

Company number 05269341

RIO TINTO SHIPPING LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2006

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COMPANIES HOUSE

Rio Tinto Shipping Limited

Directors

Guy Elliott
Alastair Fischbacher
Ben Mathews
Ian Ratnage

Secretary and Registered Office

Roger Dowding
6 St James's Square, London, SW1Y 4LD

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place, London, WC2N 6RH

Rio Tinto Shipping Limited

Report of the Directors for the year ended 31 December 2006

The directors present their report and the audited financial statements for the year ended 31 December 2006

Business Review and Principal Activities

Rio Tinto Shipping Limited is a wholly-owned subsidiary of Rio Tinto plc

The principal activity is vessel owner and charterer

The profit for the year was US\$2,073,429 (2005 US\$1,753,633) The directors do not recommend the payment of a dividend

Future Developments

The company's future developments are integrated with those of the Rio Tinto Group which are discussed in its 2006 Annual report and financial statements which do not form part of this report The company has entered into contracts to build five vessels for delivery in 2007, 2008 and 2009 which it intends to own and operate

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 2006 Annual report 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 names of the directors in office at the date of this report are shown on page 1 Ms A V Lawless resigned as director on 31 July 2007 Mr B J S Mathews was appointed as director on 1 August 2007

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 2006 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

Rio Tinto Shipping Limited

Report of the Directors (Continued)

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

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 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.

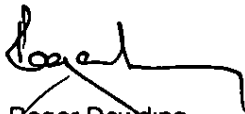
Each of the directors at the time this report was approved has confirmed that

- so far as he or she is aware, there is no relevant audit information (ie information needed by the company's auditors in connection with preparing their report) of which the auditors are unaware, and
- he or she has taken all the steps that they ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the auditors are aware of the information

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. Operating lease rentals are paid in advance in accordance with the terms of the contract.

By Order of the Board



Roger Dowling
Secretary
London
12 November 2007

Independent Auditors' Report to the Member of Rio Tinto Shipping Limited

We have audited the financial statements of Rio Tinto Shipping Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, Statement of Total Recognised Gains and Losses 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 Annual Report and 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 Director's 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 transactions with the company is not disclosed.

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

Basis of audit opinion

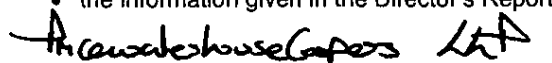
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Director's Report is consistent with the financial statements.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
3 December 2007

Rio Tinto Shipping Limited

Profit and Loss Account for the year ended 31 December 2006

	<u>Note</u>	Year ended 31 December <u>2006</u> US\$	Period from 25 October 2004 to 31 December <u>2005</u> US\$ Restated
Turnover		6,042,102	6,001,966
Cost of Sales		(3,962,182)	(3,949,193)
Gross Profit		2,079,920	2,052,773
Other operating costs		(74,262)	(129,659)
Operating Profit	2	2,005,658	1,923,114
Interest payable and similar charges	3	-	(154,000)
Interest receivable and similar income	4	89,043	-
Profit on Ordinary Activities before Taxation		2,094,701	1,769,114
Taxation on ordinary activities	5	(21,272)	(15,481)
Retained Profit for the year	9	2,073,429	1,753,633
Movement in Retained Earnings:			
At 1 January		1,753,633	-
Retained Profit for the year		2,073,429	1,753,633
At 31 December		3,827,062	1,753,633

There is no material 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 8 to 13 form part of these financial statements

Rio Tinto Shipping Limited

Statement of Total Recognised Gains and Losses for the year ended 31 December 2006

	<u>Note</u>	Year ended 31 December <u>2006</u> US\$	Period from 25 October 2004 to 31 December <u>2005</u> US\$ Restated
Profit for the year		<u>2,073,429</u>	<u>1,753,633</u>
Total recognised gains and losses relating to the year		2,073,429	1,753,633
Prior year adjustment	9	<u>(2,088,964)</u>	<u>-</u>
Total gains and losses recognised since last annual report		<u>(15,535)</u>	<u>-</u>

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

Rio Tinto Shipping Limited

Balance Sheet as at 31 December 2006

	<u>Note</u>	31 December 2006 US\$	31 December 2005 US\$ Restated
Current Assets			
Debtors	6	47,552,411	37,342,684
Cash at bank and in hand		695,774	99,019
		<u>48,248,185</u>	<u>37,441,703</u>
Creditors, amounts falling due within one year	7	(7,421,123)	(3,688,070)
		<u>40,827,062</u>	<u>33,753,633</u>
Net Current Assets		<u>40,827,062</u>	<u>33,753,633</u>
Total Assets less Current Liabilities		<u>40,827,062</u>	<u>33,753,633</u>
Equity Capital and Reserves			
Called up share capital	8	37,000,000	32,000,000
Profit and loss account	9	3,827,062	1,753,633
		<u>40,827,062</u>	<u>33,753,633</u>
Total Shareholders' Funds	10	<u>40,827,062</u>	<u>33,753,633</u>

The financial statements on pages 5 to 13 were approved by the Board of Directors on 12 November 2007 and signed on its behalf by

A. 

