Pacific Aluminium (New Zealand) Limited

Annual financial report

For the year ended 31 December 2021

Pacific Aluminium (New Zealand) Limited

Annual financial report
For the year ended 31 December 2021

Contents

Directors' report

Your directors present their report on Pacific Aluminium (New Zealand) Limited (the "Company") for the year ended 31 December 2021.

With the unanimous agreement of all shareholders, the Company has taken advantage of the reporting concessions available to it under Section 211(3) of the Companies Act 1993.

The directors of the Company authorised these financial statements presented on pages 3 to 37 for issue on 04 April 2022.

Principal activities

The principal activity of the Company remained the operation of an aluminium business including the purchase of alumina and the production and marketing of primary aluminium. The Company has a 79.36% interest in New Zealand Aluminium Smelters Limited (NZAS), the principal activity of which is the conversion of alumina into aluminium.

There were no significant changes in the nature of the activities of the Company during the year.

Review of operations

	2021 $'000	2020 $'000
Profit/(loss) before income tax	**189,388**	(325,059)
Income tax charge	**(49,331)**	(40,553)
Profit/(loss) after income tax	**140,057**	(365,612)

The net result of the Company after income tax was a profit of $140,057,000 (2020: loss of $365,612,000). In the previous year, the results of New Zealand Aluminium Smelters Limited ('NZAS') were significantly impacted by material non-cash items that were not related to the underlying performance of the aluminium business.

Reconciliation of statutory results to underlying results

	2021 $'000	2020 $'000
Statutory profit/(loss) after income tax	**140,057**	(365,612)
Impairment charges	**-**	223,275
Fair value adjustment of LME embedded derivative	**-**	42,824
Underlying profit/(loss) after income tax	**140,057**	(99,513)

In 2021, the underlying result reflects a mixed operating environment in comparison to the previous year. Higher LME prices and premiums contributed to a $265 million or 35.9% increase (2020: $102 million or 12.1% decrease) in metal revenues. In addition, the Company incurred lower power costs during the year as a result of the re-negotiated power contract with Meridian Energy. These were offset by higher emission trading scheme and environmental restoration costs. During the year, the cash LME averaged US$2,480 per tonne which was a 45% increase on 2020 (2020: LME average of US$1,707 per tonne). The US$:NZ$ exchange rate averaged 0.68 (2020: average rate of 0.65). Aluminium production at the Company’s 79.36% owned New Zealand Aluminium Smelters Limited operation at 332,115 tonnes was 0.98% lower than in 2020 (2020: 335,405 tonnes).

Significant events in the financial year

On 14 January 2021 an agreement was reached between Rio Tinto as the ultimate holding company of Pacific Aluminium (New Zealand) Limited, which holds 79.36% of the Company, and Meridian Energy in relation to power prices, allowing the Company to continue operating the Tiwai Point aluminium smelter until December 2024.

On 13 December 2021, the New Zealand Government set the NZAS electricity allocation factor (EAF) for the main electricity agreement with Meridian Energy Limited to zero. This reduced the portion of the ETS grant relating to indirect allocation to nil for the 2021 financial year and resulted in an impairment of the intangible asset held at year end.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 31 December 2021 that has significantly affected the Company's operations, results or state of affairs, or may do so in future years.

Directors

The following persons held office as directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

P J Checketts
C S Blenkiron (appointed 22 January 2022)
M Gwisai (appointed 1 April 2021)
J E Tatkovic (appointed 10 July 2021, resigned 21 January 2022)
S A Hamilton (resigned 9 July 2021)
R G Prest (resigned 31 March 2021)

Company secretary	D Johnstone
Registered office and address for service	1530 Tiwai Road Tiwai Point Invercargill 9877
Auditor	KPMG 235 St. Georges Terrace Perth 6000
Solicitors	Chapman Tripp 10 Customhouse Quay PO Box 993 Wellington 6140

For and on behalf of the Board.

Director
04 April 2022

Director
04 April 2022

Pacific Aluminium (New Zealand) Limited

Annual financial report
31 December 2021

Contents

These financial statements are the financial statements of Pacific Aluminium (New Zealand) Limited. The financial statements are presented in New Zealand Dollars (NZD).

Pacific Aluminium (New Zealand) Limited is a company limited by shares, incorporated and domiciled in New Zealand. The Company is registered under the New Zealand Companies Act 1993. Its registered office and principal place of business is:

Pacific Aluminium (New Zealand) Limited
1530 Tiwai Road
Tiwai Point
Invercargill 9877

The parent entity is RTA Pacific Pty Limited and the ultimate parent entity is Rio Tinto Limited.

A description of the nature of the Company's operations and its principal activities is included in the directors' report, which does not form part of these financial statements.

The financial statements were authorised for issue by the directors on 04 April 2022. The directors have the power to amend and reissue the financial statements.

Pacific Aluminium (New Zealand) Limited
Statement of comprehensive income
For the year ended 31 December 2021

	Notes	2021 $'000	2020 $'000
Revenue from contracts with customers	4	**1,000,574**	735,915
Other income	5	**7,659**	5,686
Other losses	6	**-**	(59,478)
		1,008,233	682,123
Raw materials, energy and consumables used		**(560,174)**	(600,235)
Employee benefits expense	7	**(68,439)**	(70,600)
Depreciation and amortisation expense	7	**(5,805)**	(34,485)
Operating expenses		**(44,571)**	(38,191)
Impairment charges	7	**-**	(223,275)
Other expenses	7	**(131,285)**	(27,589)
Finance costs	7	**(8,571)**	(12,807)
		(818,845)	(1,007,182)
Profit/(loss) before income tax		**189,388**	(325,059)
Income tax charge	8	**(49,331)**	(40,553)
Profit/(loss) from continuing operations after tax		**140,057**	(365,612)
Total comprehensive income/(expense) for the year		**140,057**	(365,612)
Total comprehensive income/(expense) for the year is attributable to:			
Owners of Pacific Aluminium (New Zealand) Limited		**140,057**	(365,612)

