

**Company Registration No. 909645**

**Anglesey Aluminium Metal Limited**

**Report and Financial Statements**

**31 December 2011**

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# **Anglesey Aluminium Metal Limited**

## **Report and financial statements 2011**

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# **Anglesey Aluminium Metal Limited**

## **Report and financial statements 2011**

### **Officers and professional advisers**

#### **Directors**

K A Stngl  
B J King  
A Martins Alexandre

#### **Secretary**

G J C Aldridge

#### **Bankers**

HSBC Bank plc  
Lloyds TSB plc  
Barclays Bank plc

#### **Solicitors**

Mace & Jones

#### **Registered office**

2 Eastbourne Terrace  
London  
W2 6LG

#### **Auditor**

Deloitte LLP  
Chartered Accountants  
London

# Anglesey Aluminium Metal Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

### Principal activities and business review

On 1<sup>st</sup> October 2009 Anglesey Aluminium Metal Limited began operation as a secondary aluminium re-melt facility. The change in the primary business has resulted in a reduction in the number of employees from 577 to around 100 through a mixture of both voluntary and compulsory redundancies. The Company also has a 100% holding in Anglesey Aluminium Metal Renewables Limited that has been established to investigate the viability of a renewable energy plant on land within the boundary of the existing smelter.

The results of the Company for the period ended 31 December 2011 are set out on page 8 and show an operating profit of £5.3m (15 months ended 31 December 2010: loss £13.2m). No dividend was paid to Anglesey Aluminium Limited during the period (15 months to 31 December 2010: £nil).

The success of the re-melt business continues to be dependent primarily on the market premium for aluminium billet and securing suitable input material from a variety of sources. The premiums have shown a steady recovery during quarter one 2012 and this increase in premiums is anticipated to stabilise through the remainder of 2012 due mainly to market forces and supply. Anglesey Aluminium Metal Limited has also established more competitive supply routes for its input metal and has commenced re-melting the remaining aluminium from the smelting operation.

The Company has significant land holdings and is currently in discussions regarding the disposal of these land holdings to third parties. The Company has reached an agreement concerning the disposal of the majority of the operational land together with the sale of its 100% holding in Anglesey Aluminium Metal Renewables Limited. Under the terms of the agreement the re-melt facility would be leased back on a rolling contract. The Heads of Terms and exclusivity agreement have been signed with due diligence expected to continue until early 2013.

In addition an option agreement is in place to dispose of the Company's non operational land which consists mainly of a country park and farmland.

### Principal risks and uncertainties

The increasing price of aluminium is the major contributor affecting the sales revenue and profit margins. The Company is heavily dependent on the London Metal Exchange price of aluminium. Other sources are used such as scrap aluminium to keep the costs down.

The directors have identified the need to manage the Company's material financial risks, including foreign exchange, liquidity, credit and interest rate risks. These risks are monitored through a Group Treasury management function, which invests surplus funds, mitigates foreign exchange exposure and manages borrowings for Rio Tinto Group companies.

Rio Tinto Group Treasury also seeks to limit counter-party risk by conducting most of its banking and dealing activities with a limited number of major international banks, whose status is kept under review.

#### *Liquidity risk*

The Company finances its operations through a combination of retained profits and inter-company loans.

#### *Interest rate risk*

To the extent that the Company enters into inter-company loan agreements, the Company's exposure to interest rate risk arises on loans on which interest is charged at LIBOR. The Company does not participate in interest rate hedging.

#### *Credit risk*

Credit risk arises on the balances receivable from other members of the Rio Tinto and Kaiser Groups. No material exposure is considered to exist in respect of inter-company balances.

# **Anglesey Aluminium Metal Limited**

## **Directors' report (continued)**

### **Indemnities and insurance**

Rio Tinto plc and Kaiser Aluminum Corporation indemnify officers of subsidiary and joint venture companies who have been appointed by Rio Tinto plc or Kaiser Aluminum Corporation respectively, against liabilities arising from the conduct of the Group's business to the extent permitted by law, by the placing of directors' and officers' insurance. The insurance indemnifies individual directors' and officers' personal legal liability and cost for claims arising out of actions taken in connection with Group business.

### **Environment**

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by its activities. The Company operates in accordance with the policies described in both Rio Tinto's and Kaiser's annual reports which do not form a part of this report. Initiatives designed to minimise the Company's impact on the environment include current efficiency, CO2 emissions, renewable obligations and recycling policy and minimising the production of waste, which cannot be recycled (both hazardous and non-hazardous).

