

Registration number: 00460473

RIO TINTO LONDON LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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RIO TINTO LONDON LIMITED

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RIO TINTO LONDON LIMITED

COMPANY INFORMATION

DIRECTORS	M P Bossick P L Cunningham V E Hames P I Hedley
COMPANY SECRETARY	Rio Tinto Secretariat Limited
REGISTRATION NUMBER	00460473
REGISTERED OFFICE	6 St James's Square London United Kingdom SW1Y 4AD
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP Chartered accountants and Statutory auditors 1 Embankment Place London United Kingdom WC2N 6RH

RIO TINTO LONDON LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their Strategic report on Rio Tinto London Limited (the "Company") for the year ended 31 December 2016.

Introduction

The Company was incorporated, domiciled and registered in England and Wales under the Companies Act 2006 and is a company limited by shares. The Company's ultimate parent undertaking and controlling party is Rio Tinto plc, which together with Rio Tinto Limited and their respective subsidiaries form the Rio Tinto Group (the "Group").

Business review

The Company's principal continuing activities during the year were to perform services on behalf of other Group companies and to be the sponsoring employer for a number of UK pension schemes.

The level of services performed, measured by revenue received, was in line with the prior year but reduced costs due to: lower employee numbers, reduced service fees, reduced onerous contracts, a decrease in travel activity and the elimination of minor price variances enabled a small profit to be generated.

Principal risks and uncertainties


The Company's principal risks and uncertainties, such as financial, operational and compliance risks, are integrated with those of the Group and are not managed separately.

Assessment of the potential economic and non-economic consequences of risks is undertaken by the Group's business units and functions using the framework defined by the Group's Risk policy and standard. Once identified, each principal risk and uncertainty is reviewed and monitored by the relevant internal experts and by the Risk Management Committee, the relevant board committees and the board. Full details of the Group's risk factors and policies for financial risk management are discussed in its 2016 Annual Report which does not form part of this report.

Key performance indicators

The Company's directors are of the opinion that there are no meaningful financial or other key performance indicators that would be necessary or appropriate for an understanding of the development, performance or position of the Company's activities.

The report was approved by the board and signed on its behalf by:



P L Cunningham
Director

Date: 29.9.2017

RIO TINTO LONDON LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the audited financial statements for the year ended 31 December 2016.

Results and dividends

The profit for the financial year was £31,266,000 (2015: a loss of £68,186,000).

No interim dividend was paid during the year (2015: £nil) and the directors do not recommend the payment of a final dividend (2015: £nil).

Directors

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

M P Bossick (appointed 5 May 2017)
P L Cunningham
V E Hames (appointed 31 October 2016)
P I Hedley (appointed 5 May 2017)
M D Andrewes (resigned 5 May 2017)
E B Evans (resigned 19 August 2016)
U Quellmann (resigned 22 August 2016)

The directors had no material interest in any contract or arrangement during the year to which the Company or any subsidiary is or was a party.

Directors' responsibilities statement

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

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). Under company law the directors must not approve the audited 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 audited financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting 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.

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 audited 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.

Indemnities and insurance

The Articles of Association of the Company's ultimate parent, Rio Tinto plc, provides for it to indemnify, to the extent permitted by law, its officers and officers of wholly-owned subsidiaries against liabilities arising from the conduct of the Group business. The directors and the Company secretary of Rio Tinto plc and certain employees serving as directors of certain subsidiaries, at the Group's request, have been indemnified in accordance with these provisions. All of the directors of the Company have been indemnified by Rio Tinto plc against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. This is a 'qualifying third party indemnity' provision as defined by section 234 of the Companies Act 2006. No amounts have been paid under any of these indemnities during the year.

In accordance with section 233 of the Companies Act 2006 the Company has also purchased and maintains insurance against liabilities arising from claims against directors' and officers' actions taken in connection with the Group's business.

Principal activity

The principal activities of the Company are to be a sponsoring employer for a number of UK pension schemes and to perform services on behalf of other Group companies.

The Company continues to provide certain management services to fellow members of the Group, for which it charges on an arm's length basis. In certain cases these charges are deferred until the completion of a transaction or transactions.

RIO TINTO LONDON LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

Employee involvement

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 the grounds of age, ethnic or social origin, politics, religion or disability.

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.

Employment of disabled persons

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.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Future developments

The Company's future developments are integrated with those of the Group which are discussed in the Group's 2016 Annual Report, which does not form part of this report.

