Novelis Inc.

Financial Statements and Related Notes As of March 31, 2017

(Unaudited)

Table of Contents

	Page Number
CERTIFICATION	1
TABLE OF CONTENTS	2
BALANCE SHEET (UNAUDITED)	4
STATEMENT OF OPERATIONS (UNAUDITED)	5
STATEMENT OF COMPREHENSIVE LOSS (UNAUDITED)	6
STATEMENT OF CASH FLOWS (UNAUDITED)	7
STATEMENT OF SHAREHOLDER'S EQUITY (UNAUDITED)	8
1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	9
2. RESTRUCTURING AND IMPAIRMENT	23
3. ACCOUNTS RECEIVABLE	25
4. INVENTORIES	26
5. PROPERTY, PLANT AND EQUIPMENT	27
6. INTANGIBLE ASSETS	29
7. INVESTMENTS IN SUBSIDIARIES AND RELATED PARTY TRANSACTIONS	30
8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES	33
9. DEBT	34
10. SHARE-BASED COMPENSATION	37

11. POST RETIREMENT BENEFIT PLANS 41

12. CURRENCY (GAINS) LOSSES 47

13. FINANCIAL INSTRUMENTS AND COMMODITY CONTRACTS 48

14. ACCUMULATED OTHER COMPREHENSIVE LOSS 50

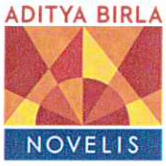
15. FAIR VALUE MEASUREMENTS 51

16. OTHER EXPENSES (INCOME) 53

17. INCOME TAXES 54

18. SUPPLEMENTAL INFORMATION 56

Novelis Inc.



CERTIFICATION

I, Stephanie Rauls, have reviewed the attached unaudited standalone financial statements for Novelis Inc. and certify that the information included therein accurately reflects the financial position of Novelis Inc. as of 31 March 2017 and the results of its operations for the year then ended.

By: _____
Name: Stephanie Rauls
Title: Chief Accounting Officer & Controller
Date

Novelis Inc.
3560 Lenox Rd, Suite 2000
Atlanta, Georgia 30326

Telephone +1 404 760 4000
Fax +1 404 760 0120

Website www.novelis.com
Email info@novelis.com

Novelis Inc.

BALANCE SHEET (unaudited)
(In millions, except number of shares)

	March 31, 2017	March 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 2	$ 2
Accounts receivable, net		
— third parties	21	23
— related parties	84	191
Notes receivable — related parties	28	112
Inventories	32	46
Prepaid expenses and other current assets	9	6
Fair value of derivative instruments	4	26
Total current assets	180	406
Property, plant and equipment, net	72	80
Intangible assets, net	16	17
Investments in subsidiaries	1,293	2,948
Other long–term assets		
— third parties	9	45
— related parties	871	1,752
Total assets	$ 2,440	$ 5,247
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Current portion of long–term debt	$ 20	$ 22
Short–term borrowings		
— third parties	120	337
— related parties	260	136
Accounts payable		
— third parties	21	43
— related parties	65	69
Fair value of derivative instruments	7	19
Accrued expenses and other current liabilities		
— third parties	39	95
Total current liabilities	532	721
Long–term debt, net of current portion		
— third parties	1,725	4,253
Accrued postretirement benefits	28	32
Other long–term liabilities	24	21
Total liabilities	2,309	5,027
Commitments and contingencies		
Shareholder's equity		
Common stock, no par value; unlimited number of shares authorized; 1,000 shares issued and outstanding as of March 31, 2017 and 2016	-	-
Additional paid–in capital	1,580	1,580
Accumulated deficit	(1,421)	(1,343)
Accumulated other comprehensive loss	(28)	(17)
Total shareholder's equity	131	220
Total liabilities and shareholder's equity	$ 2,440	$ 5,247

See accompanying notes to financial statements.

Novelis Inc.

STATEMENT OF OPERATIONS (unaudited)

(In millions)

	Year Ended March 31,	
	2017	**2016**
Net sales:		
— third parties	$ 106	$ 121
— related parties	512	527
Total net sales	618	648
Cost of goods sold, including related party (exclusive of depreciation and amortization)	599	611
Selling, general and administrative expenses	1	27
Depreciation and amortization	17	18
Interest expense and amortization of debt issuance costs		
— third parties	184	316
— related parties	3	2
Interest income — related parties	(82)	(121)
Loss on early extinguishment of debt	134	13
(Gain) loss on change in fair value of derivative instruments, net	(1)	28
Dividend income — related parties	(284)	(217)
Restructuring and impairment, net	1	14
Other expense, net	81	1
	653	692
Loss before income taxes	(35)	(44)
Income tax provision	5	4
Net loss	$ (40)	$ (48)

See accompanying notes to financial statements.

