
RIO TINTO LONDON LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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RIO TINTO LONDON LIMITED

COMPANY INFORMATION

DIRECTORS

M D Andrewes
E B Evans
P L Cunningham
U Quellmann

COMPANY SECRETARY

H C Day

REGISTERED NUMBER

00460473

REGISTERED OFFICE

6 St James's Square
London
SW1Y 4AD

INDEPENDENT AUDITOR

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

RIO TINTO LONDON LIMITED

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RIO TINTO LONDON LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report and the financial statements for the year ended 31 December 2014.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £227,929,000 (2013 - loss £33,077,000). This was largely a result of the disposal of London office properties (£206,518,000).

No interim dividend was paid during the year (2013 - nil) and the directors do not recommend the payment of a final dividend (2013 - nil).

DIRECTORS

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

M D Andrewes
E B Evans
D S Larsen (resigned 31 March 2014)
U Quellmann
P L Cunningham (appointed 1 April 2014)

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.

RIO TINTO LONDON LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

FUTURE DEVELOPMENTS

The Company's future developments are integrated with those of the Rio Tinto Group ("the Group") which are discussed in the Group's 2014 Annual Report which does not form part of this report.

EMPLOYMENT POLICIES

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

The Company employs disabled people and accepts the need to maintain and develop their careers. If an employee becomes disabled whilst in employment and, as a result, is unable to perform his or her current duties, every effort is made to offer suitable alternative employment and to assist with retraining.

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

INDEMNITIES AND INSURANCE

The 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 Rio Tinto Group's 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. Ms Evans was indemnified by Rio Tinto plc in September 2013 by virtue of her office as Secretary. The other current directors of the Company were indemnified by Rio Tinto plc in June 2014 by virtue of their directorships of the finance companies wholly owned by Rio Tinto plc. No amount has been paid under any of these indemnities during the year.

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

DISCLOSURE OF INFORMATION TO AUDITOR

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

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information.


AUDITOR

The auditor, Grant Thornton UK LLP, will be proposed for reappointment under section 487(2) of the Companies Act 2006.

RIO TINTO LONDON LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014**

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



.....
E B Evans
Director

Date: *25 September 2015*

6 St James's Square
London
SW1Y 4AD

RIO TINTO LONDON LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

INTRODUCTION

Rio Tinto London Limited ("the Company") is a wholly owned subsidiary of Rio Tinto European Holdings Limited and a member of the Rio Tinto Group ("the Group"). The Company acts as a service company for the Group.

BUSINESS REVIEW

The Company continues to provide management services to fellow members of the Rio Tinto 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.

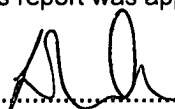
PRINCIPAL RISKS AND UNCERTAINTIES

The Company's principal risks and uncertainties are 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 2014 Annual Report which does not form part of this report.

FINANCIAL 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.

This report was approved by the board on *25 September 2015* and signed on its behalf.


.....
E B Evans
Director

6 St James's Square
London
SW1Y 4AD

RIO TINTO LONDON LIMITED

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

We have audited the financial statements of Rio Tinto London Limited for the year ended 31 December 2014, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

RIO TINTO LONDON LIMITED

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Grant Thornton UK LLP

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

Date: *29 September 2015*

RIO TINTO LONDON LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 £000	2013 £000
TURNOVER	1	229,074	272,778
Administrative expenses		(215,461)	(301,861)
OPERATING PROFIT/(LOSS)	2	13,613	(29,083)
EXCEPTIONAL ITEM			
Profit on sale of fixed assets	8	206,518	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		220,131	(29,083)
Interest receivable and similar income	6	313	725
Interest payable and similar charges		(453)	-
Other finance income/(charges)	7	6,531	(4,480)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		226,522	(32,838)
Tax on profit/(loss) on ordinary activities	9	1,407	(239)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	20	227,929	(33,077)

All amounts relate to continuing operations.

The notes on pages 10 to 39 form part of these financial statements.

RIO TINTO LONDON LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 £000	2013 £000
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		227,929	(33,077)
Actuarial (loss)/gain related to pension scheme		(27,251)	48,572
Deferred tax attributable to actuarial gain/(loss)		5,450	(11,008)
Deferred tax attributable to pension liability transfer		-	22,720
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		<u>206,128</u>	<u>27,207</u>

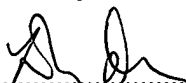
The notes on pages 10 to 39 form part of these financial statements.

