

COMPANY NUMBER: 00460473

RIO TINTO LONDON LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

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COMPANY INFORMATION**DIRECTORS**

D S Larsen
B J S Mathews
U Quellmann

SECRETARY

M J Whyte

**REGISTERED
OFFICE**

2 Eastbourne Terrace
London
W2 6LG

AUDITORS

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

REPORT OF THE DIRECTORS

The directors present their Annual report, together with the audited financial statements for the year ended 31 December 2009

BUSINESS REVIEW

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. Details of its principal subsidiaries and associated undertakings at 31 December 2009 are provided in note 8 to the financial statements

The profit for the year was £10,142,000 (2008 Profit of £47,115,000). No interim dividend was paid during the year (2008 nil) and the directors do not recommend the payment of a final dividend (2008 nil)

In September 2009, the Company signed an agreement to transfer assets to the Rio Tinto 2009 Pension Fund with Alcan Packaging Pension Trust Limited, Lawson Mardon Packaging Limited, Rio Tinto Pension 2009 Fund Trustees Limited and Alcan Holdings Switzerland AG whereby the Company became the New Scheme Employer and retained pension liabilities as a result. Further details are set out in note 18 to the financial statements

The Company's future developments are integrated with those of the Group which are discussed in its 2009 Annual report which does not form part of this report

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's principal risks and uncertainties are also integrated with those of the Group and are not managed separately. The Group's risk factors and policies for financial risk management are also discussed in its 2009 Annual report

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 directors of the Company as at the date of this report are shown on page 2

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

SECRETARY

Mr R P Dowding resigned as Secretary on 31 March 2010 and Mr M J Whyte was appointed as Secretary on 1 April 2010

REPORT OF THE DIRECTORS (continued)**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 2009 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 except for the restatement of prior year creditor balances to present social security liabilities in relation to long term incentives granted, and accruals due to an operating lease having an initial rent free period, as long term. The reasons for this change and its effect are disclosed within notes 11 and 12 of the financial statements.

The directors are responsible for maintaining proper accounting records in accordance with the Companies Act 2006. 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.

INDEMNITIES AND INSURANCE

The Group purchased third party directors' and officers' insurance during the year to indemnify individual directors' and officers' personal legal liability and legal defence costs for claims arising out of actions taken in connection with the Group's business.

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.

CHARITABLE CONTRIBUTIONS

The contributions made by the Company during the year for charitable purposes amounted to £54,000 (2008 £148,000).

REPORT OF THE DIRECTORS (continued)**CREDITOR PAYMENTS**

It is the Company's policy to abide by the terms of payment agreed with suppliers. In 2009 standard payment terms were put in place. At 31 December 2009, there were 47 days (2008 157 days) purchases outstanding in respect of the Company, based on the total amount invoiced by suppliers during the year. Excluding the impact of one-off costs invoiced in December 2008, 2008 creditor days were 39 days.

DISCLOSURE OF INFORMATION TO AUDITORS

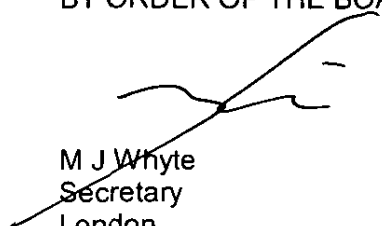
As far as the directors are aware

- there is no relevant audit information of which the auditors are unaware, and
- the directors have taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

CHANGE OF AUDITORS

In accordance with Section 485 of the Companies Act 2006 the directors will propose that during the period for appointing auditors the shareholders pass an ordinary resolution to appoint Grant Thornton LLP as auditors of the Company.

BY ORDER OF THE BOARD



M J Whyte
Secretary
London
30 September 2010

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

We have audited the financial statements of Rio Tinto London Limited ("the Company") for the year ended 31 December 2009 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).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on in the Report of the Directors, 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 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.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 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.

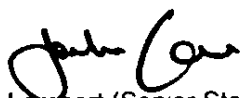
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report on 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 by the Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Jonathan Lambert (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 September 2010

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	<u>2009</u> £000	<u>2008</u> £000
Turnover	1	332,930	446,049
Administrative costs		<u>(328,326)</u>	<u>(376,796)</u>
Operating profit	2	4,604	69,253
Interest receivable and similar income		76	417
Interest payable and similar costs	5	<u>(3,568)</u>	<u>(2,629)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,112	67,041
Taxation	6	<u>9,030</u>	<u>(19,926)</u>
PROFIT FOR THE YEAR		<u>10,142</u>	<u>47,115</u>

The notes on pages 10 to 38 form part of these financial statements

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

There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEARS ENDED 31 DECEMBER 2009**

	Note	<u>2009</u> £000	<u>2008</u> £000
Profit for the financial year		10,142	47,115
Actuarial (loss)/ gain on unfunded pension arrangement	18	(6,347)	4,033
Actuarial loss on post retirement healthcare plan	18	(1,209)	(2,174)
Actuarial loss on Rio Tinto 2009 pension plan	18	(28,833)	-
Deferred tax asset / (liability) recognised in the year on actuarial gains and losses		10,189	(521)
TOTAL (LOSSES)/GAINS RECOGNISED IN THE YEAR		<u>(16,058)</u>	<u>48,453</u>
TOTAL RECOGNISED (LOSSES)/GAINS SINCE LAST ANNUAL REPORT		<u>(16,058)</u>	<u>48,453</u>