For and on behalf of the Board

Director
04 April 2022

Director
04 April 2022

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Pacific Aluminium (New Zealand) Limited
Balance sheet
As at 31 December 2021

	Notes	**2021 $'000**	2020 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**6,712**	7,725
Trade and other receivables	10	**354,825**	83,817
Inventories	11	**154,824**	124,520
Total current assets		**516,361**	216,062
Non-current assets			
Receivables	12	**37,183**	37,153
Property, plant and equipment	13	**159,519**	-
Intangible assets	14	**-**	12,130
Total non-current assets		**196,702**	49,283
Total assets		**713,063**	265,345
LIABILITIES			
Current liabilities			
Trade and other payables	17	**153,934**	76,860
Borrowings	18	**-**	60,445
Provisions	20	**12,157**	18,397
Employee benefit obligations	21	**18,179**	18,831
Current tax liabilities	19	**50,818**	1,060
Lease liabilities	15	**3,086**	2,448
Total current liabilities		**238,174**	178,041
Non-current liabilities			
Provisions	20	**480,400**	229,428
Employee benefit obligations	21	**5,802**	5,681
Lease liabilities	15	**19,512**	23,077
Total non-current liabilities		**505,714**	258,186
Total liabilities		**743,888**	436,227
Net liabilities		**(30,825)**	(170,882)
EQUITY			
Contributed equity	22	**600,654**	600,654
Accumulated losses	23	**(631,479)**	(771,536)
Total deficiency		**(30,825)**	(170,882)

The above balance sheet should be read in conjunction with the accompanying notes.

Pacific Aluminium (New Zealand) Limited
Statement of changes in equity
For the year ended 31 December 2021

	Contributed equity $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 January 2021	600,654	(771,536)	(170,882)
Profit for the year	-	140,057	140,057
Total comprehensive income for the year	**-**	**140,057**	**140,057**
Balance at 31 December 2021	**600,654**	**(631,479)**	**(30,825)**

	Contributed equity $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 January 2020	600,654	(405,924)	194,730
Loss for the year	-	(365,612)	(365,612)
Total comprehensive expense for the year	**-**	**(365,612)**	**(365,612)**
Balance at 31 December 2020	**600,654**	**(771,536)**	**(170,882)**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Pacific Aluminium (New Zealand) Limited
Statement of cash flows
For the year ended 31 December 2021

	Notes	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**1,109,660**	874,536
Payments to suppliers and employees (inclusive of GST)		**(823,051)**	(866,291)
		286,609	8,245
Interest paid		**(1,444)**	(2,794)
Income taxes refunded		**427**	1,573
Interest received		**134**	1,204
Net cash inflow from operating activities		**285,726**	8,228
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets		**(25,956)**	(39,478)
Proceeds from sale of property, plant and equipment, intangible assets		**32,627**	39,604
Net cash inflow from investing activities		**6,671**	126
Cash flows from financing activities			
Principal elements of lease payments		**(2,927)**	(2,449)
Net cash outflow from financing activities		**(2,927)**	(2,449)
Net increase in cash and cash equivalents		**289,470**	5,905
Cash and cash equivalents at the beginning of the year		**(52,720)**	(58,625)
Cash and cash equivalents at end of year	9	**236,750**	(52,720)

The above statement of cash flows should be read in conjunction with the accompanying notes.

1 General information

Pacific Aluminium (New Zealand) Limited's ("the Company") is based in New Zealand. The Company's result is derived from its association with the operations of an aluminium business, including the production and marketing of aluminium.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 1530 Tiwai Road, Tiwai Point, Invercargill.

These financial statements have been approved for issue by the directors on 04 April 2022.

2 Summary of significant accounting policies

(a) Basis of preparation

(i) Compliance with NZ IFRS

Pacific Aluminium (New Zealand) Limited is a company registered under the Companies Act 1993. These financial statements comprise the Company and its joint operation.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 and the Companies Act 1993.

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime ('NZ IFRS RDR'), and other applicable Financial Reporting Standards, as appropriate for Tier 2 for-profit entities.

The Company is eligible and has elected to report in accordance with Tier 2 for-profit accounting standards ("NZ IFRS RDR"). The Company qualifies on the basis that it is not publicly accountable and is not a large for-profit public sector entity. In applying NZ IFRS RDR, the Company has applied a number of disclosure concessions.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments) - measured at fair value

(iii) New and amended standards adopted by the Company

The Company has applied the following interpretations, standards and amendments for first time in their annual reporting period commencing 1 January 2021:

- *Covid-19-Related Rent Concessions - Amendments to NZ IFRS 16;*
- *Interest Rate Benchmark Reform Phase 2 - Amendments to NZ IFRS 9, NZ IAS 39, NZ IFRS 7, NZ IFRS 4 and NZ IFRS 16;*

The adoption of these amendments did not have a material impact on the current or any prior period and is not likely to affect future periods.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

- *Reference to Conceptual Framework - Amendments to NZ IFRS 3;*
- *Property, Plant and Equipment: Proceeds before Intended Use - Amendments to NZ IAS 16;*
- *Onerous Contracts - Cost of Fulfilling a Contract - Amendments to NZ IAS 37;*
- *Annual Improvements to NZ IFRS 2018-2020;*
- *Insurance Contracts - Amendments to NZ IFRS 17;*
- *Classification of Liabilities as Current of Non-current - Amendments to NZ IAS 1;*
- *Disclosure of Accounting Policies - Amendments to NZ IAS 1;*
- *Definition of Accounting Estimates - Amendments to NZ IAS 8;*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to NZ IAS 12;*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to NZ IFRS 10 and NZ IAS 28.*

(v) Going concern

As announced on 14 January 2021, Rio Tinto as the ultimate holding company of the Company, which holds 79.36% of New Zealand Aluminium Smelters Limited (NZAS) has reached an agreement on a new electricity agreement with Meridian Energy that allows NZAS to continue operating the Tiwai Point aluminium smelter until December 31, 2024.

