RIO TINTO PLC
Form 20-F/A
October 27, 2010

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 20-F/A
Amendment No. 1

(Mark One)

o **Registration statement pursuant to Section 12 (b) or 12(g) of the Securities Exchange Act of 1934**
or

þ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the financial year ended: 31 December 2009**
or

o **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from: _____________ to _____________**
or

o **Shell company report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 Date of event requiring this shell company report _____________**

Commission file number: 1-10533	**Commission file number: 0-20122**
Rio Tinto plc	**Rio Tinto Limited** **ABN 96 004 458 404**
(Exact name of Registrant as specified in its charter)	(Exact name of Registrant as specified in its charter)
England and Wales	**Victoria, Australia**
(Jurisdiction of incorporation or organisation)	(Jurisdiction of incorporation or organisation)
2 Eastbourne Terrace **London, W2 6LG, United Kingdom**	**Level 33, 120 Collins Street** **Melbourne, Victoria 3000, Australia**
(Address of principal executive offices)	(Address of principal executive offices)

Julie Parent, T: 514-848-8519, E: julie.parent@riotinto.com
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered	Name of each exchange on which registered	Title of each class
American Depositary Shares*	New York Stock Exchange		
Ordinary Shares of 10p each**	New York Stock Exchange		
7.125% Notes due 2013	New York Stock Exchange	New York Stock Exchange	7.125% Notes due 2013
5.875% Notes due 2013	New York Stock Exchange	New York Stock Exchange	5.875% Notes due 2013

6.500% Notes due 2018	New York Stock Exchange	New York Stock Exchange	6.500% Notes due 2018
7.125% Notes due 2028	New York Stock Exchange	New York Stock Exchange	7.125% Notes due 2028
8.950% Notes due 2014	New York Stock Exchange	New York Stock Exchange	8.950% Notes due 2014
9.000% Notes due 2019	New York Stock Exchange	New York Stock Exchange	9.000% Notes due 2019

* Evidenced by American Depositary Receipts. Each American Depositary Share Represents one Rio Tinto plc Ordinary Shares of 10p each.

** Not for trading, but only in connection with the listing of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Title of each class	Title of each class
None	Shares

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None	None

Indicate the number of outstanding shares of each of the Issuer s classes of capital or common stock as of the close of the period covered by the annual report:

Title of each class	Number	Number	Title of each class
Ordinary Shares of 10p each	1,529,003,871	606,831,240	Shares
DLC Dividend Share of 10p	1	1	DLC Dividend Share
Special Voting Share of 10p	1	1	Special Voting Share

Indicate by check mark if the registrants are well-known seasoned issuers, as defined in rule 405 of the Securities Act.
Yes þ No o

If this report is an annual or transition report, indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
Yes o No þ

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrants: (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days:
Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).* Yes þ No o

* This requirement does not apply to the registrant until its fiscal year ending December 31, 2011.

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, or non-accelerated filers. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
		(Do not check if a smaller reporting company)	

Indicate by check mark which basis of accounting the registrants have used to prepare the financial statements included in this filing:

US GAAP o International Financial Reporting Standards as issued by the International Accounting Standards Board þ Other o

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrants have elected to follow:

Item 17 o Item 18 o

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

Explanatory Note

This Amendment No. 1 on Form 20-F/A (the Amendment) amends the Annual Report on Form 20-F for the fiscal year ended December 31, 2009 (the Form 20-F) filed by Rio Tinto plc and Rio Tinto Limited with the Securities and Exchange Commission on 27 May, 2010, and is being filed solely to amend the Report of Independent Registered Public Accounting Firm (the Audit Report) contained in Item 18 of the Form 20-F to correct a typographical error in the date of the Audit Report from 15 April 2010 to 27 May 2010.

Pursuant to Rule 12b-15 promulgated under the Securities Exchange Act of 1934, we have repeated the entire text of Item 18 of the Form 20-F in this Amendment. However, there have been no changes to the text of such item other than the change stated in the immediately preceding paragraph.

This Amendment includes a new Consent of Independent Registered Public Accounting Firm as Exhibit 15.1 and a new Consent of Independent Auditors as Exhibit 15.2 hereto and new certifications by our Principal Executive Officer and Principal Financial Officer pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 as Exhibits 12.1 and 13.1 hereto.

Except as expressly set forth above, this Amendment does not, and does not purport to, amend, update or restate the information in any other item of the Form 20-F or reflect any events or transactions that have occurred after the filing of the original Form 20-F. Please refer to our Current Reports on Form 6-K dated 18 October 2010 and 19 October 2010 for descriptions of such subsequent events or transactions.

RIO TINTO
PART III

Item 18. Financial Statements

The *2009 Financial statements* of the Rio Tinto Group and the separate *2009 Financial statements* of Minera Escondida Limitada (Rio Tinto: 30 per cent), which exceeded certain tests of significance under Rule 3-09 of Regulation S-X, are included as the A pages in this Annual report on Form 20-F.

Item 19. Exhibits

Exhibits marked *** have been filed as exhibits to this amendment to the Annual report on Form 20-F/A and other exhibits have been filed previously or incorporated by reference as indicated.

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Exhibit Number	Description
1.1*	Articles of Association of Rio Tinto plc (adopted by special resolution passed on 20 April 2009 and amended on 1 October 2009)
1.2*	Constitution of Rio Tinto Limited (ACN 004 458 404) (as adopted by special resolution passed on 24 May 2000 and amended by special resolution on 18 April 2002, 29 April 2005, 27 April 2007, 24 April 2008 and 20 April 2009)
2.1	Facility Agreement, dated 12 July 2007, among Rio Tinto, Credit Suisse, Deutsche Bank AG, London Branch, The Royal Bank of Scotland plc, and Societe Generale (incorporated by reference to Exhibit (b)(1) to the Schedule TO-T filed by Rio Tinto plc and Rio Tinto Canada Holding Inc. on 24 July 2007, File No. 1-10533)
3.1	DLC Merger Implementation Agreement, dated 3 November 1995 between CRA Limited and The RTZ Corporation PLC relating to the implementation of the DLC merger (incorporated by reference to Exhibit 2.1 of Rio Tinto plc s Annual report on Form 20-F for the financial year ended 31 December 1995, File No. 1-10533)
3.2*	DLC Merger Sharing Agreement, dated 21 December 1995 and amended on 14 April 2005, 29 April 2005 and 18 December 2009 between CRA Limited and The RTZ Corporation PLC relating to the ongoing relationship between CRA and RTZ following the DLC merger
3.3*	RTZ Shareholder Voting Agreement, dated 21 December 1995 and amended on 18 January 2010 between The RTZ Corporation PLC, RTZ Shareholder SVC Pty. Limited, CRA Limited, R.T.Z. Australian Holdings Limited and The Law Debenture Trust Corporation p.l.c
3.4*	CRA Shareholder Voting Agreement, dated 21 December 1995 and amended 18 January 2010 between CRA Limited, CRA Shareholder SVC Limited, The RTZ Corporation PLC and The Law Debenture Trust Corporation p.l.c., relating to the RTZ Special Voting Share
4.01	Service Agreement dated 4 May 2007 between Mr T Albanese and Rio Tinto London Limited (incorporated by reference to Exhibit 4.01 of Rio Tinto plc s Annual report on Form 20-F for the financial year ended 31 December 2007, File No. 1-10533)
4.02	Memorandum effective 1 March 2008 to Service Agreement dated 12 April 2006 between Mr T Albanese and Rio Tinto London Limited (incorporated by reference to Exhibit 4.02 of Rio Tinto plc s Annual report on Form 20-F for the financial year ended 31 December 2007, File No. 1-10533)

4.03 Service Agreement dated 19 June 2002 between Mr G R Elliott and Rio Tinto London Limited (incorporated by

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Exhibit Number	Description
	reference to Exhibit 4.31 of Rio Tinto plc s Annual report on Form 20-F for the financial year ended 31 December 2002, File No. 1-10533)
4.04	Memorandum effective 1 March 2008 to Service Agreement dated 19 June 2002 between Mr G R Elliott and Rio Tinto London Limited (incorporated by reference to Exhibit 4.01 of Rio Tinto plc s Annual report on Form 20-F for the financial year ended 31 December 2007, File No. 1-10533)
4.05	Rio Tinto plc Share Option Plan 2004 (incorporated by reference to Exhibit 4.3 of Rio Tinto s Registration statement on Form S-8, File No. 333-147914)
4.06	Rio Tinto plc Mining Companies Comparative Plan 2004 (incorporated by reference to Exhibit 4.4 of Rio Tinto s Registration statement on Form S-8, File No. 333-147914)
4.07	Rio Tinto Limited Share Option Plan 2004 (incorporated by reference to Exhibit 4.6 of Rio Tinto s Registration statement on Form S-8, File No. 333-147914)
4.08	Rio Tinto Limited Mining Companies Comparative Plan 2004 (incorporated by reference to Exhibit 4.7 of Rio Tinto s Registration statement on Form S-8, File No. 333-147914)
4.09	Medical expenses plan (incorporated by reference to Exhibit 4.67 of Rio Tinto plc s Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533)
4.10	Pension plan (incorporated by reference to Exhibit 4.68 of Rio Tinto plc s Annual report on Form 20-F for the financial year ended 31 December 2000, File No. 1-10533)
4.11	Rules of The Rio Tinto plc 2008 Bonus Deferral Plan (incorporated by reference to Exhibit 4.15 of Rio Tinto plc s Annual report on Form 20-F for the financial year ended 31 December 2008, File No. 1-10533)
4.12	US Annex to the Rules of the Rio Tinto plc 2008 Bonus Deferral Plan (incorporated by reference to Exhibit 4.16 of Rio Tinto plc s Annual report on Form 20-F for the financial year ended 31 December 2008, File No. 1-10533)
4.13	Rules of The Rio Tinto Limited 2008 Bonus Deferral Plan (incorporated by reference to Exhibit 4.17 of Rio Tinto plc s Annual report on Form 20-F for the financial year ended 31 December 2008, File No. 1-10533)
4.14	US Annex to the Rules of the Rio Tinto Limited 2008 Bonus Deferral Plan (incorporated by reference to Exhibit 4.18 of Rio Tinto plc s Annual report on Form 20-F for the financial year ended 31 December 2008, File No. 1-10533)
4.15* **	Implementation Agreement between Rio Tinto Limited, Rio Tinto plc, BHP Billiton Limited and BHP Billiton plc dated 5 December 2009 (including the schedules).
8.1*	List of subsidiary companies.
12.1***	Certifications pursuant to Rule 13a-14(a) of the Exchange Act.

13.1*** Certifications furnished pursuant to Rule 13a-14(b) of the Exchange Act (such certifications are not deemed filed for purpose of Section 18 of the Exchange Act and not incorporated by reference in any filing under the Securities Act).

15.1*** Consent of Independent Registered Public Accounting Firm to the incorporation of the audit report relating to the Rio Tinto Group and effectiveness of internal control over financial reporting of the Rio Tinto Group by reference in registration statements on Form F-3 and Form S-8.

15.2*** Consent of Independent Auditors to the incorporation of the audit report relating to the Minera Escondida Limitada by reference in registration statements on Form F-3 and Form S-8.

* Previously filed as an exhibit to the Annual Report on Form 20-F for the year ended 31 December 2009.

** Pursuant to a request for confidential treatment filed with the Securities and Exchange, the confidential portions of this exhibit have been omitted and filed seperately with the Securities and Exchange Commission.

*** Filed herewith.

Signature

The Registrants hereby certify that they meet all of the requirements for filing on Form 20-F/A and that they have duly caused and authorised the undersigned to sign this Amendment No. 1 to the Annual Report on their behalf.

Rio Tinto plc
(Registrant)

/s/ Tom Albanese

Name: **Tom Albanese**
Title: Chief Executive Officer

Date: 27 October 2010

Rio Tinto Limited
(Registrant)

/s/ Tom Albanese

Name: **Tom Albanese**
Title: Chief Executive Officer

Date: 27 October 2010

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Group income statement
Years ended 31 December

	Note	**2009 US$m**	2008 US$m	2007 US$m
Continuing operations				
Consolidated sales revenue		**41,825**	54,264	29,700
Net operating costs (excluding items shown separately)	*3*	**(33,818)**	(37,641)	(20,752)
Impairment charges	*5*	**(1,573)**	(8,015)	(58)
Profits on disposal of interests in businesses	*41*	**692**	2,231	2
Exploration and evaluation costs	*12*	**(514)**	(1,134)	(574)
Profits on disposal of interests in undeveloped projects (b)	*12*	**894**	489	253
Operating profit		**7,506**	10,194	8,571
Share of profit after tax of equity accounted units	*6*	**786**	1,039	1,584
Profit before finance items and taxation		**8,292**	11,233	10,155
Finance items				
Net exchange gains/(losses) on external debt and intragroup balances	*24*	**365**	(176)	194
Net gains/(losses) on derivatives not qualifying for hedge accounting		**261**	(173)	57
Interest receivable and similar income	*7*	**120**	204	134
Interest payable and similar charges	*7*	**(929)**	(1,618)	(538)
Amortisation of discount		**(249)**	(292)	(166)
		(432)	(2,055)	(319)
Profit before taxation		**7,860**	9,178	9,836
Taxation	*8*	**(2,076)**	(3,742)	(2,090)
Profit from continuing operations		**5,784**	5,436	7,746
Discontinued operations				
Loss after tax from discontinued operations	*19*	**(449)**	(827)	
Profit for the year		**5,335**	4,609	7,746
- attributable to outside equity shareholders		**463**	933	434
- attributable to equity shareholders of Rio Tinto (Net earnings)		**4,872**	3,676	7,312
Basic earnings/(loss) per share (c) (2008 and 2007 restated)				
Profit from continuing operations	*9*	**301.7c**	286.8c	464.9c
Loss from discontinued operations	*9*	**(25.5)c**	(52.7)c	

Profit for the year	*9*	**276.2c**	234.1c	464.9c
Diluted earnings/(loss) per share (c) (2008 and 2007 restated)				
Profit from continuing operations	*9*	**300.7c**	285.5c	462.9c
Loss from discontinued operations	*9*	**(25.4)c**	(52.4)c	
Profit for the year	*9*	**275.3c**	233.1c	462.9c

(a) Consolidated revenue includes subsidiary sales to equity accounted units.

(b) Profits arising on the disposal of interests in undeveloped projects are stated net of charges of nil (2008: US$156 million; 2007: nil), related to such projects.

c) The rights issues were at a discount to the then market price. Accordingly, earnings per share for all periods up to the date on which the shares were issued have been adjusted for the bonus element of the issues. The 2008 comparatives have been restated accordingly. See note 46 for other information relating to the

rights issues.

Group statement of comprehensive income
Years ended 31 December

	2009		
	Attributable to shareholders of Rio Tinto US$m	**Outside interests US$m**	**Total US$m**
Profit after tax for the year	**4,872**	**463**	**5,335**
Other comprehensive income			
Currency translation adjustment	**3,732**	**429**	**4,161**
Currency translation on companies disposed of transferred to the income statement	**(13)**		**(13)**
Cash flow hedge fair value (losses)/gains:			
- Cash flow hedge fair value (losses)/gains	**(206)**	**(107)**	**(313)**
- Cash flow hedge losses transferred to the income statement	**16**	**34**	**50**
- Cash flow hedge gains on companies disposed of transferred to income statement	**(4)**	**(1)**	**(5)**
Gains/(losses) on revaluation of available for sale securities	**357**	**1**	**358**
Gains on revaluation of available for sale securities transferred to the income statement	**(3)**		**(3)**
Actuarial (losses)/gains on post retirement benefit plans (note 30)	**(847)**	**3**	**(844)**
Share of other comprehensive income/(expense) of equity accounted units	**368**		**368**
Tax relating to components of other comprehensive income (note 8)	**297**	**24**	**321**
Other comprehensive income/(expense) for the year, net of tax	**3,697**	**383**	**4,080**
Total comprehensive income/(expense) for the year	**8,569**	**846**	**9,415**

	2008		
	Attributable to shareholders of Rio Tinto US$m	Outside interests US$m	Total US$m
Profit after tax for the year	3,676	933	4,609
Other comprehensive income			
Currency translation adjustment	(4,383)	(411)	(4,794)
Currency translation on companies disposed of transferred to the income statement	(2)		(2)
Cash flow hedge fair value (losses)/gains:			
- Cash flow hedge fair value (losses)/gains	28	6	34

- Cash flow hedge losses transferred to the income statement	245	107	352
- Cash flow hedge gains on companies disposed of transferred to income statement			
Gains/(losses) on revaluation of available for sale securities	(173)	(1)	(174)
Gains on revaluation of available for sale securities transferred to the income statement	(1)		(1)
Actuarial (losses)/gains on post retirement benefit plans (note 30)	(1,294)	(20)	(1,314)
Share of other comprehensive income/(expense) of equity accounted units	(283)		(283)
Tax relating to components of other comprehensive income (note 8)	280	(36)	244
Other comprehensive income/(expense) for the year, net of tax	(5,583)	(355)	(5,938)
Total comprehensive income/(expense) for the year	(1,907)	578	(1,329)

		2007	
	Attributable to shareholders of Rio Tinto US$m	Outside interests US$m	Total US$m
Profit after tax for the year	7,312	434	7,746
Other comprehensive income			
Currency translation adjustment	1,765	135	1,900
Currency translation on companies disposed of transferred to the income statement			
Cash flow hedge fair value (losses)/gains:			
- Cash flow hedge fair value (losses)/gains	(199)	(223)	(422)
- Cash flow hedge losses transferred to the income statement	89	76	165
- Cash flow hedge gains on companies disposed of transferred to income statement			
Gains/(losses) on revaluation of available for sale securities	49	2	51
Gains on revaluation of available for sale securities transferred to the income statement	(16)		(16)
Actuarial (losses)/gains on post retirement benefit plans (note 30)	139	6	145
Share of other comprehensive income/(expense) of equity accounted units	(11)		(11)
Tax relating to components of other comprehensive income (note 8)	159	40	199
Other comprehensive income/(expense) for the year, net of tax	1,975	36	2,011
Total comprehensive income/(expense) for the year	9,287	470	9,757

Group cash flow statement
Years ended 31 December

	Note	**2009 US$m**	2008 US$m	2007 US$m
Cash flow from consolidated operations (a)		**13,224**	19,195	10,805
Dividends from equity accounted units		**610**	1,473	1,764
Cash flows from operations		**13,834**	20,668	12,569
Net interest paid		**(1,136)**	(1,538)	(489)
Dividends paid to outside shareholders of subsidiaries		**(410)**	(348)	(168)
Tax paid		**(3,076)**	(3,899)	(3,421)
Net cash generated from operating activities		**9,212**	14,883	8,491
Cash flow from investing activities				
Cash inflow from disposals/acquisitions of subsidiaries, joint ventures & associates	*41*	**2,028**	2,563	(37,526)
Purchase of property, plant and equipment and intangible assets		**(5,388)**	(8,574)	(5,000)
Sales of financial assets		**253**	171	49
Purchases of financial assets		**(44)**	(288)	(273)
Other funding of equity accounted units		**(265)**	(334)	(216)
Other investing cash flows		**59**	281	224
Cash used in investing activities		**(3,357)**	(6,181)	(42,742)
Cash flow before financing activities		**5,855**	8,702	(34,251)
Cash flow from financing activities				
Equity dividends paid to Rio Tinto shareholders		**(876)**	(1,933)	(1,507)
Own shares purchased from Rio Tinto shareholders				(1,648)
Proceeds from issue of ordinary shares in Rio Tinto		**14,877**	23	37
Proceeds from additional borrowings		**5,775**	4,697	39,195
Repayment of borrowings		**(22,195)**	(12,667)	(1,017)
Finance lease repayments		**(25)**	(10)	(17)
Receipt from close out of interest rate swaps			710	
Other financing cash flows		**(19)**	72	54
Cash used in financing activities		**(2,463)**	(9,108)	35,097
Effects of exchange rates on cash and cash equivalents		**(284)**	(101)	(27)

Net increase/(decrease) in cash and cash equivalents		**3,108**	(507)	819
Opening cash and cash equivalents less overdrafts		**1,034**	1,541	722
Closing cash and cash equivalents less overdrafts	*21*	**4,142**	1,034	1,541
(a) Cash flow from consolidated operations				
Profit from continuing operations		**5,784**	5,436	7,746
Adjustments for:				
Taxation	*8*	**2,076**	3,742	2,090
Finance items		**432**	2,055	319
Share of profit after tax of equity accounted units	*6*	**(786)**	(1,039)	(1,584)
Profit on disposal of interests in businesses	*41*	**(692)**	(2,231)	(2)
Impairment charges	*5*	**1,573**	8,015	58
Depreciation and amortisation		**3,427**	3,475	2,115
Provisions (including exchange losses/(gains) on provisions)	*27*	**930**	265	308
Utilisation of provisions	*27*	**(363)**	(464)	(162)
Utilisation of provision for post retirement benefits	*27*	**(470)**	(448)	(121)
Change in inventories		**653**	(1,178)	130
Change in trade and other receivables		**908**	658	(385)
Change in trade and other payables		**(570)**	951	375
Other items		**322**	(42)	(82)
		13,224	19,195	10,805

Group statement of financial position
At 31 December

	Note	**2009 US$m**	2008 US$m
Non current assets			
Goodwill	*11*	**14,268**	14,296
Intangible assets	*12*	**5,730**	6,285
Property, plant and equipment	*13*	**45,803**	41,753
Investments in equity accounted units	*14*	**6,735**	5,053
Loans to equity accounted units		**170**	264
Inventories	*16*	**284**	166
Trade and other receivables	*17*	**1,375**	1,111
Deferred tax assets	*18*	**2,231**	1,367
Tax recoverable		**85**	220
Other financial assets	*20*	**841**	666
		77,522	71,181
Current assets			
Inventories	*16*	**4,889**	5,607
Trade and other receivables	*17*	**4,447**	5,401
Loans to equity accounted units		**168**	251
Tax recoverable		**501**	406
Other financial assets	*20*	**694**	264
Cash and cash equivalents	*21*	**4,233**	1,181
		14,932	13,110
Assets of disposal groups held for sale	*19*	**4,782**	5,325
Total assets		**97,236**	89,616
Current liabilities			
Bank overdrafts repayable on demand	*21*	**(91)**	(147)
Borrowings	*22*	**(756)**	(9,887)
Trade and other payables	*25*	**(5,759)**	(7,197)
Other financial liabilities	*26*	**(412)**	(480)
Tax payable		**(1,329)**	(1,442)
Provisions	*27*	**(1,182)**	(826)
		(9,529)	(19,979)
Non current liabilities			
Borrowings	*22*	**(22,155)**	(29,724)
Trade and other payables	*25*	**(591)**	(452)
Other financial liabilities	*26*	**(601)**	(268)

Tax payable		**(299)**	(450)
Deferred tax liabilities	*18*	**(4,304)**	(4,054)
Provision for post retirement benefits	*27*	**(4,993)**	(3,601)
Other provisions	*27*	**(7,519)**	(6,506)
		(40,462)	(45,055)
Liabilities of disposal groups held for sale	*19*	**(1,320)**	(2,121)
Total liabilities		**(51,311)**	(67,155)
Net assets		**45,925**	22,461
Capital and reserves			
Share capital			
- Rio Tinto plc	*28*	**246**	160
- Rio Tinto Limited (excluding Rio Tinto plc interest)	*29*	**4,924**	961
Share premium account (a)		**4,174**	4,705
Other reserves	*30*	**14,010**	(2,322)
Retained earnings	*30*	**20,477**	17,134
Equity attributable to Rio Tinto shareholders	*30*	**43,831**	20,638
Attributable to outside equity shareholders (a)		**2,094**	1,823
Total equity		**45,925**	22,461

(a) Refer to statement of changes in equity.

Group statement of changes in equity
Years ended
31 December 2009

	Attributable to shareholders of Rio Tinto						
	Share capital (notes 28 and 29) US$m	**Share premium (a) US$m**	**Retained earnings (note 30) US$m**	**Other reserves (note 30) US$m**	**Total US$m**	**Outside interests US$m**	**Total equity US$m**
Opening balance	**1,121**	**4,705**	**17,134**	**(2,322)**	**20,638**	**1,823**	**22,461**
Total comprehensive income for the year (b)			**4,168**	**4,401**	**8,569**	**846**	**9,415**
Currency translation arising from Rio Tinto Limited s share capital (c)	**710**				**710**		**710**
Dividends			**(876)**		**(876)**	**(410)**	**(1,286)**
Own shares purchased from Rio Tinto shareholders to satisfy share options			**(17)**	**(35)**	**(52)**		**(52)**
Ordinary shares issued	**3,339**	**(531)**	**3**	**11,936**	**14,747**		**14,747**
Shares issued to outside interests						**53**	**53**
Subsidiaries now equity accounted						**(218)**	**(218)**
Employee share options and other IFRS 2 charges taken to the income statement			**65**	**30**	**95**		**95**
Closing balance	**5,170**	**4,174**	**20,477**	**14,010**	**43,831**	**2,094**	**45,925**

31 December 2008

	Attributable to shareholders of Rio Tinto						
	Share capital (notes 28 and 29) US$m	Share premium US$m	Retained earnings (note 30) US$m	Other reserves (note 30) US$m	Total US$m	Outside interests US$m	Total equity US$m
Opening balance	1,391	1,932	19,033	2,416	24,772	1,521	26,293
			2,742	(4,649)	(1,907)	578	(1,329)

Total comprehensive income/ (expense) for the year (b)							
Currency translation arising from Rio Tinto Limited s share capital (c)	(258)				(258)		(258)
Dividends			(1,933)		(1,933)	(348)	(2,281)
Own shares purchased from Rio Tinto shareholders to satisfy share options				(128)	(128)		(128)
Ordinary shares issued		6	25		31		31
Own shares purchased and cancelled	(12)	2,767	(2,767)	12			
Shares issued to outside interests						72	72
Employee share options taken to the income statement			34	27	61		61
Closing balance	1,121	4,705	17,134	(2,322)	20,638	1,823	22,461

31 December 2007

	Attributable to shareholders of Rio Tinto						
	Share capital (notes 28 and 29) US$m	Share premium US$m	Retained earnings (note 30) US$m	Other reserves (note 30) US$m	Total US$m	Outside interests US$m	Total equity US$m
Opening balance	1,271	1,919	14,401	641	18,232	1,153	19,385
Total comprehensive income/ (expense) for the year (b)			7,468	1,819	9,287	470	9,757
Currency translation arising from Rio Tinto Limited s share capital (c)	120				120		120
Dividends			(1,507)		(1,507)	(164)	(1,671)
Own shares purchased from Rio Tinto shareholders to satisfy share options				(64)	(64)		(64)
Ordinary shares issued		13	24		37		37
Shares issued to outside interests						38	38
Employee share options taken to the income			19	20	39		39

statement							
Own shares purchased under capital management programme			(1,372)		(1,372)		(1,372)
Outside interest in acquired companies						24	24
Closing balance	1,391	1,932	19,033	2,416	24,772	1,521	26,293

(a) Charges to share premium in 2009 include underwriting fees and other fees for the Rio Tinto plc rights issue together with the mark-to-market losses from inception to receipt of proceeds on forward contracts taken out by Rio Tinto plc to provide confidence in the absolute dollar proceeds of the rights issue.

(b) Refer to Statement of comprehensive income.

(c) Refer to note 1 (d).

Reconciliation with Australian IFRS

The Group s financial statements have been prepared in accordance with IFRS both as adopted by the European Union (EU IFRS) and as issued by the International Accounting Standards Board (IFRS), which differs in certain respects from the version of IFRS that is applicable in Australia (Australian IFRS).

Prior to 1 January 2004, the Group s financial statements were prepared in accordance with UK GAAP. Under IFRS goodwill on acquisitions prior to 1998, which was eliminated directly against equity in the Group s UK GAAP financial statements, has not been reinstated. This was permitted under the rules governing the transition to IFRS set out in IFRS 1. The equivalent Australian Standard, AASB 1, does not provide for the netting of goodwill against equity. As a consequence, shareholders funds under Australian IFRS include the residue of such goodwill, which amounted to US$597 million at 31 December 2009 (2008: US$752 million).

Save for the exception described above, the Group s financial statements drawn up in accordance with IFRS are consistent with the requirements of Australian IFRS.

Outline of dual listed companies structure and basis of financial statements

The Rio Tinto Group

These are the financial statements of the Rio Tinto Group (the Group), formed through the merger of economic interests (merger) of Rio Tinto plc and Rio Tinto Limited, and presented by both Rio Tinto plc and Rio Tinto Limited as their consolidated accounts in accordance with both United Kingdom and Australian legislation and regulations.

Merger terms

On 21 December 1995, Rio Tinto plc and Rio Tinto Limited, which are listed respectively on Stock Exchanges in the United Kingdom and Australia, entered into a dual listed companies (DLC) merger. This was effected by contractual arrangements between the companies and amendments to Rio Tinto plc s Memorandum and Articles of Association and Rio Tinto Limited s constitution.

As a result, Rio Tinto plc and Rio Tinto Limited and their respective groups operate together as a single economic enterprise, with neither assuming a dominant role. In particular, the arrangements:

- confer upon the shareholders of Rio Tinto plc and Rio Tinto Limited a common economic interest in both groups;
- provide for common boards of directors and a unified management structure;
- provide for equalised dividends and capital distributions; and
- provide for the shareholders of Rio Tinto plc and Rio Tinto Limited to take key decisions, including the election of directors, through an electoral procedure in which the public shareholders of the two companies effectively vote on a joint basis.

The merger involved no change in the legal ownership of any assets of Rio Tinto plc or Rio Tinto Limited, nor any change in the ownership of any existing shares or securities of Rio Tinto plc or Rio Tinto Limited, nor the issue of any shares, securities or payment by way of consideration, save for the issue by each company of one special voting share to a trustee company which provides the joint electoral procedure for public shareholders. During 2002, each of the parent companies issued a DLC Dividend Share to facilitate the efficient management of funds within the DLC structure.

Accounting standards

The financial statements have been drawn up in accordance with International Financial Reporting Standards both as adopted by the European Union (EU IFRS) and as issued by the International Accounting Standards Board (IFRS).

The merger of economic interests of Rio Tinto plc and Rio Tinto Limited was accounted for as a merger under UK GAAP. As permitted under the rules governing the transition to IFRS, which are set out in IFRS 1, the Group did not restate business combinations that occurred before the transition date of 1 January 2004. As a result, the DLC merger of economic interests described above continues to be accounted for as a merger under IFRS.

The main consequence of adopting merger rather than acquisition accounting is that the statement of financial position of the merged Group includes the assets and liabilities of Rio Tinto plc and Rio Tinto Limited at their carrying values prior to the merger, subject to adjustments to achieve uniformity of accounting policies, rather than at their fair values at the date of the merger. For accounting purposes Rio Tinto plc and Rio Tinto Limited are viewed as a single public parent company (with their respective public shareholders being the shareholders in that single company). As a result the amounts attributable to both Rio Tinto plc and Rio Tinto Limited public shareholders are included in the amounts attributed to equity shareholders on the statement of financial position, income statement and statement of comprehensive income.

Australian Corporations Act

The financial statements are drawn up in accordance with an order, under section 340 of the Australian Corporations Act 2001, issued by the Australian Securities and Investments Commission (ASIC) on 27 January 2006 (as amended on 22 December 2006). The main provisions of the order are that the financial statements are:

- to be made out in accordance with IFRS as adopted by the European Union (EU IFRS); and
- to include a reconciliation from EU IFRS to the Australian equivalents of IFRS (see above).

For further details of the ASIC Class Order relief see page A-81.

Notes to the 2009 Financial statements

1 Principal accounting policies

Corporate information

The financial statements of the Group were authorised for issue in accordance with a directors resolution on 5 March 2010. The financial statements in the 20-F were authorised for issue by the board of directors on 27 May 2010. Rio Tinto plc and Rio Tinto Limited are listed and incorporated respectively on Stock Exchanges in the United Kingdom and Australia. Rio Tinto plc s registered office is at 2 Eastbourne Terrace, London W2 6LG, United Kingdom. Rio Tinto Limited s registered office is at 120 Collins Street, Melbourne, Australia, 3000.

Rio Tinto s business is finding, mining and processing mineral resources. Major products are aluminium, copper, diamonds, coal, uranium, gold, industrial minerals (borax, titanium dioxide, salt, talc), and iron ore. Activities span the world but are strongly represented in Australia and North America with significant businesses in South America, Asia, Europe and Africa.

Basis of preparation

The basis of preparation and accounting policies used in preparing the financial statements for the year ended 31 December 2009 are set out below.

The financial statements for the year ended 31 December 2009 have been prepared in accordance with International Financial Reporting Standards both as adopted by the EU (EU IFRS) and as issued by the International Accounting Standards Board (IFRS), Interpretations issued from time to time by the International Financial Reporting Interpretations Committee (IFRIC) adopted by the European Union that are mandatory for the year ended 31 December 2009, the Companies Act 2006 applicable to companies reporting under IFRS and in accordance with applicable United Kingdom law, applicable Australian law as amended by the Australian Securities and Investments Commission Order dated 27 January 2006 (as amended on 22 December 2006) and Article 4 of the European Union IAS regulation.

The IFRS financial information has been drawn up on the basis of accounting policies consistent with those applied in the financial statements for the year to 31 December 2008, except for the following:

IFRS 8 Operating segments

IFRS 7 Financial instruments Disclosures (amendment)

IAS 1 Presentation of financial statements (revised)

IFRS 2 (amendment), Share-based payment Vesting conditions and cancellations

Amendment to IAS 32 Financial instruments:Presentation and IAS 1 Presentation of financial statements Puttable financial instruments and obligations arising on liquidation

Amendment to IAS 39 Eligible hedged items

Amendment to IAS 39 and IFRS 7 Reclassification of financial assets

Amendment to IFRIC 9 and IAS 39 on embedded derivatives

Improvements to IFRS 2008 to the extent mandatory in 2009. This standard collates many minor changes to IFRS. The amendments most relevant to the Group relate to the classification of derivatives which are

not hedges by maturity rather than as short term and the imputation of interest on government grants.

IFRIC 12 Service concession arrangements

IFRIC 13 Customer loyalty programmes

IFRIC 15 Agreements for construction of real estate

IFRIC 16 Hedges of a net investment in a foreign operation

IFRIC 18 Transfers of assets from customers

The effect of adopting the above standards and interpretations is not material to Group earnings or to shareholders funds in the current or prior year. Therefore, prior year information has not been restated. IFRS 7, IFRS 8 and IAS 1 (revised) relate to disclosure only, prior year information has been reclassified to conform with the current presentation. The reclassifications do not affect prior year statements of financial position.

In addition, the Group has early adopted Amendment to IAS 32 Classification of rights issues. The amendment permits rights issues to existing shareholders which allow those shareholders to receive a fixed number of shares at a fixed price in a currency other than the entity s functional currency, to be classed as equity transactions provided the offer is pro rata to all shareholders. Prior to the amendment such an offer was treated as giving rise to a derivative liability. As a consequence, the US$827 million gain in the income statement which arose at the half year under the previous accounting rules has been removed with a corresponding credit to equity.

The Group has not applied the following pronouncements: those which are expected to be most relevant to the Group are IFRS 3 and IAS 27 (revised).

IAS 1 (amendment), Presentation of financial statements mandatory for year 2010

IAS 27 (revised) Consolidated and separate financial statements - mandatory for year 2010. The standard requires the effects of all increases or decreases in the ownership of subsidiaries to be recorded in equity if there is no change in control. They will therefore no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost.

Any remaining interest in the company is re-measured to fair value and a gain or loss is recognised in profit or loss.

IAS 38 (amendment), Intangible Assets mandatory for year 2010

IFRS 3 (amendment) Business combinations - mandatory for business combinations after 1 January 2010. Under the revised standard, all payments to purchase a business are to be recorded at fair value at the acquisition date with contingent payments classified as debt subsequently re-measured through the income statement. All acqusition related costs should be expensed. When a business is acquired in which the Group previously held a non-controlling stake, or the Group increases its stake in a business which it does not control, the existing stake is re-measured to fair value at the date of acquisition. Any difference between fair value and carrying value is taken to the income statement.

IFRS 5 (amendment), Non-current assets held for sale and discontinued operations mandatory for year 2010

Eligible Hedged Items (an amendment to IAS 39 Financial Instruments: Recognition and Measurement) - mandatory for year 2010

IFRIC 17 Non cash distributions to owners - mandatory for year 2010

IFRS 2 Share-based payment Group cash settled share based payment transactions -mandatory for year 2010

Improvements to IFRS 2009 mandatory for year 2010. This standard collates further minor changes to IFRS.

Amendment to IFRIC 14, IAS 19 Prepayments of a minimum funding requirement -mandatory for year 2011

Amendment to IAS 24 Related party disclosures - mandatory for year 2011

IFRIC 19 Extinguishing financial liabilities with equity instruments - mandatory for year 2011

IFRS 9, Financial instruments mandatory for year 2013

The Group is evaluating the impact of the above pronouncements. The above changes are not expected to be material to the Group s earnings or to shareholders funds.

Notes to the 2009 Financial statements
1 Principal accounting policies continued
Judgements in applying accounting policies and key sources of estimation uncertainty

Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management s best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the Notes to the financial statements, and the key areas are summarised below.

Areas of judgement that have the most significant effect on the amounts recognised in the financial statements are:
- Merger accounting for the 1995 merger of the economic interests of Rio Tinto plc and Rio Tinto Limited into the dual listed companies (DLC) structure (page A-8).

- Review of asset carrying values and impairment charges and reversals note 1(e) and (i), note 5 and note 11

- Estimation of asset lives, note 1 (e and i)

- Determination of ore reserve estimates note 1(j)

- Close down, restoration and clean up obligations note 1(k)

- Deferral of stripping costs note 1(h)

- Recognition of deferred tax on mineral rights recognised in acquisitions note 1(m)

- Capitalisation of exploration and evaluation costs -note 1(f)

- Identification of functional currencies note 1(d)

- The definition of Underlying earnings note 2

- Acquisitions note 1(b)

Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:
- Review of asset carrying values and impairment charges and reversals note 1(e) and (i), note 5 and note 11

- Estimation of close down and restoration costs and the timing of expenditure note 1(k) and note 27

- Estimation of environmental clean up costs and the timing of expenditure note 1(k) and note 27

- Estimation of liabilities for post retirement costs note 50

- Recoverability of potential deferred tax assets note 1 (m) and note 18 (d)

- Contingencies note 35

These areas of judgement and estimation are discussed further on page A-19.

(a) Accounting convention

The financial information included in the financial statements for the year ended 31 December 2009, and for the related comparative period, has been prepared under the historical cost convention, as modified by the revaluation of certain derivative contracts, financial assets and post retirement assets and liabilities. The Group s policy in respect of these items is set out in the notes below.

(b) Basis of consolidation

The financial statements consist of the consolidation of the accounts of Rio Tinto plc and Rio Tinto Limited (together the Companies) and their respective subsidiaries (together the Group).

All intragroup balances, transactions, income and expenses and profits or losses, including unrealised profits arising from intragroup transactions, have been eliminated on consolidation. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Subsidiaries: Subsidiaries are entities over which the Companies have the power to govern the financial and operating policies in order to obtain benefits from their activities. Control is presumed to exist where the Companies own more than one half of the voting rights (which does not always equate to percentage ownership) unless it can be demonstrated that ownership does not constitute control. Control does not exist where other parties hold veto rights over significant operating and financial decisions. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Companies and their subsidiaries after eliminating intragroup transactions as noted above.

For partly owned subsidiaries, the allocation of net assets and net earnings to outside shareholders is shown in the line Amounts attributable to outside equity shareholders on the face of the Group statement of financial position and Group income statement.

Associates: An associate is an entity, that is neither a subsidiary nor a joint venture, over whose operating and financial policies the Group exercises significant influence. Significant influence is presumed to exist where the Group has between 20 per cent and 50 per cent of the voting rights, but can also arise where the Group holds less than 20 per cent if it has the power to be actively involved and influential in policy decisions affecting the entity. The Group s share of the net assets, post tax results and reserves of associates are included in the financial statements using the equity accounting method. This involves recording the investment initially at cost to the Group, which therefore includes any goodwill on acquisition, and then, in subsequent periods, adjusting the carrying amount of the investment to reflect the Group s share of the associate s results less any impairment of goodwill and any other changes to the associate s net assets such as dividends. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group s interest in the associates.

Joint ventures: A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control such that significant operating and financial decisions require the unanimous consent of the parties sharing control. In some situations, joint control exists even though the Group has an ownership interest of more than 50 per cent because of the veto rights held by joint venture partners. The Group has two types of joint ventures:

Jointly controlled entities (JCEs): A JCE is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has a long term interest. JCEs are accounted for using the equity accounting method. In addition, for both associates and jointly controlled entities, the carrying value will include any long term debt interests that in substance form part of the Group s net investment.

Jointly controlled assets (JCAs): A JCA is a joint venture in which the venturers have joint control over the assets contributed to or acquired for the purposes of the joint venture. JCAs do not involve the establishment of a corporation, partnership or other entity. This includes situations where the participants derive benefit from the joint activity through a share of the production, rather than by receiving a share of the results of trading. The Group s proportionate interest in the assets, liabilities, revenues, expenses and cash flows of JCAs are incorporated into the Group s financial statements under the appropriate headings.

The Group uses the term Equity accounted units to refer to associates and jointly controlled entities collectively.

Where necessary, adjustments are made to the results of subsidiaries, joint ventures and associates to bring their accounting policies into line with those used by the Group.

Notes to the 2009 Financial statements
1 Principal accounting policies continued

Acquisitions

On the acquisition of a subsidiary, the purchase method of accounting is used whereby the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) of the subsidiary on the basis of fair value at the date of acquisition. Provisional fair values allocated at a reporting date are finalised within twelve months of the acquisition date.

When part or all of the amount of purchase consideration is contingent on future events, the cost of the acquisition initially recorded includes a reasonable estimate of the fair value of the contingent amounts expected to be payable in the future. The cost of the acquisition is adjusted when revised estimates are made, with corresponding adjustments made to goodwill until the ultimate outcome is known.

The results of businesses acquired during the year are brought into the consolidated financial statements from the date on which control, joint control or significant influence commences and taken out of the financial statements from the date on which control, joint control or significant influence ceases.

Disposals

Individual non current assets or disposal groups (ie groups of assets and liabilities) to be disposed of, by sale or otherwise in a single transaction, are classified as held for sale if the following criteria are met:

- the carrying amount will be recovered principally through a sale transaction rather than through continuing use, and

- the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for such sales, and

- the sale is highly probable.

Disposal groups held for sale are carried at the lower of their carrying amount and fair value less costs to sell and are presented separately on the face of the statement of financial position with the related assets and liabilities being presented as a single asset and a single liability respectively. Comparative statement of financial position information is not restated. Disposal groups acquired with a view to resale are held at fair value determined at the acquisition date and no profits or losses are recognised between acquisition date and disposal date.

For a disposal group held for sale that continues to be carried at its carrying amount, the profit on disposal, calculated as net sales proceeds less the carrying amount, is recognised in the income statement in the period during which control passes to the buyer. Where the fair value less costs to sell of a disposal group is lower than the carrying amount at the time of classification as held for sale, the resulting charge is recognised in the income statement in that period. On classification as held for sale, the assets are no longer depreciated. When the fair value less costs to sell of a disposal group falls below the carrying amount during the period in which it is classified as held for sale, the charge is included in the income statement at that time.

If the disposal group or groups represent a separate major line of business or geographical area of operations, or are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or are subsidiaries acquired exclusively with a view to resale, they are classified as discontinued operations. The net results attributable to such discontinued operations are shown separately and comparative

figures in the income and cash flow statements are restated.

The Group accounts for transactions with outside equity shareholders using the parent company model. Under this model, acquisitions of an outside equity shareholders interest will generally give rise to additional goodwill and a disposal will give rise to a profit or loss in the income statement.

(c) Sales revenue

Sales revenue comprises sales to third parties at invoiced amounts, with most sales being priced ex works, free on board (f.o.b.) or cost, insurance and freight (c.i.f.). Amounts billed to customers in respect of shipping and handling are classed as sales revenue where the Group is responsible for carriage, insurance and freight. All shipping and handling costs incurred by the Group are recognised as operating costs. If the Group is acting solely as an agent, amounts billed to customers are offset against the relevant costs. Revenue from services is recognised as services are rendered and accepted by the customer.

Sales revenue excludes any applicable sales taxes. Mining royalties are presented as an operating cost or, where they are in substance a profit based tax, within taxes. Co-product revenues are included in sales revenue.

A large proportion of Group production is sold under medium to long term contracts, but sales revenue is only recognised on individual sales when persuasive evidence exists that all of the following criteria are met:

- the significant risks and rewards of ownership of the product have been transferred to the buyer;

- neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold, has been retained;

- the amount of revenue can be measured reliably;

- it is probable that the economic benefits associated with the sale will flow to the Group; and

- the costs incurred or to be incurred in respect of the sale can be measured reliably.

These conditions are generally satisfied when title passes to the customer. In most instances sales revenue is recognised when the product is delivered to the destination specified by the customer, which is typically the vessel on which it will be shipped, the destination port or the customer s premises.

Sales revenue is commonly subject to adjustment based on an inspection of the product by the customer. In such cases, sales revenue is initially recognised on a provisional basis using the Group s best estimate of contained metal, and adjusted subsequently.

Certain products are provisionally priced , ie the selling price is subject to final adjustment at the end of a period normally ranging from 30 to 180 days after delivery to the customer, based on the market price at the relevant quotation point stipulated in the contract.

As is customary in the industry, revenue on provisionally priced sales is recognised based on estimates of the fair value of the consideration receivable based on forward market prices. At each reporting date provisionally priced metal is marked to market based on the forward selling price for the quotational period stipulated in the contract. For this purpose, the selling price can be measured reliably for those products, such as copper, for which there exists an active and freely traded commodity market such as the London Metals Exchange and the value of product sold by the Group is directly linked to the form in which it is traded on that market.

The marking to market of provisionally priced sales contracts is recorded as an adjustment to sales revenue. Information on provisionally priced sales contracts is included in note 33.

Certain other of the Group s products, such as iron ore, are sold under long term contracts at a benchmark price which is agreed annually.

Notes to the 2009 Financial statements
1 Principal accounting policies continued

Where the benchmark price has not been finally agreed at the end of an accounting period, revenue is estimated based on the best available information, having reference to the terms of the contractual agreement and, where appropriate, to sales with other customers.

(d) Currency translation

The functional currency for each entity in the Group, and for jointly controlled entities and associates, is the currency of the primary economic environment in which it operates. For many entities, this is the currency of the country in which they operate. Transactions denominated in other currencies are converted to the functional currency at the exchange rate ruling at the date of the transaction unless hedge accounting applies, in which case the contract rate is used. Generally, this applies when derivatives or embedded derivatives are designated as cashflow hedges of the Group s sales. The Group s accounting policies for derivative financial instruments and hedge accounting are explained in more detail in note (p) (iii) below. Monetary assets and liabilities denominated in foreign currencies are retranslated at year end exchange rates.

The US dollar is the currency in which the Group s Financial statements are presented, as it most reliably reflects the global business performance of the Group as a whole.

On consolidation, income statement items are translated from the functional currency into US dollars at average rates of exchange. Statement of financial position items are translated into US dollars at year end exchange rates. Exchange differences on the translation of the net assets of entities with functional currencies other than the US dollar, and any offsetting exchange differences on net debt hedging those net assets, are recognised directly in the foreign currency translation reserve via the statement of comprehensive income (net of translation adjustments relating to Rio Tinto Limited s share capital).