RIO TINTO LONDON LIMITED
REGISTERED NUMBER: 00460473

BALANCE SHEET
AS AT 31 DECEMBER 2014

	Note	£000	2014 £000	2013 £000
FIXED ASSETS				
Tangible assets	10		11,909	93,816
Investments	11		36,716	26,803
			<u>48,625</u>	<u>120,619</u>
CURRENT ASSETS				
Debtors	13	581,574		213,473
CREDITORS: amounts falling due within one year	14	<u>(164,801)</u>	<u>(97,016)</u>	
NET CURRENT ASSETS			<u>416,773</u>	<u>116,457</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>465,398</u>	<u>237,076</u>
CREDITORS: amounts falling due after more than one year	15		(16,506)	(17,672)
PROVISIONS FOR LIABILITIES				
Other provisions	17		<u>(15,900)</u>	<u>(18,423)</u>
NET ASSETS EXCLUDING PENSION SCHEME NET LIABILITIES			<u>432,992</u>	<u>200,981</u>
Defined benefit pension scheme liability			<u>(51,674)</u>	<u>(52,634)</u>
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u>381,318</u>	<u>148,347</u>
CAPITAL AND RESERVES				
Called up share capital	19		4,800	4,800
Capital reserve	20		136,400	136,400
Share-based payments reserve	20		125,903	99,060
Profit and loss account	20		<u>114,215</u>	<u>(91,913)</u>
SHAREHOLDERS' FUNDS	21		<u>381,318</u>	<u>148,347</u>

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



E B Evans
 Director

Date: 25 September 2015

The notes on pages 10 to 39 form part of these financial statements.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

These financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable UK accounting standards. The directors have reviewed going concern and have concluded that the use of the going concern basis of accounting is appropriate. The directors have considered activities and future plans, and the particular business risks that might arise that could threaten the appropriateness of adopting the going concern basis of accounting. There are no material uncertainties relating to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern.

The directors have reviewed the Company's existing accounting policies and consider that they are suitable. The principal accounting policies have been consistently applied.

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

1.2 Cash flow

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

1.3 Turnover

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

1.4 Investment income

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

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES (continued)

1.5 Investments

Investments held as fixed assets are shown at cost less provision for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant cash 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.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

(i) Freehold properties

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

(ii) Leasehold properties

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

(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 varying between 20% and 33%.

1.7 Operating leases

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

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES (continued)

1.8 Currency translation

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

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

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

1.9 Restructuring provisions

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

1.10 Deferred taxation

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

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

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

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

Deferred tax assets and liabilities are not discounted.

1.11 Post-retirement benefits

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year.

The Company operates a defined benefit pension scheme, the most recent full actuarial valuation was at 31 December 2014.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES (continued)

The Company participates in two Group pension schemes in the UK. For certain members the schemes are of the defined benefit type, other members participate in defined contribution sections. Pension costs are assessed in accordance with the advice of qualified independent actuaries.

Financial Reporting Standard ("FRS") 17 'Post-retirement benefits' was adopted in 2005. However, the contributions to the Funds are accounted for as if the scheme was a defined contribution scheme as the Company's contributions are set at a common level rather than reflecting the characteristics of the Company's workforce and the Company is unable to identify its share of the assets and liabilities of the scheme on a consistent and reasonable basis.

Contributions to the scheme are charged to the profit and loss account as they are incurred.

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

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

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

1.12 Share-based payments

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

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

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

2. OPERATING PROFIT/(LOSS)

The operating profit/loss is stated after charging:

	2014 £000	2013 £000
Difference on foreign exchange	(2,003)	4,343
Employment costs (note 4)	121,420	162,669
Operating lease rentals - properties	4,517	6,823
Operating lease rentals - plant and machinery	264	883
Restructuring provision (note 17)	(227)	10,812
Depreciation of tangible fixed assets (note 10)	7,109	6,085
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3. AUDITORS' REMUNERATION

	2014 £000	2013 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	46	45
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4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2014 £000	2013 £000
Wages and salaries	97,707	123,685
Social security costs	9,769	9,963
Other pension costs (note 18)	13,944	29,021
	<hr/> <hr/>	<hr/> <hr/>
	121,420	162,669

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

	2014 No.	2013 No.
Employees	368	451
	<hr/> <hr/>	<hr/> <hr/>

Post-retirement benefits

The Company participates in Group pension schemes 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 cost of foreign employees seconded to it.

Refer to note 18 - Post-retirement benefits for further details.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014 Rio Tinto Annual Report. Some of Rio Tinto London Limited's employees are eligible to participate in these plans. The plans have been accounted for in accordance with the fair value recognition provisions of 'FRS 20 - Share-based Payment'.

The charge that has been recognised in the profit and loss account for Rio Tinto's share-based compensation plans is set out in the table below.

	Charge recognised for the year	
	2014 £000	2013 £000
Equity-settled plans	<u>20,405</u>	<u>32,259</u>

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

Share Savings Plans

Awards under 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.

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 (SOP)

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. 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.

Awards are no longer granted under the Share Option Plans as the LTIP 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 (formerly the Share Ownership Plan)

The fair values of awards of Matching and Free Shares made by Rio Tinto are taken to be the market value of the shares on the date of purchase. These awards are settled in equity.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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.

For the awards or parts of awards with TSR performance conditions, the fair value (FV) of the awards was calculated using a Monte Carlo simulation model taking into account the TSR performance conditions. In each case fair values were adjusted for non receipt of dividends between grant date and date of vesting (excluding awards for executive directors and product group CEOs). One-third of the 2013 and 2014 awards must satisfy an earnings target relative to ten global mining comparators for vesting. As this is a non-market related performance condition, under FRS 20, the fair value recognised is reviewed at each accounting date based on the directors' expectations for the proportion vesting. As at 31 December 2014 it was assumed 100 per cent of awards subject to the condition would vest. Forfeitures are assumed prior to vesting at three per cent per annum of outstanding awards.