Disclosure of information to auditors

Each of the persons who were 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 relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed by order of the board:


..... C. BRIDGES
Director, for and behalf of Rio Tinto Secretariat Limited
Company Secretary

Date: 29.9.2017
6 St James's Square
London
United Kingdom
SW1Y 4AD

RIO TINTO LONDON LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RIO TINTO LONDON LIMITED

Report on the financial statements

Our opinion

In our opinion, Rio Tinto London Limited's (the "Company") financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 December 2016;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the Notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

RIO TINTO LONDON LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RIO TINTO LONDON LIMITED (CONTINUED)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Nigel Comello (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date: 29/09/17

RIO TINTO LONDON LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

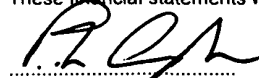
	Note	2016 £'000	2015 £'000
Revenue	3	269,591	232,570
Net exchange gains		1,212	3,554
Staff costs	5	(119,313)	(126,829)
Service fees		(82,577)	(140,447)
Other expenses		(25,328)	(45,022)
Operating lease expenses		(15,502)	(10,315)
Depreciation and amortisation		(2,918)	(5,304)
Finance cost		-	(475)
Finance income	4	12,072	8,077
Profit/(loss) before taxation		37,237	(84,191)
Taxation	9	(5,971)	16,005
Profit/(loss) for the financial year		31,266	(68,186)
Other comprehensive income/(expense)			
<i>Items that will not be reclassified to profit or loss:</i>			
Movements on deferred tax relating to pension scheme		(5,038)	(10,330)
Movement in deferred tax relating to changes in tax rates		-	1,535
Actuarial gain on defined benefit schemes		28,261	55,786
Unrealised gain on revaluation of land and buildings		845	-
Other comprehensive income		24,068	46,991
Total comprehensive income/(expense) for the year		55,334	(21,195)

RIO TINTO LONDON LIMITED

(REGISTERED NUMBER: 00460473)
BALANCE SHEET AS AT 31 DECEMBER 2016

	Note	2016 £'000	2015 £'000
ASSETS			
Non-current assets			
Trade and other receivables	10	12,039	967
Property, plant and equipment	11	27,154	27,845
Intangible assets	12	2,935	3,783
Investments in employee share trusts	13	27,762	26,050
Pension assets	14	381,502	282,429
		<u>451,392</u>	<u>341,074</u>
Current assets			
Trade and other receivables	15	376,675	407,693
Total assets		<u>828,067</u>	<u>748,767</u>
LIABILITIES			
Current liabilities			
Trade and other payables	16	(111,144)	(121,032)
Provisions	17	(14,589)	(9,047)
		<u>(125,733)</u>	<u>(130,079)</u>
Non-current liabilities			
Trade and other payables	18	(7,175)	(7,180)
Provisions	17	(14,606)	(20,102)
Deferred tax liabilities	19	(49,290)	(32,119)
		<u>(71,071)</u>	<u>(59,401)</u>
Total liabilities		<u>(196,804)</u>	<u>(189,480)</u>
Net assets		<u>631,263</u>	<u>559,287</u>
EQUITY			
Share capital	20	4,800	4,800
Share based payments reserve		160,588	143,981
Capital reserves		136,400	136,400
Retained earnings		329,475	274,106
Total equity		<u>631,263</u>	<u>559,287</u>

These financial statements were approved and authorised by the board and were signed on its behalf by:



P L Cunningham

Director

Date: 29.9.2017

RIO TINTO LONDON LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital £'000	Capital reserve £'000	Share based payments reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2016	4,800	136,400	143,981	274,106	559,287
Profit for the year	-	-	-	31,266	31,266
Total comprehensive income for the year	-	-	-	31,266	31,266
Other comprehensive income:					
Actuarial gains on pension plans	-	-	-	28,261	28,261
Deferred tax on pension plans	-	-	-	(5,038)	(5,038)
Unrealised gain on revaluation of land and buildings	-	-	-	845	845
Total other comprehensive income for the year	-	-	-	24,068	24,068
Transactions with owners:					
Movement in current tax through equity	-	-	-	35	35
Share based payments credit	-	-	16,607	-	16,607
	-	-	16,607	35	16,642
At 31 December 2016	4,800	136,400	160,588	329,475	631,263

RIO TINTO LONDON LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	Share capital £'000	Capital reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2015	4,800	136,400	125,903	295,461	562,564
Loss for the year	-	-	-	(68,186)	(68,186)
Total comprehensive income for the year	-	-	-	(68,186)	(68,186)
Other comprehensive income:					
Actuarial gains on pension plans	-	-	-	55,786	55,786
Deferred tax on pension plans	-	-	-	(10,330)	(10,330)
Deferred tax on changes in tax rates	-	-	-	1,535	1,535
Total other comprehensive income for the year	-	-	-	46,991	46,991
Transactions with owners:					
Movement in deferred tax through equity	-	-	-	(305)	(305)
Movement in current tax through equity	-	-	-	145	145
Share based payments credit	-	-	18,078	-	18,078
At 31 December 2015	4,800	136,400	143,981	274,106	559,287

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation of financial statements

The financial statements have been prepared using the historical cost convention, and in accordance with the Companies Act 2006, as applicable to Companies using Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101).

As a result of the amendments to FRS 101 issued in July 2015 and effective for reporting periods beginning 1 January 2016, the financial statements are now presented in accordance with IAS 1 "Presentation of Financial Statements".

The Company is a subsidiary Company and is exempt from the requirement to prepare consolidated financial statements by virtue of section 400 of the Companies Act 2006. These financial statements are therefore separate financial statements.

The financial statements are presented in Pound Sterling (£) and all amounts are rounded to the nearest thousand (£000) unless otherwise stated.