Exchange gains and losses which arise on balances between Group entities are taken to the foreign currency translation reserve where the intragroup balance is, in substance, part of the Group s net investment in the entity.

The balance of the foreign currency translation reserve relating to an operation that is disposed of is transferred to the income statement at the time of the disposal.

The Group finances its operations primarily in US dollars but part of the Group s US dollar debt is located in subsidiaries having functional currencies other than the US dollar. Except as noted above, exchange gains and losses relating to such US dollar debt are charged or credited to the Group s income statement in the year in which they arise. This means that the impact of financing in US dollars on the Group s income statement is dependent on the functional currency of the particular subsidiary where the debt is located.

Exchange differences arising on closure provisions are capitalised at operating mines. Except as noted above, or in note (p) below relating to derivative contracts, all other exchange differences are charged or credited to the income statement in the year in which they arise.

(e) Goodwill and intangible assets (excluding exploration and evaluation expenditure)

Goodwill represents the difference between the cost of acquisition and the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is initially determined based on provisional fair values. Fair values are finalised within 12 months of the acquisition date. Goodwill on acquisition of subsidiaries is separately disclosed and goodwill on acquisitions of associates and JCEs is included within investments in equity

accounted units. For non wholly owned subsidiaries, interests attributable to outside equity shareholders are initially recorded based on the proportion of the fair values of the identifiable assets and liabilities and contingent liabilities recognised at acquisition attributable to outside equity shareholders. Where the Group s interest in the net fair value of the acquired company s identifiable assets, liabilities and contingent liabilities exceeds costs, the values assigned are reassessed. Any excess after that reassessment is recognised immediately in the income statement.

In 1997 and previous years, goodwill was eliminated against reserves in the year of acquisition as a matter of accounting policy, as was then permitted under UK GAAP. Such goodwill was not reinstated under subsequent UK accounting standards or on transition to IFRS.

Goodwill is not amortised; rather it is tested annually for impairment. Goodwill is allocated to the cash generating unit or group of cash generating units expected to benefit from the related business combination for the purposes of impairment testing which is carried out in accordance with accounting policy note 1(i). Goodwill impairments cannot be reversed. Investments in equity accounted units are tested for impairment as a single asset. Goodwill included in the Group s investment in equity accounted units is not tested on an annual basis therefore but only as part of the Group s overall testing for impairment when a trigger for impairment has been identified.

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the asset is separable or arises from contractual or legal rights, and the fair value can be measured reliably on initial recognition.

Purchased intangible assets are initially recorded at cost and finite life intangible assets are amortised over their useful economic lives on a straight line or units of production basis, as appropriate. Intangible assets having indefinite lives and intangible assets that are not yet ready for use are not amortised and are reviewed annually for impairment in accordance with accounting policy note 1(i).

Intangible assets are considered to have indefinite lives when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash flows for the Group. The factors considered in making this determination include the existence of contractual rights for unlimited terms; or evidence that renewal of the contractual rights without significant incremental cost can be expected for indefinite periods into the future in view of the Group s future investment intentions. The life cycles of the products and processes that depend on the asset are also considered.

Where amortisation is calculated on a straight line basis, the following useful lives have been determined for classes of intangible assets.

Trademark, patented and non patented technology

Trademarks: 14 to 20 years

Patented and non patented technology: 10 to 20 years

Other intangible assets

Internally generated intangible assets and computer software: 2 to 5 years
Other intangible assets: 2 to 20 years

Contract based intangible assets

Power contracts: 2 to 39 years

Other purchase and customer contracts: 5 to 15 years

Notes to the 2009 Financial statements
1 Principal accounting policies continued
(f) Exploration and evaluation

Exploration and evaluation expenditure comprises costs that are directly attributable to:

- researching and analysing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and/or
- compiling pre-feasibility and feasibility studies.

Exploration expenditure relates to the initial search for deposits with economic potential. Evaluation expenditure arises from a detailed assessment of deposits or other projects that have been identified as having economic potential.

Expenditure on exploration activity is not capitalised.

Capitalisation of evaluation expenditure commences when there is a high degree of confidence in the project s viability and hence it is probable that future economic benefits will flow to the Group.

The carrying values of capitalised evaluation amounts are reviewed twice per annum by management and the results of these reviews are reported to the Audit committee. In the case of undeveloped projects, there may be only mineralised material to form a basis for the impairment review. The review is based on a status report regarding the Group s intentions for development of the undeveloped project. In some cases, the undeveloped projects are regarded as successors to ore bodies, smelters or refineries currently in production. Where this is the case, it is intended that these will be developed and go into production when the current source of ore is exhausted or to replace the reduced output, which results where existing smelters and/or refineries are closed. It is often the case that technological and other improvements will allow successor smelters and/or refineries to more than replace the capacity of their predecessors.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any related impairment provisions are written off.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment comprises its purchase price, any costs 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 and the estimated close down and restoration costs associated with the asset. Once a mining project has been established as commercially viable, expenditure other than that on land, buildings, plant and equipment is capitalised under Mining properties and leases together with any amount transferred from Exploration and evaluation .

In open pit mining operations, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically. The process of mining overburden and waste materials is referred to as stripping. During the development of a mine (or pit), before production commences, stripping costs are capitalised as part of the investment in construction of the mine.

Costs associated with commissioning new assets, in the period before they are capable of operating in the manner intended by management, are capitalised. Development costs incurred after the commencement of production are capitalised to the extent they are expected to give rise to a future economic benefit. Interest on borrowings related to construction or development projects is capitalised until the point when substantially all the activities that are necessary to make the asset ready for its intended use are complete.

(h) Deferred stripping

As noted above, stripping costs incurred in the development of a mine (or pit) before production commences are capitalised as part of the cost of constructing the mine (or pit) and subsequently amortised over the life of the mine (or pit) on a units of production basis.

Where a mine operates several open pits that are regarded as separate operations for the purpose of mine planning, stripping costs are accounted for separately by reference to the ore from each separate pit. If, however, the pits are highly integrated for the purpose of mine planning, the second and subsequent pits are regarded as extensions of the first pit in accounting for stripping costs. In such cases, the intial stripping (ie overburden and other waste removal) of the second and subsequent pits is considered to be production phase stripping relating to the combined operation.

The Group s determination of whether multiple pit mines are considered separate or integrated operations depends on each mine s specific circumstances. The following factors would point towards the stripping costs for the individual pits being accounted for separately:

- If mining of the second and subsequent pits is conducted consecutively with that of the first pit, rather than concurrently.

- If separate investment decisions are made to develop each pit, rather than a single investment decision being made at the outset.

- If the pits are operated as separate units in terms of mine planning and the sequencing of overburden and ore mining, rather than as an integrated unit.

- If expenditures for additional infrastructure to support the second and subsequent pits are relatively large.

- If the pits extract ore from separate and distinct ore bodies, rather than from a single ore body.

This additional factor would point to an integrated operation in accounting for stripping costs:

- If the designs of the second and subsequent pits are significantly influenced by opportunities to optimise output from the several pits combined, including the co-treatment or blending of the output from the pits.

The relative importance of each of the above factors is considered in each case to determine whether, on balance, the stripping costs should be attributed to the individual pit or to the combined output from the several pits. As this analysis requires judgment, another company could make the determination that a mine is separate or integrated differently than the Group, even if the fact pattern appears to be similar. To the extent the determination is different, the resulting accounting would also be different.

The Group defers stripping costs incurred subsequently, during the production stage of its operations, for those operations where this is the most appropriate basis for matching the costs against the related economic benefits and the effect is material. This is generally the case where there are fluctuations in stripping costs over the life of

the mine (or pit). The amount of stripping costs deferred is based on the ratio (Ratio) obtained by dividing the tonnage of waste mined either by the quantity of ore mined or by the quantity of minerals contained in the ore. Stripping costs incurred in the period are deferred to the extent that the current period Ratio exceeds the life of mine (or pit) Ratio. Such deferred costs are then charged against reported profits to the extent that, in subsequent periods, the current period Ratio falls short of the life of mine (or pit) Ratio. The life of mine (or pit) Ratio is based on proven and probable reserves of the mine (or pit).

Notes to the 2009 Financial statements
1 Principal accounting policies continued

The life of mine (or pit) waste-to-ore ratio is a function of the pit design(s) and therefore changes to that design will generally result in changes to the Ratio. Changes in other technical or economic parameters that impact on reserves will also have an impact on the life of mine (or pit) Ratio even if they do not affect the pit design(s). Changes to the life of mine (or pit) Ratio are accounted for prospectively.

In the production stage of some mines (or pits), further development of the mine (or pit) requires a phase of unusually high overburden removal activity that is similar in nature to preproduction mine development. The costs of such unusually high overburden removal activity are deferred and charged against reported profits in subsequent periods on a units of production basis. This accounting treatment is consistent with that for stripping costs incurred during the development phase of a mine (or pit), before production commences.

If the Group were to expense production stage stripping costs as incurred, there would be greater volatility in the year to year results from operations and excess stripping costs would be expensed at an earlier stage of a mine s operation.

Deferred stripping costs are included in Mining properties and leases within property, plant and equipment or in investments in equity accounted units, as appropriate. These form part of the total investment in the relevant cash generating unit, which is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Amortisation of deferred stripping costs is included in net operating costs or in the Group s share of the results of its equity accounted units, as appropriate.

(i) Depreciation and impairment

Depreciation of non current assets

Property, plant and equipment is depreciated over its useful life, or over the remaining life of the mine if shorter. Depreciation commences when an asset is available for use. The major categories of property, plant and equipment are depreciated on a units of production and/or straight-line basis as follows:

Units of production basis

For mining properties and leases and certain mining equipment, the economic benefits from the asset are consumed in a pattern which is linked to the production level. Except as noted below, such assets are depreciated on a units of production basis.

Straight line basis

Assets within operations for which production is not expected to fluctuate significantly from one year to another or which have a physical life shorter than the related mine are depreciated on a straight line basis as follows:

Land and Buildings	
Land	Not depreciated
Buildings	5 to 50 years
Plant and equipment	
Other plant and equipment	3 to 35 years
Power assets	25 to 100 years

Capital work in progress Not depreciated

Residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. Changes to the estimated residual values or useful lives are accounted for prospectively. In applying the units of production method, depreciation is normally calculated using the quantity of material extracted from the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on proven and probable reserves and, for some mines, other mineralisation. Such non reserve material may be included in depreciation calculations in limited circumstances and where there is a high degree of confidence in its economic extraction. Development costs that relate to a discrete section of an ore body and which only provide benefit over the life of those reserves, are depreciated over the estimated life of that discrete section. Development costs incurred which benefit the entire ore body are depreciated over the estimated life of the ore body.

Impairment of non current assets

Property, plant and equipment and intangible assets with finite lives are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Impairment is normally assessed at the level of cash-generating units which, in accordance with IAS 36 Impairment of Assets , are identified as the smallest identifiable group of assets that generates cash inflows, which are largely independent of the cash inflows from other assets.

In addition, an impairment loss is recognised for any excess of carrying amount over the fair value less costs to sell of a non current asset or disposal group held for sale.

Goodwill and indefinite-life intangible assets are reviewed for impairment annually or at any time during the year if an indicator of impairment is considered to exist. Goodwill acquired through business combinations is allocated to groups of cash-generating units that are expected to benefit from the related business combination. The groups of cash-generating units represent the lowest level within the Group at which goodwill is monitored for internal management purposes and these groups are not larger than the reporting segments determined in accordance with IFRS 8 Operating segments .

When an impairment review is undertaken, recoverable amount is assessed by reference to the higher of value in use (being the net present value of expected future cash flows of the relevant cash generating unit) and fair value less costs to sell (fair value). The best evidence of fair value is the value obtained from an active market or binding sale agreement. Where neither exists, fair value is based on the best information available to reflect the amount the Group could receive for the cash generating unit in an arm s length transaction. This is often estimated using discounted cash flow techniques.

Where recoverable amount is assessed using discounted cash flow techniques, the resulting estimates are based on detailed mine and/or production plans. For value in use, recent cost levels are considered, together with expected changes in costs that are compatible with the current condition of the business and which meet the requirements of IAS 36.

Notes to the 2009 Financial statements
1 Principal accounting policies continued

The cash flow forecasts are based on best estimates of expected future revenues and costs, including the future cash costs of production, capital expenditure, close down, restoration and environmental clean up. These may include net cash flows expected to be realised from extraction, processing and sale of mineralisation that does not currently qualify for inclusion in proven or probable ore reserves. Such non reserve material is included where there is a high degree of confidence in its economic extraction. This expectation is usually based on preliminary drilling and sampling of areas of mineralisation that are contiguous with existing reserves. Typically, the additional evaluation to achieve reserve status for such material has not yet been done because this would involve incurring costs earlier than is required for the efficient planning and operation of the mine.

Where the recoverable amount of a cash generating unit is dependent on the life of its associated ore body, expected future cash flows reflect long term mine plans, which are based on detailed research, analysis and iterative modelling to optimise the level of return from investment, output and sequence of extraction. The mine plan takes account of all relevant characteristics of the ore body, including waste to ore ratios, ore grades, haul distances, chemical and metallurgical properties of the ore impacting on process recoveries and capacities of processing equipment that can be used. The mine plan is therefore the basis for forecasting production output in each future year and for forecasting production costs.

The Group s cash flow forecasts are based on estimates of future commodity prices, which assume market prices will revert to the Group s assessment of the long term average price, generally over a period of three to five years. These long term commodity prices, for most commodities, are derived from an analysis of the marginal costs of the producers of these commodities. These assessments often differ from current price levels and are updated periodically. For the long run, the Group does not believe that forward prices quoted in the metals markets provide a good indication of future price levels since forward prices tend to be strongly influenced by spot price levels.

In some cases, prices applying to some part of the future sales volumes of a cash generating unit are predetermined by existing sales contracts. The effects of such contracts are taken into account in forecasting future cash flows.

The discount rates applied to the future cash flow forecasts represent an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. The Group s weighted average cost of capital is used as a starting point for determining the discount rates, with appropriate adjustments for the risk profile of the countries in which the individual cash generating units operate.

For operations with a functional currency other than the US dollar, the impairment review is undertaken in the relevant functional currency. The great majority of the Group s sales are based on prices denominated in US dollars. To the extent that the currencies of countries in which the Group produces commodities strengthen against the US dollar without commodity price offset, cash flows and, therefore, net present values are reduced.

When calculating value in use, IAS 36 requires that calculations should be based on exchange rates current at the time of the assessment.

Non-financial assets other than goodwill that have suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(j) Determination of ore reserve estimates

The Group estimates its ore reserves and mineral resources based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2004 (the JORC code). Reserves, and for certain mines, other mineral resources, determined in this way are used in the calculation of depreciation, amortisation and impairment charges, the assessment of life of mine stripping ratios and for forecasting the timing of the payment of close down and restoration costs and clean up costs.

For the purposes of this combined Annual report on Form 20-F estimates of ore reserves have been computed in accordance with the SEC s Industry Guide 7, rather than in accordance with the JORC code, and are shown on pages 29 to 38. Ore reserves presented in accordance with SEC Industry Guide 7 do not exceed the quantities that, it is estimated, could be extracted economically if future prices were to be in line with the average of historical prices for the three years to 30 June 2009, or contracted prices where applicable. For this purpose, contracted prices are applied only to future sales volumes for which the price predetermined by an existing contract; and the average of historical prices is applied to expected sales volumes in excess of such amounts. Moreover, reported ore reserve estimates have not been increased above the levels expected to be economic based on Rio Tinto s own long term price assumptions. Therefore, a reduction in commodity prices from the three year average historical price levels would not necessarily give rise to a reduction in reported ore reserves.

In assessing the life of a mine for accounting purposes, mineralisation is only taken into account where there is a high degree of confidence of economic extraction.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

(k) Provisions for close down and restoration and for environmental clean up costs

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the mine development or during the production phase, based on the net present value of estimated future costs. Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are updated annually during the life of the operation to reflect known developments, eg revisions to cost estimates and to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down and restoration costs are a normal consequence of mining, and the majority of close down and restoration expenditure is incurred at the end of the life of the mine. Although the ultimate cost to be incurred is uncertain, the Group s businesses estimate their respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or unwinding of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period. The amortisation of the discount is shown as a financing cost, rather than as an operating cost.

The initial closure provision together with other movements in the provisions for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each statement of financial position date and the cost is charged to the income statement.

Notes to the 2009 Financial statements
1 Principal accounting policies continued

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the statement of financial position date. These costs are charged to the income statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwind of the discount which is shown as a financing cost. Remediation procedures may commence soon after the time the disturbance, remediation process and estimated remediation costs become known, but can continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing of expenditure can also change, for example in response to changes in ore reserves or production rates. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

(l) Inventories

Inventories are valued at the lower of cost and net realisable value, primarily on a weighted average cost basis. Average costs are calculated by reference to the cost levels experienced in the current month together with those in opening inventory. Cost for raw materials and stores is purchase price and for partly processed and saleable products is generally the cost of production. For this purpose the costs of production include:
- labour costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore;
- the depreciation of mining properties and leases and of property, plant and equipment used in the extraction and processing of ore; and
- production overheads.

Stockpiles represent ore that has been extracted and is available for further processing. If there is significant uncertainty as to when the stockpiled ore will be processed it is expensed as incurred. Where the future processing of this ore can be predicted with confidence, eg because it exceeds the mine s cut off grade, it is valued at the lower of cost and net realisable value. If the ore will not be processed within the 12 months after the statement of financial position date it is included within non current assets. Work in progress inventory includes ore stockpiles and other partly processed material. Quantities are assessed primarily through surveys and assays.

(m) Taxation

Current tax is the tax expected to be payable on the taxable income for the year calculated using rates that have been enacted or substantively enacted by the statement of financial position date. It includes adjustments for tax expected to be payable or recoverable in respect of previous periods.

Temporary differences are the difference between the carrying value of an asset or liability and its tax base. Full provision is made for deferred taxation on all temporary differences existing at the statement of financial position date with certain limited exceptions. The main exceptions to this principle are as follows:

- tax payable on the future remittance of the past earnings of subsidiaries, associates and jointly controlled entities is provided for except where the Group is able to control the remittance of profits and it is probable that there will be no remittance in the foreseeable future;
- deferred tax is not provided on the initial recognition of an asset or liability in a transaction that does not affect accounting profit or taxable profit and is not a business combination, such as on the recognition of a provision for

close down and restoration costs and the related asset or on the recognition of new finance leases. Furthermore, with the exception of the unwind of discount, deferred tax is not recognised on subsequent changes in the carrying value of such assets and liabilities, for example where the related assets are depreciated or finance leases are repaid; and

- deferred tax assets are recognised only to the extent that it is probable that they will be recovered. Probable is defined as more likely than not . Recoverability is assessed having regard to the reasons why the deferred tax asset has arisen and projected future taxable profits for the relevant entity (or group of entities).

Deferred tax is provided in respect of fair value adjustments on acquisitions. These adjustments may relate to assets such as mining rights that, in general, are not eligible for income tax allowances. In such cases, the provision for deferred tax is based on the difference between the carrying value of the asset and its nil income tax base. The existence of a tax base for capital gains tax purposes is not taken into account in determining the deferred tax provision relating to such mineral rights because it is expected that the carrying amount will be recovered primarily through use and not from the disposal of mineral rights. Also, the Group is only entitled to a deduction for capital gains tax purposes if the mineral rights are sold or formally relinquished. Current and deferred tax relating to items recognised directly in equity are recognised in equity and not in the income statement.

(n) Post employment benefits

For defined benefit post employment plans, the difference between the fair value of the plan assets (if any) and the present value of the plan liabilities is recognised as an asset or liability on the statement of financial position. Any asset recognised is restricted, if appropriate, to the present value of any amounts the Group expects to recover by way of refunds from the plan or reductions in future contributions. Actuarial gains and losses arising in the year are taken to the statement of comprehensive income. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements in the net surplus or deficit are recognised in the income statement, including the current service cost, any past service cost and the effect of any curtailment or settlements. The interest cost less the expected return on assets is also charged to the income statement. The amount charged to the income statement in respect of these plans is included within operating costs or in the Group s share of the results of equity accounted units as appropriate.

The most significant assumptions used in accounting for pension plans are the long term rate of return on plan assets, the discount rate and the mortality assumptions. The long term rate of return on plan assets is used to calculate interest income on pension assets, which is credited to the Group s income statement. The discount rate is used to determine the net present value of future liabilities. The discount rate used is the yield on high quality corporate bonds with maturity and terms that match those of the post employment obligations as closely as possible. Where there is no developed corporate bond market in a country, the rate on government bonds is used. Each year, the unwinding of the discount on those liabilities is charged to the Group s income statement as the interest cost. The mortality assumption is used to project the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

The values attributed to plan liabilities are assessed in accordance with the advice of independent qualified actuaries.

The Group s contributions to defined contribution pension plans are charged to the income statement in the period to which the contributions relate.

Notes to the 2009 Financial statements
1 Principal accounting policies continued

(o) Cash and cash equivalents

For the purposes of the statement of financial position, cash and cash equivalents comprise cash on hand, deposits held on call with banks and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For the purposes of the cash flow statement, cash and cash equivalents are net of bank overdrafts that are repayable on demand which are shown as current liabilities on the statement of financial position.

(p) Financial instruments

(i) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Derivatives are included in this category unless they are designated as hedges. Assets in this category are classified based on their maturity. Generally, the Group does not acquire financial assets for the purpose of selling in the short term.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

(b) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non current assets based on their maturity date. Loans and receivables comprise trade and other receivables , other financial assets and cash and cash equivalents in the statement of financial position. Loans and receivables are carried at amortised cost less any impairment.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non derivatives that are either designated as available for sale or not classified in any of the other categories. They are included in non current assets unless the Group intends to dispose of the investment within 12 months of the statement of financial position date.

Changes in the fair value of available-for-sale financial assets denominated in a currency other than the functional currency of the holder other than equity investments, are analysed between translation differences and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss. Any impairment charges are also recognised in profit or loss, while other changes in fair value are recognised in equity.

When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement within net operating costs .

Dividends on available-for-sale equity instruments are also recognised in the income statement within interest receivable and similar income when the Group s right to receive payments is established.

Financial assets not carried at fair value through profit and loss are initially recognised on the trade date at fair value plus transaction costs.

Financial assets are derecognised when the investments mature or are sold, and substantially all the risks and rewards of ownership have been transferred.

(ii) Financial liabilities

Borrowings and other financial liabilities are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the amounts originally received (net of transaction costs) and the redemption value is recognised in the income statement over the period to maturity using the effective interest method.

Borrowings and other financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

(iii) Derivative financial instruments and hedge accounting

The Group s policy with regard to Financial risk management is set out in note 33. When the Group enters into derivative contracts these transactions are designed to reduce exposures related to assets and liabilities, firm commitments or anticipated transactions.

Commodity based contracts that meet the definition of a derivative in IAS 39 but are entered into in accordance with the Group s expected purchase or sales requirements are recognised in earnings as described in note 1(c) Sales revenue above.

All other derivatives are initially recognised at their fair value on the date the derivative contract is entered into and are subsequently remeasured subject to IAS 39 at their fair value at each statement of financial position date. The method of recognising the resulting gain or loss depends on whether or not the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or of firm commitments (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument s effectiveness in offsetting the exposure to changes in the hedged item s fair value or cash flows attributable to the hedged risk. Hedges that are expected to be highly effective in achieving offsetting changes in fair value or cash flows are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Notes to the 2009 Financial statements
1 Principal accounting policies continued

Fair value hedges: Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability or firm commitment that is attributable to the hedged risk. Where derivatives are held with different counterparties to the underlying asset or liability or firm commitment, the fair values of the derivative assets and liabilities are shown separately in the statement of financial position as there is no legal right of offset. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within interest payable and similar charges .

Cash flow hedges: The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within net operating costs . Amounts accumulated in equity are recycled in the income statement in the period when the hedged item affects profit or loss, for example when the forecast sale that is being hedged takes place. The realised gain or loss relating to the effective portion of forward foreign exchange or commodity contracts hedging sales is recognised in the income statement within sales revenue . When the forecast transaction that is being hedged results in the recognition of a non financial asset the gains and losses previously deferred in equity are transferred from equity and adjust the cost of the asset. The gains and losses are recognised subsequently in the income statement within net operating costs when the non financial asset is amortised.

When a cash flow hedging instrument expires or is sold, or when a cash flow hedge no longer meets the criteria for hedge accounting, although the forecasted transaction is still expected to occur, any cumulative gain or loss relating to the instrument which is held in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

When a fair value interest rate hedging instrument expires or is sold, or when a fair value interest rate hedge no longer meets the criteria for hedge accounting, the fair value adjustments which have been made to the hedged item are amortised through the income statement over its remaining life.

Derivatives that do not qualify for hedge accounting: Any derivative contracts that do not qualify for hedge accounting, are marked to market at the statement of financial position date. In respect of currency swaps, the gain or loss on the swap and the offsetting gain or loss on the financial asset or liability against which the swap forms an economic hedge are shown in separate lines in the income statement within the lines net gains/(losses) on derivatives not qualifying for hedge accounting and net exchange gains/(losses) on external debt and intragroup balances . In respect of other derivatives, the mark to market may give rise to charges or credits to the income statement in periods before the transaction against which the derivative is held as an economic hedge is recognised. These charges or credits would be recognised in the line net gains/(losses) on derivatives not qualifying for hedge accounting .

Embedded derivatives: Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to their host contracts. In some cases, the embedded derivatives may be designated as hedges and will be accounted for as described above.

(iv) Fair value

Fair value is the amount at which a financial instrument could be exchanged in an arm s length transaction between informed and willing parties. Where relevant market prices are available, these have been used to determine fair values. In other cases, fair values have been calculated using quotations from independent financial institutions, or by using valuation techniques consistent with general market practice applicable to the instrument.

(a) The fair values of cash, short term borrowings and loans to joint ventures and associates approximate to their carrying values, as a result of their short maturity or because they carry floating rates of interest.

(b) The fair values of medium and long term borrowings is calculated as the present value of the estimated future cash flows using an appropriate market based yield curve. The carrying value of the borrowings is amortised cost.

(c) Derivative financial assets and liabilities are carried at fair value based on published price quotations for the period for which a a liquid active market exists. Beyond this period, the Group s own assumptions are used.

The fair values of the various derivative instruments used for hedging purposes are disclosed in note 34. Movements on the hedging reserve are disclosed within note 30.

(v) Impairment of financial assets

Available-for-sale financial assets

The group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, an evaluation is made as to whether a decline in fair value is significant or prolonged based on an analysis of indicators such as significant adverse changes in the technological, market, economic or legal environment in which the company invested in operates.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement. Reversals of impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised.

Notes to the 2009 Financial statements
1 Principal accounting policies continued

(vi) De-recognition of financial assets and liabilities

Financial assets

A financial asset is derecognised when its contractual rights to the cash flows that comprise the financial asset expire or substantially all the risks and rewards of the asset are transferred.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Gains and losses on derecognition are recognised within finance income and finance costs respectively.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(vii) Trade receivables

Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost reduced by any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due. Indicators of impairment would include financial difficulties of the debtor, likelihood of the debtor s insolvency, default in payment or a significant deterioration in credit worthiness. Any impairment is recognised in the income statement within net operating costs . When a trade receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against net operating costs in the income statement.

(viii) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(q) Share based payments

The fair value of cash-settled share plans is recognised as a liability over the vesting period of the awards. Movements in that liability between accounting dates are recognised as an expense. The grant date fair value of the awards is determined from the market value of the shares at the date of award and adjusted for any market based vesting conditions attached to the award e.g. relative Total Shareholder Return (TSR) performance. Fair values are subsequently re-measured at each accounting date to reflect the market value of shares at the measurement date and, where relevant, the number of awards expected to vest based on the current and anticipated TSR performance. If any awards are ultimately settled in shares, the liability is transferred directly to equity as part of the consideration for the equity instruments issued.

The Group s equity-settled share plans are settled either by the issue of shares by the relevant parent company, by the purchase of shares on market or by the use of shares previously acquired as part of a share buyback. The fair value of the share plans is recognised as an expense over the expected vesting period with a corresponding

entry to retained earnings for Rio Tinto plc plans and to other reserves for Rio Tinto Limited plans. If the cost of shares acquired to satisfy the plans exceeds the expense charged, the excess is taken to the appropriate reserve. The fair value of the share plans is determined at the date of grant, taking into account any market based vesting conditions attached to the award (eg TSR). The Group uses fair values provided by independent actuaries calculated using a lattice based option valuation model.

Non market based vesting conditions (e.g. earnings per share targets) are taken into account in estimating the number of awards likely to vest. The estimate of the number of awards likely to vest is reviewed at each statement of financial position date up to the vesting date, at which point the estimate is adjusted to reflect the actual awards issued. No adjustment is made after the vesting date even if the awards are forfeited or not exercised.

Further information about the treatment of individual share based payment plans is provided in note 49.

(r) Contingencies

Contingent liabilities are not recognised in the financial statements but are disclosed by way of note unless their occurrence is remote.

Contingent assets are not recognised in the financial statement but they are disclosed by way of note if they are deemed probable.

(s) Share capital

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

Where any group company purchases the Group s equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to Rio Tinto s equity shareholders. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to Rio Tinto s equity shareholders.

Critical accounting policies and estimates

(i) Dual listed company reporting

As explained in detail in the Outline of Dual Listed Companies Structure and basis of financial statements section on page A-8 the consolidated financial statements of the Rio Tinto Group deal with the results, assets and liabilities of both of the dual listed companies, Rio Tinto plc and Rio Tinto Limited, and their subsidiaries. In other words, Rio Tinto plc and Rio Tinto Limited are viewed as a single parent company with their respective shareholders being the shareholders in that single company.

The *2009 Annual report* satisfies the obligations of Rio Tinto Limited to prepare consolidated accounts under Australian company law, as amended by an order issued by the Australian Securities and Investments Commission on 27 January 2006 (as amended on 22 December 2006). The 2009 Financial statements disclose the effect of the adjustments to consolidated IFRS profit, consolidated total comprehensive income and consolidated shareholders funds for the Group that would be required under the version of IFRS that is applicable in Australia (Australian IFRS).

The US dollar is the presentation currency used in these financial statements, as it most reliably reflects the Group s global business performance.

Notes to the 2009 Financial statements
1 Principal accounting policies continued
(ii) Asset carrying values

Events or changes in circumstances can give rise to significant impairment charges or reversals of impairment provisions in a particular year.

When such events or changes in circumstances impact on a particular asset or cash generating unit, its carrying value is assessed by reference to its recoverable amount, being the higher of fair value less costs to sell and value in use (being the net present value of expected future cash flows of the relevant cash generating unit). This is often estimated using discounted cash flow techniques.

Where the recoverable amounts of Group cash-generating units are assessed by analyses of discounted cash flows, the resulting valuations are particularly sensitive to changes in long term commodity prices; exchange rates; operating costs; discount rates.

The great majority of the Group s sales are based on prices denominated in US dollars. To the extent that the currencies of countries in which the Group produces commodities strengthen against the US dollar without commodity price offset; cash flows and, therefore, net present values are reduced. Management considers that over the long term, there is a tendency for movements in commodity prices to compensate to some extent for movements in the value of the US dollar (and vice versa). However, such compensating changes are not synchronised and do not fully offset each other.

Reviews of carrying values relate to cash generating units which, in accordance with IAS 36 Impairment of Assets , are identified as the smallest identifiable group of assets that generates cash inflows, which are largely independent of the cash inflows from other assets. In some cases, the business units within the product groups consist of several operations with independent cash generating streams, which therefore constitute separate cash generating units.

Goodwill acquired through business combinations has been allocated to groups of cash generating units that are being managed as a combined business. These groups of cash-generating units represent the lowest level within the Group at which goodwill is monitored for internal management purposes and these groups are not larger than the Group s reporting segments, which are its product groups.

The cash flow forecasts are based on best estimates of expected future revenues and costs. These may include net cash flows expected to be realised from extraction, processing and sale of mineralised material that does not currently qualify for inclusion in proven or probable ore reserves. Such non reserve material is included where there is a high degree of confidence in its economic extraction. This expectation is usually based on preliminary drilling and sampling of areas of mineralisation that are contiguous with existing reserves. Typically, the additional evaluation to achieve reserve status for such material has not yet been done because this would involve incurring costs earlier than is required for the efficient planning and operation of the mine.

Where the recoverable amount of a cash generating unit is dependent on the life of its associated ore body, expected future cash flows reflect long term mine plans, which are based on detailed research, analysis and iterative modelling to optimise the level of return from investment, output and sequence of extraction. The mine plan takes account of all relevant characteristics of the ore body, including waste to ore ratios, ore grades, haul distances, chemical and metallurgical properties of the ore impacting on process recoveries and capacities of processing equipment that can be used. The mine plan is therefore the basis for forecasting production output in each future year and for forecasting production costs.

Rio Tinto s cash flow forecasts are based on assessments of expected long term commodity prices, which for most commodities are derived from an analysis of the marginal costs of the producers of the relevant commodities. These assessments often differ from current price levels and are updated regularly.

In some cases, prices applying to some part of the future sales volumes of a cash generating unit are predetermined by existing sales contracts. The effects of such contracts are taken into account in forecasting future cash flows.

As denoted above, cost levels incorporated in the cash flow forecasts are based on the current long term mine plan or long term production plan for the cash generating unit. For value in use calculations used in impairment reviews, recent cost levels are considered, together with expected changes in costs that are compatible with the current condition of the business. Because future cash flows are estimates for the asset in its current condition, value in use does not reflect future cash flows associated with improving or enhancing an asset s performance.

The useful lives of the major assets of a cash generating unit are often dependent on the life of the orebody to which they relate. Where this is the case, the lives of mining properties, and their associated refineries, concentrators and other long lived processing equipment generally relate to the expected life of the orebody. The life of the orebody, in turn, is estimated on the basis of the long term mine plan. Where the major assets of a cash generating unit are not dependent on the life of a related orebody, management applies judgement in estimating the remaining service potential of long lived assets. In the case of smelters, factors affecting the remaining service potential include smelter technology and electricity contracts when the power is not sourced from the company s own electricity generating capacity.

Forecast cash flows are discounted to present values using Rio Tinto s weighted average cost of capital with appropriate adjustment for the risks associated with the relevant cash flows, to the extent that such risks are not reflected in the forecast cash flows. For final feasibility studies and ore reserve estimation, internal hurdle rates are used which are generally higher than the weighted average cost of capital.

Value in use and ore reserve estimates are based on the exchange rates current at the time of the evaluation. In final feasibility studies and estimates of fair value, a forecast of the long term exchange rate is made having regard to spot exchange rates, historical data and external forecasts.

Notes to the 2009 Financial statements

1 Principal accounting policies continued

Forecast cash flows for ore reserve estimation for JORC purposes and for impairment testing are generally based on Rio Tinto s long term price forecasts.

All goodwill and intangible assets that are not yet ready for use or have an indefinite life are tested annually for impairment regardless of whether there has been any change in events or circumstances.

Further details are contained within note 11.

(iii) Asset lives

Intangible assets are considered to have indefinite lives when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash flows for the Group. The factors considered in making this determination include the existence of contractual rights for unlimited terms; or evidence that renewal of the contractual rights without significant incremental cost can be expected for indefinite periods into the future in view of the Group s future investment intentions.

The life cycles of the products and processes that depend on the asset are also considered. A change in the prospectus for renewal of the contractual rights without a significant incremental cost could impact on the Group s depreciation and amotisation rates and asset carrying values.

(iv) Ore reserve estimates

Rio Tinto estimates its ore reserves and mineral resources based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2004 (the JORC code). The amounts presented under IFRS and Australian IFRS are based on the reserves, and in some cases mineral resources, determined under the JORC code.

For the purposes of this combined Annual report on Form 20-F estimates of ore reserves have been computed in accordance with the SEC s Industry Guide 7, rather than in accordance with the JORC code, and are shown on pages 29 to 38. Ore reserves presented in accordance with SEC Industry Guide 7 do not exceed the quantities that, it is estimated, could be extracted economically if future prices were to be in line with the average of historical prices for the three years to 30 June 2009, or contracted prices where applicable. For this purpose, contracted prices are applied only to future sales volumes for which the price predetermined by an existing contract; and the average of historical prices is applied to expected sales volumes in excess of such amounts. Moreover, reported ore reserve estimates have not been increased above the levels expected to be economic based on Rio Tinto s own long term price assumptions. Therefore, a reduction in commodity prices from the three year average historical price levels would not necessarily give rise to a reduction in reported ore reserves.

There are numerous uncertainties inherent in estimating ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values, deferred stripping calculations and provisions for close down, restoration and environmental clean up costs.

(v) Close down, restoration and clean up obligations

Provision is made for environmental remediation costs when the related environmental disturbance occurs, based on the net present value of estimated future costs.

Close down and restoration costs are a normal consequence of mining, and the majority of close down and restoration expenditure is incurred at the end of the life of the mine. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals. Although the ultimate cost to be incurred is uncertain, the Group s businesses estimate their respective costs based on feasibility and engineering studies using current restoration standards and techniques. The initial closure provisions together with changes, other than those arising from the unwind of the discount applied in establishing the net present value of the provision, are capitalised within property, plant and equipment and depreciated over the lives of the assets to which they relate.

Clean up costs result from environmental damage that was not a necessary consequence of mining, including remediation, compensation and penalties. These costs are charged to the income statement. Provisions are recognised at the time the damage, remediation process and estimated remediation costs become known. Remediation procedures may commence soon after this point in time but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental disturbance is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites.

The expected timing of expenditure can also change, for example in response to changes in ore reserves or production rates or economic conditions. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

(vi) Overburden removal costs

In open pit mining operations, it is necessary to remove overburden and other barren waste materials to access ore from which minerals can economically be extracted. The process of mining overburden and waste materials is referred to as stripping. During the development of a mine, before production commences, it is generally accepted that stripping costs are capitalised as part of the investment in construction of the mine.
Where a mine operates several open pits that are regarded as separate operations for the purpose of mine planning, stripping costs are accounted for separately by reference to the ore from each separate pit. If, however, the pits are highly integrated for the purpose of mine planning, the second and subsequent pits are regarded as extensions of the first pit in accounting for stripping costs. In such cases, the initial stripping of the second and subsequent pits is considered to be production phase stripping relating to the combined operation.

Stripping of waste materials continues during the production stage of the mine or pit. Some mining companies expense these production stage stripping costs as incurred, while others defer such stripping costs. In operations that experience material fluctuations in the ratio of

Notes to the 2009 Financial statements
1 Principal accounting policies continued

waste materials to ore or contained minerals on a year to year basis over the life of the mine or pit, deferral of stripping costs reduces the volatility of the cost of stripping expensed in individual reporting periods. Those mining companies that expense stripping costs as incurred will therefore report greater volatility in the results of their operations from period to period.

Rio Tinto defers production stage stripping costs for those operations where this is the most appropriate basis for matching costs with the related economic benefits and the effect is material. Stripping costs incurred in the period are deferred to the extent that the current period ratio exceeds the life of mine or pit ratio. Such deferred costs are then charged against reported profits to the extent that, in subsequent periods, the ratio falls short of the life of mine or pit ratio. The life of mine or pit ratio is based on the proven and probable reserves of the mine or pit and is obtained by dividing the tonnage of waste mined either by the quantity of ore mined or by the quantity of minerals contained in the ore. In some operations, the quantity of ore is a more practical basis for matching costs with the related economic benefits where there are important co-products or where the grade of the ore is relatively stable from year to year.

The life of mine or pit waste-to-ore ratio is a function of an individual mine s pit design and therefore changes to that design will generally result in changes to the ratio. Changes in other technical or economic parameters that impact on reserves will also have an impact on the life of mine or pit ratio even if they do not affect the pit design. Changes to the life of mine or pit ratio are accounted for prospectively.

In the production stage of some operations, further development of the mine requires a phase of unusually high overburden removal activity that is similar in nature to preproduction mine development. The costs of such unusually high overburden removal activity are deferred and charged against reported profits in subsequent periods on a units-of-production basis. This accounting treatment is consistent with that for stripping costs incurred during the development phase of a mine or pit, before production commences.

Deferred stripping costs are included in property, plant and equipment or in investment in equity accounted units, as appropriate.

These form part of the total investment in the relevant cash generating unit, which is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Amortisation of deferred stripping costs is included in operating costs or in the Group s share of the results of its jointly controlled entities and associates as appropriate.

During 2009, production stage stripping costs incurred by subsidiaries and equity accounted operations were US$174 million higher than the amounts charged against pre tax profit (2008: production stage costs exceeded the amounts charged against pre-tax profit by US$175 million). In addition, US$59 million of deferred stripping has been written off in 2009 as part of the Diamonds businesses impairment.

The net book value carried forward in property, plant and equipment and in investments in jointly controlled entities and associates at 31 December 2009 was US$1,171 million (2008: US$1,026 million).

Information about the stripping ratios of the business units, including equity accounted units that account for the majority of the deferred stripping balance at 31 December 2009, along with the year in which deferred stripping is expected to be fully amortised, is set out in the following table:

	Actual stripping ratio for year			Life of mine stripping ratio		
	2009	2008	2007	**2009**	2008	2007
Kennecott Utah Copper (2020) (a)	**2.13**	1.98	1.99	**1.21**	1.24	1.32
Grasberg Joint Venture (2015) (a)	**3.42**	3.27	3.47	**3.00**	2.87	3.05
Diavik (2012) (b)	**1.17**	1.23	0.42	**1.02**	1.20	0.91
Escondida (2043) (c)	**0.11**	0.12	0.07	**0.14**	0.10	0.10

Notes

(a) Stripping ratios shown are waste to ore.

(b) Diavik s stripping ratio is disclosed as bench cubic metre per carat. The 2009 deferred stripping ratio is based on a dual pit commercial production (A154 and A418) with the A154 open pit scheduled to end commercial production in the first quarter of 2010 and the A418 open pit scheduled to end commercial production in the third quarter of 2012.

(c) Escondida s stripping ratio is based on waste tonnes to pounds of copper mined.

Rio Tinto Borax capitalised stripping costs as part of a distinct period of new development during the production stage of the mine. Capitalisation stopped in 2004. The capitalised costs will be fully amortised in 2034.

(vii) Deferred tax on fair value adjustments

On transition to IFRS with effect from 1 January 2004, deferred tax was provided in respect of fair value adjustments on acquisitions in previous years. No other adjustments were made to the assets and liabilities recognised in such prior year acquisitions and, accordingly, shareholders funds were reduced by US$720 million on transition to IFRS primarily as a result of deferred tax on fair value adjustments to mining rights. In general, these mining rights are not eligible for income tax allowances. In such cases, the provision for deferred tax was based on the difference between their carrying value and their nil income tax base. The existence of a tax base for capital gains tax purposes was not taken into account in determining the deferred tax provision relating to such mineral rights because it is expected that the carrying amount will be recovered primarily through use and not from the disposal of the mineral rights. Also, the Group is only entitled to a deduction for capital gains tax purposes if the mineral rights are sold or formally relinquished.

For acquisitions after 1 January 2004 provision for such deferred tax on acquisition results in a corresponding increase in the amounts attributed to acquired assets and/or goodwill under IFRS.

(viii) Exploration

Under the Group s accounting policy, exploration and evaluation expenditure is not capitalised until the point is reached at which there is a high degree of confidence in the project s viability and it is considered probable that future economic benefits will flow to the Group.

The carrying values of exploration and evaluation assets are reviewed twice per annum by management and the results of these reviews are reported to the Audit committee. In the case of undeveloped projects, there may only be mineralisation to form a basis for the impairment review. The review is based on a status report regarding the Group s intentions for development of the undeveloped project. In some cases, the undeveloped projects are regarded as successors to ore bodies, smelters or refineries currently in production and may therefore benefit from existing infrastructure and equipment.

Notes to the 2009 Financial statements

1 Principal accounting policies continued

(ix) Functional currency

The determination of functional currency affects the carrying value of non current assets included in the statement of financial position and, as a consequence, the amortisation of those assets included in the income statement. It also impacts exchange gains and losses included in the income statement.

The functional currency for each entity in the Group, and for jointly controlled entities and associates, is the currency of the primary economic environment in which it operates. For many of Rio Tinto s entities, this is the currency of the country in which each operates. Transactions denominated in currencies other than the functional currency are converted to the functional currency at the exchange rate ruling at the date of the transaction unless hedge accounting applies. Monetary assets and liabilities denominated in foreign currencies are retranslated at year end exchange rates.

The US dollar is the currency in which the Group s financial statements are presented, as it most reliably reflects the global business performance of the Group as a whole.

On consolidation, income statement items are translated into US dollars at average rates of exchange. Statement of financial position items are translated into US dollars at year end exchange rates. Exchange differences on the translation of the net assets of entities with functional currencies other than the US dollar, and any offsetting exchange differences on net debt hedging those net assets, are recognised directly in the foreign currency translation reserve. Exchange gains and losses which arise on balances between Group entities are taken to the foreign currency translation reserve where the intragroup balance is, in substance, part of the Group s net investment in the entity.

The balance of the foreign currency translation reserve relating to an operation that is disposed of is transferred to the income statement at the time of the disposal.

The Group finances its operations primarily in US dollars but part of the Group s US dollar debt is located in subsidiaries having functional currencies other than the US dollar. Except as noted above, exchange gains and losses relating to such US dollar debt are charged or credited to the Group s income statement in the year in which they arise. This means that the impact of financing in US dollars on the Group s income statement is dependent on the functional currency of the particular subsidiary where the debt is located.

With the above exceptions, and except for derivative contracts which qualify as cash flow hedges, exchange differences are charged or credited to the income statement in the year in which they arise.

(x) Underlying earnings

The Group presents Underlying earnings as an additional measure to provide greater understanding of the underlying business performance of its operations. The adjustments made to net earnings to arrive at underlying earnings are explained in note 2.

(xi) Post retirement benefits

The difference between the fair value of the plan assets (if any) of post retirement plans and the present value of the plan obligations is recognised as an asset or liability on the statement of financial position. The Group has

adopted the option under IAS 19 to record actuarial gains and losses directly in the Group s statement of comprehensive income.

The most significant assumptions used in accounting for post retirement plans are the long term rate of return on plan assets, the discount rate, the expected rate of long term inflation and the mortality assumptions.

The long term rate of return on plan assets is used to calculate interest income on pension assets, which is credited to the Group s income statement. The mortality assumption is used to project the length of time for which future pension payments will be made and the inflation assumption is used in projecting future increases in those payments. The discount rate is used to determine the net present value of those future payments and each year the unwinding of the discount on those liabilities is charged to the Group s income statement.

Valuations are carried out using the projected unit method. The expected rate of return on pension plan assets is determined as management s best estimate of the long term return on the major asset classes, i.e. equity, debt, property and other, weighted by the actual allocation of assets among the categories at the measurement date. The expected rate of return is calculated using geometric averaging.

The sources used to determine management s best estimate of long term returns are numerous and include country specific bond yields, which may be derived from the market using local bond indices or by analysis of the local bond market, and country specific inflation and investment market expectations derived from market data and analysts or governments expectations as applicable.

In particular, the Group estimates long term expected returns on equity based on the economic outlook, analysts views and those of other market commentators. This is the most subjective of the assumptions used and it is reviewed regularly to ensure that it remains consistent with best practice.

The discount rate used in determining the service cost and interest cost charged to income is the market yield at the start of the year on high quality corporate bonds. For countries where there is no deep market in such bonds the yield on government bonds is used.

For determining the present value of obligations shown on the statement of financial position, market yields at the statement of financial position date are used.