ALASTAIR FISCHBACHER

Director

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

Rio Tinto Shipping Limited

Financial Statements for the year ended 31 December 2006

Notes

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 directors have reviewed the Company's existing accounting policies and with the exception of the matters set out in 'Changes in accounting policies' included within note 1 (b) below, consider that they are consistent with last year. The principal accounting policies are set out below.

Changes in accounting policies -

The company has adopted FRS 20, 'Share-based payment' during the year. However, there has been no impact of adopting this standard on current or prior period financial statements.

(b) Changes to accounting for operating leases

SSAP 21 requires lease payments made under an operating lease be recognised as an expense on a straight line basis over the lease term unless another systematic and rational basis is more appropriate. The directors have reassessed the method of recognising the treatment of operating leases in the profit and loss account over the lease term.

Payments under the leases are higher in the early years of the lease, and the directors deem that the benefits gained from the lease are more even over the lease term and as such consider that it is more appropriate to recognise these lease charges and revenue on a straight line basis in the profit and loss account. Accordingly, part of the payments made has been deferred to future years. This has resulted in a decrease in the operating profit in 2005 of US\$2,088,964 and in 2006 of US\$1,244,724.

(c) Reporting Currency

The principal currency affecting Rio Tinto Group'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 cash flows. As a result the financial statements are presented in US dollars. The year end exchange rate was US\$1.96 (2005 US\$1.79 £1).

(d) Turnover

Turnover represents income from vessels on bareboat charter, and is recognised up to the balance sheet date.

(e) Currency Translation

Transactions denominated in foreign currencies are translated into US dollars at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities expressed in foreign currencies are translated at the rate of exchange ruling at the end of the year. Exchange differences, except where they relate to share capital, are dealt with in the profit and loss account.

Rio Tinto Shipping Limited

Financial Statements for the year ended 31 December 2006

Notes (Continued)

1 Principal Accounting Policies (Continued)

(f) Operating leases

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

(g) Assets under construction

Assets under construction are carried at cost, less any identified impairment losses. All pre-delivery costs incurred during the construction of the ships including supervision and technical costs are capitalised on delivery of the ship. Advances paid on newbuild contracts are included as prepayments until the ship is delivered.

(h) Cash

Cash comprises time deposits with notice periods up to three months, bank balances and cash on board of vessels.

(i) Deferred taxation

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.

Rio Tinto Shipping Limited

Financial Statements for the year ended 31 December 2006

Notes (Continued)

2 Operating Profit

Operating Profit is stated after charging -

	<u>2006</u> US\$	<u>2005</u> US\$ Restated
Operating lease rentals - vessel	<u>3,934,837</u>	<u>3,650,747</u>

The auditors' remuneration of \$11,777 (2005 - \$10,469) is borne by a fellow group undertaking, the company had no employees and no emoluments were paid to any of the directors in respect of their services to the company

The company has no employees as all crew, technical and administrative staff are employed by third parties or group companies

3 Interest payable and similar charges

All interest payable relates to group interest payable

4 Interest Receivable and Similar Income

	<u>2006</u> US\$	<u>2005</u> US\$
Group interest receivable	40,020	-
Bank interest receivable	49,023	-
	<u>89,043</u>	<u>-</u>

5 Taxation on Ordinary Activities

The company entered into the UK Tonnage Tax regime from 25 October 2004 and pays a flat rate tax based on the net tonnage of vessels operated. Any income and profits outside the tonnage tax regime are taxed under normal UK corporation tax rules

	<u>2006</u> US\$	<u>2005</u> US\$
Corporation tax	21,272	15,481
Current year	19,078	15,481
Prior year adjustment	2,194	-
	<u>21,272</u>	<u>15,481</u>

Rio Tinto Shipping Limited

Financial Statements for the year ended 31 December 2006

Notes (Continued)