The notes on pages 10 to 38 form part of these financial statements

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

**BALANCE SHEET
AS AT 31 DECEMBER 2009**

		<u>2009</u>	<u>Restated (a)</u>
	Note	£000	2008 £000
FIXED ASSETS			
Tangible assets	7	38,954	38,557
Investments	8	<u>11,131</u>	<u>69</u>
		<u>50,085</u>	<u>38,626</u>
CURRENT ASSETS			
Debtors	10	445,904	333,713
Deferred tax	13	13,332	4,633
Cash at bank and in hand	9	<u>287</u>	<u>2,944</u>
		459,523	341,290
CURRENT LIABILITIES			
Creditors Amounts falling due within one year	11	<u>(320,454)</u>	<u>(330,789)</u>
NET CURRENT ASSETS		<u>139,069</u>	<u>10,501</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>189,154</u>	<u>49,127</u>
Creditors Amounts falling due after more than one year	12	(22,037)	(7,338)
Provisions for liabilities and charges	14	<u>(27,545)</u>	<u>(17,741)</u>
NET ASSETS – EXCLUDING POST RETIREMENT BENEFIT LIABILITY		139,572	24,048
Post Retirement benefit liability – net of deferred tax	18	<u>(146,414)</u>	<u>(23,094)</u>
NET (LIABILITIES)/ASSETS – INCLUDING POST RETIREMENT BENEFIT LIABILITY		<u>(6,842)</u>	<u>954</u>
CAPITAL AND RESERVES			
Called up share capital	15	4,800	4,800
Profit and loss account	16	<u>(11,642)</u>	<u>(3,846)</u>
EQUITY SHAREHOLDERS' (DEFICIT)/FUNDS	17	<u>(6,842)</u>	<u>954</u>

The notes on pages 10 to 38 form part of these financial statements

The financial statements on pages 7 to 38 were approved by the Board of Directors on 30 September 2010 and signed on its behalf by



D S Larsen
Director

(a) The 31 December 2008 balance sheet has been restated to conform to the 2009 presentation of liabilities, and accordingly the related balance sheet notes have been restated. See notes 11 and 12

COMPANY NUMBER. 00460473

NOTES TO THE 2009 FINANCIAL STATEMENTS**1 ACCOUNTING POLICIES****a) Basis of Accounting**

The 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 applied consistently except for the restatement of prior year creditor balances to present social security liabilities in relation to long term incentives granted, and accruals due to an operating lease having an initial rent free period, as long term. The reasons for this change and its effect are disclosed within notes 11 and 12 of the financial statements.

The parent company confirms that it has been its practice to ensure that wholly owned subsidiaries are in a position to meet their debts as they fall due.

b) 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 considered not meaningful to the users of the financial statements.

In 2009, the Company recharged £184,978,000 for activities as an agent (2008 £43,978,000).

c) 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.

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. Actuarial gains and losses arising in the year are taken to the Statement of Recognised Gains and Losses. 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 has actually occurred.

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)**1 ACCOUNTING POLICIES (continued)****c) Post Retirement Benefits (continued)**

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 income statement.

d) Depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated to write off the cost of tangible fixed assets over their useful economic lives, less their residual values. Where assets are identified that will no longer be used, such as where a building is being vacated, the depreciation is accelerated during the year to reflect a change in useful economic life for those assets.

(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. Freehold land is not depreciated.

(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%.

e) Operating Leases

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

f) 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 discounted value of expected future cash flows or, if lower, the estimated cost of terminating the lease. The unwinding of the discount is presented as a financing item.

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)**1 ACCOUNTING POLICIES (continued)****g) Deferred Tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis

h) Group Financial Statements

The financial statements contain information about Rio Tinto London Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Rio Tinto plc, a company incorporated in England and Wales

i) Currency Translation

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

j) Investments

Fixed asset investments are valued at cost less impairment provisions. 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

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)k) Investment Income

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

l) Share based payments

Rio Tinto plc and Rio Tinto Limited operate 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 parent company operates a number of cash-settled share based plans. The fair value of cash-settled share plans 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.

2 OPERATING PROFIT

	<u>2009</u> £000	<u>2008</u> £000
The operating profit is stated after charging / (crediting)		
Employment costs (see note 3)	274,928	84,709
Depreciation (note 7)	2,461	4,867
Auditors' remuneration - Audit services	46	34
Profit on disposal of fixed assets	-	(2,471)
Operating lease rentals – properties	8,918	8,538
Operating lease rentals – plant and equipment	924	494

During the year, £5.1m (2008: £19.5m) was paid by the Company to PricewaterhouseCoopers in respect of audit services provided to other group companies in connection with the Group's divestment programme. In addition £1.5m (2008: £27.0m) was paid for non-audit services provided to other group companies.

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

3 EMPLOYMENT COSTS

The average number of persons employed during the year, including directors, was 419 (2008 437) The costs of employment were

	Note	<u>2009</u> £000	<u>2008</u> £000
Wages and salaries		73,800	82,216
Social security costs		20,005	6,821
Provision for post retirement benefits			
UK funded arrangements	18 (a)	9,269	2,162
UK unfunded arrangements	18 (b)	2,236	4,349
UK Post Retirement Healthcare Plan	18 (c)	224	-
Rio Tinto 2009 pension plan	18 (d)	133,760	-
Other pension costs		414	113
Share based payments		35,220	(10,952)
		<u>274,928</u>	<u>84,709</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

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 the HSBC Trustee (C I) Limited, (the "Trustee"), which is an independent professional trust company resident in the Island of Jersey.

The ESOP provides for the issue of shares to the Company's employees (including directors and officers) in connection with the Group incentive plan arrangements, which are described in the Group's 2009 Annual report. 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.