Details of the key assumptions are set out in note 50.

For 2009 the charge against income for post retirement benefits net of tax and minorities was US$383 million. This charge included both pension and post retirement healthcare benefits. The charge is net of the expected return on assets which was US$396 million after tax and minorities.

In calculating the 2009 expense the average future increase in compensation levels was assumed to be three per cent and this will increase to 3.6 per cent for 2010 reflecting higher assumed inflation in most territories. The average discount rate used for the Group s plans in 2009 was 6.2 per cent and the average discount rate used in 2010 will be 5.8 per cent reflecting the net impact of changes in corporate bond yields in the regions where the Group has pension obligations.

The weighted average expected long term rate of return on assets used to determine 2009 pension cost was 5.9 per cent. This will

Notes to the 2009 Financial statements

1 Principal accounting policies continued

increase to 6.4 per cent for 2010. This improvement results mainly from higher government bond yields in most territories which drives assured return on other asset classes

Based on the known changes in assumptions noted above and other expected circumstances, the impact of post retirement costs on the Group s IFRS net earnings in 2010 would be an expected decrease of some US$40 million to US$423 million. This decrease is mainly attributable to higher expected return on assets. The actual charge may be impacted by other factors that cannot be predicted, such as the effect of changes in benefits and exchange rates.

The table below sets out the potential change in the Group s 2009 net earnings (after tax and outside interests) that would result from hypothetical changes to post retirement assumptions and estimates. The sensitivities are viewed for each assumption in isolation although a change in one assumption is likely to result in some offset elsewhere.

The figures in the below table only show the impact on underlying and net earnings. Changing the assumptions would also have an impact on the statement of financial position.

	IFRS US$m
Sensitivity of Group s 2009 net earnings to changes in:	
Expected return on assets	
increase of 1 percentage point	65
decrease of 1 percentage point	(65)
Discount rate	
increase of 0.5 percentage points	3
decrease of 0.5 percentage points	(2)
Salary increases	
increase of 0.5 percentage points	(9)
decrease of 0.5 percentage points	8
Demographic allowance for additional future mortality improvements	
participants assumed to be one year older	15
participants assumed to be one year younger	(15)

(xii) Deferred tax potentially recoverable on Group tax losses

The Group has carried forward losses; mainly in the UK, French and Canadian tax groups; that have the potential to reduce tax charges in future years. Deferred tax assets have been recognised on these tax losses to the extent their recovery is probable, having regard to the projected future taxable profits of the relevant tax groups.

The possible tax assets on these losses totalled US$1,882 million at 31 December 2009 (2008: US$1,000 million). Of these, US$1,286 million have been recognised as deferred tax assets (2008: US$899 million), leaving US$596 million (2008: US$101 million) unrecognised, as recovery is not considered probable. This amount excludes unrecognised capital losses which can only be recovered against future capital gains.

Within the UK tax group, US$303 million in tax losses have been recognised as deferred tax assets (2008: US$246 million), with no amounts unrecognised. Within the French tax group, US$419 million in tax losses

have been recognised as deferred tax assets (2008: US$309 million) with US$503 million unrecognised. Within the Canadian tax group, US$393 million in tax losses have been recognised as deferred tax assets (2008: US$172 million), with no amounts unrecognised.

(xiii) Contingencies

Disclosure is made of material contingent liabilities unless the possibility of any loss arising is considered remote. Contingencies are disclosed in note 35.

(xiv) Acquisition accounting

On the acquisition of a subsidiary, the purchase method of accounting is used whereby the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair value at the date of acquisition.

Rio Tinto acquired Alcan Inc during 2007. The Group commissioned expert valuation consultants to advise on the fair values and asset lives of Alcan s assets. The residue of the purchase price not allocated to specific assets and liabilities has been attributed to goodwill. The provisional values and asset lives incorporated in the 2007 Financial statements have been revised in 2008 (within 12 months of the date of acquisition) as permitted by IFRS 3 Business Combinations .

(xv) Temporary differences related to closure costs and finance leases

Under the initial recognition rules in paragraphs 15 and 24 of IAS 12 Income Taxes , deferred tax is not provided on the initial recognition of an asset or liability in a transaction that does not affect accounting profit or taxable profit and is not a business combination. The Group s interpretation of these initial recognition rules has the result that no deferred tax asset is provided on the recognition of a provision for close down and restoration costs and the related asset, or on recognition of assets held under finance leases and the associated lease liability, except where these are recognised as a consequence of business combinations.

On creation of a closure provision, for instance, there is no effect on accounting or taxable profit because the cost is capitalised. As a result, the initial recognition rules would appear to prevent the recognition of a deferred tax asset in respect of the provision and of a deferred tax liability in respect of the related capitalised amount.

The temporary differences will reverse in future periods as the closure asset is depreciated and when tax deductible payments are made that are charged against the provision. Paragraph 22 of IAS 12 extends the initial recognition rules to the reversal of temporary differences on assets and liabilities to which the initial recognition rules apply. Therefore, deferred tax is not recognised on the changes in the carrying amount of the asset which result from depreciation or from the changes in the provision resulting from expenditure. When tax relief on expenditure is received this will be credited to the income statement as part of the current tax charge.

The unwinding of the discount applied in establishing the present value of the closure costs does affect accounting profit. Therefore, this unwinding of discount results in the recognition of deferred tax assets.

The application of this initial recognition exemption has given rise to diversity in practice: some companies do provide for deferred tax on closure cost provisions and the related capitalised amounts. The Exposure Draft on Income Tax released by the IASB in 2009 would require the Group to provide for deferred tax on closure cost provisions. If the Group were to provide for deferred tax on closure costs and finance leases under IFRS the benefit to Underlying and Net earnings would have been US$41 million (2008: US$39 million) and to equity would have been US$232 million (2008: US$182 million).

Notes to the 2009 Financial statements

2 Reconciliation of Net earnings to Underlying earnings

Exclusions from Underlying earnings	**Pre-tax(i) 2009 US$m**	**Taxation 2009 US$m**	**Outside interests 2009 US$m**	**Discontinued operations(i) 2009 US$m**	**Net amount 2009 US$m**	Net amount 2008 US$m	Net amount 2007 US$m
Profits less losses on disposal of interests in businesses (a)	**692**	**(193)**			**499**	1,470	1
Impairment charges (b)	**(1,573)**	**445**	**25**		**(1,103)**	(7,579)	(113)
Loss after tax from discontinued operations (b)				**(449)**	**(449)**	(827)	
Exchange differences and gains/(losses) on derivatives:							
- Exchange gains/(losses) on US dollar net debt and intragroup balances (c)	**368**	**(438)**	**14**		**(56)**	960	156
- (Losses)/gains on currency and interest rate derivatives not qualifying for hedge accounting (d) (e)	**(21)**	**12**	**18**		**9**	(22)	34
- Gains/(losses) on commodity derivatives not qualifying for hedge accounting (f)	**181**	**(106)**			**75**	(95)	
Chinalco break fee	**(195)**	**13**			**(182)**		
Restructuring costs from global headcount reduction (g)	**(321)**	**90**			**(231)**	(57)	
Other exclusions (h)	**(56)**	**86**	**(18)**		**12**	(477)	(209)
Total excluded from Underlying earnings	**(925)**	**(91)**	**39**	**(449)**	**(1,426)**	(6,627)	(131)
Net earnings	**7,860**	**(2,076)**	**(463)**	**(449)**	**4,872**	3,676	7,312
Underlying earnings	**8,785**	**(1,985)**	**(502)**		**6,298**	10,303	7,443

Underlying earnings is an alternative measure of earnings, which is reported by Rio Tinto to provide greater understanding of the underlying business performance of its operations. Underlying earnings and Net earnings both represent amounts attributable to Rio Tinto shareholders. Items (a) to (h) below are excluded from Net earnings in arriving at Underlying earnings.

(a) Profits arising on the disposal of interests in businesses in 2009 relate principally to sales of the Corumba iron ore mine in Brazil, the Jacobs Ranch coal mine, the sale of 52 per cent of Rio Tinto s interest in Cloud Peak Energy Resources LLC (CPER) and are partially offset by a loss from the sale of Alcan Composites.

Profits arising on the disposal of interests in businesses in 2008 relate principally to the sales of the Cortez gold mine and the Greens Creek mine.

Profits arising on the disposal of interests in undeveloped projects which in 2009 includes gains on disposal of undeveloped potash assets in Argentina and Canada amounting to US$797 million, net of tax, are not excluded from Underlying earnings. The 2008 profits relate principally to the disposal of the undeveloped Kintyre uranium project in Western Australia.

(b) Charges relating to impairment of goodwill and other non-current assets other than undeveloped projects but including discontinued operations.

The impairment charges of US$1,103 million for the year ended 31 December 2009 related mainly to Alcan Engineered Products: US$500 million, the Group s aluminium businesses: US$212 million, the Group s diamond businesses: US$348 million and US$43 million in other impairments. All impairments have been measured based upon an assessment of fair value.

An impairment of US$318 million (31 December 2008: US$960 million; 31 December 2007: nil) relating to the Alcan Packaging business has been recognised during the year ended 31 December 2009, and is included in Loss after tax from discontinued operations . This impairment is based on an estimate of fair value less costs to sell, which is based on the Group s best estimate of expected proceeds to be realised on sale of Alcan Packaging, less an estimate of remaining costs to sell. Loss after tax from discontinued operations of US$449 million (31 December 2008: US$827 million) also includes a US$131 million tax charge (31 December 2008: US$133 million tax benefit) relating to an increase in the Group s estimate of the tax to be paid on sale of the Alcan Packaging business.

The weak economic environment continued to put downward pressure on the sales prices for these divestment businesses and resulted in the impairment of the Alcan Packaging businesses and Alcan Engineered Products businesses. The impairment charge related to the Group s aluminium businesses related mainly to the planned closure of certain smelters and was caused by a decrease in short term price assumptions at the date of the impairment review.

The impairment to the Group s diamond business was caused by weak demand for luxury items and increased input costs.

The impairment charge of US$7,579 million for the year ended 31 December 2008 related mainly to the Group s aluminium businesses: US$6,127 million and Alcan Engineered Products: US$980 million. This includes amounts relating to equity accounted units of US$15 million (2007: nil).

(c) Exchange gains and losses on US dollar debt and intragroup balances.

The 2009 tax on exchange gains and losses on external debt and intragroup balances includes tax charges on gains on US dollar denominated debt. However, a significant proportion of the pre-tax losses on intragroup balances are not subject to tax.

The 2008 tax on exchange gains and losses on external debt and intragroup balances included a benefit of US$254 million through recovery of tax relating to prior years. It also included a tax relief for losses on US dollar denominated debt. The gains on intragroup balances were largely not subject to tax.

(d) Valuation changes on currency and interest rate derivatives which are ineligible for hedge accounting, other than those embedded in commercial contracts.

(e) The currency revaluation of embedded US dollar derivatives contained in contracts held by entities whose functional currency is not the US dollar.

(f) Valuation changes on commodity derivatives, including those embedded in commercial contracts, that are ineligible for hedge accounting, but for which there will be an offsetting change in future Group earnings.

(g) During 2009, the Group incurred further restructuring costs relating to the cost saving measures announced in December 2008.

Notes to the 2009 Financial statements

2 Reconciliation of Net earnings to Underlying earnings continued

(h) Other credits and charges that, individually, or in aggregate if of a similar type, are of a nature or size to require exclusion in order to provide additional insight into underlying business performance.

During 2008, the Group incurred advisory and other costs related to the rejection by the Board of the pre-conditional takeover proposal from BHP Billiton, which was withdrawn in November 2008. These costs totalled US$270 million (net of tax) in 2008 and have been excluded from Underlying earnings. Other charges excluded from Underlying earnings in 2008 and 2009 comprise of costs relating to acquisitions, disposals and similar corporate projects.

(i) Exclusions from Underlying earnings relating to equity accounted units and discontinued operations are stated after tax.

3 Net operating costs

	Note	***2009 US$m***	*2008 US$m*	*2007 US$m*
Raw materials and consumables		**11,501**	16,248	6,096
Amortisation of intangible assets	12	**387**	429	114
Depreciation of property, plant & equipment	13	**3,040**	3,046	2,001
Employment costs	4	**6,198**	6,603	3,827
Repairs and maintenance		**1,771**	1,960	1,393
Shipping costs		**1,828**	2,495	1,874
Other freight costs		**756**	815	509
Decrease/(increase) in finished goods and work in progress		**517**	(163)	110
Royalties		**1,539**	1,946	1,093
Amounts charged by jointly controlled entities (a)		**2,420**	2,473	1,362
Net foreign exchange losses/(gains)		**123**	(379)	(45)
Other external costs		**3,127**	2,230	2,391
Provisions (including exchange losses/(gains) on provisions)	27	**930**	265	308
Research and development		**193**	307	69
Costs included above qualifying for capitalisation		**(136)**	(259)	(78)
Other operating income		**(376)**	(375)	(272)
Net operating costs (excluding items shown separately)		**33,818**	37,641	20,752

(a) Amounts charged by jointly controlled entities mainly relate to toll processing but also include purchases from jointly controlled entities of bauxite and aluminium which are then processed by the product group or sold to third parties. Generally, purchases are in proportion to the Group s share of the jointly controlled entity but in 2009, US$491 million (2008 and 2007: nil) related to purchases of the other venturer s share of production.

Information on auditors remuneration is included in note 43.

4 Employment costs

	Note	**2009 US$m**	2008 US$m	2007 US$m
Employment costs				
- Wages and salaries		**6,130**	6,414	3,618
- Social security costs		**101**	113	106
- Net post retirement cost (a)	50	**524**	502	240
- Share option charge/(credit) (b)	49	**177**	(22)	220
		6,932	7,007	4,184
Less: charged within provisions		**(734)**	(404)	(357)
Total employment costs	3	**6,198**	6,603	3,827

(a) Post retirement costs include the aggregate service and interest cost of providing post retirement benefits under defined benefit plans, net of the related expected return on plan assets. Additional detail of the amount charged to the income statement in respect of post retirement plans, and the treatment of actuarial gains and losses, is shown in note 50.

(b) Further details of the Group s share options and other share based payment plans are given in note 49.

5 Impairment charges

	Pre-tax 2009 US$m	Taxation 2009 US$m	Outside interests 2009 US$m	**Net amount 2009 US$m**	Net amount 2008 US$m	Net amount 2007 US$m
Aluminium (b)	(304)	67	25	**(212)**	(6,127)	
Alcan Engineered Products (c)	(687)	187		**(500)**	(980)	
Diamonds (e)	(525)	177		**(348)**	(107)	(328)
Hismelt (f)					(182)	
Palabora (g)						100
Tarong coal mine (h)						134
Other	(57)	14		**(43)**	(168)	(19)
Total (a)	(1,573)	445	25	**(1,103)**	(7,564)	(113)

(a) The majority of the 2009 pre-tax impairment charge relates to property, plant and equipment (US$1,290 million) and intangible assets (US$179 million), with the remainder relating to investments in equity accounted units. The majority of the 2008 impairment charge related to goodwill (US$6,621 million), property, plant and equipment (US$1,222 million) and intangible assets (US$129 million), with the remainder relating to investments in equity accounted units.

(b) The 2009 impairment charge related mainly to the planned closure of certain smelters, and was caused by a decrease in short term price assumptions at the date of the impairment review. The recoverable amount was based on fair value less costs to sell, and was assessed in line with the policy in note 1(i). The 2008 impairment charge related mainly to the write down of goodwill resulting from the annual impairment review, due to the deferral of growth projects following significant weakening in economic and market circumstances, and increases in input costs.

(c) Alcan Engineered Products is part of the Alcan group that was acquired in October 2007, and forms part of Other Operations. It manufactures engineered or fabricated aluminum products.

Notes to the 2009 Financial statements

5 **Impairment charges** continued

On 1 December 2009, Rio Tinto announced that it had completed the sale of Alcan Composites for US$349 million. The Group s intention is to sell the remaining businesses relating to Alcan Engineered Products. As such, the recoverable amount has been based on fair value less costs to sell, which represents the Group s best estimate of the expected proceeds to be realised from the sale of the remaining Alcan Engineered Products businesses, less an estimate of remaining costs to sell. The estimated proceeds are assessed in line with the policy in note 1(i).

The weak economic environment continued to put downward pressure on the sales prices for these divestment businesses and resulted in the impairment of the property, plant and equipment relating to the Alcan Engineered Products businesses.

(d) The specific details of the impairment review relating to Alcan Packaging are set out in note 19.

(e) The impairment to the Group s Diamonds business during 2009 was caused by weak demand for luxury items and higher input costs. Impairment of property, plant and equipment was assessed by reference to the fair value less costs to sell of the cash generating units (CGUs). The determination of fair value less costs to sell was based on the policy in note 1(i). This estimate was derived from discounting projections of cash flows, using valuation assumptions that a buyer might be expected to apply.

Large increases in the estimated capital cost of Argyle s underground project triggered an assessment of its recoverable amount during 2007. Impairment of property, plant and equipment was assessed by reference to fair value less costs to sell. The determination of fair value less costs to sell was based on the estimated amount that would be obtained from sale in an arm s length transaction between knowledgeable and willing parties. This estimate was derived from discounting projections of cash flows, using valuation assumptions that a buyer might be expected to apply.

(f) In 2008, full provision was made against the carrying value of the HIsmelt operation, which is within the Iron ore product group. Operations at the Kwinana plant have been suspended and the Group s future role in developing this technology is under review, leading to doubt about the recoverability of the amount invested.

(g) An increase in the Group s long term copper price assumption triggered an assessment of the recoverable amount of Palabora during 2007. The value in use was based on cash flows forecast in real terms and discounted at a pre-tax rate of 12 per cent. This led to a full reversal of the remainder of the impairment provision previously recognised.

(h) An announcement of the sale of Tarong led to full reversal in 2007 of the remainder of the impairment provision previously recognised.

(i) Total impairment charges in 2008, excluded from Underlying earnings, includes US$15 million relating to equity accounted units, which is not included in the table above.

6 Share of profit after tax of equity accounted units

	2009	*2008*	*2007*
	US$m	*US$m*	*US$m*

Sales revenue (a)	**3,020**	3,801	3,818
Operating costs	**(1,717)**	(2,158)	(1,261)
Profit before finance items and taxation	**1,303**	1,643	2,557
Exchange gains on net debt	**4**	37	7
Gains/(losses) on currency and interest rate derivatives not qualifying for hedge accounting	**9**	(19)	(5)
Net interest payable	**(55)**	(45)	(49)
Amortisation of discount	**(7)**	(17)	(9)
Share of profit after tax of equity accounted units	**23**	36	
Profit before taxation	**1,277**	1,635	2,501
Taxation	**(491)**	(596)	(917)
Profit for the year (Rio Tinto share)	**786**	1,039	1,584

(a) The sales revenue of equity accounted units excludes charges by jointly controlled entities to Group subsidiaries.

7 Interest receivable and payable

	Note	***2009 US$m***	*2008 US$m*	*2007 US$m*
Interest receivable and similar income from:				
- Equity accounted units		**36**	43	28
- Other investments (a)		**66**	107	101
		102	150	129
Other interest receivable		**18**	54	5
Total interest receivable and similar income		**120**	204	134
Interest payable and similar charges (b)		**(1,127)**	(1,821)	(660)
Amounts capitalised	*13*	**198**	203	122
Total interest payable and similar charges		**(929)**	(1,618)	(538)

(a) Interest income from other investments comprises US$45 million (2008: US$72 million; 2007: US$80 million) of interest income from bank deposits and US$21 million (2008: US$35 million; 2007: US$21 million) from other financial assets.

(b) Interest payable and similar charges relates to interest on bank loans and other borrowings. This includes a fair value loss on the interest rate swaps designated as hedges of US$59 million and an offseting fair value gain on bank borrowings attributable to interest rate risk of US$59 million (2008: fair value gain on the interest rate swaps of US$669 million and a US$655 million fair value loss on bank borrowings attributable to interest rate risk; 2007: fair value gain on the interest rate swaps of US$35 million and a US$38 million fair value loss on bank borrowings attributable to interest rate risk).

Notes to the 2009 Financial statements

8 Tax on profit

	Note	***2009 US$m***	*2008 US$m*	*2007 US$m*
UK taxation				
Corporation tax at 28% (2007: 30%)				
- Current		**1**		
- Deferred			(46)	(150)
		1	(46)	(150)
Australian taxation				
Corporation tax at 30%				
- Current		**1,829**	3,005	1,396
- Deferred		**391**	(812)	(18)
		2,220	2,193	1,378
Other countries taxation				
- Current		**763**	1,711	897
- Deferred		**(908)**	(116)	(35)
		(145)	1,595	862
Total taxation charge				
- Current		**2,593**	4,716	2,293
- Deferred	*18*	**(517)**	(974)	(203)
		2,076	3,742	2,090

Prima facie tax reconciliation	***2009 US$m***	*2008 US$m*	*2007 US$m*
Profit before taxation	**7,860**	9,178	9,836
Deduct: share of profit after tax of equity accounted units	**(786)**	(1,039)	(1,584)
Parent companies and subsidiaries profit before tax	**7,074**	8,139	8,252
Prima facie tax payable at UK rate of 28% (2007: 30%)	**1,981**	2,279	2,476
Higher rate of taxation on Australian earnings at 30%	**136**	226	
Impact of items excluded in arriving at Underlying earnings (a)	**347**	919	(28)
Adjustments to deferred tax liabilities following changes in tax rates	**(22)**	(25)	(392)
Other tax rates applicable outside the UK and Australia	**113**	206	271
Resource depletion and other depreciation allowances	**(132)**	(129)	(173)
Research, development and other investment allowances	**(55)**	(72)	(81)

Utilisation of previously unrecognised deferred tax assets	**(36)**	(160)	
Unrecognised current year operating losses	**105**	163	70
Foreign exchange differences	**(167)**	197	11
Withholding taxes	**73**	95	46
Non-taxable gains on asset disposals (b)	**(208)**		
Other items	**(59)**	43	(110)
Total taxation charge (c)	**2,076**	3,742	2,090

(a) An analysis of the impact on the tax reconciliation of items excluded in arriving at Underlying earnings is given below:

	2009 US$m	*2008 US$m*	*2007 US$m*
Impairment charges	**(5)**	1,806	(1)
Disposal of interests in businesses		136	
Exchange losses/(gains) on intragroup balances	**332**	(723)	11
Exchange gains on external debt		(332)	(33)
Exchange losses)/(gains) derivatives and others	**25**	(19)	3
Other exclusions	**(5)**	51	(8)
	347	919	(28)

(b) The non taxable gains on asset disposals relate to undeveloped potash assets in Argentina.

(c) This tax reconciliation relates to the parent companies, subsidiaries and proportionally consolidated units. The Group s share of profit of equity accounted units is net of tax charges of US$491 million (2008: US$596 million; 2007: US$917 million).

Notes to the 2009 Financial statements

8 **Tax on profit** continued

(d) The tax credit/(charge) relating to components of other comprehensive income is as follows:

	2009		
	Attributable to shareholders of Rio Tinto US$m	**Outside interests US$m**	**Total US$m**
Tax on exchange adjustments			
Cash flow hedge fair value losses/(gains):			
- Cash flow hedge fair value losses/(gains)	**62**	**35**	**97**
- Cash flow hedge losses transferred to the income statement	**(10)**	**(10)**	**(20)**
Gains/(losses) on available for sale securities	**(1)**		**(1)**
Gains on revaluation of available for sale securities transferred to the income statement	**1**		**1**
Actuarial losses on post retirement benefit plans	**233**	**(1)**	**232**
Deferred tax on share options	**50**		**50**
	335	**24**	**359**
Share of tax on other comprehensive income/(expense) of equity accounted units	**(38)**		**(38)**
Tax relating to components of other comprehensive income/(expense) for the year (a)	**297**	**24**	**321**

	2008		
	Attributable to shareholders of Rio Tinto US$m	Outside interests US$m	Total US$m
Tax on exchange adjustments	99		99
Cash flow hedge fair value losses/(gains):			
- Cash flow hedge fair value losses/(gains)	(11)	(8)	(19)
- Cash flow hedge losses transferred to the income statement	(77)	(35)	(112)
Gains/(losses) on available for sale securities	10		10
Gains on revaluation of available for sale securities transferred to the income statement			
Actuarial losses on post retirement benefit plans	457	7	464
Deferred tax on share options	(179)		(179)

	299	(36)	263
Share of tax on other comprehensive income/(expense) of equity accounted units	(19)		(19)
Tax relating to components of other comprehensive income/(expense) for the year (a)	280	(36)	244

	2007		
	Attributable to shareholders of Rio Tinto US$m	Outside interests US$m	Total US$m
Tax on exchange adjustments	13		13
Cash flow hedge fair value losses/(gains):			
- Cash flow hedge fair value losses/(gains)	99	67	166
- Cash flow hedge losses transferred to the income statement	(28)	(25)	(53)
Gains/(losses) on available for sale securities	(9)		(9)
Gains on revaluation of available for sale securities transferred to the income statement	2		2
Actuarial losses on post retirement benefit plans	(42)	(2)	(44)
Deferred tax on share options	118		118
	153	40	193
Share of tax on other comprehensive income/(expense) of equity accounted units	6		6
Tax relating to components of other comprehensive income/(expense) for the year (a)	159	40	199

(a) This includes US$319 million (2008: US$205 million) of deferred tax and US$2 million (2008: US$39 million; 2007: US$(4) million) of current tax. See note 18.

Notes to the 2009 Financial statements

9 Earnings/(loss) per ordinary share

	2009 Earnings US$m	**2009 Weighted average number of shares (millions)**	**2009 Per share amount (a) (cents)**
Basic earnings per share attributable to ordinary shareholders of Rio Tinto continuing operations	**5,321**	**1,763.6**	**301.7**
Basic loss per share attributable to ordinary shareholders of Rio Tinto discontinued operations	**(449)**	**1,763.6**	**(25.5)**
Total basic earnings per share profit for the year (b)	**4,872**	**1,763.6**	**276.2**
Diluted earnings per share attributable to ordinary shareholders of Rio Tinto continuing operations	**5,321**	**1,769.6**	**300.7**
Diluted loss per share attributable to ordinary shareholders of Rio Tinto discontinued operations	**(449)**	**1,769.6**	**(25.4)**
Total diluted earnings per share profit for the year (c)	**4,872**	**1,769.6**	**275.3**
Underlying earnings per share attributable to ordinary shareholders (d)			
- Basic (b)	**6,298**	**1,763.6**	**357.1**
- Diluted (c)	**6,298**	**1,769.6**	**355.9**

	2008 Earnings US$m	*2008 Weighted average number of shares (millions)*	*2008 Per share amount (a) (cents)*
Basic earnings per share attributable to ordinary shareholders of Rio Tinto continuing operations	4,503	1,570.1	286.8
Basic loss per share attributable to ordinary shareholders of Rio Tinto discontinued operations	(827)	1,570.1	(52.7)
Total basic earnings per share profit for the year (b)	3,676	1,570.1	234.1
	4,503	1,577.3	285.5

Diluted earnings per share attributable to ordinary shareholders of Rio Tinto continuing operations			
Diluted loss per share attributable to ordinary shareholders of Rio Tinto discontinued operations	(827)	1,577.3	(52.4)
Total diluted earnings per share profit for the year (c)	3,676	1,577.3	233.1
Underlying earnings per share attributable to ordinary shareholders (d)			
- Basic (b)	10,303	1,570.1	656.2
- Diluted (c)	10,303	1,577.3	653.2
	2007 Earnings US$m	*2007 Weighted average number of shares (millions)*	*2007 Per share amount* (a) *(cents)*
Basic earnings per share attributable to ordinary shareholders of Rio Tinto continuing operations	7,312	1,572.9	464.9
Basic loss per share attributable to ordinary shareholders of Rio Tinto discontinued operations		1,572.9	
Total basic earnings per share profit for the year (b)	7,312	1,572.9	464.9
Diluted earnings per share attributable to ordinary shareholders of Rio Tinto continuing operations	7,312	1,579.6	462.9
Diluted loss per share attributable to ordinary shareholders of Rio Tinto discontinued operations		1,579.6	
Total diluted earnings per share profit for the year (c)	7,312	1,579.6	462.9
Underlying earnings per share attributable to ordinary shareholders (d)			
- Basic (b)	7,443	1,572.9	473.2
- Diluted (c)	7,443	1,579.6	471.2

(a) The rights issues were at a discount to the then market price. Accordingly, earnings per share for all periods up to the date on which the shares were issued have been adjusted for the bonus element of the issues. The bonus factor for Rio Tinto plc was 1.2105 and for Rio Tinto Limited was 1.2679. The 2008 and 2007 comparatives have been restated accordingly. Other information relating to the rights issues is shown in note 46.

(b) The weighted average number of shares is calculated as the average number of Rio Tinto plc shares outstanding not held as treasury shares of 1,366.1 million (2008 restated: 1,207.8 million; 2007 restated: 1,210.6 million) plus the average number of Rio Tinto Limited shares outstanding not held by Rio Tinto plc of 397.5 million (2008 and 2007 restated: 362.3 million).

(c) For the purposes of calculating diluted earnings per share, the effect of dilutive securities of 6.0 million shares in 2009 (2008 restated: 7.2 million shares; 2007 restated: 6.7 million shares) is added to the weighted average number of shares described in (b) above. This effect is calculated under the treasury stock method. The Group s only potential dilutive ordinary shares are share options for which terms and conditions are described in note 49.

(d) Underlying earnings per share is calculated from Underlying earnings, detailed information on which is given in note 2.

Notes to the 2009 Financial statements

10 Dividends

	2009 US$m	*2008 US$m*	*2007 US$m*
Rio Tinto plc previous year Final dividend paid	**670**	838	646
Rio Tinto plc Interim dividend paid		679	518
Rio Tinto Limited previous year Final dividend paid	**206**	228	198
Rio Tinto Limited Interim dividend paid		188	145
Dividends paid during the year	**876**	1,933	1,507
Dividends per share: paid during the year (restated)	**55.6c**	124.3c	94.8c
Dividends per share: proposed in the announcement of the results for the year (2008 and 2007 restated)	**45.0c**	55.6c	68.7c

	Restated dividends per share 2009	*Restated dividends per share 2008*	*Restated dividends per share 2007*
Rio Tinto plc previous year Final (pence)	**37.85p**	35.27p	26.69p
Rio Tinto plc Interim (pence)		29.64p	20.93p
Rio Tinto Limited previous year Final fully franked at 30% (Australian cents)	**82.97c**	76.08c	67.75c
Rio Tinto Limited Interim fully franked at 30% (Australian cents)		63.25c	49.64c

	Restated number of shares 2009 (millions)	*Restated number of shares 2008 (millions)*	*Restated number of shares 2007 (millions)*
Rio Tinto plc previous year Final	**1,208.4**	1,207.8	1,219.3
Rio Tinto plc Interim		1,208.2	1,206.5
Rio Tinto Limited previous year Final fully franked at 30%	**362.3**	362.3	362.3
Rio Tinto Limited Interim fully franked at 30%		362.3	362.3

The dividends paid in 2009 are based on the following US cents per share amounts: 2008 final (restated) 55.6 cents, 2009 interim nil (2008 dividends paid: 2007 final (restated) 68.7 cents, 2008 interim (restated) 55.6 cents; 2007 dividends paid: 2006 final (restated) 52.3 cents, 2007 interim (restated) 42.5 cents). The 2008 and 2007 dividends per share have been restated using a number of shares which reflects the discounted price of the 2009 July rights issue (the bonus factor). Refer to note 46 for further details.

The number of shares on which the Rio Tinto Limited dividends are based excludes those shares held by Rio Tinto plc, in order that the dividends shown represent those paid to public shareholders. The number of shares on which

Rio Tinto plc dividends are based excludes those held as treasury shares.

In addition, the Directors of Rio Tinto announced a final dividend of 45.0 cents per share on 11 February 2010. This is expected to result in payments of US$882 million (Rio Tinto plc: US$686 million, Rio Tinto Limited US$196 million). The dividends will be paid on 1 April 2010 to Rio Tinto plc shareholders on the register at the close of business on 26 February 2010 and to Rio Tinto Limited shareholders on the register at the close of business on 2 March 2010.

The proposed Rio Tinto Limited dividends will be franked out of existing franking credits or out of franking credits arising from the payment of income tax during 2010.

The approximate amount of the Rio Tinto Limited consolidated tax group s retained profits and reserves that could be distributed as dividends and franked out of credits, that arose from net payments of income tax in respect of periods up to 31 December 2009 (after deducting franking credits expected to be utilised on the 2009 final dividend declared), is US$13,035 million.

11 Goodwill

	2009 US$m	*2008 US$m*
Net book value		
At 1 January	**14,296**	21,105
Adjustment on currency translation	**156**	(196)
Additions		8
Disposals	**(184)**	
Impairment charges		(6,621)
At 31 December	**14,268**	14,296
- cost	**20,854**	21,123
- accumulated impairment	**(6,586)**	(6,827)
At 1 January		
- cost	**21,123**	21,366
- accumulated impairment	**(6,827)**	(261)

Impairment tests for goodwill

At 31 December 2009, goodwill has been allocated as follows:

	2009 US$m	*2008 US$m*
Net book value		
Aluminium	**13,691**	13,563
Australian Iron Ore	**446**	345
Other	**131**	388
	14,268	14,296

Notes to the 2009 Financial statements

11 Goodwill continued

Aluminium

The majority of the Group s goodwill has been allocated to cash generating units within the Aluminium group of cash generating units (Aluminium), which includes both Alcan and the aluminium businesses previously owned by Rio Tinto, which are now managed as a single business. A large component of Aluminium s carrying value relates to the former Alcan businesses purchased in 2007.

Aluminium s annual impairment review resulted in no impairment charge for 2009 (2008: US$6,127 million after taxation). The recoverable amount has been assessed by reference to fair value less costs to sell, using discounted cash flows, in line with the policy in note 1(i).

In arriving at fair value less costs to sell, a post-tax discount rate of 6.8 per cent has been applied to the post-tax cash flows expressed in real terms. Fair value less costs to sell was determined by estimating cash flows for a period of twelve years. The cash flow projections are based on long term production plans. These cash flows are then aggregated with a terminal value . The terminal value represents the value of cash flows beyond the twelfth year, incorporating an annual real term growth rate of one and a half percent, with a corresponding increase in capital expenditure to support the real term growth rate. Aluminium benefits from a global marketplace with substantial barriers to entry and there are a limited number of competitors who are able to access effectively the key resources necessary to make aluminium. In addition, continued global industrialisation is expected to support demand for aluminium. The operating cost levels included in the fair value assessment are calculated based on Aluminium s long term production plans. Price assumptions for inputs into the aluminium smelting process are based on analysis of market fundamentals and are made consistent with related output price assumptions. Approximately, 80 per cent of Aluminium s production is located in the first half of the industry cost curve. Aluminium s intention is to maintain and, where possible, improve its relative position on the industry cash cost curve.

The key assumptions to which the calculation of fair value less costs to sell for Aluminium is most sensitive are the long term aluminium price; the Canadian dollar and Australian dollar exchange rates against the US dollar; operating costs; and discount rates. Cash flows for the periods included in the projections were translated into the functional currency using the Group s estimate of future exchange rates. Future selling prices and operating costs have been estimated in line with the policy in note 1(i). Management believes that, currently, there are no reasonably possible changes in any of the key assumptions, that would lead to the recoverable amount being below the carrying amount, except for the long term aluminium price.

The long term aluminium price used in the terminal year of the fair value calculations include a component to reflect the impact of carbon pricing. The Group s price without this carbon element is within the range of market consensus of US$2,014 to US$2,578 per tonne, with an average of US$2,347 per tonne, in real terms. The carbon element within the long term price used in the fair value calculations is based on a price per tonne of carbon dioxide (CO_2) emissions. The price is also comparable to the range published by market commentators of between US$10 and US$35 per tonne of carbon dioxide emissions in real terms. The relationship between the price per tonne of carbon dioxide emissions and the price per tonne of aluminium is dependent on how many tonnes of carbon dioxide are used per tonne of aluminium produced by marginal cost smelters. Industry data show that emissions for all producers range from about two tonnes to in excess of 15 tonnes of CO_2 per tonne of aluminium produced, depending on the primary energy source used to generate the consumed electric power. The weighted industry average for all producers is approximately 8-10 tonnes of CO_2 per tonne of aluminium. The assumptions used in the Group s long term aluminium price used in the terminal year imply a carbon emission intensity for the

marginal producers above the weighted industry average but below the top end of the industry range.

Based on the assessment of fair value less costs to sell, the recoverable amount exceeds the carrying value by approximately 21 per cent. The calculation is highly sensitive to changes in the long term aluminium price, and an eight per cent decrease in the long term aluminium price, in isolation, would lead to the fair value less costs to sell of Aluminium being equal to its carrying amount. However, management believe that a decrease in the long term aluminium price would have an associated beneficial impact on input costs which would, to a certain extent, offset the impact of the change in the long term aluminium price. In addition, the assumed relationship between the long term aluminium price and the Australian and Canadian currencies provides further natural protection in the long term (see also note 33 Financial risk management).

Australian Iron Ore

The recoverable amount of the goodwill relating to Australian Iron Ore has been assessed by reference to fair value less costs to sell. Valuations are based on cash flow projections that incorporate best estimates of selling prices, ore grades, production rates, future sustaining capital expenditure and production costs over the life of each mine. In line with normal practice in the mining industry, the cash flow projections are based on long term mine plans covering the expected life of each operation. Therefore, the projections generally cover periods well in excess of five years.

Assumptions about selling prices, operating costs, exchange rates, and discount rates are particularly important in these valuations.

Future selling prices and operating costs have been estimated in line with the policy in note 1(i). Long term average selling prices are forecast taking account of estimates of the costs of producers of each commodity. Forecasts of operating costs are based on detailed mine plans which take account of all relevant characteristics of the ore body.

Goodwill relating to Australian Iron Ore has been reviewed applying a discount rate of 6.8 per cent to the post-tax cash flows expressed in real terms. If assessed based on pre-tax cash flows expressed in real terms, the equivalent pre-tax discount rate would be around 9.5 per cent.

There are no reasonably possible changes in key assumptions, which would cause the goodwill allocated to Australian Iron Ore to be impaired.

Other

The recoverability of the remaining goodwill, which is included within Other in the table above, has been assessed by reference to fair value, using assumptions consistent with those described above. The recoverable amounts were determined to be in excess of carrying value, and there are no reasonably possible changes in key assumptions that would cause the remaining goodwill to be impaired by a significant amount.

Notes to the 2009 Financial statements

12 Intangible assets

Year ended 31 December 2009	*Exploration and evaluation (a) US$m*	*Trademarks, patented and non patented technology US$m*	*Contract based intangible assets (b) US$m*	*Other intangible assets US$m*	***Total* US$m**
Net book value					
At 1 January 2009	133	444	5,208	500	**6,285**
Adjustment on currency translation	10	6	2	71	**89**
Expenditure during the year	2			53	**55**
Amortisation for the year		(25)	(188)	(174)	**(387)**
Impairment charges		(23)	(156)		**(179)**
Subsidiaries now equity accounted				(2)	**(2)**
Subsidiaries no longer consolidated		(113)	(54)		**(167)**
Disposals, transfers and other movements			(10)	46	**36**
At 31 December 2009	145	289	4,802	494	**5,730**
- cost	145	398	5,445	1,062	**7,050**
- accumulated amortisation		(109)	(643)	(568)	**(1,320)**

Year ended 31 December 2008	*Exploration and evaluation (a) US$m*	*Trademarks, patented and non patented technology US$m*	*Contract based intangible assets (b) US$m*	*Other intangible assets US$m*	*Total* US$m
Net book value					
At 1 January 2008	152	568	5,500	584	6,804
Adjustment on currency translation	(10)	(9)	(6)	(69)	(94)
Expenditure during the year				105	105
Amortisation for the year		(44)	(230)	(155)	(429)
Impairment charges		(57)	(69)	(3)	(129)
Disposals, transfers and other movements	(9)	(14)	13	38	28
At 31 December 2008	133	444	5,208	500	6,285
- cost	133	565	5,532	829	7,059
- accumulated amortisation		(121)	(324)	(329)	(774)

At 1 January 2008					
- cost	152	576	5,529	820	7,077
- accumulated amortisation		(8)	(29)	(236)	(273)

(a) Exploration and evaluation: useful life not determined until transferred to property, plant & equipment.

(b) The Group benefits from certain intangible assets acquired with Alcan including power supply contracts, customer contracts and water rights.

The water rights are expected to contribute to the efficiency and cost effectiveness of operations for the foreseeable future: accordingly, these rights are considered to have indefinite lives and are not subject to amortisation. These water rights constitute the majority of the amounts in the column of the above table entitled Contract based intangible

assets .

Intangible assets with indefinite lives were provisionally valued at acquisition based on the advice of expert valuation consultants and, subsequently this valuation was finalised in 2008. The carrying values are reviewed for impairment annually or at any time an indicator of impairment is considered to exist. They are reviewed for impairment as part of the cash generating units to which they relate. The water rights have been allocated to cash generating units within Aluminium.

In 2009, the recoverable amount of these cash generating units was determined based on fair value less costs to sell, using a methodology and assumptions consistent with those described

in note 1(i) and note 11. No impairment of these indefinite-lived intangible assets was recognised during 2009, as the fair value less costs to sell of the related cash generating units was in excess of their carrying amounts.

In 2008, the recoverable amount of these cash generating units was determined based on value in use, using a methodology and assumptions consistent with those described in note 1(i). No impairment of these indefinite-lived intangible assets was recognised during 2008, as the value in use of the related cash generating units was in excess of their carrying amounts.

(c) There are no intangible assets either pledged as security or held under restriction of title.

Exploration and evaluation expenditure

The charge for the year and the net amount of intangible assets capitalised during the year are as follows:

	2009 US$m	*2008 US$m*	*2007 US$m*
Net proceeds/(expenditure) in the year (net of proceeds of US$932 million (2008: US$673 million; 2007: US$171 million) on disposal of undeveloped projects)	**486**	(440)	(576)
Changes in accruals (including impairment of undeveloped projects of nil (2008: US$156 million; 2007: nil) and non cash proceeds on disposal of undeveloped projects)	**(104)**	(205)	61
Amount capitalised during the year	**(2)**		194
Net credit/(charge) for the year	**380**	(645)	(321)
Reconciliation to income statement			
Exploration and evaluation costs	**(514)**	(1,134)	(574)
Profit on disposal of interests in undeveloped projects	**894**	489	253
Net credit/(charge) for the year	**380**	(645)	(321)

Notes to the 2009 Financial statements

13 Property, plant and equipment

Year ended 31 December 2009	*Mining properties and leases (a) US$m*	*Land and buildings (b) US$m*	*Plant and equipment US$m*	*Capital works in progress US$m*	***Total US$m***
Net book value					
At 1 January 2009	6,118	5,706	22,112	7,817	**41,753**
Adjustment on currency translation	1,130	349	2,890	1,257	**5,626**
Capitalisation of additional closure costs (note 27)	268				**268**
Interest capitalised (c) (note 7)	8		9	181	**198**
Additions	242	115	1,346	3,108	**4,811**
Depreciation for the year (a)	(412)	(364)	(2,264)		**(3,040)**
Impairment charges, net of reversals	(170)	(308)	(473)	(321)	**(1,272)**
Disposals	4	(16)	(49)	(21)	**(82)**
Subsidiaries now equity accounted	(250)	(156)	(476)	(349)	**(1,231)**
Subsidiaries no longer consolidated	(319)	(184)	(503)	(6)	**(1,012)**
Transfers and other movements (d)	119	816	3,003	(4,154)	**(216)**
At 31 December 2009	6,738	5,958	25,595	7,512	**45,803**
- cost	11,028	8,973	41,990	8,154	**70,145**
- accumulated depreciation	(4,290)	(3,015)	(16,395)	(642)	**(24,342)**
Fixed assets held under finance leases (e)		21	67		**88**
Other fixed assets pledged as security (f)	6	15	1,703	27	**1,751**

Year ended 31 December 2008	*Mining properties and leases (a) US$m*	*Land and buildings (b) US$m*	*Plant and equipment US$m*	*Capital works in progress US$m*	*Total US$m*
Net book value					
At 1 January 2008	7,131	5,384	23,955	5,498	41,968
Adjustment on currency translation	(1,075)	(374)	(2,787)	(1,050)	(5,286)
Capitalisation of additional closure costs (note 27)	380			13	393
Interest capitalized (c) (note 7)	13			190	203
Additions	234	296	1,861	6,581	8,972
Depreciation for the year (a)	(517)	(336)	(2,178)	(15)	(3,046)
Impairment charges, net of reversals	(99)	(219)	(792)	(112)	(1,222)

Disposals		(16)	(64)	(15)	(95)
Subsidiaries no longer consolidated	(48)	(4)	(56)	(6)	(114)
Transfers and other movements (d)	99	975	2,173	(3,267)	(20)
At 31 December 2008	6,118	5,706	22,112	7,817	41,753
- cost	9,496	7,894	35,140	8,091	60,621
- accumulated depreciation	(3,378)	(2,188)	(13,028)	(274)	(18,868)
At 1 January 2008					
- cost	10,911	7,347	36,265	5,858	60,381
- accumulated depreciation	(3,780)	(1,963)	(12,310)	(360)	(18,413)
Fixed assets held under finance leases (e)		21	19		40
Other fixed assets pledged as security (f)	20		1,400	7	1,427

(a) Mining properties include deferred stripping costs of US$900 million (2008: US$820 million). Amortisation of deferred stripping costs of US$3 million (2008: US$35 million; 2007: US$34 million) is included within Depreciation for the year . There was also US$59 million (2008 and 2007: nil) impairment of deferred stripping costs charged to the income statement.

(b) At 31 December 2009, the net balance sheet amount for land and buildings includes freehold US$5,834 million (2008: US$5,557 million); long leasehold

US$83 million (2008: US$76 million); and short leasehold US$41 million (2008: US$73 million).

(c) Interest is capitalised at a rate based on the Group s cost of borrowing or at the rate on project specific debt, where applicable. The Group s average borrowing rate used for capitalisation of interest is 4.2 per cent (2008: 3.9 per cent, 2007: 5.0 per cent).

(d) Transfers and other movements includes reclassifications between categories.

(e) The finance leases under which these assets are held are disclosed in note 23.

(f) Excludes assets held under finance leases. Fixed assets pledged as security represent amounts pledged as collateral against US$224 million (2008: US$234 million) of loans, which are included in note 22.

14 Investments in equity accounted units

	2009	*2008*

Summary balance sheet (Rio Tinto share)	***US$m***	*US$m*
Rio Tinto s share of assets		
Non current assets	**9,707**	7,733
Current assets	**2,329**	1,921
	12,036	9,654
Rio Tinto s share of liabilities		
Current liabilities	**(1,089)**	(1,551)
Non current liabilities	**(4,212)**	(3,050)
	(5,301)	(4,601)
Rio Tinto s share of net assets (a)	**6,735**	5,053

(a) Further details of investments in jointly controlled entities and associates are set out in notes 38 and 39.

At 31 December 2009, the quoted value of the Group s share in associates having shares listed on recognised stock exchanges was US$1,230 million (2008: US$149 million).

Investments in equity accounted units at 31 December 2009 include goodwill of US$1,782 million (2008: US$1,582 million).