### **Employees**

Details of the number of employees and related costs can be found in note 4 to the financial statements on page 13.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The Company participates in the policies and practices to keep the employees informed on matters relevant to them as employees through regular meetings and newsletters. Employee representatives are consulted regularly on a wide range of matters affecting their interests along with trade union consultation where necessary. The Company also participates in the Rio Tinto Share Saving Plan. During 2011 the majority of employees participated in the plan.

### **Directors**

The composition of the Board of Directors at the date of this report is shown on page 1.

All directors served throughout the period with the following exceptions:

Mario Foucault was appointed with effect from 1 March 2011, resigned 18 June 2012.

Klaus Anton Stingl was appointed with effect from 31 July 2012.

Abel Martins Alexandre was appointed with effect from 18 June 2012.

Sylvain Bolduc resigned on 31 May 2012.

### **Donations**

Donations for charitable purposes made by the Company during the period amounted to £2,387 (15 months to 31 December 2010: £1,350). The Company made no donations during either period for political purposes as defined by the Companies Act 2006 as amended by the Political Parties, Elections and Referendums Act 2000.

### **Policy regarding payment of creditors**

It is the Company's policy to abide by the terms of payment agreed with suppliers. In many cases the terms of payment are as stated in the suppliers' own literature. In other cases, the terms of payment are determined by specific written or oral agreement. The Company does not follow any published codes or standard on payment practices. Trade creditors at 31 December 2011 represented 22 days (2010: 12 days) of annual purchases.

# Anglesey Aluminium Metal Limited

## Directors' report (continued)

### Going concern

The entity had net liabilities of £69.1m at the year end (2010: £70.5m net liabilities). A large proportion of the liabilities due are comprised of a payable of £38.0m (2011: £38.0m) due to its ultimate parent Anglesey Aluminium Ltd and a loan of £49.0m (2011: £49.0m) due to Rio Tinto PLC. The directors have obtained a letter of support from Anglesey Aluminium Ltd which confirms it will not call upon the debt before the 31 December 2013. The Directors note that the maturity date on the loan due to Rio Tinto PLC is not until the 31 December 2013 and expect the loan to be extended beyond this date.

After the preparation of detailed cash flow projections which include consideration of reasonably possible changes in trading performance, banking facilities and due consideration of the long term loans discussed above, the directors have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of preparation.

### Auditor and disclosure of information to auditor

Each of the persons who are a director at the date of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the UK Companies Act 2006.

Under section 487(2) of the Companies Act 2006, Deloitte LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is the earlier.

Approved by the Board of Directors  
and signed on behalf of the Board



G J C Aldridge  
Secretary

2/10 2012

# **Anglesey Aluminium Metal Limited**

## **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, 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 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. They 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 the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Independent auditor's report to the members of Anglesey Aluminium Metal Limited**

We have audited the financial statements of Anglesey Aluminium Metal Limited for the year ended 31 December 2011 which comprises the profit and loss account, the balance sheet and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



## **Independent auditor's report to the members of Anglesey Aluminium Metal Limited (continued)**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Jeremy Black (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

*4 October* 2012

## Anglesey Aluminium Metal Limited

### Profit and loss account Year ended 31 December 2011

		Year ended 31 December 2011 £'000	15 months ended 31 December 2010 £'000
	Notes		
<b>Turnover</b>	2	139 786	135,859
Cost of sales		(131,540)	(141 563)
<b>Gross profit/(loss)</b>		8,246	(5 704)
Administrative expenses		(2,905)	(7,542)
<b>Operating profit/(loss)</b>	3	5,341	(13,246)
Profit on the sale of tangible fixed assets		-	1,119
Interest receivable and similar income	7	5	161
Interest payable and similar charges	8	(3,118)	(4,844)
<b>Profit/(loss) on ordinary activities before taxation</b>		2,228	(16 810)
Tax (charge)/credit on profit/(loss) on ordinary activities	9	(792)	3,722
<b>Profit/(loss) on ordinary activities after taxation</b>	18	1,436	(13,088)

The results for the year ended 31 December 2011 relate wholly to continuing operations (refer to directors' report for further detail)

There are no recognised gains and losses for the current and preceding financial periods other than the profit of £1.4m (15 months to 31 December 2010: loss of £13.1m) as shown above. Accordingly no separate statement of total recognised gains and losses is presented.

