

Registration number: 00460473

RIO TINTO LONDON LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**



RIO TINTO LONDON LIMITED

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RIO TINTO LONDON LIMITED

COMPANY INFORMATION

DIRECTORS	S P Allen P L Cunningham J P Kiddle A Martins Alexandre
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 2018

The directors present their Strategic report on Rio Tinto London Limited (the "Company") for the year ended 31 December 2018.

Introduction

The Company was incorporated, domiciled and registered in England and Wales under the Companies Act 2006 and is a private 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, has increased compared with the prior year. The Company's costs were also increased due to: higher pension costs, higher service fees, increased onerous contracts and an increase in foreign exchange losses.

Principal risks and uncertainties

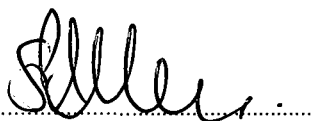
The Company's principal risks and uncertainties, such as financial, operational and compliance risks, are integrated with those of the Group and are not managed separately.

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 2018 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 non-financial key performance indicators that would be necessary or appropriate for an understanding of the development, performance or position of the Company's activities.

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



S P Allen
Director

Date: 30 SEPTEMBER 2019

RIO TINTO LONDON LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the audited financial statements for the year ended 31 December 2018.

Results and dividends

The loss for the financial year, after taxation, amounted to £41,962,000 (2017: £14,245,000).

No interim dividend was paid during the year (2017: £nil). The directors do not recommend the payment of a final dividend (2017: £nil).

Directors

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

S P Allen

P L Cunningham

M P Bossick (resigned 19 April 2019)

P I Hedley (resigned 7 June 2019)

J P Kiddle (appointed 19 April 2019)

A Martins Alexandre (appointed 7 June 2019)

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.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the Financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 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.

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.

RIO TINTO LONDON LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Indemnities and insurance

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

Principal activities

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.

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 endeavors 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 people with disabilities and makes considerable efforts to offer suitable alternative employment and retraining to employees who become disabled and can no longer perform their regular duties.

Post balance sheet events

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

Financial risk management

Please refer to the Strategic report, principal risks and uncertainties section.

Future developments

The Company's future developments are integrated with those of the Group which are discussed in the Group's 2018 Annual Report, which does not form part of this report.

RIO TINTO LONDON LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

Disclosure of information to auditors

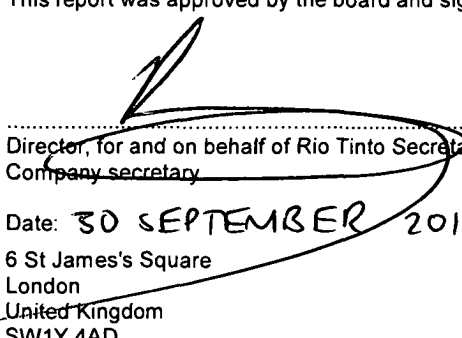
Each of the persons who were directors at the time when this Directors' report is approved has confirmed that:

- 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.


Director, for and on behalf of Rio Tinto Secretariat Limited
~~Company secretary~~

ANDY HODGES

Date: 30 SEPTEMBER 2019
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 audit of the financial statements

Opinion

In our opinion, Rio Tinto London Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual report"), which comprise: the Balance sheet as at 31 December 2018; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

RIO TINTO LONDON LIMITED

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

RIO TINTO LONDON LIMITED

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

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.



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

Date: 30/09/2014

RIO TINTO LONDON LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £'000	2017 £'000
Revenue	3	255,545	230,890
Staff costs	4	(130,481)	(113,583)
Service fees		(114,779)	(91,935)
Other expenses		(30,067)	(30,284)
Operating lease expenses		(30,659)	(16,889)
Depreciation and amortisation		(3,400)	(2,966)
Net exchange losses		(1,348)	(9)
Finance income	5	15,014	11,081
Finance costs		(241)	(843)
Loss before taxation		(40,416)	(14,538)
Taxation	9	(1,546)	293
Loss for the financial year		(41,962)	(14,245)
Other comprehensive income/(expense)			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial gain on defined benefit schemes	20	63,597	85,701
Movements on deferred tax relating to pension scheme	19	(10,901)	(14,723)
Total other comprehensive income		52,696	70,978
Total comprehensive income for the year		10,734	56,733