Management Share Plan

The Management Share Plan was introduced during 2007 to provide conditional share-based awards to management. The vesting of these awards is dependent on service and/or performance based conditions being met. In general, 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. Forfeitures are assumed prior to vesting at seven per cent per annum of outstanding awards (2013: five per cent per annum).

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 per cent of the bonuses for executive directors and product group executives and 10 per cent 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 the date of award to vesting. The awards are accounted for in accordance with the requirements applying to equity-settled share based payment transactions. The fair value of each award on the day of grant is equal to share price on the day of grant less a small adjustment for the timing of dividends vesting. Forfeitures are assumed prior to vesting at three per cent per annum of outstanding awards.

Global Employee Share Plan

The Global Employee Share Plan was introduced during 2012. The company provides matching shares for each share purchased. The vesting of these matching awards is dependent on service conditions being met. These awards are settled in equity. The fair value of each matching share on the date of grant is equal to share price on the date of purchase. Forfeitures are assumed prior to vesting at five per cent per annum of outstanding awards.

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

Share Option Plan

Summary of options outstanding

	Number	Weighted average exercise price per option £/A\$	Weighted average remaining contractual life Years	Aggregate intrinsic value 2014 £000s
Options outstanding at 31 December 2014				
Rio Tinto plc Share Savings Plan (£21 - £29)	32,210	26.32	0.8	122
Rio Tinto plc Share Option Plan (£10 - £43)	479,414	32.31	5.2	790
Rio Tinto Limited Share Option Plan (A\$17 - A\$77)	<u>66,440</u>	51.43	3.5	<u>237</u>
	<u>578,064</u>			<u>1,149</u>

As at 31 December 2013, there were 994,267 options outstanding with an aggregate intrinsic value of £7,632,000.

Options exercisable at 31 December 2014

Rio Tinto plc Share Option Plan (£10 - £43)	379,159	31.52	4.7	790
Rio Tinto Limited Share Option Plan (A\$17 - A\$77)	<u>66,440</u>	51.43	3.5	<u>237</u>
	<u>445,599</u>			<u>1,027</u>

As at 31 December 2014 and 31 December 2013, there were no options exercisable under either the Rio Tinto plc or the Rio Tinto Limited Share Savings Plans.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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Performance Share Plan

		Weighted average fair value at grant date		Weighted average fair value at grant date
	2014 Number	2014 £	2013 Number	2013 £
Rio Tinto plc awards				
Non-vested shares at 1 January	1,058,780	27.91	924,639	30.40
Transfers	(4,506)	27.91	724	30.40
Awarded	492,146	22.73	452,564	19.06
Failed performance conditions	(61,779)	36.33	(242,842)	13.61
Vested	(175,834)	36.27	(77,479)	13.91
Non-vested shares at 31 December	1,308,807	24.05	1,057,606	27.91

		Weighted average fair value at grant date		Weighted average fair value at grant date
	2014 Number	2014 £	2013 Number	2013 £
Shares issued in respect of vested awards during the year	175,834	33.24	77,479	34.69

		Weighted average fair value at grant date		Weighted average fair value at grant date
	2014 Number	2013 A\$	2013 Number	2013 A\$
Rio Tinto Limited awards				
Non-vested shares at 1 January	121,813	53.29	88,477	60.46
Awarded	24,743	44.40	34,688	36.17
Failed performance conditions	(17,779)	13.61	(1,352)	32.74
Vested	(36,895)	13.91	-	32.74
Non-vested shares at 31 December	91,882	45.87	121,813	53.29

		Weighted average share price		Weighted average share price
	2014 Number	2014 A\$	2013 Number	2013 A\$
Shares issued in respect of vested awards during the year	36,895	65.98	-	69.03

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Management Share Plan, Bonus Deferral Plan and Global Employee Share plan		Weighted average fair value at grant date		Weighted average fair value at grant date
	2014 Number	2014 £	2013 Number	2013 £
Rio Tinto plc awards				
Non-vested shares at 1 January	393,132	32.72	454,012	37.21
Transfers	5,974	32.72	1,396	37.21
Awarded	224,071	31.87	199,680	29.09
Forfeited	(17,409)	30.67	(53,890)	34.13
Expired	-	-	(21,337)	36.97
Vested	<u>(174,675)</u>	<u>36.70</u>	<u>(188,832)</u>	<u>36.61</u>
Non-vested shares at 31 December	<u>431,093</u>	<u>30.89</u>	<u>391,029</u>	<u>32.72</u>
Comprising of:				
- Management Share Plan	306,993	32.16	305,704	33.38
- Bonus Deferral Plan	111,058	33.58	78,714	32.20
- Global Employee Share Plan	<u>13,042</u>	<u>26.72</u>	<u>6,611</u>	<u>29.23</u>
		Weighted average share price		Weighted average share price
	2014 Number	2014 £	2013 Number	2013 £
Shares issued in respect of vested awards during the year (including dividend shares applied on vesting)				
- Management Share Plan	132,475	31.84	153,463	33.82
- Bonus Deferral Plan	43,410	29.44	47,957	32.23
- Global Employee Share Plan	<u>13,042</u>	<u>31.10</u>	<u>900</u>	<u>30.92</u>