# Anglesey Aluminium Metal Limited

## Balance sheet 31 December 2011

	Notes	2011 £'000	2010 £'000
<b>Fixed assets</b>			
Tangible assets	10	4,602	4,615
Investments	11	8	8
		<u>4,610</u>	<u>4,623</u>
<b>Current assets</b>			
Stocks	12	8,351	7,533
Debtors	12	23,722	31,725
Cash at bank and in hand		5,647	2,440
		<u>37,720</u>	<u>41,968</u>
<b>Creditors' amounts falling due within one year</b>	13	<u>(6,707)</u>	<u>(8,133)</u>
<b>Net current assets</b>		<u>31,013</u>	<u>33,565</u>
<b>Total assets less current liabilities</b>		<u>35,623</u>	<u>38,188</u>
<b>Creditors: amounts falling due after more than one year</b>	14	<u>(86,916)</u>	<u>(86,916)</u>
<b>Provisions for liabilities and charges</b>	15	<u>(17,813)</u>	<u>(21,814)</u>
<b>Net liabilities</b>		<u>(69,106)</u>	<u>(70,542)</u>
<b>Capital and reserves</b>			
Called up share capital	17	-	-
Profit and loss account	18	<u>(69,106)</u>	<u>(70,542)</u>
<b>Shareholders' deficit</b>	19	<u>(69,106)</u>	<u>(70,542)</u>

The financial statements of Anglesey Aluminium Metal Ltd (registered number 909645) were approved by the Board of Directors and authorised for issue on **2 October** 2012



Abel Martins Alexandre

Director

# Anglesey Aluminium Metal Limited

## Notes to the financial statements Year ended 31 December 2011

### 1. Basis of accounting

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted, which have been applied consistently in the current and prior periods, are described below.

The financial statements are prepared in accordance with the historical cost convention.

### 2. Accounting policies

#### Turnover

Turnover represents sales, net of VAT, in the United Kingdom of aluminium at prices based on the terms of sales agreements made with the shareholders of the Company.

#### Cash flow statement

Anglesey Aluminium Metal Limited is exempt from the preparation of a cash flow statement under FRS 1 (Revised 1998) 'Cash Flow Statements' on the basis that it is a subsidiary undertaking where 90% or more of the voting rights are controlled within the group. The consolidated financial statements of Anglesey Aluminium Limited, which include Anglesey Aluminium Metal Limited, are publicly available.

#### Fixed asset investments

Tradable carbon credits are included at cost less provision for any permanent diminution in value.

#### Depreciation

No depreciation is provided on freehold land and assets in the course of construction.

For all other tangible fixed assets depreciation is calculated on a straight line basis calculated to write down to their estimated residual values over the period of their estimated useful economic lives, which is considered to be fifteen years unless they form part of the plant and machinery assets which have been impaired to a residual value where no depreciation is charged.

#### Deferred taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax is not provided on unremitted earnings where there is no binding commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value on a first-in-first-out basis. Cost, in the case of work in progress and finished stocks of metal, includes materials, labour and all appropriate overheads.

# **Anglesey Aluminium Metal Limited**

## **Notes to the financial statements Year ended 31 December 2011**

### **2. Accounting policies (continued)**

#### **Foreign exchange**

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

#### **Pensions**

The expected cost of pensions in respect of Rio Tinto plc defined benefit pension schemes in which the Company participates is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes. Variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes in line with the allocation by the principal employer of such variation between companies in the scheme. The pension cost is assessed in accordance with the advice of qualified actuaries.

The Company is unable to identify its share of the underlying assets and liabilities as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in the Rio Tinto plc Pension Fund. A review of the whole fund was prepared at 31 December 2011 by an independent qualified actuary for the purposes of IAS 19. At that date the fund had a deficit of £56.8million.

The existence of this deficit does not affect the rate at which the Company pays contributions as this is determined by the normal Trustee funding valuation.

For defined contribution schemes the amount charged to the profit and loss account is the contribution payable in the year. This is a multi-employer scheme so no FRS 17 disclosures are required in the financial statements. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### **Operating leases**

Rentals are charged to the profit and loss account in equal annual amounts over the lease term.