1.2 Financial reporting standard 101 - Reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 "Financial Instruments: Disclosures";
- the requirements of paragraphs 91-99 of IFRS 13 "Fair Value Measurement";
- the requirement in paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 "Property, Plant and Equipment";
 - paragraph 118(e) of IAS 38 "Intangible Assets";
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 - 136 of IAS 1 "Presentation of Financial Statements";
- the requirements of IAS 7 "Statement of Cash Flows";
- the requirements of paragraphs 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors";
- the requirements of paragraph 17 of IAS 24 "Related Party Disclosures"; and
- the requirements in IAS 24 "Related Party Disclosures" to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Where required, equivalent disclosures are given in the consolidated financial statements which can be obtained as set out in Note 24.

1.3 Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

1.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). These financial statements are presented in Pound Sterling (£), which is the Company's functional and presentation currency.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

(b) Transactions and balances

Transactions denominated in other currencies are converted to the functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at year-end exchange rates. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are translated using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

1.5 Revenue recognition

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Revenue for the year represents the value of management services provided to fellow group undertakings, together with commissions 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 considered to be meaningful to the users of the financial statements.

(b) Management fees and other recoveries

Management fees are charges to related parties for corporate services, global business services, people and organisational support, and technology and innovation. Recoveries comprise charges to related and external parties for the rendering of administration and general services.

1.6 Dividend income

Dividend income is recognised when the right to receive payment is established.

1.7 Interest income

Interest income is recognised on a time proportionate basis using the effective interest method.

1.8 Employee benefits

(a) Share-based payments

The Company operates a number of equity-settled share-based compensations plans. The fair value of the options granted in exchange for employee services is recognised as an expense over the expected vesting period. 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 fair value of the share plans is recognised as an expense over the expected vesting period with a corresponding entry to reserves.

1.9 National insurance on share options

To the extent that the share price at the balance sheet date is greater than the exercise price on options granted under unapproved schemes, provision for any National Insurance contributions has been made based on the prevailing rate of National Insurance. The provision is accrued over the performance period attaching to the award.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

1.10 Current and deferred income tax

Current tax, including UK corporation tax and overseas tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Except as otherwise required by IAS12 ("Income Taxes"), deferred tax is provided in full on temporary differences at the balance sheet date.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply in the periods when the asset is realised or the liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. *Deferred tax assets have been recognised to the extent that their recovery is probable, having regard to the availability of sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, the projected future taxable income of the entity and after taking account of specific risk factors that are expected to affect the recovery of these assets.*

1.11 Property, plant and equipment

Property plant and equipment under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. Land is not depreciated. The estimated useful life ranges are as follows:

Asset class	Useful life and rate
Land and buildings	15-20 years
Plant and machinery	5-10 years
Fixtures and fittings	5-10 years
Computer equipment	3-5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

1.12 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Intangibles are amortised over their estimated useful lives on a straight line basis.

The estimated useful lives range as follows:

Software 3-5 years

1.13 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in employee share trusts, comprising Rio Tinto plc shares held in trust for the Company's various share based payment schemes are held at the weighted average cost of the shares purchased.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

1.14 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

Individual receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that impairment has occurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment. The Company considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtors;
- probability that the debtor will enter bankruptcy or financial reorganisation; or
- default or delinquency in payments.

1.15 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company recognises its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables and amounts owed by Group undertakings are included in this category. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Financial liabilities

Financial liabilities at amortised cost are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the balance sheet.

1.16 Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid.

The amounts are unsecured and are usually paid within 45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

1.17 Leases

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight line basis over the period of the lease.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

1.18 Onerous leases

Onerous lease provisions are provided for in the period when the obligation arising from the onerous contract 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.

1.19 Pensions

The Company operates a number of defined benefit plans which provide lump sums, pensions, medical benefits and life insurance to retirees. For post-retirement defined benefit plans, the difference between the fair value of any plan assets and the present value of the plan obligations is recognised as an asset or liability in the balance sheet.

The fair value of plan assets is the price that would be received to sell the asset in orderly transactions between market participants at the measurement date. Where appropriate, the recognition of assets may be restricted to the present value of any amounts the Company expects to recover by way of refunds from the plan or reductions in future contributions.

The most significant assumptions used in accounting for pension plans are the discount rate, the inflation assumption and the mortality assumptions. The discount rate used to determine the net present value of the obligations, the interest cost on the obligations and the interest income on plan assets. The discount rate used is the yield on high-quality corporate bonds with maturities and terms that match those of the post-retirement obligations as closely as possible. Where there is no developed corporate bond market in a country, the rate on government bonds is used. The inflation assumptions are used to project increases in future benefit payments for those plans that have benefits linked to inflation. The mortality assumption is used to project the future stream of benefit payments, which is then discounted to arrive at the net present value of the obligations.

Valuations of the obligations are carried out using the projected unit method which values benefits accrued at the valuation date with allowance, where appropriate, for future increases to pay and pensions. The values of the obligations are assessed in accordance with the advice of independent qualified actuaries.

The current service cost, any past service cost and the effect of any curtailment or settlements are recognised in the Statement of comprehensive income. The interest cost less interest income on assets held in the plans is also charged to the Statement of comprehensive income.

