
RIO TINTO LONDON LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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RIO TINTO LONDON LIMITED

COMPANY INFORMATION

DIRECTORS

D S Larsen
B J S Mathews
U Quellmann

COMPANY SECRETARY

A D C Westley

REGISTERED NUMBER

00460473

REGISTERED OFFICE

2 Eastbourne Terrace
London
W2 6LG

AUDITOR

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

RIO TINTO LONDON LIMITED

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RIO TINTO LONDON LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

The directors present their report and the financial statements for the year ended 31 December 2010

PRINCIPAL ACTIVITIES

Rio Tinto London Limited (the "Company") continues to provide management services to fellow members of the Rio Tinto Group (the "Group") The Company is also an investment holding company

BUSINESS REVIEW

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

RESULTS AND DIVIDENDS

The profit for the year, after taxation amounted to £11,694,000 (2009 - £10,142,000)

No interim dividend was paid during the year (2009 - nil) and the directors do not recommend the payment of a final dividend (2009 - nil)

DIRECTORS

The directors who served during the year and to the date of signing this report were

D S Larsen
B J S Mathews
U Quellmann

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

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's principal risks and uncertainties are integrated with those of the Group and are not managed separately The principal risks and uncertainties of the Group are discussed in its 2010 Annual report, which does not form part of this report

FUTURE DEVELOPMENTS

The Company's future developments are integrated with those of the Group which are discussed in its 2010 Annual report which does not form part of this report

POLITICAL AND CHARITABLE CONTRIBUTIONS

The contributions made by the Company during the year for charitable purposes amounted to £176,000 (2009 - £54,000)

RIO TINTO LONDON LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

COMPANY'S POLICY FOR PAYMENT OF CREDITORS

It is the policy of the Company to abide by terms of payment agreed with suppliers. At 31 December 2010, there were 50 days (2009: 47 days) purchases outstanding in respect of the Company, based on the total amount invoiced by suppliers during the year.

EMPLOYMENT POLICIES

The Company complies with the Group's employment policies which are set out in its statement of business practice *The way we work*. The Company employs on the basis of job requirements and does not discriminate on grounds of age, ethnic or social origin, politics, religion or disability.

The Company employs disabled people 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 current duties, every effort is made to offer suitable alternative employment and to assist with retraining.

The Company provides clear and timely communication with its employees concerning business performance and corporate developments. It endeavours to maintain effective channels of communication through an internal communication team, which manages the release of information to employees. Information is released through a number of forums including electronic and paper newsletters and bulletins, video, employee briefings and the Group's intranet.

INDEMNITIES AND INSURANCE

The Group has 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.

RIO TINTO LONDON LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010**

EVENTS SINCE THE END OF THE YEAR

On 1 January 2011, the Company ceased to act as the group hub for the Global Services Agreement the Group's transfer pricing compliance mechanism

On 28 June 2011, the Company's subsidiary Rio Tinto Technical Services Limited was struck off the Register of Companies following an application by the directors

PROVISION OF INFORMATION TO AUDITORS


Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information

AUDITORS

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier

This report was approved by the board and signed on its behalf



A D C Westley
Secretary

Date 16 September 2011

2 Eastbourne Terrace
London
W2 6LG

RIO TINTO LONDON LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RIO TINTO LONDON LIMITED

We have audited the financial statements of Rio Tinto London Limited for the year ended 31 December 2010, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of directors' responsibilities on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

RIO TINTO LONDON LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RIO TINTO LONDON LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP

David Miller (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

16 September 2011

RIO TINTO LONDON LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010**

| | Note | 2010 £000 | 2009 £000 |
|--|------|--------------|--------------|
| TURNOVER | 1 | 258,569 | 332 930 |
| Administrative costs | | (240,839) | (328,326) |
| OPERATING PROFIT | 2 | 17,730 | 4,604 |
| Interest receivable and similar income | | 3 | 76 |
| Interest payable and similar charges | 7 | (238) | (984) |
| Other finance charges | 6 | (5,791) | (2 584) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 11,704 | 1,112 |
| Tax (charge)/credit on profit on ordinary activities | 8 | (10) | 9,030 |
| PROFIT FOR THE FINANCIAL YEAR | 20 | 11,694 | 10,142 |

All amounts relate to continuing operations

The notes on pages 9 to 41 form part of these financial statements

RIO TINTO LONDON LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2010**

| | Note | 2010 £000 | 2009 £000 |
|---|------|---------------|-----------------|
| PROFIT FOR THE FINANCIAL YEAR | | 11,694 | 10,142 |
| Actuarial gain/(loss) related to pension schemes | 18 | 56,827 | (36,389) |
| Deferred tax attributable to actuarial gain/(loss) | 18 | (15,674) | 10,189 |
| TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR | | <u>52,847</u> | <u>(16,058)</u> |

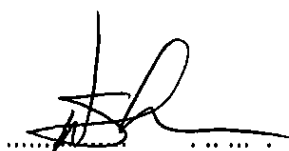
The notes on pages 9 to 41 form part of these financial statements

RIO TINTO LONDON LIMITED
REGISTERED NUMBER 00460473

BALANCE SHEET
AS AT 31 DECEMBER 2010

| | Note | £000 | 2010 £000 | 2009 £000 |
|--|------|----------------|----------------------|-----------------------|
| FIXED ASSETS | | | | |
| Tangible assets | 9 | | 40,222 | 38 954 |
| Investments | 10 | | 18,514 | 11,131 |
| | | | <u>58 736</u> | <u>50,085</u> |
| CURRENT ASSETS | | | | |
| Debtors | 12 | 349,896 | 459,236 | |
| Cash at bank | 13 | 10 | 287 | |
| | | <u>349,906</u> | <u>459,523</u> | |
| CREDITORS amounts falling due within one year | 14 | (250,784) | (320,454) | |
| NET CURRENT ASSETS | | | <u>99,122</u> | <u>139 069</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>157,858</u> | <u>189 154</u> |
| CREDITORS: amounts falling due after more than one year | 15 | | (21,617) | (22,037) |
| PROVISIONS FOR LIABILITIES | | | | |
| Other provisions | 17 | | (4,669) | (27,545) |
| NET ASSETS EXCLUDING PENSION SCHEME NET LIABILITIES | | | <u>131,572</u> | <u>139,572</u> |
| Defined benefit pension scheme liability | 18 | | (57,899) | (146,414) |
| NET ASSETS INCLUDING PENSION SCHEME LIABILITIES | | | <u><u>73,673</u></u> | <u><u>(6,842)</u></u> |
| CAPITAL AND RESERVES | | | | |
| Called up share capital | 19 | | 4,800 | 4,800 |
| Profit and loss account | 20 | | 68,873 | (11,642) |
| SHAREHOLDERS' FUNDS/(DEFICIT) | 21 | | <u><u>73,673</u></u> | <u><u>(6,842)</u></u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf by


D S Larsen
 Director

Date 16 September 2011

The notes on pages 9 to 41 form part of these financial statements

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1 ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

These financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards. The directors have reviewed the Company's existing accounting policies and consider that they are suitable. The principal accounting policies have been consistently applied.

The Company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

1.2 Cash flow

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.3 Turnover

Turnover for the year represents the value of management services provided to fellow group undertakings, together with commissions, guarantee fees and similar income receivable from fellow group undertakings. No analysis of segmental revenue by region has been provided as the Company is not managed on such a basis. This type of analysis is not meaningful to the users of the financial statements.