RIO TINTO LONDON LIMITED

(REGISTERED NUMBER: 00460473)
BALANCE SHEET AS AT 31 DECEMBER 2018

	Note	2018 £'000	2017 £'000
ASSETS			
Non-current assets			
Trade and other receivables	10	12,996	15,801
Property, plant and equipment	11	23,986	25,762
Intangible assets	12	1,282	2,183
Investments in employee share trusts	13	70,439	39,644
Pension assets	14	575,259	507,341
		<u>683,962</u>	<u>590,731</u>
Current assets			
Cash and cash equivalents		113	-
Trade and other receivables	15	276,323	297,608
Total assets		<u>960,398</u>	<u>888,339</u>
LIABILITIES			
Current liabilities			
Trade and other payables	16	(111,272)	(89,939)
Provisions	17	(8,972)	(16,186)
Borrowings and other financial liabilities		(361)	(333)
		<u>(120,605)</u>	<u>(106,458)</u>
Non-current liabilities			
Trade and other payables	18	(15,922)	(16,963)
Provisions	17	(36,024)	(16,488)
Deferred tax liabilities	19	(82,596)	(66,122)
		<u>(134,542)</u>	<u>(99,573)</u>
Total liabilities		<u>(255,147)</u>	<u>(206,031)</u>
Net assets		<u>705,251</u>	<u>682,308</u>
EQUITY			
Share capital	21	4,800	4,800
Share based payments reserve		183,952	171,460
Capital reserve		136,400	136,400
Retained earnings		380,099	369,648
Total equity		<u>705,251</u>	<u>682,308</u>

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



S P Allen

Director

Date: 30 SEPTEMBER 2019

The notes on pages 13 to 40 form an integral part of these financial statements.
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RIO TINTO LONDON LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £'000	Capital reserve £'000	Share based payments reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2018	4,800	136,400	171,460	369,648	682,308
Loss for the year	-	-	-	(41,962)	(41,962)
Total comprehensive expense for the year	-	-	-	(41,962)	(41,962)
Other comprehensive income:					
Actuarial gains on pension plans	-	-	-	63,597	63,597
Deferred tax on pension plans	-	-	-	(12,183)	(12,183)
Deferred tax on changes in tax rates	-	-	-	1,282	1,282
Total other comprehensive income for the year	-	-	-	52,696	52,696
Transactions with owners:					
Movement in deferred tax through equity	-	-	-	(1,550)	(1,550)
Movement in current tax through equity	-	-	-	1,267	1,267
Employee share options and other IFRS 2	-	-	12,492	-	12,492
	-	-	12,492	(283)	12,209
At 31 December 2018	4,800	136,400	183,952	380,099	705,251

RIO TINTO LONDON LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

	Share capital £'000	Capital reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2017	4,800	136,400	160,588	306,197	607,985
Loss for the year	-	-	-	(14,245)	(14,245)
Total comprehensive income for the year	-	-	-	(14,245)	(14,245)
Other comprehensive income:					
Actuarial gains on pension plans	-	-	-	85,701	85,701
Deferred tax on pension plans	-	-	-	(14,723)	(14,723)
Total other comprehensive income for the year	-	-	-	70,978	70,978
Transactions with owners:					
Movement in deferred tax through equity	-	-	-	6,119	6,119
Movement in current tax through equity	-	-	-	599	599
Employee share options and other IFRS 2	-	-	10,872	-	10,872
	-	-	10,872	6,718	17,590
At 31 December 2017	4,800	136,400	171,460	369,648	682,308

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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").

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 paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based payment;
- 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; and
 - 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.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

1.3 Changes in accounting policy

The Company has applied the following interpretations, standards and amendments for the first time in their annual reporting period commencing 1 January 2018:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration; and
- A number of minor amendments to existing standards.

The adoption of IFRS 9 Financial Instruments resulted in changes to accounting policies but did not have a material impact on the financial statements. The standard replaced the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; de-recognition of financial instruments; impairment of financial assets; and hedge accounting. The new accounting policies for financial assets and financial liabilities are detailed in notes 1.16 and 1.18 below.

1.4 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.

1.5 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.

(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.

1.6 Revenue recognition

The Company recognises sales revenue related to the transfer of promised goods or services when control of the goods or services passes to the customer. The amount of revenue recognised reflects the consideration to which the Group is or expects to be entitled in exchange for those goods or services.

