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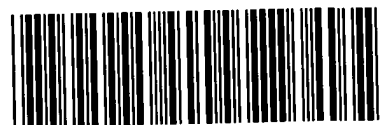
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**BRITISH ALCAN ALUMINIUM LIMITED**  
**(PREVIOUSLY BRITISH ALCAN ALUMINIUM PLC)**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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**BRITISH ALCAN ALUMINIUM LIMITED**

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**BRITISH ALCAN ALUMINIUM LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	A W Hodges D Lhuissier
<b>Company secretary</b>	Rio Tinto Secretariat Limited
<b>Registration number</b>	00385816
<b>Registered office</b>	6 St James's Square London United Kingdom SW1Y 4AD
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London United Kingdom WC2N 6RH

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**BRITISH ALCAN ALUMINIUM LIMITED**

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**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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The directors present their Strategic report on British Alcan Aluminium Limited (the "Company") for the year ended 31 December 2019.

**Introduction**

The Company was incorporated, domiciled and registered in England and Wales under the Companies Act 2006 and is a private company limited by shares. The Company's ultimate parent undertaking and controlling party is Rio Tinto plc, which together with Rio Tinto Limited and their respective subsidiaries form the Rio Tinto Group (the "Group").

The Company is an intermediate investment holding company for the Group. It manages a number of legacy liabilities arising from the UK aluminium business formerly operated by the Group.

**Business review**

During 2019 the Company continued managing environmental rehabilitation and asset retirement obligations arising from the UK aluminium business formally operated by the Group. An impairment charge of £3.8 million was recorded during 2019, which related to aged intercompany receivables which were determined not to be collectable.

**Principal risks and uncertainties**

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

Assessment of the potential economic and non-economic consequences of risks is undertaken by the Group's business units and functions using the framework defined by the Group's Risk policy and standard. Once identified, each principal risk and uncertainty is reviewed and monitored by the relevant internal experts and by the Risk Management Committee, the relevant board committees and the board. Full details of the Group's risk factors and policies for financial risk management are discussed in its 2019 Annual Report which does not form part of this report.

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

**Key performance indicators**

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

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**BRITISH ALCAN ALUMINIUM LIMITED**

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**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

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**Section 172(1) statement**

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

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

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

*Andy Hodges*

.....  
A W Hodges  
Director

Date: 29-09-20

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## BRITISH ALCAN ALUMINIUM LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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

#### Results and dividends

The loss for the financial year, after taxation, amounted to £3,012,000 (2018: £510,000).

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

#### Directors

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

A W Hodges

D Lhuissier

The directors had no material interest in any contract or arrangement during the year to which the Company or any subsidiary is, or was, a party.

#### Statement of directors' responsibilities in respect of the Financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

#### Indemnities and insurance

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

#### Principal activities

The Company's principal activity during the year was to be an intermediate investment holding company for the Group.

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## BRITISH ALCAN ALUMINIUM LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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#### **Matters subsequent to the end of the financial year**

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

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

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

#### **Future developments**

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

#### **Financial risk management**

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

#### **Disclosure of information to auditors**

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

- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- that directors have taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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**BRITISH ALCAN ALUMINIUM LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

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**Independent auditors**

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

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

*Mike Pasmore*

.....  
Director, for and on behalf of Rio Tinto Secretariat Limited

Company secretary

Date: 29-09-20

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



# ***Independent auditors' report to the members of British Alcan Aluminium Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, British Alcan Aluminium Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2019; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

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

### *Independence*

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

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### **Conclusions relating to going concern**

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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### **Reporting on other information**

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

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

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

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

#### *Strategic report and Directors' report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### *Auditors' responsibilities for the audit of the financial statements*

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

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

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## Other required reporting

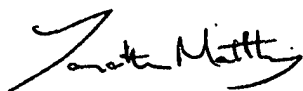
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### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Jonathan Matthews (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
29 September 2020

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**BRITISH ALCAN ALUMINIUM LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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	Note	2019 £ 000	2018 £ 000
Other income	3	-	3,388
Operating income/(expenses)		304	(753)
Depreciation expense		(30)	-
Depreciation reversal		88	-
Impairment charges	4	(3,780)	(3,581)
Net exchange (losses)/gains		(9)	77
Finance income	5	1,350	845
Finance costs	6	(935)	(486)
<b>Loss before taxation</b>		<b>(3,012)</b>	<b>(510)</b>
Taxation	7	-	-
<b>Loss for the financial year</b>		<b>(3,012)</b>	<b>(510)</b>
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive expense for the financial year</b>		<b>(3,012)</b>	<b>(510)</b>

The notes on pages 14 to 29 form an integral part of these financial statements.

