



Shareholder question:

“The underlying performance of Alumina Limited [AWC] is determined by the performance Alcoa World Alumina & Chemicals [AWAC], an unincorporated Joint Venture [JV] in which AWC holds a 40 per cent interest. AWAC will generally be required to distribute at least 50% of the prior calendar quarter’s net income of each AWAC company, and certain AWAC companies will also be required to pay a distribution every three months equal to the amount of available cash above specified thresholds and subject to the forecast cash needs of the company. AWC’s interest in the AWAC joint venture is accounted for using the equity method as allowed under U.S. GAAP and IFRS standards.

Note 2c to the AWC annual accounts provides a high level summarised balance sheet and income statement for AWAC, which is helpful, but does not provide sufficient information to determine the trend in the cost structure and has no detail on the “other comprehensive loss for the year” to enable an informed assessment of future performance. It is also difficult to reconcile the AWC comprehensive profit to the AWAC comprehensive profit and the Alcoa 10K statements. In the interests of transparency and an informed market would the Auditor to provide an explanation as to why detailed profit, cash flow and statement of assets and liabilities for AWC using proportional consolidation under IFRS is not available to shareholders and other interested parties.”

Response:

The audit of Alumina Limited and its controlled entities has been conducted in accordance with Australian Auditing Standards. Our audit report is designed to provide reasonable assurance about whether the financial report is free from material misstatement. We have tailored the scope of our audit to perform enough work to give our opinion on the accounts as a whole, taking into account a range of factors as detailed in our audit opinion of page 93 to 97 of Alumina Limited's Annual Report.

Note 2A of the 2016 Alumina Limited Annual Report outlines that Alumina has a 40% equity interest in several incorporated entities forming AWAC. The company has determined the investment in AWAC to be an associate. The company accounts for the investment using the equity method, which is **the only allowable option** under AASB 128 paragraph 16. The company therefore does not prepare detailed profit, cash flow and statement of assets and liabilities information on a proportional consolidation basis for Alumina (AWC).

A handwritten signature in black ink that reads 'Nadia Carlin'.

Nadia Carlin
Partner
PwC

PricewaterhouseCoopers, ABN 52 780 433 757

2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

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