At 31 December 2021, the Company has net liabilities of $30,825,000 (2020: net liabilities of $170,882,000). RTA Pacific Pty Limited has committed to provide financial support, to ensure that the Company is in a position to meet its debts as they fall due. RTA Pacific Pty Limited have provided a letter of financial support to the Company until 30 June 2023.

The Company therefore continues to operate as a going concern, and these financial statements have been prepared on a going concern basis.

2 Summary of significant accounting policies (continued)

(b) Principles of consolidation

Joint operations

Under NZ IFRS 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Company has a joint operation.

The Company recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

(c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in New Zealand dollars, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

2 Summary of significant accounting policies (continued)

(d) Revenue recognition

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

Sales revenue is recognised on individual sales when control transfers to the customer. In most instances, control passes and sales revenue is recognised when the product is delivered to the vessel or vehicle on which it will be transported once loaded, the destination port or the customer's premises. There may be circumstances when judgement is required based on the five indicators of control below:

- The customer has the significant risks and rewards of ownership and has the ability to direct the use of, and obtain substantially all of the remaining benefits from the good or service;
- The customer has a present obligation to pay in accordance with the terms of the sales contract. For shipments under the Incoterms Cost, this is generally when the ship is loaded, at which time the obligation for payment is for both product and freight;
- The customer has accepted the asset. Sales revenue may be subject to adjustment if the product specification does not conform to the terms specified in the sales contract but this does not impact the passing of control. Assay and specification adjustments have been immaterial historically;
- The customer has legal title to the asset. The Company usually retains legal title until payment is received for credit risk purposes only;
- The customer has physical possession of the asset. This indicator may be less important as the customer may obtain control of an asset prior to obtaining physical possession, which may be the case for goods in transit.

The Company sells a significant proportion of its products on Free on Board (FOB) Incoterms, where the Company has no responsibility for freight or insurance once control of the goods has passed at the loading port. For these Incoterms there is only one performance obligation, being for provision of product at the point where control passes.

The Company's products are sold to customers under contracts which vary in tenure and pricing mechanisms, including some volumes sold in the spot market. Within each sales contract, each tonne of product shipped is a separate performance obligation. Revenue is generally recognised at the contracted price as this reflects the stand-alone selling price.

Sales revenue excludes any applicable sales taxes.

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

2 Summary of significant accounting policies (continued)

(e) Government grants

Government grants are recognised at their nominal value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grant is intended to compensate.

Grants relating to ETS direct allocations are used to offset the direct emissions obligation expense as it arises each month.

On 13 December 2021, the New Zealand Government (Cabinet) set the NZAS electricity allocation factor (EAF) for the main electricity agreement with Meridian Energy Limited to zero. This reduced the portion of the ETS grant relating to indirect allocation to nil for the 2021 financial year.

In prior years, indirect allocations were offset against the electricity cost matching the inherent cost of carbon included in the energy price. Cabinet determined that the renegotiated agreement with Meridian Energy dated 13 January 2021 no longer holds an indirect cost from the ETS to the Company.

In 2021 the Company was granted its share, being 1,091,112 ETS units (2020: 1,391,112 ETS units). 736,118 of the 2021 ETS units related to indirect allocation which have been impaired as at 31 December 2021 to a nil value following Cabinets 13 December 2021 decision.

(f) Employee benefits

Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in the statement of comprehensive income.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

2 Summary of significant accounting policies (continued)

(f) Employee benefits (continued)

Retirement benefit obligations

Many employees of the Company are entitled to benefits on retirement, disability or death from their membership of the NZAS Retirement Fund (“The Fund”).

Contributions to the defined contribution superannuation plans are expensed in the statement of comprehensive income when incurred.

Short term incentive plans

The Company recognises a liability and an expense for bonuses based on a formula that takes into consideration key performance indicators including, but not necessarily limited to safety performance and financial performance. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based payments

The executives and employees of the Company are eligible to participate in various share based payment plans as part of the Company's membership of the Rio Tinto Group.

The Company reimburses the Rio Tinto Group for the intrinsic value of the options granted. The intrinsic value of an option is calculated as the current share price less the option's exercise price. As the Company is a subsidiary of the Rio Tinto Group, these payments are treated as employee benefits in accordance with NZ IAS 19 Employee Benefits. The movement in intrinsic value at each reporting date is recognised as an employee benefit expense.

The fair value of options granted under the equity settled share based payment plans are recognised as an employee benefit expense over the expected vesting period. The fair value of the share plans is determined at the date of grant, taking into account:

- including any market performance conditions (eg the entity’s share price)
- excluding the impact of any service and non-market performance vesting conditions (eg profitability, sales growth targets and remaining an employee of the entity over a specified time period, and
- including the impact of any non-vesting conditions (eg the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each year, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of NZ IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2 Summary of significant accounting policies (continued)

(g) Income tax

The income tax expense or benefit for the period is the tax payable or receivable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Where the amount of tax payable or recoverable is uncertain, the Company establishes provisions based on either: the Company's judgment of the most likely amount of the liability or recovery; or, when there is a wide range of possible outcomes, a probability weighted average approach.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the Company has a legally enforceable right to offset and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(h) Tax consolidation group

The Company and other Rio Tinto wholly owned New Zealand entities form a tax consolidation group. As a consequence, one income tax return is completed for the group and the group is treated for income tax purposes as one tax payer.