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

3 EMPLOYMENT COSTS (continued)

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

	<u>Expense/ (credit) recognised</u>		<u>Liability at the end of the</u>	
	<u>for the year</u>		<u>year</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Equity-settled plans	11,325	8,285	-	-
Cash-settled plans	23,895	(19,237)	21,335	10,933
	35,220	(10,952)	21,335	10,933

Effect of the rights issue

In July 2009 the Group undertook a capital raising through a rights issue. All options and awards outstanding when the rights issue took place have been 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 have been reduced by the bonus element and the number of options and awards has been increased by the same proportion.

For Rio Tinto Limited awards, 'top-up' awards have been granted to increase the number held with a corresponding decrease in the associated fair value. For Rio Tinto Limited options the exercise price has been reduced so that their intrinsic value measured at June 2009 remains unchanged as a result of the rights issue.

The 2008 comparatives have been restated as if the rights issues had taken place prior to the 1st January 2008. This is to ensure the figures are comparable with the 2009 results which include the impact of the rights issues.

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 Group's 2009 Annual report.

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

3 EMPLOYMENT COSTS (continued)a) Share Savings 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.

	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
		Weighted average exercise price		Weighted average exercise price
<u>Rio Tinto plc</u>	Number	£	Number	£
Options outstanding at 1 January	110,262	18.88	158,567	15.20
Granted	41,790	22.20	29,721	22.98
Forfeited	(2,220)	20.32	(13,154)	16.13
Exercised	(26,982)	12.02	(61,633)	9.96
Cancellations	(5,730)	23.93	(1,744)	22.10
Expired	(7,072)	15.53	(1,495)	12.80
Options outstanding at 31 December (£8.76 - £32.17)	110,048	20.90	110,262	18.88
Weighted average grant-date fair value of options granted during the period (£)		9.27		1.55
Share price at date of grant for options granted during the period (£)		29.72		20.50
Estimated weighted average share price of options exercised during the period (£)		18.29		47.75

b) Share Option Plans

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 Group's 2009 Annual report.

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

3 EMPLOYMENT COSTS (continued)b) Share Option Plans (continued)

A summary of the status of the Rio Tinto plc and Rio Tinto Limited performance based share option plans at 31 December 2009, and changes during the period, is presented below

<u>Rio Tinto plc</u>	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
		Weighted average exercise price £		Weighted average exercise price £
	Number		Number	
Options outstanding at 1 January (adjusted)	3,553,453	17 25	3,478,105	15 49
Granted	378,673	16 53	259,002	47 28
Forfeited	(58,487)	17 30	(28,455)	26 59
Exercised	(542,926)	14 03	(209,713)	13 47
Options outstanding at 31 December (£7 98 - £47 28)	3,330,712	17 60	3,498,939	17 25
Weighted average grant-date fair value of options granted during the year (£)		5 49		17 04
Weighted average share price at date of grant for options granted during the year (£)		17 44		46 21
Estimated weighted average share price of options exercised during the year (£)		26 89		42 26

Options outstanding are adjusted in 1 January to reflect the current place of employment within the Group

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

3 EMPLOYMENT COSTS (continued)b) Share Option Plans continued

<u>Rio Tinto Limited</u>	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	Number	Weighted average exercise price A\$	Number	Weighted average exercise price A\$
Options outstanding at 1 January (adjusted)	1,061,610	38 82	1,218,820	34 73
Granted	50,841	33 45	33,110	118 07
Forfeited	(15,189)	40 24	(105,590)	80 12
Exercised	(407,010)	24 73	(101,760)	22 83
Options outstanding at 31 December (A\$16 90 - A\$118 07)	689,887	42 04	1,044,580	38 82
Weighted average grant-date fair value of options granted during the year (A\$)		13 35		44 04
Weighted average share price at date of grant for options granted during the year (A\$)		40 03		103 48
Estimated weighted average share price of options exercised during the year (A\$)		54 35		138 10

There were no cash settled options for Rio Tinto plc or Rio Tinto Limited outstanding as at 31 December 2009 (2008 nil), in addition to the equity settled options shown above

Options outstanding are adjusted in 1 January to reflect the current place of employment within the Group

c) Share Ownership Plan

The fair values of awards of Matching and Free Shares 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 £424,000 (2008 £965,000)

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

3 EMPLOYMENT COSTS (continued)d) Mining Companies Comparative Plan

Awards under this plan are accounted for in accordance with the requirements applying to cash settled share based payment transactions. If any awards are ultimately settled in shares, the liability is transferred direct to equity as the consideration for the equity instruments issued. The grant date fair values of the awards made prior to 2009 are taken to be the market value of the shares at the date of the award reduced by 50% for anticipated relative TSR performance. The grant date fair values of the awards made in 2009 were calculated using a Monte Carlo simulation model. In addition for the valuations after 2005 the market value is reduced for non receipt of dividends between measurement date and date of vesting. Forfeitures are assumed prior to vesting at three per cent per annum of outstanding awards. In accordance with the method of accounting for cash settled awards, fair values are subsequently re-measured each year to reflect the market price of shares at the measurement date and the number of awards expected to vest based on the current and anticipated TSR performance. This re-measurement at 31 December 2009 was calculated using a Monte Carlo simulation model.

