Registration number: 00460473

RIO TINTO LONDON LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

RIO TINTO LONDON LIMITED

CONTENTS

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

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their Strategic report on Rio Tinto London Limited (the "Company") for the year ended 31 December 2019.

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 level of services performed, measured by revenue received, has increased compared with the prior year. The overall increase in revenue of £15,990,000 can be attributed to a review of the intercompany billing process completed in 2019, combined with increased recharges relating to project expenses. The reduction in the Company's costs can be primarily attributed to lower staff costs, which fell by £62,810,000. As a result of the restructuring program implemented in the prior year, the average monthly headcount of the Company fell from 212 in 2018 to 145 in 2019.

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 2019 Annual Report which does not form part of this report.

Since the issuance of the Group 2019 Annual Report, the spread and impact of the COVID-19 virus has significantly increased. It is uncertain to what extent the COVID-19 health crisis will impact the operations and financial position of the Company, however, management is closely monitoring the development of the COVID-19 outbreak and its related impact on the Company.

Section 172(1) statement

Section 172 of the Companies Act 2006 requires the directors of a company to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 also requires the directors to have regard, amongst other matters, to the interests of wider stakeholders; including, for example, employees, suppliers, customers and others. In discharging their section 172 duties, the directors do this.

The views of and the impact of the Company's activities on its stakeholders are an important consideration for the directors when making relevant decisions specific to the Company. More generally however, the size and spread of both our stakeholders and the Rio Tinto Group means, in practice, that stakeholder engagement best takes place at an operational or group level. For further details on how the Group engages with stakeholders, please see pages 92 to 93 of the Rio Tinto plc 2019 Annual Report.

Key performance indicators

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

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

Steve Allen

....

S P Allen
Director

Date: 29-09-20

The directors present their report and the audited financial statements for the year ended 31 December 2019.

Results and dividends

The profit for the financial year, after taxation, amounted to £20,918,000 (2018: loss for the financial year, after taxation, of £41,962,000).

No interim dividend was paid during the year (2018: £nil). The directors do not recommend the payment of a final dividend (2018: £nil).

Principal activities

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

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.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

S P Allen

P L Cunningham

J P Kiddle (appointed 19 April 2019)

A Martins Alexandre (appointed 7 June 2019)

M P Bossick (resigned 19 April 2019)

P I Hedley (resigned 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 then 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.

Statement of directors' responsibilities in respect of the financial statements (continued)

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.

Future developments

The Company's future developments are integrated with those of the Group which are discussed in the Group's 2019 Annual Report, which does not form part of this report.

Financial risk management

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

Matters subsequent to the end of the financial year

Subsequent to 31 December 2019, a global health crisis has emerged. In an attempt to combat the spread of the COVID-19 virus, the United Kingdom, together with many nations around the world, has and will continue to impose restrictions on gatherings of people in workplaces, social settings and travel. These necessary restrictions will have a significant impact on commerce and job losses. It is widely expected that global GDP will be negative in the second half of 2020. The extent and duration of the health crisis and recessionary business activity is unknown, although a number of leading health organisations and economists expect significant impacts on the economy to last at least 18 months.

To date, commodity supply is being disrupted as restrictions impact, for example, supply-chain, mobility, workforce, market demand and trade flow impacts. Specifically, this may impact the expected credit losses on amounts due from fellow group undertakings, and in turn the Company's ability to meet its financial obligations. Any financial impact on the Company's results of operations and financial position is considered a non-adjusting post balance sheet event and will accordingly be reflected in the periods post 31 December 2019. While the full consequences of the COVID-19 health crisis and its effect on the Company's operations and financial position cannot yet be determined, management is closely monitoring the development of the outbreak and its related impact. Due to the Group's strong balance sheet and the guarantee from Rio Tinto plc and Rio Tinto Limited, the directors continue to believe that the Company can continue its operations in line with its going concern statement as set out in note 1.

Additionally, following the completion of an independent confidential and binding dispute resolution process during the first quarter of 2020, a determination was made that, under the terms of the deed, the incentive plan awards owed to former Group chief executive Sam Walsh should not be subject to any further deferrals and are payable. As a result, payments were made by Rio Tinto to Sam Walsh of all deferred incentive plan awards which would have been payable on 31 December 2018 together with associated dividends and interest.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected the Company's operations, results or state of affairs, or may do so in future years.

Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Company can continue in operational existence for the foreseeable future.

Additionally, the directors have considered the implications and potential risks of COVID-19 to the Company's operations. The directors have also taken into consideration the timing of liabilities falling due and the credit rating of the entities from which the receivables are due.

The directors have determined that there are no foreseeable circumstances which would indicate that the Company could not continue to operate as a going concern for at least twelve months from the issuance of the financial statements.

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 Group provides clear and timely communication with its employees concerning business performance and corporate developments. 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

Should an employee become disabled, the Company would make considerable efforts to offer suitable alternative employment and retraining to employees who become disabled and can no longer perform their regular duties, in line with Group policy.

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.

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

PricewaterhouseCoopers LLP acted as auditor of the Company for the year ended 31 December 2019 and will resign in 2020. It is the intention of the directors to appoint KPMG LLP as the Company's auditor for the year ended 31 December 2020 in accordance with section 485 of the Companies Act 2006.

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

Mike Pasmore
....
Director, for and on behalf of Rio Tinto Secretariat Limited
Company secretary

Date: 29-09-20

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

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 2019 and of its profit 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 2019; 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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.

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.

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 or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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 2019 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 4, 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.

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
29 September 2020

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £'000	2018 £'000
Revenue	3	271,535	255,545
Staff costs	4	(67,671)	(130,481)
Service fees		(131,489)	(114,779)
Other expenses	9	(27,756)	(30,067)
Operating lease expense		-	(30,659)
Depreciation and amortisation expense	9	(8,352)	(3,400)
Impairment charges - net of reversals		(11,474)	-
Net foreign exchange losses		(6,288)	(1,348)
Finance income	7	20,811	15,014
Finance costs	8	(7,785)	(241)
Loss on disposal of property, plant and equipment		(157)	-
Profit/(loss) before taxation		**31,374**	**(40,416)**
Taxation	10	(10,456)	(1,546)
Profit/(loss) for the financial year		**20,918**	**(41,962)**
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss:			
Actuarial gain on defined benefit pension schemes		29,059	63,597
Movements in deferred tax relating to defined benefit pension schemes		(67,367)	(10,901)
Total other comprehensive (expense)/income		**(38,308)**	**52,696**
Total comprehensive (expense)/income for the financial year		**(17,390)**	**10,734**

The notes on pages 15 to 52 form an integral part of these financial statements.