Actuarial gains and losses arising in the year are credited/charged to the Statement of comprehensive income and comprise the effects of changes in actuarial assumptions and experience adjustments due to differences between the previous actuarial assumptions and what has actually occurred. In particular, the difference between the interest income and the actual return on plan assets is recognised in the Statement of comprehensive income.

The Company participates in two Group defined benefit plans. There is no agreement in place for charging the net defined benefit cost for the plans as a whole to individual Group entities. The cash contributions to the Funds are made through reference to a percentage of base salary contribution per defined benefit employee as determined by the Funds' actuaries, advised by the fund trustees and applied to those defined benefit employees of the Fund. The Company is the sponsoring employer of the Rio Tinto Pension Fund and the Rio Tinto International Pension Fund. The sponsoring employer discloses the defined benefit surplus/deficit and recognises any associated charges in the Statement of comprehensive income. Other entities account for the scheme as if it were defined contribution in nature.

The Company's contributions to defined contribution plans are charged to the profit and loss account in the period to which the contributions relate. The Company participates in two Group defined benefit plans where the contributions are set at a common level rather than reflecting the net defined benefit cost. The Company that is determined as the sponsoring employer for these plans treats them as defined benefit plans; the other participants treat the plans as though they were defined contribution.

1.20 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2 Critical accounting estimates and judgments

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. These judgments and assumptions are based on management's best knowledge of the facts and circumstances, but actual results may differ materially from the amounts included in the financial statements. The estimates and assumptions that could have a significant impact on the results of the Company are set out below.

Recoverability of deferred tax assets

The Company had deductible temporary differences that have the potential to reduce tax payments in future years. Deferred tax assets have been recognised to the extent that their recovery is probable, having regard to the availability of sufficient taxable temporary differences relating to the same taxation authority, the projected future taxable income of the Company and after taking account of specific risk factors that are expected to affect the recovery of these assets.

Impairment

Assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount exceeds its recoverable amount. The assessment of the carrying amount often requires estimates of future cash flows and foreign exchange rates.

Defined benefit pension plans

The value of the Company's obligations for post-retirement benefits is dependent on a number of assumptions about salary increases, life expectancy, inflation and asset valuations.

Group pension plans

Certain employees participate in Group defined benefit pension plans. In the judgement of the directors, it has been determined that the Company is the sponsoring employer and the Company accounts for the entire plan as a defined benefit plan.

In preparing these financial statements, the directors have had to make the following other judgements:

- Determine whether leases entered into by the Company either are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the Company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.
- Tangible fixed assets, are depreciated over their useful lives taking into account residual values, where appropriate. The useful economic life of an asset is assessed by reference to a number of underlying assumptions, including the useful life of similar assets. Revisions of useful lives may be made upon assessment of changes in the operating environment or the condition of the asset itself.

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)**

3 Revenue

	2016	2015
	£'000	£'000
Rendering of services	260,892	230,661
Other revenue	8,699	1,909
	<u>269,591</u>	<u>232,570</u>

4 Finance income

	2016	2015
	£'000	£'000
Interest revenue from Group undertakings	584	1,348
Interest on defined benefit obligations	11,488	6,729
	<u>12,072</u>	<u>8,077</u>

5 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2016	2015
	£'000	£'000
Wages and salaries	90,708	107,624
Social security costs	21,939	10,816
Other pension costs	6,666	8,389
	<u>119,313</u>	<u>126,829</u>

The average monthly number of persons employed by the Company (including directors) during the year, was as follows:

	2016	2015
	No.	No.
Employees	<u>309</u>	<u>344</u>

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

6 Share-based payments

Rio Tinto plc and Rio Tinto Limited have a number of share-based payment plans, which are described in detail in the 2016 Rio Tinto Annual report. Some of the Rio Tinto London Limited employees are eligible to participate in these plans. The plans have been accounted for in accordance with the fair value recognition provisions of *IFRS 2 Share-based payments*.

The main Rio Tinto plc and Rio Tinto Limited plans are as follows:

Share Savings Plan

Awards under these plans are settled in equity and accounted for accordingly. Awards are no longer granted under the Share Savings Plans as these plans were replaced by the Global Employee Share Plan in 2012. Charges will continue to be incurred until prior period awards have vested.

Share Option Plan

The Group has a policy of settling awards made under the Share Option Plan 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. Awards are no longer granted under the Share Option Plans as the Long term incentive plan arrangements have been simplified and awards are now only made under the Performance Share Plan. Charges will continue to be incurred until prior period awards have vested.

UK Share Plan

Awards under the UK Share Plan (formerly the Share Ownership Plan) are settled in equity.

Performance Share Plan

Participants are generally assigned shares in settlement of their awards and therefore the Plan is accounted for in accordance with the requirements applying to equity-settled share-based payment transactions.

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 conditions being met. In general, the awards will be settled in equity including the dividends accumulated from date of award to vesting.