A summary of the status of the Company's performance based share plans at 31 December 2009, and changes during the period, is presented below

Rio Tinto plc

	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
		Weighted average fair value at grant date		Weighted average fair value at grant date
	Number	£	Number	£
Non vested awards at 1 January	1,724,265	12.21	2,042,248	7.11
Awarded	118,517	13.56	379,463	39.71
Forfeited	-	-	(147,390)	13.43
Failed performance conditions	(69,495)	5.81	(311,583)	5.33
Vested	(458,163)	5.81	(238,472)	5.33
Non vested awards at 31 December	1,315,124	14.98	1,724,266	12.21
Weighted-average share price at vesting		16.13		45.38

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

3 EMPLOYMENT COSTS (continued)d) Mining Companies Comparative Plan (continued)Rio Tinto Limited

	<u>2009</u>	<u>2009</u> Weighted average fair value at grant date	<u>2008</u>	<u>2008</u> Weighted average fair value at grant date
	Number	A\$	Number	A\$
Non vested awards at 1 January	466,108	26 97	687,044	19 03
Awarded	-	-	22,835	88 42
Forfeited	-	35 13	(40,305)	45 31
Failed performance conditions	(21,347)	15 03	(123,450)	13 58
Vested	(181,999)	15 03	(80,016)	13 58
Non vested awards at 31 December	262,762	31 97	466,108	26 97
Weighted-average share price at vesting		39 80		108 13

e) Management Share Plan

The Management Share Plan provides conditional 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 set equal to share price on the day of grant. Forfeitures are assumed prior to vesting at three per cent per annum of outstanding awards.

A summary of the status of the Company's fixed share plans at 31 December 2009, and changes during the period, is presented on the next page.

<u>Rio Tinto plc</u>	<u>2009</u>	<u>2009</u> Weighted average fair value at grant date	<u>2008</u>	<u>2008</u> Weighted average fair value at grant date
	Number	£	Number	£
Non vested awards at 1 January	201,680	36 89	63,781	24 95
Transferred in	31,238	36 89	60,991	24 95
Awarded	360,196	17 84	82,160	45 56
Forfeited	(43,462)	25 77	(4,654)	33 30
Vested	(41,139)	31 50	(598)	32 15
Non vested awards at 31 December	508,513	24 00	201,680	36 89
Weighted-average share price at vesting		22 77		40 19

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

3 EMPLOYMENT COSTS (continued)e) Management Share Plan (continued)

<u>Rio Tinto Limited</u>	<u>2009</u>	<u>2009</u> Weighted average fair value at grant date	<u>2008</u>	<u>2008</u> Weighted average fair value at grant date
	Number	A\$	Number	A\$
Non vested awards at 1 January	41,181	84 06	5,992	67 65
Transferred in	5,149	84 06	19,852	67 65
Granted	99,838	43 3	16,595	106 87
Forfeited	(8,892)	65 25	(1,258)	77 18
Vested	(6,861)	71 77	-	-
Non vested shares at 31 December	130,415	59 06	41,181	84 06
Weighted-average share price at vesting		50 42		95 27

There were no cash settled awards for Rio Tinto plc or Rio Tinto Limited outstanding as at 31 December 2009 (2008 nil)

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 the 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 2009, and changes during the year, is presented below

<u>Rio Tinto Plc</u>	<u>2009</u>	<u>2009</u> Weighted average fair value at grant date
	Number	£
Non vested awards at 1 January	-	-
Granted	253,765	17 32
Vested	(6,938)	17 32
Non vested shares at 31 December	246,827	17 32

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

3 EMPLOYMENT COSTS (continued)f) Bonus Deferral Plan (continued)

<u>Rio Tinto Limited</u>	<u>2009</u>	<u>2009</u>
		Weighted average fair value at grant date
	Number	A\$
Non vested awards at 1 January	-	-
Granted	33,712	41 75
Forfeited	(3,841)	41 75
Non vested shares at 31 December	<u>29,871</u>	<u>41 75</u>

4 DIRECTORS' EMOLUMENTS

	<u>2009</u>	<u>2008</u>
	£000	£000
<u>a) Aggregate remuneration of the directors</u>		
Aggregate emoluments	1,728	3,599
Amounts receivable under long term incentive schemes (excluding shares and share options)	75	740
	<u>2009</u>	<u>2008</u>
The number of directors to whom retirement benefits are accruing under defined benefit pension schemes in respect of qualifying services	2	4
The number of directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes	1	2
The number of directors who exercised share options	1	2
	<u>2009</u>	<u>2008</u>
<u>b) Highest paid director</u>	£000	£000
Aggregate emoluments and benefits (excluding gains on exercise of share options and value of shares) received under long-term incentive schemes	746	1,243
Accrued pension entitlement on retirement (per annum)	27	68

During 2009, the highest paid director did not receive Rio Tinto plc shares under long-term incentive schemes. There were no payments for loss of office made.

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

5 INTEREST PAYABLE AND SIMILAR COSTS

	<u>2009</u> £000	<u>2008</u> £000
Bank overdraft charge	103	5
Interest payable to other Group companies	881	827
Post retirement benefits – other finance costs (note 18)	<u>2,584</u>	<u>1,797</u>
	<u>3,568</u>	<u>2,629</u>

6 TAXATION

	<u>2009</u> £000	<u>2008</u> £000
a) <u>Current tax</u>		
UK corporation tax on profits of the period	39,617	8,445
Withholding tax	190	213
Prior year tax	<u>(2,369)</u>	<u>-</u>
Total current tax charge	<u>37,438</u>	<u>8,658</u>

The June 2010 Budget Statement announced reductions to the UK statutory corporation tax rate from the current rate of 28%. The new rates expected are 27% effective 1 April 2011, 26% effective 1 April 2012, 25% effective 1 April 2013 and 24% effective 1 April 2014. These changes will have no impact on the financial statements prepared to 31 December 2009.

b) Deferred tax

Origination and reversal of timing differences	(46,468)	11,278
Adjustment to estimated recoverable amount of deferred tax asset arising in previous periods	<u>-</u>	<u>(10)</u>
Total deferred tax (credit)/ charge (note 13)	<u>(46,468)</u>	<u>11,268</u>
Tax (credit)/ charge on profit on ordinary activities	<u>(9,030)</u>	<u>19,926</u>

All deferred tax assets and liabilities at 31 December 2009 have been recognised at 28% (2008 28%). At 31 December 2009, and 2008, there were no unrecognised deferred tax assets or liabilities. The deferred tax asset at 31 December 2009, calculated at the proposed but not yet enacted lower tax rates referred to above, would be £11,428,000.