RIO TINTO LONDON LIMITED

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Management Share Plan and Bonus Deferral Plan	2014 Number	Weighted average fair value at grant date 2014 A\$	2013 Number	Weighted average fair value at grant date 2013 A\$
Rio Tinto Limited awards				
Non-vested shares at 1 January	67,428	61.64	52,066	71.73
Transfers	561	61.64	0	71.73
Awarded	29,932	61.74	30,922	55.36
Forfeited	(6,057)	58.86	(1,435)	62.36
Vested	<u>(28,356)</u>	<u>70.93</u>	<u>(14,959)</u>	<u>73.17</u>
Non-vested shares at 31 December	<u>63,508</u>	<u>59.83</u>	<u>66,594</u>	<u>61.64</u>
Comprising of:				
- Management Share Plan	51,816	59.46	52,886	62.93
- Bonus Deferral Plan	<u>11,692</u>	<u>58.24</u>	<u>13,708</u>	<u>59.10</u>
	2014 Number	Weighted average share price 2014 A\$	2013 Number	Weighted average share price 2013 A\$
Shares issued in respect of vested awards during the year (including dividend shares applied on vesting)				
- Management Share Plan	17,597	63.70	14,079	65.09
- Bonus Deferral Plan	<u>9,064</u>	<u>58.48</u>	<u>1,572</u>	<u>64.77</u>

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

5. DIRECTORS' REMUNERATION

	2014 £000	2013 £000
Remuneration	1,473	1,596
Company pension contributions to defined contribution pension schemes	27	36

During the year retirement benefits were accruing to 1 director (2013 - 3) in respect of defined contribution pension schemes.

During the year retirement benefits were accruing to 4 directors (2013 - 5) in respect of defined benefit schemes.

The number of directors who exercised share options was 1 (2013 - 2).

The number of directors in respect of whose qualifying services shares were received or are receivable under long-term incentive schemes is 5 (2013: 7).

The highest paid director received remuneration of £436,000 (2013 - £560,000).

The total accrued pension provision of the highest paid director at 31 December 2014 amounted to £109,767 (2013 - £130,292).

The amount of the accrued lump sum in respect of the highest paid director as 31 December 2014 amounted to £nil (2013 - £28,000).

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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6. INTEREST RECEIVABLE

	2014 £000	2013 £000
Interest receivable from group companies	313	416
Other interest receivable	-	309
	<u>313</u>	<u>725</u>

7. OTHER FINANCE CHARGES

	2014 £000	2013 £000
Post-retirement benefits - other finance (income)/costs - note 18 (e)	(6,531)	4,480
	<u>(6,531)</u>	<u>4,480</u>

8. EXCEPTIONAL ITEM

	2014 £000	2013 £000
Profit on disposal of fixed assets	206,518	-
	<u>206,518</u>	<u>-</u>

The exceptional item relates to profit on disposal of central London office properties.

9. TAXATION

	2014 £000	2013 £000
Analysis of tax credit in the year		
Current tax (see note below)		
UK corporation tax credit on profit/loss for the year	(6,031)	(11,932)
Adjustments in respect of prior periods	(3,339)	-
Total current tax	<u>(9,370)</u>	<u>(11,932)</u>
Deferred tax		
Origination and reversal of timing differences	7,051	9,086
Effect of increased tax rate on opening liability	-	3,085
Adjustment in respect of a prior period	912	-
Total deferred tax	<u>7,963</u>	<u>12,171</u>
Tax (credit)/charge on profit/loss on ordinary activities	<u>(1,407)</u>	<u>239</u>

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

9. TAXATION (continued)

Factors affecting tax credit for the year

The tax assessed for the year is lower than (2013 - lower than) the standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%). The differences are explained below:

	2014 £000	2013 £000
Profit/loss on ordinary activities before tax	226,522	(32,838)
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%)	48,679	(7,635)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	161	1,437
Capital allowances for year in excess of depreciation	(44,186)	-
Higher rate taxes on overseas earnings	39	53
Adjustments to tax charge in respect of prior periods	(3,339)	-
Increase or decrease in pension fund prepayment leading to a decrease in tax	(11,406)	-
Foreign tax credits	(8)	-
Changes in provisions leading to a decrease in the tax charge	-	(9,774)
Tax increase arising from exercise of employee options	377	1,538
Group relief	313	2,449
Current tax credit for the year	(9,370)	(11,932)

Factors that may affect future tax charges

Reductions to the main rate of UK corporation tax, to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015, were substantively enacted on 2 July 2013.