In 2010, the Company recharged £82,336,000 for activities as an agent (2009: £184,978,000).

1.4 Investment income

Income from investments in subsidiary/associate undertakings is recognised when the right to receive payment is established.

1.5 Investments

Investments held as fixed assets are shown at cost less provision for impairment. 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.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indications exist, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES (continued)

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases:

(i) Freehold properties

Depreciation is provided on a straight-line basis on freehold buildings on the basis of estimated life, subject to a maximum of 50 years. Freehold improvements are depreciated on completion of the construction work, at which point the related cost is transferred to freehold property.

(ii) Leasehold properties

These are amortised in equal instalments over the unexpired period of the lease. Premiums are written down to net realisable value when a building is no longer in use.

(iii) Fixtures, fittings and equipment

Depreciation is provided on a straight-line basis over estimated lives, with annual rates varying between 10% and 33%.

(iv) Capitalised software

Directly attributable costs are capitalised where there is a specific defined project, costs include salaries and directly attributable third party costs. Depreciation is provided on a straight-line basis over estimated lives, once the assets have come into use with annual rates between 10% and 33%.

1.7 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

1.8 Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

1.9 Restructuring provisions

Restructuring provisions are provided for in the accounting period when the obligation arising from the restructuring occurs. A provision for future rental obligations is recognised in respect of properties not occupied by the Company where future rental costs exceed the expected economic benefits to be received. The provision reflects the value of expected future cash flows or, if lower, the estimated cost of terminating the lease. Restructuring provisions are not discounted.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES (continued)

1.10 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

Deferred tax is recognised in respect of the retained earnings of an overseas subsidiary, associate or joint venture only to the extent that there is a commitment to remit the earnings

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.11 Post retirement benefits

The Company participates in a Group pension scheme in the UK. For members who joined before 1 April 2005 the scheme is of the defined benefit type. Members who join on or after 1 April 2005 participate in a defined contribution section under the Group scheme. Pension costs are assessed in accordance with the advice of qualified independent actuaries.

Financial Reporting Standard ("FRS") 17 'Post retirement benefits' was adopted in 2005. However, the contributions to the Rio Tinto 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 its 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.

The Company also operates an unfunded unapproved pension arrangement in the UK and post-retirement medical plans in the UK. FRS 17 'Post retirement benefits' is applied, under which both the unfunded unapproved pension arrangement and the post-retirement medical plan are accounted for as defined benefit schemes. Values attributed to scheme liabilities are assessed in accordance with the advice of qualified independent actuaries.

The defined benefit schemes are funded directly by the Company. For defined benefit post-employment plans, the present value of the plan liabilities is recognised as a liability on the balance sheet. There are no plan assets within either scheme, with the exception of Rio Tinto 2009 Pension Fund. Actuarial gains and losses arising in the year are taken to the Statement of Recognised Gains and Losses ("STRGL"). For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience, and adjustments arising because of differences between the previous actuarial assumptions and what have actually occurred.

Pension scheme liabilities have been measured using the projected unit method. Other movements in the deficit are recognised in the income statement, including the current service cost, any past service cost and the effect of any curtailment or settlements. The interest cost is also charged to the profit and loss.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES (continued)

1.12 Share based payments

The Company operates a number of equity-settled share based compensation plans. The fair value of the options granted in exchange for employee services is recognised as an expense. The total amount to be expensed over the appropriate service period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, earnings per share). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

The ultimate parent company operates a cash-settled share based plan. The fair value of cash-settled share plan is recognised as a liability over the vesting period of the awards. Movements in that liability between accounting dates are recognised as an expense. The grant date fair value of the awards is taken to be the market value of the shares at the date of the award reduced by a factor for anticipated relative Total Shareholder Return ('TSR') performance. Fair values are subsequently re-measured at each accounting date to reflect the number of awards expected to vest based on the current and anticipated TSR performance. If any awards are ultimately settled in shares, the liability is transferred direct to equity as the consideration of the equity instruments issued.

Where employees of the Company are also eligible for share based payment schemes operated by other companies within the Group who have neither a direct nor indirect ownership interest in the Company, provision is made for the fair value of awards at the grant date. The difference between the fair value at the grant date and any amount subsequently recharged to the Company is recognised directly in the profit and loss reserve.

The fair value of the share plans is recognised as an expense over the expected vesting period with a corresponding entry to other reserves.

2. OPERATING PROFIT

The operating profit is stated after charging/(crediting)

| | 2010 £000 | 2009 £000 |
|--|-------------------|-------------------|
| Depreciation of tangible fixed assets | | |
| - owned by the company | 3,622 | 2,461 |
| Difference on foreign exchange | (6,305) | (725) |
| Research and development expenditure written off | 564 | 742 |
| Employment costs (see note 4) | 106,982 | 274,928 |
| Operating lease rentals - properties | 7,122 | 8,918 |
| Operating lease rentals - plant and machinery | 719 | 924 |
| | <u> </u> | <u> </u> |

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

3 AUDITORS' REMUNERATION

| | 2010 £000 | 2009 £000 |
|--|--------------|--------------|
| Fees payable to the company's auditor for the audit of the company's annual accounts | 33 | 46 |
| Fees payable to the company's auditor and its associates in respect of | | |
| The auditing of accounts for other group companies pursuant to legislation | - | 2,355 |
| Services relating to corporate finance transactions | - | 5 100 |
| All other non-audit services | - | 1,500 |
| | <u>33</u> | <u>2,355</u> |

The amounts in the prior year were amounts paid to predecessor auditors

4 STAFF COSTS

Staff costs including directors' remuneration, were as follows

| | 2010 £000 | 2009 £000 |
|--------------------------------------|----------------|----------------|
| Wages and salaries | 91 415 | 109 020 |
| Social security costs | 8,943 | 20,005 |
| Other pension costs - see Note 18(e) | 6 624 | 145,903 |
| | <u>106,982</u> | <u>274,928</u> |

Included in wages and salaries is share based payments of £22,234,000 (2009 - £35 220,000)

The average monthly number of employees, including the directors during the year was as follows

| | 2010 | 2009 |
|-----------|------------|------------|
| Employees | <u>455</u> | <u>419</u> |

Post retirement benefits

The Company participates in a Group pension scheme in the UK. In addition, the Company provides unfunded pensions and post retirement healthcare benefits to eligible employees. It also reimburses fellow Group companies for the pension costs of foreign employees seconded to it.

Refer to Note 18 - Post retirement benefits for further details

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

Other employee benefits

The Company's employees are entitled to participate in The Rio Tinto Employee Share Ownership Plan (the "ESOP"). The trustee of the ESOP is HSBC Trustee (CI) 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 Group incentive plan arrangements, which are described in the Rio Tinto Group's 2010 Full 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 the Company in the year that they are incurred. 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 ESOP Fund.