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

6 TAXATION (continued)

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 28% (2008 28.5%) The differences are explained below

	<u>2009</u> £000	<u>2008</u> £000
Profit on ordinary activities before tax	<u>1,112</u>	<u>67,041</u>
Profit on ordinary activities multiplied by standard rate of tax in the UK of 28% (2008 28.5%)	311	19,107
Effects of		
- Income not chargeable to tax	(116)	(21)
- Expenses not deductible for tax purposes	156	164
- Withholding tax	190	213
- Share plan costs	2,175	(11,288)
- Timing differences for which deferred tax is recognised		
Severance provision	61	(825)
Pension / healthcare	37,710	1,652
Accelerated capital allowances and other timing differences	(207)	(344)
- Double tax relief	(190)	-
- Group relief claimed for nil value	(283)	-
- Prior year adjustment	<u>(2,369)</u>	<u>-</u>
Current tax charge for the year	<u>37,438</u>	<u>8,658</u>

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

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

7 TANGIBLE FIXED ASSETS

	Land & Buildings £000	Fixtures, Fittings & Equipment £000	Capitalised software £000	Total £000
<u>Cost</u>				
At 1 January 2009	36,341	6,435	4,340	47,116
Additions	-	-	2,885	2,885
Disposals	-	(47)	-	(47)
At 31 December 2009	36,341	6,388	7,225	49,954
<u>Accumulated depreciation</u>				
At 1 January 2009	6,581	1,562	416	8,559
Charge for the year	754	879	828	2,461
Disposals	-	(20)	-	(20)
At 31 December 2009	7,335	2,421	1,244	11,000
<u>Net book value</u>				
At 31 December 2009	29,006	3,967	5,981	38,954
At 1 January 2009	29,760	4,873	3,924	38,557

	<u>2009</u> £000	<u>2008</u> £000
The net book value of land and buildings (including refurbishment costs) comprises		
Freehold land & buildings	15,439	15,439
Leasehold land & buildings – all less than 50 years	13,567	14,321
	<u>29,006</u>	<u>29,760</u>

Freehold land and buildings mainly comprise the cost of a central London office purchased in 1975 and the adjacent property purchased in 2006, less depreciation. The directors have not commissioned a valuation in use of the building, 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. No depreciation was charged in 2009 (2008 nil). Leasehold land and buildings relate to improvements undertaken to new, short lease offices.

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

8 INVESTMENTS

	<u>Subsidiary Undertakings</u>	<u>Other Investments</u>	<u>Total</u>
	<u>Shares</u>	<u>Shares</u>	
	£000	£000	£000
<u>Cost</u>			
At 1 January 2009	115	54	169
Additions	100	10,862	10,962
At 31 December 2009	215	10,916	11,131
<u>Provisions</u>			
At 1 January 2009	100	-	100
Reversal	(100)	-	(100)
At 31 December 2009	-	-	-
<u>Net book value</u>			
At 31 December 2009	215	10,916	11,131
At 1 January 2009	15	54	69

Interests in principal subsidiary, associated and fellow group undertakings are listed as follows

<u>Company</u>	<u>Country of Incorporation or Registration</u>	<u>Ordinary shares held, number and nominal value</u>	<u>% Held</u>
Rio Tinto Marketing Services Limited	England & Wales	2 of £1 each	100
Rio Tinto Overseas Services Limited	England & Wales	2 of £1 each	100
Rio Tinto Technology Development Limited	England & Wales	200,000 of £0.50 each	100
Rio Tinto Technical Services Limited	England & Wales	100,000 of £1 each	100

The Company's principal subsidiaries provide services mainly to other Group and related companies

Other investments comprise 403,868 (2008 3,601) ordinary shares of Rio Tinto plc held under the Employee Share Ownership Plan, and amounts to £10,916,000 (2008 £54,000). The market value of this investment was £13,691,000 at 31 December 2009. The nominal value of the shares held in the Employee Share Ownership Plan at 31 December 2009 was £40,387 (2008 £360).