(a) 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.

1.7 Dividend income

Dividend income 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 2018 (CONTINUED)

1.8 Finance income

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

1.9 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 statement of comprehensive income, 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.

The Company does not operate any plans as cash-settled. However the Performance Share Plan can, at the discretion of the directors, offer employees an equivalent amount in cash. This is not standard practice.

1.10 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.

1.11 Taxation

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 IAS 12 ("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 the wider UK group, after taking account of specific risk factors that are expected to affect the recovery of these assets.

1.12 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in employee share trusts, comprising of 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 2018 (CONTINUED)

1.13 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
Furniture, fittings and equipment	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the statement of comprehensive income.

1.14 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 life range for software is 3-5 years.

1.15 Trade and other receivables

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

Trade and other 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.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

1.16 Financial assets

Classification and measurement

The Company classifies its financial assets in the following categories:

- financial assets held at amortised cost
- financial assets held at fair value through other comprehensive income ('FVOCI')
- financial assets held at fair value through profit or loss ('FVPL')

Classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of financial assets at initial recognition. Generally, the Company does not acquire financial assets for the purpose of selling in the short term. The Company's business model is primarily that of 'Hold to collect' (where assets are held in order to collect contractual cash flows). When the Company enters into derivative contracts, these transactions are designed to reduce exposures relating to assets and liabilities, firm commitments or anticipated transactions.

Accounting policies for the categories which the Company holds financial assets are set out below.

Financial assets held at amortised cost

This classification applies to debt instruments which are held under a hold to collect business model and which have cash flows that meet the "Solely payments of principal and interest" (SPPI) criteria.

At initial recognition, trade receivables that do not have a significant financing component, are recognised at their transaction price. Other financial assets are initially recognised at fair value plus related transaction costs; they are subsequently measured at amortised cost using the effective interest method. Any gain or loss on de-recognition or modification of a financial asset held at amortised cost is recognised in profit or loss.

Impairment

A forward looking expected credit loss (ECL) review is required for; debt instruments measured at amortised cost or held at fair value through other comprehensive income; loan commitments and financial guarantees not measured at fair value through profit or loss; lease receivables and trade receivables that give rise to an unconditional right to consideration.

As permitted by IFRS 9, the Company applies the 'simplified approach' to trade receivable balances and the 'general approach' to all other financial assets. The general approach incorporates a review for any significant increase in counterparty credit risk since inception. The ECL reviews include assumptions about the risk of default and expected loss rates. For trade receivables, the assessment takes into account the use of credit enhancements, for example, letters of credit. Impairments for undrawn loan commitments are reflected as a provision.

1.17 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.

1.18 Financial liabilities

Borrowings and other financial liabilities (including trade payables but excluding derivative liabilities) are recognised initially at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

1.19 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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.

1.20 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 assumptions are 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 income statement 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.

1.21 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 leases' 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 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.

1.22 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 2018 (CONTINUED)

2 Critical accounting estimates and judgements

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. These judgements 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.

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 financial statements for the entire plan as a defined benefit plan.

Impairment of non-financial assets

Non-financial 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.

Impairment of financial assets

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience.

Provision for onerous contracts

Provision for an onerous contract is made only when the assets dedicated to that contract are fully impaired or the contract becomes stranded as a result of a business decision. Judgement is required in determining which assets are considered dedicated to a contract when there is optionality as to how the contract obligations can be settled. Key estimates are the cash flows associated with the contract and the discount rate assumption.

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.
- Property, plant and equipment, 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 2018 (CONTINUED)

3 Revenue

	2018 £'000	2017 £'000
Rendering of services	248,613	220,773
Other revenue	6,932	10,117
	<u>255,545</u>	<u>230,890</u>

Other revenue includes receipts from subleases on London office properties and other sundry income.

4 Staff costs

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

	2018 £'000	2017 £'000
Wages and salaries	99,502	94,182
Social security costs	6,919	13,030
Other pension costs	14,786	6,371
Redundancy costs	9,274	-
	<u>130,481</u>	<u>113,583</u>

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

	2018 No.	2017 No.
Employees	<u>202</u>	<u>267</u>

5 Finance income

	2018 £'000	2017 £'000
Interest revenue from Group undertakings	1,103	454
Interest on defined benefit obligations	13,911	10,627
	<u>15,014</u>	<u>11,081</u>

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (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 2018 Rio Tinto Annual report. Some of the Company's 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 charge that has been recognised in the income statement for share-based incentive plans, and the related liability (for cash settled plans), is set out in the table below.