Bonus Deferral Plan

The Bonus Deferral Plan was originally introduced during 2009 for the mandatory deferral of the 2008 bonuses for executive directors, product group executives and for other executives. Additional Bonus Deferral Awards have been made each year since 2011 (made in respect of the 2010 bonus) for the mandatory deferral of 50 percent of the bonuses for executive directors and product group executives and ten percent of the bonuses for other executives. The vesting of these awards is dependent only on service conditions being met. In general, the awards will be settled in equity including the dividends accumulated from date of award to vesting.

Global Employee Share Plan

The Global Employee Share Plan was introduced during 2012. The Company provides matching shares for each share purchased under the program. The vesting of these matching awards is dependent on service conditions being met. These awards are settled in equity.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

Summary of options outstanding:

Options outstanding as at 31 December 2016	Number	Weighted average exercise price per option £/A\$	Weighted average remaining contractual life Years
Rio Tinto plc Share Savings Plan (£29)	1,220	28.63	0.50
Rio Tinto plc Share Option Plan (£16 - £43)	203,516	30.98	3.00
Rio Tinto Limited Share Option Plan (A\$33 - A\$77)	141,380	61.04	3.00
	<u>346,116</u>		

As at 31 December 2015 there were 743,828 options outstanding. The maximum exercisable term on the outstanding options is 10 years.

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2016 £'000	2015 £'000
Remuneration	1,951	1,735
Company pensions contributions to defined contribution schemes	19	27
	<u>1,970</u>	<u>1,762</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2016 No.	2015 No.
Received or were entitled to receive shares under long term incentive schemes	5	4
Accruing benefits under defined benefit pension scheme	3	3
Accruing benefits under defined contribution pension scheme	2	1

The highest paid director received remuneration of £716,554 (2015: £635,958).

8 Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2016 £'000	2015 £'000
Audit of the financial statements	<u>66</u>	<u>109</u>

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)**

9 Taxation

	2016 £'000	2015 £'000
Corporation tax		
Current tax on profit for the year	(8,470)	(25,367)
Adjustments in respect of prior periods	1,463	671
	<u>(7,007)</u>	<u>(24,696)</u>
Foreign tax		
Foreign tax on income for the year	-	(5)
Total current tax	<u>(7,007)</u>	<u>(24,701)</u>
Deferred tax		
Origination and reversal of timing differences	14,941	9,329
Impact of change in tax rate	(929)	90
Adjustments in respect of prior periods	(1,034)	(723)
Total deferred tax (note 13)	<u>12,978</u>	<u>8,696</u>
Tax expense/ (benefit) in the Statement of comprehensive income	<u>5,971</u>	<u>(16,005)</u>
	2016 £'000	2015 £'000
Tax included in other comprehensive income		
Actuarial gains on defined benefit pension plans	5,038	10,330
Change in tax law and rates	-	(1,535)
Unrealised gain on revaluation of land and buildings	(845)	-
Total tax included in other comprehensive income	<u>4,193</u>	<u>8,795</u>
Tax included in equity		
Current tax movement through equity	(35)	(145)
Deferred tax movement through equity	-	305
Total tax included in equity	<u>(35)</u>	<u>160</u>
Tax expense in the statement of other comprehensive income	<u>4,158</u>	<u>8,955</u>

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

Factors affecting tax charge for the year

The tax assessed in the income statement for the year is lower than (2015: higher than) the standard corporation tax in the UK of 20% (2015: 20.25%).

	2016 £'000	2015 £'000
Profit/(loss) before tax	37,237	(84,191)
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	7,447	(17,049)
Effects of:		
Expenses not deductible for tax purposes	300	3,617
Higher rate of taxes on overseas earnings	-	(5)
Adjustment to tax charge in respect of prior periods	1,463	671
Deferred tax prior year adjustment	(1,034)	(723)
Changes in tax laws or rate	(4,034)	(2,495)
Group relief	1,206	(261)
Share based payment expense relief	623	207
Other differences	-	33
Total tax charge/(benefit) for the year	5,971	(16,005)

A reduction to the main rate of UK corporation tax to 19%, with effect from 1 April 2017, was substantively enacted on 26 October 2015. A further reduction to 17%, with effect from 1 April 2020, was substantively enacted on 6 September 2016. Any deferred tax balances have been calculated at the reduced rates to the extent that they unwind.

10 Non-current: Trade and other receivables

	2016 £'000	2015 £'000
Lease incentive	12,039	967
	12,039	967

11 Property, plant and equipment

	Land and buildings £'000	Furniture, fittings and equipment £'000	Construction in progress £'000	Total £'000
Cost				
At 1 January 2016	48,608	6,163	764	55,535
Additions	-	-	1,381	1,381
Disposals - cost	(19,499)	(2,413)	-	(21,912)
At 31 December 2016	29,109	3,750	2,145	35,004
Accumulated Depreciation				
At 1 January 2016	(23,472)	(4,218)	-	(27,690)
Depreciation	(1,804)	(267)	-	(2,071)
Disposals - acc dep	19,499	2,412	-	21,911
At 31 December 2016	(5,777)	(2,073)	-	(7,850)
Net book value				
At 31 December 2016	23,332	1,677	2,145	27,154
At 31 December 2015	25,136	1,945	764	27,845

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)**

12 Intangible assets

	Software £'000	Total £'000
Cost		
At start of period	13,021	13,021
Disposals	(4,148)	(4,148)
At 31 December 2016	<u>8,873</u>	<u>8,873</u>
Accumulated Amortisation		
At start of period	(9,239)	(9,239)
Amortisation charge	(847)	(847)
Disposal amortisation	4,148	4,148
At 31 December 2016	<u>(5,938)</u>	<u>(5,938)</u>
Net book value		
At 31 December 2016	<u>2,935</u>	<u>2,935</u>
At 31 December 2015	<u>3,783</u>	<u>3,783</u>

The software intangible assets have a remaining amortisation period of 3.5 years.