The compensation cost that has been recognised in the profit and loss account for Rio Tinto's share based compensation plans, and related liability is set out in the table below

| | Charge/(credit) recognised for Liability at the end of the year | | | |
|-----------------------|---|--------|------|--------|
| | the year | | | |
| | 2010 | 2009 | 2010 | 2009 |
| | £000 | £000 | £000 | £000 |
| Equity -settled plans | 22,234 | 11,325 | - | - |
| Cash-settled plans | - | 23,895 | - | 21,335 |
| Total | 22,234 | 35,220 | - | 21,335 |

Effect of 2009 rights issues

All options and awards outstanding when the rights issues took place were adjusted to nullify any impact on the economic position of the participant at exercise. For Rio Tinto plc options the fair values and exercise prices were reduced by the bonus element and the number of options and awards were increased by the same proportion.

For the Rio Tinto Limited awards, but not options, "top up" awards were granted to increase the number held with a corresponding decrease in the associated fair value. For Rio Tinto Limited options the exercise price was reduced so that their intrinsic value measured at June 2009 remained unchanged as a result of the rights issue.

Lattice based option valuation model

The fair value of share options is estimated as at the date of grant using a lattice-based options valuation model. The significant assumptions used in the valuation model are disclosed in the Rio Tinto Group's 2010 Full financial statements.

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

a) Share Saving Plans

Awards in these plans are settled in equity and accounted for accordingly. The fair value of each award on the day of grant was estimated using a lattice based option valuation model, including allowance for the exercise price being at a discount to market price.

| | 2010 Number | Weighted average exercise price 2010 £ | 2009 Number | Weighted average exercise price 2009 £ |
|--|----------------|--|----------------|--|
| Rio Tinto plc | | | | |
| Options outstanding at 1 January | 110,048 | 20.90 | 110,262 | 18.88 |
| Granted | 27,886 | 28.49 | 41,790 | 22.20 |
| Forfeited on failure to meet service condition | (4,990) | 19.49 | (2,220) | 20.32 |
| Exercised | (23,942) | 15.76 | (26,982) | 12.02 |
| Cancellations | (1,556) | 22.98 | (5,730) | 23.93 |
| Expired | (5,669) | 26.60 | (7,072) | 15.53 |
| Options outstanding at 31 December | <u>101,777</u> | <u>23.85</u> | <u>110,048</u> | <u>20.90</u> |

Weighted average fair value, at grant date, of options granted during the year £10.76 (2009 - £9.27)

Share price, at date of grant of options granted during the year £36.97 (2009 - £29.72)

Weighted average share price at the time options were exercised during the year £34.47 (2009 - £18.29)

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

b) Share Option Plan

The Group has a policy of settling these awards in equity, although the directors at their discretion can offer a cash alternative. The awards are accounted for in accordance with the requirements applying to equity-settled, share based payment transactions. The performance conditions in relation to Total Shareholder Return ('TSR') have been incorporated in the measurement of fair value for these awards by modelling the correlation between Rio Tinto's TSR and that of the index. The relationship between Rio Tinto's TSR and the index was simulated many thousands of times to derive a distribution which, in conjunction with the lattice-based option valuation model, was used to determine the fair value of the options. The key assumptions are noted in the Rio Tinto Group's 2010 Full financial statements.

| | 2010 Number | Weighted average exercise price 2010 £ | 2009 Number | Weighted average exercise price 2009 £ |
|--|------------------|--|------------------|--|
| Rio Tinto plc | | | | |
| Options outstanding at 1 January | 3,330,713 | 17.60 | 3,553,453 | 17.25 |
| Transferred out | (562,817) | 17.60 | - | - |
| Granted | 302,573 | 37.05 | 378,673 | 16.53 |
| Forfeited on failure to meet service condition | (423,124) | 17.37 | (58,487) | 17.30 |
| Exercised | (756,757) | 13.56 | (542,926) | 14.03 |
| Expired | (12,005) | 13.72 | - | - |
| Options outstanding at 31 December | <u>1,878,583</u> | <u>21.15</u> | <u>3,330,713</u> | <u>17.60</u> |

Weighted average fair value at grant date, of options granted during the year £13.91 (2009 - £5.49)

Weighted average share price at date of grant, of options granted during the year £36.70 (2009 - £17.44)

Weighted average share price at the time options were exercised during the year £36.94 (2009 - £26.89)

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

(b) Share Option Plan (continued)

| | 2010 Number | Weighted average exercise price 2010 A\$ | 2009 Number | Weighted average exercise price 2009 A\$ |
|------------------------------------|----------------|--|----------------|--|
| Rio Tinto Limited | | | | |
| Options outstanding at 1 January | 690,252 | 42 04 | 1,061,610 | 38 82 |
| Transferred out | (418,253) | 42 04 | - | - |
| Granted | - | - | 50,841 | 33 45 |
| Forfeited | (79,222) | 37 66 | (15,189) | 40 24 |
| Exercised | (120,351) | 35 21 | (407,010) | 24 73 |
| Expired | (1,505) | 35 17 | - | - |
| Options outstanding at 31 December | <u>70,921</u> | <u>43 86</u> | <u>690,252</u> | <u>42 04</u> |

Weighted average fair value, at grant date, of options granted during the year A\$26 97 (2009 - A\$13 35)

Weighted average share price, at date of grant, of options granted during the year A\$76 19 (2009 - A\$40 03)

Weighted average share price at the time options were exercised during the year A\$75 32 (2009 - A\$54 35)

c) Share Ownership Plan

The fair values of awards of Matching and Free Shares made by Rio Tinto are taken to be the market value of the shares on the date of purchase. These awards are settled in equity. The total fair value of shares awarded during the year was £888,000 (2009 - £424,000)

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

d) Performance Share Plan (formerly the Mining Companies Comparative Plan)

Prior to 2010, the Remuneration Committee gave the Plan's participants the option to receive their awards in cash or as shares. This option resulted in the Plan being classified as a cash-settled share-based payment transaction and it was accounted for accordingly.

In 2010 the Group's policy for settling these awards changed. For settlement of all future awards under this Plan, participants will be assigned shares with no option to receive a cash alternative. As a result of this and with effect from 1 July 2010, the Plan has been accounted for in accordance with the requirements applying to equity-settled share-based payment transactions. As required by IFRS 2 the provision balance of £15 million was transferred directly to equity with no impact on the profit and loss income statement.

The change in settlement policy has been accounted for under IFRS2 as a modification. Accordingly, the fair values of the awards granted prior to this change were re-measured at 1 July 2010 and from that date treated as equity-settled awards. The incremental fair value as a result of this modification was nil. This re-measurement was calculated using a Monte Carlo simulation model. The fair value of awards granted after July 2010 are measured at date of grant.