**BRITISH ALCAN ALUMINIUM LIMITED**

**(REGISTRATION NUMBER: 00385816)  
BALANCE SHEET AS AT 31 DECEMBER 2019**

	Note	2019 £ 000	2018 £ 000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	59	-
Right of use assets	9	22	-
Trade and other receivables	12	1,554	-
Investments in subsidiaries	10	32,147	32,147
		<u>33,782</u>	<u>32,147</u>
<b>Current assets</b>			
Trade and other receivables	12	163,663	168,138
<b>Total assets</b>		<u>197,445</u>	<u>200,285</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	13	(36,528)	(37,803)
Provisions	14	(2,279)	(2,111)
Lease liabilities	9	(573)	-
		<u>(39,380)</u>	<u>(39,914)</u>
<b>Non-current liabilities</b>			
Provisions	14	(16,720)	(17,620)
Lease liabilities	9	(1,710)	-
		<u>(18,430)</u>	<u>(17,620)</u>
<b>Total liabilities</b>		<u>(57,810)</u>	<u>(57,534)</u>
<b>Net assets</b>		<u>139,635</u>	<u>142,751</u>
<b>EQUITY</b>			
Share capital	15	45,763	45,763
Share premium account	16	11,788	11,788
Retained earnings		82,084	85,200
<b>Total equity</b>		<u>139,635</u>	<u>142,751</u>

The notes on pages 14 to 29 form an integral part of these financial statements.

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**BRITISH ALCAN ALUMINIUM LIMITED**

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**(REGISTRATION NUMBER: 00385816)**  
**BALANCE SHEET AS AT 31 DECEMBER 2019 (CONTINUED)**

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

*Andy Hodges*

.....  
A W Hodges  
Director

Date: 29-09-20

The notes on pages 14 to 29 form an integral part of these financial statements.

**BRITISH ALCAN ALUMINIUM LIMITED**

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

	Note	Share capital £ 000	Share premium account £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2019		45,763	11,788	85,200	142,751
Change in accounting policy	22	-	-	(104)	(104)
At 1 January 2019 (as restated)		45,763	11,788	85,096	142,647
Loss for the financial year		-	-	(3,012)	(3,012)
Other comprehensive income		-	-	-	-
<b>Total comprehensive expense for the financial year</b>		<b>-</b>	<b>-</b>	<b>(3,012)</b>	<b>(3,012)</b>
<b>At 31 December 2019</b>		<b>45,763</b>	<b>11,788</b>	<b>82,084</b>	<b>139,635</b>

	Share capital £ 000	Share premium account £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2018	45,763	11,788	85,710	143,261
<b>Comprehensive expense:</b>				
Loss for the financial year	-	-	(510)	(510)
Other comprehensive income	-	-	-	-
<b>Total comprehensive expense for the financial year</b>	<b>-</b>	<b>-</b>	<b>(510)</b>	<b>(510)</b>
<b>At 31 December 2018</b>	<b>45,763</b>	<b>11,788</b>	<b>85,200</b>	<b>142,751</b>

The notes on pages 14 to 29 form an integral part of these financial statements.

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## BRITISH ALCAN ALUMINIUM LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 1 Accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### 1.1 Basis of preparation of the financial statements

The financial statements have been prepared using the historical cost convention, and in accordance with the Companies Act 2006, as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

The Company is a subsidiary company and is exempt from the requirement to prepare consolidated financial statements by virtue of section 400 of the Companies Act 2006. These financial statements are therefore separate financial statements.