13 Investments in employee share trusts

	2016 £'000	2015 £'000
At 1 January	26,050	36,716
Additions	31,228	18,827
Disposals	(29,516)	(29,493)
At 31 December	<u>27,762</u>	<u>26,050</u>

The employee share trusts acquire and distribute Rio Tinto plc shares for the benefit of members of several Group share schemes. Rio Tinto plc is the sponsoring Company. Rio Tinto London Limited provides funding and organises recharges to Group companies for the cost of share exercises. At 31 December 2016, the employee share trust held 925,635 (2015: 845,537) ordinary shares of Rio Tinto plc.

14 Pension assets

	2016 £'000	2015 £'000
Defined pension benefit	381,502	282,429
	<u>381,502</u>	<u>282,429</u>

Further information on the pension assets is found in note 21.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

15 Current: Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	2,015	514
Amounts owed by group undertakings	368,452	400,977
Other debtors	789	3,215
Prepayments and accrued interest	5,419	2,987
	<u>376,675</u>	<u>407,693</u>

Of the amounts owed by Group undertakings, £250,910,000 (2015: £204,281,000) receives interest based on LIBOR plus a margin and is repayable on demand. All other amounts are non-interest bearing and repayable on demand.

16 Current liabilities: Trade and other payables

	2016 £'000	2015 £'000
Amounts owed to Group undertakings	37,363	15,799
Other payables	70,671	81,487
Accruals and deferred income	3,110	23,746
	<u>111,144</u>	<u>121,032</u>

No amounts owed to Group undertakings are interest bearing.

17 Provisions

	Onerous lease provision £'000	Dilapidations Provision £'000	National Insurance on Share schemes £'000	Total £'000
At 1 January 2016	15,511	4,591	9,047	29,149
Increase in existing provisions	239	-	4,411	4,650
Provisions used	(725)	-	-	(725)
Decrease in existing provision	(3,879)	-	-	(3,879)
At 31 December 2016	<u>11,146</u>	<u>4,591</u>	<u>13,458</u>	<u>29,195</u>

	2016 £'000	2015 £'000
Analysis of total provisions		
Current	14,589	9,047
Non-current	14,606	20,102
Total	<u>29,195</u>	<u>29,149</u>

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

18 Non-current liabilities: Trade and other payables

	2016 £'000	2015 £'000
Lease incentive	7,175	7,180
	<u>7,175</u>	<u>7,180</u>

The lease incentive liability relates to rent free incentives granted on leases of various London office properties.

19 Deferred taxation

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2016 £'000	2015 £'000
At 1 January 2016	(32,119)	(14,323)
Charged to profit or loss	(12,977)	(8,696)
Charged to other comprehensive income	(4,193)	(8,795)
Movements in equity	-	(305)
At 31 December 2016	<u>(49,289)</u>	<u>(32,119)</u>

Deferred tax asset is made up as follows:

	2016 £'000	2015 £'000
Tax losses	844	844
Pension spreading	2,832	8,266
Share based payments	8,941	6,652
Accelerated capital allowances	2,947	2,956
	<u>15,564</u>	<u>18,718</u>

Deferred tax liability is made up as follows:

Pension and post employment medical benefits	(64,855)	(50,837)
	<u>(64,855)</u>	<u>(50,837)</u>

Deferred tax assets and liabilities

	2016 £'000	2015 £'000
Deferred tax asset	15,564	18,718
Deferred tax liabilities	(64,852)	(50,837)
	<u>(49,288)</u>	<u>(32,119)</u>

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

20 Share capital

Allotted, called up and fully paid shares

	2016		2015	
	No. 000	£'000	No. 000	£'000
Ordinary shares of £1 each	4,800	4,800	4,800	4,800

21 Pension commitments

Pensions

The Company operates a number of pension schemes for its employees.

The Company participates in the Rio Tinto Pension Fund and the Rio Tinto International Pension Fund with other Group companies. These schemes have defined benefit sections for which the arrangements are linked to final pay and are closed to new members. Employees who joined the Rio Tinto Pension Fund after 31 March 2005 and the Rio Tinto International Pension Fund after 30 September 2007 are admitted to defined contribution sections. The participating companies share actuarial risks associated with all employees and former employees. The Company has been determined as the sponsoring employer for these plans.

The Rio Tinto 2009 Pension Fund was established to accommodate members of the Alcan Packaging Pension Plan whose employment was transferred to the Company after the disposal of a Group business. Subsequently, retired and deferred members of the British Alcan Pension Plan were also transferred to the Fund. Arrangements are linked to final pay and closed to new members.