The tax balances have been attributed for reporting purposes to each of the entities on the basis of their individual results. Amounts of tax due to and receivable from the New Zealand Inland Revenue Department ("IRD") are made by the Company as nominated member of the tax consolidated group. The current tax balance for the group has been allocated among the members based on each entity's current tax movement for the period. Where tax losses are incurred by group members, these are offset within the group through their respective intercompany accounts.

2 Summary of significant accounting policies (continued)

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions Inland Revenue and Rio Tinto Finance Plc, other short-term, highly liquid investments (mainly money market funds) that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts and amounts owing to Rio Tinto Finance Plc are disclosed within current liabilities in the balance sheet.

For the purposes of the statement of cash flows, bank overdrafts and movements in the Rio Tinto Finance Plc payable or receivable balance have been accounted for as cash movements.

(j) Trade receivables

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

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Details about the Company's impairment policies and the calculation of the loss allowance are provided in note 1(m).

(k) Inventories

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Work in progress inventory includes alumina stockpiles and other partly processed material. Quantities are assessed primarily through surveys and assays.

(l) Assets held for sale

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

2 Summary of significant accounting policies (continued)

(m) Investments and other financial assets

Classification and measurement

The Company classifies its financial assets in the following categories:

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

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

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

(i) Financial assets held at amortised cost

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

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

(ii) Financial assets held at fair value through profit or loss ('FVPL')

This classification applies to the following financial assets, in all cases, transactions costs are immediately expensed to profit or loss:

- Debt instruments that do not meet the criteria of amortised cost or fair value through other comprehensive income. These receivables are generally held to collect but do not meet the SPPI criteria and as a result must be held at FVPL.

  Subsequent fair value gains or losses are taken to profit and loss.

- Equity Investments which are held for trading or where the FVOCI election has not been applied.

  All fair value gains or losses and related dividend income are recognised in profit and loss.

- Derivatives which are not designated as a hedging instrument.

  All subsequent fair value gains or losses are recognised in profit and loss.

2 Summary of significant accounting policies (continued)

(m) Investments and other financial assets (continued)

Impairment

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

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

(n) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

Embedded derivatives

Derivatives embedded in the Company's contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts or have intrinsic value at inception and the host contracts are not carried at fair value. Contracts are assessed for embedded derivatives when the Company becomes a party to them, including at the date of a business combination. These embedded derivatives are measured at fair value at each period end. Any gains or losses arising from changes in fair value are recognised in profit or loss for the period.

(o) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques.

(p) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 Summary of significant accounting policies (continued)

(q) Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes its purchase price and 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Under NZ IAS 16, where a property, plant and equipment asset contains significant components that have a different useful life and suffer wear and tear or are replaced at different points throughout the life of the asset, then each part with a cost that is significant in relation to the total cost of the asset shall be depreciated separately i.e. componentised.

The Reduction cells and Carbon Bake furnaces at the Company are classified as significant components of the Reduction line asset and Carbon Bake facility asset, and hence are depreciated separately under the componentisation treatment.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Buildings and site development	10 - 51 years
- Plant and equipment	1 - 51 years
- Reduction cells	5 - 6 years
- Carbon bake furnace	7 - 8 years

Major assets' useful lives are reviewed, and adjusted if appropriate, at each reporting date.

(r) Intangible assets

NZ Emissions Trading Scheme

Carbon emission units allocated under the NZ Emissions Trading Scheme ("ETS") are measured at fair value on date of allocation, and reported as intangible assets in accordance with the NZ IAS 20 Government Grants standard. Carbon emission units have an indefinite useful life and are subsequently carried at cost. Where the unit market value is lower than the carrying value at period end, the units are revalued to reflect the lower realisable value. The units are held for offsetting direct and indirect carbon emission cost obligations.

Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight line method over their estimated useful lives (3 to 5 years).

(s) Leases

NZ IFRS 16 'Leases' applies to the recognition, measurement, presentation and disclosure of leases. Certain leases are exempt from the standard, including leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources. The Company does not apply NZ IFRS 16 to arrangements which fall within the scope of NZ IAS 38 'Intangible Assets'.

2 Summary of significant accounting policies (continued)

(s) Leases (continued)

A significant proportion by value of the Company's lease arrangements relate to the use of a wharf, power supply interconnection and offices. Other leases include land, warehouses, equipment and vehicles. The majority of lease terms are negotiated through the Rio Tinto procurement function, although agreements contain a wide range of different terms and conditions.

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

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

Right of use assets are included in the review for impairment of property, plant and equipment and intangible assets with finite lives, if there is an indication that the carrying amount of the cash generating unit may not be recoverable.

(t) NZ Emissions Trading Scheme

The Company is a liable entity under New Zealand's Emissions Trading Scheme (ETS). The emissions liability is recognised as a provision for the Company's carbon surrender obligations, measured at the carrying value of the ETS units held on hand as an intangible asset. If the Company must acquire excess units from the market to settle the obligation, this liability is measured at the market price of the units at the balance sheet date.

The activity of primary aluminium smelting as undertaken by the Company has been assessed to be emissions-intensive and trade-exposed, and the Company therefore qualifies for government assistance in the form of allocation of Emission Units to meet their obligations under the ETS. At the start of the ETS this was set at the maximum rate of 90% for the Company. On 31 July 2019 the NZ Government announced a gradual phase-out of the level of government assistance. Assistance provided in 2021 was 89% (2020: 90%).

The ETS is currently a domestic-only scheme and ETS participants must surrender one emission unit for one tonne of carbon dioxide equivalent emissions. In order to meet their emission surrender obligation participants must provide NZ carbon units to the Government (from their allocation and/or by purchasing units at market price).