RIO TINTO LONDON LIMITED

(REGISTERED NUMBER: 00460473)
BALANCE SHEET AS AT 31 DECEMBER 2019

	Note	2019 £'000	2018 £'000
ASSETS			
Non-current assets			
Trade and other receivables	12	35,243	12,996
Property, plant and equipment	13	26,906	23,986
Intangible assets	14	431	1,282
Investments in employee share trust	15	37,545	70,439
Pension assets	16	638,085	575,259
Right of use assets	17	67,648	-
		805,858	**683,962**
Current assets			
Cash and cash equivalents		256	113
Trade and other receivables	12	321,794	276,323
Total assets		**1,127,908**	**960,398**
LIABILITIES			
Current liabilities			
Trade and other payables	18	(101,392)	(111,272)
Provisions	19	(5,870)	(8,972)
Loans and borrowings		(53)	(361)
Lease liabilities	17	(9,791)	-
		(117,106)	**(120,605)**
Non-current liabilities			
Trade and other payables	18	(11,481)	(15,922)
Provisions	19	(17,904)	(36,024)
Deferred tax liabilities	11	(152,858)	(82,596)
Lease liabilities	17	(134,900)	-
Total liabilities		**(434,249)**	**(255,147)**
Net assets		**693,659**	**705,251**
EQUITY			
Share capital	21	4,800	4,800
Capital reserve		136,400	136,400
Share based payment reserve		196,841	183,952
Retained earnings		355,618	380,099
Total equity		**693,659**	**705,251**

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

Steve Allen
....
S P Allen
Director

Date: 29-09-20

The notes on pages 15 to 52 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £'000	Capital reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2019	4,800	136,400	183,952	380,099	705,251
Change in accounting policy	-	-	-	(10,249)	(10,249)
At 1 January 2019 (as restated)	4,800	136,400	183,952	369,850	695,002
Comprehensive income for the year:					
Profit for the financial year	-	-	-	20,918	20,918
Items that will not be reclassified to profit or loss					
Actuarial gain on defined benefit pension schemes	-	-	-	29,059	29,059
Movements in deferred tax relating to defined benefit pension schemes	-	-	-	(67,367)	(67,367)
Total other comprehensive income	-	-	-	(38,308)	(38,308)
Total comprehensive income for the financial year	-	-	-	(17,390)	(17,390)
Transactions with owners:					
Share based payment transactions	-	-	12,889	-	12,889
Current tax movement through equity	-	-	-	1,990	1,990
Deferred tax movement through equity	-	-	-	1,168	1,168
At 31 December 2019	**4,800**	**136,400**	**196,841**	**355,618**	**693,659**

The notes on pages 15 to 52 form an integral part of these financial statements.

RIO TINTO LONDON LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Share capital £'000	Capital reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2018	4,800	136,400	171,460	369,648	682,308
Comprehensive income for the year:					
Loss for the financial year	-	-	-	(41,962)	(41,962)
Items that will not be reclassified to profit or loss					
Actuarial gain on defined benefit pension schemes	-	-	-	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	-	-	-	52,696	52,696
Total comprehensive income for the financial year	-	-	-	10,734	10,734
Transactions with owners:					
Movement in deferred tax through equity	-	-	-	(1,550)	(1,550)
Movement in current tax through equity	-	-	-	1,267	1,267
Share based payment transactions	-	-	12,492	-	12,492
	-	-	12,492	(283)	12,209
At 31 December 2018	4,800	136,400	183,952	380,099	705,251

The notes on pages 15 to 52 form an integral part of these financial statements.

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 46-52 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 of Rio Tinto plc which can be obtained as set out in note 22.

1 Accounting policies (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 2019:

- IFRS 16 Leases;
- IFRIC 23 Uncertainty over Income Tax Treatments;
- IFRS 9 Prepayment Features with Negative Compensation (Amendments to IFRS 9);
- IAS 28 Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28);
- Annual Improvements to IFRS 2015-2017 Cycle; and
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).

The Company had to change its accounting policies as a result of adopting IFRS 16. On transition, as permitted by IFRS 16, the Company applied the modified retrospective approach to existing operating leases which are capitalised under the new standard. Note 26 explains the impact of the adoption of IFRS 16. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to materially affect the current or future periods.

1.4 Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Company can continue in operational existence for the foreseeable future.

Additionally, the directors have considered the implications and potential risks of COVID-19 to the Company's operations. The directors have also taken into consideration the timing of liabilities falling due and the credit rating of the entities from which the receivables are due.

The directors have determined that there are no foreseeable circumstances which would indicate that the Company could not continue to operate as a going concern for at least twelve months from the issuance of the 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, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

1 Accounting policies (continued)

1.6 Revenue

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 Company is or expects to be entitled in exchange for those goods or services.

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.

Dividend income

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

1.7 Finance income and costs

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

Finance costs includes interest expense and similar charges. Interest expense is recognised on a time proportionate basis using the effective interest method.

1.8 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.

1.9 National insurance on share options

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

1 Accounting policies (continued)

1.10 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. Until 31 December 2018, the Company established provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. From 1 January 2019, where the amount of tax payable or recoverable is uncertain, the Company establishes provisions based on either: the Company's judgment of the most likely amount of the liability or recovery; or, when there is a wide range of possible outcomes, a probability weighted average approach.

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.

1.11 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.

1.12 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 Accounting policies (continued)

1.13 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.

1.14 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 allowances.

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. 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. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

1.15 Financial assets

Classification and measurement

The Company classifies its financial assets in the following categories:

• financial assets at amortised cost

• financial assets at fair value through other comprehensive income ("FVOCI")

• financial assets 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 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.

1 Accounting policies (continued)

1.15 Financial assets (continued)

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 raise to an unconditional right to consideration.