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

9 CASH AT BANK AND IN HAND

Cash at bank includes £287,000 (2008 £2,944,000) for which there are restrictions on remittances

10 DEBTORS

	<u>2009</u> £000	<u>2008</u> £000
Amounts receivable from subsidiary undertakings	-	5,011
Amounts receivable from ultimate parent and fellow subsidiary undertakings	352,889	312,683
Amounts receivable from Rio Tinto related undertakings	85	238
Amounts receivable from Rio Tinto Limited and its subsidiaries	88,474	3,286
Other debtors	2,296	11,823
Prepayments	2,160	672
	<u>445,904</u>	<u>333,713</u>

11 CREDITORS Amounts falling due within one year

	<u>2009</u> £000	<u>Restated</u> <u>(a)</u> <u>2008</u> £000
Bank overdrafts	206	6,342
Amounts payable to subsidiary undertakings	625	12,456
Amounts payable to ultimate parent and fellow subsidiary undertakings	196,496	132,277
Amounts payable to Rio Tinto Limited and its subsidiaries	22,273	30,442
Other creditors	43,318	128,206
Corporation tax	39,617	-
Other taxes and social security	-	1,415
Accruals	17,919	19,651
	<u>320,454</u>	<u>330,789</u>

(a) The 2008 figures have been restated to show social security liabilities in relation to long term incentives granted, and accruals due to an operating lease having an initial rent free period, as long term

12 CREDITORS Amounts falling due after more than one year

	<u>2009</u> £000	<u>Restated</u> <u>(a)</u> <u>2008</u> £000
Other taxes and social security	13,240	2,913
Accruals	8,797	4,425
	<u>22,037</u>	<u>7,338</u>

(a) The 2008 figures have been restated to show social security liabilities in relation to long term incentives granted, and accruals due to an operating lease having an initial rent free period, as long term

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

13 DEFERRED TAX

	<u>2009</u> £000	<u>2008</u> £000
<u>Balances at 31 December</u>		
Share based payments	13,984	4,740
Provisions	267	399
Accelerated capital allowances	(919)	(506)
Deferred tax asset	<u>13,332</u>	<u>4,633</u>
<u>Movement in year</u>		
At 1 January	4,633	17,331
Deferred tax credit/ (charge) in profit and loss account (note 6)	46,468	(11,268)
Movement on deferred tax asset on post retirement / pension benefits (note 18)	<u>(37,769)</u>	<u>(1,430)</u>
At 31 December	<u>13,332</u>	<u>4,633</u>

All deferred tax assets and liabilities at 31 December 2009 have been recognised at 28% (2008 28%) At 31 December 2009, and 2008, there were no unrecognised deferred tax assets or liabilities

14 PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Share based payments</u> £000	<u>Restructuring provisions</u> £000	<u>2009 Total</u> £000	<u>2008 Total</u> £000
At 1 January	10,933	6,808	17,741	49,811
Movement in cash settled share based payment provision	10,402	-	10,402	(34,900)
Exit costs charged during the year	-	745	745	6,073
Utilised during the year	-	(1,343)	(1,343)	(3,243)
At 31 December	<u>21,335</u>	<u>6,210</u>	<u>27,545</u>	<u>17,741</u>

Exit costs charged during the year relate to the closure of an office and include mainly rental costs that fall due over a period in excess of over five years

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

15 CALLED UP SHARE CAPITAL

	<u>2009</u> £000	<u>2008</u> £000
Authorised 5,000,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
Issued and fully paid 4,800,000 ordinary shares of £1 each	<u>4,800</u>	<u>4,800</u>

16 PROFIT AND LOSS ACCOUNT

	<u>Share based payments reserve</u> £000	<u>Retained earnings</u> £000	<u>Total profit and loss account</u> £000
At 1 January 2009	21,149	(24,995)	(3,846)
Actuarial loss on pension and healthcare schemes (note 18)	-	(36,389)	(36,389)
Deferred tax on actuarial gain on pension and healthcare scheme (note 18)	-	10,189	10,189
Share based payments	10,828	(2,566)	8,262
Retained profit for the financial year	-	10,142	10,142
	<u>31,977</u>	<u>(43,619)</u>	<u>(11,642)</u>
At 31 December 2009	31,977	(43,619)	(11,642)

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' (DEFICIT)/EQUITY

	<u>2009</u> £000	<u>2008</u> £000
Profit for the year	10,142	47,115
Share based payments	10,828	5,771
Distribution to related entity	(2,566)	(19,820)
Actuarial (loss)/gain on pension and healthcare schemes (note 18)	(36,389)	1,859
Deferred tax on actuarial gain on pension and healthcare schemes (note 18)	10,189	(521)
Net change to shareholders' funds	<u>(7,796)</u>	<u>34,404</u>
Opening shareholders' funds / (deficit)	<u>954</u>	<u>(33,450)</u>
Closing shareholders' (deficit)/ funds	<u>(6,842)</u>	<u>954</u>

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

18 POST RETIREMENT BENEFITSa) 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 £9,269,000 (2008 £2,162,000).

An annual valuation of the Fund was carried out by independent qualified actuaries on 31 December 2009 under International Accounting Standards 19 "Employee Benefits" and on this basis the Fund had a surplus of US\$4.1 million (2008 US\$104 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.

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 2008 by a qualified independent actuary. The major assumptions used by the actuary were:

	<u>2009</u>	<u>2008</u>
Assumptions:		
RPI Inflation	3.5%	2.8%
Discount rate	5.5%	6.3%
Pension increases in payment	3.5%	2.8%
General salary increases	3.5%	4.8%
Life expectancy of male aged 65 at the valuation date	21.7 years	21.6 years
Life expectancy of male aged 65 in 20 years time	23.6 years	23.5 years
	<u>2009</u>	<u>2008</u>
	£000	£000
Present value of defined benefit obligation	(30,581)	(21,292)
Fair value of scheme assets	-	-
Deficit in the scheme	<u>(30,581)</u>	<u>(21,292)</u>
Gross pension liability	(30,581)	(21,292)
Related deferred tax asset at 28%	8,563	5,962
Net pension liability	<u>(22,018)</u>	<u>(15,330)</u>