It is the Company's intention to utilise these assets to settle future ETS obligations. Where the market price is lower than the carrying value at period end, the units and obligation will be impaired/revalued to reflect the lower realisable value. A subsequent reversal of impairment may occur when the market price rises, however the reversal shall be no more than the previous impairment value. Any reversal of impairment is recognised in the statement of comprehensive income. See note 2(e) for further information.

2 Summary of significant accounting policies (continued)

(u) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(v) Provisions for close down restoration and environmental obligations

(i) Close down and restoration costs

Close down and restoration costs include the dismantling and demolition of infrastructure, the removal of residual materials and remediation of disturbed areas. Close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, based on the net present value of estimated future costs of closure. Where appropriate, the provision is estimated using probability weighting of the different remediation and closure scenarios. The obligation may occur during development or during the production phase of a facility.

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, and are reviewed at each reporting period during the life of the operation to reflect known developments. The estimates are also subject to formal review, with appropriate external support, at regular intervals.

The amortisation or 'unwinding' of the discount applied in establishing the provisions is charged to profit or loss in each accounting period. The amortisation of the discount is shown as a financing cost in the statement of comprehensive income.

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 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 outstanding continuous rehabilitation work at each balance date and the cost is charged to the statement of comprehensive income.

(ii) Environmental obligations

Environmental costs result from environmental damage that was not a necessary consequence of operations, and may include remediation, compensation and penalties. Provision is made for the estimated present value of such costs at the balance sheet date. These costs are presented as an operating cost, except for the unwinding of the discount which is shown as a financing cost.

(w) Borrowings

Borrowings, including bank overdrafts, are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2 Summary of significant accounting policies (continued)

(x) Contributed equity

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.

(y) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

3 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the company's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is outlined below.

(a) Critical accounting estimates and assumptions

Provision for rehabilitation and closure costs

During 2021 a review of the previous closure plan was undertaken. The provision for rehabilitation has been determined using estimates and assumptions of future costs expected to be incurred to rehabilitate and restore disturbed land to the required condition as stipulated in various agreements and statutes. The provision is discounted using a discount rate deemed to accurately reflect current market assessments of the time value of money and the risks specific to the liability. In determining the value of the provision for rehabilitation, management made judgements in respect to the method and cost of disposing of spent cell lining, being the waste resulting from regular reduction cell refurbishment. The total cost in the rehabilitation provision reflects an average annual cost of domestic and international processing costs based on assumed disposal options over the period of the closure provision.

3 Critical accounting estimates and judgements (continued)

(b) Critical judgements in applying the entity's accounting policies

Impairment

Assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount exceeds its recoverable amount. The assessment of the carrying amount often requires estimates of future cash flows including future metal prices, cost of raw materials, other key inputs and foreign exchange rates.

Impairment occurs when an asset's recoverable value is less than the amount at which it is recorded.

When a review for impairment is conducted, the 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'. Where there is no binding sale agreement or active market, fair value less costs to sell is based on the best information available to reflect the amount the Company could receive for the cash generating unit in an arm's length transaction. The estimates used for impairment reviews are based on detailed operating plans, modified as appropriate to meet the requirements of NZ IAS 36 *Impairment of Assets*. Future cash flows are based on estimates of:

- future production levels;
- future commodity prices (assuming the current market prices will revert to the Company's assessment of the long term average price, generally over a period of three to five years); and
- future cash costs of production, capital expenditure, close down, restoration and environmental clean-up.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Impairment losses are recognised in the statement of comprehensive income unless the asset has previously been revalued in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the statement of comprehensive income.

After the recognition of an impairment loss, the depreciation/(amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Impairment losses, if any, recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis.

Calculation of recoverable amount

In assessing value in use, the estimated future cash flows are discounted to their present value. The discount rate applied is based upon the Company's weighted average cost of capital with appropriate adjustment for the risks associated with the relevant cash flows, to the extent that such risks are not reflected in the forecast cash flows.

An impairment loss for an asset other than goodwill is reversed in following periods if there are indications that the impairment loss previously recognised no longer exists or has decreased. The impairment loss is reversed in the statement of comprehensive income only to the extent that it increases the asset back to its original carrying amount (net of any depreciation or amortisation) before any impairment was recorded. An impairment loss recognised for goodwill is not reversed.

4 Revenue

	2021 $'000	2020 $'000
Revenue from contracts with customers		
Sale of goods to related parties	**1,000,574**	735,915

5 Other income

	2021 $'000	2020 $'000
Net gain on disposal of property, plant and equipment and intangible assets	**7,525**	4,462
Interest income	**134**	1,204
Other income	**-**	20
	7,659	5,686

6 Other losses

	2021 $'000	2020 $'000
Loss on derivatives at fair value through profit or loss	**-**	59,478

7 Expenses

	2021 $'000	2020 $'000
Employee benefits expense		
Employee benefits expense	**63,681**	65,836
Defined contribution expense	**4,758**	4,764
	68,439	70,600
Finance costs		
Unwinding of discount	**7,127**	10,013
Interest paid to related parties	**-**	726
Interest paid to others	**2**	3
Interest on lease liability	**1,442**	2,065
	8,571	12,807

7 Expenses (continued)

	Notes	2021 $'000	2020 $'000
Impairment (reversal)/charges			
Impairment - plant and equipment	13	**-**	153,668
Impairment - assets under construction	13	**-**	43,299
Impairment - buildings	13	**-**	15
Impairment - intangible assets	14	**-**	309
Impairment - right-of-use assets	15	**-**	25,984
		-	223,275

On 9 July 2020, the Company announced the conclusion of the NZAS strategic review and gave Meridian Energy 14 months notice for the termination of the power contract. On 14 January 2021 a new agreement was reached with Meridian Energy in relation to power prices, allowing NZAS to continue operating the Tiwai Point aluminium smelter until December 2024.