Novelis Inc.

STATEMENT OF COMPREHENSIVE LOSS (unaudited)
(In millions)

	Year Ended March 31,	
	2017	**2016**
Net loss	$ (40)	$ (48)
Other comprehensive (loss) income :		
Change in translation adjustment	(14)	34
Change in pension and other benefits, net	3	(4)
Other comprehensive (loss) income, net of tax	(11)	30
Comprehensive loss	$ (51)	$ (18)

See accompanying notes to financial statements.

Novelis Inc.

STATEMENT OF CASH FLOWS (unaudited)
(In millions)

	Year Ended March 31,	
	2017	**2016**
OPERATING ACTIVITIES		
Net loss	$ (40)	$ (48)
Adjustments to determine net cash provided by operation activities:		
Depreciation and amortization	17	18
(Gain) loss on change in fair value of derivative instruments, net	(1)	28
Loss on sale of business	27	-
Loss on extinguishment of debt	134	13
Gain on foreign exchange remeasurement of debt	-	(1)
Amortization of debt issuance costs and carrying value adjustment	2	18
Other, net		
Accounts receivable	193	4
Inventories	14	9
Accounts payable	(26)	(100)
Other current assets	(3)	1
Other current liabilities	(56)	(3)
Other noncurrent assets	809	27
Other noncurrent liabilities	3	28
Net cash provided by (used in) operating activities	1,073	(6)
INVESTING ACTIVITIES		
Capital expenditures	(4)	(10)
Proceeds from sales of assets, third party, net of transaction fees and hedging	-	1
Outflows from the sale of business, net of transaction fees	(2)	-
Inflows from investments in and advances to non-consolidated affiliates, net	1,670	180
Inflows (outflows) from settlement of other undesignated derivative instruments, net	6	(107)
Net cash provided by investing activities	1,670	64
FINANCING ACTIVITES		
Proceeds from issuance of debt	1,800	59
Principal payments - third parties	(4,290)	(18)
Principal payments - related parties	-	(49)
Short–term borrowings, net — third parties	(217)	(57)
Short–term borrowings, net — related parties	124	20
Debt issuance costs	(146)	(15)
Net cash used in financing activities	(2,729)	(60)
Net increase (decrease) in cash and cash equivalents	14	(2)
Effect of exchange rate changes on cash	(14)	-
Cash and cash equivalents — beginning of period	2	4
Cash and cash equivalents — end of period	$ 2	$ 2

See accompanying notes to the financial statements

See accompanying notes to financial statements.

Novelis Inc.

STATEMENT OF SHAREHOLDER'S EQUITY (unaudited)
(In millions, except number of shares)

	Common Shares		Additional Paid-in Capital	Retained Earnings/ (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss) (AOCI)	Total Equity
	Shares	Amount				
Balance as of March 31, 2015	1,000	$ -	$ 1,580	$ (1,289)	$ (47)	$ 244
Net loss	-	-	-	(48)	-	(48)
Currency translation adjustment, net of tax provision	-	-	-	-	34	34
Change in pension and other benefits, net of tax provision	-	-	-	-	(4)	(4)
Related party transaction settlement	-	-	-	(5)	-	(5)
Balance as of March 31, 2016	1,000	-	1,580	(1,343)	(17)	220
Net loss	-	-	-	(40)	-	(40)
Currency translation adjustment, net of tax provision	-	-	-	-	(14)	(14)
Change in pension and other benefits, net of tax provision	-	-	-	-	3	3
Related party transaction settlement	-	-	-	(38)	-	(38)
Balance as of March 31, 2017	1,000	$ -	$ 1,580	$ (1,421)	$ (28)	$ 131

See accompanying notes to financial statements.

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

References herein to “Novelis,” the “Company,” “we,” “our,” or “us” refer to Novelis Inc., unless the context specifically indicates otherwise. References herein to “AV Metals” refer to AV Metals Inc. References herein to “Hindalco” refer to Hindalco Industries Limited. All of the common shares of Novelis are owned directly by AV Metals Inc. and indirectly by Hindalco Industries Limited. The Company's functional and reporting currency is the United States Dollar (USD).