Notes to the 2009 Financial statements

15 Net debt of equity accounted units (excluding amounts due to Rio Tinto)

	Group interest 2009 %	***Rio Tinto share of net debt 2009 US$m***	*Group interest 2008 %*	*Rio Tinto share of net debt 2008 US$m*
Jointly controlled entities				
Minera Escondida Limitada	**30.0**	**226**	30.0	427
Sohar Aluminium Company LLC	**20.0**	**343**	20.0	336
Queensland Alumina Limited (QAL)	**80.0**	**18**	80.0	(13)
Halco Mining Inc.	**45.0**	**37**	45.0	28
Alcan Ningxia Aluminium Company Limited			50.0	45
Richards Bay Minerals (d)	**37.0**	**199**		
Associates				
Tisand (Pty) Limited (d)			50.0	50
Ivanhoe Mines Ltd	**19.7**	**(58)**	9.9	(10)
Port Waratah Coal Services	**27.6**	**225**	27.6	184
Mineração Rio do Norte S.A.	**12.0**	**36**	12.0	29
Cloud Peak Energy Resources LLC	**48.3**	**170**		
Other equity accounted units		**(99)**		(83)
		1,097		993

(a) In accordance with IAS 28 and IAS 31, the Group includes its net investment in equity accounted units in its consolidated statement of financial position. This investment is net of the Group s share of the net debt of such units, which is set out above. Further details of

investments in jointly controlled entities and associates are set out in notes 38 and 39.

(b) Some of the debt of equity accounted units is subject to financial and general covenants.

(c) None of the debt shown above is with recourse to Rio Tinto at 31 December 2009 (2008: US$292 million).

(d) On 9 December, an agreement was signed with a Broad-Based Black Economic Empowerment (BBBEE) Consortium transferring 26 per cent of the Group s interest in Richards Bay Minerals (RBM) to a group comprising local communities, investors and RBM employees. At the same time, the Group s interest in RBM was restructured such that the 2009 net debt balance relates

to the restructured holding in RBM which includes Tisand (Pty) Limited. The 2008 balance relates only to Tisand (Pty) Limited.

16 Inventories

	2009 US$m	*2008 US$m*
Raw materials and purchased components	**1,120**	1,100
Consumable stores	**1,278**	1,108
Work in progress	**1,410**	1,800
Finished goods and goods for resale	**1,365**	1,765
	5,173	5,773
Comprising:		
Expected to be used within one year	**4,889**	5,607
Expected to be used after more than one year	**284**	166
	5,173	5,773

Inventory write downs amounting to US$99 million (2008: US$280 million; 2007: US$4 million) were recognised during the year.

17 Trade and other receivables

	Non current 2009 US$m	***Current 2009 US$m***	*Non current 2008 US$m*	*Current 2008 US$m*
Trade receivables	**14**	**3,442**		3,792
Provision for doubtful debts		**(62)**		(71)
Trade receivables net	**14**	**3,380**		3,721
Amounts due from equity accounted units	**320**	**197**		253
Other receivables	**247**	**641**	166	962
Pension surpluses (note 50)	**15**	**2**	137	23
Prepayment of tolling charges to jointly controlled entities (a)	**424**		435	
Other prepayments	**355**	**227**	373	442
	1,375	**4,447**	1,111	5,401

(a) Rio Tinto Aluminium has made certain prepayments to jointly controlled entities for toll processing of bauxite and alumina. These prepayments will be charged to Group operating costs as processing takes place.

There is no material element of trade and other receivables that is interest bearing.

Due to their short term maturities, the fair value of trade and other receivables approximates their carrying value.

At 31 December 2009, trade and other receivables of US$62 million (2008: US$71 million) were impaired. The majority of these receivables were more than 90 days overdue.

Notes to the 2009 Financial statements

17 Trade and other receivables continued

As of 31 December 2009, trade and other receivables of US$454 million (2008: US$427 million) were past due but not impaired. The ageing of these receivables is as follows:

	2009 US$m	*2008 US$m*
less than 30 days overdue	**262**	242
between 30 and 60 days overdue	**93**	101
between 60 and 90 days overdue	**18**	40
more than 90 days overdue	**81**	44
	454	427

These relate to a number of customers for whom there is no recent history of default or other indicators of impairment.

With respect to trade and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

The provision for doubtful trade receivables decreased by US$9 million in 2009 (2008: US$1 million increase), of which US$12 million was from net reversals of provisions credited within other external costs and US$3 million other movements mainly from currency translation.

18 Deferred taxation

	2009 US$m	*2008 US$m*
At 1 January	**2,687**	4,327
Adjustment on currency translation	**297**	(287)
Credited to the income statement	**(517)**	(974)
Credited to Statement of comprehensive income (a)	**(319)**	(205)
Subsidiaries no longer consolidated	**(82)**	
Subsidiaries now equity accounted	**(14)**	
Transfer from asset held for sale	**(190)**	
Other movements (b)	**211**	(174)
At 31 December	**2,073**	2,687
Comprising:		
- deferred tax liabilities (c)	**4,304**	4,054
- deferred tax assets (c)	**(2,231)**	(1,367)

Deferred tax balances for which there is a right of offset within the same jurisdiction are presented net on the face of the balance sheet as permitted by IAS 12. The closing deferred tax liabilities and assets, prior to this offsetting of balances, are shown below.

UK	*Australian*	*Other countries*	***Total***	*Total*

	tax US$m	tax US$m	tax US$m	**2009 US$m**	2008 US$m
Deferred tax liabilities arising from:					
Accelerated capital allowances	94	1,750	4,138	**5,982**	6,468
Post retirement benefits					29
Unremitted earnings			616	**616**	340
Unrealised exchange losses		47	37	**84**	493
Other temporary differences	1	347	246	**594**	161
	95	2,144	5,037	**7,276**	7,491
Deferred tax assets arising from:					
Capital allowances		(48)	(15)	**(63)**	(202)
Provisions	(71)	(737)	(1,100)	**(1,908)**	(1,468)
Post retirement benefits	(167)	(30)	(1,359)	**(1,556)**	(1,129)
Tax losses	(303)	(132)	(851)	**(1,286)**	(899)
Unrealised exchange losses		(149)		**(149)**	(1,076)
Other temporary differences	(11)	(95)	(135)	**(241)**	(30)
	(552)	(1,191)	(3,460)	**(5,203)**	(4,804)
(Credited)/charged to the income statement					
(Decelerated)/accelerated capital allowances	(11)	177	(554)	**(388)**	(132)
Provisions	(32)	(231)	35	**(228)**	203
Post retirement benefits	11	8	(13)	**6**	100
Tax losses	15	(119)	(344)	**(448)**	20
Tax on unremitted earnings		4	(22)	**(18)**	22
Unrealised exchange losses		577	41	**618**	(1,039)
Other temporary differences	17	(25)	(51)	**(59)**	(148)
		391	(908)	**(517)**	(974)

Notes to the 2009 Financial statements
18 Deferred taxation continued

(a) The amounts credited directly to the Statement of comprehensive income relate to tax relief on share options, provisions for tax on exchange differences on intragroup loans qualifying for reporting as part of the net investment in subsidiaries, on cash flow hedges and on actuarial gains and losses on pension schemes and post retirement healthcare plans.

(b) Other movements include deferred tax relating to tax payable recognised by subsidiary holding companies on the profits of the equity accounted units to which it relates, as well as the movements in the estimated tax accrual relating to the divestment of the Alcan Packaging businesses.

(c) The deferred tax liability of US$4,304 million (2008: US$4,054 million) includes US$4,091 million (2008: US$3,866 million) due in more than one year. The deferred tax asset of US$2,231 million

(2008: US$1,367 million) includes US$2,109 million (2008: US$594 million) receivable in more than one year.

(d) US$1,426 million (2008: US$1,311 million) of potential deferred tax assets have not been recognised as assets in these accounts. There is a time limit for the recovery of US$20 million of these potential assets (2008: US$32 million). US$620 million (2008: US$1,067 million) of the potential assets relates to realised or unrealised capital losses, recovery of which depends on the existence of capital gains in future years. US$503 million (2008: US$543 million) of the potential assets relates to trading losses in France, which were acquired as part of the Alcan acquisition.

(e) Deferred tax is not recognised on the unremitted earnings of subsidiaries and jointly controlled entities where the Group is able to control the timing of the remittance and it is probable that there will be no remittance in the foreseeable future. If these earnings were remitted, tax of US$888 million (2008:

US$1,130 million) would be payable. The reduction from prior year is due to the introduction of an exemption from taxation for foreign dividends in the UK in 2009.

(f) There is a limited time period for the recovery of US$401 million (2008:US$187 million) of tax losses which have been recognised as deferred tax assets in the financial statements.

19 Assets held for sale

At 31 December 2009 and 2008, assets and liabilities held for sale mainly comprise Alcan s Packaging group (Packaging). In the announcement of Rio Tinto s offer for Alcan on 12 July 2007, it was stated that Rio Tinto and Alcan had agreed to divest Packaging. As Packaging was acquired with a view to resale, its results are excluded from the Group s income from continuing operations.

An impairment of US$318 million (31 December 2008: US$960 million) relating to the Packaging business has been recognised during the year ended 31 December 2009, and is included in Loss after tax from discontinued operations . Loss after tax from discontinued operations of US$449 million (31 December 2008: US$827 million) also includes a US$131 million tax charge (31 December 2008: US$133 million tax benefit) relating to an increase in the Group s estimate of the tax to be paid on sale of the Packaging business.

Alcan Packaging s fair value less costs to sell represents the Group s best estimate of the expected proceeds to be realised from the sale of Packaging, less an estimate of remaining costs to sell. This estimate is based on proceeds from the sale of the global pharmaceuticals, global tobacco, food Europe and food Asia divisions to Amcor, which was completed on 1 February 2010; proceeds from the sale of the Food Americas division to Bemis, which was completed on 1 March 2010; and an estimate of fair value less costs to sell for Packaging s remaining businesses, assessed in line with the policy in note 1(i).

Packaging s impairment reduced the Assets held for sale line of the Group s statement of financial position.

Refer to note 48 for information on asset sales announced after year end.

20 Other financial assets

	Non current 2009 US$m	***Current 2009 US$m***	*Non current 2008 US$m*	*Current 2008 US$m*
Currency and commodity contracts: designated as hedges		**8**	38	60
Derivatives and embedded derivatives not related to net debt: not designated as hedges (a)	**65**	**226**		87
Equity shares and quoted funds	**439**	**219**	150	111
Other investments, including loans	**337**	**168**	478	2
Other liquid resources (non cash equivalent)		**73**		4

	841	**694**	666	264

(a) Derivatives and embedded derivatives not designated as hedges include amounts of US$65 million (2008: US$21 million) which mature beyond one year.

Detailed information relating to other financial assets is given in note 34.

21 Cash and cash equivalents

	2009 ***US$m***	*2008* *US$m*
Cash at bank and in hand	**831**	629
Short term bank deposits	**3,402**	552
	4,233	1,181
Bank overdrafts repayable on demand (unsecured)	**(91)**	(147)
Balance per Group cash flow statement	**4,142**	1,034

Cash and cash equivalents include US$16 million (2008: US$97 million) for which there are restrictions on remittances.

Notes to the 2009 Financial statements
22 Borrowings

Borrowings at 31 December	*Note*	***Non-current 2009 US$m***	***Current 2009 US$m***	*Non-current 2008 US$m*	*Current 2008 US$m*
Syndicated bank loans (a)		**8,480**		19,050	8,846
Other bank loans					582
Commercial paper					90
Other loans					
Finance leases	*23*	**104**	**19**	61	28
Rio Tinto Finance (USA) Limited Bonds 7.125% 2013		**100**		100	
Rio Tinto Finance (USA) Limited Bonds 5.875% 2013 (c)		**2,622**		2,664	
Rio Tinto Finance (USA) Limited Bonds 6.5% 2018 (c)		**1,878**		1,953	
Rio Tinto Finance (USA) Limited Bonds 7.125% 2028 (c)		**871**		912	
Rio Tinto Finance (USA) Limited Bonds 8.900% 2014		**1,967**			
Rio Tinto Finance (USA) Limited Bonds 9.250% 2019		**1,449**			
Colowyo Coal Company L.P. Bonds 9.56% 2011		**23**		23	9
Colowyo Coal Company L.P. Bonds 10.19% 2016		**69**	**5**	100	
Alcan Inc. Debentures 6.45% due 2011		**406**		410	
Alcan Inc. Global Notes 4.875% due 2012		**494**		497	
Alcan Inc. Global Notes 4.50% due 2013		**486**		481	
Alcan Inc. Global Notes 5.20% due 2014		**495**		493	
Alcan Inc. Global Notes 5.00% due 2015		**485**		496	
Alcan Inc. Debentures 7.25% due 2028		**109**		109	
Alcan Inc. Debentures 7.25% due 2031		**437**		439	
Alcan Inc. Global Notes 6.125% due 2033		**737**		737	
Alcan Inc. Global Notes 5.75% due 2035		**281**		281	
European Medium Term Notes (b)			**322**	295	
Other secured loans		**325**	**63**	310	10
Other unsecured loans		**337**	**347**	313	322
Total borrowings		**22,155**	**756**	29,724	9,887

(a) In support of its acquisition of Alcan Inc. in 2007, the Group arranged for

US$40 billion in term loans and revolving credit facilities, which were fully underwritten and subsequently syndicated (the Syndicated bank loans). The Syndicated bank loans were divided into four facilities, as follows:

		Facility A	*Facility B*	*Facility C*	*Facility D*
Facility amount (US$ billions)		15	10	5	10
Type		Term Loan	Revolving	Revolving	Term Loan
Due		October 2009	October 2010	October 2012	December 2012
Repayment		Bullet	Bullet	Bullet	Bullet
Outstanding balance (US$ billions)	**Total**				
At 31 December 2009	**8.5**				**8.5**
At 31 December 2008	28.0	8.9	9.1		10.0
Undrawn facilities (US$ billions)					
At 31 December 2009			**2.1**	**5.0**	
At 31 December 2008			0.9	5.0	

The amounts outstanding under these facilities are shown net of the unamortised costs of obtaining the facilities. In addition to the syndicated bank loan facilities shown above, there are US$2.3 billion of unused committed bilateral banking facilities of which US$1.0 billion matures December 2011 and US$1.3 billion matures December 2012.

Facilities A and B were subject to mandatory prepayment and cancellation to the extent of the net proceeds from disposals of assets and from the raising of funds through equity or capital markets, subject to specific thresholds and conditions. All of Facilities A and B have been repaid from the proceeds of the rights issues and disposal proceeds in 2009. The mandatory prepayments also reduced the available limit on Facility B to US$2.1 billion at 31 December 2009. Refer to note 48 for partial repayment of Facility D and cancellation of Facility B subsequent to year end.

The main financial covenant to which the Group is subject is the covenant contained in the Alcan facilities which requires it to maintain a ratio of net borrowings to EBITDA of no greater than 4.5 times. A compliance certificate must be produced for this ratio on a semi annual basis. In addition, the Facility Agreement contains restrictions on the Group, including that it be required to observe certain customary covenants including but not limited to (i) maintenance of authorisations; (ii) compliance with laws; (iii) change of business; (iv) negative pledge (subject to certain carve outs); (v) environmental laws and licences; and (vi) subsidiaries incurring financial

indebtedness. At 31 December 2009, the Group is in compliance with the covenants contained in the Alcan facilities.

(b) Rio Tinto has a US$10 billion (2008: US$10 billion) European Medium Term Note (EMTN) programme for the issuance of debt, of which approximately US$0.3 billion was outstanding at 31 December 2009 (2008: US$0.3 billion). The Group s EMTNs are swapped to US dollars. The fair value of currency swap liabilities at 31 December 2009 was US$68 million (2008: US$99 million). These are included in other financial liabilities in the statement of financial position. Details of the major currency swaps are shown in note 34-B(d).

(c) As at 31 December 2009, US$5 billion of the fixed rate borrowings shown were swapped to floating rates (2008: none). The fair value of interest rate swap liabilities at 31 December 2009 was US$97 million (2008: nil). These are included in other financial liabilities in the statement of financial position.

Details of the major interest rate swaps are shown in note 34 - B (d). In December 2008, the Group unwound interest rate swaps with a principal of US$5.9 billion to take advantage of market conditions. US$5.0 billion of this amount was designated as a fair value hedge. As a consequence, the fair value adjustments which had been made to the hedged debt are being amortised to the income statement over the remaining life of the debt. At 31 December 2009, the carrying value of the debt was US$506 million (2008: US$565 million) higher than the principal as a result of the unamortised fair value adjustment.

(d) The Group s borrowings of US$22.9 billion (2008: US$39.6 billion) include some US$4.6 billion (2008: US$4.6 billion) which relates to borrowings of subsidiaries that are without recourse to the Group, some of which are subject to various financial and

general covenants
with which the
respective borrowers
were in compliance
as at 31
December 2009.

Notes to the 2009 Financial statements
23 Capitalised finance leases

	2009 ***US$m***	*2008* *US$m*
Present value of minimum lease payments		
Total minimum lease payments	**131**	97
Effect of discounting	**(8)**	(8)
	123	89
Payments under capitalised finance leases		
Due within one year	**19**	28
Between 1 and 3 years	**40**	11
Between 3 and 5 years	**29**	10
More than 5 years	**35**	40
	123	89

24 Consolidated net debt

	2009 ***US$m***	*2008* *US$m*
Analysis of changes in consolidated net debt		
At 1 January	**(38,672)**	(45,191)
Adjustment on currency translation	**(2,265)**	1,296
Exchange gains/(losses) taken to the income statement (a)	**2,222**	(1,701)
Gains on derivatives related to net debt	**20**	105
Cash movements excluding exchange movements	**19,909**	6,864
Other movements	**(75)**	(45)
At 31 December	**(18,861)**	(38,672)
Reconciliation to statement of financial position categories		
Borrowings (note 22)	**(22,911)**	(39,611)
Bank overdrafts repayable on demand (note 21)	**(91)**	(147)
Cash and cash equivalents (note 21)	**4,233**	1,181
Other liquid resources (note 20)	**73**	4
Derivatives related to net debt (note 34)	**(165)**	(99)
	(18,861)	(38,672)

	2009 ***US$m***	*2008* *US$m*

Exchange gains/(losses) on US dollar net debt and intragroup balances excluded from Underlying earnings		
Exchange gains/(losses) on US dollar net debt	**2,211**	(1,675)
Exchange (losses)/gains on intragroup balances	**(1,912)**	1,523
Exchange gains/(losses) on loans from equity accounted units	**36**	(36)
Exchange gain on settlement of dividend	**30**	12
Credited/charged to income statement	**365**	(176)

(a) Exchange gains/(losses) taken to the income statement include amounts taken to Underlying earnings.

Further information relating to the currency and interest rate exposures arising from net debt and related derivatives is given in note 34-B(d) on Financial Instruments.

25 Trade and other payables

	Non current 2009 US$m	***Current 2009 US$m***	*Non current 2008 US$m*	*Current 2008 US$m*
Trade creditors		**1,959**		2,875
Amounts owed to equity accounted units	**197**	**205**	11	269
Other creditors (a)	**128**	**512**	243	641
Employee entitlements		**856**		770
Royalties and mining taxes		**325**		471
Accruals and deferred income	**125**	**1,865**	79	2,130
Government grants deferred	**141**	**37**	119	41
	591	**5,759**	452	7,197

(a) Other creditors include deferred consideration of US$119 million (2008: US$318 million) relating to certain assets acquired. The deferred consideration is included at its net present value. The amortisation of the discount applied in establishing the net present value is treated as a finance cost. All other accounts payable and accruals are non interest bearing.

Due to their short term maturities, the fair value of trade and other payables approximates their carrying value.

26 Other financial liabilities

	Non current 2009 US$m	***Current 2009 US$m***	*Non current 2008 US$m*	*Current 2008 US$m*
Forward commodity contracts: designated as hedges	**371**	**128**	173	84
Derivatives related to net debt	**97**	**68**	95	4
Other derivatives and embedded derivatives: not designated as hedges	**133**	**167**		355
Other financial liabilities		**49**		37
	601	**412**	268	480

Detailed information relating to other financial liabilities is given in note 34.

Notes to the 2009 Financial statements
27 Provisions (not including taxation)

	Pensions and post retirement healthcare(a)	Other employee entitlements(b)	Close down and restoration/ environmental (c),(d),(e)	Other(f)	***Total 2009***	Total 2008
	US$m	*US$m*	*US$m*	*US$m*	***US$m***	*US$m*
At 1 January	3,713	523	6,011	686	**10,933**	11,101
Adjustment on currency translation	123	103	638	49	**913**	(959)
Amounts capitalised			268		**268**	393
Subsidiaries no longer consolidated		(1)	(94)	(12)	**(107)**	(42)
Subsidiaries now equity accounted	(16)		(260)	(1)	**(277)**	
Charged/(credited) to profit:						
- new provisions		23	1	38	**62**	53
- increases to existing provisions	326	356	57	30	**769**	629
- unused amounts reversed		(23)	(26)	(33)	**(82)**	(144)
- exchange losses/(gains) on provisions		5	169	7	**181**	(273)
Amortisation of discount		1	244	10	**255**	297
Utilised in year	(470)	(155)	(123)	(85)	**(833)**	(912)
Actuarial losses recognised in equity	693				**693**	809
Transfer from asset held for sale	774				**774**	
Transfers and other movements	7	(37)	31	144	**145**	(19)
At 31 December	5,150	795	6,916	833	**13,694**	10,933
Balance sheet analysis:						
Current	157	465	211	349	**1,182**	826
Non-current	4,993	330	6,705	484	**12,512**	10,107
Total	5,150	795	6,916	833	**13,694**	10,933

(a) The main assumptions used to determine the provision for pensions and post retirement healthcare, and other information, including the expected level of future funding payments in respect of those

arrangements, are given in note 50.

(b) The provision for other employee entitlements includes a provision for long service leave of US$205 million (2008: US$142 million), based on the relevant entitlements in certain Group operations. It also includes the provisions relating to the Group s cash-settled share based payment plans of US$111 million (2008: US$43 million), which are described in note 49. Furthermore, this includes US$229 million (2008: US$118 million) of provision for redundancy and severance payments.

(c) The Group s policy on close down and restoration costs is described in note 1(k). Close down and restoration costs are a normal consequence of mining, and the majority of close down and restoration expenditure is

incurred at the end of the relevant operation. Remaining lives of mines and infrastructure range from one to over 50 years with an average, weighted by closure provision, of around 23 years (2008: 18 years). Although the ultimate cost to be incurred is uncertain, the Group s businesses estimate their respective costs based on feasibility and engineering studies using current restoration standards and techniques. Provisions of US$6,916 million (2008: US$6,011 million) for close down and restoration costs and environmental clean up obligations, include estimates of the effect of future inflation and have been adjusted to reflect risk. These estimates have been discounted to their present value at an average rate of approximately four per cent per annum, being an estimate of the long term, risk free, pre-tax cost of

borrowing. Excluding the effects of future inflation, and before discounting, this provision is equivalent to some US$10.1 billion (2008: US$8.2 billion).

(d) Some US$505 million (2008: US$495 million) of environmental clean up expenditure is expected to take place within the next five years. The remainder includes amounts for the operation and maintenance of remediation facilities in later years. The provision for environmental clean up expenditure includes the issue described in (e) below.

(e) In 1995, Kennecott Utah Copper (KUC) agreed with the US Environmental Protection Agency (EPA) and the State of Utah to complete certain source control projects and perform specific environmental studies regarding contamination of

ground water in the vicinity of the Bingham Canyon mine. A remedial investigation and feasibility study on the South Zone ground water contamination, completed in March 1998, identified a range of alternative measures to address this issue. Additional studies were conducted to refine the workable alternatives. A remedial design document was completed in 2002. A joint proposal and related agreements with the State of Utah Natural Resource Damage Trustee, the State of Utah and the Jordan Valley Water Conservancy District were approved in 2004. KUC entered into a formal agreement with the EPA in 2007 on the remedial action. In September 2008, the EPA withdrew its proposal to list the Kennecott South Zone Site on the Superfund National Priorities List. This action recognises that soil clean up work is complete and that groundwater

cleanup is adequately initiated and financial assurance is in place to assure completion of the work.

(f) Other provisions deal with a variety of issues and include US$101 million (2008: US$103 million) relating to the Rio Tinto Alcan Foundation commitment in Canada made at the time of the Alcan acquisition. This involves payments of C$200 million over a five year period.

Notes to the 2009 Financial statements
28 Share capital Rio Tinto plc

	2009 Number (million)	*2008 Number (million)*	*2007 Number (million)*	***2009 US$m***	*2008 US$m*	*2007 US$m*
Issued and fully paid up share capital						
At 1 January	**1,004.10**	1,071.80	1,071.49	**160**	172	172
Ordinary shares issued (a), (c)	**524.90**	0.18	0.31	**86**		
Own shares purchased and cancelled (b)		(67.88)			(12)	
At 31 December	**1,529.00**	1,004.10	1,071.80	**246**	160	172
- Special Voting Share of 10p (d)	**1 only**	1 only	1 only			
- DLC Dividend Share of 10p (d)	**1 only**	1 only	1 only			
- shares repurchased and held in treasury (b)	**5.03**	5.91	74.55			
- shares held by public	**1,523.97**	998.19	997.25			
Shares held by public						
At 1 January	**998.19**	997.25	1,023.67			
Ordinary shares issued (a)	**524.90**	0.18	0.31			
Shares reissued from treasury (b)	**0.88**	0.76	0.97			
Shares repurchased and held in treasury			(27.70)			
At 31 December	**1,523.97**	998.19	997.25			
Unissued share capital						
Ordinary shares of 10p each	**171.00**	417.13	349.43	**27**	63	51
Equalisation Share of 10p (d)	**1 only**	1 only	1 only			
Total authorised share capital	**1,700.00**	1,421.23	1,421.23	**273**	223	223

(a) 524,460,478 Ordinary shares were issued in July 2009 as a result of the Rio Tinto plc rights issue. Further details on the rights issues are provided in note 46. 440,018 Ordinary shares were issued, and 874,925

Ordinary shares reissued from treasury during the year resulting from the exercise of options under Rio Tinto plc employee share based payment plans with exercise prices between £7.98p and £29.38p per share (2008: 183,714 shares issued, and 763,919 shares reissued from treasury with exercise prices between £8.09p and £35.57p per share; 2007: 1,280,893 shares issued with exercise prices between £8.09p and £27.99p per share).

(b) The authority for the Company to buy back its Ordinary shares was renewed at the 2008 annual general meeting. No shares were bought back and held in treasury during 2009 (2008: nil; 2007: 27,700,000 shares at an average buy back price of £30.05p per share).

During 2008, as part of the Group s internal capital management programme, Rio Tinto undertook a series of transactions, whereby 67,880,000 shares held by Rio Tinto plc in treasury were sold to Rio

Tinto Limited at market value, before being immediately repurchased by Rio Tinto plc for a nominal amount, pursuant to the share purchase approval granted by Rio Tinto plc shareholders at the 2008 Rio Tinto plc annual general meeting. The shares were then cancelled upon their repurchase by Rio Tinto plc.

(c) The aggregate gross consideration received for new shares issued arising from the right issue during 2009 was US$12.0 billion (2008 and 2007: nil). The difference between the nominal value and issue price of the shares issued was credited to merger reserve and expenses associated with the rights issue were charged against the share premium account.

The aggregate consideration received for treasury shares reissued was US$3 million (2008: US$25 million; 2007: US$24 million) and US$32 million (2008:US$6 million; 2007: US$13 million) for new shares issued

resulting from the exercise of options under Rio Tinto plc employee share based payment plans.

(d) The Special Voting Share was issued to facilitate the joint voting by shareholders of Rio Tinto plc and Rio Tinto Limited on Joint Decisions, following the DLC merger. Directors have the ability to issue an Equalisation Share if that is required under the terms of the DLC Merger Sharing Agreement. The DLC Dividend Share was issued to facilitate the efficient management of funds within the DLC structure.

During 2009, US$17 million of shares were purchased by the Employee Share Ownership Trust on behalf of Rio Tinto plc to satisfy future share options and awards as they vest (2008 and 2007: nil).

Information relating to share options and other share based incentive schemes is given in note 49 on share based payments.

29 Share capital Rio Tinto Limited

	2009 Number (million)	*2008 Number (million)*	*2007 Number (million)*	***2009 US$m***	*2008 US$m*	*2007 US$m*
Issued and fully paid up share capital						
At 1 January	**285.75**	285.75	285.75	**961**	1,219	1,099
Adjustment on currency translation				**710**	(258)	120
Ordinary shares issued (a)	**150.01**			**3,253**		
At 31 December	**435.76**	285.75	285.75	**4,924**	961	1,219
- Share capital held by Rio Tinto plc	**171.07**	171.07	171.07			
- Special Voting Share of 10p (b)	**1 only**	1 only	1 only			
- DLC Dividend Share of 10p (b)	**1 only**	1 only	1 only			
Total share capital (b)	**606.83**	456.82	456.82			

(a) 150,015,297 Ordinary shares were issued during 2009 as a result of the Rio Tinto Limited rights issue. The aggregate gross consideration received for new shares issued during 2009 was US$3.2 billion. Further details on the rights issue are provided in note 46.

(b) The Special Voting Share was issued to facilitate the joint voting by shareholders of Rio Tinto Limited and Rio

Tinto plc on Joint Decisions following the DLC merger. Directors have the ability to issue an Equalisation Share if that is required under the terms of the DLC Merger Sharing Agreement.The DLC Dividend Share was issued to facilitate the efficient management of funds within the DLC structure.

(c) The authority for the Company to buy back shares was renewed at the 2008 annual general meeting. No shares were bought back during 2009 (2008 and 2007 nil).

(d) Share options exercised during the year to 31 December 2009 under various Rio Tinto Limited employee share option schemes were satisfied by the on-market purchase of Rio Tinto Limited shares by a third

party on the Group s behalf.

(e) Information relating to share options and other share based incentive schemes is given in note 49 on share based payments.

Notes to the 2009 Financial statements
30 Other reserves and retained earnings

	2009 US$m	*2008 US$m*	*2007 US$m*
Capital redemption reserve (a)			
At 1 January	**12**		
Own shares purchased and cancelled		12	
At 31 December	**12**	12	
Hedging reserves (b)			
At 1 January	**14**	(174)	(133)
Parent and subsidiaries net cash flow hedge fair value (losses)/gains	**(206)**	28	(197)
Equity accounted units cash flow hedge fair value (losses)/gains	**(7)**	3	(4)
Parent and subsidiaries net cash flow hedge losses transferred to the income statement	**16**	245	89
Equity accounted units cash flow hedge losses transferred to the income statement	**7**		
Cash flow hedge gains reclassified on disposal	**(4)**		
Tax on the above	**52**	(88)	71
At 31 December	**(128)**	14	(174)
Available for sale revaluation reserves (c)			
At 1 January	**(107)**	57	31
Gains/(losses) on available for sale securities	**357**	(173)	49
Gains on available for sale securities transferred to the income statement	**(3)**	(1)	(16)
Tax on the above		10	(7)
At 31 December	**247**	(107)	57
Other reserves (d)			
At 1 January	**(169)**	19	8
Own shares purchased from Rio Tinto Limited shareholders to satisfy share options	**(35)**	(128)	(64)
Employee share options: value of services	**30**	27	20
Merger reserve arising from Rio Tinto plc s rights issue (d)	**11,936**		
Deferred tax on share options	**14**	(87)	55
At 31 December	**11,776**	(169)	19
Foreign currency translation reserve (e)			
At 1 January	**(2,072)**	2,514	735

Parent and subsidiaries currency translation adjustments	**3,745**	(4,168)	1,795
Equity accounted units currency translation adjustments	**456**	(300)	1
Exchange losses	**(13)**	(215)	(30)
Currency translation reclassified on disposal	**(13)**	(2)	
Tax on exchange adjustments		99	13
At 31 December	**2,103**	(2,072)	2,514
Total other reserves per statement of financial position	**14,010**	(2,322)	2,416

	2009	*2008*	*2007*
	US$m	*US$m*	*US$m*
Retained earnings (f)			
At 1 January	**17,134**	19,033	14,401
Parent and subsidiaries profit for the year	**4,497**	3,879	7,058
Equity accounted units retained profit/(loss) for the year	**375**	(203)	254
Actuarial losses/(gains) (g)	**(973)**	(1,299)	135
Tax relating to components of other comprehensive income	**269**	365	21
Total comprehensive income for the year	**4,168**	2,742	7,468
Dividends paid	**(876)**	(1,933)	(1,507)
Own shares purchased and cancelled		(2,767)	
Own shares purchased from Rio Tinto shareholders under capital management programme			(1,372)
Own shares purchased from Rio Tinto plc shareholders to satisfy share options	**(17)**		
Ordinary shares held in treasury, reissued to satisfy share options	**3**	25	24
Employee share options and other IFRS 2 charges taken to the income statement (h)	**65**	34	19
At 31 December	**20,477**	17,134	19,033

(a) The capital redemption reserve was set up to comply with section 170 of the Companies Act 1985, when shares of a company are redeemed or purchased wholly out of the company s profits. The amount at 31 December 2009 reflects the amount

by which the Company s issued share capital is diminished in accordance with section 733 of the Companies Act 2006.

(b) The hedging reserve records gains or losses on cash flow hedges that are recognised initially in equity, as described in note 1(p.iii).

(c) The available for sale revaluation reserves record fair value gains or losses relating to available for sale securities, as described in note 1(p.i).

(d) Other reserves record the cumulative amount recognised under IFRS 2 in respect of options granted but not exercised to acquire shares in Rio Tinto Limited, less, where applicable, the cost of shares purchased to satisfy share options exercised. The cumulative amount recognised under IFRS 2 in respect of options granted but not exercised to acquire shares in Rio Tinto plc is recorded in retained earnings.

Other reserves includes US$11,936 million which represents the difference between the nominal value and issue price of the shares issued arising from Rio Tinto plc s rights issue. No share premium was recorded in the Rio Tinto plc financial statements through the operation of the merger relief provisions of the Companies Act 1985.

(e) Exchange differences arising on the translation of the Group s net investment in foreign controlled companies are taken to the foreign currency translation reserve, as described in note 1(d). The cumulative differences relating to an investment are transferred to the income statement when the investment is disposed of.

(f) Retained profit and movements in reserves of subsidiaries include those arising from the Group s share of proportionally

consolidated units.

(g) This includes actuarial losses relating to equity accounted units of US$126 million (2008: US$5 million; 2007: US$4 million).

(h) Includes IFRS 2 charges arising from a Broad Based Black Economic Empowerment (BBBEE) transaction. The discount to fair value arising from this transaction is treated as a share based payment in accordance with IFRIC 8 Scope of IFRS 2 (Share based Payments) and AC 503 Accounting for BEE Transactions.

Notes to the 2009 Financial statements
31 Operating segments

Sales revenue (a)	***2009 US$m***	*2008 US$m*	*2007 US$m*
Iron Ore	**12,598**	16,527	9,193
Aluminium	**12,038**	18,297	6,200
Copper	**6,206**	5,748	8,163
Energy	**6,709**	8,018	4,650
Diamonds & Minerals	**2,618**	3,820	3,773
Other Operations	**4,743**	7,378	1,598
Reportable segments total	**44,912**	59,788	33,577
Inter-segment transactions	**(876)**	(1,723)	(59)
Gross sales revenue	**44,036**	58,065	33,518
Less share of equity accounted units sales revenue	**(2,211)**	(3,801)	(3,818)
Consolidated sales revenue	**41,825**	54,264	29,700
Underlying earnings (b)			
Iron Ore	**4,126**	6,017	2,664
Aluminium	**(578)**	1,271	1,051
Copper	**1,866**	1,597	3,373
Energy	**1,420**	2,581	498
Diamonds & Minerals	**800**	474	475
Other Operations	**(188)**	(133)	167
Reportable segments total	**7,446**	11,807	8,228
Inter-segment transactions	**(28)**	25	
Other items	**(547)**	(366)	(540)
Exploration and evaluation not attributed to product groups	**5**	(133)	20
Net interest	**(578)**	(1,030)	(265)
Underlying earnings	**6,298**	10,303	7,443
Items excluded from Underlying earnings (note 2)	**(1,426)**	(6,627)	(131)
Net earnings per income statement	**4,872**	3,676	7,312
Depreciation and amortisation (c)			
Iron Ore	**763**	705	567
Aluminium	**1,551**	1,543	564
Copper	**541**	442	437
Energy	**395**	415	359
Diamonds & Minerals	**290**	361	361
Other Operations	**216**	332	80

Reportable segments total	**3,756**	3,798	2,368
Other items	**111**	91	57
Less: depreciation and amortisation of equity accounted units	**(440)**	(414)	(310)
Depreciation and amortisation per note 3	**3,427**	3,475	2,115
Tax charge (d)			
Iron Ore	**1,868**	2,869	1,202
Aluminium	**(565)**	875	(73)
Copper	**582**	261	845
Energy	**646**	1,016	214
Diamonds & Minerals	**37**	287	179
Other Operations	**(55)**	(68)	36
Reportable segments total	**2,513**	5,240	2,403
Other items	**(270)**	(99)	(157)
Exploration and evaluation not attributed to product groups	**(30)**	(31)	35
Net interest	**(228)**	(380)	(131)
	1,985	4,730	2,150
Tax charge excluded from Underlying earnings (note 2)	**91**	(988)	(60)
Tax charge per income statement	**2,076**	3,742	2,090
Additions to non-current assets (other than financial instruments and deferred tax assets)			
Iron Ore	**2,034**	3,494	
Aluminium	**1,487**	2,206	
Copper	**828**	836	
Energy	**718**	1,206	
Diamonds & Minerals	**478**	1,379	
Other Operations	**227**	470	
Reportable segments total	**5,772**	9,591	
Other items	**81**	179	
Reconciling items (e)	**(497)**	(1,282)	
Purchase of property, plant & equipment and intangible assets per note 51	**5,356**	8,488	
Proceeds of disposal of property, plant and equity and intangible assets	**32**	90	
Funding of equity accounted units for major capital expenditure		(4)	
	5,388	8,574	

Purchase of property, plant & equipment and intangible assets per statement of cash flow

Notes to the 2009 Financial statements
31 Operating segments continued

Operating assets (f)	At 31 December 2009 US$m	At 31 December 2008 US$m
Iron Ore	**11,263**	7,632
Aluminium	**35,992**	34,735
Copper	**5,028**	4,223
Energy	**2,538**	2,665
Diamonds & Minerals	**4,612**	4,287
Other Operations	**1,756**	3,375
Reportable segments total	**61,189**	56,917
Net assets held for sale	**3,462**	3,204
Other items	**(1,959)**	(811)
	62,692	59,310
Reconciling items:		
Liabilities of disposal groups held for sale	**1,320**	2,121
Trade and other payables	**6,350**	7,649
Tax payable	**1,628**	1,892
Deferred tax liabilities	**4,304**	4,054
Other financial liabilities (excluding derivatives related to net debt)	**848**	649
Provisions	**13,694**	10,933
Cash and cash equivalents	**4,233**	1,181
Other liquid resources	**73**	4
Outside interests	**2,094**	1,823
	34,544	30,306
Total assets	**97,236**	89,616

Refer to notes below.

Rio Tinto s management structure is based on the principal product groups shown above together with the global functions that support the business. The chief executive of each product group reports to the Chief executive of Rio Tinto. The Chief executive of Rio Tinto monitors the performance of each product group based on a number of measures including capital expenditure and operating cash flows, with Underlying earnings being the key financial performance indicator. Interest costs and net debt are managed on a group basis.

Generally, business units are allocated to product groups based on their primary product. The Energy product group includes both coal and uranium businesses. The Diamonds & Minerals product group includes businesses with products such as borates, talc and titanium dioxide feedstock together with diamonds operations. The Copper group includes certain gold operations in addition to copper. The Aluminium group excludes Alcan Engineered Products which is included in Other Operations and Alcan Packaging which is included in Assets held for sale .

The segments differ from those reported under IAS 14 in 2008 because of changes in the Group s organisational structure. The Diamonds & Minerals product group has been reinstated alongside the Iron Ore, Copper, Aluminium

and Energy product groups. Alcan Engineered Products was reclassified from Aluminium to Other Operations during the year. Information for 2008 has been reclassified accordingly.

The Financial information by business unit provided on page A-78 of these financial statements provide additional voluntary disclosure which the Group considers is useful to the users of the financial statements.

a) Gross sales revenue

Product group gross sales revenue includes 100 per cent of subsidiaries sales revenue and the Group s share of the sales revenue of equity accounted units.

Inter-segment transactions relate to sales between Aluminium and Alcan Engineered Products which is included in Other Operations.

b) Underlying earnings

As discussed in note 2, Underlying earnings is an alternative measure of earnings which provides a greater understanding of the underlying business performance of the Group s operations. The measure of Underlying earnings is used by the Chief executive of Rio Tinto to assess the performance of the product groups.

Product group earnings include earnings of subsidiaries stated before finance items but after the amortisation of discount. Earnings attributable to equity accounted units include interest charges and amortisation of discount except that, from 2009 onwards, RBM earnings are before charging interest on third party debt.

Rio Tinto s share of the Underlying earnings of equity accounted units amount to US$864 million in 2009 (2008: US$1,047 million; 2007: US$1,619 million). This amount is attributable as follows: US$750 million profit to the Copper group and US$114 million profit to other product groups (2008: US$852 million profit is attributable to the Copper product group and US$195 million profit to other product groups; 2007: US$1,573 million profit to the Copper group and US$46 million profit to other product groups). These amounts are included in Underlying earnings of the relevant product groups. These amounts include the Underlying earnings of the Group s tolling entities which process bauxite and alumina. These entities recharge the majority of their costs and would generally have minimal earnings.

The Diamonds & Minerals Underlying earnings in 2009 includes a US$797 million profit after tax in relation to the divestment of undeveloped potash assets in Argentina and Canada. In 2008, the Energy group Underlying earnings include a US$483 million profit after tax in relation to the divestment of the undeveloped Kintyre uranium project in Western Australia. In 2007 Underlying earnings includes US$253 million of profit on disposal of undeveloped properties.

Notes to the 2009 Financial statements

31 Operating segments continued

c) Depreciation and amortisation

Product group totals of depreciation include 100 per cent of subsidiaries depreciation and amortisation and include Rio Tinto s share of the depreciation and amortisation of equity accounted units. The Rio Tinto s share of the depreciation and amortisation charge of equity accounted units is deducted to arrive at depreciation and amortisation excluding equity accounted units as shown in note 3. These figures exclude impairment charges, which are excluded from Underlying earnings.

d) Tax charge

This relates to the tax charges on the product group s Underlying earnings. The reconciling item is the tax on amounts that are excluded in arriving at Underlying earnings. Within product groups, tax of subsidiaries is stated before tax on finance items but after tax on the amortisation of the discount related to provisions. The tax charge excludes tax on the earnings of equity accounted units of US$491 million (2008: US$596 million; 2007: US$917 million) of which US$498 million (2008: US$515 million; 2007: US$877 million) related to the Copper product group.

e) Additions to non current assets (other than financial instruments and deferred tax assets)

This represents the total cost incurred during the year to acquire non current assets (other than financial instruments and deferred tax assets), measured on an accruals basis in accordance with IFRS 8.

The reconciling items to arrive at capital expenditure shown in note 51 are shown below:

	Year ended 31 December 2009 *US$m*	Year ended 31 December 2008 *US$m*
Capitalised interest costs	**(198)**	(203)
Capitalised closure costs and other provisions	**(268)**	(393)
Movement in payables for capital expenditure	**595**	(503)
Goodwill cash additions		(8)
Additions to investments in equity accounted units	**(412)**	(29)
Increase in non current inventories	**(109)**	(10)
Increase in non current prepayments		(50)
Finance leases taken out	**(73)**	
Proceeds of disposal of property, plant and equity and intangible assets	**(32)**	(90)
Funding of equity accounted units for major capital expenditure		4
Total	**(497)**	(1,282)

f) Operating assets

Product group totals of operating assets comprise net assets excluding post retirement assets and liabilities, net of tax, and are before deducting net debt. Operating assets are less outside shareholders interests, which are calculated by reference to the net assets of the relevant companies (i.e. net of such companies debt). For equity accounted units, Rio Tinto s net investment excluding post retirement assets and liabilities (net of tax), is shown. Other items relate to assets held by entities not considered as reportable segments.

In 2009, Rio Tinto s investment in equity accounted units of US$6,735 million is attributable as follows: US$3,489 million to the Aluminium product group, US$2,777 million to the Copper product group and US$469 million to other product groups (31 December 2008: US$5,053 million of which US$3,294 million is attributable to the Aluminium product group, US$1,597 million is attributable to the Copper product group, and US$162 million to other product groups).

32 Operating segments additional information

Gross sales revenue by destination (a)	***2009*** *%*	*2008* *%*	*2007* *%*	***2009*** ***US$m***	*2008* *US$m*	*2007* *US$m*
China	**24.3**	18.8	18.2	**10,691**	10,934	6,115
North America (b)	**23.1**	22.4	22.6	**10,190**	12,984	7,582
Other Europe (excluding United Kingdom)	**14.4**	20.7	17.9	**6,337**	12,015	6,012
Japan	**13.5**	15.2	16.8	**5,921**	8,825	5,633
Other Asia	**13.2**	11.1	12.0	**5,822**	6,453	4,011
Australia	**3.1**	3.0	5.2	**1,373**	1,737	1,742
United Kingdom	**2.6**	3.6	1.9	**1,161**	2,112	629
Other	**5.8**	5.2	5.4	**2,541**	3,005	1,794
Gross sales revenue	**100.0**	100.0	100.0	**44,036**	58,065	33,518
Share of equity accounted units sales and intra-subsidiary/equity accounted units sales				**(2,211)**	(3,801)	(3,818)
Consolidated sales revenue				**41,825**	54,264	29,700

(a) Sales by geographical destination are based on the ultimate country of destination of the product if known. If the eventual destination of the product sold through traders is not known, then revenue is allocated to the location of the product at the time when the risks and rewards of ownership are passed. Rio Tinto is domiciled in both the United Kingdom and Australia.

(b) The United States of America and Canada have been combined to form the North America geographical segment, having regard to the similarity of economic and political conditions in these countries.

Gross sales revenue by product

Gross sales revenues of the Group are derived from the following products sold to external customers:

	2009	*2008*	*2007*
	US$m	*US$m*	*US$m*
Iron Ore	**12,096**	15,975	8,799
Aluminium	**11,126**	16,542	7,309
Coal	**5,683**	7,011	3,832
Copper	**4,775**	4,495	6,158
Industrial Minerals	**2,677**	3,388	3,011
Gold	**972**	379	922
Diamonds	**450**	840	1,020
Other	**6,257**	9,435	2,467
Gross sales revenue	**44,036**	58,065	33,518
Share of equity accounted units sales and intra-subsidiary/equity accounted units sales	**(2,211)**	(3,801)	(3,818)
Consolidated sales revenue	**41,825**	54,264	29,700

Notes to the 2009 Financial statements

32 Operating segments additional information continued

Non current assets other than financial instruments and deferred tax assets

The total of non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets and assets held for sale by location is shown below. This is allocated based on the location of the business units holding the assets.

	2009 US$m	2008 US$m
Non current assets other than financial instruments and deferred tax assets (a)		
Australia	**31,543**	24,080
United Kingdom	**928**	1,034
North America (b)	**29,486**	32,197
France	**2,298**	2,507
Europe (excluding France)	**2,041**	2,813
South America	**2,419**	1,882
Africa	**1,665**	1,731
Indonesia	**587**	555
Other countries	**1,212**	961
	72,179	67,760
Non-current assets excluded from analysis above:		
Deferred tax assets	**2,231**	1,367
Tax recoverable	**85**	220
Derivative assets	**841**	666
Loans to equity accounted units (c)	**1,593**	862
Accounts receivable	**593**	306
Total non-current assets per statement of financial position	**77,522**	71,181

(a) Includes investments in equity accounted units totalling US$5,312 million (2008: US$4,455 million) which represents the Group s share of net assets excluding quasi equity loans shown separately

within Loans to equity accounted units above.