The financial statements are presented in pounds sterling (£) and all amounts are rounded to the nearest thousand ('000) unless otherwise stated.

##### 1.2 Financial Reporting Standard 101 - Reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial instruments: Disclosures;
- the requirements of paragraphs 91 - 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Where required, equivalent disclosures are given in the consolidated financial statements of Rio Tinto plc which can be obtained as set out in note 19.

##### 1.3 Changes in accounting policy

The Company has applied the following interpretations, standards and amendments for the first time in their annual reporting period commencing 1 January 2019:



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## BRITISH ALCAN ALUMINIUM LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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#### 1 Accounting policies (continued)

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

The Company had to change its accounting policies as a result of adopting IFRS 16. On transition, as permitted by IFRS 16, the Company applied the modified retrospective approach to existing operating leases which are capitalised under the new standard. Note 22 explains the impact of the adoption of IFRS 16. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to materially affect the current or future periods.

#### 1.4 Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

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

#### 1.5 Foreign currency translation

##### (a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). These financial statements are presented in pounds sterling (£), which is the Company's functional and presentation currency.

##### (b) Transactions and balances

Transactions denominated in other currencies are converted to the functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at year-end exchange rates. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are translated using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

#### 1.6 Revenue

##### Dividend income

Dividend income is recognised when the right to receive payment is established. Dividends from subsidiary undertakings registered overseas are presented inclusive of any overseas withholding tax.

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## BRITISH ALCAN ALUMINIUM LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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#### 1 Accounting policies (continued)

##### 1.7 Finance income and costs

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

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

##### 1.8 Taxation

Current tax, including UK corporation tax and overseas tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Until 31 December 2018, the Company established provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. From 1 January 2019, where the amount of tax payable or recoverable is uncertain, the Company establishes provisions based on either: the Company's judgment of the most likely amount of the liability or recovery; or, when there is a wide range of possible outcomes, a probability weighted average approach.

Except as otherwise required by IAS 12 ("Income Taxes"), deferred tax is provided in full on temporary differences at the balance sheet date.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply in the periods when the asset is realised or the liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets have been recognised to the extent that their recovery is probable, having regard to the availability of sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, the projected future taxable income of the entity and the wider UK group, after taking account of specific risk factors that are expected to affect the recovery of these assets.

##### 1.9 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

##### 1.10 Property, plant and equipment

Property plant and equipment under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

##### *Depreciation*

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. Land is not depreciated. The estimated useful life ranges are as follows:

Asset class	Depreciation method and rate
Land and building	15-20 years
Plant and machinery	5-10 years

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**BRITISH ALCAN ALUMINIUM LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

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**1 Accounting policies (continued)**

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

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

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

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

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

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

**1.11 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**1.12 Financial assets*****Classification and measurement***

The Company classifies its financial assets in the following categories:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income ("FVOCI"); or
- financial assets at fair value through the 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.

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## BRITISH ALCAN ALUMINIUM LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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#### 1 Accounting policies (continued)

##### Financial assets at amortised cost

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

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

##### *Impairment*

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

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

#### 1.13 Financial liabilities

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

Financial liabilities not measured at amortised cost are classified and measured at fair value through profit or loss. This classification includes derivative liabilities.

#### 1.14 Provisions

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

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

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

#### 1.15 Leases

The Company has changed its accounting policy for leases where the Company is the lessee. The new policy is described in note 9 and the impact of the change in note 22.

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## BRITISH ALCAN ALUMINIUM LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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#### 1 Accounting policies (continued)

##### *Accounting policy applied from 1 January 2019*

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

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

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

The Company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

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

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.

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

#### 1.16 Share capital

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

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**BRITISH ALCAN ALUMINIUM LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

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**2 Critical accounting estimates and judgements**

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. These judgements and assumptions are based on management's best knowledge of the facts and circumstances, but actual results may differ materially from the amounts included in the financial statements. The estimates and assumptions that could have a significant impact on the results of the Company are set out below.