Organization and Description of Business

Novelis Inc. was formed in Canada on September 21, 2004. Novelis Inc. operates a cold rolling mill and finishing line in Kingston, Ontario and is a holding company that has investments in entities that operate aluminum production entities throughout the world. These entities produce aluminum sheet and light gauge products for use in the packaging market, which includes beverage and food can and foil products, as well as for use in the transportation, electronics, architectural and industrial product markets. These entities also own recycling operations to recycle post-consumer aluminum, such as used beverage cans (UBCs) and post-industrial aluminum, such as class scrap. As of March 31, 2017, these entities own manufacturing operations in eleven countries on four continents: North America, South America, Asia and Europe, through 25 operating facilities, including recycling operations in eleven of these plants.

Third party sales included within Novelis Inc. come from a Canadian manufacturing facility that produces industrial products for marine, transportation and other industrial applications with cold rolling, finishing and annealing equipment uniquely designed to produce automotive sheet and specialty surfaces for third-party customers and for other Novelis owned entities.

On March 31, 2016, two dormant owned subsidiaries with combined asset balances of $1.28 billion - 8018243 Canada Limited and Novelis Delaware LLC were amalgamated into Novelis Inc. The amalgamation was retrospectively adjusted through Shareholder's equity as of March 2015.

Use of Estimates and Assumptions

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires us to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. The principal areas of judgment relate to (1) the fair value of derivative financial instruments; (2) impairment of goodwill; (3) impairment of long lived assets and other intangible assets; (4) impairment and assessment of consolidation of equity investments; (5) actuarial assumptions related to pension and other postretirement benefit plans; (6) tax uncertainties and valuation allowances; and (7) assessment of loss contingencies, including environmental and litigation liabilities. Future events and their effects cannot be predicted with certainty, and accordingly, our accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of our consolidated financial statements may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. We evaluate and update our assumptions and estimates on an ongoing basis and may employ outside experts to assist in our evaluations. Actual results could differ from the estimates we have used.

Basis of Presentation

These financial statements have been prepared to satisfy the reporting requirements of the ultimate parent company, Hindalco Industries Limited, for the sole purpose of complying with the Companies Act, 2013 ("The 2013 Act"). In accordance with Sections 136 and 137 of The 2013 Act, it is required to present separate subsidiary financial statements, and Section 137 further requires entities with foreign subsidiaries to submit individual financial statements of such foreign subsidiaries along with its own standalone and consolidated financial statements. Thus, the results of the Company's separate financial statements are included in the consolidated financial statements of our direct parent, Novelis Inc. and our ultimate parent, Hindalco Industries Limited, and those consolidated financial statements are publicly available.

The books and records of Novelis Inc. are prepared and recorded under U.S. GAAP., which requires that we consolidate wholly-owned subsidiaries, majority-owned subsidiaries over which we exercise control, entities in which we have a controlling financial interest, and entities for which we are deemed to be the primary beneficiary. Accordingly, we have presented these financial statements on a standalone unconsolidated basis, which is a deviation from U.S. GAAP as it is not feasibly possible to present these statements in another basis of accounting other than books and records of the subsidiary. Otherwise, these separate financial statements are prepared in accordance with U.S. GAAP. These statements have not been audited, as there is no local jurisdictional requirement to present audited standalone subsidiary financial statements. When applicable, Investments in subsidiaries are presented using the cost method.

Risks and Uncertainties

We are exposed to a number of risks in the normal course of our operations that could potentially affect our financial position, results of operations, and cash flows.

Laws and regulations

We operate in an industry that is subject to a broad range of environmental, health and safety laws and regulations. These laws and regulations impose increasingly stringent environmental, health and safety protection standards and permitting requirements regarding, among other things, air emissions, wastewater storage, treatment and discharges, the use and handling of hazardous or toxic materials, waste disposal practices, the remediation of environmental contamination, post-mining reclamation and working conditions for our employees.

The costs of complying with these laws and regulations, including participation in assessments and remediation of contaminated sites and installation of pollution control facilities, have been, and in the future could be, significant. In addition, these laws and regulations may also result in substantial environmental liabilities associated with divested assets, third party locations and past activities.

We have established liabilities for environmental remediation where appropriate. However, the cost of addressing environmental matters (including the timing of any charges related thereto) cannot be predicted with certainty, and these liabilities may not ultimately be adequate, especially in light of potential changes in environmental conditions, changing interpretations of laws and regulations by regulators and courts, the discovery of previously unknown environmental conditions, the risk of governmental orders to carry out additional compliance on certain sites not initially included in remediation in progress, our potential liability to remediate sites for which provisions have not been previously established and the adoption of more stringent environmental laws. Such future developments could result in increased environmental costs and liabilities and could require significant capital expenditures, any of which could have a material adverse effect on our financial position or results of operations or cash flows.