	Note	Charge recognised for the year		Liability at the end of the year	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Equity settled plans		12,492	16,433	-	-
Cash settled plans	18	788	5,021	10,166	10,497
		<u>13,280</u>	<u>21,454</u>	<u>10,166</u>	<u>10,497</u>

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

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 Plan and all charges have been incurred as the remaining awards all vested before 2018, although there remain outstanding vested options under this 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.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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.

Summary of options outstanding:

Options outstanding as at 31 December 2018	Number	Weighted average exercise price per option £/A\$	Weighted average remaining contractual life years	Aggregate intrinsic value £'000
Rio Tinto plc Share Option Plan (£16 - £25)	3,792	17.00	0.22	141
Rio Tinto Limited Share Option Plan (A\$33)	2,168	33.00	0.21	54
	<u>5,960</u>			<u>195</u>

As at 31 December 2017 there were 126,098 options outstanding, with an intrinsic value of £0.5 million.

The maximum exercisable term on the outstanding options is 10 years.

	Rio Tinto plc awards		Rio Tinto Limited awards	
	2018	2018	2018	2018
		Weighted average fair value at grant date		Weighted average fair value at grant date
Performance Share Plan	Number	£	Number	A\$
Non-vested shares at 1 January	2,325,642	20.47	214,265	40.13
Transfers	(29,264)	20.47	(57,016)	40.13
Awarded	535,367	26.87	15,998	53.85
Forfeited	-	-	(219)	43.83
Failed performance conditions	(213,182)	14.54	(16,175)	27.67
Vested	(158,302)	21.57	(10,478)	40.85
Non-vested shares at 31 December	<u>2,460,261</u>	<u>21.86</u>	<u>146,375</u>	<u>43.34</u>

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Rio Tinto plc awards		Rio Tinto Limited awards	
	2018	2018	2018	2018
		Weighted average fair value at grant date		Weighted average fair value at grant date
Management Share Plan, Bonus Deferral Plan, Global Employee Share Plan and UK Share Plan (Combined)	Number	£	Number	A\$
Non-vested shares at 1 January	686,259	27.23	117,806	54.15
Transfers	(32,917)	27.23	(48,929)	54.15
Awarded	211,949	39.49	16,331	78.36
Forfeited	(57,267)	30.26	(6,799)	64.60
Vested	(255,522)	27.54	(41,458)	55.30
Non-vested shares at 31 December	552,502	31.43	36,951	61.71
Comprising of:				
Management Share Plan	239,340	32.52	25,091	64.06
Bonus Deferral Plan	287,407	37.86	11,771	71.93
Global Employee Share Plan	7,500	28.68	89	56.66
UK Share Plan	18,255	29.90	-	-
	2018	2018	2018	2018
		Weighted average fair value at grant date		Weighted average fair value at grant date
	Number	£	Number	A\$
Vested awarded settled in shares during the year (including dividends applied on vesting):				
Management Share Plan	128,407	40.03	23,303	80.87
Bonus Deferral Plan	110,740	37.69	17,334	75.36
Global Employee Share Plan	12,704	39.06	821	78.78
UK Share Plan	3,671	38.21	-	-

In addition to the equity-settled awards shown above, there were 276,722 Rio Tinto Limited cash-settled awards outstanding at 31 December 2018 (2017: 276,722). The total liability for these awards at 31 December 2018 was £10,166,000 (2017: £10,497,000).

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2018	2017
	£'000	£'000
Remuneration	1,755	1,535
Company pensions contributions to defined contribution schemes	10	32
	<u>1,765</u>	<u>1,567</u>

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

	2018	2017
	No.	No.
Received or were entitled to receive shares under long term incentive schemes	4	6
Exercised share options	-	1
Accruing benefits under defined benefit pension scheme	2	3
Accruing benefits under defined contribution pension scheme	1	2

The highest paid director received remuneration of £591,747 (2017: £606,406).

