FINANCIAL STATEMENTS continued**

**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.

**2. OPERATING PROFIT**

	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>
Operating profit is stated after charging:		
Staff costs (see note 3)	1,690	1,717
Depreciation	22	33
Auditors' remuneration:		
- audit fees	8	7
- non audit fees	1	3

**3. STAFF COSTS**

The average number of persons employed during the year, including directors, was 24 (2001 – 23). The costs of employment were:-

	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>
Wages and salaries	1,508	1,412
Severance costs	1	179
Social security costs	181	126
	<u>1,690</u>	<u>1,717</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 December 2002, are disclosed in the financial statements of Rio Tinto plc, the ultimate holding company.

The transitional disclosure rules of FRS 17 "Post retirement benefits", which deals with accounting for post retirement benefits, are required for the year ending 31 December 2002.

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\$94 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 2002 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.

**NOTES TO THE 2002 FINANCIAL STATEMENTS continued**

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.

**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 £423,000 (2001 - £327,000) and amounts receivable under long term incentive schemes (excluding shares) of £nil (2001 - £nil), these amounts were receivable in respect of their services to fellow group undertakings.

	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>
<b>(a) <u>All directors</u></b>		
Aggregate emoluments	675	623
Amounts (excluding shares and share options) receivable under long term incentive schemes	-	-

	<u>2002</u> <u>Number of</u> <u>directors</u>	<u>2001</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	6	5
The number of directors in respect of whose qualifying services shares were received or receivable under long-term incentive schemes	3	1
The number of executive directors who exercised share options	2	2
	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>

**(b) Highest paid director**

Aggregate emoluments and benefits (excluding gains on exercise of share options and value of shares) received under long term incentive schemes	190	190
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At 31 December 2002, the highest paid director's accrued pension entitlement on retirement was £93,000 per annum (2001 - £82,000).

During 2002 (and 2001), the highest paid director received shares under long term incentive schemes.

One director has acted in a non-executive capacity (2001 - one) and did not receive any emoluments or benefits in respect of his services to the Company (2001 - £nil). He exercised share options during the year (2001 - none).

# RIO TINTO MARKETING SERVICES LIMITED

## NOTES TO THE 2002 FINANCIAL STATEMENTS continued

### 5. INTEREST RECEIVABLE

	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>
Bank interest	55	69

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u> (Restated)
Current tax:		
Corporation tax at 30% (2001 – 30%) based on taxable profit for the year	100	85
Under provision in prior year	-	11
Total current tax	<u>100</u>	<u>96</u>
Deferred tax:		
Origination and reversal of timing differences	2	(4)
Total deferred tax:	<u>2</u>	<u>(4)</u>
Total tax	<u>102</u>	<u>92</u>

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

	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u> (Restated)
Profit on ordinary activities before tax	268	203
Profit on ordinary activities before tax multiplied by standard rate of tax in the UK 30% (2001: 30%)	80	61
Effects of:		
Expenses not deductible for tax purposes	22	20
Under provision in prior year	-	11
Accelerated capital allowances	(2)	4
	<u>100</u>	<u>96</u>

**NOTES TO THE 2002 FINANCIAL STATEMENTS continued**

**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 2002	82	20	102
Additions	9	-	9
Disposals	(1)	-	(1)
At 31 December 2002	90	20	110
<u>Accumulated depreciation</u>			
At 1 January 2002	58	5	63
Charge for the year	17	5	22
At 31 December 2002	75	10	85
<u>Net book value</u>			
At 31 December 2002	15	10	25
At 31 December 2001	24	15	39

The loss on disposal of fixed assets totalled £1,000 (2001: £nil).

**8. DEBTORS**

	<u>2002 £000</u>	<u>2001 £000</u> (Restated)
Amounts falling due within one year:		
Amounts owed by fellow subsidiary undertakings	827	779
Other debtors	6	32
	833	811
Amounts falling due after more than one year:		
Deferred tax	7	9
Total debtors	840	820

**9. CASH AT BANK**

Under a group banking arrangement, bank balances of £1,203,000 (2001 - £1,058,000) formed part of an offset arrangement whereby balances could be used to settle the overdrafts of other companies within the Rio Tinto Group.

# RIO TINTO MARKETING SERVICES LIMITED

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

	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>
Amounts owed to fellow subsidiary undertakings	99	116
Trade creditors	37	83
Corporation tax	101	69
Accruals	341	325
	<u>578</u>	<u>593</u>

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

	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>
Shareholder's loan	1,000	1,000

The loan is interest free and has no fixed repayment date. The shareholder has confirmed that it will not require repayment during 2003.

## 12. DEFERRED TAXATION

No provision for deferred tax was required at 31 December 2002 (2001 - £nil). Deferred tax assets of £7,000 (2001 - £9,000) in respect of accelerated capital allowances have been recognised in the financial statements (see note 8). These deferred tax balances have been recognised following the implementation of FRS 19 and have resulted in the prior year adjustment shown in the Statement of Total Recognised Gains and Losses.

## 13. SHARE CAPITAL

	<u>2002</u> <u>£</u>	<u>2001</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

## 14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u> (Restated)
Shareholders' funds at 1 January as previously stated	315	208
Prior year adjustment – FRS 19	9	5
Shareholders' funds at 1 January as restated	<u>324</u>	<u>213</u>
Retained profit for the year	166	111
Shareholders' funds at 31 December	<u>490</u>	<u>324</u>

**NOTES TO THE 2002 FINANCIAL STATEMENTS continued**

**15. 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 (revised 1996) 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.

**16. 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 Group consolidated financial statements can be obtained from its registered office at 6 St. James's Square, London.