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

10. TANGIBLE FIXED ASSETS

	Land and Buildings £000	Fixtures, Fittings & Equipment £000	Capitalised Software £000	Assets under construction £000	Total £000
Cost					
At 1 January 2014	41,776	4,006	8,856	68,325	122,963
Additions	-	-	-	14,565	14,565
Disposals	(19,250)	-	-	(74,745)	(93,995)
At 31 December 2014	22,526	4,006	8,856	8,145	43,533
Depreciation					
At 1 January 2014	17,778	2,831	8,538	-	29,147
Charge for the year	5,947	899	263	-	7,109
On disposals	(4,632)	-	-	-	(4,632)
At 31 December 2014	19,093	3,730	8,801	-	31,624
Net book value					
At 31 December 2014	3,433	276	55	8,145	11,909
At 31 December 2013	23,998	1,175	318	68,325	93,816

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

	2014 £000	2013 £000
Freehold land & buildings	-	14,685
Leasehold land & buildings - all less than 50 years	3,433	9,313
	<u>3,433</u>	<u>23,998</u>

During 2014 the central London properties recorded as freehold land and buildings were sold. Leasehold land and buildings relate to improvements undertaken to leasehold offices.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

11. FIXED ASSET INVESTMENTS

	Investments in employee share trusts £000
Cost or valuation	
At 1 January 2014	26,803
Additions	27,963
Disposals	(18,050)
At 31 December 2014	36,716
Net book value	
At 31 December 2014	36,716
At 31 December 2013	26,803

Investments in employee share trusts

Investments comprise 1,124,483 (2013 - 771,201) ordinary shares of Rio Tinto plc held under the Employee Share Ownership Plan. The market value of the listed investments at 31 December 2014 was £33,734,490 (2013 - £27,654,653).

12. PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

a. Principal subsidiaries

Company name	Country of incorporation	Percentage Shareholding	Description
Rio Tinto Marketing Services Limited	England and Wales	100	Group services - Ordinary shares of £1 each
Rio Tinto Nominees Limited	England and Wales	100	Dormant

b. Principal associates

Company name	Country of incorporation	Percentage Shareholding	Description
Rio Sava Exploration DOO	Serbia	30	Exploration - Founding Capital

c. Indirect subsidiaries

Company name	Country of incorporation	Percentage Shareholding	Description
Rio Tinto Exploration Zambia Limited	Zambia	50	Exploration and mining - Ordinary shares ZMW1.00
Rio Tinto Medical Plan Trustees Limited	England and Wales	50	Dormant - Ordinary shares £1.00

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

13. DEBTORS

	2014 £000	2013 £000
Amounts owed by Group undertakings	548,513	167,600
Other debtors	2,660	12,329
Prepayments	3,303	1,584
Corporation tax	9,409	12,000
Deferred tax asset (see note 16)	17,689	19,960
	<u>581,574</u>	<u>213,473</u>

Of the amounts owed by Group undertakings, an amount of £354,648,000 (2013 - £4,455,000) receives interest at GBP 1 month LIBOR less 5 basis points and is repayable on demand. All other amounts are non-interest bearing and repayable on demand.

14. CREDITORS:

Amounts falling due within one year

	2014 £000	2013 £000
Amounts owed to Group undertakings	27,028	17,738
VAT payable	48,010	-
Other creditors	50,241	49,111
Accruals	39,522	30,167
	<u>164,801</u>	<u>97,016</u>

No amounts owed to Group undertakings are interest bearing. Included in VAT payable is £52.4m in relation to the disposal of central London office properties.

15. CREDITORS:

Amounts falling due after more than one year

	2014 £000	2013 £000
Accruals	16,506	17,672

Included in accruals are £7,765,000 (2013 - £8,748,000) of social security liabilities in relation to long term incentives granted and accruals due to an operating lease having an initial rent free period of £8,588,000 (2013 - £8,923,000).

16. DEFERRED TAX ASSET

	2014 £000	2013 £000
At beginning of year	19,960	9,283
(Charge for)/released during year	(2,271)	10,677
At end of year	<u>17,689</u>	<u>19,960</u>

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

16. DEFERRED TAX ASSET (continued)

The deferred tax asset is made up as follows:

	2014 £000	2013 £000
Accelerated capital allowances	(3,776)	483
Short term timing differences	-	(18)
Pension spreading	(9,108)	(14,945)
Other timing differences - share based payments	(4,805)	(5,480)
	<u>(17,689)</u>	<u>(19,960)</u>

17. PROVISIONS

	2014 £000
At 1 January 2014	18,423
Utilisation of provision	(2,749)
Increase in provision	842
Unused amounts reversed	(1,069)
Unwind of the discount	453
	<u>15,900</u>
At 31 December 2014	<u>15,900</u>

The restructuring provision relates to office closure costs across four premises and is based on the discounted value of the net rental obligations up until 2027.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

18. POST-RETIREMENT BENEFITS

a) UK Funded Pension Scheme

The Company participates in two group pension arrangements in the UK; The Rio Tinto Pension Fund ('the Fund') and the Rio Tinto International Pension Fund ('the Funds'). Members who joined the Rio Tinto Pension 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. Members who joined the Rio Tinto International Pension Fund before 1 October 2007 participate on a defined benefit basis; members who joined on or after 1 October 2007 participate on a defined contribution basis. The assets of the Funds are held under Trust.

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

The cost of contributions to the Funds amounted to £7,441,000 (2013 - £21,299,000).