5 Taxation on Ordinary Activities (Continued)

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

	<u>2006</u> US\$	<u>2005</u> US\$ Restated
Profits on ordinary activities before tax	<u>2,094,701</u>	<u>1,769,114</u>
Profit on ordinary activities multiplied by standard rate of tax in the UK 30%	628,410	530,734
Effects of		
Lower tax rates on tonnage tax regime	(609,332)	(515,253)
Adjustments in respect of prior period	<u>2,194</u>	<u>-</u>
Current tax charge for the year	<u>21,272</u>	<u>15,481</u>

6 Debtors

	<u>2006</u> US\$	<u>2005</u> US\$ Restated
Due from related undertakings	-	3,800,000
Prepayments and accrued income		
- Advances on newbuild contract	43,765,622	31,478,559
- Hire paid in advance	<u>3,786,789</u>	<u>2,064,125</u>
	<u>47,552,411</u>	<u>37,342,684</u>

7 Creditors, amounts falling due within one year

	<u>2006</u> US\$	<u>2005</u> US\$ Restated
Accruals	782,120	-
Corporation tax	10,050	15,481
Deferred revenue	<u>6,628,953</u>	<u>3,672,589</u>
	<u>7,421,123</u>	<u>3,688,070</u>

Rio Tinto Shipping Limited

Financial Statements for the year ended 31 December 2006

Notes (Continued)

8 Called Up Share Capital

	<u>2006</u> US\$	<u>2005</u> US\$
Authorised		
500,000,000 ordinary shares of US\$ 1 each	500,000,000	500,000,000
Issued and fully paid		
37,000,000 ordinary shares of US\$ 1 each	37,000,000	32,000,000

During the year 5,000,000 shares of US\$ 1 each were issued to provide additional finance for the company's investment in vessels under construction

9 Reserves

	<u>Profit and Loss Account</u>
At beginning of year as previously stated	3,842,597
Prior year adjustment	(2,088,964)
At beginning of year as restated	1,753,633
Transfer from profit and loss account for the year	2,073,429
At end of year	3,827,062

SSAP 21 requires lease payments made under an operating lease be recognised as an expense on a straight line basis over the lease term unless another systematic and rationale basis is more appropriate. The directors have reassessed the method of recognising the treatment of operating leases in the profit and loss account over the lease term.

Payments under the leases are higher in the early years of the lease, and the directors deem that the benefits gained from the lease are more even over the lease term and as such consider that it is more appropriate to recognise these lease charges and revenue on a straight line basis in the profit and loss account. Accordingly, part of the payments made has been deferred to future years. This has resulted in a decrease in the operating profit in 2005 of US\$2,088,964 and in 2006 of US\$1,244,724.

10 Reconciliation of Movements in Shareholder's Funds

	<u>2006</u> US\$	<u>2005</u> US\$ Restated
Opening shareholder's funds	33,753,633	-
Shares issued	5,000,000	32,000,000
Profit for the year	2,073,429	1,753,633
Closing shareholder's funds	40,827,062	33,753,633

Rio Tinto Shipping Limited

Financial Statements for the year ended 31 December 2006

Notes (Continued)

11 Lease Commitments	<u>2006</u>	<u>2005</u>
	US\$	US\$
Annual obligations under operating leases on charters,-		
Expiring within one year	5,657,500	5,657,500
Expiring within two to five years	11,890,000	14,627,500
Expiring after five years	3,144,000	6,064,000
	<hr/>	<hr/>
Total Lease Commitments	20,691,500	26,349,000
	<hr/>	<hr/>
12 Capital Commitments	<u>2006</u>	<u>2005</u>
	US\$	US\$
		Restated
Annual capital commitments on newbuild projects comprise -		
Expiring within one year	41,319,450	12,045,859
Expiring within two to five years	126,657,990	167,977,440
Expiring after five years	-	
	<hr/>	<hr/>
Total Capital Commitments	167,977,440	180,023,299
	<hr/>	<hr/>

13 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.

14 Immediate and Ultimate Holding Companies

The company's immediate parent company is Rio Tinto International Holdings Limited, a company registered in England and Wales. The ultimate holding company is Rio Tinto plc, a company incorporated in England and Wales. Copies of Rio Tinto plc's consolidated financial statements can be obtained from its registered office at 6 St James's Square, London, SW1Y 4LD.

15 Subsequent events

On 10 August 2007, the company paid the final instalment in the shipbuilding contract and took delivery of the vessel *RTM Wakmatha*. On the same date, the company entered into a 25 year lease to bareboat charter the vessel to a group company.