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

18 POST RETIREMENT BENEFITS (continued)b) UK unfunded pension arrangement (continued)

	<u>2009</u> £000	<u>2008</u> £000
<u>Analysis of amounts charged to operating profit</u>		
Employer's part of current service cost	(2,236)	(4,349)
Total operating charge (note 3)	<u>(2,236)</u>	<u>(4,349)</u>
<u>Analysis of the amount charged to other finance income</u>		
Interest on pension scheme liabilities	(1,390)	(1,301)
Net finance charge (note 5)	<u>(1,390)</u>	<u>(1,301)</u>
<u>Analysis of amount recognised in STRGL</u>		
Actuarial (losses)/ gains	(6,347)	4,033
Actuarial (losses)/ gains recognised in STRGL	<u>(6,347)</u>	<u>4,033</u>
<u>Reconciliation of present value of defined benefit obligation</u>		
Deficit in scheme at beginning of the year	(21,292)	(20,135)
Movement in year		
Employer's part of current service cost	(2,236)	(4,349)
Benefits paid	684	460
Net finance charge	(1,390)	(1,301)
Actuarial (losses)/gains recognised in STRGL	(6,347)	4,033
Deficit in scheme at end of the year	<u>(30,581)</u>	<u>(21,292)</u>

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
<u>History of experience gains and losses</u>					
Present value of defined benefit obligation	(30,581)	(21,292)	(20,135)	(17,271)	(11,141)
Fair value of scheme assets	-	-	-	-	-
Deficit	<u>(30,581)</u>	<u>(21,292)</u>	<u>(20,135)</u>	<u>(17,271)</u>	<u>(11,141)</u>

Experience adjustments on defined benefit obligation

Amount of gain / (loss)	448	1,215	378	380	(644)
Percentage of scheme liabilities	(1%)	(6%)	(2%)	(2%)	6%

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

18 POST RETIREMENT BENEFITS (continued)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 30 September 2009 by a qualified independent actuary. Details of the full actuarial valuation at 30 September 2009 have been updated to 31 December 2009. The major assumptions used by the actuary were:

	<u>2009</u>	<u>2008</u>
Assumptions		
RPI Inflation	3.5%	2.8%
Discount rate	5.5%	6.3%
Real Medical Trend Inflation in the short term	3.5%	2.5%
Real Medical Trend Inflation in the long term	3.5%	2.5%
Life expectancy of male aged 65 at the valuation date	21.7 years	21.6 years
Life expectancy of male aged 65 in 20 years time	23.6 years	23.5 years
	<u>2009</u>	<u>2008</u>
	£000	£000
Present value of liability	(12,183)	(10,783)
Total market value of assets	-	-
Deficit in the scheme	<u>(12,183)</u>	<u>(10,783)</u>
Gross liability	(12,183)	(10,783)
Related deferred tax asset at 28% (2008: 28%)	<u>3,411</u>	<u>3,019</u>
Net liability	<u>(8,772)</u>	<u>(7,764)</u>

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

18 POST RETIREMENT BENEFITS (continued)

c) UK Post Retirement Healthcare Plan (continued)

	2009 £000	2008 £000
Amounts charged to operating profit (note 3)	(224)	-
Amounts charged to other finance costs interest costs (note 5)	(665)	(496)
Amounts recognised in STRGL actuarial losses	(1,209)	(2,174)
	2009 £'000	2008 £'000
<u>Reconciliation of defined benefit obligation</u>		
Deficit in scheme at beginning of the year	(10,783)	(8,693)
Movement in year		
Aggregate contributions	698	580
Other finance costs	(665)	(496)
Past service costs	(224)	-
Actuarial losses recognised in STRGL	(1,209)	(2,174)
Deficit in scheme at end of the year	(12,183)	(10,783)

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
<u>History of experience gains and losses</u>					
Present value of defined benefit obligation	(12,183)	(10,783)	(8,693)	(9,924)	(11,648)
Fair value of scheme assets	-	-	-	-	-
Deficit	(12,183)	(10,783)	(8,693)	(9,924)	(11,648)

Experience adjustments on defined benefit obligation

Amount of gain /(loss)	692	(244)	729	809	1,407
Percentage of scheme liabilities	(6%)	2%	(8%)	(8%)	(12%)

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 £1.6m. A decrease of one per cent in the assumed medical cost trend rates would decrease the benefit obligation for these plans by £1.3m.

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

18 POST RETIREMENT BENEFITS (continued)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 2009 under FRS17 and on this basis the 2009 Fund had a deficit of £115,623,000 which is reflected in the balance sheet

Amounts recognised in the balance sheet are determined as follows

	<u>2009</u> £000	<u>2008</u> £000
Present value of funded obligations	(618,189)	-
Fair value plan assets	457,601	-
	(160,588)	-
Related deferred tax asset	44,965	-
Liability in the balance sheet	<u>(115,623)</u>	-

The amounts recognised in the income statement are as follows

	<u>2009</u> £000	<u>2008</u> £000
Net loss on bulk transfer	133,227	-
Current service cost	4	-
Interest cost	2,731	-
Expected return on plan assets	<u>(2,202)</u>	-
Total pension cost recognised in the P&L account	<u>133,760</u>	-

The net loss on bulk transfer and service cost are recognised in operating profit and the interest cost and expected return on assets are recognised as financial items adjacent to interest

	<u>2009</u> £000	<u>2008</u> £000
Actuarial losses immediately recognised	<u>(28,833)</u>	-

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

18 POST RETIREMENT BENEFITS (continued)

d) Rio Tinto 2009 Pension Fund (continued)