An annual valuation of the Funds were carried out by independent qualified actuaries on 31 December 2014 under IAS 19 'Employee Benefits' and on this basis the Rio Tinto Pension Fund had a surplus of £184 million (2013 - £138 million) and the Rio Tinto International Pension Fund had a surplus of £6 million (2013: £5 million). The existence of these surpluses does not affect the rate at which the Company pays contributions as this is determined by the nominal 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 2014 by an independent qualified actuary. The major assumptions used by the actuary were:

	2014 £000	2013 £000
Assumptions		
RPI inflation	3.0%	3.4%
Discount rate	3.5%	4.5%
Pension increases in payments	3.0%	3.4%
General salary increases	4.0%	5.4%
Life expectancy of male aged 65 at the valuation date	22.8 years	21.5 years
Life expectancy of male aged 65 in 20 years time	24.6 years	23.2 years
	2014 £000	2013 £000
Present value of defined benefit obligation	(54,252)	(50,793)
Fair value of scheme assets	-	-
Deficit in the scheme	<u>(54,252)</u>	<u>(50,793)</u>

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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b) UK Unfunded Pension Arrangement (continued)

	2014 £000	2013 £000
Gross pension liability	(54,252)	(50,793)
Related deferred tax asset at 20% (2013 - 20%)	10,850	10,158
Net pension liability	<u>(43,402)</u>	<u>(40,635)</u>

Analysis of amounts charged to operating loss

	2014 £000	2013 £000
Employer's part of current service cost	<u>(699)</u>	<u>(2,236)</u>

Analysis of amounts charged to other finance charges

	2014 £000	2013 £000
Interest on pension scheme liability	<u>(2,252)</u>	<u>(1,893)</u>

Analysis of amounts recognised in the statement of total recognised gains and losses

	2014 £000	2013 £000
Actuarial losses	<u>(2,029)</u>	<u>(3,143)</u>

Reconciliation of present value of defined benefit obligation

	2014 £000	2013 £000
Deficit in the scheme at the beginning of the year	(50,793)	(44,495)
Movement in the year:		
Employer's part of current service costs	(699)	(2,236)
Benefits paid	1,521	974
Net finance charge	(2,252)	(1,893)
Actuarial losses recognised in the statement of total recognised gains and losses	(2,029)	(3,143)
Deficit in the scheme at the end of the year	<u>(54,252)</u>	<u>(50,793)</u>

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

b) UK Unfunded Pension Arrangement (continued)

History of experience gains and losses

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Present value of defined benefit obligation	(54,252)	(50,793)	(44,495)	(38,574)	(33,272)
Fair value of scheme assets	-	-	-	-	-
Deficit	<u>(54,252)</u>	<u>(50,793)</u>	<u>(44,495)</u>	<u>(38,574)</u>	<u>(33,272)</u>

Experience adjustments on defined benefit obligation

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Amount of (gain)/loss	(3,466)	1,045	74	(375)	887
Percentage of scheme liabilities	(6%)	2%	0%	1%	(3%)

c) UK Post-Retirement Healthcare Plan

The Company operates a post-retirement medical plan in the UK. A full actuarial valuation was carried out at 31 December 2014 by an independent qualified actuary. The major assumptions used by the actuary were:

	2014	2013
Assumptions		
RPI inflation	3.0%	3.4%
Discount rate	3.4%	4.5%
Real medical trend inflation in the short-term	2.5%	2.5%
Real medical trend inflation in the long-term	2.5%	2.5%
Life expectancy of male aged 65 at the valuation date	22.8 years	21.5 years
Life expectancy of male aged 65 in 20 years time	24.6 years	23.2 years

	2014 £000	2013 £000
Present value of defined obligation	(11,968)	(11,407)
Fair value of scheme assets	-	-
Deficit in the scheme	<u>(11,968)</u>	<u>(11,407)</u>

	2014 £000	2013 £000
Gross pension liability	(11,968)	(11,407)
Related deferred tax asset at 20% (2013 - 20%)	2,394	2,281
Net pension liability	<u>(9,574)</u>	<u>(9,126)</u>

RIO TINTO LONDON LIMITED

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

Analysis of amounts charged to other finance charges

	2014 £000	2013 £000
Interest on pension scheme liability	(496)	(518)

Analysis of amounts recognised in the statement of total recognised gains and losses

	2014 £000	2013 £000
Actuarial (losses)/gains	(851)	750

Reconciliation of present value of defined benefit obligation

	2014 £000	2013 £000
Deficit in the scheme at the beginning of the year	(11,407)	(12,434)
Movement in the year:		
Employer's part of current service costs	-	-
Benefits paid	786	795
Net finance charge	(496)	(518)
Actuarial gains/(losses) recognised in the statement of total recognised gains and losses	(851)	750
Deficit in the scheme at the end of the year	(11,968)	(11,407)

History of experience gains and losses

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Present value of defined benefit obligation	(11,968)	(11,407)	(12,434)	(13,011)	(11,291)
Fair value of scheme assets	-	-	-	-	-
Deficit	(11,968)	(11,407)	(12,434)	(13,011)	(11,291)

Experience adjustments on defined benefit obligation

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Amount of gain/(loss)	669	850	834	(2,156)	815
Percentage of scheme liabilities	6%	7%	7%	16%	(7%)

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

c) UK Post-Retirement Healthcare Plan (continued)

Sensitivity of results to medical expense inflation assumption

An increase of 1% in the assumed medical cost trend rates would increase the benefit obligation for these plans by £1.5 million (2013 - £1.4 million). A decrease of 1% in the assumed medical cost rates would decrease the benefit obligation for these plans by £1.3 million (2013 - £1.2 million).

d) Rio Tinto 2009 Pension Fund

In December 2009, the Company established an additional fund known as the Rio Tinto 2009 Pension Fund ('the Fund') to accommodate former deferred and pensioner members of the Alcan Packaging Pension Plan ('APP'). The fund initially had nine active members who were former employees of the Beauty Packaging business who transferred their employment to Rio Tinto London Limited when the Beauty Packaging business was sold.