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:

	2018	2017
	£'000	£'000
Audit of the financial statements	<u>66</u>	<u>66</u>

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

9 Taxation

	2018 £'000	2017 £'000
Corporation tax		
Current tax on profit for the year	(2,477)	(7,204)
Adjustments in respect of prior periods	-	(1,317)
Total current tax	(2,477)	(8,521)
Deferred tax		
Origination and reversal of timing differences	4,409	8,228
Impact of change in tax rate	(464)	-
Adjustments in respect of prior periods	78	-
Total deferred tax (note 19)	4,023	8,228
Tax charge/(benefit) in the statement of comprehensive income	1,546	(293)
	2018 £'000	2017 £'000
Tax included in other comprehensive income		
Actuarial gains on defined benefit pension plans	12,183	14,723
Change in tax law and rates	(1,282)	-
Total tax included in other comprehensive income	10,901	14,723
Tax included in equity		
Current tax movement through equity	(1,267)	(559)
Deferred tax movement through equity	1,550	(6,119)
Total tax included in equity	283	(6,678)
Tax charge in the statement of other comprehensive income	11,184	8,045

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017: lower than) the standard rate of corporation tax in the UK of 19% for the year ended 31 December 2018 (2017: 19.25%).

	2018 £'000	2017 £'000
Loss before taxation	(40,416)	(14,538)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	(7,679)	(2,798)
Effects of:		
Expenses not deductible for tax purposes	7,703	3,418
Adjustment to tax charge in respect of prior periods	-	(1,317)
Changes in tax laws or rate	(464)	(940)
Group relief	295	(100)
Share based payment expense relief	1,613	1,530
Other differences	-	(86)
Deferred tax prior year adjustment	78	-
Total tax charge/(benefit) for the year	1,546	(293)

Factors affecting current and future tax charges

Legislation to reduce the main rate of UK corporation tax from 19% to 17% from 1 April 2020 was enacted on 15 September 2016. Any deferred tax balances have been calculated at the reduced rate.

10 Trade and other receivables

	2018 £'000	2017 £'000
Non-current		
Lease incentive	12,996	15,801
	12,996	15,801

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

11 Property, plant and equipment

	Land and buildings £'000	Furniture, fittings and equipment £'000	Construction in progress £'000	Total £'000
Cost				
At 1 January 2018	29,109	3,750	2,768	35,627
Additions	-	-	723	723
Transfers between classes	(19,109)	22,076	(2,967)	-
Disposals - cost	(3,275)	(568)	-	(3,843)
At 31 December 2018	6,725	25,258	524	32,507
Accumulated depreciation				
At 1 January 2018	(7,526)	(2,339)	-	(9,865)
Depreciation charge	(1,803)	(696)	-	(2,499)
Transfers between classes	5,194	(5,194)	-	-
Disposals - accum. depreciation	3,275	568	-	3,843
At 31 December 2018	(860)	(7,661)	-	(8,521)
Net book value				
At 31 December 2018	5,865	17,597	524	23,986
At 31 December 2017	21,583	1,411	2,768	25,762

12 Intangible assets

	Software £'000	Total £'000
Cost		
At 1 January 2018	9,072	9,072
At 31 December 2018	9,072	9,072
Accumulated amortisation		
At 1 January 2018	(6,889)	(6,889)
Amortisation charge	(901)	(901)
At 31 December 2018	(7,790)	(7,790)
Net book value		
At 31 December 2018	1,282	1,282
At 31 December 2017	2,183	2,183

The software intangible assets have a remaining amortisation period of 1.5 years.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

13 Investments in employee share trusts

	2018 £'000	2017 £'000
At 1 January	39,644	27,762
Additions	91,590	54,868
Disposals	(60,795)	(42,986)
At 31 December	70,439	39,644

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 2018, the employee share trust held 1,843,460 (2017: 873,911) ordinary shares of Rio Tinto plc.

14 Pension assets

	2018 £'000	2017 £'000
Defined pension benefit	575,259	507,341
	575,259	507,341

Further information on the pension assets is found in note 20.