As permitted by IFRS 9, the Company applies the "simplified approach" to external 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.

1.16 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid.

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

1.17 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.

1.18 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 Accounting policies (continued)

1.19 Pensions

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

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

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

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

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

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

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

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

1 Accounting policies (continued)

1.20 Leases

The Company has changed its accounting policy for leases where the Company is the lessee. The new policy is described in note 17 and the impact of the change in note 26.

Accounting policy applied until 31 December 2018

Leases of property, plant and equipment where the Company, as lessee, had substantially all the risks and rewards of ownership are classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was 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 were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight line basis over the period of the lease.

Accounting policy applied from 1 January 2019

IFRS 16 'Leases' applies to the recognition, measurement, presentation and disclosure of leases. Certain leases are exempt from the standard. The Company does not apply IFRS 16 to arrangements which fall within the scope of IAS 38 'Intangible Assets'.

The Company recognises all lease liabilities and corresponding right of use assets, with the exception of short-term (12 months or fewer) and low value leases, on the balance sheet. Lease liabilities are recorded at the present value of: fixed payments; variable lease payments that depend on an index or rate; amounts payable under residual value guarantees; and extension options expected to be exercised. Where a lease contains an extension option which the Company can exercise without negotiation, lease payments for the extension period are included in the liability if the Company is reasonably certain that it will exercise the option. Variable lease payments not dependent on an index or rate are excluded from the calculation of lease liabilities. Payments are discounted at the incremental borrowing rate of the lessee, unless the interest rate implicit in the lease can be readily determined. For lease agreements relating to properties, non-lease components are excluded from the projection of future lease payments and recorded separately within operating costs on a straight-line basis. The right of use asset, resulting from a lease arrangement, at initial recognition reflects the lease liability, initial direct costs and any lease payments made before the commencement date of the lease less any lease incentives and, where applicable, provision for dismantling and restoration.

The Company recognises depreciation of right of use assets and interest on lease liabilities in the income statement over the lease term. Repayments of lease liabilities are separated into a principal portion (presented within financing activities) and interest portion (which the Company presents in operating activities) in the cash flow statement. Payments made before the commencement date are included within financing activities unless they in substance represent investing cash flows, for example where pre-commencement cash flows are significant relative to aggregate cash flows of the leasing arrangement.

1 Accounting policies (continued)

1.20 Leases (continued)

The Company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the Company's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

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

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

Short term and low value leases

The Company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).

The Company has also made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.

Lease payments on short term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the income statements.

Lease income

Lease income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Company did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

1.21 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.

2 Critical accounting judgements and key sources of estimation uncertainty

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.

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.

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 recoverable amount often requires estimates of future cash flows and foreign exchange rates.

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.

Useful economic life of property, plant and equipment
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.

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.

3 Revenue

The analysis of the Company's revenue for the year by class of business is as follows:

	2019 £'000	2018 £'000
Rendering of services	270,222	248,613
Investment income	11	-
Other revenue	1,302	6,932
	271,535	**255,545**

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

The analysis of the Company's revenue for the year by market is as follows:

	2019 £'000	2018 £'000
United Kingdom	262,147	231,408
Rest of world	9,388	24,137
	271,535	**255,545**

4 Staff costs

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

	2019 £'000	2018 £'000
Wages and salaries	50,742	99,502
Social security costs	11,444	6,919
Pension and other post-employment benefit costs	5,603	14,786
Redundancy costs	(118)	9,274
	67,671	**130,481**

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

	2019 No.	2018 No.
Company secretarial and legal services	12	17
Administration, strategy and finance	45	81
Corporate and investor relations	19	20
Executive and senior management	55	73
Payroll and HR	14	21
	145	**212**

5 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £'000	2018 £'000
Remuneration	2,192	1,755
Company pensions contributions to defined contribution schemes	17	10
	2,209	**1,765**

During the year, £321,000 (2018: £nil) was paid to a past director in connection with their retirement from the Company.

The number of directors receiving benefits and share incentives during the year was as follows:

	2019 No.	2018 No.
Received or were entitled to receive shares under long term incentive schemes	4	4
Accruing benefits under defined benefit pension scheme	1	2
Accruing benefits under defined contribution pension scheme	3	1

In respect of the highest paid director:

	2019 £'000	2018 £'000
Remuneration	594	592
Defined benefit accrued pension entitlement at the end of the period	66	64
	660	**656**

During the year the highest paid director received or was entitled to receive shares under a long term incentive scheme.

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 2019 Rio Tinto Group 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.

		Charge recognised for the year		Liability at the end of the year	
		2019	2018	2019	2018
	Note	£'000	£'000	£'000	£'000
Equity settled plans		12,889	12,492	-	-
Cash settled plans	18	1,743	788	11,481	10,166
		14,632	**13,280**	**11,481**	**10,166**

6 Share-based payments (continued)

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

Share Option Plan

Awards are no longer granted under the Share Option Plans and all charges have been incurred as the remaining awards all vested before 2018. No awards remained outstanding under these plans at 31 December 2019 as the remaining vested options were exercised during 2019.

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 Awards (Management Share Plans prior to 2018)

The Management Share Award 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 Awards (Bonus Deferral Plans prior to 2018)

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

Global Employee Share Plan

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

6 Share-based payments (continued)

6.1 Share Option Plan

Details of share options outstanding at the end of the year are as follows:

	2019	2018
Rio Tinto plc Share Option Plan		
Weighted average exercise price (£)	-	17
Number of share options outstanding	-	3,792
Expected weighted average remaining life (years)	-	0.22

	2019	2018
Rio Tinto Limited Share Option Plan		
Weighted average exercise price (A$)	-	33
Number of share options outstanding	-	2,168
Expected weighted average remaining life (years)	-	0.21

All outstanding shares under the Rio Tinto plc and Rio Tinto Limited Share Option Plans were exercised during 2019.