For the purpose of the disclosures below, the grant date fair values of the awards made prior to 2008 were calculated as the market value of the shares at the date of award reduced by 50 per cent for anticipated relative TSR performance. The grant date fair value of the awards made since 2008 were calculated using a Monte Carlo simulation model. In each case fair values were adjusted for non receipt of dividends between measurement date and date of vesting (excluding awards for executive directors and product group CEOs). Forfeitures are assumed prior to vesting at three per cent per annum of outstanding awards (except for the 2009 awards which applied to senior executives only with no allowance for forfeitures).

| | 2010 Number | Weighted average fair value at grant date 2010 £ | 2009 Number | Weighted average fair value at grant date 2009 £ |
|--|----------------|---|----------------|---|
| Rio Tinto plc | | | | |
| Non-vested shares at 1 January | 1,315,124 | 14.98 | 1,724,265 | 12.21 |
| Transferred out | (222,989) | - | - | - |
| Awarded | 324,567 | 36.35 | 118,517 | 13.56 |
| Forfeited on failure to meet service condition | - | 20.33 | - | - |
| Failed performance indicators | (215,968) | 7.49 | (69,495) | 5.81 |
| Vested | (228,589) | 7.41 | (458,163) | 5.81 |
| Non-vested shares at 31 December | 972,145 | 27.37 | 1,315,124 | 14.98 |

Weighted average share price at vesting date £32.06 (2009 - £16.13)

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

d) Performance Share Plan (formerly the Mining Companies Comparative Plan) (continued)

| | 2010 Number | Weighted average fair value at grant date 2010 A\$ | 2009 Number | Weighted average fair value at grant date 2009 A\$ |
|---|----------------|---|----------------|---|
| Rio Tinto Limited | | | | |
| Non-vested shares at 1 January | 262,762 | 31 97 | 466,108 | 26 97 |
| Transferred out | (59,601) | - | - | - |
| Awarded | 11,939 | 75 81 | - | - |
| Forfeited on failure to meet service condition | - | - | - | - |
| Failed performance conditions | (51,209) | 19 61 | (21,347) | 15 03 |
| Vested | (51,691) | 19 42 | (181,999) | 15 03 |
| Non-vested shares at 31 December | <u>112,200</u> | <u>57 09</u> | <u>262,762</u> | <u>31 97</u> |
| Weighted average share price at vesting date A\$71 94 (2009 - A\$39 80) | | | | |

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

e) Management Share Plan

The Management Share Plan was introduced during 2007 to provide conditional share-based awards to management. The vesting of these awards is dependent on service and/or performance based conditions being met. The awards will be settled in equity including the dividends accumulated from date of award to vesting. The awards are accounted for in accordance with the requirements applying to equity-settled share based payment transactions. The fair value of each award on the day of grant is equal to share price on the day of grant less a small adjustment for the timing of dividends. Forfeitures are assumed prior to vesting at five per cent per annum of outstanding awards.

A summary of the status of the Companies' share plans at 31 December 2010, and changes during the year is presented below

| | 2010 Number | Weighted average fair value at grant date 2010 £ | 2009 Number | Weighted average fair value at grant date 2009 £ |
|--|----------------|---|----------------|---|
| Rio Tinto plc | | | | |
| Non-vested awards at 1 January | 508,513 | 24.00 | 201,680 | 36.89 |
| Transferred out | (127,767) | - | 31,238 | 36.89 |
| Awarded | 133,031 | 36.34 | 360,196 | 17.84 |
| Forfeited on failure to meet service condition | (16,709) | 25.36 | (43,462) | 25.77 |
| Vested | (88,597) | 25.20 | (41,139) | 31.50 |
| Non-vested awards at 31 December | <u>408,471</u> | <u>28.61</u> | <u>508,513</u> | <u>24.00</u> |

Weighted average share price at vesting date £34.69 (2009 - £22.77)

Share issued in respect of vested awards (including dividend shares applied on vesting) 91,883 (2009 - 41,139)

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

e) Management Share Plan (continued)

| Rio Tinto Limited | Weighted average fair value at grant date | | Weighted average fair value at grant date | |
|---|--|--------------|--|--------------|
| | 2010 Number | 2010 A\$ | 2009 Number | 2009 A\$ |
| Non-vested awards at 1 January | 130,415 | 59 06 | 41,181 | 84 06 |
| Transferred out | (81,868) | 59 06 | 5,149 | 84 06 |
| Awarded | 12,495 | 75 71 | 99,838 | 43 30 |
| Forfeited on failure to meet service condition | (4 976) | 60 72 | (8,892) | 65 25 |
| Vested | (7,804) | 67 38 | (6,861) | 71 77 |
| Non-vested awards at 31 December | <u>48,262</u> | <u>64 49</u> | <u>130,415</u> | <u>59 06</u> |

Weighted average share price at vesting date A\$73 59 (2009 - A\$50 42)

Share issued in respect of vested awards (including dividend shares applied on vesting) 8 146 (2009 - 6,861)

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

f) Bonus Deferral Plan

The Bonus Deferral Plan was introduced during 2009 and is made up of two parts the Bonus Deferral Award and the Company Contributed Award. The Bonus Deferral Award was established for the mandatory deferral of 100 per cent of the 2008 Bonus for executive directors and product group executives and 50 per cent of the 2008 Bonus for other executives. In addition, in order to enhance retention of key employees the Company Contributed Award was made in respect of 25 per cent of the gross annual basic salary for other executives. The vesting of these awards is dependent only on service conditions being met. The awards will be settled in equity including the dividends accumulated from date of award to vesting. The awards are accounted for in accordance with the requirements applying to equity-settled share based payment transactions. The fair value of each award on the day of grant is equal to share price on the day of grant less a small adjustment for the timing of dividends vesting. Forfeitures are assumed prior to vesting at three per cent per annum of outstanding awards.

A summary of the status of the Companies' share plans at 31 December 2010 and changes during the year, is presented below

| | 2010 Number | Weighted average fair value at grant date 2010 £ | 2009 Number | Weighted average fair value at grant date 2009 £ |
|--|----------------|---|----------------|---|
| Rio Tinto plc | | | | |
| Non-vested awards at 1 January | 246,827 | 17.32 | - | - |
| Transferred out | (90,765) | - | - | - |
| Awarded | - | - | 253,765 | 17.32 |
| Forfeited on failure to meet service condition | (2,067) | 17.32 | - | - |
| Vested | (51,462) | 17.32 | (6,938) | 17.32 |
| Non-vested awards at 31 December | <u>102,533</u> | <u>17.32</u> | <u>246,827</u> | <u>17.32</u> |

Weighted average share price at vesting date £42.74 (2009 - £29.75)

Share issued in respect of vested awards (including dividend shares applied on vesting) 54,098 (2009 - 6,938)

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

f) Bonus Deferral Plan (continued)

| | 2010 Number | Weighted average fair value at grant date 2010 A\$ | 2009 Number | Weighted average fair value at grant date 2009 A\$ |
|---|----------------|---|----------------|---|
| Rio Tinto Limited | | | | |
| Non-vested awards at 1 January | 29,871 | 41.75 | - | - |
| Transferred out | (15,853) | 41.75 | - | - |
| Awarded | - | - | 33,712 | 41.75 |
| Forfeited on failure to meet service conditions | - | - | (3,841) | 41.75 |
| Vested | (7,006) | 41.75 | - | - |
| Non-vested awards at 31 December | <u>7,012</u> | <u>41.75</u> | <u>29,871</u> | <u>41.75</u> |

Weighted average share price at vesting date A\$86.37 (2009 - A\$53.13)

Share issued in respect of vested awards (including dividend shares applied on vesting) 7,084 (2009 - nil)

5 DIRECTORS' REMUNERATION

| | 2010 £000 | 2009 £000 |
|---|--------------|--------------|
| Emoluments | <u>1,557</u> | <u>1,728</u> |
| Amounts receivable under long-term incentive schemes | <u>318</u> | <u>75</u> |
| Company pension contributions to defined contribution pension schemes | <u>40</u> | <u>9</u> |

During the year retirement benefits were accruing to 2 directors (2009 - 2) in respect of defined contribution pension schemes