15 Trade and other receivables

	2018 £'000	2017 £'000
Current		
Trade receivables	695	1,390
Amounts due from Group undertakings	264,050	279,881
Taxation due from Group undertakings	3,676	9,975
Other receivables	1,804	472
Prepayments and accrued interest	6,098	5,890
	276,323	297,608

Of the amounts due from Group undertakings, £112,054,000 (2017: £208,560,000) receives interest based on LIBOR plus a margin and is repayable on demand. All other amounts are non-interest bearing and repayable on demand.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

16 Trade and other payables

	2018 £'000	2017 £'000
Current		
Trade payables	8,763	16,263
Amounts due to Group undertakings	26,980	8,387
Employee leave and bonus accruals	17,945	17,246
Accruals and deferred income	17,228	6,458
Other payables	40,356	41,585
	<u>111,272</u>	<u>89,939</u>

Amounts due to Group undertakings are payable on demand and bear no interest.

17 Provisions

	Onerous lease provision £'000	Dilapidations provision £'000	National insurance on share schemes £'000	Total £'000
At 1 January 2018	9,675	5,095	17,904	32,674
Increase in existing provisions	17,740	-	-	17,740
Provisions used	(4,004)	-	(2,636)	(6,640)
Increase due to passage of time or unwinding of discount	192	105	-	297
Decrease in existing provision	-	(2)	-	(2)
Increase (decrease) from transfers and other changes	927	-	-	927
At 31 December 2018	<u>24,530</u>	<u>5,198</u>	<u>15,268</u>	<u>44,996</u>

	2018 £'000	2017 £'000
Analysis of total provisions		
Non-current	36,024	16,488
Current	8,972	16,186
Total	<u>44,996</u>	<u>32,674</u>

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

18 Trade and other payables

	2018 £'000	2017 £'000
Non-current		
Deferred compensation (a)	10,166	10,497
Lease incentive (b)	5,756	6,466
	<u>15,922</u>	<u>16,963</u>

- (a) As disclosed in the Group Annual report from 2016 to 2018, a deed of deferral has been entered into between the former Group chief executive, Sam Walsh, and the Company. This was in connection to the investigations concerning the Simandou project. Given that the regulatory investigations are still not complete, the Group Remuneration Committee has determined that a further deferral of the amounts that were payable on 31 December 2018 is appropriate.

This matter is still under discussion and the Company will disclose the outcome when the process is complete. Please see note 6 for further details.

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

19 Deferred taxation

Deferred tax assets and liabilities

	2018 £'000	2017 £'000
Deferred tax asset	15,199	20,126
Deferred tax liabilities	(97,795)	(86,248)
	<u>(82,596)</u>	<u>(66,122)</u>

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

	2018 £'000	2017 £'000
At 1 January 2018	(66,122)	(49,290)
Charged to profit or loss	(4,023)	(8,228)
Charged to other comprehensive income	(10,901)	(14,723)
Movements in equity	(1,550)	6,119
At 31 December 2018	<u>(82,596)</u>	<u>(66,122)</u>

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	2018 £'000	2017 £'000
Deferred tax asset is made up as follows:		
Tax losses	797	844
Pension spreading	-	1,417
Share based payments	11,046	13,692
Accelerated capital allowances	1,525	2,303
Short term timing difference	103	86
Deferred compensation	1,728	1,784
	<u>15,199</u>	<u>20,126</u>
Deferred tax liability is made up as follows:		
Pension and post employment medical benefits	(97,795)	(86,248)
	<u>(97,795)</u>	<u>(86,248)</u>

20 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 Rio Tinto 2009 Pension 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 regulation. The trustee board has a number of directors appointed by the sponsor and a number appointed by plan participants, there is also an independent trustee director.

The Company also operates an unfunded unapproved pension scheme.

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 2019 and subsequent years cannot be determined precisely in advance. Contributions to defined benefit pension plans for 2019 are estimated to be around £2.9 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 2018.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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.

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 Company's direct control. In addition the Company is also exposed to adverse changes in pension regulation.

Monitoring of the Company's exposure to risks associated with the defined benefit pension and post-retirement healthcare plans is performed at a Group level and not managed separately.

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 Group monitors its exposure to changes in interest rates and equity markets and also measures its balance sheet pension risk using a value at risk approach. These measures are considered when deciding whether significant changes in investment strategy are required. Asset-liability studies are conducted on a periodic basis for the main pension plans to determine the optimal investment mix bearing in mind the Group's tolerance for risk, the risk tolerance of the local sponsor companies and the views of the Pension Committees and trustee boards who are legally responsible for the investments of the plans.