#### **Share-based payments**

Through Rio Tinto plc (one of the two corporate shareholders in the Company's parent, Anglesey Aluminium Limited), employees of the Company can participate in the Rio Tinto plc Share Savings Plan. Under this scheme, employees are granted options to purchase shares in Rio Tinto plc in return for the benefit of their services to the Company.

Under an agreement between the Company and Rio Tinto plc, Anglesey Aluminium Metal Limited will be required to reimburse Rio Tinto plc, by way of a management charge, for shares to be purchased in the market and transferred to employees under the option schemes. In the 12 month period to 31 December 2011 £329,715 (15 months to 31 December 2010 £2,417,837) had been paid to Rio Tinto plc for the price differential between market and share option price for shares exercised during the year.

The directors have accounted for the share option scheme following the requirements of "cash settled" share-based payments under FRS 20. In accordance with FRS 20, Anglesey Aluminium Metal Limited measures the liability to be incurred at the fair value of the liability. At each reporting date and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in the profit and loss for the period.

# Anglesey Aluminium Metal Limited

## Notes to the financial statements Year ended 31 December 2011

### 2. Accounting policies (continued)

#### Rehabilitation provision

In accordance with FRS 12 Provisions, Contingent Liabilities and Contingent Assets a provision for certain costs relating to the future closure of the plant has been established. This provision has been calculated on the basis of a report from an independent quantity surveyor, and reflects an estimate of the costs of returning the site of the plant to 'light industrial use' in accordance with the initial planning consent.

The fixed asset which reflects a discounted estimate of future costs was fully written down by September 2009.

The provision is discounted and the unwinding of the discount each year is charged to interest payable and similar charges.

#### Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report on pages 3-5.

The entity had net liabilities of £69.1m at the year end (2010: £70.5m net liabilities). A large proportion of the liabilities due are comprised of a payable of £38.0m (2011: £38.0m) due to its ultimate parent Anglesey Aluminium Ltd and a loan of £49.0m (2011: £49.0m) due to Rio Tinto PLC. The directors have obtained a letter of support from Anglesey Aluminium Ltd which confirms it will not call upon the debt before the 31 December 2013. The Directors note that the maturity date on the loan due to Rio Tinto PLC is not until the 31 December 2013 and expect the loan to be extended beyond this date.

After the preparation of detailed cash flow projections which include consideration of reasonably possible changes in trading performance, banking facilities and due consideration of the long term loans discussed above, the directors have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of preparation.

#### Preparation of group accounts

These accounts present information relating to Anglesey Aluminium Metal Limited, an individual undertaking and not its associated companies. In the opinion of the directors the company is exempt from preparing consolidated accounts under Section 400 of Companies Act 2006, as amended. Group accounts are prepared for the ultimate parent company, Anglesey Aluminium Limited, a company registered in England and Wales.

### 3. Operating profit/(loss)

	Year ended 31 December 2011 £'000	15 months ended 31 December 2010 £'000
Operating profit/(loss) is arrived at after charging		
Depreciation of tangible assets – owned assets	(94)	(410)
Fees payable to the company's auditor for audit of the Company's annual accounts	81	81
Fees payable to the Company's auditor for non-audit services	-	(15)
Operating lease rentals		
Hire of plant and machinery	(54)	(59)
Other operating leases	(31)	(36)
	<u>          </u>	<u>          </u>

# Anglesey Aluminium Metal Limited

## Notes to the financial statements Year ended 31 December 2011

### 4. Employees

	Year ended 31 December 2011 No	15 months ended 31 December 2010 No.
The average number of persons employed in each of the following categories (including directors) during the period was		
Production	100	102
Administration	9	9
	<u>109</u>	<u>111</u>
	<b>£'000</b>	<b>£'000</b>
Staff costs, including directors, during the period:		
Wages and salaries	5,636	5,625
Social security costs	488	479
Other pension costs	48	38
	<u>6,172</u>	<u>6,142</u>

#### Pension costs

Employees who joined the Company before 1 April 2005 were eligible to participate in the Rio Tinto Pension Fund (the Fund). The assets of the Fund are held in a separate trustee administered fund.

The Rio Tinto Pension Fund provides benefits on both a defined benefit and a defined contribution basis. However, any contributions paid by the Company are accounted as if the scheme were a defined contribution scheme, as the Company is unable to identify its share of the underlying assets and liabilities in the scheme. Currently 28.9% of employee salaries is paid as additional pension contributions into the fund. A one-off contribution was made to the Rio Tinto Pension Fund of £70,000,000 on 30 September 2009, accounted for as an additional contribution of employers' pension payment of employees' salaries.