Accordingly, for the purpose of the Company's 2020 financial statements, the NZAS strategic review and subsequent reduction in the end of life of the smelter was considered as a trigger event for an impairment assessment. The net present value of post-tax cash flows over the remaining life for NZAS was calculated as negative and therefore the non-current assets of the entity were fully impaired in the Company's 2020 financial statements.

	2021 $'000	2020 $'000
Depreciation and amortisation expense		
Buildings	**33**	388
Plant and equipment	**5,772**	31,827
Buildings under lease	**-**	20
Plant and equipment under lease	**-**	2,203
Software	**-**	47
	5,805	34,485

	2021 $'000	2020 $'000
Other expenses		
Donations	**31**	33
Emissions trading scheme obligation expense	**21,196**	13,532
Foreign exchange (gains)/losses - net	**(863)**	6,256
Rehabilitation provision	**101,538**	6,925
Other expenses	**9,286**	748
Fees paid to auditor	**97**	95
	131,285	27,589

8 Income tax charge

(a) Income tax charge

	2021 **$'000**	2020 $'000
Current tax expense/(benefit)	**49,331**	(1,500)
Deferred tax expense	**-**	42,053
	49,331	40,553

(b) Numerical reconciliation of income tax charge to prima facie tax payable

	2021	2020
Profit/(loss) from operations before income tax expense	**189,388**	(325,059)
Tax at the New Zealand tax rate of 28.0% (2020 - 28.0%)	**53,029**	(91,017)
Other items	**(279)**	21
Non-deductible expenditure	**4,901**	1,716
Impairment adjustment	**-**	(8,654)
Functional currency adjustment	**-**	107
Non-deductible rehabilitation	**-**	480
Deferred tax (liability)/asset not recognised	**21,730**	137,900
Use of previously not recognised tax losses	**(29,230)**	-
Leasing adjustment	**(820)**	-
	49,331	40,553

9 Current assets - Cash and cash equivalents

	Notes	**2021** **$'000**	2020 $'000
Cash at bank and in hand		**6,712**	7,725

Reconciliation to cash at the end of the year

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Balances as above		**6,712**	7,725
Amounts due from/(to) Rio Tinto Finance plc	10, 18	**230,038**	(60,445)
Balances per statement of cash flows		**236,750**	(52,720)

10 Current assets - Trade and other receivables

	2021 $'000	2020 $'000
Amounts due from external parties	**-**	1,621
Amounts due from related parties	**122,074**	80,404
Amounts due from Rio Tinto Finance plc	**230,038**	-
	352,112	82,025
Other receivables	**884**	292
Prepayments	**1,647**	1,338
Energy Clearing House security deposits	**182**	162
	2,713	1,792
Total trade and other receivables	**354,825**	83,817

11 Current assets - Inventories

	2021 $'000	2020 $'000
Raw materials and stores	**72,429**	48,656
Work in progress	**26,875**	20,240
Finished goods	**40,915**	41,664
Other inventories	**14,605**	13,960
	154,824	124,520

12 Non-current assets - Other receivables

	2021 $'000	2020 $'000
Environmental restoration account (New Zealand IRD)	**35,644**	35,614
Security deposits	**1,530**	1,530
Other receivables	**9**	9
	37,183	37,153

Environmental restoration account
This is a deposit held with the New Zealand IRD in relation to future environmental restoration cost which can be withdrawn when environmental closure costs are incurred.

13 Non-current assets - Property, plant and equipment

	Land and buildings $'000	Plant and equipment $'000	Construction in progress $'000	Total $'000
At 1 January 2021				
Cost or fair value	126,863	576,134	-	702,997
Accumulated depreciation	(126,863)	(576,134)	-	(702,997)
Net book amount	-	-	-	-
Year ended 31 December 2021				
Opening net book amount	-	-	-	-
Additions	-	-	25,956	25,956
Depreciation charge	(33)	(5,772)	-	(5,805)
Transfers to/(from) construction in progress	260	23,923	(24,183)	-
Increase/(decrease) in ARO provision	-	139,368	-	139,368
Closing net book amount	227	157,519	1,773	159,519
At 31 December 2021				
Cost	127,123	732,328	1,773	861,224
Accumulated depreciation	(126,896)	(574,809)	-	(701,705)
Net book amount	227	157,519	1,773	159,519

	Land and buildings $'000	Plant and equipment $'000	Construction in progress $'000	Total $'000
At 1 January 2020				
Cost or fair value	127,005	692,214	30,782	850,001
Accumulated depreciation	(126,589)	(570,766)	-	(697,355)
Net book amount	416	121,448	30,782	152,646
Year ended 31 December 2020				
Opening net book amount	416	121,448	30,782	152,646
Additions	-	-	39,478	39,478
Disposals	(13)	(2,399)	-	(2,412)
Depreciation charge	(388)	(31,827)	-	(32,215)
Transfers to/(from) construction in progress	-	26,961	(26,961)	-
Impairment charge (note 7)	(15)	(153,668)	(43,299)	(196,982)
Increase/(decrease) in ARO provision	-	39,485	-	39,485
Closing net book amount	-	-	-	-
At 31 December 2020				
Cost or fair value	126,863	576,134	-	702,997
Accumulated depreciation	(126,863)	(576,134)	-	(702,997)
Net book amount	-	-	-	-