The movement in the defined benefit obligation over the year is as follows

	<u>2009</u> £000	<u>2008</u> £000
Benefit obligation at beginning of year	-	-
Liabilities assumed in bulk transfer	(597,324)	-
Current service cost	(4)	-
Interest cost	(2,731)	-
Plan participants' contributions	(1)	-
Actuarial losses	(21,039)	-
Benefits paid	2,910	-
Benefit obligation at end of year	<u>(618,189)</u>	-

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

	<u>2009</u> £000	<u>2008</u> £000
Fair value of plan assets at beginning of year	-	-
Assets received in bulk transfer	464,097	-
Expected return on plan assets	2,202	-
Actuarial losses	(7,794)	-
Employer contributions	2,005	-
Member contributions	1	-
Benefits paid	(2,910)	-
Benefit obligation at end of year	<u>457,601</u>	-

Plan assets are comprised as follows

	Expected rate of return	Plan assets at 31/12/2009
Equities	8.2%	39%
Property	6.3%	5%
Corporate bond	5.5%	15%
Gilt	4.4%	39%
Cash	4.4%	1%
Other	5.5%	1%
	<u>6.2%</u>	<u>100%</u>

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 class was then weighted based on the actual asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

	<u>2009</u> £000	<u>2008</u> £000
Actual return on plan assets	<u>(5,592)</u>	-

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

18 POST RETIREMENT BENEFITS (continued)d) Rio Tinto 2009 Pension Fund (continued)

The principal actuarial assumptions used to determine benefit obligations were as follows

	<u>2009</u>	<u>2008</u>
Discount rate	5.5%	-
Rate of compensation increase	4.5%	-

The principal actuarial assumptions used to determine net pension cost for the year were as follows

	<u>2009</u>	<u>2008</u>
Discount rate	5.5%	-
Expected long-term return on plan assets	6.0%	-
Rate of compensation increase	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

	<u>2009</u>	
	Male	Female
Member aged 65 (current life expectancy)	20.6	23.6
Member age 45 (life expectancy at age 65)	22.4	25.5

	<u>2009</u>	<u>2008</u>
Five year history		
Benefit obligation at end of year	(618,190)	-
Fair value of plan assets at end of year	457,601	-
Deficit	(160,589)	-
Difference between actual and expected return on scheme assets	(7,794)	-
Percentage of scheme assets	(2%)	-
Experience gains and losses on scheme liabilities	-	-
Percentage of scheme liabilities	0%	-
Total amount recognised in STRGL	(28,833)	-
Percentage of scheme liabilities	(5%)	-

Contributions

Over the month to 31 December 2009 the Company contributed normal contributions of 19.7% of members' pensionable earnings and an additional £2 million in December 2009. The Company expects to contribute these amounts monthly during 2010, together with an additional payment of £50 million in January 2010.

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

18 POST RETIREMENT BENEFITS (continued)

	<u>2009</u> £000	<u>2008</u> £000
<u>Summary of post retirement benefit - Other Finance Costs</u>		
UK unfunded pension - Other Finance Costs	(1,390)	(1,301)
UK Post Retirement Healthcare - Other Finance Costs	(665)	(496)
Rio Tinto 2009 Pension Fund – Interest Cost	(2,731)	-
Less Rio Tinto 2009 Pension Fund – Expected Return on Plan Assets	<u>2,202</u>	<u>-</u>
Total Post Retirement benefit - Other Finance Costs (note 5)	<u>(2,584)</u>	<u>(1,797)</u>
<u>Summary of post retirement benefit scheme</u>		
UK unfunded pension arrangement	(30,581)	(21,292)
UK Post Retirement Healthcare Plan	(12,183)	(10,783)
Rio Tinto 2009 Pension Fund	(160,589)	-
Less Deferred tax (below)	<u>56,939</u>	<u>8,981</u>
Net Post Retirement benefit liability	<u>(146,414)</u>	<u>(23,094)</u>
	<u>2009</u> £000	<u>2008</u> £000
<u>Movement in deferred tax asset on post retirement benefits</u>		
At 1 January	8,981	8,072
Deferred tax credit in profit and loss account (note 13)	37,769	1,430
Deferred tax charge in profit and loss reserve (note 16)	<u>10,189</u>	<u>(521)</u>
At 31 December	<u>56,939</u>	<u>8,981</u>

NOTES TO THE 2009 FINANCIAL STATEMENTS (continued)

19 CONTINGENT LIABILITIES AND COMMITMENTS

	<u>2009</u> £000	<u>2008</u> £000
a) Annual obligations under operating leases on land and buildings comprise -		
Expiring within one year	1,006	1,046
Expiring between one and five years	-	85
Expiring between five and ten years	1,041	1,041
Expiring between 15 and 20 years	4,954	4,954
	<u>7,001</u>	<u>7,126</u>
Annual obligations under operating leases on plant and equipment comprise -		
Expiring within one year	43	50
Expiring between one and five years	290	555
	<u>333</u>	<u>605</u>
b) Under group banking arrangements, bank balances of nil (2008 £6,342,000) form part of offset arrangements under which they could be used to settle the overdrafts of other companies within the group		

20 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 Group or investees of the Group.

Under the terms of the Rio Tinto Pension Fund Trust Deed, a fee is charged by the Rio Tinto Pension Fund in respect of the provision of services. During the year, £4,110,000 (2008 £4,232,000) was charged.

21 ULTIMATE PARENT UNDERTAKING

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 the Group's consolidated financial statements can be obtained from 2 Eastbourne Terrace, London, W2 6LG, or from the Rio Tinto website at www.riotinto.com.