(b) The United States of America and Canada have been combined to form the North America geographical segment, having regard to the similarity of economic and political conditions in these countries.

(c) Loans to equity accounted units comprise quasi equity loans of US$1,423 million (2008: US$598million) included in Investments in equity accounted units on the face of the statement of financial position and non-quasi equity loans of US$170 million (2008: US$264 million) shown separately.

Notes to the 2009 Financial statements

33 Financial risk management

The Group s policies with regard to financial risk management are clearly defined and consistently applied. They are a fundamental part of the Group s long term strategy covering areas such as foreign exchange risk, interest rate risk, commodity price risk, credit risk, liquidity risk and capital management.

Generally, the Group only sells commodities it has produced but also enters into third party direct transactions and physical swaps on Alumina to balance the regional positions and to balance the loading on production facilities. In the long term, natural hedges operate in a number of ways to help protect and stabilise earnings and cash flow.

The Group has a diverse portfolio of commodities and markets, which have varying responses to the economic cycle. The relationship between commodity prices and the currencies of most of the countries in which the Group operates provides further natural protection in the long term. Production of minerals is an important contributor to the Gross Domestic Products of Australia and Canada, countries in which the Group has a large presence. As a consequence, the Australian and Canadian currencies have historically tended to strengthen when commodity prices are high. In addition, the Group s policy of borrowing primarily at floating US dollar interest rates helps to counteract the effect of economic and commodity price cycles. These natural hedges significantly reduce the necessity for using derivatives or other forms of synthetic hedging. Such hedging is therefore undertaken to a strictly limited degree, as described below.

Treasury operates as a service to the business of the Rio Tinto Group and not as a profit centre. Strict limits on the size and type of transaction permitted are laid down by the Rio Tinto board and are subject to rigorous internal controls. Senior management is advised of corporate debt and currency, commodity and interest rate derivatives through a monthly reporting framework.

Rio Tinto does not acquire or issue derivative financial instruments for trading or speculative purposes; nor does it believe that it has material exposure to such trading or speculative holdings through its investments in joint ventures and associates. Derivatives are used to separate funding and cash management decisions from currency exposure and interest rate management. The Group uses interest rate and cross currency interest rate swaps in conjunction with longer term funds raised in the capital markets to achieve a predominantly floating rate obligation which is consistent with the Group s interest and exchange rate policies, ie. primarily US dollar LIBOR. However, the group reserves the right to realise swap positions to take advantage of favourable market conditions and to manage counterparty credit risk. No material exposure is considered to exist by virtue of the possible non performance of the counterparties to financial instruments held by the Group.

Derivative contracts are carried at fair value based on published quotations for the period for which a liquid active market exists. Beyond this period, Rio Tinto s own assumptions are used.

(i) Foreign exchange risk

Rio Tinto s shareholders equity, earnings and cash flows are influenced by a wide variety of currencies due to the geographic diversity of the Group s sales and the countries in which it operates. The US dollar, however, is the currency in which the great majority of the Group s sales are denominated. Operating costs are influenced by the currencies of those countries where the Group s mines and processing plants are located and also by those currencies in which the costs of imported equipment and services are determined. The Australian and Canadian dollars and the Euro are the most important currencies (apart from the US dollar) influencing costs. In any particular year, currency fluctuations may have a significant impact on Rio Tinto s financial results. A strengthening of the US dollar against the currencies in which the Group s costs are partly determined has a positive effect on Rio Tinto s Underlying earnings.

Given the dominant role of the US currency in the Group s affairs, the US dollar is the currency in which financial results are presented both internally and externally. It is also the most appropriate currency for borrowing and holding surplus cash, although a portion of surplus cash may also be held in other currencies, most notably Australian dollars, Canadian dollars and the Euro. This cash is held in order to meet short term operational and capital commitments and, for the Australian dollar, dividend payments. The Group finances its operations primarily in US dollars, either directly or using cross currency interest rate swaps. A substantial part of the Group s US dollar debt is located in subsidiaries having a US dollar functional currency.

However, certain US dollar debt and other financial assets and liabilities including intragroup balances are not held in the functional currency of the relevant subsidiary. This results in an accounting exposure to exchange gains and losses as the financial assets and liabilities are translated into the functional currency of the subsidiary that accounts for those assets and liabilities. These exchange gains and losses are recorded in the Group s income statement except to the extent that they can be taken to equity under the Group s accounting policy which is explained in note 1(d). Gains and losses on US dollar net debt and on intragroup balances are excluded from Underlying earnings. Other exchange gains and losses are included in Underlying earnings.

As noted above, Rio Tinto hedges interest rate and currency risk on most of its foreign currency borrowings by entering into cross currency interest rate swaps, and/or interest rate swaps when required. These have the economic effect of converting fixed rate foreign currency borrowings to floating rate US dollar borrowings. See section B (d) of note 34 Financial instruments for the details of currency and interest rate contracts relating to borrowings.

After taking into account relevant swap instruments, almost all of the Group s net debt is either denominated in US dollars or in the functional currency of the entity holding the debt. The table below summarises the net debt by currency.

Net (debt)/funds by currency	***2009 US$m***	*2008 US$m*
United States dollar	**(18,466)**	(38,111)
Australian dollar	**(232)**	(351)
South African rand	**60**	52
UK sterling	**(35)**	(34)
Euro	**(140)**	(77)
Canadian dollar	**(137)**	(122)
Other	**89**	(29)
Total	**(18,861)**	(38,672)

Notes to the 2009 Financial statements

33 Financial risk management continued

Currency hedging

Under normal market conditions, the Group does not generally believe that active currency hedging of transactions would provide long term benefits to shareholders. The Group reviews on a regular basis its exposure and reserves the right to enter into hedges to maintain financial stability. Currency protection measures may be deemed appropriate in specific commercial circumstances and are subject to strict limits laid down by the Rio Tinto board, typically hedging of capital expenditures and other significant financial items such as tax and dividends. There is a legacy of currency forward contracts used to hedge operating cash flow exposures which was acquired with the North companies. Refer to section B ((a) to (d)) of note 34 - Financial instruments for the currency forward and option contracts used to manage the currency risk exposures of the Group at 31 December 2009.

Foreign exchange sensitivity: Risks associated with exposure to financial instruments

The sensitivities below give the estimated effect of a ten per cent strengthening in the full year closing US dollar exchange rate on the value of financial instruments. The impact is expressed in terms of the effect on net earnings, Underlying earnings and equity, assuming that each exchange rate moves in isolation. The sensitivities are based on financial assets and liabilities held at 31 December 2009, where balances are not denominated in the functional currency of the subsidiary and exclude financial assets and liabilities held by equity accounted units (see note b below). They also exclude exchange movements on local currency deferred tax balances and provisions. These balances will not remain constant throughout 2010, and therefore these numbers should be used with care.

At 31 December 2009

Gains/(losses) associated with 10% strengthening of the US dollar

Currency Exposure	*Closing exchange rate US cents*	*Effect on net earnings US$m*	*Of which amount impacting Underlying earnings US$m*	*Impact directly on equity US$m*
Australian dollar (a)	**89**	**178**	**66**	**(1)**
Canadian dollar	**95**	**5**	**61**	
South African rand	**14**	**13**	**2**	**(42)**
Euro	**144**	**252**	**13**	
New Zealand dollar	**73**	**2**		

At 31 December 2008

Gains/(losses) associated with 10% strengthening of the US dollar

Currency Exposure	*Closing exchange rate US cents*	*Effect on net earnings US$m*	*Of which amount impacting Underlying earnings US$m*	*Impact directly on equity US$m*
Australian dollar (a)	69	(27)	63	3
Canadian dollar	82	53	99	
South African rand	11	13	19	
Euro	141	239	18	
New Zealand dollar	58	21	2	

(a) The sensitivities show the net sensitivity of US$ exposures in A$ functional currency companies, for example, and A$ exposures in US$ functional currency companies.

(b) The sensitivities presented are on financial assets and liabilities of subsidiaries and proportionally consolidated entities, and do not include non-financial instruments such as provisions or post retirement benefits, or sensitivities arising from financial assets and liabilities within equity accounted units.

The impact of reflecting these items primarily impacts the Canadian dollar sensitivity, with a US$69 million reduction in net earnings (2008: US$9 million reduction), a US$67 million reduction in Underlying earnings (2008: US$21 million reduction), and a US$114 million increase recorded directly in equity (2008: US$56 million increase).

(c) Rio Tinto Alcan Inc., which has a US functional currency for accounting purposes, has a significant amount of US dollar denominated external and intragroup debt held in Canada and is taxed on a Canadian currency basis. The above sensitivities as at 31 December 2009 for a 10 per cent strengthening of the US dollar do not include any tax benefit related to this

debt because the capital losses generated would not be recognised. If the US dollar weakened below 97 Canadian cents then tax charges would begin to be recognised at 15 per cent.

Similarly at 31 December 2008, the above sensitivities for a 10 per cent strengthening of the US dollar did not include any tax benefit related to this debt because the capital losses generated would not have been recognised. If the US dollar had weakened below 97 Canadian cents then tax charges would have begun to be recognised at 15 per cent.

(ii) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instruments will fluctuate due to changes in market interest rates. Rio Tinto s interest rate management policy is generally to borrow and invest at floating interest rates. This approach is based on historical correlation between interest rates and commodity prices. In some circumstances, an element of fixed rate funding may be considered appropriate. As noted above, Rio Tinto hedges interest rate and currency risk on most of its foreign currency borrowings by entering into cross currency interest rate swaps in order to convert fixed rate foreign currency borrowings to floating rate US dollar borrowings. The market value of these interest rate and cross currency interest rate swaps moves in alignment with the market and at times can act as alternative sources of funding. The Group reviews the positions on a regular basis and may act to either monetise in-the-money value or achieve lower costs of funding. See section B (d) of note 34 Financial instruments for the details of currency and interest rate contracts relating to borrowings. At the end of 2009, US$8.3 billion (2008: US$10.6 billion) of the Group s debt was at fixed rates after taking into account interest rate swaps and finance leases, making the fixed to floating debt ratio 36 per cent fixed to 64 per cent floating.

A monthly Treasury report is provided to senior management which summarises corporate debt exposed to currency risks and, where applicable, the offsetting derivatives. See section B (d) of note 34 - Financial instruments for the details of currency and interest rate contracts relating to borrowings. See note 22 Borrowings for the details of debt outstanding at 31 December 2009.

Based on the Group s net debt and other floating rate financial instruments outstanding as at 31 December 2009, the effect on net earnings of a half percentage point increase in US dollar LIBOR interest rates, with all other variables held constant, would be a reduction of US$37 million (2008: US$100 million). These balances will not remain constant throughout 2010, however, and therefore these numbers should be used with care.

Notes to the 2009 Financial statements

33 Financial risk management continued

(iii) Commodity price risk

The Group s normal policy is to sell its products at prevailing market prices. Exceptions to this rule are subject to strict limits laid down by the Rio Tinto board and to rigid internal controls. Rio Tinto s exposure to commodity prices is diversified by virtue of its broad commodity base and the Group does not generally believe commodity price hedging would provide long term benefit to shareholders. The Group may hedge certain commitments with some of its customers or suppliers. Details of commodity derivatives held at 31 December 2009 are set out in note 34 B a) to c) Financial instruments.

Metals such as copper and aluminium are generally sold under contract, often long term, at prices determined by reference to prevailing market prices on terminal markets, such as the London Metal Exchange (LME) and COMEX in New York, usually at the time of delivery. Prices fluctuate widely in response to changing levels of supply and demand but, in the long run, prices are related to the marginal cost of supply. Gold is also priced in an active market in which prices respond to daily changes in quantities offered and sought. Newly mined gold is only one source of supply; investment and disinvestment can be important elements of supply and demand. Contract prices for many other natural resource products including iron ore and coal are generally agreed annually or for longer periods with customers, although volume commitments vary by product.

Certain products, predominantly copper concentrate, are provisionally priced , ie the selling price is subject to final adjustment at the end of a period normally ranging from 30 to 180 days after delivery to the customer, based on the market price at the relevant quotation point stipulated in the contract. Revenue on provisionally priced sales is recognised based on estimates of fair value of the consideration receivable based on forward market prices. At each reporting date provisionally priced metal is marked to market based on the forward selling price for the period stipulated in the contract. For this purpose, the selling price can be measured reliably for those products, such as copper for which there exists an active and freely traded commodity market such as the London Metal Exchange and the value of product sold by the Group is directly linked to the form in which it is traded on that market.

The marking to market of provisionally priced sales contracts is recorded as an adjustment to sales revenue.

At the end of 2009, the Group had 267 million pounds of copper sales (2008: 183 million pounds) that were provisionally priced at US 335 cents per pound (2008: US 133 cents per pound). The final price of these sales will be determined during the first half of 2010. A ten per cent change in the price of copper realised on the provisionally priced sales would increase or reduce net earnings by US$55 million (2008: US$15 million).

Approximately 27 per cent of Rio Tinto s 2009 Underlying earnings from operating businesses came from products whose prices were terminal market related and the remainder came from products priced by direct negotiation.

Commodity price sensitivity: Risks associated with derivatives

The table below summarises the impact of changes in the market price on the following commodity derivatives including those aluminium forward and option contracts embedded in electricity purchase contracts outstanding at 31 December 2009, but excluding the impact of commodity and embedded derivatives held by equity accounted units (see note a). The impact is expressed in terms of the resulting change in the Group s net earnings for the year or, where applicable, the change in equity. The sensitivities are based on the assumption that the market price increases by ten per cent with all other variables held constant. The Group s own use contracts are excluded from

the sensitivity analysis below as they are outside the scope of IAS 39. Such contracts to buy or sell non financial items can be net settled but were entered into and continue to be held for the purpose of the receipt or delivery of the non financial item in accordance with the business unit s expected purchase, sale or usage requirements.

These sensitivities should be used with care. The relationship between currencies and commodity prices is a complex one; changes in exchange rates can influence commodity prices and vice versa.

At 31 December 2009

Gains/(losses) associated with 10% increase from year end price

Products	***Effect on net earnings US$m***	***Effect directly on equity attributable to Rio Tinto US$m***
Copper	**(1)**	**(18)**
Aluminium	**(19)**	**(24)**
Oil	**3**	
Total	**(17)**	**(42)**

At 31 December 2008

Gains/(losses) associated with 10% increase from year end price

Products	*Effect on net earnings US$m*	*Effect directly on equity attributable to Rio Tinto US$m*
Copper		(13)
Coal		(8)
Aluminium	21	(16)
Total	21	(37)

(a) The sensitivities presented do not include those arising from balances within equity accounted units. The impact of reflecting equity accounted units primarily relates

to the
aluminium
sensitivity, with
a US$55 million
reduction in net
earnings
(2008:US$83
million
reduction).

Notes to the 2009 Financial statements

33 Financial risk management continued

(iv) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily from customer receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risks related to receivables

Customer credit risk is managed by each business unit subject to Rio Tinto s established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal or external rating criteria. Where customers are rated by an independent credit rating agency, these ratings are used to set credit limits. In circumstances where no independent credit rating exists, the credit quality of the customer is assessed based on an extensive credit rating scorecard. Outstanding customer receivables are regularly monitored and any credit concerns highlighted to senior management. High risk shipments to major customers are generally covered by letters of credit or other forms of credit insurance.

At 31 December 2009, the Group had approximately 70 customers (2008: 86 customers) that owed the Group more than US$5 million each and these balances accounted for approximately 52 per cent (2008: 75 per cent) of all receivables owing. There were 17 customers (2008: 21 customers) with balances greater than US$20 million accounting for just over 30 per cent (2008: 49 per cent) of total amounts receivable.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets mentioned on page A-55. The Group does not hold collateral as security for any trade receivables.

Credit risk related to financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by Group Treasury in accordance with a Board approved policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Rio Tinto Board on an annual basis, and may be updated throughout the year subject to approval of the Rio Tinto Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate the potential for financial loss through counterparty failure.

No material exposure is considered to exist by virtue of the possible non performance of the counterparties to financial instruments.

(v) Liquidity and Capital risk management

The Group s total capital is defined as Rio Tinto s shareholders funds plus funds attributable to outside equity shareholders plus net debt, and amounted to US$65 billion at 31 December 2009 (2008: US$61 billion).

The Group s over-riding objectives when managing capital are to safeguard the business as a going concern; to maximise returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to provide a high degree of financial flexibility at the lowest cost of capital.

The unified credit status of the Group is maintained through cross guarantees whereby contractual obligations of Rio Tinto plc and Rio Tinto Limited are automatically guaranteed by the other. Following the successful US$15.2 billion rights issues in July 2009, Moody s and Standard & Poor s (S&P) improved the Groups credit rating. S&P upgraded the long term rating to BBB+ from BBB and its short term credit ratings to A-2 from A-3, the outlook improved from negative to stable. Moody s affirmed the long term rating of Baa1 and short-term corporate credit rating of P-2 also with a stable outlook.

Credit ratings are not a recommendation to purchase, hold or sell securities, and are subject to revision or withdrawal at any time by the rating organization.

In 2007, Rio Tinto acquired Alcan which was financed using a US$40 billion syndicated bank facility. As at 31 December 2009, there was US$8.5 billion drawn on this facility compared to US$28 billion at 31 December 2008. The facility had two term facilities (Facilities A and D) of which Facility A was fully repaid in 2009 and US$8.5 billion remained on Facility D at 31 December 2009. Revolving Facility B had an initial capacity of US$10 billion. As at 31 December 2009, only US$2.1 billion of the facility remained available to draw upon. The maturity date for Facility B is October 2010. Revolving Facility C is for an amount of up to US$5 billion, all of which is undrawn. The maturity date for Facility C is October 2012. The maturity date for Facility D is December 2012. Advances under each Facility generally bear interest at rates per annum equal to the margin for that Facility plus LIBOR and any mandatory costs. Refer to note 48 Events after the statement of financial position date for the partial repayment of Facility D and cancellation of Facility B post year end.

The Group s back-up facilities consist of revolving tranches of the syndicated bank facility and a series of standby bi-lateral bank facilites. These standby bi-lateral bank facilities contain no financial covenants and are not affected to any material extent by a change in the Groups credit rating. The syndicated bank facility contains a financial covenant requiring the maintenance of a ratio of no greater than 4.5 times of net borrowings to EBITDA. At 31 December 2009, the Group has available committed financing of US$5.0 billion under Alcan Facility C, US$2.1 billion under Facility B and US$2.3 billion unused committed bilateral banking facilities. Refer to note 22 Borrowings for further details. Refer to note 48 Events after the statement of financial position date for the partial repayment of Facility D and cancellation of Facility B post year end.

The Group s net debt as a percentage of total capital was 29 per cent at 31 December 2009 (2008: 63 per cent).

Notes to the 2009 Financial statements

33 Financial risk management continued

The table below analyses the Group s financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. As the amounts disclosed in the table are the contractual undiscounted cash flows, these balances will not necessarily agree with the amounts disclosed in the statement of financial position.

At 31 December 2009

	Trade and other payables US$m	*Borrowings before swaps US$m*	*Expected future interest payments (a) US$m*	*Derivatives related to net debt US$m*	*Other financial liabilities US$m*	***Total financial liabilities US$m***
Financial liabilities						
Within 1 year, or on demand	(4,416)	(878)	(942)	(52)	(365)	**(6,653)**
Between 1 and 2 years		(463)	(884)		(203)	**(1,550)**
Between 2 and 3 years		(9,087)	(910)	2	(204)	**(10,199)**
Between 3 and 4 years		(3,269)	(840)		(177)	**(4,286)**
Between 4 and 5 years		(2,767)	(591)		(58)	**(3,416)**
After 5 years		(6,725)	(3,857)	(162)	(54)	**(10,798)**
	(4,416)	(23,189)	(8,024)	(212)	(1,061)	**(36,902)**

At 31 December 2008

	Trade and other payables US$m	*Borrowings before swaps US$m*	*Expected future interest payments (a) US$m*	*Derivatives related to net debt US$m*	*Other financial liabilities US$m*	*Total financial liabilities US$m*
Financial liabilities						
Within 1 year, or on demand	(5,478)	(10,079)	(1,375)		(414)	(17,346)
Between 1 and 2 years		(9,485)	(1,139)	(85)	(129)	(10,838)
Between 2 and 3 years		(417)	(914)		(130)	(1,461)
Between 3 and 4 years		(10,525)	(744)		(113)	(11,382)
Between 4 and 5 years		(3,112)	(486)		(106)	(3,704)
After 5 years		(5,760)	(3,366)		(123)	(9,249)
	(5,478)	(39,378)	(8,024)	(85)	(1,015)	(53,980)

(a) Interest payments have been projected using interest rates applicable at 31 December, including the impact of interest rate swap agreements, where appropriate. Much of the debt is subject to variable interest rates. Future interest payments are therefore subject to change in line with market rates.

34 Financial instruments

Except where stated, the information given below relates to the financial instruments of the parent companies and their subsidiaries and proportionally consolidated units, and excludes those of equity accounted units. The information is grouped in the following sections:

A Financial assets and liabilities by categories

B Derivative financial instruments

C Fair values

(A) Financial assets and liabilities by categories

At 31 December 2009

	Total US$m	*Loans and receivables US$m*	*Available for sale securities US$m*	*Held at fair value US$m*	*Other financial assets and liabilities US$m*
Financial Assets					
Cash and cash equivalents (note 21)	**4,233**	4,233			
Trade and other receivables (note 17)(a)	**4,739**	4,739			
Equity shares and quoted funds (note 20)	**658**		658		
Other investments, including loans (note 20)	**505**	270	77	158	
Other liquid resources (note 20)	**73**				73
Currency and commodity contracts not designated as hedges (note 20)	**8**			8	
Derivatives and embedded derivatives not related to net debt: not designated as hedges (note 20)	**291**			291	
Loans to equity accounted units including quasi equity loans	**1,761**	1,761			
Total financial assets	**12,268**	11,003	735	457	73
Financial liabilities					
Trade and other payables (note 25)(b)	**(4,416)**				(4,416)
Short term borrowings and bank overdrafts (notes 21 and 22)	**(847)**				(847)
	(22,155)				(22,155)

Medium and long term borrowings (note 22)				
Deferred consideration (note 25)(a)	**(119)**			(119)
Forward commodity contracts:				
designated as hedges (note 26)	**(499)**		(499)	
Derivatives related to net debt (note 26)	**(165)**		(165)	
Other derivatives and embedded derivatives not designated as hedges (note 26)	**(300)**		(300)	
Other financial liabilities (note 26)	**(49)**			(49)
Total financial liabilities	**(28,550)**		(964)	(27,586)

Notes to the 2009 Financial statements

34 Financial instruments continued

At 31 December 2008

	Total US$m	*Loans and receivables US$m*	*Available for sale securities US$m*	*Held at fair value US$m*	*Other financial assets and liabilities US$m*
Financial Assets					
Cash and cash equivalents (note 21)	1,181	1,181			
Trade and other receivables (note 17)(a)	5,054	5,054			
Equity shares and quoted funds (note 20)	261		261		
Other investments, including loans (note 20)	480	480			
Other liquid resources (note 20)	4				4
Currency and commodity contracts: designated as hedges (note 20)	98				98
Derivatives and embedded derivatives not related to net debt: not designated as hedges (note 20)	87			87	
Loans to equity accounted units including quasi equity loans	1,113	1,113			
Total financial assets	8,278	7,828	261	87	102
Financial liabilities					
Trade and other payables (note 25)(b)	(5,478)				(5,478)
Short term borrowings and bank overdrafts (notes 21 and 22)	(10,034)				(10,034)
Medium and long term borrowings (note 22)	(29,724)				(29,724)
Deferred consideration (note 25)(a)	(318)				(318)
Forward commodity contracts: designated as hedges (note 26)	(257)				(257)
Derivatives related to net debt (note 26)	(99)			(99)	
Other derivatives and embedded derivatives not designated as hedges (note 26)	(355)			(355)	
Other financial liabilities (note 26)	(37)				(37)
Total financial liabilities	(46,302)			(454)	(45,848)

(a) This excludes pension surpluses, prepayment of tolling charges to jointly controlled entities and other prepayments and accrued income.

(b) Trade and other payables includes trade creditors, amounts owed to equity accounted units, other creditors excluding deferred consideration shown separately and accruals.

(B) Derivative financial instruments

The Group s derivatives, including embedded derivatives, as at 31 December 2009, are summarised below:

(a) Forward contracts relating to operating transactions: designated as hedges

Assets (note 20)

Buy Australian dollar; sell US dollar	***Total fair value 2009 US$m***	*Total fair value 2008 US$m*
Less than 1 year	**8**	7
Between 1 and 5 years		2
Total	**8**	9
Other currency forward contracts		12
Total currency forward contracts	**8**	21

The above currency forward contracts were acquired with companies purchased in 2000 and were entered into by those companies in order to reduce their exposure to the US dollar through forecast sales.

Aluminium price exposures embedded in electricity purchase contracts		
Less than 1 year		6
Between 1 and 5 years		36
Total		42
Coal forward contracts		
Less than 1 year		35
Between 1 and 5 years		
Total		35
Total commodity forward contracts		77

Total assets related to forward contracts designated as hedges	**8**	98

Coal commodity contracts have been entered into in order to reduce exposure to movements in the coal price.

Notes to the 2009 Financial statements

34 Financial instruments continued

Liabilities (note 26)

Copper forward contracts	***Total fair value 2009 US$m***	*Total fair value 2008 US$m*
Less than 1 year	**(118)**	(34)
Between 1 and 5 years	**(317)**	(146)
Total	**(435)**	(180)
Coal (API #2) forward contracts		
Less than 1 year	**(4)**	(18)
Between 1 and 5 years		(4)
Total	**(4)**	(22)
Coal (GC NewC) forward contracts		
Less than 1 year		(31)
Total		(31)
Aluminium forward contracts embedded in electricity purchase contracts		
Between 1 and 5 years	**(4)**	
Total liabilities related to forward contracts designated as hedges	**(443)**	(233)

The above copper forward contracts were entered into as a condition of the refinancing of Palabora in 2005, and reduce the Group s exposure to movements in the copper price. Coal forward contracts have been entered into in order to reduce exposure to movements in the coal price.

Aluminium price exposures are embedded within certain aluminium smelter electricity purchase contracts. These contracts reduce the Group s exposure to movements in the aluminium price.

b) Options relating to operating transactions: designated as hedges

Liabilities (note 26)

Aluminium options embedded in electricity purchase contracts	***Total fair value 2009 US$m***	*Total fair value 2008 US$m*
Less than 1 year	**(6)**	(1)
Between 1 and 5 years	**(50)**	(23)
Total	**(56)**	(24)

Embedded options exist within an electricity purchase contract for a smelter. These derivatives reduce the Group s exposure to movements in the aluminium price. A number of put and call options were combined to form synthetic forward contracts that were designated as hedges of variable priced aluminium sales.

Reconciliation to statement of financial position categories for derivatives designated as hedges	***2009 US$m***	*2008 US$m*
- non current assets (note 20)		38
- current assets (note 20)	**8**	60
- current liabilities (note 26)	**(128)**	(84)
- non current liabilities (note 26)	**(371)**	(173)
Total derivatives designated as hedges, detailed above	**(491)**	(159)

The hedged forecast transactions denominated in foreign currencies and the hedged commodity purchase or sales contracts are expected to occur in line with the maturity dates of the derivatives hedging these particular exposures. Gains and losses recognised in equity for these cash flow hedges will be recycled into the income statement in the period during which the hedged transaction affects the income statement. Where the hedged transaction relates to capital expenditures, the gain or loss on the derivative will be recognised in the income statement within depreciation as the fixed asset is amortised.

Gains and losses recognised in the hedging reserve in equity, net of tax and outside interests, for the year to 31 December 2009, comprised cash flow hedge fair value losses of US$151 million including equity accounted units (2008: gains of US$20 million) and net cash flow hedge losses reclassified from equity and included in the income statement for the period amounted to US$13 million (2008: US$168 million; 2007: US$61 million).

The ineffective portion arising from cash flow hedges recognised in the income statement was US$2 million (2008: US$6 million; 2007: US$(1) million).

Notes to the 2009 Financial statements

34 Financial instruments continued

c) Forward and option contracts relating to operating transactions: not designated as hedges

Assets **Forward contracts** *Buy New Zealand dollar; sell US dollar*	***Total fair value 2009 US$m***	*Total fair value 2008 US$m*
Less than 1 year	**35**	15
Between 1 and 5 years		15
Total	**35**	30

The above currency forward contracts relating to the New Zealand dollar were taken out to manage exposures impacting on operating costs.

Aluminium forward contracts	***Total fair value 2009 US$m***	*Total fair value 2008 US$m*
Less than 1 year	**153**	
Between 1 and 5 years	**63**	
Total	**216**	

The above aluminium forward contracts were taken out to manage exposure to movements in the aluminium price.

Option contracts *Aluminium options embedded in electricity purchase contracts*	***Total fair value 2009 US$m***	*Total fair value 2008 US$m*
Less than 1 year		1
Between 1 and 5 years		26
More than 5 years		18
Total		45

The above aluminium options embedded in electricity purchase contracts reduce exposure to movements in the aluminium price.

Others:		
Less than 1 year		
Other embedded derivatives		6
Other commodity contracts	**12**	2
Other currency forward contracts and swaps	**26**	4
Between 1 and 5 years		
Other commodity contracts	**2**	
Total	**40**	12
Total assets relating to derivatives not designated as hedges (note 20)	**291**	87

Liabilities **Forward contracts** *Aluminium forward contracts*	***Total fair value 2009 US$m***	*Total fair value 2008 US$m*
Less than 1 year	**(44)**	(158)
Between 1 and 5 years	**(3)**	(7)
Total	**(47)**	(165)

The above aluminium forward contracts were taken out to manage exposure to movements in the aluminium price. These contracts are not designated as hedges as they are predominantly offset by other aluminium forward contracts.

Option contracts *Aluminium options embedded in electricity purchase contracts*	***Total fair value 2009 US$m***	*Total fair value 2008 US$m*
Less than 1 year	**(29)**	(10)
Between 1 and 5 years	**(103)**	(79)
More than 5 years	**(14)**	(73)
Total	**(146)**	(162)

The above aluminium options embedded in electricity purchase contracts reduce exposure to movements in the aluminium price.

Others:		
Less than 1 year		
Other currency derivative contracts		(3)
Other embedded derivatives	**(87)**	(20)
Other commodity contracts	**(7)**	(5)
Between 1 and 5 years		

Other embedded derivatives	**(11)**	
Other derivatives	**(2)**	
Total	**(107)**	(28)
Total liabilities relating to derivatives not designated as hedges (note 26)	**(300)**	(355)

Notes to the 2009 Financial statements

34 Financial instruments continued

Reconciliation to statement of financial position categories for derivatives not designated as hedges

	2009 US$m	*2008 US$m*
- non-current assets (note 20)	**65**	
- current assets (note 20)	**226**	87
- current liabilities (note 26)	**(167)**	
- non-current liabilities (note 26)	**(133)**	(355)
Total derivatives not designated as hedges, detailed above	**(9)**	(268)

d) Currency and interest contracts relating to borrowings

	Total fair value 2009 US$m	*Total fair value 2008 US$m*
Liabilities		
Buy US dollar: sell GBP		
Less than 1 year	**(68)**	(95)
Other currency swaps		(4)
Total currency swaps	**(68)**	(99)
Interest contracts relating to borrowings		
Between 1 and 5 years	**(8)**	
More than 5 years	**(89)**	
Total interest rate swaps	**(97)**	
Total derivatives related to net debt	**(165)**	(99)
Designated as fair value hedges	**(165)**	(99)

Reconciliation to statement of financial position categories for currency and interest derivatives

	2009	*2008*

	US$m	*US$m*
- current liabilities (note 26)	**(68)**	(4)
- non-current liabilities (note 26)	**(97)**	(95)
Total currency and interest rate contracts, detailed above	**(165)**	(99)

The currency contracts are used to swap non US dollar denominated external debt to US dollar floating. The interest rate contracts are used to convert certain fixed rate obligations to a floating rate.
The ineffective portion arising from fair value hedges recognised in the income statement was nil (2008:US$91 million). The 2008 amount relates to interest rate swaps unwound during the year with a principal of US$5.9 billion which were de-designated as hedges ahead of the unwind.

(C) Fair values

The carrying values and the fair values of Rio Tinto s financial instruments, other than trade and other receivables and payables, at 31 December are shown in the following table. The fair values of the Group s cash, short term borrowings and loans to jointly controlled entities and associates approximate their carrying values, as a result of their short maturity or because they carry floating rates of interest.

	31 December 2009		*31 December 2008*	
	Carrying value US$m	***Fair value US$m***	*Carrying value US$m*	*Fair value US$m*
Primary financial instruments held or issued to finance the Group s operations				
Equity shares and quoted funds (note 20)	**658**	**658**	261	261
Other investments, including loans (note 20)	**505**	**505**	480	480
Cash and cash equivalents (note 21)	**4,233**	**4,233**	1,181	1,181
Other liquid resources (note 20)	**73**	**73**	4	4
Short term borrowings and bank overdrafts (notes 21 and 22)	**(847)**	**(847)**	(10,034)	(10,059)
Medium and long term borrowings (note 22)	**(22,155)**	**(23,318)**	(29,724)	(29,752)
Loans to equity accounted units including quasi equity	**1,761**	**1,761**	1,113	1,113
Deferred consideration (note 25)	**(119)**	**(119)**	(318)	(318)
Other financial liabilities (note 26)	**(49)**	**(49)**	(37)	(37)
	(15,940)	**(17,103)**	(37,074)	(37,127)
Derivatives:				
Forward contracts: designated as hedges (Section B (a) of note 34)	**(435)**	**(435)**	(135)	(135)
Option contracts: designated as hedges (Section B (b) of note 34)	**(56)**	**(56)**	(24)	(24)
Forward contracts and option contracts not designated as hedges (Section B (c) of note 34)	**(9)**	**(9)**	(268)	(268)
Currency swaps hedging borrowings (Section B (d) of note 34)	**(68)**	**(68)**	(99)	(99)
Interest rate swap agreements (Section B (d) of note 34)	**(97)**	**(97)**		
	(16,605)	**(17,768)**	(37,600)	(37,653)

Notes to the 2009 Financial statements

34 Financial instruments continued

Valuation hierarchy

The table below shows the financial instruments carried at fair value by valuation method at 31 December 2009.

	Total	Level 1[(a)]	Level 2[(b)]	Level 3[(c)]	Not held at fair value
Assets					
Equity shares and quoted funds (note 20)	**658**	**644**	**14**		
Other investments, including loans (note 20)	**505**	**129**		**106**	**270**
Cash and cash equivalents (note 21)	**4,233**				**4,233**
Other liquid resources (note 20)	**73**				**73**
Loans to equity accounted units including quasi equity	**1,761**				**1,761**
Liabilities					
Short term borrowings and bank overdrafts (notes 21 and 22)	**(847)**				**(847)**
Medium and long term borrowings (note 22)	**(22,155)**				**(22,155)**
Deferred consideration (note 25)	**(119)**				**(119)**
Other financial liabilities (note 26)	**(49)**				**(49)**
	(15,940)	**773**	**14**	**106**	**(16,833)**
Derivatives					
Forward contracts: designated as hedges (Section B (a) of note 34)	**(435)**		**(430)**	**(5)**	
Option contracts: designated as hedges (Section B (b) of note 34)	**(56)**			**(56)**	
Forward contracts and option contracts not designated as hedges (Section B (c) of note 34)	**(9)**		**132**	**(141)**	
Currency swaps hedging borrowings (Section B (d) of note 34)	**(68)**		**(68)**		
Interest rate swap agreements (Section B (d) of note 34)	**(97)**		**(97)**		
	(16,605)	**773**	**(449)**	**(96)**	**(16,833)**

(a) Valuation is based on unadjusted quoted prices in active markets for identical financial instruments. This category includes listed equity shares and other quoted funds.

(b) Valuation is based on inputs that are observable for the financial instruments which includes quoted prices for similar instruments or identical instruments in markets which are not considered to be active or either directly or indirectly based on observable market data.

(c) Valuation is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Level 3 Financial assets and Financial liabilities

The table below shows the summary of changes in the fair value of the Group s level 3 financial assets and financial liabilities for the year ended 31 December 2009.

	Level 3 financial assets and financial liabilities
Opening balance	**(50)**
Currency translation adjustments	**(1)**
Realised gains to income statement	**24**
Unrealised losses to income statement	**(35)**
Unrealised losses to comprehensive income	**(66)**
Additions	**38**
Disposals	**(6)**
Closing balance	**(96)**
Total losses for the year included in the income statement for assets and liabilities held at year end	**(31)**

Notes to the 2009 Financial statements

35 Contingent liabilities and commitments

	2009	*2008*
	US$m	*US$m*
Capital commitments (including those related to joint ventures and associates)		
Within 1 year	**2,439**	3,568
Between 1 and 3 years	**1,050**	487
Between 3 and 5 years	**308**	228
After 5 years	**78**	71
Total	**3,875**	4,354

(a) Included in the above table is other commitments of US$117 million (2008: US$18 million). Capital commitments incurred by the Group relating to joint ventures and associates amount to US$261 million (2008: US$376 million). Capital commitments incurred jointly with other venturers (Rio Tinto share) relating to joint ventures amount to US$539 million (2008: US$713 million).

Operating leases

The aggregate amount of minimum lease payments under non cancellable operating leases are as follows:

	2009	*2008*
	US$m	*US$m*
Within 1 year	**484**	336
Between 1 and 3 years	**628**	565
Between 3 and 5 years	**287**	345
After 5 years	**451**	315
	1,850	1,561

Unconditional purchase obligations

The aggregate amount of future payment commitments for the next 5 years under unconditional purchase obligations outstanding at 31 December was:

	2009	*2008*
	US$m	*US$m*
Within 1 year	**1,339**	1,245
Between 1 and 2 years	**1,054**	870
Between 2 and 3 years	**1,113**	773
Between 3 and 4 years	**1,006**	648
Between 4 and 5 years	**891**	505
After 5 years	**7,404**	6,304
	12,807	10,345

Unconditional purchase obligations relate to commitments to make payments in the future for fixed or minimum quantities of goods or services at fixed or minimum prices. The future payment commitments set out above have not been discounted and mainly relate to commitments under take or pay power and freight contracts. They exclude unconditional purchase obligations of jointly controlled entities apart from those relating to the Group s tolling arrangements.

	2009 ***US$m***	*2008* *US$m*
Contingent liabilities (excluding those relating to joint ventures and associates)		
Indemnities and other performance guarantees	**316**	329
Contingent liabilities relating to joint ventures and associates (a)		
Share of contingent liabilities of joint ventures and associates		5
Incurred in relation to interests in joint ventures	**233**	187
Incurred in relation to other venturers contingent liabilities	**73**	67

(a) Amounts disclosed include those arising as a result of the Group s investments in both jointly controlled assets and jointly controlled entities.

(b) There are a number of legal claims currently outstanding against the Group. No material loss to the Group is expected to result from these claims.

Notes to the 2009 Financial statements

36 Average number of employees

	Subsidiaries and proportionally consolidated units		
	2009	*2008*	*2007*
The principal locations of employment were:			
Australia and New Zealand	**17,537**	17,875	14,065
North America	**21,787**	23,167	13,363
Africa	**6,539**	6,329	5,548
Europe	**16,965**	16,909	4,623
South America	**2,039**	2,909	1,348
Indonesia	**2,165**	2,206	2,125
Other countries	**844**	942	286
Discontinued operations	**27,732**	28,386	5,680
	95,608	98,723	47,038

	Equity accounted units (Rio Tinto share) (a)		
	2009	*2008*	*2007*
The principal locations of employment were:			
Australia and New Zealand	**2,355**	2,471	2,289
North America	**580**	370	376
Africa	**1,673**	1,980	585
Europe	**274**	520	367
South America	**1,148**	1,116	905
Other countries	**356**	605	117
	6,386	7,062	4,639

	Group Total		
	2009	*2008*	*2007*
The principal locations of employment were:			
Australia and New Zealand	**19,892**	20,346	16,354
North America	**22,367**	23,537	13,739
Africa	**8,212**	8,309	6,133
Europe	**17,239**	17,429	4,990
South America	**3,187**	4,025	2,253
Indonesia	**2,165**	2,206	2,125
Other countries	**1,200**	1,547	403
Discontinued operations	**27,732**	28,386	5,680

	101,994	105,785	51,677

Employee numbers, which represent the average for the year, include 100 per cent of employees of subsidiary companies. Employee numbers for proportionally consolidated and equity accounted units are proportional to the Group s interest. Average employee numbers include a part year effect for companies acquired or disposed of during the year.

Part time employees are included on a full time equivalent basis. Temporary employees are included in employee numbers.

People employed by contractors are not included.

Notes to the 2009 Financial statements

37 Principal subsidiaries

At 31 December 2009

Company and country of incorporation/operation	*Principal activities*	*Class of shares held*	*Proportion of class held (%)*	*Group interest (%)*
Australia				
Argyle Diamond Mines	Mining and processing of diamonds	(a)	100	100
Coal & Allied Industries Limited	Coal mining	Ordinary	75.71	75.71
Dampier Salt Limited	Salt production	Ordinary	68.40	68.40
Energy Resources of Australia Limited	Uranium mining	Class A	68.39	68.39
Hamersley Iron Pty Limited	Iron ore mining	Ordinary	100	100
Queensland Coal Pty Limited (b)	Coal mining	Ordinary	100	100
Rio Tinto Aluminium (Holdings) Limited	Bauxite mining; alumina production; primary aluminium smelting	Ordinary	100	100
Canada				
Iron Ore Company of Canada Inc.	Iron ore mining; iron ore pellets	Series A, E & F	58.72	58.72
QIT-Fer et Titane Inc.	Titanium dioxide feedstock; high purity iron and steel	Common shares	100	100
		Class B preference shares	100	100
Rio Tinto Alcan Inc.	Bauxite mining; alumina refining; production of specialty alumina; aluminium smelting, manufacturing and recycling; engineered products; flexible and specialty packaging	Common shares	100	100
France				
Talc de Luzenac France SA	Mining, refining and marketing of talc	Ordinary 15.25	100	100
Indonesia				
P.T. Kelian Equatorial Mining	Gold mining (now in close down phase)	Ordinary US$1	90	90

Madagascar				
QIT Madagascar Minerals SA	Ilmenite mining	Common shares	80	80
Namibia				
Rössing Uranium Limited (c)	Uranium mining	B N$1 C N10c	71.16 70.59}	68.58
Papua New Guinea				
Bougainville Copper Limited (d)	Copper and gold mining	Ordinary 1 Kina	53.58	53.58
South Africa				
Palabora Mining Company Limited	Copper mining, smelting and refining	R1	72.03	57.67
United States of America				
Kennecott Holdings Corporation (including Kennecott Utah Copper, Kennecott Land and Kennecott Exploration)	Copper and gold mining, smelting and refining, land development and exploration activities	Common US$0.01	100	100
U.S. Borax Inc.	Mining, refining and marketing of borates	Common US$0.10	100	100

(a) This entity is unincorporated.

(b) Queensland Coal Pty Limited is the main legal entity that owns the shares shown in note 40 of Hail Creek, Blair Athol and Kestrel.

(c) The Group s shareholding in Rössing Uranium Limited carries 35.54 per cent of the total voting rights. Rössing is consolidated by virtue of Board control.

(d) The results of Bougainville Copper Limited are not consolidated. See note 47.

(e) The Group comprises a large number of companies and it is not practical to include all of them in this list. The list therefore only includes those companies that have a more significant impact on the profit or assets of the Group.

(f) The Group s principal subsidiaries are held by intermediate holding companies and not directly by Rio Tinto plc or Rio Tinto Limited.

(g) Companies operate mainly in the countries in which they are incorporated.

Notes to the 2009 Financial statements
38 Principal jointly controlled entities

At 31 December 2009

Company and country of incorporation/operation	*Principal activities*	*Number of shares held*	*Class of shares held*	*Proportion of class held (%)*	*Group interest (%)*
Australia					
Boyne Smelters Limited (a)	Aluminium smelting	153,679,560	Ordinary	59.4	59.4
Leichhardt Coal Pty Limited (b)	Coal mining	20,115,000	Ordinary	44.7	44.7
Queensland Alumina Limited (a)	Alumina production	1,769,600	Ordinary	80	80
Chile					
Minera Escondida Limitada (c)	Copper mining and refining			30	30
New Zealand					
New Zealand Aluminium Smelters Limited (a)	Aluminium smelting	24,998,400	Ordinary	79.4	79.4
Norway					
Sor-Norge Aluminium A.S.	Aluminium smelting	500,000	Ordinary	50	50
Oman					
Sohar Aluminium Company LLC	Aluminium smelting / power generation	37,500	OMR1	20	20
South Africa					
Richards Bay Titanium (Pty) Ltd (d)	Ilmenite, rutile and zircon mining		Preferred Ordinary A		37.7
		150,960	Ordinary B Ordinary	51 }	
			A Preference		
		140,046	B Preference	51 }	38.5
Richards Bay Mining (Pty) Ltd (d)	Ilmenite, rutile and zircon mining		Preferred Ordinary		36.3

		36,260	A Ordinary B Ordinary	49}	
		31,335	A Preference B Preference	49}	37.0
United Kingdom					
Anglesey Aluminium Metal Limited (a)	Aluminium smelting	13,387,500	Ordinary £1	51	51
United States of America					
Halco (Mining) Inc.	(e)	4,500	Common	45	45
Pechiney Reynolds Quebec Inc.	(f)	100	Common	50	50.3
		1	Preferred	100	
Hydrogen Energy California LLC (g)	Alternative energy				50.0

The Group has joint control of the above operations which, except as disclosed in note (d) below, are independent legal entities. It therefore includes them in its accounts using the equity accounting method.

The Group comprises a large number of operations and it is not practical to include all of them in this list. The list therefore only includes those jointly controlled entities that have a more significant impact on the profit or operating assets of the Group.

The Group s principal jointly controlled entities are held by intermediate holding companies and not

directly by Rio Tinto plc or Rio Tinto Limited.

With the exception of (e) and (f) above, all jointly controlled entities operate mainly in the countries in which they are incorporated.

(a) While the Group holds more than a 50 per cent interest in these entities, other participants have veto rights over operating, financing and strategic decision making. Accordingly, the Group does not have the ability to unilaterally control, and therefore does not consolidate these entities.

(b) Leichhardt has a 31.4 per cent interest in the Blair Athol joint venture. As a result, the Group has a further beneficial interest of 14 per cent in addition to its direct interest of 57.2 per cent, which is owned via a subsidiary of Rio Tinto Limited. The Blair Athol joint venture is disclosed as a jointly controlled asset in note 40.

(c) The year end of Minera Escondida Limitada is 30 June. However, the amounts included in the consolidated financial

statements of Rio Tinto are based on accounts of Minera Escondida Limitada that are coterminous with those of the Group.

(d) On 9 December, an agreement was signed with a Broad-Based Black Economic Empowerment (BBBEE) Consortium transferring 26 per cent of the Group s interest in Richards Bay Minerals (RBM) to a group comprising local communities, investors and RBM employees. At the same time an agreement was signed with the joint venture partner BHP Billiton, to restructure the joint venture while maintaining the Group s remaining interest in RBM. This transaction has reduced the Group s interest from 50 per cent to 37 per cent allocated between two entities.