6.2 Performance Share Plan - Rio Tinto plc awards

The movements in the number of share options during the year were as follows:

	2019 Number	2018 Number
Outstanding, start of the year	2,460,261	2,325,642
Transfers during the year	(718)	(29,264)
Granted during the year	522,188	535,367
Forfeited during the year	(160)	-
Exercised during the year	(208,674)	(158,302)
Expired during the year	(300,737)	(213,182)
Outstanding, end of the year	**2,472,160**	**2,460,261**

The movements in the weighted average exercise price of share options during the year were as follows:

	2019 £	2018 £
Outstanding, start of the year	21.86	20.47
Transfers during the year	21.86	20.47
Granted during the year	24.68	26.87
Forfeited during the year	23.95	-
Exercised during the year	21.36	21.57
Expired during the year	23.79	14.54
Outstanding, end of the year	22.20	21.86

6 Share-based payments (continued)

6.3 Performance Share Plan - Rio Tinto Limited awards

The movements in the number of share options during the year were as follows:

	2019 Number	2018 Number
Outstanding, start of the year	146,375	214,265
Transfers during the year	363,875	(57,016)
Granted during the year	(288,232)	15,998
Forfeited during the year	(16,584)	(219)
Exercised during the year	(18,714)	(10,478)
Expired during the year	(119,155)	(16,175)
Outstanding, end of the year	**67,565**	**146,375**

The movements in the weighted average exercise price of share options during the year were as follows:

	2019 A$	2018 A$
Outstanding, start of the year	43.34	40.13
Transfers during the year	43.34	40.13
Granted during the year	54.55	53.85
Forfeited during the year	44.02	43.83
Exercised during the year	41.72	40.85
Expired during the year	46.42	27.67
Outstanding, end of the year	45.11	43.34

6.4 Management Share Awards, Bonus Deferral Awards, Global Employee Share Plan and UK Share Plan (Combined) - Rio Tinto plc awards

The movements in the number of share options during the year were as follows:

	2019 Number	2018 Number
Outstanding, start of the year	552,502	686,259
Transfers during the year	(9,281)	(32,917)
Granted during the year	168,528	211,949
Forfeited during the year	(51,969)	(57,267)
Exercised during the year	(268,925)	(255,522)
Outstanding, end of the year	**390,855**	**552,502**

6 Share-based payments (continued)

6.4 Management Share Awards, Bonus Deferral Awards, Global Employee Share Plan and UK Share Plan (Combined) - Rio Tinto plc awards (continued)

The movements in the weighted average exercise price of share options during the year were as follows:

	2019 £	2018 £
Outstanding, start of the year	31.43	27.23
Transfers during the year	31.43	27.23
Granted during the year	40.41	39.49
Forfeited during the year	39.46	30.26
Exercised during the year	25.40	27.54
Outstanding, end of the year	37.14	31.43

The above awards outstanding at the end of the year as broken down as follows:

	2019 Number	2019 Weighted average FV £	2018 Number	2018 Weighted average FV £
Management Share Awards	162,404	38.68	239,340	32.52
Bonus Deferral Awards	212,917	41.95	287,407	37.86
Global Employee Share Plan	5,112	33.98	7,500	28.68
UK Share Plan	10,422	37.86	18,255	29.90
	390,855		**552,502**	

The vested awards settled in shares during the year (including dividends applied on vesting) were as follows:

	2019 Number	2019 Weighted average FV £	2018 Number	2018 Weighted average FV £
Management Share Awards	111,841	43.68	128,407	40.03
Bonus Deferral Awards	146,822	42.53	110,740	37.69
Global Employee Share Plan	7,677	43.04	12,704	39.06
UK Share Plan	2,585	42.21	3,671	38.21
	268,925		**255,522**	

6 Share-based payments (continued)

6.5 Management Share Awards, Bonus Deferral Awards, Global Employee Share Plan and UK Share Plan (Combined) - Rio Tinto Limited awards

The movements in the number of share options during the year were as follows:

	2019 Number	2018 Number
Outstanding, start of the year	36,951	117,806
Transfers during the year	5,375	(48,929)
Granted during the year	6,994	16,331
Forfeited during the year	(13,027)	(6,799)
Exercised during the year	(22,511)	(41,458)
Outstanding, end of the year	**13,782**	**36,951**

The movements in the weighted average exercise price of share options during the year were as follows:

	2019 A$	2018 A$
Outstanding, start of the year	61.71	54.15
Transfers during the year	61.71	54.15
Granted during the year	86.56	78.36
Forfeited during the year	72.18	64.60
Exercised during the year	49.39	55.30
Outstanding, end of the year	75.46	61.71

The above awards outstanding at the end of the year as broken down as follows:

	2019 Number	2019 Weighted average FV A$	2018 Number	2018 Weighted average FV A$
Management Share Awards	13,172	78.67	25,091	64.06
Bonus Deferral Awards	-	-	11,771	71.93
Global Employee Share Plan	610	68.82	89	56.66
	13,782		**36,951**	

6 Share-based payments (continued)

6.5 Management Share Awards, Bonus Deferral Awards, Global Employee Share Plan and UK Share Plan (Combined) - Rio Tinto Limited awards (continued)

The vested awards settled in shares during the year (including dividends applied on vesting) were as follows:

	2019	2019	2018	2018
		Weighted average FV		Weighted average FV
	Number	A$	Number	A$
Management Share Awards	14,676	93.05	23,303	80.87
Bonus Deferral Awards	6,741	97.30	17,334	75.36
Global Employee Share Plan	1,094	91.50	821	78.78
	22,511		**41,458**	

In addition to the equity-settled awards shown above, there were 342,484 Rio Tinto Limited cash-settled awards outstanding at 31 December 2019 (2018: 276,722). The total liability for these awards at 31 December 2019 was £11,481,000 (2018: £10,166,000).

7 Finance income

	2019	2018
	£'000	£'000
Interest income from lease investments	2,309	-
Interest on defined benefit obligations	17,454	13,911
Interest income from group undertakings	1,048	1,103
	20,811	**15,014**

8 Finance costs

	2019	2018
	£'000	£'000
Interest expense on leases - Land & buildings	7,620	-
Interest expense on leases - Vehicles	3	-
Other finance costs	162	241
	7,785	**241**

9 Profit before taxation

	2019 £'000	2018 £'000
Depreciation and amortisation expense		
Depreciation expense	1,993	2,499
Amortisation expense	851	901
Depreciation on right of use assets - Vehicles	76	-
Depreciation on right of use assets - Land and buildings	4,943	-
Amortisation of net investment in leases	489	-
	8,352	**3,400**
Other expenses		
Audit and other accounting fees	5,957	6,362
Donations	5	43
Travel expenses	6,567	7,855
Other expenses	12,703	10,914
Professional costs	2,524	4,893
	27,756	**30,067**

(a) The Company paid £62,691 (2018: £66,000) to its auditors in respect of the audit of the financial statements.