The Rio Tinto Pension Fund, Rio Tinto International Pension Fund and the Rio Tinto 2009 Pension Fund are subject to the regulatory requirements that apply to UK pension plans. Trustees are responsible for ensuring that the plans operate in a manner that is compliant with UK regulations. The trustee board has a number of directors appointed by the sponsor and a number appointed by the plan participants, there is also an independent trustee director.

The Company also operates an unfunded unapproved pension arrangement.

Post-retirement healthcare plan

The Company provides post-retirement medical benefits to certain retired employees. This arrangement is unfunded and is included in the figures below.

Risks

The Company participates in a number of pension and post-retirement healthcare plans. Some of these plans are defined contribution and some are defined benefit, with assets held in separate trusts.

Defined benefit pension and post-retirement healthcare plans expose the Company to a number of risks such as:

Uncertainty in benefit payments

The value of the Company's liabilities for post-retirement benefits will ultimately depend on the amount of benefits paid out. This in turn will depend on the level of future pay increases, the level of inflation (for those benefits that are subject to some form of inflation protection) and how long individuals live.

Volatility in asset values

The Company is exposed to future movements in the values of assets held in pension plans to meet future benefit payments.

Funding policy and contributions to plans

The contributions to defined benefit pension plans are kept under regular review and actual contributions will be determined in line with the Group's wider financing strategy, taking into account relevant minimum funding requirements. The contributions for 2017 and subsequent years cannot be determined precisely in advance. Contributions to defined benefit pension plans for 2017 are estimated to be around £33.3 million but may be higher or lower than this. For the unfunded plans the Company's contributions are expected to be similar to the amounts paid in 2016.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

Uncertainty in cash funding

Movements in the values of the obligations or assets may result in the Company being required to provide higher levels of cash funding, although changes in the level of cash required can often be spread over a number of years. Control over the rate of cash funding or over the investment policy for pension assets might rest to some extent with a trustee body or other body that is not under the Group's direct control. In addition the Company is also exposed to adverse changes in pension regulation.

The combined net pension asset details are outlined below:

Reconciliation of present value of plan liabilities

	2016 £'000	2015 £'000
Change in present value obligation:		
Present value of obligation at the start of the year	(3,099,832)	(3,255,783)
Current service cost	(3,944)	(4,721)
Past service cost	(52)	(536)
Interest on obligation	(110,333)	(109,229)
Contributions by plan participants	(122)	(149)
Benefits paid	169,736	161,742
Experience gain	78,941	18,428
Changes in financial assumptions gain/(loss)	(623,668)	90,416
Changes in demographic assumptions (loss)/gain	22,578	-
Present value of obligation at the end of the year	<u>(3,566,696)</u>	<u>(3,099,832)</u>

The past services costs in 2016 relate to benefit augmentations for specific members or as a result redundancy payments being directed into the Rio Tinto Pension Fund in exchange for extra defined benefits. The past services costs in 2015 were of a similar nature.

Change in plan assets:

	2016 £'000	2015 £'000
Fair value at start of period	3,382,261	3,417,367
Interest income on assets	121,821	115,958
Contributions by the Company	64,615	65,114
Contributions by other employers	1,375	1,604
Contributions by plan participants	122	149
Non-investment expenses	(2,670)	(3,131)
Benefits paid	(169,736)	(161,742)
Return on plan assets (net of interest on assets)	550,410	(53,058)
Fair value of plan assets at end of the year	<u>3,948,198</u>	<u>3,382,261</u>

The assets of the pension plans are invested predominantly in a diversified range of equities, bonds and property. Consequently the funding level of the pension plans is affected by movements in the level of equity markets and also by movements in interest rates. The Company monitors its exposure to changes in interest rates and equity markets. These measures are considered when deciding whether significant changes in investment strategy are required.

The assets of the plans are managed on a day-to-day basis by external specialist fund managers.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

Plan assets

	2016 %	2015 %
Equities - quoted	19	22
Bonds - government fixed interest	4	5
Bonds - government inflation linked	34	34
Bonds - corporate and other quoted	19	19
Bonds - private	8	5
Property - quoted funds	9	9
Property - unquoted funds	1	1
Cash and other	3	2
Total	100	100

The assets of the plans are managed on a day-to-day basis by external specialist fund managers. These managers may invest in the Group's securities subject to limits imposed by the relevant fiduciary committees and local legislation. The approximate total holding of Group securities within the plans is £6.3 million (2015: £8.75 million).