Furthermore, the failure to comply with our obligations under the environmental laws and regulations could subject us to administrative, civil or criminal penalties, obligations to pay damages or other costs, and injunctions or other orders, including orders to cease operations. In addition, the presence of environmental contamination at our properties could adversely affect our ability to sell a property, receive full value for a property or use a property as collateral for a loan.

Some of our current and potential operations are located or could be located in or near communities that may regard such operations as having a detrimental effect on their social and economic circumstances. Community objections could have a material adverse impact upon the profitability or, in extreme cases, the viability of an operation.

We use a variety of hazardous materials and chemicals in our rolling processes and in connection with maintenance work on our manufacturing facilities. Because of the nature of these substances or related residues, we may be liable for certain costs, including, among others, costs for health-related claims or removal or re-treatment of such substances. Although we have developed environmental, health and safety programs for our employees, including measures to reduce employee exposure to hazardous substances, and conduct regular assessments at our facilities, we are currently, and in the future may be, involved in claims and litigation filed on behalf of persons alleging injury predominantly as a result of occupational exposure to substances at our current or former facilities. It is not possible to predict the ultimate outcome of claims and lawsuits due to the unpredictable nature of litigation. If any claims or lawsuits, individually or in the aggregate, were finally resolved against us, our financial position, results of operations and cash flows could be adversely affected.

Materials and labor

In the aluminum rolled products industry, our raw materials are subject to continuous price volatility. We may not be able to pass on the entire cost of the increases to our customers or offset fully the effects of higher raw material costs through productivity improvements, which may cause our profitability to decline. In addition, there is a potential time lag between changes in prices under our purchase contracts and the point when we can implement a corresponding change under our sales contracts with our customers. As a result, we could be exposed to fluctuations in raw materials prices, including metal, since, during the time lag period, we may have to temporarily bear the additional cost of the change under our purchase contracts, which could have a material adverse effect on our financial position, results of operations and cash flows. Significant price increases may result in our customers' substituting other materials, such as plastic or glass, for aluminum or switching to another aluminum rolled products producer, which could have a material adverse effect on our financial position, results of operations and cash flows.

We consume substantial amounts of energy in our rolling operations and our cast house operations. The factors that affect our energy costs and supply reliability tend to be specific to each of our facilities. A number of factors could materially adversely affect our energy position including, but not limited to: (a) increases in the cost of natural gas; (b) increases in the cost of supplied electricity or fuel oil related to transportation; (c) interruptions in energy supply due to equipment failure or other causes and (d) the inability to extend energy supply contracts upon expiration on economical terms. A significant increase in energy costs or disruption of energy supplies or supply arrangements could have a material adverse effect on our financial position, results of operations and cash flows.

A substantial portion of our employees are represented by labor unions under a large number of collective bargaining agreements with varying durations and expiration dates. We may not be able to satisfactorily renegotiate our collective bargaining agreements when they expire. In addition, existing collective bargaining agreements may not prevent a strike or work stoppage at our facilities in the future, and any such work stoppage could have a material adverse effect on our financial position, results of operations and cash flows.

Other risk and uncertainties

In addition, refer to Note 15 — Fair Value Measurements for a discussion of financial instruments.

Revenue Recognition

We recognize sales when the revenue is realized or realizable, and has been earned. We record sales when a firm sales agreement is in place, delivery has occurred and collectability of the fixed or determinable sales price is reasonably assured.

We recognize product revenue, net of trade discounts, allowances, and estimated billing adjustments, in the reporting period in which the products are shipped and the title and risk of ownership pass to the customer, which is determined based on the individual customer contract of sale. Our standard terms of delivery are included in our contracts of sale, order confirmation documents and invoices. We sell most of our products under contracts based on a “conversion premium,” which is subject to periodic adjustments based on market factors. As a result, the aluminum price risk is largely absorbed by the customer. In situations where we offer customers fixed prices for future delivery of our products, we enter into derivative instruments for all or a portion of the cost of metal inputs to protect our profit on the conversion of the product.

Shipping and handling amounts we bill to our customers are included in “Net sales” in our statement of operations; and the related shipping and handling costs we incur are included in “Cost of goods sold, including related parties (exclusive of depreciation and amortization)” in our statement of operations.