(b) During the year, the auditor performed a service for the audit of the Rio Tinto Total Taxes Paid 2019 report. The audit opinion is addressed to the directors of Rio Tinto plc and Rio Tinto Limited, however the engagement letter for this service is signed by Rio Tinto London Limited in the current year. The total fee for this service was £175,076.

10 Taxation

	2019 £'000	2018 £'000
Current tax		
Current tax for the year	1,989	(2,477)
Current tax adjustment in respect of prior periods	2,329	-
Total current tax	**4,318**	**(2,477)**
Deferred tax		
Origination and reversal of temporary differences	5,417	4,409
Impact of change in tax rate	1,003	(464)
Deferred tax adjustment in respect of prior periods	(282)	78
Total deferred taxation	**6,138**	**4,023**
Tax charge in statement of comprehensive income	**10,456**	**1,546**

10 Taxation (continued)

Tax included in other comprehensive income

			2019			2018
	Before tax £'000	Tax benefit £'000	Net of tax £'000	Before tax £'000	Tax expense £'000	Net of tax £'000
Remeasurements of post employment benefit obligations	29,059	(67,367)	(38,308)	63,597	(10,901)	52,696

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (2018: higher than the standard rate of corporation tax in the UK) of 19% for the year ended 31 December 2019 (2018: 19%).

The differences are reconciled below:

	2019 £'000	2018 £'000
Profit/(loss) before taxation	31,374	(40,416)
Profit/(loss) before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	5,961	(7,679)
Current tax adjustment in respect of prior periods	2,329	-
Increase from effect of revenues exempt from taxation	(2,815)	-
Increase from effect of expenses not deductible in determining taxable profit	3,784	7,703
Increase from effect of exercise employee share options	476	1,613
Increase arising from group relief tax reconciliation	-	295
Deferred tax adjustment in respect of prior periods	(282)	-
Deferred tax expense/(credit) relating to changes in tax rates or laws	1,003	(464)
Other tax effects for reconciliation between accounting profit and tax expense	-	78
Total tax charge for the financial year	**10,456**	**1,546**

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.

A change to the main UK corporation tax rate was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. The remeasurement of the deferred tax balances is expected to result in an increase in the net deferred tax liability of £3,300,000.

11 Deferred taxation

	2019 £'000	2018 £'000
Deferred tax assets	19,617	15,199
Deferred tax liabilities	(172,475)	(97,795)
	(152,858)	**(82,596)**

Deferred tax movement during the year:

	At 1 January 2019 £'000	Recognised in the income statement £'000	Recognised in OCI £'000	Recognised in equity £'000	At 31 December 2019 £'000
Tax losses carry-forwards	797	(583)	-	-	214
Pension benefit obligations	(97,795)	(7,313)	(67,367)	-	(172,475)
Share-based payment	11,046	(247)	-	1,304	12,103
Other post-employment benefits	-	2,173	-	-	2,173
Other items	1,831	250	-	1,940	4,021
Accelerated tax depreciation	1,525	(419)	-	-	1,106
Net tax assets/(liabilities)	**(82,596)**	**(6,138)**	**(67,367)**	**3,243**	**(152,858)**

Deferred tax movement during the prior year:

	At 1 January 2018 £'000	Recognised in the income statement £'000	Recognised in OCI £'000	Recognised in equity £'000	At 31 December 2018 £'000
Tax losses carry-forwards	844	(47)	-	-	797
Pension benefit obligations	(86,248)	(646)	(10,901)	-	(97,795)
Share-based payment	13,692	(1,096)	-	(1,550)	11,046
Other post-employment benefits	1,417	(1,417)	-	-	-
Other items	1,870	(39)	-	-	1,831
Accelerated tax depreciation	2,303	(778)	-	-	1,525
Net tax assets/(liabilities)	**(66,122)**	**(4,023)**	**(10,901)**	**(1,550)**	**(82,596)**

The deferred tax assets include an amount of £214,000 (2018: £797,000) relating to carried-forward tax losses which were incurred by the Company over the previous two financial years. The carried-forward tax losses have been partially utilised against taxable profits in the current year, and the Company has determined that the remaining deferred assets will be recoverable using the estimated future taxable income. The losses can be carried forward indefinitely and have no expiry date.

12 Trade and other receivables

	2019 £'000	2018 £'000
Current		
Trade receivables	954	695
Receivables from related parties	312,279	264,050
Taxation owed by group undertakings	-	3,676
Prepayments	1,075	6,098
Other receivables	810	1,804
Lease investments	6,676	-
	321,794	**276,323**
Non-current		
Trade and other receivables	-	12,996
Lease investments	35,243	-
	35,243	**12,996**

Of the amounts due from group undertakings, £143,077,000 (2018: £112,054,000) receives interest based on LIBOR plus a margin and is repayable on demand. All other amounts are non-interest bearing and repayable on demand.

13 Property, plant and equipment

	Land and buildings £'000	Furniture, fittings and equipment £'000	Construction in progress £'000	Total £'000
Cost				
At 1 January 2019	6,725	25,258	524	32,507
Change in accounting policy (a)	(4,591)	-	-	(4,591)
Additions	7,765	520	234	8,519
Disposals	(173)	(1,080)	(15)	(1,268)
Transfers	1,375	(869)	(506)	-
At 31 December 2019	11,101	23,829	237	35,167
Accumulated depreciation				
At 1 January 2019	(860)	(7,661)	-	(8,521)
Change in accounting policy (a)	1,141	-	-	1,141
Charge for the year	(138)	(1,855)	-	(1,993)
Eliminated on disposal	81	1,031	-	1,112
Transfers	(910)	910	-	-
At 31 December 2019	(686)	(7,575)	-	(8,261)
Net book value				
At 31 December 2019	**10,415**	**16,254**	**237**	**26,906**
At 31 December 2018	**5,865**	**17,597**	**524**	**23,986**

(a) Leased assets 2018

As at 31 December 2018, land and buildings included the following amounts where the Company was a lessee under finance leases:

	2018 £'000
Cost	4,591
Accumulated depreciation	(1,141)
Net book value	**3,450**

From 2019 leased assets are classified as right-of-use assets and presented as a separate line item in the balance sheet, see note 17. Refer to note 26 for details about the changes in accounting policy.