**Provisions**

Provision is made when an obligation occurs, based on the net present value of the estimated future costs. Cost estimates can vary in response to many factors including new legal or operational requirements, change of circumstances and the emergence of new information. Cash flows must be discounted where this has a significant effect and so provision amounts are also sensitive to changes in the discount rate used.

**Impairment of financial assets**

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

**3 Other income**

	2019 £ 000	2018 £ 000
Other income	-	3,388

Other income in 2018 mainly relates to a credit recognised due to Alcan Aluminium UK Limited sale costs which have been subsequently determined not to be charged to the Company.

**4 Loss before taxation**

- (a) The audit fee of \$28,314 (2018: \$27,225) is borne by a fellow group undertaking.
- (b) No emoluments were paid or payable to directors during the year in respect of their services to the Company (2018: \$nil).
- (c) The average monthly number of persons employed during the year, excluding directors, was nil (2018: nil).
- (d) Employees who are involved in the management and operation of the Company have contracts of service with other Group entities and therefore their remuneration is included within those entities' financial statements.
- (e) Impairment charges of £nil (2018: £2,312,000) relates to old intercompany invoices which have been determined uncollectable and a further £3,780,000 (2018: £1,268,000) relates to third-party receivables.
- (f) Operating income in 2019 includes sub-lease income and other related incidental income of £178,000 (2018: £782,515).

**BRITISH ALCAN ALUMINIUM LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**5 Finance income**

	2019 £ 000	2018 £ 000
Interest receivable from group undertakings	1,349	844
Interest receivable from third parties	1	1
	<u>1,350</u>	<u>845</u>

**6 Finance costs**

	2019 £ 000	2018 £ 000
Unwinding of discount on provisions	680	486
Interest paid to group undertakings	161	-
Interest expense on leases - Other	94	-
	<u>935</u>	<u>486</u>

**7 Taxation**

	2019 £ 000	2018 £ 000
<b>Current tax</b>		
<b>Total current tax</b>	<u>-</u>	<u>-</u>
<b>Tax credit in statement of comprehensive income</b>	<u>-</u>	<u>-</u>

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

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Loss before taxation	<u>(3,012)</u>	<u>(510)</u>
Loss before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(572)	(97)
Decrease from effect of capital allowances depreciation	-	(8)
Increase from effect of expenses not deductible in determining taxable profit/loss	-	793
Increase from effect of revenues exempt from taxation	-	(296)
Increase/(decrease) arising from group relief tax reconciliation	727	(325)
Deferred tax credit relating to changes in tax rates or laws	<u>(155)</u>	<u>(67)</u>
<b>Total tax charge/(benefit) for the financial year</b>	<u>-</u>	<u>-</u>

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**BRITISH ALCAN ALUMINIUM LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

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Legislation to reduce the main rate of UK corporation tax from 19% to 17% from 1 April 2020 was enacted on 15 September 2016.

A change to the main UK corporation tax rate was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%.

**8 Property, plant and equipment**

	<b>Land and buildings £ 000</b>	<b>Plant and Machinery £ 000</b>	<b>Total £ 000</b>
<b>Cost</b>			
At 1 January 2019	-	417	417
Additions	9	89	98
Disposals	-	(417)	(417)
At 31 December 2019	<u>9</u>	<u>89</u>	<u>98</u>
<b>Accumulated depreciation</b>			
At 1 January 2019	-	417	417
Charge for the year	-	30	30
Disposal	-	(417)	(417)
Write-ups	9	-	9
At 31 December 2019	<u>9</u>	<u>30</u>	<u>39</u>
<b>Carrying amount</b>			
At 31 December 2019	<u>-</u>	<u>59</u>	<u>59</u>
At 31 December 2018	<u>-</u>	<u>-</u>	<u>-</u>



**BRITISH ALCAN ALUMINIUM LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

**9 Leases**

**(a) Amounts recognised in the balance sheet**

	Property £ 000	Total £ 000
<b>Right-of-use assets</b>		
Adjustment for change in accounting policy	22	22
At 31 December 2019	22	22
	2019 £ 000	2018 £ 000
Lease liabilities - current	573	-
Lease liabilities - non current	1,710	-