Our customers can receive or earn certain incentives including, but not limited to, contract signing bonuses, cash discounts, volume based incentive programs, and support for infrastructure programs. The incentives are recorded as reductions to "Net sales," and are recognized over the minimum contractual period in which the customer is obligated to make purchases from Novelis. For incentives that must be earned, management must make estimates related to customer performance and sales volume to determine the total amounts earned and to be recorded in deductions from revenue. In making these estimates, management considers historical results. The actual amounts may differ from these estimates.

Cost of Goods Sold, including related parties (Exclusive of Depreciation and Amortization)

“Cost of goods sold (exclusive of depreciation and amortization)” includes all costs associated with inventories, including the procurement of materials, the conversion of such materials into finished products, and the costs of warehousing and distributing finished goods to customers. Material procurement costs include inbound freight charges as well as purchasing, receiving, inspection and storage costs. Conversion costs include the costs of direct production inputs such as labor and energy, as well as allocated overheads from indirect production centers and plant administrative support areas. Warehousing and distribution costs include inside and outside storage costs, outbound freight charges and the costs of internal transfers.

Selling, General and Administrative Expenses

"Selling, general and administrative expenses" include selling, marketing and advertising expenses; salaries, travel and office expenses of administrative employees and contractors; legal and professional fees and software license fees.

Research and Development

We incur costs in connection with research and development programs that are expected to contribute to future earnings, and charge such costs against income as incurred. Research and development costs consist primarily of salaries and administrative costs.

Restructuring Activities

Restructuring charges, which are recorded within "Restructuring and impairment, net" in our statement of operations, include employee severance and benefit costs, impairments of assets, and other costs associated with exit activities. We apply the provisions of ASC 420, Exit or Disposal Cost Obligations (ASC 420). Severance costs accounted for under ASC 420 are recognized when management with the proper level of authority has committed to a restructuring plan and communicated those actions to employees. Impairment losses are based upon the estimated fair value less costs to sell, with fair value estimated based on existing market prices for similar assets. Other exit costs include environmental remediation costs and contract termination costs, primarily related to equipment and facility lease obligations. At each reporting date, we evaluate the accruals for restructuring costs to ensure the accruals are still appropriate. See Note 2 — Restructuring and Impairment for further discussion.

Related Party Transactions

Included in the accompanying financial statements are transactions and balances arising from business we conduct with our indirect parent, Novelis Inc., or with subsidiaries of Novelis Inc., which we classify as related party transactions and balances. As of March 31, 2017 and March 31, 2016 we had an outstanding accounts payable due to Novelis Corporation of $64 thousand and $69 million respectively, which is shown as "Accounts payable — related party" in the accompanying balance sheet.

Cash and Cash Equivalents

"Cash and cash equivalents" includes investments that are highly liquid and have maturities of three months or less when purchased. The carrying values of cash and cash equivalents approximate their fair value due to the short-term nature of these instruments.

We maintain amounts on deposit with various financial institutions, which may, at times, exceed federally insured limits. However, management periodically evaluates the credit-worthiness of those institutions, and we have not experienced any losses on such deposits.

Accounts Receivable

Our accounts receivable are geographically dispersed. We do not obtain collateral relating to our accounts receivable. We do not believe there are any significant concentrations of revenues from any particular customer or group of customers that would subject us to any significant credit risks in the collection of our accounts receivable. We report accounts receivable at the estimated net realizable amount we expect to collect from our customers.

Additions to the allowance for doubtful accounts are made by means of the provision for doubtful accounts. We write-off uncollectible accounts receivable against the allowance for doubtful accounts after exhausting collection efforts. For each of the periods presented, we performed an analysis of our historical cash collection patterns and considered the impact of any known material events in determining the allowance for doubtful accounts. See Note 3 — Accounts Receivable for further discussion.

Derivative Instruments

We hold derivatives for risk management purposes and not for trading. We use derivatives to mitigate uncertainty and volatility caused by underlying exposures to aluminum prices and foreign exchange rates. The fair values of all derivative instruments are recognized as assets or liabilities at the balance sheet date and are reported gross.

We may be exposed to losses in the future if the counterparties to our derivative contracts fail to perform. We are satisfied that the risk of such non-performance is remote due to our monitoring of credit exposures. Additionally, we enter into master netting agreements with contractual provisions that allow for netting of counterparty positions in case of default, and we do not face credit contingent provisions that would result in the posting of collateral.

We do not apply hedge accounting; therefore, all derivative gains or losses are recognized in “Loss on change in fair value of derivative instruments, net” in our statement of operations. We classify cash settlement amounts as part of investing activities in the statement of cash flows.