14 Intangible assets

	Software £'000	Total £'000
Cost		
At 1 January 2019	9,072	9,072
At 31 December 2019	9,072	9,072
Accumulated amortisation		
At 1 January 2019	7,790	7,790
Amortisation charge	851	851
At 31 December 2019	8,641	8,641
Net book value		
At 31 December 2019	**431**	**431**
At 31 December 2018	**1,282**	**1,282**

Software intangible assets have a remaining amortisation period of 1.5 years.

15 Investments in employee share trusts

	2019 £'000	2018 £'000
At 1 January	70,439	39,644
Additions to employee share option trust	32,757	91,589
Disposals from employee share option trust	(65,651)	(60,794)
	37,545	**70,439**

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 2019, the employee share trust held 866,255 (2018: 1,843,460) ordinary shares of Rio Tinto plc.

16 Pension assets

	2019 £'000	2018 £'000
Defined pension benefit	638,085	575,259
	638,085	**575,259**

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

17 Leases

(a) Amounts recognised in the balance sheet

Right-of-use assets	**Land and buildings £'000**	**Vehicles £'000**	**Total £'000**
Cost			
At 1 January 2019	-	-	-
Change in accounting policy	102,578	125	102,703
At 1 January 2019 (as restated)	102,578	125	102,703
Additions	-	60	60
Disposals	-	(83)	(83)
Impairment	(6,190)	-	(6,190)
At 31 December 2019	**96,388**	**102**	**96,490**
Depreciation			
At 1 January 2019	-	-	-
Change in accounting policy	(23,861)	-	(23,861)
At 1 January 2019 (as restated)	(23,861)	-	(23,861)
Charge for the year	(4,943)	(76)	(5,019)
Eliminated on disposal	-	38	38
At 31 December 2019	**(28,804)**	**(38)**	**(28,842)**
Net book value			
At 31 December 2019	**67,584**	**64**	**67,648**
At 31 December 2018	-	-	-

Lease liabilities

	2019 £'000	**2018 £'000**
Lease liabilities - current	9,791	-
Lease liabilities - non current	134,900	-
	144,691	-

17 Leases (continued)

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	2019 £'000	2018 £'000
Less than one year	17,627	16,641
Between 2-5 years	67,688	67,690
Between 6-10 years	64,273	71,342
Greater than 10 years	48,639	58,506
	198,227	**214,179**

Lease investments

	2019 £'000	2018 £'000
Lease investments - current	6,676	-
Lease investments- non current	35,243	-
	41,919	**-**

The Company has sub-leased right-of-use assets in cases where the assets are no longer required for the Company's use. At 31 December 2019, the Company recognised a net investment asset of £41,919,000 relating to the discounted value of cash expected to be received from assets leased out under operating leases.

During the year, the Company also recognised sub-lease income of £2,309,000. This represents the income received in the year relating to assets subject to operating leases.

Rio Tinto Group Property has been engaged since 2016 to manage the sub-leased assets and any risk associated with these assets. An international real estate consultant firm has been appointed to help manage the risks, with their key responsibilities including (i) lease management (including rent collection and rent payment); (ii) frequent sub-tenant liaison and communication and (iii) regular inspections to ensure sublease compliance. They also regularly engage with landlords to ensure alignment, and additionally they communicate with landlords on an annual basis to identify opportunities for Rio Tinto to exit these legacy assets.

Lease investments maturity analysis

A maturity analysis of the net investment in leases based on undiscounted gross cash flow is reported in the table below:

	2019 £'000	2018 £'000
Within one year	7,623	7,623
Between 2-5 years	30,417	30,493
Greater than 5 years	15,435	22,983
	53,475	**61,099**

17 Leases (continued)

(b) Amounts recognised in the statement of comprehensive income

	2019 £'000	2018 £'000
Payments		
Interest	7,623	-

The total cash outflow for leases in 2019 was £16,637,000.

	2019 £'000	2018 £'000
Depreciation charge		
Depreciation on right of use assets - Land and buildings	4,943	-
Depreciation on right of use assets - Vehicles	76	-
Amortisation of net investment in leases	489	-
	5,508	-

18 Trade and other payables

	2019 £'000	2018 £'000
Current		
Trade payables	6,392	8,763
Accruals and deferred income	20,723	17,228
Amounts due to group undertakings	12,913	26,980
Other payables	59,035	58,301
Taxation due to group undertakings	2,329	-
	101,392	111,272
Non-current		
Deferred compensation (a)	11,481	10,166
Lease incentive (b)	-	5,756
	11,481	15,922

(a) As disclosed in the Group Annual report from 2016 to 2019, a deed of deferral was 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 were still not complete at the balance sheet date, the Group Remuneration Committee determined that a further deferral of the amounts that were payable on 31 December 2019 was appropriate. Please see note 6 for further details and note 25 for a post balance sheet date update.

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

(c) Amounts due to group undertakings are interest free and payable on demand.

19 Provisions

	Onerous lease provision £'000	Dilapidations provisions £'000	N.I. on share schemes £'000	Total £'000
At 1 January 2019	24,530	5,198	15,268	44,996
Adjustment to opening balance on transition to new accounting standard	(24,530)	-	-	(24,530)
Additional provisions	-	-	3,147	3,147
Increase due to passage of time or unwinding of discount	-	161	-	161
At 31 December 2019	-	5,359	18,415	23,774

	2019 £ 000	2018 £ 000
Provisions - Non-current	17,904	36,024
Provisions - Current	5,870	8,972
	23,774	44,996

Onerous lease provision
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.

Dilapidations provision
The operating lease contracts held by the Company for office space requires the occupied space to be restored to its original condition at the end of the lease term. The Company therefore has recognised a make good provision on the balance sheet relating to the estimated costs of removing leasehold improvements.