14 Non-current assets - Intangible assets

	Software $'000	ETS units $'000	Total $'000
Year ended 31 December 2021			
Opening net book amount	-	12,130	12,130
Units acquired	-	38,189	38,189
Units utilised	-	(25,102)	(25,102)
Impairment charge	-	(25,217)	(25,217)
Closing net book amount	-	-	-
At 31 December 2021			
Cost	9,941	25,217	35,158
Accumulated impairment	(1,854)	(25,217)	(27,071)
Accumulated amortisation	(8,087)	-	(8,087)
Net book amount	-	-	-

	Software $'000	ETS units $'000	Total $'000
Year ended 31 December 2020			
Opening net book amount	356	2,393	2,749
Units acquired	-	33,157	33,157
Units utilised	-	(12,225)	(12,225)
Units surrendered	-	(11,195)	(11,195)
Impairment charge	(309)	-	(309)
Amortisation charge	(47)	-	(47)
Closing net book amount	-	12,130	12,130
At 31 December 2020			
Cost	9,941	12,130	22,071
Impairment	(1,854)	-	(1,854)
Accumulated amortisation	(8,087)	-	(8,087)
Net book amount	-	12,130	12,130

Emission Trading Scheme units (ETS) are classified as intangible assets and are carried at cost less accumulated impairment. An impairment charge of $25,217,000 has been recognised in the current year based on changes to the Emission Trading Scheme Electricity Allocation Factor (EAF).

On 13 December 2021, the New Zealand Government (Cabinet) set the NZAS electricity allocation factor (EAF) for the main electricity agreement with Meridian Energy Limited to zero. This reduced the portion of the ETS grant relating to indirect allocation to nil for the 2021 financial year.

In prior years, indirect allocations were offset against the electricity cost matching the inherent cost of carbon included in the energy price. Cabinet determined that the renegotiated agreement with Meridian Energy dated 13 January 2021 no longer holds an indirect cost from the ETS to the Company.

In 2021 the Company was granted its share, being 1,091,112 ETS units (2020: 1,391,112 ETS units). In addition to the annual grant, there were 495,106 units on hand at the start of the year, 72,134 units were used to settle fossil fuel purchase obligations and 793,600 units were sold on the market. The remaining 720,484 units were deemed to be part of the indirect allocation which have been impaired as at 31 December 2021 to a nil value following Cabinet’s 13 December 2021 decision.

15 Leases

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2021 $'000	2020 $'000
Right-of-use assets		
Buildings - cost	**217**	217
Buildings - accumulated depreciation	**(117)**	(117)
Buildings - impairment (note 7)	**(100)**	(100)
Plant, machinery & equipment - cost	**30,220**	30,220
Plant machinery & equipment - accumulated depreciation	**(4,336)**	(4,336)
Plant machinery & equipment - impairment (note 7)	**(25,884)**	(25,884)
	-	-
Lease liabilities		
Current	**3,086**	2,448
Non-current	**19,512**	23,077
	22,598	25,525

Additions to the right-of-use assets during the 2021 financial year were $nil (2020: $33,000).

(ii) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	2021 $'000	2020 $'000
Depreciation charge of right-of-use assets		
Buildings	**-**	20
Plant & equipment	**-**	2,203
	-	2,223
Interest expense (included in finance cost)	**1,442**	2,065
Impairment charges - right-of-use assets	**-**	25,984

The total cash outflow for leases in 2021 was $4,413,000 (2020: $5,048,000).

16 Deferred tax assets

	2021 $'000	2020 $'000
Movements:		
Charged/credited:		
Tax losses	**-**	(24,072)
Derivative financial instruments	**-**	16,654
Property,plant and equipment	**-**	(32,700)
Rehabilitation provision	**-**	(36,572)
Lease liability	**-**	(238)
Other	**-**	34,875
	-	(42,053)

17 Current liabilities - Trade and other payables

	2021 $'000	2020 $'000
Amounts owed to external parties	**63,285**	24,011
Amounts owed to related parties	**22,554**	11,567
Accrued expenses	**20,942**	24,810
ETS obligations	**32,507**	12,934
GST payable	**6,279**	991
Other payables	**8,367**	2,547
	153,934	76,860

Carbon emissions
The Company is a participant in the New Zealand Government’s Emissions Trading Scheme (ETS). The emissions liability is recognised as a provision for the Company’s carbon surrender obligations. In prior years the provision was calculated at the carrying value of the ETS units held on hand as an intangible asset. As zero units are held at 31 December 2021, the Company must acquire units from the market. This obligation is measured at the market price of the units at the balance sheet date. Further detail is outlined at note 14.

Accrued expenses
Accrued expenses include amounts relating to the Company’s commitment to remove and dispose of a fertiliser premix (Ouvea Premix) material currently stored at the Mataura Paper Mill. See note 25 for further details.

18 Current liabilities - Borrowings

	2021 $'000	2020 $'000
Amounts owed to Rio Tinto Finance plc	**-**	60,445

19 Current liabilities - Income tax payable

	2021 $'000	2020 $'000
Current tax liabilities	**50,818**	1,060

20 Provisions

	2021 $'000	2020 $'000
Current liabilities		
Rehabilitation and closure	**12,157**	18,397
Non-current liabilities		
Rehabilitation and closure	**480,400**	229,428
Total provisions	**492,557**	247,825

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	2021 $'000	2020 $'000
Carrying amount at start of year	**247,825**	194,828
Additional provisions charged to plant and equipment	**139,368**	39,485
Change in rehabilitation and closure estimates	**101,538**	6,925
Current year unwind of discount	**7,127**	10,013
Used during period	**(3,301)**	(3,426)
Carrying amount at end of year	**492,557**	247,825

This provision represents the present value of the estimated costs for rehabilitation and closure assuming activities are terminated at the end of the power supply contract in 2024.

The major uncertainties affecting the amount and timing of cash outflows include:
- determination of the strategy for disposal of the spent cell linings; and
- the ability to secure an energy arrangement on internationally competitive terms, which impacts the timing of closure and rehabilitation and restoration activities.