The highest paid director received remuneration of £840,000 (2009 - £746,000)

The total accrued pension provision of the highest paid director at 31 December 2010 amounted to £42,000 (2009 - £27,000)

The amount of the accrued lump sum in respect of the highest paid director at 31 December 2010 amounted to £333,000 (2009 - £186,000)

One director exercised share options during the year (2009 - 1)

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

6 OTHER FINANCE CHARGES

| | 2010 £000 | 2009 £000 |
|--|----------------|----------------|
| Post retirement benefits - other finance costs - note 18 (e) | (5,791) | (2,584) |
| | <u>(5,791)</u> | <u>(2,584)</u> |

7 INTEREST PAYABLE

| | 2010 £000 | 2009 £000 |
|----------------------------------|--------------|--------------|
| On bank loans and overdrafts | - | 103 |
| On loans from Group undertakings | 238 | 881 |
| | <u>238</u> | <u>984</u> |

8. TAXATION

| | 2010 £000 | 2009 £000 |
|---|---------------|-----------------|
| Analysis of tax charge/(credit) in the year | | |
| Current tax (see note below) | | |
| UK corporation tax (credit)/charge on profit for the year | (14,185) | 37,438 |
| Deferred tax | | |
| Origination and reversal of timing differences | 12,017 | (46,468) |
| Effect of increased tax rate on opening liability | 2,178 | - |
| Total deferred tax | <u>14,195</u> | <u>(46,468)</u> |
| Tax charge/(credit) on profit on ordinary activities | <u>10</u> | <u>(9,030)</u> |

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

8 TAXATION (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2009 - lower than) the standard rate of corporation tax in the UK of 28% (2009 - 28%) The differences are explained below

| | 2010 £000 | 2009 £000 |
|--|-----------------|---------------|
| Profit on ordinary activities before tax | 11,704 | 1,112 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 - 28%) | 3,277 | 311 |
| Effects of. | | |
| Expenses not deductible for tax purposes other than goodwill amortisation and impairment | 370 | 156 |
| Capital allowances for year in excess of depreciation | 160 | (207) |
| Higher rate taxes on overseas earnings | 46 | 190 |
| Adjustments to tax charge in respect of prior periods | - | (2,369) |
| Non-taxable income | - | (116) |
| Changes in provisions leading to an increase/(decrease) in the tax charge | (9,065) | 37,771 |
| Double taxation relief | - | (190) |
| Tax (deduction)/increase arising from exercise of employee options | (8,924) | 2,175 |
| Other differences leading to an increase/(decrease) in the tax charge | (49) | (283) |
| Current tax (credit)/charge for the year | (14,185) | 37,438 |

Factors that may affect future tax charges

Legislation was enacted in March 2011 and July 2011 to reduce the UK statutory corporation tax rate to 26% from 1 April 2011 and to 25% from 1 April 2012 respectively

The March 2011 Budget Statement announced further reductions to the UK statutory corporation tax rate 24% effective 1 April 2013 and 23% effective 1 April 2014 These changes will have no impact on the financial statements prepared to 31 December 2010

The company pays for (or receives payment for) any group relief received (or surrendered) only where it is justified by commercial circumstances

There are no taxation charges or credits attributed to either the provisions against carrying values of investments or profits or loss on sale of subsidiaries

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

9 TANGIBLE FIXED ASSETS

| | Land and Buildings £000 | Fixtures, Fittings & Equipment £000 | Capitalised Software £000 | Total £000 |
|--------------------------|-------------------------------|--|---------------------------------|---------------|
| Cost | | | | |
| At 1 January 2010 | 36,341 | 6 388 | 7,225 | 49,954 |
| Additions | 4,543 | - | 347 | 4,890 |
| Disposals | (2,016) | - | - | (2,016) |
| Transfer between classes | - | 193 | (193) | - |
| At 31 December 2010 | 38,868 | 6,581 | 7,379 | 52,828 |
| Depreciation | | | | |
| At 1 January 2010 | 7,335 | 2 421 | 1,244 | 11,000 |
| Charge for the year | 1,028 | 824 | 1,770 | 3,622 |
| On disposals | (2,016) | - | - | (2,016) |
| At 31 December 2010 | 6,347 | 3,245 | 3 014 | 12,606 |
| Net book value | | | | |
| At 31 December 2010 | 32,521 | 3 336 | 4,365 | 40 222 |
| At 31 December 2009 | 29,006 | 3 967 | 5,981 | 38,954 |

The net book value of land and buildings (including refurbishment costs) comprises

| | 2010 £000 | 2009 £000 |
|---|--------------|--------------|
| Freehold land & buildings | 16,935 | 15,439 |
| Leasehold land & buildings - all less than 50 years | 15,586 | 13,567 |
| | 32,521 | 29,006 |

Freehold land and buildings mainly comprise the cost of a central London office building purchased in 1975 and the adjacent property purchased in 2006, less depreciation. The directors have not commissioned a valuation in use of the buildings, but are confident that the market value is substantially greater than the net book value. These buildings are currently in the process of being redeveloped and no depreciation was charged in 2010 (2009- Nil). Leasehold land and buildings relate to improvements undertaken to new, short lease offices.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

10. FIXED ASSET INVESTMENTS

| | Investments in subsidiary companies £000 | Other listed investments £000 | Total £000 |
|----------------------------------|---|-------------------------------------|---------------|
| Cost or valuation | | | |
| At 1 January 2010 | 215 | 10,916 | 11 131 |
| Additions | - | 25,134 | 25 134 |
| Share based awards settlement | - | (17,751) | (17,751) |
| At 31 December 2010 | 215 | 18,299 | 18,514 |
| Net book value | | | |
| At 31 December 2010 | 215 | 18,299 | 18 514 |
| At 31 December 2009 | 215 | 10,916 | 11,131 |

The principal subsidiaries are listed in Note 11

Other listed investments

Other listed investments comprise 506,360 (2009 - 403,868) ordinary shares of Rio Tinto plc held under the Employee Share Ownership Plan. The market value of this investment was £22,718,000 (2009 - £13,691,125) and nominal value of £50,636 (2009 - £40,387).

11. PRINCIPAL SUBSIDIARIES

| Company name | Country of incorporation | Percentage Shareholding | Description |
|--|-----------------------------|----------------------------|--|
| Rio Tinto Marketing Services Limited | England and Wales | 100 | Group services - Ordinary shares of £1 each |
| Rio Tinto Overseas Services Limited | England and Wales | 100 | Group services - Ordinary shares of £1.00 each |
| Rio Tinto Technical Services Limited | England and Wales | 100 | Ceased trading - Ordinary Shares of £1 each |
| Rio Tinto Technology Development Limited | England and Wales | 100 | Dormant - Ordinary Shares of £0.50 each |

Rio Tinto Technical Services Limited was struck off the Register of Companies following an application by the directors on 28 June 2011.