N.I. on share schemes
To the extent that the share price at the balance sheet date is greater than the exercise price on options granted under unapproved schemes, a provision for any National Insurance contributions has been made based on the prevailing rate of National Insurance.

20 Pension commitments

Defined benefit pension schemes
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 is the sponsoring employer for these plans.

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

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

The Company also operates an unfunded unapproved pension arrangement.

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 2020 and subsequent years cannot be determined precisely in advance. Contributions to defined benefit pension plans for 2020 are estimated to be around £3 million but may be higher or lower than this. For the unfunded plans the Company's contributions are expected to be similar to the amounts paid in 2019.

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

20 Pension commitments (continued)

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.

20 Pension commitments (continued)

The combined net pension asset details are outlined below.

Reconciliation of surplus shown on the balance sheet

	2019 £'000	2018 £'000
Fair value of scheme assets	3,996,069	3,826,119
Present value of scheme liabilities	(3,357,984)	(3,250,860)
Defined benefit pension scheme surplus	**638,085**	**575,259**

Pension obligations

Changes in the present value of pension scheme obligations are as follows:

	2019 £'000	2018 £'000
Present value at start of year	(3,250,860)	(3,534,470)
Current service cost	(369)	(4,816)
Past service cost	(2,168)	(6,834)
Actuarial gains and losses arising from changes in demographic assumptions	-	(3,514)
Actuarial gains and losses arising from changes in financial assumptions	(239,003)	198,349
Actuarial gains and losses arising from experience adjustments	24,722	4,944
Interest cost	(88,306)	(79,560)
Benefits paid	198,017	175,090
Contributions by scheme participants	(17)	(49)
Present value of obligation at end of the year	**(3,357,984)**	**(3,250,860)**

Plan assets

Changes in the fair value of pension scheme assets are as follows:

	2019 £'000	2018 £'000
Fair value at start of the year	3,826,119	4,041,811
Interest income on assets	105,760	93,471
Contributions by the Company	21,916	4,672
Contributions by other employers	-	524
Contributions by plan participants	17	49
Non-investment expenses	(3,066)	(3,136)
Benefits paid	(198,017)	(175,090)
Return on plan assets (net of interest on assets) gain/(loss)	243,340	(136,182)
Fair value of plan assets at end of the year	**3,996,069**	**3,826,119**

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

20 Pension commitments (continued)

Analysis of assets

The major categories of pension scheme assets are as follows:

	2019 %	2018 %
Bonds - government fixed income	14	15
Bonds - government inflation linked	43	42
Bonds - corporate and other quoted	30	28
Bonds - private	3	1
Property - quoted funds	5	9
Cash and other	5	5
	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 (2018: £0.1 million).

Amounts recognised in the income statement

	2019 £'000	2018 £'000
Current service cost	(369)	(4,816)
Past service cost	(2,168)	(6,834)
Net interest on obligation/asset	17,454	13,911
Non-investment expenses paid from the plans	(3,066)	(3,136)
Contributions by other employers	-	524
Total recognised in the income statement	**11,851**	**(351)**

Amounts recognised in other comprehensive income before tax

	2019 £'000	2018 £'000
Actuarial (losses)/gains	(239,003)	194,835
Return on plan assets and experience gain obligation	268,062	(131,238)
Total recognised in other comprehensive income before tax	**29,059**	**63,597**

Change in the net defined benefit asset	2019 £'000	2018 £'000
Net defined benefit asset at the start of the year	575,259	507,341
Amounts recognised in profit or loss	11,851	(351)
Amounts recognised in other comprehensive income	29,059	63,597
Contributions by the Company	21,916	4,672
Net defined benefit asset at the end of the year	**638,085**	**575,259**

20 Pension commitments (continued)

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

	2019 %	2018 %
Discount rate	2.80	2.80
Future salary increases	3.70	3.70
Future pension increases	3.30	3.30
Inflation rate	3.30	3.30

Post retirement mortality assumptions

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

	2019	2018
- For a male aged 60 now	27.00	27.00
- At 60 for a male aged 40 now	29.00	28.00

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	2019 + 0.5% £'000	2019 - 0.5% £'000	2018 + 0.1% £'000	2018 - 0.1% £'000
Discount rate	250,962	(271,234)	221,906	(238,163)
Inflation	(241,598)	225,309	(213,820)	200,612
Demographic – allowance for future improvements in longevity	149,519	(149,519)	(129,129)	129,129

Maturity analysis of benefit payments

	2019 Pensions	2019 Other benefits	2019 Total	2018 Total
Proportion relating to current employees	2%	0%	2%	2%
Proportion relating to former employees not yet retired	28%	0%	28%	26%
Proportion relating to retirees	70%	100%	70%	72%
	100%	100%	100%	100%
Average duration of obligation (years)			15.87	14.54

21 Share capital

Allotted, called up and fully paid shares

	2019 No. 000	2019 £ 000	2018 No. 000	2018 £ 000
Ordinary shares of £1 each	4,800	4,800	4,800	4,800

22 Parent and ultimate parent undertaking

The Company's 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.

23 Related party transactions

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

Expenditure with and payables to other related parties

	2019 £'000	2018 £'000
Rendering of services	(2,798)	(397)
Amounts payable to related parties	-	(55)

Outbound charges / payables	**Transactions 2019 £'000**	**Balance 2019 £'000**	**Transactions 2018 £'000**	**Balance 2018 £'000**
Energy Resources of Australia Ltd	(8)	-	-	-
Rossing Uranium Ltd	(2,755)	-	-	-
Dampier Salt Ltd	-	-	-	-
Chlor Alkali Unit Pte Ltd	(16)	-	-	-
Oyu Tolgoi LLC	(3)	-	(18)	-
Richards Bay Titanium (Proprietary) Limited	(16)	-	(327)	(55)
Simfer S.A.	-	-	(52)	-
	(2,798)	**-**	**(397)**	**(55)**

23 Related party transactions (continued)

Income and receivables from other related parties

	2019 £'000	2018 £'000
Receipt of services	5,945	5,508
Amounts receivable from related parties	4,767	8,426