The majority of our derivative contracts are valued using industry-standard models that use observable market inputs as their basis, such as time value, forward interest rates, volatility factors, and current (spot) and forward market prices for foreign exchange rates. See Note 13 — Financial Instruments and Commodity Contracts and Note 15 — Fair Value Measurements for additional discussion related to derivative instruments.

Inventories

We carry our inventories at the lower of their cost or net realizable value, reduced for obsolete and excess inventory. We use the average cost method to determine cost. Included in inventories are stores inventories, which are carried at average cost. See Note 4 — Inventories for further discussion.

Property, Plant and Equipment

We record land, buildings, leasehold improvements and machinery and equipment at cost. We record assets under capital lease obligations at the lower of their fair value or the present value of the aggregate future minimum lease payments as of the beginning of the lease term. We generally depreciate our assets using the straight-line method over the shorter of the estimated useful life of the assets or the lease term, excluding any lease renewals, unless the lease renewals are reasonably assured. See Note 5 — Property, Plant and Equipment for further discussion.

The ranges of estimated useful lives are as follows:

	Years
Buildings	30 to 40
Leasehold improvements	7 to 20
Machinery and equipment	2 to 25
Furniture, fixtures and equipment	3 to 10
Equipment under capital lease obligations	5 to 15

As noted above, our machinery and equipment have useful lives of 2 to 25 years. Most of our large scale machinery, cold mills, furnaces and finishing mills have useful lives of 15 to 25 years. Supporting machinery and equipment, including automation and work rolls, have useful lives of 2 to 15 years.

Maintenance and repairs of property and equipment are expensed as incurred. We capitalize replacements and improvements that increase the estimated useful life of an asset, and when material, we capitalize interest on major construction and development projects while in progress.

We retain fully depreciated assets in property and accumulated depreciation accounts until we remove them from service. In the case of sale, retirement or disposal, the asset cost and related accumulated depreciation balances are removed from the respective accounts, and the resulting net amount, after consideration of any proceeds, is included as a gain or loss in “Other expense (income), net” or "Gain on assets held for sale" in our statements of operations.

We account for operating leases under the provisions of ASC 840, Leases. These pronouncements require us to recognize escalating rents, including any rent holidays, on a straight-line basis over the term of the lease for those lease agreements where we receive the right to control the use of the entire leased property at the beginning of the lease term.

Long-Lived Assets and Other Intangible Assets

We amortize the cost of intangible assets over their respective estimated useful lives to their estimated residual value. See Note 6 — Intangible Assets for further discussion.

We assess the recoverability of long-lived assets and finite-lived intangible assets, whenever events or changes in circumstances indicate that we may not be able to recover the asset's carrying amount. We measure the recoverability of assets to be held and used by a comparison of the carrying amount of the asset (groups) to the expected, undiscounted future net cash flows to be generated by that asset (groups), or, for identifiable intangible assets, by determining whether the amortization of the intangible asset balance over its remaining life can be recovered through undiscounted future cash flows. The amount of impairment of identifiable intangible assets is based on the present value of estimated future cash flows. We measure the amount of impairment of other long-lived assets and intangible assets as the amount by which the carrying value of the asset exceeds the fair value of the asset, which is generally determined as the present value of estimated future cash flows or as the appraised value. Impairments of long-lived assets and intangible assets are included in "Restructuring and impairment, net" in the statement of operations. See Note 2 - Restructuring and Impairment to our accompanying financial statements for discussion on impairments.

We initially measure a long-lived asset (disposal group) that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of a long-lived asset (disposal group) until the date of sale. We assess the fair value of a long-lived asset (disposal group) less any costs to sell each reporting period it remains classified as held for sale and report any reduction in fair value as an adjustment to the carrying value of the asset (disposal group). Upon being classified as held for sale we cease depreciation. We continue to depreciate long-lived assets to be disposed of other than by sale.

Upon determining that a long-lived asset (disposal group) meets the criteria to be classified as held for sale, we report the assets and liabilities of the disposal group, if material, in the line items "Assets held for sale" and "Liabilities held for sale," respectively, in our balance sheets.

Investments in Subsidiaries

For purposes of these standalone financial statements, we account for our investments in subsidiaries using the cost method. We have also retrospectively adjusted the investment balance to reflect the amalgamations of certain subsidiaries in the U.S. and Canada that occurred during fiscal year 2016. These amalgamations had no impact on the consolidated financial statements. See Note 7 - Investments in Subsidiaries and Related Party Transactions for further discussion.