	2016 £'000	2015 £'000
Total fair value of plan assets	3,948,197	3,382,261
Present value of obligations - funded	(3,485,702)	(3,032,912)
Present value of obligations - unfunded	(80,994)	(66,920)
Surplus to be shown in the balance sheet comprising:	381,502	282,429
- Deficits and unfunded post-retirement healthcare obligations	(80,994)	(66,920)
- Surpluses	462,496	349,349
	381,502	282,429

Amounts recognised in the income statement

	2016 £'000	2015 £'000
Current service cost	(3,944)	(4,721)
Net interest on obligation/asset	11,488	6,729
Past service cost	(52)	(536)
Non-investment expenses paid from the plans	(2,670)	(3,131)
Contributions by other employers	1,375	1,604
Total recognised in the income statement	6,197	(55)

Amounts recognised in other comprehensive income before tax

	2016 £'000	2015 £'000
Actuarial gains/(losses)	(601,090)	90,416
Return on plan assets and experience gain obligation	629,351	(34,630)
Amounts recognised in other comprehensive income before tax	28,261	55,786

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	2016 £'000	2015 £'000
Change in the net defined benefit liability:		
Net defined benefit asset at the start of the year	282,429	161,584
Amounts recognised in profit or loss	6,197	(55)
Amounts recognised in other comprehensive income	28,261	55,786
Contributions by the Company	64,615	65,114
Net defined benefit asset at the end of the year	381,502	282,429

Principal actuarial assumptions at the Balance sheet date (rates per annum):

	2016 %	2015 %
Discount rate	3.70	3.70
Future salary increases	3.70	3.70
Future pension increases	2.60	2.60
Inflation rate	3.00	3.00

Post retirement mortality assumptions

Average life expectancy in years of a pensioner retiring at aged 60:

	2016	2015
- for a male aged 60 now	26.00	26.00
- at 60 for a male aged 40 now	28.00	28.00

Sensitivity analysis

The values reported for the defined benefit obligations are sensitive to the actuarial assumptions used for projecting future benefit payments and discounting those payments. In order to estimate the sensitivity of the obligations to changes in assumptions we calculate what the obligations would be if we were to make small changes to each of the key assumptions in isolation. The difference between this figure and the figure calculated using our stated assumptions is an indication of the sensitivity to changes in each assumption.

	2016		2015	
	+ 0.5% £'000	- 0.5% £'000	+ 0.5% £'000	- 0.5% £'000
Discount rate	267,144	(288,851)	208,205	(223,184)
Inflation	(255,854)	238,661	(193,203)	181,809
Demographic – allowance for future improvements in longevity	(140,798)	140,798	(105,867)	105,867

Maturity of defined benefit obligations

	2016		2015	
	Pensions	Other benefits	Total	Total
Proportion relating to current employees	3%	0%	3%	3%
Proportion relating to former employees not yet retired	30%	0%	30%	27%
Proportion relating to retirees	67%	100%	67%	71%
	100%	100%	100%	100%
Average duration of obligation (years)			15.99	14.40

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

22 Commitments under operating leases

22.1 Operating lease commitments

The Company has leases over various London office properties. The remaining lease terms are between 2 and 14 years. Two of the properties were under sublease during the year. A third property has been sublet during 2016. Lease terms are renewable at the end of the lease at the prevailing market rate.

At 31 December 2016 the Company had annual commitments under non-cancellable operating leases as follows:

	2016 £'000	2015 £'000
No later than 1 year	16,798	16,686
Later than 1 year and no later than 5 years	66,383	62,365
Later than 5 years	111,238	123,712
Total	194,419	202,763

Operating lease commitments on properties have been shown before deduction of any receipts from subleases. At 31 December 2016, total future minimum lease payments on non-cancellable sublease agreements came to £70,475,000 (2015: £16,965,000).

23 Related party transactions

The Company has taken advantage of the exemption contained within paragraph 8(k) of FRS 101 and has not disclosed transactions entered into with wholly-owned group entities.

24 Parent and ultimate parent undertaking

The Company's immediate parent is Rio Tinto European Holdings Limited. The ultimate parent undertaking and controlling party is Rio Tinto plc. Copies of the Rio Tinto plc consolidated financial statements can be obtained from the registered office at 6 St James's Square, London, SW1Y 4AD or from the Rio Tinto website at www.riotinto.com.

24.1 Direct subsidiaries

Details of the direct subsidiaries as at 31 December 2016 are as follows:

Name of undertaking	Country of incorporation	Registered address	Share class	% of share class held
Rio Tinto Marketing Services Limited	United Kingdom	6 St James's Square, London, SW1Y 4AD, United Kingdom	Ordinary shares	100%
Rio Tinto Nominees Limited	United Kingdom	6 St James's Square, London, SW1Y 4AD, United Kingdom	Ordinary shares	100%

24.2 Indirect subsidiaries

Details of the indirect subsidiaries as at 31 December 2016 are as follows:

Name of subsidiary	Country of incorporation	Registered address	Share class	% of share class held
Rio Tinto Exploration Zambia Limited	Zambia	Plot 3827, Parliament Road, Olympia, Lusaka, Zambia	Ordinary shares	50%
Rio Tinto Medical Plan Trustees Limited	United Kingdom	6 St James's Square, London, United Kingdom, SW1Y 4AD	Ordinary shares	50%

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)**

24.3 Other investments

Details of the other investments as at 31 December 2016 are as follows:

Name of Other investments	Country of incorporation	Registered address	Share class	% of share class held
Rio Sava Exploration DOO	Serbia	Resavska 23, 11000 Beograd, Beograd, 11000, Serbia	Founding capital	30%

25 Post balance sheet events

There have been no significant events affecting the Company since the year end.