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

12 DEBTORS

| | 2010 £000 | 2009 £000 |
|------------------------------------|----------------|----------------|
| Amounts owed by Group undertakings | 313,813 | 441,448 |
| Corporation tax | 14,231 | - |
| Other debtors | 1,035 | 2,296 |
| Prepayments | 1,827 | 2,160 |
| Deferred tax asset (see note 16) | 18,990 | 13,332 |
| | <u>349,896</u> | <u>459,236</u> |

The above amounts are non-interest bearing and repayable on demand

13 CASH AT BANK AND IN HAND

Cash at bank includes £10,000 (2009 - £287,000) for which there are restrictions on remittances

**14. CREDITORS:
Amounts falling due within one year**

| | 2010 £000 | 2009 £000 |
|------------------------------------|----------------|----------------|
| Bank loans and overdrafts | 131 | 206 |
| Amounts owed to Group undertakings | 207,843 | 219,394 |
| Corporation tax | - | 39,617 |
| Other creditors | 20,390 | 43,319 |
| Accruals | 22,420 | 17,918 |
| | <u>250,784</u> | <u>320,454</u> |

Of the amounts owed to Group undertakings an amount of £111,845,000 (2009- £151,553,000) is interest bearing at GBP 1 month LIBOR plus 10 basis points. All other amounts falling due within one year are non-interest bearing

**15 CREDITORS
Amounts falling due after more than one year**

| | 2010 £000 | 2009 £000 |
|----------|--------------|--------------|
| Accruals | 21,617 | 22,037 |

Included in accruals is £13,868,000 (2009- £13,240,000) of social security liabilities in relation to long term incentives granted and accruals due to an operating lease having an initial rent free period £7,749,000 (2009- £8,797,000)

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

16. DEFERRED TAX ASSET

| | 2010 £000 | 2009 £000 |
|----------------------|---------------|---------------|
| At beginning of year | 13,333 | 13,332 |
| Released during year | 5,657 | - |
| At end of year | <u>18,990</u> | <u>13,332</u> |

The deferred tax asset is made up as follows

| | 2010 £000 | 2009 £000 |
|--|-----------------|-----------------|
| Accelerated capital allowances | 1,009 | 919 |
| Short term timing differences | (28) | (267) |
| Pension spreading | (9,635) | - |
| Other timing differences- Share based payments | (10,336) | (13,984) |
| | <u>(18,990)</u> | <u>(13,332)</u> |

17. PROVISIONS

| | Cash settled share based payments £000 | Restructuring provision £000 | Total £000 |
|---|---|------------------------------------|---------------|
| At 1 January 2010 | 21,335 | 6,210 | 27,545 |
| Transferred to equity share based payments reserves - See Note 4(d) | (15,359) | - | (15,359) |
| Utilised during the year | (5,976) | (1,541) | (7,517) |
| At 31 December 2010 | <u>-</u> | <u>4,669</u> | <u>4,669</u> |

Cash settled share based payments

The Company changed its policy of settling the Performance Share Plan. For settlement of all future awards under this plan participants will be assigned shares with no option to receive a cash alternative, see Note 4 (d) for further details. Accordingly, the balance has been transferred to the equity reserves.

Restructuring provision

This provision relates to the closure of an office and include mainly net rental costs that fall due over a period in excess of over five years.

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

18. POST RETIREMENT BENEFITS

a) UK funded pension scheme

The Company participates in a group pension arrangement in the UK the Rio Tinto Pension Fund ("the Fund") Members who joined the Fund before 1 April 2005 participate on a defined benefit basis Members who join the Fund on or after 1 April 2005 participate on a defined contribution basis The assets of the Fund are held under trust

The contributions paid by the Company are accounted as if the Fund were a defined contribution arrangement as the Company is unable to identify its share of the underlying assets and liabilities in the Fund

The cost of contributions to the Fund amount to £3 049,000 (2009 - £9,269 000)

The last trustee funding actuarial review was conducted with an effective date of 31 March 2009 The requirement for the company to pay contributions is reviewed on a quarterly basis

An annual valuation of the fund was carried out by independent qualified actuaries on 31 December 2010 under International Accounting Standards 19 "Employee Benefits" and on this basis the Fund had a surplus of US\$92.5 million (2009 US\$4.1 million) The existence of this surplus does not affect the rate at which the Company pays contributions as this is determined by the normal Trustee funding actuarial valuation

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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b) UK Unfunded pension arrangement

The Company operates an unfunded unapproved pension arrangement in the UK. A full actuarial valuation was carried out at 31 December 2010 by a qualified independent actuary. The major assumptions used by the actuary were

| | 2010 | 2009 |
|---|------------|------------|
| Assumptions | | |
| Retail Price Index "RPI" inflation | 3.4% | 3.5% |
| Discount rate | 5.4% | 5.5% |
| Pension increases in payments | 3.4% | 3.5% |
| General salary increases | 5.4% | 3.5% |
| Life expectancy of male aged 65 at the valuation date | 21.8 years | 21.7 years |
| Life expectancy of male aged 65 in 20 years time | 23.7 years | 23.6 years |

| | 2010 £000 | 2009 £000 |
|---|-----------------|-----------------|
| Present value of defined benefit obligation | (33,272) | (30,581) |
| Fair value of scheme assets | - | - |
| Deficit in the scheme | <u>(33,272)</u> | <u>(30,581)</u> |

| | 2010 £000 | 2009 £000 |
|--|-----------------|-----------------|
| Gross pension liability | (33,272) | (30,581) |
| Related deferred tax asset at 27% (2009 - 28%) | 8,983 | 8,563 |
| Net pension liability | <u>(24,289)</u> | <u>(22,018)</u> |

Analysis of amounts charged to operating profit

| | 2010 £000 | 2009 £000 |
|---|----------------|----------------|
| Employer's part of current service cost | <u>(2,480)</u> | <u>(2,236)</u> |

Analysis of amounts charged to other finance charges

| | 2010 £000 | 2009 £000 |
|--------------------------------------|----------------|----------------|
| Interest on pension scheme liability | <u>(1,729)</u> | <u>(1,390)</u> |

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

Analysis of amounts recognised in STRGL

| | 2010 £000 | 2009 £000 |
|--------------------------|--------------|--------------|
| Actuarial gains/(losses) | 777 | (6 347) |

Reconciliation of present value of defined benefit obligation

| | 2010 £000 | 2009 £000 |
|--|--------------|--------------|
| Deficit in the scheme beginning of the year | (30 581) | (21 292) |
| Movement in year | | |
| Employer's part of current service costs | (2 480) | (2 236) |
| Benefits paid | 741 | 684 |
| Net finance charge | (1,729) | (1 390) |
| Actuarial gains/(losses) recognised in STRGL | 777 | (6 347) |
| Deficit in scheme at the end of the year | (33,272) | (30 581) |

History of experience gains and losses

| | 2010 £000 | 2009 £000 | 2008 £000 | 2007 £000 | 2006 £000 |
|---|--------------|--------------|--------------|--------------|--------------|
| Present value of defined benefit obligation | (33,272) | (30,581) | (21,292) | (20,135) | (17,271) |
| Fair value of scheme assets | - | - | - | - | - |
| Deficit | (33,272) | (30,581) | (21,292) | (20 135) | (17,271) |

Experience adjustments on defined benefit obligation

| | 2010 £000 | 2009 £000 | 2008 £000 | 2007 £000 | 2006 £000 |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Amount of gain | 887 | 448 | 1,215 | 378 | 380 |
| Percentage of scheme liabilities | (1%) | (1%) | (6%) | (2%) | (2%) |

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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c) UK Post Retirement Healthcare Plan