An annual valuation of the Fund was earned out by independent qualified actuaries on 31 December 2008 under International Accounting Standards 19 "Employee Benefits" and on this basis the Fund had a deficit of £56.8 million, a funding level of 87%.

Employees who join on or after 1 April 2005 are eligible to join the Anglesey Aluminium Metal Group Personal Pension Plan, a defined contribution stakeholder pension in association with Standard Life. Contributions amounted to £48,082 (6%) (15 months to 31 December 2010: £38,445 (6%)). At 31 December 2011 there were £nil (2010: £nil) prepaid pension contributions.

# Anglesey Aluminium Metal Limited

## Notes to the financial statements Year ended 31 December 2011

### 5. Share-based payments

Through Rio Tinto plc employees of the Company can participate in the Rio Tinto Share Savings Plan. Under this plan, employees are granted options to purchase shares in Rio Tinto plc.

Following the accounting policy referred to in note 2, the costs to the Company of reimbursing Rio Tinto plc for shares relating to the share option scheme have been accrued and charged to the profit and loss account as follows:

	Year ended 31 December 2011 £'000	15 months ended 31 December 2010 £'000
Fair value charge	96	297
Additional credit	(443)	(4,073)
Total credit	<u>(347)</u>	<u>(3,776)</u>

### Fixed share option plans

The Rio Tinto Share Savings Plan is open to all Group employees. Employees who participate save a fixed amount from pay to a savings account for a term of between three and five years. At the end of the savings term, the employees have a choice of using the money to buy shares in Rio Tinto plc, withdrawing the money, or a combination of both and have a six month window to decide. The option to buy shares is based on a fixed exercise price which is equal to the market price of Rio Tinto plc's shares on the day of grant less a 20 per cent discount. The awards are settled in shares with Rio Tinto plc.

### Fair value

The fair value of share options is estimated as at the date of grant using a lattice based option valuation model. The significant assumptions used in the valuation model are disclosed below. Expected volatilities are based on the historical volatility of Rio Tinto plc's share returns. Historical data was used to estimate employee turnover rates within the valuation model. It is assumed that after options have vested 20 per cent p.a. of participants will exercise their options when the market price is at least 20 per cent above the exercise price of the option. The implied lifetime of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. The risk free rate used in the valuation model is equal to the yield available on UK zero coupon government bonds at the date of grant with a term equal to the expected term of the options.

The fair value estimates include allowance for the exercise price being at a discount to market price. The key assumptions used in the valuation are noted in the following table:

	Year ended 31 December 2011 £'000	15 months ended 31 December 2010 £'000
Risk-free interest rate	0.9% - 1.40%	2.0% - 2.8%
Expected volatility	46.0%	46.0%
Dividend yield	2.5%	1.9%
Employee turnover rate	10.0%	10.0%
Implied option lifetime	3.2 - 5.2 years	3.2 - 5.2 years



# Anglesey Aluminium Metal Limited

## Notes to the financial statements

### Year ended 31 December 2011

#### 5. Share-based payments (continued)

A summary of the status of the share savings plans at 31 December 2011, and changes during the year ended 31 December 2011 is presented below

##### Rio Tinto plc – share savings plan

	2011		2010	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Options outstanding at start of period	134,309	19 62	196,220	19 62
Accounted for as granted during the period	6,731	27 81	21,302	21 48
Exercised during the period	(11,991)	16 72	(83,213)	11 40
Expired during the period	(121)	20 72	-	-
Options outstanding at the end of the period	<u>128,928</u>	<u>29 73</u>	<u>134,309</u>	<u>25 00</u>
Weighted average grant date fair value of options granted during the year (£)		11 01		9 64
Share price at date of grant for options accounted for during the year (£)		<u>37 21</u>		<u>26 69</u>
	Number	Weighted average exercise price £	Weighted average remaining contractual life (years)	Aggregate intrinsic value £'000
<b>Options outstanding at 31 December 2011</b>				
<i>Range of exercise prices</i>				
£17 08 - £28 63	<u>128,928</u>	<u>29 73</u>	<u>0 11</u>	<u>819</u>
<b>Options outstanding at 31 December 2010</b>				
<i>Range of exercise prices</i>				
£9 09 - £26 58	<u>134,309</u>	<u>25 00</u>	<u>0 59</u>	<u>2,908</u>