The defined benefit sections of the UK arrangements are linked to final pay. New employees are admitted to defined contribution sections. The plans 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 regulation. The trustee board governing the main UK plans has a number of directors appointed by the sponsor, a number appointed by the plan participants and an independent trustee director.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

The combined net pension asset details are outlined below.

	2018 £'000	2017 £'000
Surplus shown on balance sheet comprises:		
Total fair value of plan assets	3,826,119	4,041,811
Present value of obligations - funded	(3,176,506)	(3,454,505)
Present value of obligations - unfunded	(74,354)	(79,965)
	<u>575,259</u>	<u>507,341</u>
Deficits and unfunded post-retirement healthcare obligations	(74,354)	(79,965)
Surpluses	<u>649,613</u>	<u>587,306</u>
	<u>575,259</u>	<u>507,341</u>
Change in present value obligation:		
	2018 £'000	2017 £'000
Present value of obligation at the start of the year	(3,534,470)	(3,566,696)
Current service cost	(4,816)	(3,905)
Past service cost	(6,834)	(36)
Interest on obligation	(79,560)	(88,915)
Contributions by plan participants	(49)	(123)
Benefits paid	175,090	184,221
Experience gain	4,944	5,297
Changes in financial assumptions gain/(loss)	198,349	(91,783)
Changes in demographic assumptions (loss)/gain	(3,514)	27,042
Curtailments	-	428
Present value of obligation at the end of the year	<u>(3,250,860)</u>	<u>(3,534,470)</u>

The past service cost in 2018 relates primarily to the current estimate of the cost of equalising benefits in the Group's UK schemes, in line with the requirements of the British High Court judgment on 26 October 2018 in the case involving Lloyds Banking Group and relating to Guaranteed Minimum Pensions.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Change in plan assets:

	2018 £'000	2017 £'000
Fair value at start of period	4,041,811	3,948,198
Interest income on assets	93,471	99,542
Contributions by the Company	4,672	34,976
Contributions by other employers	524	906
Contributions by plan participants	49	123
Non-investment expenses	(3,136)	(2,858)
Benefits paid	(175,090)	(184,221)
Return on plan assets (net of interest on assets) (loss)/gain	(136,182)	145,145
Fair value of plan assets at end of the year	3,826,119	4,041,811

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

Plan assets

	2018 %	2017 %
Equities - quoted	-	14
Bonds - government fixed interest	-	8
Bonds - government inflation linked	85	37
Bonds - corporate and other quoted	-	19
Bonds - private	1	9
Property - quoted funds	9	9
Property - unquoted funds	-	3
Cash and other	5	1
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 £0.1 million (2017: £5.7 million).

Amounts recognised in the income statement

	2018 £'000	2017 £'000
Current service cost	(4,816)	(3,905)
Net interest on obligation/asset	13,911	10,627
Past service cost	(6,834)	(36)
Non-investment expenses paid from the plans	(3,136)	(2,858)
Contributions by other employers	524	906
Curtailment gains	-	428
Total recognised in the income statement	(351)	5,162

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Amounts recognised in other comprehensive income before tax

	2018 £'000	2017 £'000
Actuarial gains/(losses)	194,835	(64,741)
Return on plan assets and experience gain obligation	(131,238)	150,442
Amounts recognised in other comprehensive income before tax	63,597	85,701

	2018 £'000	2017 £'000
Change in the net defined benefit liability:		
Net defined benefit asset at the start of the year	507,341	381,502
Amounts recognised in profit or loss	(351)	5,162
Amounts recognised in other comprehensive income	63,597	85,701
Contributions by the Company	4,672	34,976
Net defined benefit asset at the end of the year	575,259	507,341

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

	2018 %	2017 %
Discount rate	2.80	2.30
Future salary increases	3.70	3.60
Future pension increases	3.30	2.80
Inflation rate	3.30	3.20

Post retirement mortality assumptions

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

	2018	2017
- For a male aged 60 now	27.00	27.00
- At 60 for a male aged 40 now	28.00	28.00

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

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.