(e) Halco has a 51 per cent indirect interest in Compagnie des Bauxites de Guinée, a bauxite mine, the core assets of which are located in Guinea.

(f) Pechiney Reynolds Quebec has a 50.1 per cent interest in the Aluminerie de

Becancour aluminium smelter, which is located in Canada.

(g) This entity has been incorporated but its capital has not been divided into shares.

Notes to the 2009 Financial statements

Company and country of incorporation/operation	*Principal activities*	*Number of shares held*	*Class of shares held*	*Proportion of class held (%)*	*Group interest (%)*
Brazil					
Mineração Rio do Norte SA (a)	Bauxite mining	25,000,000	Ordinary	12.5	12
		47,000,000	Preferred	11.8}	
Cameroon					
Compagnie Camerounaise de l Aluminum	Aluminium smelting	1,623,127	XAF	46.7	46.7
Canada					
Ivanhoe Mines Ltd (b)	Copper and gold mining	83,638,128	Common	19.7	19.7
United States					
Cloud Peak Energy Resources LLC	Coal mining	29,400,000	(c)	48.3	48.3

The Group s principal associates are held by intermediate holding companies and not directly by Rio Tinto plc or Rio Tinto Limited.

The Group comprises a large number of operations and it is not practical to include all of them in this list. The list therefore only includes those associates that have a more significant

impact on the profit or operating assets of the Group.

With the exception of Ivanhoe Mines Ltd, the core assets of which are located in Mongolia, all associates operate mainly in the countries in which they are incorporated.

(a) Mineração Rio do Norte SA is accounted for as an associated company because the Group has significant influence through representation on its Board of Directors.

(b) Ivanhoe Mines Ltd is accounted for as an associated company because the Group has significant influence through representation on its Board of Directors and participation in the technical committee that is responsible for its Oyu Tolgoi project. On 28

October 2009, Rio Tinto completed the second tranche of its private placement investment in Ivanhoe Mines Ltd, increasing its ownership by 9.8 per cent to 19.7 per cent of Ivanhoe s common shares. The second tranche consisted of 46,304,473 common shares at a subscription price of US$8.38 per share for a total consideration of US$388 million. If Rio Tinto were to exercise and convert all of its remaining warrants and securities of Ivanhoe, it would own 257,931,578 common shares of Ivanhoe representing 43.1 per cent of Ivanhoe s common shares. Refer to note 48- Events after the statement of financial position date.

(c) Through its holdings in Rio Tinto Energy America Inc. and Kennecott Management

Services Company, the Group holds 48 per cent of membership interest in Cloud Peak Energy Resources LLC. The remaining 52 per cent ownership interest is held by Cloud Peak Energy Inc., whose stock is traded on the New York Stock Exchange.

40 Principal jointly controlled assets and other proportionally consolidated units
At 31 December 2009

Name and country of operation	*Principal activities*	*Group interest (%)*
Australia		
Tomago Aluminium Joint Venture	Aluminium smelting	51.6
Bengalla (a)	Coal mining	30.3
Blair Athol Coal (b)	Coal mining	71.2
Hail Creek	Coal mining	82
Kestrel	Coal mining	80
Mount Thorley (c)	Coal mining	60.6
Warkworth	Coal mining	42.1
Northparkes Mine	Copper/gold mining and processing	80
Gladstone Power Station	Power generation	42.1
Robe River Iron Associates	Iron ore mining	53
Hope Downs Joint Venture	Iron ore mining	50
HIsmelt®	Iron technology	60
Brazil		
Consórcio de Alumínio Maranhão	Alumina production	10
Canada		
Alouette	Aluminium production	40
Diavik	Mining and processing of diamonds	60
Indonesia		
Grasberg expansion	Copper and gold mining	40

The Group comprises a large number of operations, and it is not practical to include all of them in this list. The list therefore only includes those proportionally consolidated units that have a more significant impact on the profit or operating assets of the Group.

The Group s proportionally consolidated units are held by intermediate holding companies and not directly by Rio Tinto plc or Rio Tinto Limited.

(a) The Group owns a 40 per cent interest in Bengalla through its 75.71 per cent investment in Coal and Allied, giving a beneficial interest to the Group of 30.3 per cent.

(b) The Group has a direct interest of 57.2 per cent in Blair Athol Coal, and an additional 14

per cent interest through its investment in Leichhardt Coal Pty Limited, which is disclosed as a jointly controlled entity in note 38.

(c) The Group owns an 80 per cent interest in Mount Thorley through its 75.71 per cent investment in Coal and Allied, giving a beneficial interest to the Group of 60.6 per cent.

Notes to the 2009 Financial statements
41 Purchases and sales of subsidiaries, joint ventures, associates and other interests in businesses
2009 Acquisitions
On 28 October 2009, Rio Tinto completed the second tranche of its private placement investment in Ivanhoe Mines Ltd, increasing its ownership by 9.8 per cent to 19.7 per cent of Ivanhoe s common shares. The second tranche consists of 46,304,473 common shares at a subscription price of US$8.38 per share for a total consideration of US$388 million.
There were no other significant acquisitions for the year ended 31 December 2009.
On 5 June 2009, Rio Tinto and BHP Billiton signed an agreement of core principles to establish a production joint venture covering the entirety of both companies Western Australian iron ore assets. On 5 December 2009, Rio Tinto and BHP signed binding agreements on the proposed joint venture that cover all aspects of how the joint venture will operate and be governed. Completion of the joint venture had not occurred at 31 December 2009.
2008 Acquisitions
There were no significant acquisitions for the year ended 31 December 2008.
2007 Acquisitions
Alcan acquisition
On 23 October 2007, the Rio Tinto Group acquired a controlling 79.42 per cent interest in the issued share capital of Alcan Inc. The remaining 20.58 per cent was acquired by 14 November 2007. The total purchase price to acquire Alcan Inc. amounted to US$38.7 billion, which comprised US$38.5 billion of cash and US$0.2 billion of liabilities assumed.
Alcan Inc. is the parent company of an international group of companies involved in bauxite mining, alumina refining, aluminium smelting, engineered products, flexible and specialty packaging, as well as related research and development.
At the date of acquisition the Group decided to dispose of Alcan Packaging, which is presented in the balance sheet in the lines:
Assets held for sale and Liabilities of disposal groups held for sale . Following a company wide strategic review of the combined Rio Tinto and Alcan assets, on 26 November 2007 the intention to divest the Engineered Products business was announced.
In accordance with IFRS 3 Business Combinations , the provisional price allocations at acquisition have been revised to reflect revisions to fair values determined during the 12 months after acquisition, as shown in the table below. The allocation of the cost of the acquisition was based on the advice of expert valuers.

At 23 October 2007	Provisional fair value to Group US$m	Further adjustments US$m	Final fair value to Group US$m
Intangible assets	7,467	(1,106)	6,361
Property, plant & equipment	18,282	(3,679)	14,603
Equity method investments	4,185	(1,294)	2,891
Inventories	2,856	15	2,871
Assets held for sale	6,984		6,984
Cash	991		991
Deferred tax assets	228		228
Other assets	4,584	156	4,740
Loans and borrowings	(5,465)	(42)	(5,507)
Liabilities of disposal groups held for sale	(2,642)		(2,642)
Deferred tax liabilities	(4,182)	1,574	(2,608)
Provisions for liabilities and charges	(4,638)	(1,083)	(5,721)

Other liabilities	(4,476)	(180)	(4,656)
Minority interest	(55)	31	(24)
Goodwill	14,533	5,608	20,141
Net attributable assets including goodwill	38,652		38,652

Total consideration:	
Cost of shares	37,996
Acquisition costs	74
Liabilities assumed	132
Loans to acquired subsidiary	450
Total consideration Alcan	38,652
Other subsidiaries and equity accounted units acquired	54
Total consideration	38,706

Cash outflow on acquisitions:	
Total consideration	38,706
Net cash of acquired companies	(991)
Liabilities assumed	(132)
Other (including disposal proceeds of US$13 million)	(57)
Net acquisitions per cash flow statement	37,526

In accordance with the requirements of IFRS 3, the Group balance sheet as at acquisition has been restated to incorporate the final fair values above. No amendment has been made to the Group income statement for 2007 to take into account the revised depreciation, amortisation and amortisation of discount related to provisions as the effect was not deemed material. Accordingly, the income statement effect has been recorded in 2008 and the further adjustments above also impact the Group balance sheet as at 31 December 2007.

The main adjustments to the provisional fair values relate to:

- The fair value of the Engineered Products business was reduced based on a further assessment of the amount for which such businesses could be sold at the date of the acquisition.

- The fair value attributed to the facilities within Bauxite & Alumina was reduced based on further analysis of the operating capability of related expansion projects.

- Provisions for environmental clean up and closure obligations were increased following a detailed assessment of the costs and timing of closure of smelters, refineries and mines. The timing of closure was assessed having regard to the prospects for continued access to economic sources of power beyond the term of existing contracts.

- The value attributed to water rights in Canada was reduced after a further assessment of the capital investment, which will be required to benefit from these sources of hydro-electric power.

From the date of acquisition to 31 December 2007, Alcan s sales revenue of US$3,544 million (excluding equity accounted units) and profit after tax of US$293 million attributable to continuing operations were included in the Groups 2007 income statement.

Notes to the 2009 Financial statements

41 Purchases and sales of subsidiaries, joint ventures, associates and other interests in businesses continued

The following pro forma summary presents the Group as if Alcan Inc. had been acquired on 1 January 2007. The pro forma information includes the results of the acquired group, recognising the depreciation and amortisation of the final fair values attributed to the assets acquired and the interest expense on debt incurred as a result of the acquisition. The pro forma interest charge for the whole of 2007 on the acquisition debt has been based on the one month LIBOR rate as at 31 December 2007, of 4.6 per cent. Pro forma profit for the year also includes the tax effects on foreign exchange gains and losses relating to third party and intercompany debt, which would have resulted from the strengthening of the Canadian dollar during 2007. The pro forma information has been adjusted to reflect the effects of incorporating the final fair values noted above. It does not take account of synergies anticipated as a result of the acquisition; but includes non-recurring costs borne by Alcan Inc. relating to the acquisition and suffers the costs of financing assets held for sale. The pro forma information does not necessarily reflect the actual results that would have occurred, nor is it necessarily indicative of future results of operations of the combined companies.

	Restated 31 December 2007 US$m
Consolidated sales revenue	45,590
Profit for the year (including amounts attributable to outside equity shareholders)	7,473

2009 Disposals

On 1 December 2009, Rio Tinto completed the sale of Alcan Composites, part of Alcan Engineered Products, to Schweiter Technologies for a total consideration of US$349 million.

On 20 November 2009, Rio Tinto received US$741 million in connection with Cloud Peak Energy Inc s initial public offering (IPO) and related transactions, comprising US$434 million net proceeds from the sale of part of Rio Tinto s interest in Cloud Peak Energy Resources LLC (CPER), in connection with Cloud Peak Energy Inc s IPO of common stock, and a cash distribution by CPER of US$307 million from the proceeds of its debt offering of US$600 million. An additional US$7 million was received as part of a working capital adjustment at 31 December 2009. Rio Tinto retains an interest in CPER of 48 per cent, which is now treated as an equity accounted unit (EAU).

US$660 million of sales proceeds arose from these transactions and US$151 million was received as dividends from an EAU. The sales proceeds comprised the gross IPO proceeds of US$459 million, 52 per cent of the cash distribution by CPER (representing the percentage not retained by the Group) and US$38 million of deferred consideration.

On 1 October 2009, Rio Tinto completed the sale of its Jacobs Ranch coal mine to Arch Coal Inc. for a final cash consideration of US$764 million.

On 18 September 2009, Rio Tinto completed the sale of its Corumbá iron ore mine and associated river logistics operations to Vale SA for a cash consideration of US$750 million.

On 26 January 2009, Rio Tinto completed the sale of its 50 percent equity share of the Alcan Ningxia aluminium joint venture in China to Qingtongxia Aluminium Group Co Ltd (QTX) for gross cash consideration of US$125 million.

The carrying value of the Group s share of the major classes of assets and liabilities at the date of sale were:

	2009 US$m
Goodwill	**184**
Intangible assets	**169**
Property, plant & equipment	**2,021**
Investments in equity accounted units	**11**

Inventories	**288**
Other financial assets	**251**
Borrowings	**(12)**
Deferred tax liabilities	**(82)**
Provisions	**(796)**
Outside equity shareholders	**(1)**
Net assets	**2,033**
Add: Divestment of investment in associate	**80**
Less: Retained investment in associates	**(359)**
Less: Recycled gains and losses and movements in other comprehensive income	**(18)**
Net assets and investments in associates disposed of	**1,736**
Consideration	
Cash proceeds (net of transactions costs)(a)	**2,424**
Deferred consideration	**46**
Disposal costs	**(42)**
Net consideration	**2,428**
Gain on disposal	**692**
Net cash inflow from disposals	**2,424**
Acquisitions of subsidiaries, joint ventures and associates	**(396)**
Cash flow from disposals/acquisitions of subsidiaries, joint ventures and associates	**2,028**

(a) Cash proceeds were stated net of US$20 million cash and cash equivalents transferred on sale of subsidiaries

Notes to the 2009 Financial statements

41 Purchases and sales of subsidiaries, joint ventures, associates and other interests in businesses continued

2008 Disposals

On 5 March 2008, the Group completed the sale of its interest (Rio Tinto share 40 per cent) in the Cortez gold mine (previously in the Copper product group) for a sales price which included cash consideration of US$1,695 million. The Group benefits from a deferred bonus payment in the event of a significant discovery of additional reserves and mineralisation at the Cortez mine and also retains a contingent royalty interest in the future production of the property.

On 16 April 2008, the Group completed the sale of its joint venture interest (Rio Tinto share 70.3 per cent) in the Greens Creek mine to Hecla Mining Company. Greens Creek, which mines silver, gold, zinc and lead, was previously part of the Copper product group. The sale price was US$750 million, comprising a cash component of US$700 million with the balance in the common stock of Hecla Mining Company.

The aggregate profit on disposal of interests in businesses (including investments) in 2008 was US$2,231 million (US$1,470 million net of tax). These gains have been excluded from Underlying earnings, as shown in note 2.

The Cash flow statement includes US$2,563 million in Net disposals/(acquisitions) of subsidiaries, joint ventures & associates , comprising US$2,572 million in disposal proceeds, net of US$9 million paid for acquisitions. In accordance with IAS 7, these proceeds were stated net of US$5 million cash and cash equivalents transferred on sale of subsidiaries.

Non-cash disposal proceeds of US$88 million were received during the year.

2007 Disposals

There were no significant disposals in 2007.

42 Directors and key management remuneration

Aggregate remuneration, calculated in accordance with the Companies Act 2006, of the directors of the parent companies was as follows:

	2009	*2008*	*2007*
	US$ 000	*US$ 000*	*US$'000*
Emoluments	**18,021**	10,620	11,103
Long term incentive plans	**3,092**	2,647	9,573
	21,113	13,267	20,676
Pension contributions: defined contribution plans	**389**	338	130
Gains made on exercise of share options	**20**		

The aggregate remuneration incurred by Rio Tinto plc in respect of its directors was US$17,784,000 (2008: US$13,214,000; 2007: US$13,678,000). The aggregate pension contribution to defined contribution plans was

US$342,000 (2008: US$338,000; 2007: US$56,000). The aggregate remuneration, including pension contributions and other retirement benefits, incurred by Rio Tinto Limited in respect of its directors was US$3,718,000 (2008: US$391,000; 2007: US$7,128,500). The aggregate pension contribution to defined contribution plans was US$47,000 (2008: US$43,000; 2007: US$74,000).

During 2009, three directors (2008: two; 2007: three) accrued retirement benefits under defined benefit arrangements, and two directors (2008 and 2007: one) accrued retirement benefits under defined contribution arrangements.

Emoluments included in the table above have been translated from local currency at the average rate for the year with the exception of bonus payments which, together with amounts payable under long term incentive plans, have been translated at the year end rate.

Detailed information concerning directors remuneration, shareholdings and options is shown in the *Remuneration report*, including Tables 1 to 5, on pages 101 to 133.

Aggregate compensation, representing the expense recognised under IFRS, of the Group s key management, including directors, was as follows:

	2009	*2008*	*2007*
	US$ 000	*US$ 000*	*US$ 000*
Short term employee benefits and costs	**35,881**	21,086	25,826
Post employment benefits	**3,692**	3,664	4,480
Other long term benefits			2,537
Termination benefits	**1,357**		817
Share based payments	**34,476**	(5,360)	41,540
	75,406	19,390	75,200

The figures shown above include employment costs which comprise of social security and accident premiums in the UK and US and payroll taxes in Australia paid by the employer as a direct additional cost of hire. In total, they amount to US$2,269,000 (2008: US$1,389,000; 2007: US$2,481,000) and although disclosed here, are not included in Table 1 of the *Remuneration report*.

More detailed information concerning the remuneration of key management is shown in the *Remuneration report*, including Tables 1 to 5 on pages 101 to 133.

Notes to the 2009 Financial statements

43 Auditors remuneration

	2009 US$m	*2008 US$m*	*2007 US$m*
Group Auditors remuneration (a)			
Audit services pursuant to legislation			
- audit of the Group s annual accounts	**2.3**	3.2	3.0
- audit of the accounts of the Group s subsidiaries (b)	**20.9**	26.5	27.7
Audit services in connection with divestment programme (f)	**22.0**	24.4	2.8
	45.2	54.1	33.5
Other services			
- services in connection with capital raising	**4.2**		
- services in connection with bid defence		9.4	2.5
-services in connection with divestment programme	**8.4**	25.8	0.9
- taxation services (c)	**2.1**	3.3	0.8
- other services	**2.2**	2.6	4.0
Total other services	**16.9**	41.1	8.2
	62.1	95.2	41.7
Remuneration payable to other accounting firms (d)			
Audit services pursuant to legislation			
- audit of accounts of the Group s subsidiaries (b)	**0.5**	0.2	0.4
Non audit services			
- taxation services (c)	**9.1**	15.8	3.7
- financial systems design and implementation		0.2	0.3
- internal audit	**8.4**	7.1	4.4
- litigation services	**0.1**		0.1
- other services (e)	**12.2**	42.0	7.0
	30.3	65.3	15.9
Fees in respect of pension scheme audits	**0.1**	0.3	0.3
	30.4	65.6	16.2
	92.5	160.8	57.9

(a) The remuneration payable to PricewaterhouseCoopers, the Group Auditors, is approved by the Audit committee. The committee sets the policy for the award of non audit work to the auditors and approves the nature and extent of such work, and the amount of the related fees, to ensure that independence is maintained. The fees disclosed above consolidate all payments made to PricewaterhouseCoopers by the Companies and their subsidiaries, together with the Group s share of the payments made by proportionally consolidated units. Non-audit services arise largely from assurance and/or regulation related work.

(b) Fees payable for the audit of the accounts of the Group s subsidiaries includes the statutory audit of subsidiaries and other audit work performed to support the audit of the Group financial statements.

(c) Taxation services includes tax compliance and advisory services. Tax compliance involves the preparation or review of returns for corporation, income, sales and excise taxes. Tax advisory services includes advice on non recurring acquisitions and disposals, advice on transfer pricing and advice on employee global mobility.

(d) Remuneration payable to other accounting firms does not include fees for similar services payable to suppliers of consultancy services other than accountancy firms.

(e) Other services in 2009 and 2008 in respect of other accounting firms includes costs relating to capital raising, divestments and similar corporate services, pension fund and payroll administration, advice on accounting matters, secondments of accounting firms staff, forensic audit and other consultancy.

Other services in 2008 in respect of other accounting firms includes one off costs related to the rejection by the Board of the pre-conditional takeover proposal from BHP Billiton which was withdrawn in November 2008.

(f) Audit services represent assurance provided in respect of carve-out financial statements.

Notes to the 2009 Financial statements

44 Related party transactions

Information about material related party transactions of the Rio Tinto Group is set out below:

Subsidiary companies and proportionally consolidated units

Details of investments in principal subsidiary companies are disclosed in note 37. Information relating to proportionally consolidated units can be found in note 40.

Equity accounted units

Transactions and balances with equity accounted units are summarised below. Purchases relate largely to amounts charged by jointly controlled entities for toll processing of bauxite and alumina. Sales relate largely to charges for supply of coal to jointly controlled marketing entities for onward sale to third party customers.

Income statement items	***2009 US$m***	*2008 US$m*	*2007 US$m*
Purchases from equity accounted units	**(2,558)**	(2,770)	(1,538)
Sales to equity accounted units	**2,088**	3,011	1,338

Balance sheet items	***2009 US$m***	*2008 US$m*
Investments in equity accounted units (note 14) (a)	**6,735**	5,053
Loans to equity accounted units	**338**	515
Loans from equity accounted units	**(157)**	(195)
Trade and other receivables: amounts due from equity accounted units (note 17)	**941**	688
Trade and other payables: amounts due to equity accounted units (note 25)	**(402)**	(280)

Cash flow statement items	***US$m***	*US$m*	*US$m*
Net funding of equity accounted units	**(265)**	(334)	(216)

(a) Further information about investments in equity accounted units is set out in notes 38 and 39.

In November 2009, as part of the disposal process of Cloud Peak, Rio Tinto Energy America Inc. and Cloud Peak Energy Resources LLC (CPER) agreed for existing Rio Tinto plc guaranteed surety bonds and letters of credit, principally securing the reclamation obligations for the Cloud Peak business, to continue for a transition period. The surety bonds are expected to be replaced by CPER during the first half of 2010. The amount outstanding on these guarantees at the year end is US$449 million.

Pension funds

Information relating to pension fund arrangements is disclosed in note 50.

Directors and key management

Details of directors and key management remuneration are set out in note 42 and in the Remuneration report on pages 101 to 133.

45 Exchange rates in US$

The principal exchange rates used in the preparation of the 2009 financial statements are:

	Annual average					*Year end*
	2009	*2008*	*2007*	***2009***	*2008*	*2007*
Sterling	**1.57**	1.86	2.00	**1.61**	1.44	1.99
Australian dollar	**0.79**	0.86	0.84	**0.89**	0.69	0.88
Canadian dollar	**0.88**	0.94	0.93	**0.95**	0.82	1.01
South African rand	**0.12**	0.12	0.14	**0.14**	0.11	0.15
Euro	**1.39**	1.47	1.37	**1.44**	1.41	1.47

46 Rights issues

The terms of the rights issues were 21 New Rio Tinto plc Shares offered for every 40 existing shares at 1,400 pence per share and 21 New Rio Tinto Limited Shares offered for every 40 existing shares at A$28.29 per share. The rights issues were fully underwritten and were completed on 2 July 2009 and 3 July 2009 respectively. The net proceeds from the rights issues of US$14.8 billion were used to pay down Group borrowings.

Although Rio Tinto plc s functional currency is the US dollar, the UK element of the rights issue was denominated in Sterling. At the time the Group announced its half year results, the offer of rights was treated as a derivative financial liability under IFRS prevailing at that time because the company was not issuing a fixed number of shares for a fixed amount of US dollars (Rio Tinto Limited s functional currency is the Australian dollar and the Australian element of the rights issue was denominated in Australian dollars so there was no equivalent issue for Rio Tinto Limited). This gave rise to a gain of US$827 million in the Group s half year income statement. In October 2009, the IASB approved an amendment to IAS 32 which allows the offer of rights to be treated as an equity instrument, provided they are offered pro rata to all shareholders. The EU endorsed this amendment in January 2010 and the gain of US$827 million was therefore reversed in the second half of 2009.

Both Rio Tinto plc and Rio Tinto Limited entered into a series of forward US dollar derivative exchange contracts to minimise exposure to foreign exchange rates and to provide confidence in the absolute dollar proceeds from the rights issues. Proceeds from the rights issues were used for a partial prepayment of the US dollar denominated Alcan acquisition facility. The forward contracts taken out by both companies are accounted for as derivatives. The contracts entered into by Rio Tinto plc to fix the Sterling proceeds in US dollars, which is the company s functional currency, are considered to be, in substance, share issue costs and accordingly, the losses on these contracts from inception to receipt of proceeds have been recognised in equity, within share premium. Rio Tinto Limited s functional currency is the Australian dollar and, therefore, the losses on the contracts entered into by Rio Tinto Limited have been recognised in the income statement and excluded from Underlying earnings. The losses on Rio Tinto plc and Rio Tinto Limited contracts are included within Other investing cash flows in the statement of cash flow.

The rights issues were at a discount to the then market price. Accordingly, earnings per share for all periods up to the date on which the shares were issued have been adjusted for the bonus element of the rights issues. The bonus factor for Rio Tinto plc was 1.2105 and for Rio Tinto Limited was 1.2679. 2008 comparatives for both earnings per share and ordinary dividends per share have been restated accordingly.

Notes to the 2009 Financial statements

47 Bougainville Copper Limited (BCL)

Mining has been suspended at the Panguna mine since 1989. Safe mine access by company employees has not been possible since that time and an accurate assessment of the condition of the assets cannot therefore be made. Considerable funding would be required to recommence operations to the level which applied at the time of the mine s closure in 1989. An Order of Magnitude study undertaken in 2008 indicates that costs in a range of US$2 billion to US$4 billion would be required to reopen the mine assuming all site infrastructure is replaced. The directors consider that the Group does not currently realise a benefit from its interest in BCL and therefore BCL information continues to be excluded from the financial statements. BCL reported a net profit of US$3 million for the financial year (2008: net loss of US$2 million; 2007: net profit of US$1 million). This is based upon actual transactions for the financial year. The aggregate amount of capital and reserves reported by BCL as at 31 December 2009 was US$138 million (2008: US$113 million). The Group owns 214,887,966 shares in BCL, representing 53.6 per cent of the issued share capital. The investment of US$195 million was fully provided against in 1991. At 31 December 2009, the number of shares in BCL held by the Group, multiplied by the share price, resulted in an amount of US$114 million (2008: US$101 million).

48 Events after the statement of financial position date

On 29 January 2010, US$2.0 billion of Facility D of the Alcan facility was paid. An additional US$2.0 billion was paid on 26 February 2010, and a further US$1.0 billion was paid on both 31 March 2010 and 30 April 2010, leaving US$2.5 billion outstanding on the facility.

All of Tranches A and B of the Alcan facility have now been repaid. Facility B of the acquisition facility is a revolving facility of which US$2.1 billion was undrawn at 31 December 2009. On 5 February 2010, in accordance with the acquisition facility agreement, proceeds from the sale of the majority of Alcan Packaging to Amcor were used to cancel US$2.0 billion of the outstanding capacity. At the same time, the Group voluntarily surrendered the remaining US$0.1 billion of the facility.

Rio Tinto completed the sale of Alcan Packaging global pharmaceuticals, global tobacco, food Europe and food Asia divisions to Amcor for a total consideration of US$1,948 million on 1 February 2010. The consideration has been adjusted to exclude the Medical Flexibles operations and to reflect the actual business performance over the past six months. The final consideration remains subject to certain customary post-close adjustments.

The sale of Maules Creek to Aston Resources was completed on 18 February 2010.

The sale of the Alcan Packaging Food Americas division to Bemis Company Inc., for a total all-cash consideration of US$1.2 billion was completed on 1 March 2010.

These divestments have not been reflected in the 2009 results, and will be reflected in the period in which the sales are completed.

On 1 March 2010, Rio Tinto announced that it has agreed to acquire 15 million shares in Ivanhoe Mines Ltd. at a subscription price of Cdn$16.31 per share, increasing its ownership in Ivanhoe Mines by 2.7 per cent to 22.4 per cent. The total consideration for this acquisition is Cdn$244.7 million (US$241 million). The shares are being issued to Rio Tinto in satisfaction of an agreement with Ivanhoe Mines in 2008 to finance equipment for the Oyu Tolgoi copper-gold complex in Mongolia s South Gobi region. After the completion of the acquisition, Rio Tinto will own 98.6 million shares of Ivanhoe Mines. If Rio Tinto were to execute all of its shares purchase warrants and convert its US$350 million loan into shares it would own approximately 267.6 million shares of Ivanhoe Mines representing 44.0 per cent of Ivanhoe Mines.

On 19 March 2010, Rio Tinto signed a memorandum of understanding with Chinalco to establish a joint venture covering the development and operation of the Simandou iron ore project in Guinea of which Rio Tinto currently own 95 per cent. Chinalco will acquire a 47 per cent interest in the new joint venture by providing US$1.35 billion on an earn-in basis through sole funding of ongoing development work over the next two to three years. Once the funding is complete Rio Tinto and Chinalco s effective interests in the Simandou project will be 50.35 per cent and 44.65 per cent respectively.

On 31 March 2010, Rio Tinto announced that it had received a binding offer from Sun Capital Partners to acquire the Alcan Beauty Packaging business. The terms of the offer are confidential. A period of exclusivity with Sun Capital Partners has been agreed, and Rio Tinto will respond to this binding offer following consultation with the relevant European works councils. Alcan Beauty Packaging is the only part of Alcan Packaging still owned by Rio Tinto, with the exception of the Medical Flexible operations in the US which are the subject of an agreed transaction with Amcor that is currently under review by the US Department of Justice.

On April 22, 2010 the European Court of Justice issued a judgment that effectively results in Rio Tinto s plant in Lynemouth not meeting emission requirements set out in the Large Combustion Plant Directive (LCPD) (2001/80/EC). The result of the ruling requires the United Kingdom to ensure Lynemouth is included in the implementation of the directive with a revised National Emission Reduction Plan to be provided by 22 June 2010. The group is currently assessing a number of different available options and therefore the economic impact is uncertain.

Notes to the 2009 Financial statements

49 Share based payments

Rio Tinto plc and Rio Tinto Limited (the Companies) have a number of share based payment plans, which are described in detail in the Remuneration report. These plans have been accounted for in accordance with the fair value recognition provisions of IFRS 2 Share-based Payment , which means that IFRS 2 has been applied to all grants of employee share based payments that had not vested as at 1 January 2004.

The charge/(credit) that has been recognised in the income statement for Rio Tinto s share based compensation plans, and the related liability (for cash-settled plans), is set out in the table below.

	Charge/(credit) recognised for the year			Liability at the end of the year	
	2009	2008	2007	**2009**	2008
	US$m	US$m	US$m	**US$m**	US$m
Equity-settled plans	**76**	61	39		
Cash-settled plans	**101**	(83)	181	**111**	43
Total	**177**	(22)	220	**111**	43

Effect of the rights issues

All options and awards outstanding when the rights issues took place have been adjusted to nullify any impact on the economic position of the participant at exercise. For Rio Tinto plc options the fair values and exercise prices have been reduced by the bonus element and the number of options and awards has been increased by the same proportion. For Rio Tinto Limited awards, top-up awards have been granted to increase the number held with a corresponding decrease in the associated fair value. For Rio Tinto Limited options the exercise price has been reduced so that their intrinsic value measured at June 2009 remains unchanged as a result of the rights issue.

The 2008 and 2007 comparatives have been restated as if the rights issue had taken place prior to the 1st January 2007. This is to ensure the figures are comparable with the 2009 results which include the impact of the rights issues.

Lattice-based option valuation model

The fair value of share options is estimated as at the date of grant using a lattice-based option valuation model. The significant assumptions used in the valuation model are disclosed below. Expected volatilities are based on the historical volatility of Rio Tinto s share returns under the UK and Australian listings. Historical data was used to estimate employee forfeiture and cancellation rates within the valuation model. Under the Share Option Plans, it is assumed that after options have vested, 20 per cent per annum of participants will exercise their options when the market price is at least 20 per cent above the exercise price of the option. Participants in the Share Savings Plans are assumed to exercise their options immediately after vesting. The implied lifetime of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. The risk-free rate used in the valuation model is equal to the yield available on UK and Australian zero-coupon government bonds (for plc and Limited options respectively) at the date of grant with a term equal to the expected term of the options.

Summary of options outstanding

A summary of the status of the Companies equity-settled share option plans at 31 December 2009, and changes during the year ended 31 December 2009, is presented below.

Weighted	Weighted average	Aggregate

Options outstanding at 31 December 2009	Number	average exercise price per option £ / A$	remaining contractual life Years	intrinsic value 2009 US$m
Rio Tinto plc Share Savings Plan (£9 - £27)	**1,474,390**	**20.90**	**2.2**	**31**
Rio Tinto Limited Share Savings Plan (A$12 - A$67)	**2,139,259**	**48.17**	**3.2**	**51**
Rio Tinto plc Share Option Plan (£7 - £48)	**5,902,934**	**17.60**	**5.9**	**161**
Rio Tinto Limited Share Option Plan (A$16 - A$119)	**2,439,297**	**42.04**	**6.4**	**73**
	11,955,880			**316**

As at 31 December 2008 there were 11,922,094 options outstanding with an aggregate intrinsic value of US$19 million.

Options exercisable at 31 December 2009				
Rio Tinto plc Share Option Plan (£7 - £23)	**3,523,088**	**14.19**	**4.2**	**112**
Rio Tinto Limited Share Option Plan (A$16 - A$55)	**1,383,290**	**36.66**	**5.0**	**47**
	4,906,378			**159**

As at 31 December 2009, there were no options exercisable under either the Rio Tinto plc or the Rio Tinto Limited Share Savings Plans.

Notes to the 2009 Financial statements
49 Share based payments continued
Share Savings Plans
Awards under these plans are settled in equity and accounted for accordingly. The fair value of each award on the day of grant was estimated using a lattice-based option valuation model, including allowance for the exercise price being at a discount to market price. The key assumptions used in the valuation are noted in the following table.

	Risk-free interest rate %	Expected volatility %	Dividend yield %	Forfeiture rates %	Cancellation rates (a) %	Implied lifetime Years
Awards made in 2009						
- Rio Tinto plc	1.5-2.8	47.0	1.8	5.0	5.0	2.2-5.2
- Rio Tinto Limited	5.4-5.6	38.0	1.5	5.0	5.0	3.2-5.2

(a) In addition to the regular cancellation rates above it is assumed that on the anniversary of date of grant a proportion of employees will cancel their awards in favour of new awards if the then share price is less than the exercise price. The proportion assumed is a sliding scale from 20 per cent cancelling if the then share price equals the exercise price to 100 per cent cancelling if the then share price is 75 per cent of the exercise price or less.

Rio Tinto plc Share Savings Plan

	2009 Number	**Weighted average exercise price 2009 £**	2008 Number	Weighted average exercise price 2008 £	2007 Number	Weighted average exercise price 2007 £
Options outstanding at 1 January	**1,661,006**	**18.88**	1,718,565	15.20	1,812,679	11.78
Granted	**453,616**	**22.20**	532,423	22.98	392,408	25.17
Forfeited	**(57,375)**	**20.32**	(45,695)	16.13	(39,363)	11.82
Exercised	**(269,227)**	**12.02**	(465,378)	9.96	(377,020)	9.79
Cancellations	**(160,546)**	**23.93**	(66,597)	22.10	(43,669)	16.63
Expired	**(153,084)**	**15.53**	(12,312)	12.80	(26,470)	8.56
Options outstanding at 31 December	**1,474,390**	**20.90**	1,661,006	18.88	1,718,565	15.20

	2009 £	2008 £	2007 £
Weighted average fair value, at date of grant, of options granted during the year (£)	**9.27**	1.55	10.87
Share price, at date of grant, of options granted during the year (£)	**29.72**	16.94	34.13
Weighted average share price at the time the options were exercised during the year (£)	**18.29**	39.45	23.58

Comparatives have been updated for the impact of the rights issues as explained in the section Effect of the rights issues on page A-68.

Rio Tinto Limited Share Savings Plan

	2009 Number	**Weighted average exercise price 2009 A$**	2008 Number	Weighted average exercise price 2008 A$	2007 Number	Weighted average exercise price 2007 A$
Options outstanding at 1 January	**1,901,417**	**43.40**	2,634,607	30.25	2,748,026	19.89
Granted	**1,183,090**	**48.73**	413,271	66.08	548,549	63.16
Forfeited	**(95,677)**	**51.17**	(285,641)	43.31	(121,590)	20.94
Exercised	**(340,646)**	**20.96**	(797,744)	11.25	(480,955)	11.64
Cancellations	**(374,471)**	**58.39**	(46,602)	64.05	(39,126)	25.65
Expired	**(134,454)**	**23.94**	(16,474)	9.46	(20,297)	11.61
Options outstanding at 31 December	**2,139,259**	**48.17**	1,901,417	43.40	2,634,607	30.25

	2009 A$	2008 A$	2007 A$

Weighted average fair value, at date of grant, of options granted during the year (A$)	**20.89**	5.15	34.13
Share price, at date of grant, of options granted during the year (A$)	**64.68**	52.06	83.82
Weighted average share price at the time the options were exercised during the year (A$)	**46.43**	101.10	63.99

Comparatives have been updated for the impact of the rights issues as explained in the section Effect of the rights issues on page A-68.

Notes to the 2009 Financial statements
49 Share based payments continued
Share Option Plans
The Group has a policy of settling these awards in equity, although the directors at their discretion can offer a cash alternative. The awards are accounted for in accordance with the requirements applying to equity-settled, share based payment transactions. The performance conditions in relation to Total Shareholder Return (TSR) have been incorporated in the measurement of fair value for these awards by modelling the correlation between Rio Tinto s TSR and that of the index. The relationship between Rio Tinto s TSR and the index was simulated many thousands of times to derive a distribution which, in conjunction with the lattice-based option valuation model, was used to determine the fair value of the options. The key assumptions are noted in the following table.

	Risk-free interest rate %	Expected volatility %	Dividend yield %	Turnover rates %	Implied lifetime Years
Awards made in 2009					
- Rio Tinto plc	2.3	46.0	4.6	3.0	4.4
- Rio Tinto Limited	3.8	36.0	4.1	3.0	4.6

A summary of the status of the Companies performance-based share option plans at 31 December 2009, and changes during the
year ended 31 December 2009, is presented below.
Rio Tinto plc Share Option Plan

	2009 Number	**Weighted average exercise price 2009 £**	2008 Number	Weighted average exercise price 2008 £	2007 Number	Weighted average exercise price 2007 £
Options outstanding at 1 January	**5,647,992**	**17.25**	6,004,326	15.49	6,277,468	13.49
Granted	**1,284,749**	**16.53**	332,519	47.28	951,455	22.55
Forfeited	**(112,917)**	**17.30**	(152,870)	26.59	(51,096)	20.43
Exercised	**(916,890)**	**14.03**	(535,983)	13.47	(1,173,501)	10.33
Options outstanding at 31 December	**5,902,934**	**17.60**	5,647,992	17.25	6,004,326	15.49

	2009 £	2008 £	2007 £
Weighted average fair value, at date of grant, of options granted during the year (£)	**5.49**	17.04	5.16
Weighted average share price, at date of grant, of options granted during the year (£)	**17.44**	46.21	22.70
	26.89	42.26	32.43

Weighted average share price at the time the options were exercised during the year (£)

Comparatives have been updated for the impact of the rights issues as explained in the section Effect of the rights issues on page A-68.

In addition to the equity-settled options shown above, there were 133,546 cash-settled options outstanding at 31 December 2009. The total liability for these awards at 31 December 2009 was US$4 million (2008: less than US$1 million).

Rio Tinto Limited Share Option Plan

	2009 Number	**Weighted average exercise price 2009 A$**	2008 Number	Weighted average exercise price 2008 A$	2007 Number	Weighted average exercise price 2007 A$
Options outstanding at 1 January	**2,711,678**	**38.82**	3,351,754	34.73	3,540,588	27.42
Granted	**540,422**	**33.45**	63,633	118.07	568,638	59.02
Forfeited	**(43,559)**	**40.24**	(45,231)	80.12	(20,504)	55.46
Exercised	**(769,244)**	**24.73**	(658,478)	22.83	(736,968)	15.77
Options outstanding at 31 December	**2,439,297**	**42.04**	2,711,678	38.82	3,351,754	34.73

	2009 A$	2008 A$	2007 A$
Weighted average fair value, at date of grant, of options granted during the year (A$)	**13.35**	44.04	14.37
Weighted average share price, at date of grant, for options granted during the year (A$)	**40.03**	103.48	59.60
Weighted average share price at the time the options were exercised during the year (A$)	**54.35**	108.92	80.48

Comparatives have been updated for the impact of the rights issues as explained in the section Effect of the rights issues on page A-68.

In addition to the equity-settled options shown above there were 44,717 cash-settled options outstanding at 31 December 2009. The total liability for these awards at 31 December 2009 was US$2 million (2008: less than US$1 million)

Share Ownership Plan

The fair values of awards of Matching and Free Shares made by Rio Tinto are taken to be the market value of the shares on the date of purchase. These awards are settled in equity. The total fair value of shares awarded during the year was US$1 million (2008 and 2007: US$2 million).

Notes to the 2009 Financial statements
49 Share based payments continued
Mining Companies Comparative Plan
Awards under this plan are accounted for in accordance with the requirements applying to cash-settled, share based payment transactions. If any awards are ultimately settled in shares, the liability is transferred direct to equity as the consideration for the equity instruments issued. The grant date fair values of the awards made prior to 2008 are taken to be the market value of the shares at the date of award reduced by 50 per cent for anticipated relative TSR performance. The grant date fair value of the awards made in 2008 and 2009 were calculated using a Monte Carlo simulation model. In addition, for the valuations after 2005, the market value is reduced for non receipt of dividends between measurement date and date of vesting (excluding awards for executive directors and product group chief executive officers). Forfeitures are assumed prior to vesting at three per cent per annum of outstanding awards, except for the 2009 awards where no allowance has been made for forfeitures. In accordance with the method of accounting for cash-settled awards, fair values are subsequently remeasured each year to reflect the market price of shares at the measurement date and the number of awards expected to vest based on the current and anticipated TSR performance. This remeasurement at 31 December 2008 and 31 December 2009 was calculated using a Monte Carlo simulation model.
A summary of the status of the Companies performance-based share plans at 31 December 2009, and changes during the year, is presented below.
Rio Tinto plc Mining Companies Comparative Plan

	2009 Number	**Weighted average fair value at grant date 2009 £**	2008 Number	Weighted average fair value at grant date 2008 £	2007 Number	Weighted average fair value at grant date 2007 £
Non vested shares at 1 January	**3,148,648**	**12.21**	3,847,057	7.11	3,362,011	6.08
Awarded	**191,887**	**13.56**	471,804	39.71	871,437	10.41
Forfeited	**(31,116)**	**16.19**	(173,640)	13.43	(54,920)	8.59
Failed performance conditions	**(145,215)**	**5.81**	(534,881)	5.33	(268,315)	5.17
Vested	**(840,023)**	**5.81**	(461,692)	5.33	(63,156)	5.17
Non-vested shares at 31 December	**2,324,181**	**14.98**	3,148,648	12.21	3,847,057	7.11
Weighted average share price at date of vesting (£)		**16.13**		45.38		23.12

	2009 £ 000	2008 £ 000	2007 £ 000
Total fair value of shares issued in settlement of awards vested during the year	**4,801**	6,486	457

Total cash payments made in settlement of shares vested during the year	**9,236**	14,628	1,003

	2009	2008	2007
Total number of shares issued in settlement of awards vested during the year	**292,719**	141,146	19,774

Comparatives have been updated for the impact of the rights issues as explained in the section Effect of the rights issues on page A-68.

Rio Tinto Limited Mining Companies Comparative Plan

	2009 Number	**Weighted average fair value at grant date 2009 A$**	2008 Number	Weighted average fair value at grant date 2008 A$	2007 Number	Weighted average fair value at grant date 2007 A$
Non-vested shares at 1 January	**2,162,867**	**26.97**	2,674,827	19.03	2,296,328	15.99
Awarded	**32,284**	**32.74**	209,521	88.42	645,469	28.84
Forfeited	**(36,541)**	**35.13**	(40,807)	45.31	(48,166)	25.90
Failed performance conditions	**(87,442)**	**15.03**	(384,978)	13.58	(180,418)	14.46
Vested	**(555,525)**	**15.03**	(295,696)	13.58	(38,386)	14.53
Non-vested shares at 31 December	**1,515,643**	**31.97**	2,162,867	26.97	2,674,827	19.03
Weighted average share price at date of vesting (A$)		**39.80**		108.13		61.48

	2009 A$ 000	2008 A$ 000	2007 A$ 000
Total fair value of shares issued in settlement of awards vested during the year	**7,261**	14,706	879
Total cash payments made in settlement of shares vested during the year	**17,088**	19,217	1,604
Total cash payments made in settlement of shares vested during previous years		141	

	2009	2008	2007
Total number of shares issued in settlement of awards vested during the year	**175,916**	129,845	13,648

Comparatives have been updated for the impact of the rights issues as explained in the section Effect of the rights issues on page A-68.

Notes to the 2009 Financial statements

49 Share based payments continued

Management Share Plan

The Management Share Plan was introduced during 2007 to provide conditional share-based awards to management. The vesting of these awards is dependent on service and/or performance based conditions being met. The awards will be settled in equity including the dividends accumulated from date of award to vesting. The awards are accounted for in accordance with the requirements applying to equity-settled share based payment transactions. The fair value of each award on the day of grant is equal to the share price on the day of grant less a small adjustment for the timing of dividends. Forfeitures are assumed prior to vesting at five per cent per annum of outstanding awards.

A summary of the status of the Companies share plans at 31 December 2009, and changes during the year, is presented below.

Rio Tinto plc Management Share Plan

	2009 Number	**Weighted average fair value at grant date 2009 £**	2008 Number	Weighted average fair value at grant date 2008 £	2007 Number	Weighted average fair value at grant date 2007 £
Non-vested awards at 1 January	**862,850**	**36.89**	416,673	24.95		
Awarded	**1,593,271**	**17.84**	533,569	45.56	442,644	24.85
Forfeited	**(196,816)**	**25.77**	(57,603)	33.30	(23,462)	23.41
Vested	**(127,497)**	**31.50**	(29,789)	32.15	(2,509)	22.43
Non-vested awards at 31 December	**2,131,808**	**24.00**	862,850	36.89	416,673	24.95

	2009 Number	**Weighted average share price 2009** £	2008 Number	Weighted average share price 2008 £	2007 Number	Weighted average share price 2007 £
Shares issued in respect of vested awards during the year	**127,497**	**22.77**	4,605	40.19	2,508	36.14

Comparatives have been updated for the impact of the rights issues as explained in the section Effect of the rights issues on page A-68.

In addition to the equity-settled awards shown above, there were 145,258 cash-settled awards outstanding at 31 December 2009. The total liability for these awards at 31 December 2009 was US$6 million (2008: US$3 million).

Rio Tinto Limited Management Share Plan

	2009 Number	**Weighted average fair value at grant date 2009 A$**	2008 Number	Weighted average fair value at grant date 2008 A$	2007 Number	Weighted average fair value at grant date 2007 A$
Non-vested awards at 1 January	**511,643**	**84.06**	328,288	67.65		
Awarded	**735,282**	**43.30**	222,542	106.87	342,045	67.45
Forfeited	**(119,565)**	**65.25**	(35,123)	77.18	(12,072)	62.80
Vested	**(36,557)**	**71.77**	(4,064)	67.51	(1,685)	61.83
Non-vested awards at 31 December	**1,090,803**	**59.06**	511,643	84.06	328,288	67.65

	2009 Number	**Weighted average share price 2009 A$**	2008 Number	Weighted average share price 2008 A$	2007 Number	Weighted average share price 2007 A$
Shares issued in respect of vested awards during the year	**36,557**	**50.42**	3,503	95.27	1,685	77.83

Comparatives have been updated for the impact of the rights issues as explained in the section Effect of the rights issues on page A-68.