# Anglesey Aluminium Metal Limited

## Notes to the financial statements Year ended 31 December 2011

### 6. Directors

The emoluments (excluding pension scheme contributions) of the directors were as follows

	Year ended 31 December 2011 £'000	15 months ended 31 December 2010 £'000
Emoluments	111	258
Company contributions to money purchase pension schemes	22	37
	<u>133</u>	<u>295</u>

None of the three (2010 four) directors who served during the period were members of a Rio Tinto plc defined benefit pension scheme

The emoluments of the highest paid director were £132,547 (2010 £294,821), who is not a member of a Rio Tinto plc defined benefit pension scheme in either period

### 7 Interest receivable and similar income

	Year ended 31 December 2011 £'000	15 months ended 31 December 2010 £'000
Interest received on bank deposits	-	70
Interest received on	5	-
Interest on HMRC corporation tax repayment	-	91
	<u>5</u>	<u>161</u>

### 8. Interest payable and similar charges

	Year ended 31 December 2011 £'000	15 months ended 31 December 2010 £'000
Rehabilitation provision finance charge (note 15)	893	947
Loan interest	2,225	3,897
	<u>3,118</u>	<u>4,844</u>

# Anglesey Aluminium Metal Limited

## Notes to the financial statements Year ended 31 December 2011

### 9 Tax (charge)/credit on profit/(loss) on ordinary activities

#### (a) Analysis of credit/(charge) in the period

	Year ended 31 December 2011 £'000	15 months ended 31 December 2010 £'000
UK corporation tax at 26% (2010 28%)	-	1,321
Current taxation	-	1,321
Deferred taxation (note 15)	(792)	2,401
Tax for period	(792)	3,722
(b) Factors affecting tax charge for the period		
Profit/(loss) on ordinary activities before tax	2,228	(16,810)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation at 26% (2010 28%)	(590)	4,707
Effects of		
Expenses not deductible for tax purposes	(237)	(910)
Capital allowances in excess of depreciation	102	424
Change in provision leading to increase in tax charge	116	-
Deferred tax movement on share options recharge	179	519
Adjustment to the tax charge in respect of previous periods	-	1,321
Losses carried forward	(517)	(4,740)
Utilisation of tax losses	947	-
Current tax credit/(charge) for period (note 9(a))	-	1,321

Legislation was enacted in July 2012 to reduce the UK statutory corporation tax rate to 24% from 1 April 2012 and to 23% from 1 April 2013. The March 2012 Budget Statement also announced a further reduction to the UK statutory corporation tax rate to 22% effective 1 April 2014.

These changes have no impact on the financial statements prepared to 31 December 2011.

# Anglesey Aluminium Metal Limited

## Notes to the financial statements Year ended 31 December 2011

### 10. Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Assets in course of construction £'000	Total £'000
<b>Cost</b>					
At 1 January 2011	1 915	116 358	5,886	753	124 912
Additions during the period	-	-	-	81	81
Disposals	(122)	(107)	-	-	(229)
Assets completed during the period	-	81	-	(81)	-
At 31 December 2011	<u>1,793</u>	<u>116,332</u>	<u>5,886</u>	<u>753</u>	<u>124,764</u>
<b>Accumulated depreciation</b>					
At 1 January 2011	1,131	113,311	5,855	-	120,297
Amount charged in the period	44	-	50	-	94
Disposals	-	(111)	(118)	-	(229)
At 31 December 2011	<u>1,175</u>	<u>113,200</u>	<u>5,787</u>	<u>-</u>	<u>120 162</u>
<b>Net book value</b>					
At 31 December 2011	<u>618</u>	<u>3,132</u>	<u>99</u>	<u>753</u>	<u>4 602</u>
At 31 December 2010	<u>784</u>	<u>3,047</u>	<u>31</u>	<u>753</u>	<u>4,615</u>

### 11. Fixed asset investments

	Year ended 31 December 2011 £'000	15 months ended 31 December 2010 £'000
<b>Cost</b>	416	416
<b>Provision for impairment</b>	(409)	(409)
<b>Net book value</b>	<u>7</u>	<u>7</u>
	<b>Subsidiary undertakings</b>	
	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
At start of period	1	-
Additions	-	1
At end of period	<u>1</u>	<u>1</u>