On 28 February 2013 approximately 11,900 former deferred and pensioner members of the British Alcan Pension Plan ('BAPP') were transferred to the Fund. Nine active members also transferred from the BAPP to the Fund during the period 1 December 2012 to 28 February 2013.

To reflect the increased liabilities of £1,127million the Fund received assets of £1,014 million from the BAPP, together with an additional contribution of £53.8 million from the Company. The net pension liabilities transferred in of £113.6 million were treated as a deemed distribution against capital reserves.

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 FRS 17.

An annual valuation of the Fund was carried out by independent qualified actuaries on 31 December 2014 under FRS 17 and on this basis the 2009 Fund had a surplus of £1,302,000 (2013 - deficit £2,874,000) which is reflected on the balance sheet.

Amounts recognised in the balance sheet are as follows:

	2014 £000	2013 £000
Present value of funded obligations	(1,938,915)	(1,778,073)
Fair value of plan assets	1,974,503	1,774,480
Effect of asset limit	(33,960)	-
Surplus/(deficit) in the scheme	1,628	(3,593)
Related deferred tax (liability)/asset at 20% (2013 - 20%)	(326)	719
Net pension asset/(liability)	1,302	(2,874)

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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d) Rio Tinto 2009 Pension Fund (continued)

Analysis of amounts charged to operating loss

	2014 £000	2013 £000
Current service cost	(226)	(240)
Past service cost	-	(18)
Effect of asset limit	(3,832)	-
	<u>(4,058)</u>	<u>(258)</u>

Analysis of amounts charged to other finance charges

	2014 £000	2013 £000
Interest on pension scheme liabilities	(76,320)	(71,714)
Expected return on plan assets	85,599	69,645
	<u>9,279</u>	<u>(2,069)</u>

Analysis of amounts recognised in the statement of total recognised gains and losses

	2014 £000	2013 £000
Actuarial gains	5,757	50,965
Effect of asset limit	(30,128)	-
	<u>(24,371)</u>	<u>50,965</u>

The movement in the defined benefits obligations during the year is as follows:

	2014 £000	2013 £000
Benefit obligation at the beginning of the year	(1,778,073)	(693,188)
Liabilities transferred in	-	(1,127,700)
Current service cost	(226)	(240)
Past service cost	-	(18)
Interest cost	(76,320)	(71,714)
Plan participants' contributions	(48)	(57)
Actuarial (losses)/gains	(171,313)	40,312
Benefits paid	87,065	74,532
	<u>(1,938,915)</u>	<u>(1,778,073)</u>

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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d) Rio Tinto 2009 Pension Fund (continued)

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

	2014 £000	2013 £000
Fair value of plan assets at the beginning of the year	1,774,480	644,486
Assets transferred in	-	1,014,100
Expected return on plan assets	85,599	69,645
Actuarial gains	177,070	10,653
Employer contributions	24,371	110,071
Member contributions	48	57
Benefits paid	(87,065)	(74,532)
	<hr/>	<hr/>
Fair value of plan assets at the end of the year	<u>1,974,503</u>	<u>1,774,480</u>

Plan assets comprise the following:

	Plan assets as a percentage of total scheme assets 2014	Plan assets as a percentage of total scheme assets 2013
Equity	31%	35%
Properties	6%	6%
Corporate bonds	19%	19%
Gilts, cash and other	44%	40%

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

The actual return on plan assets was £262,669,000 (2013 - £80,298,000).

RIO TINTO LONDON LIMITED

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d) Rio Tinto 2009 Pension Fund (continued)

Assumptions:

	2014	2013
The principal actuarial assumptions used to determine benefit obligations were as follows:		
Discount rate	3.4%	4.4%
Rate of salary increase	4.0%	4.4%
Rate of RPI price inflation	3.0%	3.4%
Rate of pension increases (RPI max 5%)	2.9%	3.3%
The principal actuarial assumptions used to determine net pension cost were as follows:		
Discount rate	4.4%	4.3%
Expected long term return on plan assets	4.9%	4.3%
Rate of salary increase	4.4%	3.90%
Rate of RPI price inflation	3.4%	2.90%
Rate of pension increases (RPI max 5%)	3.3%	2.90%

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 S1NA tables and CMI 2011 projections.