In addition to the equity-settled awards shown above there were 9,593 cash-settled awards outstanding at 31 December 2009. The total liability for these awards at 31 December 2009 was less than US$1 million (2008: less than US$1 million).

Notes to the 2009 Financial statements
49 Share based payments continued
Bonus Deferral Plan
The Bonus Deferral Plan was introduced during 2009 and is made up of two parts; the Bonus Deferral Award and the Company Contributed Award. The Bonus Deferral Award was established for the mandatory deferral of 100 per cent of the 2008 Bonus for executive directors and product group executives and 50 per cent of the 2008 Bonus for other executives. In addition, in order to enhance retention of key employees the Company Contributed Award was made in respect of 25 per cent of the gross annual basic salary for other executives. The vesting of these awards is dependent only on service conditions being met. The awards will be settled in equity including the dividends accumulated from date of award to vesting. The awards are accounted for in accordance with the requirements applying to equity-settled share based payment transactions. The fair value of each award on the day of grant is equal to the share price on the day of grant less the a small adjustment for the timing of dividends vesting. Forfeitures are assumed prior to vesting at three per cent per annum of outstanding awards.
A summary of the status of the Companies share plans at 31 December 2009, and changes during the year, is presented below.
Rio Tinto plc Bonus Deferral Plan

	2009 Number	**Weighted average fair value at grant date 2009 £**
Non-vested awards at 1 January		
Awarded	**536,149**	**17.32**
Forfeited	**(4,907)**	**17.32**
Vested	**(43,329)**	**17.32**
Non-vested awards at 31 December	**487,913**	**17.32**

	2009 Number	**Weighted average share price at grant date 2009 £**
Shares issued in respect of vested awards during the year	**9,171**	**29.75**

In addition to the equity-settled awards shown above, there were 8,000 cash-settled awards outstanding at 31 December 2009. The total liability for these awards at 31 December was less than US$1 million.
Rio Tinto Limited Bonus Deferral Plan

Weighted
average

	2009 Number	fair value at grant date 2009 A$
Non-vested awards at 1 January		
Awarded	**278,405**	**41.75**
Forfeited	**(13,460)**	**41.75**
Vested	**(13,006)**	**41.75**
Non-vested awards at 31 December	**251,939**	**41.75**

	2009 Number	Weighted average share price at grant date 2009 A$
Shares issued in respect of vested awards during the year	**9,714**	**53.13**

Notes to the 2009 Financial statements

50 Post retirement benefits

Description of plans

The Group operates a number of pension and post retirement healthcare plans around the world. Some of these plans are defined contribution and some are defined benefit, with assets held in separate trusts, foundations and similar entities. Valuations of these plans are produced and updated annually to 31 December by qualified actuaries. Plans that were previously sponsored by the Alcan Packaging business were previously excluded from this note and reflected in the value of the assets held for sale. Any plans that are not now expected to be sold with these businesses are now reflected in this note rather than within Assets held for sale .

Rio Tinto has a number of retirement plans which, within the same legal arrangement, have sections providing benefits on a defined benefit basis and sections providing benefits on a defined contribution basis. In prior years these arrangements were presented as a defined benefit plan only, although they had characteristics of both types of plan. Those sections providing benefits on a defined contribution basis are now presented as defined contribution plans. The comparative information in all of the tables in this note has been adjusted to conform to the current year presentation. The comparative statements of financial position, income statements and statements of comprehensive income were not affected by this change.

Pension plans

The majority of the Group s pension obligations are in Canada, the UK, the US, Switzerland and the Eurozone. There are some defined benefit obligations in Australia but the retirement arrangements there are predominantly defined contribution. In general the Group has a policy of moving towards defined contribution provision.

There are a number of pension arrangements in the UK. The defined benefit sections of these arrangements are linked to final pay and are closed to new members, with new employees being admitted to defined contribution sections.

In Australia, the main arrangements are principally defined contribution in nature but there are sections providing defined benefits linked to final pay, typically paid in lump sum form.

A number of defined benefit pension plans are sponsored by the US and Canadian entities. The main plans are two Canadian plans for salaried and bargaining employees. Benefits for salaried staff are generally linked to final average pay, while benefits for bargaining employees are reviewed in negotiation with unions.

In Europe, there are defined benefit plans in Switzerland, the Netherlands, Germany and France. The largest single plan is in Switzerland and provides benefits linked to final average pay.

The Group also operates a number of unfunded defined benefit plans, which are included in the figures below.

Post retirement healthcare plans

Certain subsidiaries of the Group, mainly in the US and Canada, provide health and life insurance benefits to retired employees and in some cases to their beneficiaries and covered dependants. Eligibility for cover is dependent upon certain age and service criteria. These arrangements are unfunded, and are included in the figures below.

Plan assets

The proportions of the total fair value of assets in the pension plans for each asset class at the balance sheet date were:

	2009	2008 (a)
Equities	**54.9%**	51.3%
Bonds	**33.6%**	36.6%
Property	**5.5%**	7.1%
Other	**6.0%**	5.0%
	100.0%	100.0%

(a) Prior year comparatives have been adjusted to conform to the current year presentation. The sections providing benefits on a defined contribution basis are now presented as defined contribution plans. Further details are provided above.

The assets of the plans are generally 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 US$19 million (2008: $6 million).

Main assumptions (rates per annum)

The main assumptions for the valuations of the plans under IAS 19 are set out below. Information on the sensitivity of the results to the main assumptions is set out in the sensitivity section on page A-77.

	UK	Australia(a)	US	Canada	Eurozone	Switzerland	Other (mainly Africa)(b)
At 31 December 2009							
Rate of increase in salaries	5.0%	4.1%	4.0%	3.5%	2.4%	2.7%	7.7%
Rate of increase in pensions	3.4%	2.4%		0.8%	1.5%		5.7%

Discount rate	5.5%	4.8%	5.9%	6.5%	5.2%	2.9%	8.9%
Inflation	3.5%	2.4%	2.5%	2.3%	2.1%	1.5%	5.7%
At 31 December 2008							
Rate of increase in salaries	4.4%	3.9%	3.0%	2.7%	2.4%	2.7%	6.2%
Rate of increase in pensions	2.7%	1.5%		0.4%	1.6%		4.2%
Discount rate	6.3%	3.3%	6.1%	7.4%	5.6%	3.3%	7.3%
Inflation	2.8%	2.0%	1.5%	1.4%	1.8%	1.5%	4.2%

(a) The discount rate shown for Australia is after tax.

(b) The assumptions vary by location for the Other plans. Assumptions shown are for Southern Africa.

The main financial assumptions used for the healthcare plans, which are predominantly in the US and Canada, were: discount rate: 6.0 per cent (2008: 6.5 per cent), medical trend rate: 7.5 per cent reducing to 5.1 per cent by the year 2015 broadly on a straight line basis (2008: 7.0 per cent, reducing to 5.0 per cent by the year 2015), claims costs based on individual company experience.

For both the pension and healthcare arrangements the post retirement mortality assumptions allow for future improvements in longevity. The mortality tables used imply that a man aged 60 at the balance sheet date has a weighted average expected future lifetime of 24 years (2008: 24 years) and that a man aged 60 in 2029 would have a weighted average expected future lifetime of 26 years (2008: 26 years).

Notes to the 2009 Financial statements

50 Post retirement benefits continued

	UK	Australia	US	Canada	Eurozone	Switzerland	Other (mainly Africa)(a)
Long term rate of return expected at 1 January 2009							
Equities	7.4%	7.0%	7.6%	7.2%	7.4%	6.5%	11.1%
Bonds	4.5%	3.9%	4.0%	5.2%	3.8%	3.1%	7.1%
Property	5.5%	5.0%	5.1%	5.2%	5.4%	4.5%	9.1%
Other	3.6%	2.4%	2.3%	2.2%	2.5%	2.4%	5.0%
Long term rate of return expected at 1 January 2008							
Equities	7.7%	9.1%	7.7%	7.4%	7.7%	6.6%	11.4%
Bonds	4.9%	5.9%	5.0%	4.4%	4.5%	3.4%	7.9%
Property	6.0%	7.2%	6.0%	5.7%	6.0%	4.9%	9.7%
Other	4.2%	3.7%	3.2%	3.0%	3.0%	2.3%	6.3%

(a) The assumptions vary by location for the Other plans. Assumptions shown are for Southern Africa.

The expected rate of return on pension plan assets is determined as management s best estimate of the long term returns of the major asset classes equities, bonds, property and other weighted by the allocation of assets among the categories at the measurement date. The expected rate of return is calculated using geometric averaging. The expected rates of return shown have been reduced to allow for plan expenses including, where appropriate, taxes incurred within pension plans on investment returns. Based on the assumptions made and the distribution of assets the weighted average expected return on assets as at 1 January 2009 was 5.9 per cent (2008: 6.4 per cent) and is expected to be 6.4 per cent as at 1 January 2010.

The sources used to determine management s best estimate of long term returns are numerous and include country-specific bond yields, which may be derived from the market using local bond indices or by analysis of the local bond market, and country-specific inflation and investment market expectations derived from market data and analysts or governments expectations as applicable.

Total expense recognised in the income statement

	2009	2008	2007

	Pension benefits	Other benefits	**Total US$m**	Total US$m	Total US$m
Current employer service cost for defined benefit plans	(178)	(15)	**(193)**	(285)	(251)
Interest cost	(771)	(55)	**(826)**	(882)	(402)
Expected return on assets	581		**581**	857	436
Past service cost	(15)	4	**(11)**	(3)	17
Gains on curtailment and settlement	72	52	**124**	5	
Total defined benefit expense	(311)	(14)	**(325)**	(308)	(200)
Current employer service cost for Defined Contribution and Industry-wide plans	(199)		**(199)**	(194)	(40)
Total expense recognised in the income statement	(510)	(14)	**(524)**	(502)	(240)

The above expense amounts are included as an employee cost within net operating costs. In 2009, US$61 million (pre-tax) of curtailment and settlement gains relating to the sale of businesses have been excluded from Underlying earnings (2008 and 2007: nil).

Total amount recognised in other comprehensive income before tax

	2009 US$m	2008 US$m	2007 US$m
Actuarial losses	**(919)**	(1,666)	141
(Loss)/gain on currency translation on plans using US dollar functional currency	**(70)**	321	
Gain on application of asset limit	**19**	26	
Total loss recognised in other comprehensive income (a)	**(970)**	(1,319)	141
Cumulative amount recognised in other comprehensive income at 31 December	**(1,800)**	(830)	489

(a) Actuarial loss includes US$126 million loss related to equity accounted units (2008: US$5 million loss; 2007: US$4 million loss).

(Deficits)/surpluses in the plans

The following amounts were measured in accordance with IAS 19 at 31 December:

	Pension benefits	Other benefits	**2009 Total US$m**	2008(a) Total US$m	2007(a) Total US$m	2006(a) Total US$m	2005(a) Total US$m
Total fair value of plan assets	12,406	1	**12,407**	9,306	14,350	4,656	4,069
Present value of obligations funded	(15,138)	(10)	**(15,148)**	(11,044)	(14,822)	(4,472)	(4,269)
Present value of obligations unfunded	(1,071)	(1,314)	**(2,385)**	(1,784)	(2,089)	(597)	(596)
Present value of obligations total	(16,209)	(1,324)	**(17,533)**	(12,828)	(16,911)	(5,069)	(4,865)
Unrecognised past service cost		(7)	**(7)**	(12)	(2)	3	
Effect of asset limit				(19)	(45)		
Aggregate (deficit) to be shown in the statement of financial position	(3,803)	(1,330)	**(5,133)**	(3,553)	(2,608)	(410)	(796)
Comprising:							
- Deficits	(3,820)	(1,330)	**(5,150)**	(3,713)	(3,313)	(770)	(996)
- Surpluses	17		**17**	160	705	360	200
Net (deficits)/surpluses on pension plans	(3,803)		**(3,803)**	(2,648)	(1,519)	48	(324)
Unfunded post retirement healthcare obligation		(1,330)	**(1,330)**	(905)	(1,089)	(458)	(472)

(a) Prior year comparatives have been adjusted to conform to the current year presentation. The sections providing benefits on a defined contribution basis are now

presented as
defined
contribution
plans. Further
details are
provided on
page A-74.

The surplus amounts shown above are included in the statement of financial position as Trade and other receivables. See note 17. Deficits are shown in the statement of financial position as Post retirement benefits. See note 27.

Notes to the 2009 Financial statements

50 Post retirement benefits continued

Contributions to plans

Contributions to defined benefit pension plans during 2009 totalled US$560 million (2008: US$421 million; 2007: US$90 million). Contributions of US$190 million (2008: US$184 million; 2007: US$146 million) were made to defined contribution arrangements and US$9 million (2008: US$10 million; 2007: US$10 million) to industry-wide plans; these are charged against profits and are included in the figures for defined contribution current employer service costs shown above.

Contributions for other benefits totalled US$46 million (2008: US$53 million; 2007: US$30 million).

Contributions to defined benefit pension plans for 2010 are estimated to be around US$200 million higher than for 2009. The increase relates to UK, Canada and the US where the impact of the global financial crisis is now included in the funding valuations. Furthermore, the inclusion of plans which were previously classified within Assets and liabilities held for sale contributed to the increase. Healthcare plans are generally unfunded and contributions for future years will be equal to benefit payments and therefore cannot be predetermined.

Movements in the present value of the defined benefit obligation and in the fair value of assets

The amounts shown below include, where appropriate, 100 per cent of the costs, contributions, gains and losses in respect of employees who participate in the plans and who are employed in operations that are proportionally consolidated or equity accounted. Consequently, the costs, contributions, gains and losses do not correspond directly to the amounts disclosed above in respect of the Group. Defined contribution plans and industry-wide plans are excluded from the movements below.

	Pension benefits	Other benefits	**2009 Total US$m**	2008(a) Total US$m
Change in present value of obligation:				
Present value of obligation at start of the year	(11,935)	(893)	**(12,828)**	(16,911)
Current employer service cost	(189)	(15)	**(204)**	(285)
Interest cost	(771)	(55)	**(826)**	(882)
Contributions by plan participants	(119)	(2)	**(121)**	(93)
Experience (loss)/gain	(155)	16	**(139)**	(37)
Changes in actuarial assumptions (loss)/gain	(1,601)	(70)	**(1,671)**	1,684
Benefits paid	903	48	**951**	1,014
Previously in Assets held for sale (b)	(1,291)	(365)	**(1,656)**	
Inclusion of arrangements		(3)	**(3)**	(3)
No longer consolidated		21	**21**	
Past service cost	(15)	4	**(11)**	8
Curtailments	48	32	**80**	6
Settlements	161	20	**181**	28
Currency exchange rate (loss)/gain	(1,245)	(62)	**(1,307)**	2,643
Present value of obligation at end of the year	(16,209)	(1,324)	**(17,533)**	(12,828)

Gains and losses on obligations	**2009**	2008(a)	2007(a)	2006(a)	2005(a)
Experience (losses)/gains: (i.e. variances between the estimate of obligations and the subsequent outcome)	**(139)**	(37)	(41)	(7)	246
As a percentage of the present value of the year end obligations	**(1)%**	0%	0%	0%	6%
Change in assumptions (loss)/gain (US$m)	**(1,671)**	1,684	315	124	(180)

(a) Prior year comparatives have been adjusted to conform to the current year presentation. The sections providing benefits on a defined contribution basis are now presented as defined contribution plans. Further details are provided on page A-74.

(b) Plans that were previously sponsored by the Rio Tinto Alcan Packaging business were previously excluded from this note and reflected in the value of the assets and liabilities held for sale. Any plans that are not now expected to be sold with these businesses are now reflected in this note rather than within Assets held for sale .

	Pension benefits	Other benefits	**2009 Total US$m**	2008(a) Total US$m
Change in plan assets:				
Fair value of plan assets at the start of the year	9,306		**9,306**	14,350
Expected return on plan assets	581		**581**	857
Actuarial gain/(loss) on plan assets	891		**891**	(3,308)
Contributions by plan participants	119	2	**121**	93
Contributions by employer	581	46	**627**	482
Benefits paid	(903)	(48)	**(951)**	(1,014)
Previously in Assets held for sale (b)	881	1	**882**	
Inclusion of arrangements				8
Refunds of contributions	(27)		**(27)**	
Settlements	(137)		**(137)**	(29)
Currency exchange rate gain/(loss)	1,114		**1,114**	(2,133)
Fair value of plan assets at the end of the year	12,406	1	**12,407**	9,306
Actual return on plan assets			**1,472**	(2,451)

	2009	2008(a)	2007(a)	2006(a)	2005(a)
Difference between the expected and actual return on plan assets:					
Gain/(loss) (US$m)	**891**	(3,308)	(129)	256	116
As a percentage of year end plan assets	**7%**	(36%)	(1%)	5%	3%

(a)

Prior year comparatives have been adjusted to conform to the current year presentation. The sections providing benefits on a defined contribution basis are now presented as defined contribution plans. Further details are provided on page A-74.

(b) Plans that were previously sponsored by the Rio Tinto Alcan Packaging business were previously excluded from this note and reflected in the value of the assets and liabilities held for sale. Any plans that are not now expected to be sold with these businesses are now reflected in this note rather than within Assets and liabilities held for sale .

Notes to the 2005 Financial statements

50 Post retirement benefits continued

Sensitivity

The values reported for the defined benefit pension obligations are sensitive to the actuarial assumptions used for projecting future benefit payments and discounting those payments. The approximate sensitivities to the principal assumptions used to measure the obligations are:

Assumption	Change in assumption	Approximate decrease/ (increase) in obligations Pensions US$m	Other US$m
Discount rate	increase of 0.5 percentage points	**892**	**70**
	decrease of 0.5 percentage points	**(949)**	**(74)**
Inflation	increase of 0.5 percentage points	**(540)**	**(51)**
	decrease of 0.5 percentage points	**513**	**43**
Salary increases	increase of 0.5 percentage points	**(120)**	**(2)**
	decrease of 0.5 percentage points	**116**	**2**
Demographic allowance for future improvements in longevity	participants assumed to have the mortality rates of individuals who are one year older	**356**	**27**
	participants assumed to have the mortality rates of individuals who are one year younger	**(356)**	**(27)**

Post retirement healthcare sensitivity to changes in assumptions

An increase of one per cent in the assumed medical cost trend rates would increase the aggregate of the current service cost and interest cost components of the post retirement healthcare expense by US$6 million (2008: US$8 million; 2007: US$5 million), and increase the benefit obligation for these plans by US$98 million (2008:US$85 million; 2007: US$89 million). A decrease of one per cent in the assumed medical cost trend rates would decrease the aggregate of the current service cost and interest cost components of the post retirement healthcare expense by US$5 million (2008:US$7 million; 2007: US$5 million), and decrease the benefit obligation for these plans by US$83 million (2008: US$75 million; 2007: US$77 million).

Notes to the 2009 Financial statements

51 Rio Tinto Financial information by business unit
Years ended 31 December
US$ millions

	Rio Tinto interest	**Gross Revenue**			**EBITDA (b)**			**Net earnings(c)**		
	%	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Iron Ore										
Hamersley (inc. HIsmelt®) (d)	100.0	**8,874**	11,006	6,155	**5,190**	7,038	3,427	**3,283**	4,642	2,151
Robe River (e)	53.0	**2,186**	2,728	1,640	**1,422**	1,983	991	**718**	1,062	503
Iron Ore Company of Canada	58.7	**1,006**	2,065	943	**344**	1,251	298	**112**	443	104
Rio Tinto Brasil	(f)	**30**	176	61	**(15)**	73	(1)	**(19)**	44	(12)
Dampier Salt	68.4	**453**	377	269	**203**	95	51	**88**	40	13
Product group operations		**12,549**	16,352	9,068	**7,144**	10,440	4,766	**4,182**	6,231	2,759
Evaluation projects/other		**49**	175	125	**(32)**	(228)	(98)	**(56)**	(214)	(95)
		12,598	16,527	9,193	**7,112**	10,212	4,668	**4,126**	6,017	2,664
Aluminium	(g)									
Product group operations		**11,992**	18,253	6,150	**582**	4,023	1,607	**(587)**	1,342	1,073
Evaluation projects/other		**46**	44	50	**12**	(87)	(28)	**9**	(71)	(22)
		12,038	18,297	6,200	**594**	3,936	1,579	**(578)**	1,271	1,051
Copper										
Kennecott Utah Copper	100.0	**2,368**	2,609	3,539	**1,449**	1,587	2,614	**818**	998	1,649
Escondida	30.0	**2,039**	2,402	3,103	**1,327**	1,464	2,510	**748**	836	1,525
Grasberg joint venture	(h)	**991**	53	461	**706**	38	296	**385**	4	159
Palabora	57.7	**635**	560	689	**123**	167	202	**17**	49	58
Northparkes	80.0	**173**	124	371	**98**	(1)	212	**53**	(12)	137

Product group operations		**6,206**	5,748	8,163	**3,703**	3,255	5,834	**2,021**	1,875	3,528
Evaluation projects/other					**(229)**	(395)	(200)	**(155)**	(278)	(155)
		6,206	5,748	8,163	**3,474**	2,860	5,634	**1,866**	1,597	3,373
Energy										
US Coal	(i)	**1,813**	1,869	1,560	**497**	397	331	**257**	147	132
Rio Tinto Coal Australia	(j)	**3,870**	5,142	2,272	**1,799**	2,900	510	**1,013**	1,721	246
Rössing	68.6	**403**	548	486	**83**	260	235	**24**	101	95
Energy Resources of Australia	68.4	**620**	418	303	**358**	352	135	**138**	141	38
Product group operations		**6,706**	7,977	4,621	**2,737**	3,909	1,211	**1,432**	2,110	511
Evaluation projects/other		**3**	41	29	**(15)**	461	(29)	**(12)**	471	(13)
		6,709	8,018	4,650	**2,722**	4,370	1,182	**1,420**	2,581	498
Diamonds & Minerals										
Diamonds	(k)	**450**	840	1,020	**(7)**	395	539	**(68)**	137	280
Rio Tinto Iron and Titanium	(l)	**1,284**	1,919	1,673	**209**	755	471	**(9)**	295	164
Rio Tinto Minerals	(m)	**882**	1,061	965	**187**	183	176	**78**	86	71
Product group operations		**2,616**	3,820	3,658	**389**	1,333	1,186	**1**	518	515
Evaluation projects/other		**2**		115	**820**	(41)	(46)	**799**	(44)	(40)
		2,618	3,820	3,773	**1,209**	1,292	1,140	**800**	474	475
Other Operations		**4,743**	7,378	1,598	**(30)**	127	327	**(188)**	(133)	167
Inter-segment transactions		**(876)**	(1,723)	(59)	**(28)**	58		**(28)**	25	
Other items					**(719)**	(378)	(635)	**(547)**	(366)	(540)
					(22)	(160)	25	**5**	(133)	20

Central exploration and evaluation									
Net interest							**(578)**	(1,030)	(265)
Underlying earnings	**44,036**	58,065	33,518	**14,312**	22,317	13,920	**6,298**	10,303	7,443
Items excluded from Underlying earnings				**159**	1,553	(309)	**(1,426)**	(6,627)	(131)
Less share of equity accounted units sales revenue	**(2,211)**	(3,801)	(3,818)						
Total	**41,825**	54,264	29,700	**14,471**	23,870	13,611	**4,872**	3,676	7,312
Depreciation and amortisation in subsidiaries				**(3,427)**	(3,475)	(2,115)			
Impairment charges				**(1,573)**	(8,030)	(58)			
Depreciation and amortisation in equity accounted units				**(440)**	(414)	(310)			
Taxation and finance items in equity accounted units				**(739)**	(718)	(973)			
Profit before finance items and taxation				**8,292**	11,233	10,155			

Refer to notes a) to m) on page A-79.

51 Rio Tinto Financial information by business unit continued
Years ended 31 December

	Rio Tinto interest	Capital expenditure (n)			Depreciation & Amortisation			Operating assets (o)		Employees		
	%	**2009 US$m**	2008 US$m	2007 US$m	**2009 US$m**	2008 US$m	2007 US$m	**2009 US$m**	2008 US$m	**2009 Number**	2008 Number	2007 Number
Iron Ore												
Hamersley (inc. HIsmelt®) (d)	100.0	**1,337**	1,860	1,597	**506**	466	352	**7,530**	5,170	**6,556**	6,321	4,786
Robe River (e)	53.0	**599**	683	241	**140**	111	104	**2,751**	1,622	**1,114**	1,011	873
Iron Ore Company of Canada	58.7	**180**	256	163	**86**	83	78	**808**	482	**2,027**	2,094	1,939
Rio Tinto Brasil	(f)	**11**	146	30	**3**	14	9	**5**	207	**666**	841	657
Dampier Salt	68.4	**21**	27	20	**18**	21	21	**179**	154	**405**	394	376
Other			24	34	**10**	10	3	**(10)**	(3)	**607**	448	375
		2,148	2,996	2,085	**763**	705	567	**11,263**	7,632	**11,375**	11,109	9,006
Aluminium	(g)	**1,690**	2,417	549	**1,551**	1,543	564	**35,992**	34,735	**22,919**	24,634	8,563
Copper												
Kennecott Utah Copper	100.0	**176**	316	282	**296**	246	251	**1,533**	1,750	**1,878**	1,915	1,854
Escondida	30.0	**213**	120	170	**104**	98	98	**1,399**	849	**997**	960	876
Grasberg joint venture	(h)	**79**	32	76	**47**	25	24	**378**	426	**2,162**	2,185	2,047
Palabora	57.7	**16**	40	27	**67**	57	41	**(2)**	117	**2,030**	2,116	2,072
Northparkes	80.0	**17**	105	55	**25**	15	22	**301**	187	**186**	210	208
Other		**52**	191	22	**2**	1	1	**1,419**	894	**359**	143	162
		553	804	632	**541**	442	437	**5,028**	4,223	**7,612**	7,529	7,219
Energy												
US Coal	(i)	**176**	204	226	**99**	150	131	**(89)**	1,090	**2,388**	2,477	2,435
Rio Tinto Coal Australia	(j)	**456**	449	226	**205**	194	165	**2,040**	1,134	**3,289**	3,206	2,832
Rössing	68.6	**24**	73	57	**27**	20	13	**324**	229	**1,415**	1,307	1,175
	68.4	**30**	144	80	**64**	51	50	**263**	212	**521**	448	365

Energy Resources of Australia		**686**	870	589	**395**	415	359	**2,538**	2,665	**7,613**	7,438	6,807
Diamonds & Minerals												
Diamonds	(k)	**250**	652	525	**104**	175	181	**1,293**	1,340	**1,040**	1,401	1,291
Rio Tinto Iron and Titanium	(l)	**247**	563	494	**129**	118	119	**2,626**	2,125	**4,121**	4,105	3,854
Rio Tinto Minerals	(m)	**22**	63	51	**57**	68	61	**693**	792	**2,214**	2,580	2,512
Other			5	17					30		103	64
		519	1,283	1,087	**290**	361	361	**4,612**	4,287	**7,375**	8,189	7,721
Other Operations		**228**	458	184	**216**	332	80	**1,756**	3,375	**14,021**	14,901	3,525
Net assets held for sale	(p)							**3,462**	3,204	**27,732**	28,386	5,680
Other items		**54**	151	144	**111**	91	57	**(1,959)**	(811)	**3,347**	3,599	3,156
Less: equity accounted units		**(522)**	(491)	(302)	**(440)**	(414)	(310)					
Total		**5,356**	8,488	4,968	**3,427**	3,475	2,115	**62,692**	59,310	**101,994**	105,785	51,677
Less: Net debt								**(18,861)**	(38,672)			
Total Rio Tinto shareholders equity								**43,831**	20,638			

Business units have been classified according to the Group s management structure. Generally, business units are allocated to product groups based on their primary product. The Energy group includes both coal and uranium businesses. The Diamonds & Minerals product group includes businesses with products such as borates, talc and titanium dioxide feedstock together with diamonds operations. The Copper group includes certain gold operations in addition to copper. The Aluminium group excludes Alcan Engineered Products which is included in Other Operations and Alcan Packaging which is included in Net assets held for sale

The following changes have been made to the way Rio Tinto presents its financial information by business unit during 2009: The Diamonds & Minerals product group has been reinstated alongside the Iron Ore, Copper, Aluminium and Energy product groups. This reflects Rio Tinto s corporate strategy of investing in and operating large, long-term, cost competitive mines and businesses, driven not by choice of commodity but by the quality of each opportunity. Alcan Engineered Products was reclassified from Aluminium to Other Operations during the year. Information for 2008 has been reclassified accordingly.

Post retirement assets/(liabilities), net of tax and minorities, which were previously included in Business Units operating assets (including equity accounted units), are now classified as central items. 2008 comparatives have been

reclassified accordingly.

(a) Gross sales revenue includes 100 per cent of subsidiaries sales revenue and the Group s share of the sales revenue of equity accounted units (after adjusting for intra-subsidiary/equity accounted unit sales).

(b) EBITDA of subsidiaries and the Group s share of EBITDA relating to equity accounted units represents profit before: tax, net finance items, depreciation and amortisation.

Underlying EBITDA excludes the same items that are excluded from Underlying earnings

(c) Net earnings represent profit after tax for the year attributable to the shareholders of the Rio Tinto Group. Earnings of subsidiaries are stated before finance items but after the amortisation of discount related to provisions. Earnings attributable to equity accounted units include interest charges and amortisation of discount except that, from 2009 onwards, RBM earnings are before charging interest on third party debt. Earnings attributed to business

units do not include amounts that are excluded in arriving at Underlying earnings.

(d) Includes Rio Tinto s interests in Hamersley (100 per cent) and HIsmelt(R) (60 per cent).

(e) The Group holds 65 per cent of Robe River Iron Associates, of which 30 per cent is held through a 60 per cent owned subsidiary. The Group s net beneficial interest is, therefore, 53 per cent, net of amounts attributable to outside equity shareholders.

(f) Rio Tinto completed the sale of its 100 per cent interest in the Corumbá mine, effective 18 September 2009.

(g) Includes the Alcan group acquired in 2007, excluding Alcan Packaging which is shown as an Asset held for sale , and excluding Alcan Engineered Products which is shown as part of Other Operations , together with the aluminium businesses previously owned by Rio Tinto.

(h) Under the terms of a joint venture agreement, Rio Tinto is entitled to 40 per cent of additional material mined as a

consequence of expansions and developments of the Grasberg facilities since 1998.

(i) As a result of the IPO of Cloud Peak Energy Inc., on 20 November 2009, Rio Tinto now holds a 48.3 per cent interest in the Antelope, Cordero Rojo and Spring Creek mines and a 24.1 percent interest in the Decker mine. These interests were formerly reported under Rio Tinto Energy America but are now managed by Cloud Peak Energy. Rio Tinto completed the sale of its 100 per cent interest in the Jacobs Ranch mine on 1 October 2009. US Coal also includes the Group s 100 per cent interest in Colowyo mine.

(j) Includes Rio Tinto s 75.7 per cent interest in Coal and Allied, which is managed by Rio Tinto Coal Australia, a 100 per cent subsidiary of Rio Tinto. The Group owns a 40 per cent interest in Bengalla and an 80 per cent interest in Mount Thorley through its investment in Coal and Allied, giving a beneficial interest in those companies to the Group of 30.3 per cent and 60.6 per cent,

respectively.

(k) Diamonds includes Rio Tinto s interests in Argyle (100 per cent), Diavik (60 per cent) and Murowa (77.8 per cent).

(l) Includes Rio Tinto s interests in Rio Tinto Fer et Titane (RTFT) (100 per cent), QMM (80 per cent) and Richards Bay Minerals (RBM) (attributable interest of 37 per cent). RBM s net earnings for 2009 onwards exclude interest charges on third party debt and its operating assets are shown before deducting net debt.

(m) Includes Rio Tinto s interests in Rio Tinto Borax (100 per cent) and Luzenac Talc (100 per cent).

(n) Capital expenditure comprises the net cash outflow on purchases less disposals of property, plant and equipment, capitalised evaluation costs and purchases less disposals of other intangible assets. The details provided include 100 per cent of subsidiaries capital expenditure and Rio Tinto s share of the capital expenditure of equity accounted units. Amounts relating to equity accounted units not specifically funded

by Rio Tinto are deducted before arriving at total capital expenditure for the Group.

(o) Operating assets of subsidiaries comprise net assets excluding post retirement assets and liabilities, net of tax, and are before deducting net debt. Operating assets are less outside shareholders interests, which are calculated by reference to the net assets of the relevant companies (i.e. net of such companies debt). For equity accounted units, Rio Tinto s net investment excluding post retirement assets and liabilities (net of tax), is shown.

(p) Net assets held for sale include Alcan Packaging and other assets held for sale.

Australian Corporations Act summary of ASIC relief

Pursuant to section 340 of the Corporations Act 2001 (Corporations Act), the Australian Securities and Investments Commission issued an order dated 27 January 2006 (as amended on 22 December 2006) that granted relief to Rio Tinto Limited from certain requirements of the Corporations Act in relation to the Company s financial statements and associated reports. The order essentially continues the relief that has applied to Rio Tinto Limited since the formation of the Group s Dual Listed Companies (DLC) structure in 1995. The order applied to Rio Tinto Limited s financial reporting obligations for financial years and half-years ending between 31 December 2005 and 31 December 2009 (inclusive).

In essence, instead of being required under the Corporations Act to prepare consolidated financial statements covering only itself and its controlled entities, the order allows Rio Tinto Limited to prepare consolidated financial statements in which it, Rio Tinto plc and their respective controlled entities are treated as a single economic entity. In addition, those consolidated financial statements are to be prepared:

- in accordance with the principles and requirements of International Financial Reporting Standards as adopted by the European Union (EU IFRS) rather than the Australian equivalents of International Financial Reporting Standards (AIFRS) (except for one limited instance in the case of any concise report), and in accordance with United Kingdom financial reporting obligations generally;
- on the basis that the transitional provisions of International Financial Reporting Standard 1 First-time Adoption of International Financial Reporting Standards should be applied using the combined financial statements previously prepared for Rio Tinto Limited, Rio Tinto plc and their respective controlled entities under Generally Accepted Accounting Principles in the United Kingdom, under which the DLC merger between Rio Tinto Limited and Rio Tinto plc was accounted for using merger , rather than acquisition , accounting (reflecting that neither Rio Tinto Limited nor Rio Tinto plc was acquired by, or is controlled by, the other, and meaning that the existing carrying amounts, rather than fair values, of assets and liabilities at the time of the DLC merger were used to measure those assets and liabilities at formation);
-on the basis that Rio Tinto Limited and Rio Tinto plc are a single company (with their respective shareholders being the shareholders in that single company); and
- with a reconciliation, from EU IFRS to AIFRS, of the following amounts: consolidated profit for the financial year, total consolidated comprehensive income for the financial year and total consolidated equity at the end of the financial year (see page XX).

Those consolidated financial statements must also be audited in accordance with relevant United Kingdom requirements. Rio Tinto Limited must also prepare a *Directors report* which satisfies the content requirements of the Corporations Act (applied on the basis that the consolidated entity for those purposes is the Group), except that the order allows Rio Tinto Limited to prepare a separate *Remuneration report* that is merely cross-referenced in the *Directors report*, instead of including in the *Directors report* the *Remuneration report* otherwise required by the Corporations Act. The separate *Remuneration report* (see pages XX to XX) must include all the information required to be included in a *Remuneration report* under the Corporations Act, as well as the information required by AIFRS (namely, AASB 124 Related Party Disclosures) dealing with compensation of directors and executives who are key management personnel , and certain other disclosures.

Rio Tinto Limited is also required to comply generally with the lodgement and distribution requirements of the Corporations Act (including timing requirements) in relation to those consolidated financial statements (including any concise financial statements), the Auditor s report and the *Directors report*. The separate *Remuneration report* is also required to be lodged with the Australian Securities and Investments Commission at the same time as the consolidated financial statements, and Rio Tinto Limited must not distribute or make available the *Remuneration report* without the consolidated financial statements and *Directors report*. At the Company s AGM, it is required to allow shareholders to vote on a non binding resolution to adopt the *Remuneration report*, on the same basis as would otherwise be required for a *Remuneration report* under the Corporations Act.

Rio Tinto Limited is not required to prepare separate consolidated financial statements solely for it and its controlled entities. Rio Tinto Limited is required to prepare and lodge parent entity financial statements for itself in respect of each relevant financial year, in accordance with the principles and requirements of AIFRS (other than in respect of

key management personnel compensation disclosures under AASB 124, which as noted above are instead incorporated into the separate *Remuneration report*), and to have those statements audited. Those financial statements are not required to be laid before the Company s AGM or distributed to shareholders as a matter of course.
However, Rio Tinto Limited must:
- include in the consolidated financial statements for the Group, as a note, Rio Tinto Limited s parent entity balance sheet, income statement, statement of changes in equity and statement of cashflows, prepared in accordance with AIFRS; and
- make available the full parent entity financial statements free of charge to shareholders on request, and also include a copy of them on the Company s website.

The parent entity financial statements are available for download from the Rio Tinto website at www.riotinto.com. Shareholders may also request a copy free of charge by contacting the Rio Tinto Limited company secretary.

Report of Independent Registered Public Accounting Firm
To the Boards of Directors and Shareholders of Rio Tinto plc and Rio Tinto Limited:

In our opinion, the accompanying group statement of financial position and the related group income statements, group statements of comprehensive income, group cash flow statements and group statements of changes in equity present fairly, in all material respects, the financial position of the Rio Tinto Group at 31 December 2009 and 31 December 2008, and the results of its operations and their cash flows for each of the three years in the period ended 31 December 2009 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and in conformity with International Financial Reporting Standards as adopted by the European Union. Also in our opinion, the Rio Tinto Group maintained, in all material respects, effective internal control over financial reporting as of 31 December 2009, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Rio Tinto Group s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s report on internal control over financial reporting as set out in Item 15 on page 158. Our responsibility is to express opinions on these financial statements and on Rio Tinto Group s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and International Standards on Auditing (UK and Ireland). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2009, the Group adopted IFRS 8, *Operating Segments* , *IAS 1,* *Presentation of Financial Statements (revised)* *and* IAS 32 Amendment, *Classification of Rights Issues.*

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
London, United Kingdom
27 May 2010
In respect of the Board of Directors and

PricewaterhouseCoopers
Brisbane, Australia
27 May 2010
In respect of the Board of Directors and

Shareholders of Rio Tinto plc Shareholders of Rio Tinto Limited

MINERA ESCONDIDA LIMITADA
Financial Statements as at December 31, 2009 and 2008
and January 1, 2008 and for the years
ended December 31, 2009 and 2008
(With Independent Auditors Report)

MINERA ESCONDIDA LIMITADA

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ThUS$: Thousands of United States dollars
CLP$: Chilean pesos

Independent Auditors Report

To the Members
Minera Escondida Limitada:

We have audited the accompanying statements of financial position of Minera Escondida Limitada as at December 31, 2009 and 2008, the statement of financial position s opening balances as at January 1, 2008 and the related statements of comprehensive income, changes in members equity and cash flows for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Minera Escondida Limitada as at December 31, 2009 and 2008 as well as at January 1, 2008, and the results of its operations, the changes in its members equity and its cash flows for the years ended December 31, 2009 and 2008 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG Auditores Consultores Ltda.
Santiago, March 26, 2010

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MINERA ESCONDIDA LIMITADA
Statements of Financial Position
as at December 31, 2009, 2008 and January 1, 2008

	Notes	As at December 31, 2009 ThUS$	As at December 31, 2008 ThUS$	As at January 1, 2008 ThUS$
Assets				
Current assets:				
Cash and cash equivalents	7	289,775	112,127	26,941
Other financial assets	17	126,281	223,665	85,187
Trade and other receivables	10	1,328,021	304,657	1,007,455
Due from related companies	11	73,403	34,483	29,889
Inventories	12	1,074,788	741,941	433,290
Current tax assets	16	77,270	391,684	18,161
Other assets	18	14,711	402,111	72,713
Total current assets		2,984,249	2,210,668	1,673,636
Non-current assets:				
Other financial assets	17	4,517	87,971	6,975
Trade and other receivables	10	25,671	11,909	16,563
Intangible assets	15	3,268	3,540	
Property, plant and equipment	14	4,940,872	4,650,728	4,364,997
Other assets	18	9,848	139,439	97,409
Total non-current assets		4,984,176	4,893,587	4,485,944
Total assets		7,968,425	7,104,255	6,159,580

The attached notes are an integral part of these financial statements.

MINERA ESCONDIDA LIMITADA
Statements of Financial Position, Continued
as at December 31, 2009, 2008 and January 1, 2008

	Notes	As at December 31, 2009 ThUS$	As at December 31, 2008 ThUS$	As at January 1, 2008 ThUS$
Liabilities and Members Equity				
Current liabilities:				
Interest bearing liabilities	20	176,250	728,200	85,000
Other financial liabilities	21	96,936	737,128	99,210
Trade and other payables	19	352,963	723,371	250,884
Due to related companies	11	89,022	113,037	99,756
Provisions	22	158,697	111,239	112,841
Current tax liabilities	16			37,018
Other liabilities		141		
Total current liabilities		874,009	2,412,975	684,709
Non-current liabilities:				
Interest bearing liabilities	20	588,750	765,000	850,000
Other financial liabilities	21	2,457	92,533	6,874
Trade and other payables	19	35,652	41,230	46,380
Due to related companies	11	194,000	242,000	290,000
Provisions	22	145,026	131,267	132,788
Deferred income taxes	13	559,941	250,255	226,796
Total non-current liabilities		1,525,826	1,522,285	1,552,838
Total liabilities		2,399,835	3,935,260	2,237,547
Members equity:				
Paid-in capital	23	731,242	647,902	647,902
Retained earnings		4,837,348	2,521,093	3,274,131
Total members equity		5,568,590	3,168,995	3,922,033
Total liabilities and members equity		7,968,425	7,104,255	6,159,580

The attached notes are an integral part of these financial statements.

MINERA ESCONDIDA LIMITADA
Statements of Comprehensive Income
for the years ended December 31, 2009 and 2008

	Notes	2009 ThUS$	2008 ThUS$
Revenue	24	7,071,049	8,319,875
Cost of sales	26	(2,520,750)	(2,585,973)
Gross profit		4,550,299	5,733,902
Other income	25	14,196	12,081
Marketing expenses		(26,057)	(30,907)
Distribution expenses		(154,061)	(256,628)
Administrative expenses		(124,302)	(109,878)
Exploration and evaluation expenses	32	(109,446)	(61,015)
Other operating expenses		(147,259)	(56,126)
Exchange (loss)/gain		(54,264)	37,048
Other income/(expense)	28	75,645	(775,960)
Profit before taxes		4,024,751	4,492,517
Income tax expense	13	(825,156)	(919,370)
Profit from continuing operations		3,199,595	3,573,147
Other income and expense debited or credited to members equity			
Total comprehensive income for the period		3,199,595	3,573,147

The attached notes are an integral part of these financial statements.

MINERA ESCONDIDA LIMITADA

Statements of Changes in Members Equity

for the years ended December 31, 2009 and 2008

	Paid-in capital ThUS$	**Retained earnings ThUS$**	**Members equity ThUS$**
Balance January 1, 2009	647,902	2,521,093	3,168,995
Total comprehensive income for the period		3,199,595	3,199,595
Dividends declared		(800,000)	(800,000)
Capitalization of retained earnings	83,340	(83,340)	
Balance December 31, 2009	731,242	4,837,348	5,568,590
Balance January 1, 2008	647,902	3,274,131	3,922,033
Total comprehensive income for the period		3,573,147	3,573,147
Dividends declared		(4,326,185)	(4,326,185)
Balance December 31, 2008	647,902	2,521,093	3,168,995

The attached notes are an integral part of these financial statements.

MINERA ESCONDIDA LIMITADA
Statements of Cash Flow
for the years ended December 31, 2009 and 2008

	Notes	2009 ThUS$	2008 ThUS$
Statement of cash flows (direct method)			
Cash flows from operating activities:			
Cash receipts from customers		6,206,104	9,273,332
Cash paid to suppliers		(2,055,854)	(2,454,908)
Cash paid to employees		(361,849)	(273,629)
Valued added tax and other tax paid		(30,030)	(28,484)
Interest received		635	3,600
Interest paid		(62,894)	(67,697)
Income tax paid		(262,828)	(1,236,079)
Cash used in other operating activities		(559,717)	(319,199)
Net cash from operating activities	8	2,873,567	4,896,936
Cash flows from investing activities:			
Acquisition of property, plant and equipment	14	(507,218)	(416,914)
Post-production deferred stripping	14	(607,351)	(570,464)
Acquisition of intangible assets	15		(3,631)
Net cash used in investing activities		(1,114,569)	(991,009)
Cash flows from financing activities:			
Proceeds from issue of interest bearing liabilities		893,800	643,200
Proceeds from borrowing from related companies	11	250,000	
Repayment of interest bearing liabilities		(1,622,000)	(85,000)
Repayment of borrowing from related companies	11	(298,000)	(48,000)
Dividends paid	11	(800,000)	(4,326,185)
Other cash flows used in financing activities		(5,150)	(4,756)
Net cash used in financing activities		(1,581,350)	(3,820,741)
Net increment in cash and cash equivalents		177,648	85,186
Cash and cash equivalents at 1 January		112,127	26,941

Cash and cash equivalents at 31 December	289,775	112,127
Non-cash transactions		
Capitalization of retained earnings	83,340	
Total non-cash transacions	83,340	

The attached notes are an integral part of these financial statements.

MINERA ESCONDIDA LIMITADA
Notes to the Financial Statements
December 31, 2009 and 2008

(1) Reporting Entity

Minera Escondida Limitada (the Company or Escondida) is a mining company engaged in the exploration, extraction, processing, and marketing of mineral resources. The Company is currently exploiting the two pits of copper ore body located in the Second Region of the Republic of Chile, 170 kilometers southeast of the city of Antofagasta at an altitude of 3,100 meters above sea level. The Company produces copper concentrates and copper cathodes through the open-pit mining operation and cathode treatment plants at the mine site. The concentrate also includes gold and silver. The concentrate is transported by pipeline to the port facility in Coloso near Antofagasta where it is filtered and shipped to the customers. The copper cathodes are produced at an oxide plant, a heap leaching and electro winning facility, located at the mine site. The copper cathodes are transported by rail to the port of Antofagasta for shipment to customers.

The Company, at the present operated by BHP Billiton, was formed by public deed on August 14, 1985 as a partnership. As at December 31, 2009 and 2008, the owners are as follows:

	Percentage of Equity %
BHP Escondida Inc.	57.5
Rio Tinto Escondida Limited	30.0
JECO Corporation	10.0
International Finance Corporation	2.5
Total	100.0

(2) Basis of Preparation

(a) Statement of Compliance

These financial statements for years ended December 31, 2009 and 2008 were prepared in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), which in Chile has been denominated as: *Normas de Información Financiera de Chile* (NIFCH) and which represent the explicit and unreserved acceptance of the referred international standards. Previously, the Company s financial statements were prepared according to accounting principles generally accepted in Chile (PCGA Chile).

These are the Company s first financial statements prepared in accordance with IFRS and IFRS 1: First-Time Adoption of International Financial Reporting Standards has been applied.

The financial statements were authorized by the Accounting, Reporting and Financial Control manager of the Company as at March 26, 2010.

MINERA ESCONDIDA LIMITADA
Notes to the Financial Statements
December 31, 2009 and 2008

(2) Basis of Preparation, Continued

(a) Statement of Compliance, Continued

As at the date of the present financial statements a number of new standards, amendments to standards and interpretations are not yet effective for the year December 31, 2009, and have not been applied in preparing these financial statements. None of these is expected to have an effect on the financial statements of the Company, except for IFRS 9 Financial Instruments, which becomes mandatory for the Company s 2010 financial statements and is expected to impact the classification and measurement of financial assets. The extent of the impact has not been determined.