The investment is a 100% holding in the subsidiary undertaking Anglesey Aluminium Metal Renewables Limited, which was established to investigate the viability of a biomass plant on the Anglesey site

## Anglesey Aluminium Metal Limited

### Notes to the financial statements Year ended 31 December 2011

#### 12. Current assets

	2011 £'000	2010 £'000
<b>Stocks.</b>		
Raw materials and stores	2,374	5,339
Work in progress	276	210
Finished goods	5,701	1,984
	<u>8,351</u>	<u>7,533</u>

There is no material difference between the balance sheet value of stocks and their replacement cost

#### Debtors (all due in less than one year)

Trade debtors	808	1,907
Amounts owed by Rio Tinto plc and its subsidiary undertakings	9,660	13,085
Short term deposit with Rio Tinto Finance plc	1	1
Amounts owed by Kaiser Aluminum	9,143	11,068
Other debtors	1,375	2,137
Deferred tax asset (note8)	1,609	2,401
Amounts owed by group undertakings	1,126	1,126
	<u>23,722</u>	<u>31,725</u>

#### 13. Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	6,246	7,661
Corporation tax	-	32
Other creditors including taxation and social security	460	439
Amounts due to subsidiary undertaking	1	1
	<u>6,707</u>	<u>8,133</u>

#### 14. Creditors: amounts falling due after more than one year

	2011 £'000	2010 £'000
Amounts owed to immediate parent Company	37,916	37,916
Amounts owed to Rio Tinto Finance PLC – pension loan	49,000	49,000

The loan owed to Rio Tinto bears an interest rate of LIBOR + 2.5% subject to a floor of 4.5% and a cap of 7% and is due for repayment on 31 December 2013

No interest is charged on the amount owed by to the immediate parent company

# Anglesey Aluminium Metal Limited

## Notes to the financial statements Year ended 31 December 2011

### 15. Provisions for liabilities and charges

	Rehabilitation provision £'000	Share based payments £'000	Redundancy provision £'000	Total £'000
At 1 January 2011	20,870	491	453	21,814
Additional provision in the year	-	96	-	96
Unwinding of discount (note 8)	(893)	-	-	(895)
Credit to income statement	(2 437)	(443)	(320)	(4 001)
At 31 December 2011	<u>17,540</u>	<u>144</u>	<u>133</u>	<u>17,817</u>

The share based payments provision relates to the current estimate of the amount that will become payable to Rio Tinto in respect of the Share Savings Plan (note 5). The share based payments are for three and five year options expecting to be claimed for the current year through to the final one in 2015.

The redundancy provision is for future costs which relates to the two specific employees that have their notice of redundancy for the end of 2012.

The rehabilitation provision is for certain costs relating to the future closure of the plant. This provision has been calculated on the basis of a report from an independent quantity surveyor, and reflects an estimate of the costs of returning the site of the plant to "light industrial use" in accordance with the initial planning consent.

### 16. Deferred Taxation

The major elements of the amount of deferred tax recognised and unrecognised in the financial statements are as follows:

	Recognised		Unrecognised	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Share schemes	-	36	-	133
Accelerated capital allowances	-	(213)	-	(169)
Held-over gains	-	(169)	-	(307)
Tax losses	<u>1,609</u>	<u>2,653</u>	<u>2,401</u>	<u>2,458</u>
	<u>1,609</u>	<u>2,307</u>	<u>2,401</u>	<u>2,115</u>

The deferred tax asset of £1,609,000 (2010: £2,401,000) is carried forward in respect of historic tax losses arising in the period. Based on Company projections it is regarded more likely that not that suitable taxable profits will be generated against which these losses can be utilised. The unrecognised amounts are not expected to crystallise.

# Anglesey Aluminium Metal Limited

## Notes to the financial statements Year ended 31 December 2011

### 17. Operating lease commitments

At 31 December 2011 the Company was committed to make the following payments during the next year in respect of operating leases

	2011		2010	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases which expire				
Within one year	-	-	-	6
After five years	31	-	31	-
	<u>31</u>	<u>-</u>	<u>31</u>	<u>6</u>

### 18. Called up share capital

	2011 £'000	2010 £'000
Allotted, called up and fully paid:		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

### 19. Profit and loss account

	2011 £'000	2010 £'000
At start of period	(70,542)	(57,454)
Profit/(loss) on ordinary activities after taxation	<u>1 436</u>	<u>(13,088)</u>
At end of period	<u>(69,106)</u>	<u>(70,542)</u>