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

	2014 Male	2013 Male	2014 Female	2013 Female
Member age 65 (current life expectancy)	21.7	21.9	23.8	24.2
Member age 45 (life expectancy at age 65)	23.6	23.6	26.2	26.1

Three year history from inception

	2014 £000	2013 £000	2012 £000
Present value of defined benefit obligation	(1,938,915)	(1,778,073)	(693,188)
Fair value of scheme assets	1,974,503	1,774,480	644,486
Effect of asset limit	(33,960)	-	-
Surplus/(deficit)	1,628	(3,593)	(48,702)

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Difference between actual and expected return on scheme assets	177,070	10,653	13,606
Percentage of scheme assets	9%	1%	2%
Total amount recognised in the statement of total recognised gains and losses	(24,371)	50,965	(33,221)
Percentage of scheme liabilities	(1%)	3%	(5%)

For the year to 31 December 2014, the Company made normal contributions of 30.5% (2013 - 19.7%) of members' pensionable earnings and an additional £24 million (2013 - £56 million). On 14 March 2013 the Company made a top-up payment of £53.8 million in order to restore the funding level of the Rio Tinto 2009 Pension Fund to the level prior to accepting the transfer of certain pension assets and liabilities from the British Alcan Pension Plan to the Rio Tinto 2009 Pension Fund.

e) Post-Retirement Benefit Summary

	2014 £000	2013 £000
UK unfunded pension - other finance costs	(2,252)	(1,893)
UK post-retirement healthcare plan - other finance costs	(496)	(518)
Rio Tinto 2009 Pension Fund - interest cost	(76,320)	(71,714)
Rio Tinto 2009 Pension Fund - expected return on plan assets	85,599	69,645
Total post-retirement benefit - other finance income/(costs) - note 7	<u>6,531</u>	<u>(4,480)</u>

Summary of post-retirement benefit - pension costs

	2014 £000	2013 £000
UK funded pension - note 18 (a)	(7,441)	(21,299)
UK unfunded pension - current service cost - note 18 (b)	(699)	(2,236)
Rio Tinto 2009 Pension Fund - past service cost - note 18 (d)	-	(18)
Rio Tinto 2009 Pension Fund - current service cost - note 18 (d)	(226)	(240)
Rio Tinto 2009 Pension Fund - effect of asset limit - note 18 (d)	(3,832)	-
Other pension costs	(1,746)	(5,228)
Total post-retirement benefit - other pension costs - note 4	<u>(13,944)</u>	<u>(29,021)</u>

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Summary of post-retirement benefit - balance sheet liability

	2014 £000	2013 £000
UK unfunded pension arrangement - note 18 (b)	(54,252)	(50,793)
UK post-retirement healthcare plan - note 18 (c)	(11,968)	(11,407)
Rio Tinto 2009 Pension Fund - note 18 (d)	1,628	(3,593)
less deferred tax (see below)	12,918	13,159
Net post-retirement benefit liability	(51,674)	(52,634)

Movement in deferred tax asset on post-retirement benefits

	2014 £000	2013 £000
At 1 January	13,159	24,295
Deferred tax charge in profit and loss account	(5,691)	(22,848)
Deferred tax charge in equity	5,450	11,712
At 31 December	12,918	13,159

19. SHARE CAPITAL

	2014 £000	2013 £000
Allotted, called up and fully paid		
4,800,000 Ordinary shares of £1 each	4,800	4,800

20. RESERVES

	Capital reserve £000	Share- based payments reserve £000	Profit and loss account £000
At 1 January 2014	136,400	99,060	(91,913)
Profit for the financial year	-	-	227,929
Pension reserve movement - net of deferred tax	-	-	(21,801)
Share-based payments movement	-	26,843	-
At 31 December 2014	136,400	125,903	114,215

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21. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2014 £000	2013 £000
Opening shareholders' funds	148,347	223,553
Profit/(loss) for the financial year	227,929	(33,077)
Pension reserve movement net of deferred tax	(21,801)	60,284
Share-based payments movement	26,843	11,187
(Deemed distribution)/Capital contribution	-	(113,600)
	<u>381,318</u>	<u>148,347</u>
Closing shareholders' funds	<u>381,318</u>	<u>148,347</u>

22. CAPITAL COMMITMENTS

At 31 December the Company had capital commitments as follows:

	2014 £000	2013 £000
Commitment relating to the re-development of freehold property (note 10)	-	34,500
Commitment relating to the construction and fit out of leasehold property (note 10)	22,400	-
	<u>22,400</u>	<u>34,500</u>
Total	<u>22,400</u>	<u>34,500</u>

23. OPERATING LEASE COMMITMENTS

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

	Land and buildings		Plant and equipment	
	2014 £000	2013 £000	2014 £000	2013 £000
Expiry date:				
Within 1 year	-	-	57	41
Between 2 and 5 years	1,044	617	161	102
After more than 5 years	15,369	6,548	-	-
	<u>16,413</u>	<u>7,165</u>	<u>218</u>	<u>143</u>

Operating lease commitments on land and buildings have been shown before deduction of any receipts from subleases. Aldermanbury Square is under sublease for £774,549 per year. The annual rent payable on this lease is £1,044,211.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

24. RELATED PARTY TRANSACTIONS

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

Under the terms of the Rio Tinto Pension Fund Trust Deed, a fee is charged to the Rio Tinto Pension Fund in respect of the provision of services. During the year £8,094,368 (2013 - £5,813,000) was charged. At the end of the year there was no balance outstanding from the Rio Tinto Pension Fund (2013 - £138,016)

25. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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