The Company operates a post retirement medical plan in the UK. A full actuarial valuation was carried out at 31 December 2010 by a qualified independent actuary. The major assumptions used by the actuary were:

| | 2010 | 2009 |
|---|------------|------------|
| Assumptions | | |
| RPI inflation | 3.4% | 3.5% |
| Discount rate | 5.4% | 5.5% |
| Real medical trend Inflation in the short term | 3.4% | 3.5% |
| Real medical trend Inflation in the long term | 5.4% | 3.5% |
| Life expectancy of male aged 65 at the valuation date | 21.8 years | 21.7 years |
| Life expectancy of male aged 65 in 20 years time | 23.7 years | 23.6 years |

| | 2010 £000 | 2009 £000 |
|-------------------------------------|-----------------|-----------------|
| Present value of defined obligation | (11,291) | (12,183) |
| Fair value of scheme assets | - | - |
| Deficit in the scheme | <u>(11,291)</u> | <u>(12,183)</u> |

| | 2010 £000 | 2009 £000 |
|--|----------------|----------------|
| Gross pension liability | (11,291) | (12,183) |
| Related deferred tax asset at 27% (2009 - 28%) | 3,048 | 3,411 |
| Net pension liability | <u>(8,243)</u> | <u>(8,772)</u> |

Analysis of amounts charged to operating profit

| | 2010 £000 | 2009 £000 |
|---|--------------|--------------|
| Employer's part of current service cost | - | (224) |

Analysis of amounts charged to other finance charges

| | 2010 £000 | 2009 £000 |
|--------------------------------------|--------------|--------------|
| Interest on pension scheme liability | (650) | (665) |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

Analysis of amounts recognised in STRGL

| | 2010 £000 | 2009 £000 |
|--------------------------|--------------|--------------|
| Actuarial gains/(losses) | 815 | (1,209) |

Reconciliation of present value of defined benefit obligation

| | 2010 £000 | 2009 £000 |
|--|--------------|--------------|
| Deficit in the scheme beginning of the year | (12,183) | (10 783) |
| Movement in year | - | - |
| Employer's part of current service costs | - | (224) |
| Benefits paid | 727 | 698 |
| Net finance charge | (650) | (665) |
| Actuarial gains/(losses) recognised in STRGL | 815 | (1,209) |
| Deficit in scheme at the end of the year | (11,291) | (12,183) |

History of experience gains and losses

| | 2010 £000 | 2009 £000 | 2008 £000 | 2007 £000 | 2006 £000 |
|---|--------------|--------------|--------------|--------------|--------------|
| Present value of defined benefit obligation | (11,291) | (12,183) | (10,783) | (8,693) | (9 924) |
| Fair value of scheme assets | - | - | - | - | - |
| Deficit | (11,291) | (12,183) | (10,783) | (8,693) | (9,924) |

Experience adjustments on defined benefit obligation

| | 2010 £000 | 2009 £000 | 2008 £000 | 2007 £000 | 2006 £000 |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Amount of gain/(loss) | 815 | 692 | (244) | 729 | 809 |
| Percentage of scheme liabilities | (7%) | (6%) | 2% | (8%) | (8%) |

Sensitivity of results to Medical expense inflation assumption

An increase of one per cent in the assumed medical cost trend rates would increase the benefit obligation for these plans by £1 5 million (2009 - £1 6 million). A decrease of one percent in the assumed medical cost rates would decrease the benefit obligation for these plans by £1 2 million (2009 - £1 3 million).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

d) Rio Tinto 2009 Pension Fund

In December 2009 the Company established an additional fund known as the Rio Tinto 2009 Pension Fund (the "2009 Fund") to accommodate all former pensioners of the Alcan Packaging Pension Plan (APP), all former employees with deferred pensions in the APP and five former employees of the Beauty Packaging division who are now employed by Rio Tinto London Limited and are active members of the 2009 Fund

The assets of the 2009 Fund are held under trust

Rio Tinto London Limited is the only employer in the Fund and it therefore accounts for the Fund in accordance with FRS17

An annual valuation of the Fund was carried out by independent qualified actuaries on 31 December 2010 under FRS17 and on this basis the 2009 Fund had a surplus of £25 366,000 (2009 - deficit £115 623,000) which is reflected in the balance sheet

Amounts recognised in the balance sheet are determined as follows

| | 2010 £000 | 2009 £000 |
|---|-----------------|------------------|
| Present value of funded obligations | (602,039) | (618,189) |
| Fair value plan assets | 567,291 | 457,601 |
| Deficit in the scheme | (34,748) | (160,588) |
| Related deferred tax asset at 27% (2009- 28%) | 9,382 | 44,965 |
| Net pension liability | <u>(25,366)</u> | <u>(115,623)</u> |

Analysis of amounts charged to operating profit

| | 2010 £000 | 2009 £000 |
|-----------------------------------|--------------|------------------|
| Net loss on bulk transfer | - | (133,227) |
| Current service cost | (34) | (4) |
| Interest cost | - | (2,731) |
| Expected return on plan assets | - | 2,202 |
| Total charged to operating profit | <u>(34)</u> | <u>(133,760)</u> |

Analysis of amounts charged to other finance charges

| | 2010 £000 | 2009 £000 |
|--|----------------|--------------|
| Interest on pension scheme liabilities | (33 075) | - |
| Expected return on plan assets | 29,663 | - |
| Total other finance charges | <u>(3,412)</u> | <u>-</u> |

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Analysis of amounts recognised in STRGL

| | 2010 £000 | 2009 £000 |
|--------------------------|--------------|--------------|
| Actuarial gains/(losses) | 55,235 | (28 833) |

The movement in the defined benefits obligations of the year is as follows,

| | 2010 £000 | 2009 £000 |
|---|--------------|--------------|
| Benefit obligation at the beginning of year | (618,189) | - |
| Liabilities assumed in bulk transfer | - | (597 324) |
| Current service costs | (34) | (4) |
| Interest cost | (33,075) | (2,731) |
| Plan participants' contributions | (9) | (1) |
| Actuarial gains/(losses) | 15,563 | (21,039) |
| Benefits paid | 33,705 | 2 910 |
| Benefit obligation at the end of the year | (602,039) | (618,189) |

The movement in the fair value of plan assets of the year is as follows;

| | 2010 £000 | 2009 £000 |
|--|--------------|--------------|
| Fair value of plan assets at the beginning of the year | 457 601 | - |
| Assets received in bulk transfer | - | 464 097 |
| Expected return on plan assets | 29,663 | 2,202 |
| Actuarial gains/(losses) | 39,672 | (7 794) |
| Employer contributions | 74,051 | 2 005 |
| Member contributions | 9 | 1 |
| Benefits paid | (33,705) | (2,910) |
| Fair value of plan assets at the end of the year | 567,291 | 457,601 |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

Plan assets comprise as follows

| | Expected rate of return 2010 | Plan assets as a percentage of total scheme assets 2010 | Expected rate return 2009 | Plan assets as a percentage of total scheme assets 2009 |
|-----------------|------------------------------------|--|---------------------------------|--|
| Equities | 7.8% | 39% | 8.2% | 39% |
| Properties | 6% | 6% | 6.3% | 5% |
| Corporate bonds | 5.4% | 18% | 5.5% | 15% |
| Gilt | 4% | 34% | 4.4% | 39% |
| Cash | 3.7% | 2% | 4.4% | 1% |
| Other | 5.4% | 1% | 5.5% | 1% |

To develop the expected long term rate of return on assets, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each investment class. The expected return for each asset was then weighed based on the actual asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The actual return on plan assets was £69,335,000 (2009- loss £5,592,000)

Assumptions

| | 2010 | 2009 |
|---|------|------|
| The principal actuarial assumptions used to determine benefit obligations were as follows | | |
| Discount rate | 5.4% | 5.5% |
| Rate of compensation increase | - | 4.5% |
| The principal actuarial assumptions used to determine net pension cost were as follows | | |
| Discount rate | 5.5% | 5.5% |
| Expected long term return on plan assets | 5.9% | 6.0% |
| Rate of compensation increase | 4.5% | 4.2% |

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Mortality assumptions are based on the standard mortality table "PA92 medium cohort" weighted by 125% to reflect the result of an investigation into the mortality experience of the Packaging Plan's pensioners.