**Lease liabilities maturity analysis**

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

	2019 £ 000
Less than one year	646
2 years	646
3 years	646
4 years	485
5 years	1
More than 5 years	21
Total lease liabilities (undiscounted)	2,445

**(b) Amounts recognised in the statement of comprehensive income**

	2019 £ 000	2018 £ 000
<b>Depreciation charge</b>		
Depreciation on right of use assets - Other	1	-

**Lessor arrangements**

We sub-lease owned and right-to-used assets in cases where we no longer require the assets for our own use. At 31 December 2019 the Company recognised a net investment asset of £2,136,194 relating to the discounted value of cash expected to be received from assets leased out under finance leases (refer to note and 12). During the year, we also recognised sub-lease income of £44,925 within net operating costs.

**Leasing arrangements**

The discount rate applied to the lease payments receivables is 1.85% and the undiscounted minimum lease payments receivable on leases are as follows:

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**BRITISH ALCAN ALUMINIUM LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

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	<b>2019</b>
	<b>£ 000</b>
Within 1 year	616
Between 1 and 2 years	616
Between 2 and 3 years	616
Between 3 and 4 years	360
Total	<u>2,208</u>

**10 Investments in subsidiaries**

	<b>£ 000</b>
<b>Cost</b>	
At 1 January 2019	<u>227,408</u>
At 31 December 2019	<u>227,408</u>
<b>Accumulated impairment</b>	
At 1 January 2019	<u>195,261</u>
At 31 December 2019	<u>195,261</u>
<b>Carrying amount</b>	
At 31 December 2019	<u>32,147</u>
At 31 December 2018	<u>32,147</u>

**11 Deferred tax assets**

As at 31 December 2019, there were unrecognised deferred tax assets of £495,000 (2018: £495,000) relating to trading losses carried forward and £2,787,000 (2018: £2,807,000) relating to remediation provisions. The deferred tax assets have not been recognised as there is uncertainty over recoverability.

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**BRITISH ALCAN ALUMINIUM LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

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**12 Trade and other receivables**

	2019 £ 000	2018 £ 000
<b>Current</b>		
Amounts owed by group undertakings	162,550	164,242
Receivables relating to net investments in finance leases	582	-
Prepayments and accrued interest	10	57
Other receivables	521	3,839
	<u>163,663</u>	<u>168,138</u>
	2019 £ 000	2018 £ 000
<b>Non-current</b>		
Receivables relating to net investments in finance leases	1,554	-
	<u>1,554</u>	<u>-</u>

Included within amounts owed by group undertakings is £160,610,000 (2018: £163,946,000) of interest bearing balances. Interest is earned on these balances based on GBP LIBOR less a margin and are repayable on demand. The residual balance is trading in nature and attracts no interest. Other receivables includes £3,479,000 (2018: £3,479,000) deferred proceeds from the sale of investments, which is fully provided for.

**13 Trade and other payables**

	2019 £ 000	2018 £ 000
<b>Current</b>		
Trade payables	103	31
Amounts due to group undertakings	34,903	37,772
Other payables	1,522	-
	<u>36,528</u>	<u>37,803</u>

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

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**BRITISH ALCAN ALUMINIUM LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

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**14 Provisions**

	<b>Onerous lease £ 000</b>	<b>Employee benefits £ 000</b>	<b>Rehabilitation provision £ 000</b>	<b>Asset retirement obligations £ 000</b>	<b>Total £ 000</b>
At 1 January 2019	455	2,701	15,799	776	19,731
(Decrease)/increase in existing provisions	-	(127)	398	(2)	269
Utilised during the year	-	(175)	(681)	(370)	(1,226)
Increase due to passage of time or unwinding of discount	-	66	587	27	680
Decrease from transfers and other changes*	<u>(455)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(455)</u>
At 31 December 2019	<u>-</u>	<u>2,465</u>	<u>16,103</u>	<u>431</u>	<u>18,999</u>

	<b>2019 £ 000</b>	<b>2018 £ 000</b>
Provisions - current	(2,279)	(2,111)
Provisions - non-current	<u>(16,720)</u>	<u>(17,620)</u>
	<u><b>(18,999)</b></u>	<u><b>(19,731)</b></u>

\*See note 9 for further details on the Company's sub-lease arrangement.