	2018 + 0.5% £'000	2018 - 0.5% £'000	2017 + 0.5% £'000	2017 - 0.5% £'000
Discount rate	221,906	(238,163)	260,580	(281,244)
Inflation	(213,820)	200,612	(247,939)	231,635
Demographic – allowance for future improvements in longevity	(129,129)	129,129	(142,238)	142,238

Maturity of defined benefit obligations

	2018 Pensions	2018 Other benefits	2018 Total	2017 Total
Proportion relating to current employees	2%	0%	2%	2%
Proportion relating to former employees not yet retired	26%	0%	26%	29%
Proportion relating to retirees	72%	100%	72%	69%
	100%	100%	100%	100%
Average duration of obligation (years)			14.54	15.63

21 Share capital

Allotted, called up and fully paid shares

	2018		2017	
	No. 000	£'000	No. 000	£'000
Ordinary shares of £1.00 each	4,800	4,800	4,800	4,800

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

22 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.

	Transactions 2018 £'000	Balance 2018 £'000	Transactions 2017 £'000	Balance 2017 £'000
Inbound charges / receivables				
Energy Resources of Australia Ltd	62	-	-	(62)
Rossing Uranium Ltd	620	1,114	1,440	2,194
Dampier Salt Ltd	6	-	-	-
Chlor Alkali Unit Pte Ltd	140	71	56	-
Resolution Copper Mining LLC	71	7	141	6
Turquoise Hill Resources Ltd	2,107	2,000	-	(18)
Oyu Tolgoi LLC	618	61	428	58
QIT Madagascar Minerals SA	837	341	1,276	547
Richards Bay Titanium (Proprietary) Limited	10	636	1,559	714
Richards Bay Mining (Proprietary) Limited	319	302	1,646	734
Rio Tinto Orissa Mining Pvt Ltd	4	4	-	-
Simfer S.A.	135	3,274	113	3,246
Iron Ore Company of Canada	563	610	479	153
Sohar Aluminium Co. LLC	16	6	4	4
	<u>5,508</u>	<u>8,426</u>	<u>7,142</u>	<u>7,576</u>
Outbound charges / payables				
Simfer S.A.	(52)	-	-	-
Dampier Salt Ltd	-	-	(7)	-
Oyu Tolgoi LLC	(18)	-	(124)	(20)
Richards Bay Titanium (Proprietary) Limited	(327)	(55)	(372)	-
	<u>(397)</u>	<u>(55)</u>	<u>(503)</u>	<u>(20)</u>

RIO TINTO LONDON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

23 Operating lease commitments

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

At 31 December 2018 the Company had annual commitments under non-cancellable operating leases as follows:

	2018 £'000	2017 £'000
No later than 1 year	16,623	17,549
Later than 1 year and no later than 5 years	77,003	65,399
Later than 5 years	73,826	97,775
Total	<u>167,452</u>	<u>180,723</u>

Operating lease commitments on properties have been shown before deduction of any receipts from subleases.

24 Parent and ultimate parent undertaking

The immediate parent undertaking is Rio Tinto European Holdings Limited. The ultimate parent undertaking and controlling party is Rio Tinto plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the 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.

25 Related undertakings

In accordance with section 409 of the Companies Act 2006, disclosed below in a full list of related undertakings of the Company. Related undertakings include "subsidiaries", "associated undertakings" and "significant holdings in undertakings other than subsidiary companies". The registered office address, country of incorporation, classes of shares and the effective percentage of equity owned by the Company calculated by reference to voting rights, is disclosed as at 31 December 2018.

RIO TINTO LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

25.1 Direct holdings

Name of holding	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	£1.00 Ordinary shares	100%
Rio Tinto Medical Plan Trustees Limited	United Kingdom	6 St James's Square, London, SW1Y 4AD, United Kingdom	£1.00 Ordinary shares	100%
Rio Tinto Nominees Limited	United Kingdom	6 St James's Square, London, SW1Y 4AD, United Kingdom	£1.00 Ordinary shares	100%
Rio Tinto Secretariat Limited	United Kingdom	6 St James's Square, London, United Kingdom, SW1Y 4AD	£1.00 Ordinary shares	100%

25.2 Indirect holdings

Name of holding	Country of incorporation	Registered address	Share class	% of share class held
Rio Sava Exploration DOO*	Serbia	Resavska 23, 11000 Beograd, Beogard, 11000, Serbia		-

*Ownership is held through an interest in capital. The entity has no classes of shares.

26 Post balance sheet events

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