Inbound charges / receivables	Transactions 2019 £'000	Balance 2019 £'000	Transactions 2018 £'000	Balance 2018 £'000
Energy Resources of Australia Ltd	-	-	62	-
Rossing Uranium Ltd	451	-	620	1,114
Dampier Salt Ltd	19	18	6	-
Chlor Alkali Unit Pte Ltd	159	-	140	71
Resolution Copper Mining LLC	86	7	71	7
Turquoise Hill Resources Ltd	-	-	2,107	2,000
Oyu Tolgoi LLC	825	81	618	61
QIT Madagascar Minerals SA	756	690	837	341
Richards Bay Titanium (Proprietary) Limited	939	148	10	636
Richards Bay Mining (Proprietary) Limited	1,269	106	319	302
Rio Tinto Orissa Mining Pvt Ltd	1	5	4	4
Simfer S.A.	242	3,516	135	3,274
Iron Ore Company of Canada	650	-	563	610
Sohar Aluminium Co. LLC	11	33	16	6
Robe River Iron Associates Joint Venture	13	13	-	-
Diavik Joint Venture	325	147	-	-
Aluminium & Chemie Rotterdam B.V.	2	3	-	-
CanPacific Potash Inc.	197	-	-	-
	5,945	**4,767**	**5,508**	**8,426**

24 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 2019.

Details of the subsidiaries as at 31 December 2019 are as follows:

Name of subsidiary	Country of incorporation	Registered office	Share class	Direct holding % of share class held	Indirect holding % 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, SW1Y 4AD, United Kingdom	£1.00 Ordinary shares	100	-
Rio Sava Exploration DOO*	Serbia	Resavska 23, 11000 Beograd, Beograd, 11000, Serbia	-	-	-

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

25 Events after the reporting period

Subsequent to 31 December 2019, a global health crisis has emerged. In an attempt to combat the spread of the COVID-19 virus, the United Kingdom, together with many nations around the world, has and will continue to impose restrictions on gatherings of people in workplaces, social settings and travel. These necessary restrictions will have a significant impact on commerce and job losses. It is widely expected that global GDP will be negative in the second half of 2020. The extent and duration of the health crisis and recessionary business activity is unknown, although a number of leading health organisations and economists expect significant impacts on the economy to last at least 18 months.

To date, commodity supply is being disrupted as restrictions impact, for example, supply-chain, mobility, workforce, market demand and trade flow impacts. Specifically, this may impact the expected credit losses on amounts due from fellow group undertakings, and in turn the Company's ability to meet its financial obligations. Any financial impact on the Company's results of operations and financial position is considered a non-adjusting post balance sheet event and will accordingly be reflected in the periods post 31 December 2019. While the full consequences of the COVID-19 health crisis and its effect on the Company's operations and financial position cannot yet be determined, management is closely monitoring the development of the outbreak and its related impact. Due to the Group's strong balance sheet and the guarantee from Rio Tinto plc and Rio Tinto Limited, the directors continue to believe that the Company can continue its operations in line with its going concern statement as set out in note 1.

Additionally, following the completion of an independent confidential and binding dispute resolution process during the first quarter of 2020, a determination was made that, under the terms of the deed, the incentive plan awards owed to former Group chief executive Sam Walsh should not be subject to any further deferrals and are payable. As a result, payments were made by Rio Tinto to Sam Walsh of all deferred incentive plan awards which would have been payable on 31 December 2018 together with associated dividends and interest.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected the Company's operations, results or state of affairs, or may do so in future years.

26 Impact of changes in accounting standards

This note explains the impact of the adoption of IFRS 16 Leases on the Company's financial statements. The new accounting policies applied from 1 January 2019 are set out in note 1. The adoption of other minor changes to IFRS applicable for 2019 did not have a significant impact on the Company's financial statements.

The impact on retained earnings as at 1 January 2019 from the adoption of IFRS 16 is as follows:

	£ 000
Retained earnings as at 31 December 2018	(380,099)
IFRS 16 net impact from recognising lease liabilities, right-of-use-assets and other items after tax	10,249
Restated retained earnings as at 1 January 2019:	**(369,850)**

26 Impact of changes in accounting standards (continued)

The Company transitioned to IFRS 16 using the modified retrospective approach and as a result the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. The prior year figures were not adjusted.

On adoption of IFRS 16, the Company elected to apply the relief provisions available and has not reviewed contacts under the definition of a lease per IFRS 16, which had previously not been classified as leases under the principles of IAS 17. Therefore, only contracts entered into or modified on or after 1 January 2019 have the definition of a lease per IFRS 16 applied.

In addition, the Company decided to apply recognition exemptions to leases with a term not exceeding 12 months and leases where the underlying assets are of low value.

For leases classified as operating leases under IAS 17, these lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The Company has used the following practical expedients permitted by IFRS 16 when applying this for the first time to leases previously classified as operating leases:

• Applied a single discount rate to a portfolio of leases with similar characteristics
• Applied the exemption not to recognise liabilities for leases with less than 12 months of lease term remaining
• Excluded initial direct costs for the measurement of right-to-use assets at the date of initial application
• Used hindsight in determining the lease term where the contract contains options to extent or terminate the lease

Right-of-use assets are measured at either:

• Their carrying amount as if IFRS 16 has been applied since commencement, discounted using the lessee's incremental borrowing rate at the date of initial application
• An amount equal to the lease liability, adjusted for any prepaid or accrued lease payments

No adjustments are required on transition to IFRS 16 for leases where the Company acts as a lessor, except for a sub-lease. A reassessment of the classification of a sub-lease is required under IFRS 16.

The Company recognised lease liabilities in relation to leases that were classified as 'operating leases" under the principles of IAS 17 - Leases. On transition, an additional £141,504,000 of right-to-use assets and net investments in leases, and £153,702,000 of lease liabilities were recognised with the difference allocated to retained earnings.

	As originally reported 2018 £'000
Operating lease commitments at 31 December 2018	**167,452**
Operating lease commitments discounted at the incremental borrowing rate	102,640
Recognition exemption for short-term leases	(137)
Adjustments resulting from the different treatment of extension and termination options	51,199
Lease liabilities recognised at 1 January 2019	**153,702**

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average rate applied was 5.07%.