The employee benefits provision relates to a past retirement health scheme and a supplementary retirement benefit scheme for former employees.

The onerous lease provision relates to a former head office property retained when a business was sold.

Asset retirement obligations relate to amounts payable for closure related costs at sites no longer operating.

Rehabilitation provision includes amounts for environmental restoration costs and other legacy issues.

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**BRITISH ALCAN ALUMINIUM LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

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**15 Share capital****Allotted, called up and fully paid shares**

	2019		2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1.00 each	<u>45,763</u>	<u>45,763</u>	<u>45,763</u>	<u>45,763</u>

**16 Reserves****Share premium account**

Share premium account represents the value in excess of nominal value received by the Company in consideration for issuing its shares

**17 Operating lease commitments**

The Company holds a lease over a former head office property retained when a business was sold, the property was under sublease during the year.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2019 £ 000	2018 £ 000
No later than 1 year	-	645
Later than 1 year and no later than 5 years	<u>-</u>	<u>2,311</u>
	<u>-</u>	<u>2,956</u>

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

**18 Related party transactions**

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

**19 Parent and ultimate parent undertaking**

The Company's immediate parent undertaking is Rio Tinto International Holdings Limited. The ultimate parent undertaking and controlling party is Rio Tinto plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the Rio Tinto plc consolidated financial statements can be obtained from the registered office at 6 St James's Square, London, SW1Y4AD or from the Rio Tinto website at [www.riotinto.com](http://www.riotinto.com).

**20 Related undertakings**

In accordance with section 409 of the Companies Act 2006, disclosed below in a full list of related undertakings of the Company. Related undertakings include "subsidiaries", "associated undertakings" and "significant holdings in undertakings other than subsidiary companies". The registered office address, country of incorporation, classes of shares and the effective percentage of equity owned by the Company calculated by reference to voting rights, is disclosed as at 31 December 2019.

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**BRITISH ALCAN ALUMINIUM LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

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**Direct holdings**

<b>Name of holding</b>	<b>Country of incorporation</b>	<b>Registered address</b>	<b>Share class</b>	<b>% of share class held</b>
Alcan Chemicals Limited	United Kingdom	6 St James's Square, London, SW1Y 4AD, United Kingdom	£1.00 Ordinary shares	100%
Alcan Farms Limited	United Kingdom	6 St James's Square, London, SW1Y 4AD, United Kingdom	£1.00 Ordinary shares	100%
TBAC Limited	United Kingdom	6 St James's Square, London, SW1Y 4AD, United Kingdom	£1.00 Ordinary shares	100%

**21 Post balance sheet events**

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

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

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

**22 Impact of changes in accounting standards**

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

The impact on equity attributable to members of the Company as at 1 January 2019 from the adoption of IFRS 16 is as follows:

	<b>£ 000</b>
Equity attributable to members of British Alcan Aluminium Limited as at 31 December 2018	142,751
IFRS 16 net impact from recognising lease liabilities, right-of-use-assets and other items after tax	<u>(104)</u>
<b>Restated equity attributable to members of British Alcan Aluminium Limited as at 1 January 2019:</b>	<b><u>142,647</u></b>

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**BRITISH ALCAN ALUMINIUM LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

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

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

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

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

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

Right-of-use assets are measured at either:

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

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

The impact of transition to IFRS 16 on the Company's 1 January 2019 balance sheet is an increase in lease liabilities (debt) of £2,834,455, an increase in right of use assets and net investment in leases of £2,730,897, and a charge of £103,558 to retained earnings.

	<b>As originally reported 2018 £ 000</b>
Operating lease commitments at 31 December 2018	<u>2,956</u>
Operating lease commitments discounted at the incremental borrowing rate	<u>2,834</u>
<b>Lease liabilities recognised at 1 January 2019</b>	<u><b>2,834</b></u>

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average rate applied was 1.83%.