These tables translate into an average life expectancy in years of a pensioner retiring at age 65 of

| | 2010 Male | 2009 Male | 2010 Female | 2009 Female |
|---|--------------|--------------|----------------|----------------|
| Member aged 65 (current life expectancy) | 20.8 | 20.6 | - | 23.6 |
| Member age 45 (life expectancy at age 65) | 22.6 | 22.4 | - | 25.5 |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

Three year history from inception

| | 2010 £000 | 2009 £000 | 2008 £000 |
|--|--------------|--------------|--------------|
| Present value of defined benefit obligation | (602,039) | (618,190) | - |
| Fair value of scheme assets | 567,291 | 457,601 | - |
| Deficit | (34,748) | (160,589) | - |
| Difference between actual and expected return on scheme assets | 39,672 | (7,794) | - |
| Percentage of scheme assets | 7% | (2%) | - |
| Experience gains and losses on scheme liabilities | - | - | - |
| Percentage of scheme liabilities | 0% | 0% | - |
| Total amount recognised in STRGL | 55,235 | (28,833) | - |
| Percentage of scheme liabilities | 9% | (5%) | - |

Over the year to 31 December 2010 the company contributed normal contributions of 19.7% (2009 - 19.7%) of members' pensionable earnings and an additional £74 million (2009 - £2 million). The company expects to contribute £2 million monthly during 2011.

e) Post Retirement benefit summary

| Summary of post retirement benefit - Other finance costs | 2010 £000 | 2009 £000 |
|--|--------------|--------------|
| UK unfunded pension- other finance costs | (1,729) | (1,390) |
| UK Post Retirement Healthcare Plan - other finance costs | (650) | (665) |
| Rio Tinto 2009 Pension Fund - Interest cost | (33,075) | (2,731) |
| Rio Tinto 2009 Pension Fund - Expected return on plan assets | 29,663 | 2,202 |
| Total Post Retirement benefit - other finance costs (note 6) | (5,791) | (2,584) |

| Summary of post retirement benefit - Pension costs | 2010 £000 | 2009 £000 |
|--|--------------|--------------|
| UK funded pension - note 18 (a) | (3,049) | (9,269) |
| UK unfunded pension- current service cost - note 18 (b) | (2,480) | (2,236) |
| UK Post Retirement Healthcare Plan - current service cost - note 18(c) | - | (224) |
| Rio Tinto 2009 Pension Fund - current service cost - note 18(d) | (34) | (133,760) |
| Other pension costs | (1,061) | (414) |
| Total Post Retirement benefit- Other pension costs (note 4) | (6,624) | (145,903) |

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| Summary of post retirement benefit- Balance sheet liability | 2010 £000 | 2009 £000 |
|--|----------------------|----------------------|
| UK unfunded pension arrangement - Note 18 (b) | (33,272) | (30,581) |
| UK Post Retirement Healthcare Plan - Note 18 (c) | (11,291) | (12,183) |
| Rio Tinto 2009 Pension Fund - Note 18 (d) | (34,748) | (160,589) |
| Less Deferred tax (below) | 21,412 | 56,939 |
| Net Post retirement benefit liability | (57,899) | (146,414) |

Movement in Deferred tax asset on post retirement benefits

| | 2010 £000 | 2009 £000 |
|--|----------------------|----------------------|
| At 1 January | 56,939 | 8,981 |
| Deferred tax credit in profit and loss account | (19,853) | 37,769 |
| Deferred tax charge in profit and loss reserve | (15,674) | 10,189 |
| At 31 December | 21,412 | 56,939 |

19. SHARE CAPITAL

| | 2010 £000 | 2009 £000 |
|---|----------------------|----------------------|
| Allotted, called up and fully paid | | |
| 4,800,000 Ordinary shares of £1 each | 4,800 | 4,800 |

20. RESERVES

| | Profit and loss account £000 |
|--|---|
| At 1 January 2010 | (11,642) |
| Profit for the year | 11,694 |
| Pension reserve movement - net of deferred tax | 41,153 |
| Share based payments movement | 27,668 |
| At 31 December 2010 | 68,873 |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

21 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | 2010 £000 | 2009 £000 |
|--|---------------|----------------|
| Opening shareholders' (deficit)/funds | (6,842) | 954 |
| Profit for the year | 11,694 | 10,142 |
| Pension reserve movement net of deferred tax | 41,153 | (26,200) |
| Share based payments movement | 27,668 | 10,828 |
| Distribution to related entity | - | (2,566) |
| Closing shareholders' funds/(deficit) | <u>73,673</u> | <u>(6,842)</u> |

22. CAPITAL COMMITMENTS

At 31 December 2010 the Company had capital commitments as follows

| | 2010 £000 | 2009 £000 |
|---|---------------|--------------|
| Commitment relating to the redevelopment of freehold property (Note 9) | <u>80,000</u> | <u>-</u> |

23 OPERATING LEASE COMMITMENTS

At 31 December 2010 the Company had annual commitments under non-cancellable operating leases as follows

| | Land and buildings | | Plant and equipment | |
|-------------------------|--------------------|--------------|---------------------|--------------|
| | 2010 £000 | 2009 £000 | 2010 £000 | 2009 £000 |
| Expiry date | | | | |
| Within 1 year | 450 | 1,006 | 12 | 43 |
| Between 2 and 5 years | - | - | 189 | 290 |
| After more than 5 years | 4,954 | 5,995 | - | - |
| Total | <u>5,404</u> | <u>7,001</u> | <u>201</u> | <u>333</u> |

24 RELATED PARTY TRANSACTIONS

The Company is exempt under FRS 8 from disclosing related party transactions between two or more members of a group, for subsidiaries which are party to the transaction are wholly owned by the Group

Under the terms of the Rio Tinto Pension Fund Trust Deed, a fee is charged to Rio Tinto Pension Fund in respect of the provision of services. During the year £5,187,000 (2009 - £4,110,000) was charged

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25. POST BALANCE SHEET EVENTS

On 1 January 2011, the Company ceased to act as the group hub for the Global Services Agreement the Group's transfer pricing compliance mechanism

On 28 June 2011, the Company's subsidiary Rio Tinto Technical Services Limited was struck off the Register of Companies following an application by the directors

26. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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 2 Eastbourne Terrace, London, W2 6LG or from the Rio Tinto website at www.riotinto.com