Financing Costs

We amortize financing costs and premiums, and accrete discounts, over the remaining life of the related debt using the effective interest amortization method unless the impact of utilizing the straight-line method results in an immaterial difference. The expense is included in "Interest expense and amortization of debt issuance costs" in our statement of operations. We record discounts or premiums as a direct deduction from, or addition to, the face amount of the financing.

Fair Value of Financial Instruments

ASC 820, Fair Value Measurements and Disclosures (ASC 820), defines fair value, establishes a framework for measuring fair value under U.S. GAAP, and expands disclosures about fair value measurements. ASC 820 also applies to measurements under other accounting pronouncements, such as ASC 825, Financial Instruments (ASC 825) that require or permit fair value measurements. ASC 825 requires disclosures of the fair value of financial instruments. Financial instruments we commonly encounter include: cash and cash equivalents; certificates of deposit; accounts receivable; accounts payable; foreign currency, energy and interest rate derivative instruments; cross-currency swaps; metal option and forward contracts; related party notes receivable and payable; letters of credit; short-term borrowings and long-term debt.

The carrying amounts of cash and cash equivalents, certificates of deposit, accounts receivable, accounts payable and current related party notes receivable, notes payable and related party debt approximate their fair value because of the short-term maturity and highly liquid nature of these instruments. The fair value of our letters of credit is deemed to be the amount of payment guaranteed on our behalf by third party financial institutions. We determine the fair value of our short-term borrowings and long-term debt based on various factors including maturity schedules, call features and current market rates. We also use quoted market prices, when available, or the present value of estimated future cash flows to determine fair value of short-term borrowings and long-term debt. When quoted market prices are not available for various types of financial instruments (such as currency, energy and interest rate derivative instruments, swaps, options and forward contracts), we use standard pricing models with market-based inputs, which take into account the present value of estimated future cash flows. See Note 15 — Fair Value Measurements for further discussion.

Pensions and Postretirement Benefits

Our pension obligations relate to funded defined benefit pension plans in Canada and unfunded defined benefit pension plans in Canada and the U.S. Our other postretirement obligations include unfunded health care and life insurance benefits provided to retired employees in Canada and the U.S.

We account for our pensions and other postretirement benefits in accordance with Accounting Standards Codification 715, Compensation — Retirement Benefits (ASC 715). We recognize the funded status of our benefit plans as a net asset or liability, with an offsetting adjustment to AOCI in shareholder’s equity. The funded status is calculated as the difference between the fair value of plan assets and the benefit obligation. For the years ended March 31, 2017 and 2016, we used March 31 as the measurement date.

We use standard actuarial methods and assumptions to account for our pension and other postretirement benefit plans. Pension and postretirement benefit obligations are actuarially calculated using management’s best estimates of the rate used to discount the future estimated liability, the long-term rate of return on plan assets, and several assumptions related to the employee workforce (compensation increases, health care cost trend rates, expected service period, retirement age, and mortality). Pension and postretirement benefit expense includes the actuarially computed cost of benefits earned during the current service period, the interest cost on accrued obligations, the expected return on plan assets based on fair market value and the straight-line amortization of net actuarial gains and losses and adjustments due to plan amendments, curtailments, and settlements. Net actuarial gains and losses are amortized over periods of 15 years or less, which represent the group's average future service life of the employees or the group's average life expectancy. See Note 11 — Postretirement Benefit Plans for further discussion.

Income Taxes

We account for income taxes using the asset and liability method. This approach recognizes the amount of income taxes payable or refundable for the current year, as well as deferred tax assets and liabilities for the future tax consequence of events recognized in the financial statements and income tax returns. Deferred income tax assets and liabilities are adjusted to recognize the effects of changes in tax laws or enacted tax rates. Under ASC 740, Income Taxes (ASC 740), a valuation allowance is required when it is more likely than not that some portion of the deferred tax assets will not be realized. Realization is dependent on generating sufficient taxable income through various sources.

Share-Based Compensation

In accordance with ASC 718, Compensation — Stock Compensation (ASC 718), we recognize compensation expense for a share-based award over an employee's requisite service period based on the award's grant date fair value, subject to adjustment. Our share-based awards are settled in cash and are accounted for as liability based awards. As such, liabilities for awards under these plans are required to be measured at fair value at each reporting date until the date of settlement. See Note 10 — Share-Based Compensation for further discussion.