### 20. Reconciliation of movements in shareholders' deficit

	2011 £'000	2010 £'000
Profit/(loss) for the financial period	<u>1,436</u>	<u>(13 088)</u>
Net increase/(decrease) to shareholders' fund	1,436	(13,088)
Opening shareholders' fund	<u>(70,542)</u>	<u>(57,454)</u>
Closing shareholders' deficit	<u>(69,106)</u>	<u>(70,542)</u>

# Anglesey Aluminium Metal Limited

## Notes to the financial statements Year ended 31 December 2011

### 21. Ultimate parent company

The immediate parent company Anglesey Aluminium Limited, a company registered in England and Wales, prepares financial statements which consolidate the results of Anglesey Aluminium Metal Limited

Anglesey Aluminium Limited is a joint venture whose ultimate parents are Rio Tinto plc (incorporated in Great Britain) and Kaiser Aluminum Corporation (incorporated in the United States)

The largest and smallest group of companies of which the Company is a member and which prepares consolidated financial statements within the Rio Tinto group is Rio Tinto plc a company incorporated in Great Britain and registered in England and Wales and within the Kaiser group is Kaiser Aluminum Corporation, a company incorporated in the United States

The consolidated accounts of both parents are available to the public and are available from

Rio Tinto, 2 Eastbourne Terrace, London W2 6LG

Kaiser 27422 Portola Parkway #200, Foothill Ranch, California, 92610

### 22. Related parties disclosure

Anglesey Aluminium Metal Limited is owned by Anglesey Aluminium Limited, which in turn is owned by the following companies in the stated percentages

Rio Tinto Aluminium Holdings (UK) Limited	51%
Kaiser Aluminum Investments Company	49%

Anglesey Aluminium Metal Limited sells aluminium to subsidiaries of these companies. All transactions are in proportion to their shareholding. The sales of aluminium are included in turnover. The amounts involved in these transactions and the amounts due to and from these companies are disclosed in the table below. No amounts due from these companies have been provided for or written off during the period.

Certain employees of the Company are members of the Rio Tinto pension scheme. No employers' contributions were paid or payable into the scheme in the either the current or prior period, however the Company paid an accident premium of £8,940 (15 months to 31 December 2010: £12,189) into the scheme. From 1 April 2005 all new employees were eligible to join the Anglesey Aluminium Metal Limited Group Personal Pension Plan Stakeholder Pension in association with Standard Life. Contributions amounted to £48,082 (6%) (15 months to 31 December 2010: £38,445, (6%)).

Employees of the Company participate in the Rio Tinto plc Share Save Plan, the costs of which are charged to the Company as a management charge on exercise of the options. The charge included in administrative expenses in respect of these schemes is disclosed in note 5.

The Company makes use of the treasury function of Rio Tinto Finance plc, and invests surplus cash balances with them on a weekly basis. The amount invested by Rio Tinto Finance plc on behalf of the Company as at 31 December 2011 amounted to £839 (15 months to 31 December 2010: £835).

Both owners are called upon by the Company to supply consultancy advice for which a charge is payable.

All services provided to these related parties were provided as part of the Company's normal business.



## Anglesey Aluminium Metal Limited

### Notes to the financial statements Year ended 31 December 2011

#### 22. Related parties disclosure (continued)

The amounts payable for services rendered during the year are included in administrative expenses and disclosed in the table below

	Rio Tinto Aluminium Holdings (UK) Limited		Kaiser Aluminum Investments Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Aluminium sold	69 692	70 385	66,657	67 364
Aluminium Purchased	71,073	66,263	68,286	63,665
Consultancy advice obtained	408	287	-	-
Due from	9,660	13,085	9,143	11,068

#### 23. Subsequent events

The Company has significant land holdings and is currently in discussions regarding the disposal of these land holdings to third parties. The Company has reached an agreement concerning the disposal of the majority of the operational land together with the sale of its 100% holding in Anglesey Aluminium Metal Renewables Limited (AAMR). Under the terms of the agreement the re-melt facility would be leased back on a rolling contract. The Heads of Terms and exclusivity agreement have been signed with due diligence expected to continue until early 2013.

In addition an option agreement is in place to dispose of the Company's non operational land which consists mainly of a country park and farmland.