(b) Management s Responsibility

The information contained in these financial statements is the responsibility of the Company s Management, who expressly manifests an explicit and unreserved statements of compliance with IFRS.

(c) Basis of Measurement

The financial statements have been prepared on the historical cost basis, except for derivative financial instruments, which are measured at fair value.

(d) Functional and Presentation Currency

These financial statements are presented in United States of America dollars, which is the Company s functional currency. All financial information presented in dollars has been rounded to the nearest thousand. The Company maintains accounting records in United States of America dollars as authorized by the Company s Foreign Investment Contract with the Chilean government. Transactions in other currencies are recorded at actual rates of the transaction date. Year-end balances in foreign currencies are translated into US Dollars at the applicable closing exchange rates.

(e) Uses of Estimates and Judgments

The preparation of the financial statements in accordance with IFRSs requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant items subject to such estimation and assumptions include the carrying amount of property, plant and equipment, mining property, exploration and intangibles; valuation allowances for receivables, inventories and deferred income tax assets; environmental liabilities; financial instruments and obligations related to employee benefits. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

MINERA ESCONDIDA LIMITADA
Notes to the Financial Statements
December 31, 2009 and 2008

(2) Basis of Preparation, Continued

(e) Uses of Estimates and Judgments, Continued

Information about critical estimates and judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statement includes:

- Mine development expenses
- Rehabilitation and restoration provision
- Intangible assets
- Revenue recognition

(f) Change in Accounting Policy

The Company has prepared these financial statements in compliance with International Financial Reporting Standards (IFRS).

These are the first financial statements issued under IFRS, where the Company s transition date is January 1, 2008.

(3) Significant Accounting Policies

(a) Inventories

Minerals in process (including stockpile inventory), copper concentrate and copper cathodes are valued at the lower of cost and net realizable value. Mining and milling costs and non cash costs are included in the value of the inventories, as well as the allocated costs of central maintenance and engineering and the on-site general and administrative costs including all essential infrastructure support. Materials and supplies are also valued at the lower of average cost and estimated net realizable value.

Stockpile costs are allocated using the average weighted cost method.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The medium-grade ore stockpiled for future use is valued at the lower of average production cost and net realizable value.

MINERA ESCONDIDA LIMITADA
Notes to the Financial Statements
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(3) Significant Accounting Policies, Continued

(b) Property, Plant and Equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment charges. Cost includes expenditure that is directly attributable to the acquisition of the asset and capitalized interest incurred during the construction and development period and during subsequent expansion periods.

The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs for qualifying assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

Plant and equipment with a useful life of less than the life of the mine are depreciated on a straight-line basis over the respective useful lives, ranging from 3 to 11 years. The remaining items of plant and equipment are depreciated on a units-of-production basis over the life of the proven and probable mineral reserves.

Mine development is depreciated on a units-of-production basis over the life of the proven and probable mineral reserves. Land is not subject to depreciation.

Changes in estimates are accounted for over the estimated remaining economic life or the remaining commercial reserves of the mine as applicable.

Total depreciation and amortization for the years ended December 31, 2009 and 2008 is included as a cost of the production of inventories.

Expenditures for replacements and improvements are capitalized when the asset s standard of performance is significantly enhanced or the expenditure represents a replacement of a component of an overall tangible fixed asset which has been separately depreciated.

Other mineral assets comprise:

Capitalized exploration, evaluation and development expenditure (including development stripping) for properties in production

Production stripping (as described below in overburden removal costs)

Mineral rights

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MINERA ESCONDIDA LIMITADA
Notes to the Financial Statements
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(3) Significant Accounting Policies, Continued

(c) Depreciation of Property, Plant and Equipment

The carrying amounts of property, plant and equipment (including initial and any subsequent capital expenditure) are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned, or the estimated life of the associated mine. Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. Depreciation commences on the date of commissioning for those assets that are depreciated on the basis of production unit; while for those assets that apply the straight line method of depreciation, it begins when they are available for use.

The major categories of property, plant and equipment are depreciated on a unit of production and/or straight-line basis using estimated lives indicated below:

Buildings	25 to 34 years (Life of Mine)
Land	Not depreciated
Plant and equipment	3 to 30 years straight-line depreciation
Mineral Rights	Based on reserves of mineral on a unit of production basis
Capitalized exploration, evaluation and development expenditure	Based on applicable reserves of mineral on a unit of production basis

(d) Intangible Assets

Amounts paid for the acquisition of identifiable intangible assets, are capitalized at the fair value of consideration paid and are measured at cost less accumulated amortization and impairment charges. Identifiable intangible assets with a finite life are amortized on a straight-line basis over their expected useful life, which is typically no greater than ten years.

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

The Company has no identifiable intangible assets for which the expected useful life is indefinite.

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

MINERA ESCONDIDA LIMITADA
Notes to the Financial Statements
December 31, 2009 and 2008

(3) Significant Accounting Policies, Continued

(e) Leased Assets

Assets held under leases which result in the Company receiving substantially all the risk and rewards of ownership of the asset (financial leases) are capitalized at the lower of the fair value of the property, plant and equipment or the estimated present value of the minimum lease payments. Subsequent expenditures to initial recognition the asset is accounted for in accordance with the accounting policy applicable to that asset.

Operating lease assets are not capitalized and rental payments are included in the income statement on a straight-line basis over the lease term.

The Company maintains only operating leases at the date of this report.

(f) Other Assets

Other assets consist of cash advances to operational and capital vendors; employee advances for the school expenses reimbursement program and other prepayment related to mineral permits; income tax and other prepaid.

(g) Impairment of Assets

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables. No receivables have been found to be specifically impaired.

MINERA ESCONDIDA LIMITADA

Notes to the Financial Statements

December 31, 2009 and 2008

(3) Significant Accounting Policies, Continued

(g) Impairment of Assets, Continued

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset s original interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company s non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. Formal impairment tests for all other assets are performed when there is an indication of impairment. At each reporting date, an assessment is made to determine whether there are any indications of impairment. The Company conducts annually an internal review of asset values which is used as a source of information to assess for any indications of impairment. External factors, such as changes in expected future processes, commodity price, costs and other market factors are also monitored to assess for indications of impairment. If any indication of impairment exists an estimate of the asset s recoverable amount is calculated.

The recoverable value is the greater of its value in use and its fair value less costs to sell. The air value is determined as the amount that would be obtained from the sale of the asset in an arm s length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate to arrive at a net present value of the asset.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the company in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Company s continued use and cannot take into account future development. These assumptions are different to those used in calculating fair value and consequently the value in use calculation is likely to give a different result (usually lower) to a fair value calculation.

MINERA ESCONDIDA LIMITADA
Notes to the Financial Statements
December 31, 2009 and 2008

(3) Significant Accounting Policies, Continued

(g) Impairment of Assets, Continued

In testing for indications of impairment and performing impairment calculations, assets are considered as collective groups and referred to as cash generating units. Cash generating units are the smallest identifiable group of assets, liabilities and associated goodwill that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.1 Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

The impairment assessments are based on a range of estimates and assumptions, including:

Estimates/assumptions:	Basis:
Future production	Proved and probable reserves, resource estimates and, in certain cases, expansion projects.
Commodity prices	Forward market and contract prices, and longer-term price protocol estimates.
Exchange rates	Current (forward) market exchange rates
Discount rates	Cost of capital risk adjusted for the risk specific to the asset

(h) Trade and Other Payables

These liabilities are initially accounted for at their fair value and, subsequently, at their amortized cost according to the effective interest method. The items shown in the financial statements as current liabilities are settled in a period less than 12 months.

MINERA ESCONDIDA LIMITADA
Notes to the Financial Statements
December 31, 2009 and 2008

(3) Significant Accounting Policies, Continued

(i) Income Taxes and Deferred Income Taxes

Income tax expense comprises current and deferred income taxes and is recognized in profit and loss except for items recognized directly in equity as other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year using rates enacted or substantively enacted at the year end, and includes any adjustment to tax payable in respect of previous years.

Deferred income taxes are provided using the balance sheet method, providing for the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Where an asset has no deductible or depreciable amount for income tax purposes, but has a deductible amount on sale or abandonment for capital gains tax purposes, that amount is included in the determination of temporary differences. The amount of deferred tax recognized is based on the expected manner and timing of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at period end.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each balance sheet date and adjusted to the extent that it is no longer probable that the related tax benefit will be realized.

Mining specific tax is treated as taxation arrangements when they have the characteristics of a tax. This is considered to be the case when they are imposed under government authority and the amount payable is calculated by reference to revenue derived (net of any allowable deductions) after adjustment for items comprising temporary differences. For Chile specific mining tax, current and deferred tax is provided on the same basis as described above for other forms of taxation. Obligations arising from royalty arrangements that do not satisfy these criteria are recognized as current provisions and included in expenses.

(j) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(i) Restoration and rehabilitation

The mining, extraction and processing activities of the Company normally give rise to obligations for site closure or rehabilitation. Closure and rehabilitation works can include facility decommissioning and dismantling; removal or treatment of waste materials; site and land rehabilitation. The extent of work required and the associated costs are dependent on the requirements of relevant authorities and the Company s environmental policies.

MINERA ESCONDIDA LIMITADA
Notes to the Financial Statements
December 31, 2009 and 2008

(3) Significant Accounting Policies, Continued

(j) Provisions, Continued

Provisions for the cost of the closure and rehabilitation program are recognized at the time that environmental disturbance occurs. When the extent of disturbance increases over the life of an operation, the provision is increased accordingly. Costs included in the provision encompass all closure and rehabilitation activity expected to occur progressively over the life of the operation and at the time of closure in connection with disturbances at the reporting date. Routine operating costs that may impact the ultimate closure and rehabilitation activities, such as waste material handling conducted as an integral part of a mining or production process, are not included in the provision. Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognized as an expense and liability when the event gives rise to an obligation which is probable and capable of reliable estimation.

Expenditure may occur before and after closure and can continue for an extended period of time dependent on closure and rehabilitation requirements. The majority of the expenditure is expected to be paid over periods of up to 34 years. Closure and rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for the Company. Significant judgments and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements or, if more stringent, Company environmental policies which give rise to a constructive obligation.

When provisions for closure and rehabilitation are initially recognized, the corresponding cost is capitalized as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalized cost of closure and rehabilitation activities is recognized in property, plant and equipment and depreciated accordingly. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognized in financial expenses.

MINERA ESCONDIDA LIMITADA

Notes to the Financial Statements

December 31, 2009 and 2008

(3) Significant Accounting Policies, Continued

(j) Provisions, Continued

Closure and rehabilitation provisions are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost. Changes to the capitalized cost result in an adjustment to future depreciation and financial charges. Adjustments to the estimated amount and timing of future closure and rehabilitation cash flows are a normal occurrence in light of the significant judgments and estimates involved. Factors influencing those changes include:

Revisions to estimated reserves, resources and lives of operations,

Developments in technology,

Regulatory requirements and environmental management strategies,

Changes in the estimated costs of anticipated activities, including the effects of inflation and movements in foreign exchange rates, and

Movements in interest rates affecting the discount rate applied.

(ii) Employee benefit

The Company has an agreement with its employees providing for payment of severance indemnities on termination of employment. Provision has been estimated based upon ultimate severance remuneration to be incurred.

(k) Foreign Currency Transactions

The Company s reporting currency and the functional currency is the United States of America dollars as this assessed to be the principal currency of the economic environments in which they operate. Transactions denominated in foreign currencies (currencies other than the functional currency of an operation) are translated to the respective functional currency at exchange rates ruling at the dates of the underlying transactions.

(l) Financial Instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

MINERA ESCONDIDA LIMITADA

Notes to the Financial Statements

December 31, 2009 and 2008

(3) Significant Accounting Policies, Continued

(l) Financial Instruments, Continued

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: interest bearings liabilities and borrowings and trade and other payables.

MINERA ESCONDIDA LIMITADA

Notes to the Financial Statements

December 31, 2009 and 2008

(3) Significant Accounting Policies, Continued

(l) Financial Instruments, Continued

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost.

(iii) Derivative financial instruments

The Company accounts for derivatives and hedging activities in accordance with IAS 39, *Financial Instruments: Recognition and Measurements* as amended. Derivate instruments are recorded on the statement of financial position at their respective fair value. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred.

Derivatives, including those embedded in other contractual arrangements but separated for accounting purposes because they are not clearly and closely related to the host contract, are initially recognized at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. The resulting gain or loss on re-measurement is recognized in the statement of comprehensive income. The measurement of fair value is based on quoted market prices. Where no price information is available from a quoted market source, alternative market mechanisms or recent comparable transactions, fair value is estimated based on the Company s views on relevant prices.

The Company s financial instrument policy is designed to achieve sales at the average annual London Metal Exchange (LME) price shifted forward by one month and three to four months, for cathodes and concentrates, respectively, for all tonnes of copper shipped in a given calendar year. In the case where copper is sold with a different quotation period than our targeted standard price or shipments are not distributed evenly over the year, derivates financial instruments are entered into to achieve the average sales price and timing described immediately above. Changes in the fair value of these financial instruments are recognized immediately in profit and loss.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit or loss.

MINERA ESCONDIDA LIMITADA
Notes to the Financial Statements
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(3) Significant Accounting Policies, Continued

(m) Revenue Recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable. Revenue is recognized when persuasive evidence, usually in the form of an executed sales agreement, or an arrangement exists, indicating there has been a transfer of risk and rewards to the customer, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectability is reasonably assured. This is generally when title to copper concentrate and copper cathode passes to the buyer when the ships depart from the loading port. The passing of title to the customer is based on the terms of the sales contracts. These contracts provide for the Company to issue a provisional invoice, with the final sales price to be determined and invoiced. For the provisional sales the sales price is determined on a provisional basis at the date of sale; adjustments to the sales price subsequently occurs based on movements in quoted market or contractual prices up to the date of final pricing. The period between provisional invoicing and final pricing is typically between 60 and 120 days. Revenue on provisional priced sales is recognized based on the estimated fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative. Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognized as an adjustment to revenue. In all cases, fair value is estimated by reference to forward market prices.

Under the copper concentrate sales contracts with smelters, final prices are set on a specified future quotation period, typically three months after the month of arrival. For copper cathode sales contracts, final prices are typically one month after the month of arrival. Revenues are recorded under these contracts at the time title passes to the buyer based on the forward price for the expected settlement period. The contracts, in general, provide for a provisional payment based upon provisional assays and quoted metal prices. Final settlement is based on the average applicable price for a specified future period, and generally occurs from four to six months after shipment of copper concentrates and two months for copper cathodes. Final sales are settled using smelter weights, settlement assays (average of assays exchanged and/or umpire assay results) and are priced as specified in the smelter contract. The form of the material being sold, after deduction for smelting and refining is in an identical form to that sold on the London Bullion Market. The form of the product is metal in flotation concentrate, which is the final process for which the Company is responsible.

For the concentrate mineral sales the refining treatment and shipping charges are netted against operating revenues in accordance with industry practices. There is also an embedded derivative regarding refining treatment price participation clauses in the concentrate mineral sales contracts which does not qualify for hedge accounting.

MINERA ESCONDIDA LIMITADA
Notes to the Financial Statements
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(3) Significant Accounting Policies, Continued

(n) Overburden Removal Costs

Overburden and other mine waste materials are often removed during the initial development of a mine site in order to access the mineral deposit. This activity is referred to as development stripping. The directly attributable costs (inclusive of an allocation of relevant overhead expenditure) are initially capitalized as assets under construction . Capitalization of development stripping costs ceases at the time that saleable material begins to be extracted from the mine. On completion of development, all assets included in assets under construction are transferred to other mineral assets .

Removal of waste material normally continues throughout the life of a mine. Production stripping commences at the time that saleable materials begin to be extracted from the mine. The costs of production stripping are charged to profit and loss as operating costs when the ratio of waste material to ore extracted for an area of interest is expected to be constant throughout its estimated life. When the ratio of waste to ore is not expected to be constant, production stripping costs are accounted for as follows:

All costs are initially charged to profit and loss and classified as operating costs

When the current ratio of waste to ore is greater than the estimated life-of-mine ratio, a portion of the stripping costs (inclusive of an allocation of relevant overhead expenditure) is capitalized to other mineral assets

In subsequent years when the ratio of waste to ore is less than the estimated life-of-mine ratio, a portion of capitalized stripping costs is charged to the income statement as operating costs

The amount of production stripping costs capitalized or charged in a financial year is determined so that the stripping expense for the financial year reflects the estimated life-of-mine ratio. Changes to the estimated life of mine ratio are accounted for prospectively from the date of the change.

(o) Exploration and Evaluation Expenses

Exploration and evaluation activity involves the search for mineral and water resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

Researching and analyzing historical exploration data

Gathering exploration data through topographical, geochemical and geophysical studies

Exploratory drilling, trenching and sampling

Determining and examining the volume and grade of the resource

Surveying transportation and infrastructure requirements

Conducting market and finance studies

MINERA ESCONDIDA LIMITADA
Notes to the Financial Statements
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(3) Significant Accounting Policies, Continued

(o) Exploration and Evaluation Expenses, Continued

Administration costs that are not directly attributable to a specific exploration area are charged to profit and loss. License costs paid in connection with a right to explore in an existing exploration area are capitalized and amortized over the term of the permit.

Exploration and evaluation expenditure (including amortization of capitalized license costs) is charged to profit and loss as incurred, except where the existence of a commercially viable mineral deposit has been established.

(p) Development Expenditure

When proved reserves are determined and development is sanctioned, capitalized exploration and evaluation expenditure is reclassified as assets under construction , and is disclosed as a component of property, plant and equipment. All subsequent development expenditure is capitalized and classified as assets under construction . Development expenditure is net of proceeds from the sale of ore extracted during the development phase.

On completion of development, all assets included in assets under construction are reclassified as either plant and equipment or other mineral assets in case of deferred stripping.

(q) Finance Income and Finance Cost

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(r) Rounding of Amounts

Amounts in this financial report have, unless otherwise indicated, been rounded to the nearest thousand dollars.

(s) Comparatives

Where applicable, comparatives have been adjusted to disclose them on the same basis as current period figures.

MINERA ESCONDIDA LIMITADA
Notes to the Financial Statements
December 31, 2009 and 2008

(4) Transition to IFRS

(a) Explanation of transition to IFRSs

(i) Applying IFRS 1

These financial statements prepared under the IFRS accounting basis as at and for the year ended December 31, 2009 (including comparative financial information for the year ended December 31, 2008) include disclosures applicable for entities reporting their first application of IFRS. Such disclosures prescribed by International Financial Reporting Standard 1 First-Time Adoption of International Financial Reporting Standards (IFRS 1 First Time Adoption) include; transition accounting policies and adjustments from the Company s previously applied accounting basis, an opening statement of financial position as at the earliest comparative period presented on the basis of IFRS, reconciliation of equity and reported profit or loss as of the date of transition, adjustments to presentations of cash flow statements and other matters.

As stated in note 2(a), these are the Company s first financial statement prepared in accordance with IFRSs.

The accounting polices set out in note have been applied in preparing the financial statement for the year ended 31 December 2009, the comparative information presented in the financial statement for the year ended 31 December 2008 and in the preparation of an opening IFRS statement of financial position at 1 January 2008 (the Company s date transition).

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts report previously in financial statement prepared in accordance with Chilean GAAP (previous GAAP). An explanation of how the transition from previous GAAP to IFRSs has affected the Company s financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

(b) Reconciliation between IFRS and generally accepted accounting principles in Chile (Chilean GAAP)

(i) Members equity as at December 31, 2008 and January 1, 2008

The equity reconciliation of Company Chilean GAAP to IFRS is the following:

	1-Jan-08 ThUS$	**31-Dec-08 ThUS$**
Members equity on the basis of Chilean GAAP	3,906,402	3,153,364
Fixed asset (a)	16,606	16,606
Deferred taxes (b)	(975)	(975)
Transition effects	15,631	15,631
Members equity according to IFRS	3,922,033	3,168,995

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(4) Transition to IFRS, Continued

(ii) Members equity as at December 31, 2008 and January 1, 2008, Continued

Explanation of differences

(a) The conversion adjustment as at the date of transition is the result of the process of re-evaluation of the depreciation methods adopted by the Company in order to achieve a better model to reflect consumption of the future economic benefits of its fixed assets. Amounts are presented net of tax effect.

(b) These adjustments are the result of the re-calculation of deferred taxes according to IAS 12 Income Taxes.

(iii) Statement of comprehensive income as of December 31, 2008

	31-Dec-08 ThUS$
Statement of comprehensive income on the basis of Chilean GAAP	3,570,290
Other adjustment	2,857
Statement of comprehensive income according to IFRS	3,573,147

(5) Financial Risk Management

The financial risk arising from the Company s operations are credit risk, liquidity risk, market risk and operational risk. These risks arise in the normal course of business, and the Company manages its exposure to them in accordance with the BHP Billiton Group s portfolio risk management strategy. The objective of the strategy is to support the delivery of the Group and Company s financial targets, while protecting its future financial security and flexibility by taking advantage of the Company s operations and activities.

A cash flow at risk (CFaR) framework is used to measure the aggregate and diversified impact of financial risk upon the Company s financial targets. The CFaR is defined as the worst expected loss relative to projected business plan cash flow over a one year horizon under normal market conditions. The CFaR includes board-approved limits.

The Financial risk management as at December 31, 2009 and 2008 consists in the following:

MINERA ESCONDIDA LIMITADA
Notes to the Financial Statements
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(5) Financial Risk Management, Continued

(a) Exposure to credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company s receivables from customers. To manage credit risk the Company maintains group-wide procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As pat of these processes the financial viability of all counterparties is regularly monitored and assessed.

The Company s credit risk exposures are categorized under the following:

(i) Counterparties

The Company conducts transactions with the following major types of counterparties:

Receivables counterparties the majority of sales to the Company s customers are made on open terms.

Derivate counterparties counterparties to derivative contracts consist of a diverse number of financial institutions and industrial counterparties in the relevant markets.

Cash investment counterparties the Company holds short-term cash investment with approved financial institutions.

The Company has no significant concentration of credit risk with any single counterparty or group of counterparties.

The Company s exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company s standard payment and delivery terms and conditions are offered. The Company s review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount, these limits are reviewed quarterly. Customers that fail to meet the Company s benchmark creditworthiness may transact with the Company only on a prepayment basis.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Company may have a secured claim. The Company does not require collateral in respect of trade and other receivables.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

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Notes to the Financial Statements
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(5) Financial Risk Management, Continued

	Book value 2009 ThUS$	**Book value 2008 ThUS$**
Receivables trade	1,280,904	282,307
Receivables employee loans	47,117	22,350
Total current trade and other receivables	1,328,021	304,657
Receivables trade non-current		
Receivables employee loans non-current	25,671	11,909
Total current trade and other receivables - non current	25,671	11,909
Total credit exposure	1,353,692	316,566

The balances of the trade receivables as at December 31, 2009 and 2008 include the provisional invoices issued for copper concentrate and copper cathode shipments. Such invoices are based on the weight measured by the Company and on the tests subject to review and final agreement by the clients. According to the terms and conditions of the sale contracts, the final price received will also be dependent on the copper prices quoted on global metal exchanges, including the LME, during the future quotational periods applicable to each delivery. As at December 31, 2009 and 2008, provisional invoicing agreement sales have been valued according to the future prices. Refining, treatment, and shipment charges are offset against operating income, in accordance with industry standards. The Company has not recorded a provision for uncollectable accounts.

The aging of current and non-current trade and other receivables at the reporting date was:

	Gross 2009 ThUS$	**Impaired 2009 ThUS$**	**Gross 2008 ThUS$**	**Impaired 2008 ThUS$**
Not past due	1,325,170		291,685	
Past due 0-30 days	1,965		4,707	
Past due 31-120 days	886		8,265	
More than one year	25,671		11,909	
Totals	1,353,692		316,566	

The Company believes that the unimpaired amounts that are past due by more than 30 days are collectible, based on historic payment behavior and analyses of the underlying customer credit ratings.

MINERA ESCONDIDA LIMITADA
Notes to the Financial Statements
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(5) Financial Risk Management, Continued

Based on historic default rates, the Company believes that no impairment allowance is necessary in respect of trade receivables.

During 2009 and 2008 no renegotiation of the terms of receivables has occurred.

(ii) Investments

The Company does not invest in securities.

(iii) Guarantees

The Company has not issued financial guarantees.

(b) Exposure to liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company s reputation.

The Company s strong credit profile and diversified funding sources ensure that sufficient liquid funds are maintained to meet its daily cash requirements. The Company s policy on counterparty credit exposure ensures that only counterparties of a high credit standing are used for the investment of any excess cash.

In addition, the Company maintains the BHP Billiton Group s support and procedures as illustrated bellow:

The Company resists granting longer payment terms to customers and not granting open credit terms to existing secure customers unless they are backed by strong financial strength. The President of marketing s approval will be sought before extended payment term is granted.

Alerts have been set up to track latest updates of our key customers with open credit.

Deliveries to customers will be suspended when we have unusual overdue.

Marketing will stay in frequent contact with customers to head off late payments and obtain better understanding of their recent development with heightened focus on operating cash flows.

MINERA ESCONDIDA LIMITADA
Notes to the Financial Statements
December 31, 2009 and 2008

(5) Financial Risk Management, Continued

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements at December 31, 2009:

	Current amount ThUS$	Contractual cash flow ThUS$	6 months or less ThUS$	6-12 months ThUS$	1-2 years ThUS$	2-5 years THUS$	Over 5 years THUS$
Non-derivative financial liabilities							
Trade and other payables, current and non-current:	388,615	(442,615)	(388,615)		(9,000)	(27,000)	(18,000)
Interest bearing liabilities, current and non- current:	765,000	(780,603)	(138,538)	(54,117)	(366,571)	(151,921)	(69,456)
Due to related companies, current and non-current:	283,022	(315,992)	(71,335)	(29,687)	(57,183)	(135,838)	(21,949)
Derivative financial liabilities							
Other financial liabilities, current and non-current	99,393	(99,393)	(86,273)	(10,663)	(2,457)		

It is not expected that the cash flows included in the maturity analysis will occur significantly earlier, or significantly later than the settlement date.

(c) Exposure to market risk

Market risk is the risk that changes in market interest rates, commodity prices and foreign exchange rates will affect the Company s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

In executing its strategy, financial instruments are potentially employed in three distinct but related activities. The following table summarises these activities and the key risk management process.

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December 31, 2009 and 2008

(5) Financial Risk Management, Continued

Activity	**Key management processes**
1. Risk mitigation	
Hedging of revenues with financial instruments could be executed to mitigate risk at the portfolio level when CFaR exceeds the Board-approved limits. Similarly, and on an exception basis, hedging for the purposes of mitigating risk related to specific and significant expenditure on investments or capital projects will be executed if necessary to support the Company s strategic objectives.	- Assessment of portfolio CFaR against Boar-approved limits. - Execution of transactions within approved mandates.
2. Economic hedging of commodity sales, operating costs and debt instruments	
Where Company commodity production is sold to customers on pricing terms that deviate from the relevant index target, and where a relevant derivatives market exists, financial instruments are executed as an economic hedge to align the revenue price exposure with the index target. Where debt is issued with a currency or interest rate profile that deviates from the relevant index target, fair value hedges are executed to align the debt exposure with the index target. Similarly, where specific and significant operating costs are contracted in a currency that deviates from the relevant index target, financial instruments are executed as an economic hedge to align the currency exposure with the index target.	- Assessment of portfolio CFaR against Board-approved limits. - Measuring and reporting the exposure in customer commodity contracts and issued debt instruments. - Executing hedging derivatives to align the total group exposure to the index target.
3. Strategic financial transactions	
Opportunistic transactions may be executed with financial instruments to capture value from perceived market over/under valuations.	- Exposures managed within value at risk and stop loss limits. - Execution of transactions within approved mandates.

Primary responsibility for identification and control of financial risks, including authorizing and monitoring the use of financial instruments for the above activities and stipulating policy thereon, rests with the Financial Risk Management Committee under authority delegated by the Company Management Committee.

(i) Interest rate risk

The Company is exposed to interest rate risk on its outstanding borrowings from the possibility that changes in interest rates will affect future cash flows or the fair value of variable interest rate. The interest rate is effective from the beginning of the financial year and fixed/floating mix and balances are constant over the year.

MINERA ESCONDIDA LIMITADA
Notes to the Financial Statements
December 31, 2009 and 2008

(5) Financial Risk Management, Continued

Based on the net debt position as at December 31, 2009, it is estimated that one percentage point increase in the LIBOR interest rate will decrease the Company s profit after taxation and equity by US$12.2 million (2008: decrease of US$16.4 million). This assumes that the change in interest rates is effective from the beginning of the financial year and the fixed/floating mix and the balances are constant over the year.

A sensitivity analysis is illustrated bellow:

	2009 ThUS$	2008 ThUS$
1% rate variation effect		
External debt international banks	9,678	11,150
External debt domestic banks		2,143
Subordinated debt	2,561	3,069
Total variation	12,239	16,362

(ii) Commodity price risk

Contracts for the sale of commodities are executed whenever possible on a pricing basis to achieve a relevant index target. Where pricing terms deviate from the index, derivative commodity contracts are used when available to return realized prices to the index.

Financial instruments with commodity price risk included in the following table are those entered into for the following activity:

- Economic hedging of prices on commodity contracts as described above:

	2009		2008	
Forward commodity	**Fair value of asset ThUS$**	**Fair value of liability ThUS$**	**Fair value of asset ThUS$**	**Fair value of liability ThUS$**
Copper	130,798	(97,165)	311,636	(831,092)
Totals	130,798	(97,165)	311,636	(831,092)
Includes:				
Current	126,281	(94,708)	223,665	(738,559)
Non-current	4,517	(2,457)	87,971	(92,533)

MINERA ESCONDIDA LIMITADA
Notes to the Financial Statements
December 31, 2009 and 2008

(5) Financial Risk Management, Continued

The Company s exposure at December 31, 2009 and 2008 to the impact of movements in commodity markets upon the financial instruments is set out in the following table:

		2009		2008	
	Units of exposure	Net exposure receive/(deliver)	Impact on equity and profit of 10% movement in market price (post-tax) ThUS$	Net exposure receive/(deliver)	Impact on equity and profit of 10% movement in market price (post-tax) ThUS$
Copper	´000 tons	380	215,910	232	56,218

(iii) Foreign currency risk

The US dollar is the functional currency of the Company and as a result currency exposures arise from transactions and balances in currencies other than US dollar. The Company s potential currency exposures comprise transactional exposure in respect of non-functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of an operation are periodically restated to US dollar equivalents, and the associated gain or loss is taken to profit or loss.

The following table shows the foreign currency risk on the financial assets and liabilities of the Company s operations denominated in currencies other than the functional currency of the operations at December 31, 2009:

Functional currency - US dollar	Net financial assets/(liabilities) 2009 ThUS$	Net financial assets/(liabilities) 2008 ThUS$
Cash and cash equivalents	3,970	657
Trade and other receivables	6,974	53,349
Current tax asset/(liability)	(97,845)	82,035
Trade and other payables	(68,572)	(62,370)
Provisions	(56,160)	(108,897)
Net exposure	(211,633)	(35,226)

The Company s foreign currency risk is managed as part of the risk management strategy within the overall CFaR limit.

MINERA ESCONDIDA LIMITADA
Notes to the Financial Statements
December 31, 2009 and 2008

(5) Financial Risk Management, Continued

The principal non-functional currencies to which the Company is exposed are the Chilean Pesos. Based on the Company s net financial assets and liabilities as at 31 December 2009 and 2008, a weakening of the US dollar against these currencies as illustrated in the table below, with all other variables held constant, would have affected post-tax profit and equity as follow:

	2009 ThUS$		2008 ThUS$	
Currency movement	**Post-tax profit**	**Equity**	**Post-tax profit**	**Equity**
A +/- $10 (Chilean peso) variation:	1,710	1,710	545	545

The foreign exchange rate used as of December 31, 2009 was CL$507.10 to US$1 (CL$636.45 to US$1 for 2008).

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

The asset and liabilities fair value approximates the carrying value.

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group s operations.

The Company s objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company s reputation.

(i) Capital management

The Company s capital management policy is exclusively restricted by the covenants established in the loan agreements with foreign banks. The net worth of the Company may not be less than US$900 million, measured upon completing the corresponding 12-month fiscal period.

MINERA ESCONDIDA LIMITADA

Notes to the Financial Statements

December 31, 2009 and 2008

(5) Financial Risk Management, Continued

The return on capital is measured regularly and its interpretation is according to the market scenario, production restrictions and LME copper prices, among other variables.

The dividend policy is analyzed by Management according to the profitability of the periods and cash flows requirements. These requirements are strongly impacted by the Company s capital projects, normal debt to creditors and taxes. Additionally, precautions must be adopted before any eventual commodity price drops and their possible impact on a negative cash flow outcome that might force payments to clients.

The financial debt/equity ratio, calculated by the Company at the end of the balance period is illustrated bellow:

	2009 ThUS$	**2008 ThUS$**
Total liabilities	2,399,835	3,935,260
Less: cash and cash equivalent	(289,775)	(112,127)
Net debt	2,110,060	3,823,133
Total net members equity	5,568,590	3,168,995
Less: amounts accumulated in members equity in relation to cash flow coverage		
Net members equity, restated	5,568,590	3,168,995
Financial debt/equity ratio	0.38	1.21

(6) Determination of Fair Value

(i) Derivatives

The fair value of forward sales commodity forward contracts is based on their listed market price. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and counterparty when appropriate.

(ii) Restoration and rehabilitation provisions

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest costs, discounted at a rate of interest at the reporting date.

MINERA ESCONDIDA LIMITADA
Notes to the Financial Statements
December 31, 2009 and 2008

(7) Cash and Cash Equivalents

The mix of cash and cash equivalent is as follows:

	2009 ThUS$	2008 ThUS$	Jan 1, 2008 ThUS$
Cash	5	7	8
Bank balances	1,245	766	840
Short-term deposits less than 3 months	288,525	111,354	26,093
Total cash and cash equivalents	289,775	112,127	26,941

Cash equivalents of ThUS$288,525, ThUS$111,354 and ThUS$26,093 at December 31, 2009, 2008 and January 1, 2008, respectively, consist of short term investments with an initial term of less than one month in financial instruments issued by Commercial Banks and Central Bank of Chile Securities. For the purpose of the statement of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

(8) Reconciliation of Cash Flows from Operating Activities

The reconciliation of cash flows from operating activities for the years ended December 31, 2009 and 2008 is as follows:

	Note	2009 ThUS$	2008 ThUS$
Profit for the period		3,199,595	3,573,147
Adjustments for:			
Depreciation	14	336,374	320,807
Amortization of intangibles	15	272	91
Write-off and disposals of assets	14	85,512	42,867
Finance expense		4,320	7,365
Finance revenue		(637)	(3,601)
Income tax expenses	13	825,156	919,370
Deferred Stripping	14	486,488	415,651
Cash flow from operating activities before changes in working capital and provisions		4,937,080	5,275,697

MINERA ESCONDIDA LIMITADA
Notes to the Financial Statements
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(8) Reconciliation of Cash Flows from Operating Activities, Continued

	2009 ThUS$	2008 ThUS$
Changes in trade and other receivables	(1,023,364)	702,798
Changes in inventories	(332,847)	(308,651)
Changes in due from related companies	(38,920)	(4,594)
Changes in other financial assets	97,384	(138,478)
Changes in trade and other payables	(370,408)	472,487
Changes in provisions	47,458	(1,602)
Changes in other financial liabilities	(640,192)	637,918
Changes in due to related companies	(24,015)	13,281
Changes in other assets and liabilities	484,219	(515,841)
Income tax paid	(262,828)	(1,236,079)
Net cash from operating activities	2,873,567	4,896,936

(9) Financial Instruments
December 31, 2009

Assets	Note	Derivatives ThUS$	Other non-financial assets ThUS$	Totals ThUS$
Other financial assets, current and non-current	17	130,798		130,798
Trade and other receivables, current and non-current	10		1,353,692	1,353,692
Due from related companies, current and non-current	11		73,403	73,403
Cash and cash equivalents	7		289,775	289,775
Totals		130,798	1,716,870	1,847,668

Liabilities	Note	Derivatives ThUS$	Other non-financial liabilities ThUS$	Totals ThUS$
Interest bearing liabilities	20		765,000	765,000
Due to related companies, current and non-current	11		283,022	283,022
Trade and other payables, current and non-current	19		388,615	388,615
	21	99,393		99,393

Other financial liabilities current and non-current			
Totals	99,393	1,436,637	1,536,030

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Notes to the Financial Statements
December 31, 2009 and 2008

(9) Financial Instruments, Continued
December 31, 2008

Assets	Note	Derivatives ThUS$	Other non-financial assets ThUS$	Totals ThUS$
Other financial assets, current and non-current	17	311,636		311,636
Trade and other receivables, current and non-current	10		316,566	316,566
Due from related companies, current and non-current	11		34,483	34,483
Cash and cash equivalents	7		112,127	112,127
Totals		311,636	463,176	774,812

Liabilities	Note	Derivatives ThUS$	Other non-financial liabilities ThUS$	Totals ThUS$
Interest bearing liabilities	20		1,493,200	1,493,200
Due to related companies, current and non-current	11		355,037	355,037
Trade and other payables, current and non-current	19		764,601	764,601
Other financial liabilities, current and non-current	21	829,661		829,661
Totals		829,661	2,612,838	3,442,499

January 1, 2008

Assets	Note	Derivatives ThUS$	Other non-financial assets ThUS$	Totals ThUS$
Other financial assets, current and non-current	17	92,162		92,162
Trade and other receivables, current and non-current	10		1,024,018	1,024,018
Due from related companies, current and non-current	11		29,889	29,889
Cash and cash equivalents	7		26,941	26,941

Totals		92,162	1,080,848	1,173,010

Liabilities	**Note**	**Derivatives ThUS$**	**Other non-financial liabilities ThUS$**	**Totals ThUS$**
Interest bearing liabilities	20		935,000	935,000
Due to related companies, current and non-current	11		389,756	389,756
Trade and other payables, current and non-current	19		297,264	297,264
Other financial liabilities, current and non-current	21	106,084		106,084
Totals		106,084	1,622,020	1,728,104

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Notes to the Financial Statements
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(10) Trade and Other Receivables

The composition of the balance of trade and other receivables as at December 31, 2009, 2008 and January 1, 2008 is the following:

	2009 ThUS$	2008 ThUS$	Jan 1, 2008 ThUS$
Current			
Trade receivables:			
Domestic clients	142,931	5,250	126,872
Foreign clients	1,129,516	252,957	840,999
Total trade receivables, current	1,272,447	258,207	967,871
Receivable from employees	46,459	19,609	29,045
Other sundry receivables (*)	9,115	26,841	10,539
Total other receivable, current	55,574	46,450	39,584
Total trade and other receivables, current	1,328,021	304,657	1,007,455
Non-current			
Receivable from employees housing program and other	25,671	11,909	16,563
Total receivables, non-current	25,671	11,909	16,563

(*) Other accounts receivable from the sale of scrap, unused warehouse articles and other sales.

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Notes to the Financial Statements
December 31, 2009 and 2008

(11) Balances and Transactions with Related Companies

(a) The accounts receivable from related companies as at December 31, 2009, 2008 and January 1, 2008 consist in the following:

Company	Nature of the relationship	2009 ThUS$	2008 ThUS$	Jan 1, 2008 ThUS$
BHP Billiton Marketing A.G.	Common owners	49,071	29,534	29,810
Minera Spence S.A.	Common owners	22,926	3,427	
Compañía Minera Cerro Colorado Ltda.	Common owners	404	1,040	52
Others	Miscellaneous	1,002	482	27
Total current		73,403	34,483	29,889

(b) The accounts payable to related companies as at December 31, 2009, 2008 and January 1, 2008 consist in the following:

Company	Nature of the relationship	2009 ThUS$	2008 ThUS$	Jan 1, 2008 ThUS$
BHP Billiton Marketing AG.	Common owners	15,040	25,279	32,557
BHP Chile Inc.	Common owners	2,410	26,737	5,175
Minera Spence S.A.	Common owners	671	8,600	7,084
Compañía Minera Cerro Colorado Ltda.	Common owners	145	2,808	
BHP Finance International Inc.	Common owners	22,378	187	
BHP International Finance Corporation	Common owners	48,276	48,462	28,621
Rio Tinto Finance PLC	Common owners			14,748
Others	Miscellaneous	102	964	11,571
Total current		89,022	113,037	99,756
BHP International Finance Corporation	Common owners	91,150	118,750	166,750
Río Tinto Finance PLC	Common owners	72,600	87,000	87,000
Japan Escondida Finance	Common owners	24,200	29,000	29,000
International Finance Corp.		6,050	7,250	7,250

	Common owners			
Total non-current		194,000	242,000	290,000

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Notes to the Financial Statements
December 31, 2009 and 2008

(11) Balances and Transactions with Related Companies, Continued

(c) The significant transactions with the related companies are summarized as follows:

Company	Nature of the relationship	Transaction	2009 Amount ThUS$	2009 Effect on profit (debit)/credit ThUS$	2008 Amount ThUS$	2008 Effect on profit (debit)/credit ThUS$	Jan 1, 2008 Amount ThUS$	Jan 1, 2008 Effect on profit (debit)/credit ThUS$
BHP Billiton Marketing AG	Common owners	Sales agency commissions	15,565	(15,565)	19,446	(19,446)	21,224	(21,224)
BHP Billiton Marketing AG	Common owners	Freights	114,276	(114,276)	211,716	(211,716)	240,811	(240,811)
BHP Billiton Marketing AG	Common owners	Sales	264,611	264,611	250,781	250,781	629,942	629,942
BHP Mineral International	Common owners	Reimbursement of expatriates salaries and others	23,205	(23,205)	4,547	(4,547)	10,782	(10,782)
BHP Chile Inc.	Common owners	Financial services	2,674	(2,674)	2,798	(2,798)	5,187	(5,187)
BHP Chile Inc.	Common owners	Reimbursement of capital project	46,218	(46,218)	53,924	(53,924)	19,631	(19,631)
BHP Chile Inc.	Common owners	Marketing services	1,800	(1,800)	1,800	(1,800)	1,800	(1,800)
BHP Chile Inc.	Common owners	Sales commissions	958	(958)	2,766	(2,766)	588	(588)
BHP Finance International Inc.	Common owners	Debt interest	4,697	(4,697)				
BHP International Finance Corporation	Common owners	Debt interest	9,201	(9,201)	15,647	(15,647)	20,561	](20,561)
Río Tinto Finance PLC	Minority ownership	Debt interest	7,523	(7,523)	7,815	(7,815)	10,727	(10,727)
Japan Escondida Finance	Minority ownership	Debt interest	2,418	(2,418)	2,605	(2,605)	3,576	(3,576)
International finance	Minority ownership	Debt interest	604	(604)	651	(651)	894	(894)

Corporation								
BHP Finance International Inc.	Common property	Loan obtained	143,750					
Río Tinto Finance PLC	Minority ownership	Loan obtained	75,000					
Japan Escondida Finance	Minority ownership	Loan obtained	25,000					
International finance Corporation	Minority ownership	Loan obtained	6,250					
BHP Finance International Inc.	Common property	Debt paid	143,750					
BHP International Finance Corp.	Common property	Debt paid	27,600		27,600		27,600	
Río Tinto Finance PLC	Minority ownership	Debt paid	89,400		14,400		14,400	
Japan Escondida Finance	Minority ownership	Debt paid	29,800		4,800		4,800	
International finance Corporation	Minority ownership	Debt paid	7,450		1,200		1,200	
BHP International Finance Corp.	Common owners	Dividends paid	460,000		2,487,556		3,087,750	
Río Tinto Finance PLC	Minority ownership	Dividends paid	240,000		1,297,856		1,611,000	
Japan Escondida Finance	Minority ownership	Dividends paid	80,000		432,619		537,000	
International finance Corporation	Minority ownership	Dividends paid	20,000		108,154		134,250	
Minera Cerro Colorado Ltda.	Common owners	Sales	21,042	21,042	16,680	16,680	48,401	48,401
Minera Spence S.A.	Common owners	Sales	102,278	102,278	8,398	8,398	39,167	39,167
BMI- Base Metals	Common owners	Sales	3,829	3,829				

The subordinated debt to members at December 31, 2009, 2008 and January 1, 2008, consist in the following:

	2009 ThUS$	**2008 ThUS$**	**Jan 1, 2008 ThUS$**
Lender			

BHP International Finance Corporation	139,150	166,750	194,350
Rio Tinto Finance PLC	72,600	87,000	101,400
JECO Corporation	24,200	29,000	33,800
International Finance Corporation	6,050	7,250	8,450
Subtotal	242,000	290,000	338,000
Less:			
Current portion	(48,000)	(48,000)	(48,000)
Total non-current portion	194,000	242,000	290,000

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(11) Balances and Transactions with Related Companies, Continued

Draw downs of subordinated debt to members have been made as follows:

US$295 million during December 1998, payable in 30 semi-annual payments commencing on June 15, 1999. Interest accrues at LIBOR plus 4% and is payable semi-annually on June 15 and December 15.

US$200 million during May and June 2000, payable in 30 semi-annual payments commencing on December 15, 2000. Interest accrues at LIBOR plus 4% and is payable semi-annually on June 15 and December 15.

US $150 million on May 11, 2001, with a grace period of 5 years for principal payable in 20 semi-annual payments commencing on June 15, 2006. Interest accrues at LIBOR plus 4% and is payable semi-annually on June 15 and December 15.

US$250 million loan was obtained in 2009, which was fully repaid on September 2009.

Under the terms of the subordinated loan agreement, the borrower can elect to capitalize interest due on each payment date to existing debt. Interest payable is shown as a current liability until such time as the election is made or until such interest is paid. No interest was capitalized for the years ended December 31, 2009 and 2008.

The subordinated debt to members is unsecured.

Scheduled principal payments on subordinated debt to members at December 31, 2009 are as follows:

Principal payments following the year ending December 31, 2009	**Subordinated debt to members ThUS$**
2010	48,000
2011	48,000
2012	48,000
2013	48,000
2014	28,333
2015 and after	21,667
Totals	242,000

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(12) Inventories

The inventories as at December 31, 2009, 2008 and January 1, 2008 consist of the following:

	2009 ThUS$	2008 ThUS$	Jan 1, 2008 ThUS$
Current			
Consumables and material	363,415	299,150	173,888
Work in progress	670,368	375,913	223,913
Finished products	46,262	72,577	42,585
Provision stock obsolescence	(5,257)	(5,699)	(7,096)
Total inventories	1,074,788	741,941	433,290

(13) Income Taxes and Deferred Income Taxes

(a) Income tax expenses

The expense (benefit) for income taxes for the years ended December 31, 2009 and 2008 consist of the following:

	2009 ThUS$	2008 ThUS$
Current income tax expense	515,470	895,911
Deferred tax expense	309,686	23,459
Total income tax expense	825,156	919,370

Reconciliation of effective tax rate:

	%	2009 ThUS$	%	2008 ThUS$
Profit before taxation		4,024,751		4,492,517
Tax on profit at statutory rate of 20.32	20.32	817,829	20.32	912,879
Factors affecting income tax expense for the period				
Amount under/(over) provided in prior years	0.18	7,327	0.14	6,491
Total taxation expense	20.50	825,156	20.46	919,370

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