21 Employee benefit obligations

	2021 $'000	2020 $'000
Current liabilities		
Annual leave	**7,798**	7,468
Long service leave	**668**	838
Employee benefits - other	**9,713**	10,525
	18,179	18,831
Non-current liabilities		
Long service leave	**5,802**	5,681
Total employee benefit obligations	**23,981**	24,512

22 Contributed equity

Ordinary share capital

	2021 Shares	2020 Shares	**2021 $'000**	2020 $'000
Ordinary shares				
Fully paid	**425,327,001**	425,327,001	**600,654**	600,654

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and on a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

23 Accumulated losses

Movements in retained earnings were as follows:

	2021 **$'000**	2020 $'000
Balance 1 January	**(771,536)**	(405,924)
Net profit/(loss) for the year	**140,057**	(365,612)
Balance 31 December	**(631,479)**	(771,536)

24 Contingencies

Contingent liabilities

The Company had contingent liabilities at 31 December 2021 in respect of:

(i) Guarantees

Contractual commitments for the supply of electricity to NZAS from Meridian Energy Ltd amounting to $110,310,000 (2020: $110,310,000).

25 Commitments

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting year but not recognised as liabilities is as follows:

	2021 **$'000**	2020 $'000
Property, plant and equipment	**6,734**	7,276

(b) Other commitments

Fair value of power derivative

On 9 July 2020, following a strategic review by Rio Tinto, NZAS gave Meridian Energy notice of termination of the electricity price agreement, to be effective on 31 August 2021, during which time operations at the smelter were to wind down. This has resulted in a nil valuation for the 50MW Contract for Difference as at 31 December 2020.

On 14 January 2021 NZAS and Meridian Energy agreed to withdraw the notice of termination and amend the electricity price agreement with a revised termination date of 31 December 2024. In addition the agreement was amended so that the agreed volume is no longer fully fixed, with the introduction of a portion that is load following. The price under the amended agreement is fixed and no longer linked to aluminium prices or escalated by NZ CPI, there is no longer an embedded derivative to be measured at fair value.

25 Commitments (continued)

(b) Other commitments (continued)

Ouvea Premix

NZAS remains committed to the 2018 agreement with Southland District and Regional Councils, Invercargill City Council, Gore District Council, and the New Zealand Government to provide financial assistance in the removal and disposal of a fertiliser premix (Ouvea Premix) material currently stored at the Mataura Paper Mill and other facilities. This material had been abandoned following the liquidation of Taha, a company that had been contracted to process dross at NZAS.

In March 2018, a NZ$4 million package was agreed between the Southland and Gore District Councils, the Southland Regional Council, Invercargill City Council, the New Zealand Government and NZAS to fund the removal and disposal of the Premix material. NZAS has made a commitment to provide NZ$1.75 million to this financial package.

In 2021, NZAS reached agreement with the Ministry for the Environment (MfE) to relocate the material stored at the Mataura Paper Mill and move it to be stored at NZAS pending it's processing and disposal. The costs of such arrangement are to be shared on a 50:50 bases with the MfE. These costs have been accrued and provided for at 31 December 2021, as per note 17.

26 Related party transactions

(a) Key management personnel

Key management personnel ("KMP") associated with the Company are not employed by or compensated by the Company. The Company does not pay any service fee for KMP to any associated entity.

(b) Transactions with other related parties

The following transactions occurred with related parties:

	2021 $'000	2020 $'000
Purchases of goods		
Rio Tinto Marketing Pte Limited	**(242,854)**	(214,665)
Sales of goods		
Rio Tinto Marketing Pte Limited	**1,000,574**	735,915
Other transactions - income/(expenses)		
Rio Tinto Finance plc	**100**	726
Rio Tinto Marketing Pte Limited	**(110)**	115

26 Related party transactions (continued)

(c) Outstanding balances

The following balances are outstanding at the end of the reporting year in relation to transactions with related parties:

	2021 $'000	2020 $'000
Outstanding balances - Receivable/(payable)		
Advances to/(from) Rio Tinto Finance Plc	**230,038**	(60,445)
Advances from Rio Tinto Limited	**(1,116)**	(1,040)
Advances to Rio Tinto Marketing Pte Limited	**120,637**	72,078
Advances from Rio Tinto Aluminium Services Pty Limited	**(702)**	(1,887)
Advances to/(from) other related parties	**(2,005)**	(273)
Advances from Electric Power Generation Limited	**(17,294)**	-
	329,558	8,433

The parent company of the Company is RTA Pacific Pty Limited, a company incorporated in Australia (the former parent company was RTA Pacific (NZ) Limited).

26 Related party transactions (continued)

(d) Joint arrangement

The Company has a 79.36% interest in NZAS, the principal activity of which is the conversion of alumina into aluminium. NZAS is considered a joint operation and the Company is accounting for its share of assets and liabilities within the Company results in order to comply with NZ IFRS 11.

Balance sheet (79.36%)	2021 $000	2020 $000
Current assets	**189,851**	160,513
Non-current assets	**542,691**	436,445
	732,542	596,958
Current liabilities	**(339,800)**	(299,701)
Non-current liabilities	**(559,075)**	(316,401)
	(898,875)	(616,102)
Share of net liabilities included in the Company results	**(166,333)**	(19,144)

Statement of comprehensive income (79.36%)	2021 $000	2020 $000
Income	**476,800**	454,726
Expenses	**(668,019)**	(560,158)
Net contribution to the Company operating profit	**(191,219)**	(105,432)

27 Events occurring after the reporting period

No matter or circumstance has arisen since 31 December 2021 that has significantly affected the Company's operations, results or state of affairs may do so in future years.