Operating Guarantees

We have issued guarantees on behalf of certain of Novelis Inc.'s subsidiaries. The indebtedness guaranteed is for trade accounts payable to third parties. Some of the guarantees have annual terms while others have no expiration and have termination notice requirements. Neither we nor any of the other subsidiaries hold any assets of any third parties as collateral to offset the potential settlement of these guarantees.

Recently Adopted Accounting Standards

Effective for the first quarter of fiscal 2017, we early adopted FASB ASU 2016-05, *Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships* which, addresses a lack of guidance in existing US GAAP related to the impact of derivative contract novations on existing hedge accounting relationships under Accounting Standards Codification Topic 815, Derivatives and Hedging ("ASC 815"). The ASU clarifies that a change in one of the parties (a novation) to a derivative contract that is part of an existing hedge accounting relationship under ASC 815 does not, in and of itself, require a de-designation of that hedge accounting relationship. The impact of the adoption will prospectively allow hedge accounting treatment to continue on existing hedges when a novation event occurs. Adoption of this standard is not expected to have a current impact on our consolidated financial statements.

Effective for the first quarter fiscal 2017, we adopted FASB ASU 2015-02, *Consolidations (Topic 810): Amendments to the Consolidations Analysis*. The amendment (i) modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities, (ii) eliminates the presumption that a general partner should consolidate a limited partnership, (iii) affects the consolidation analysis of reporting entities that are involved with variable interest entities, particularly those that have fee arrangements and related party relationships, and (iv) provides a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. There was no impact upon adoption.

Effective for the first quarter of fiscal 2017, we adopted FASB ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, which requires the debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. In August 2015, the FASB issued ASU 2015-15, a clarifying amendment, allowing for debt issuance costs related to lines of credit being presented as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line of credit arrangement, regardless of whether there are any outstanding borrowings on the line of credit arrangement. The impact of the adoption was a decrease in "Other long-term assets" and "Long-term debt, net of current portion" in the condensed consolidated balance sheets as of March 31, 2016 of $30 million. We made the policy election to continue to present debt issuance costs related to lines of credit as an asset.

Effective for the first quarter of fiscal 2017, we adopted the FASB ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, which removes the requirement to measure inventory at the lower of cost or market whereas market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin, and requires an entity to measure inventory at the lower of cost or net realizable value. There was no impact upon adoption.

Effective for fiscal year 2017, we adopted FASB ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. We will apply the amendments retrospectively to all periods presented. Early adoption is permitted. Adoption of this standard may impact the presentation of certain pension plan assets in our postretirement benefit plans footnote disclosure on Form 10-K for the year ended March 31, 2017.

Recently Issued Accounting Standards

In March 2017, the FASB issued ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This update was issued primarily to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. The new guidance requires entities to (1) disaggregate the current-service-cost component from the other components of net benefit cost (the "other components") and present it with other current compensation costs for related employees in the results of operations and (2) present the other components elsewhere in the results of operations and outside of income from operations if that subtotal is presented. In addition, the new guidance requires entities to disclose the results of operations line items that contain the other components if they are not presented on appropriately described separate lines. The guidance is effective for public business entities for interim and annual periods beginning after December 15, 2017. For other entities, the amendments are effective for annual periods beginning after December 15, 2018, and interim periods thereafter. Early adoption is permitted. Adoption of this standard is not expected to have an impact on our consolidated results of operations.

In February 2017, the FASB issued ASU 2017-06, Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965), Employee Benefit Plan Master Trust Reporting ("ASU 2017-06"). This update primarily impacted the reporting by an employee benefit plan (a plan) for its interest in a master trust. The amendments in this update require all plans to disclose (1) their master trust's other asset and liability balances and (2) the dollar amount of the plan's interest in each of those balances. The amendments in this update are effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. Adoption of this standard is not expected to have an impact on our consolidated financial position or results of operations.

In February 2017, the FASB issued ASU 2017-05, Other Income-Gains and Losses from the Derecognition of Non-financial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Non-financial Assets. The amendments in this update include (i) clarification that non-financial assets within the scope of ASC 610-20 may include non-financial assets transferred within a legal entity to a counterparty; (ii) clarification that an entity should allocate consideration to each distinct asset by applying the guidance in ASC 606 on allocating the transaction price to performance obligations; and (iii) a requirement for entities to derecognize a distinct non-financial asset or distinct in substance non-financial asset in a partial sale transaction when it does not have (or ceases to have) a controlling financial interest in the legal entity that holds the asset in accordance with ASC 810, and transfers control of the asset in accordance with ASC 606. The guidance is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted. Adoption of this standard is expected to have an immaterial impact on our consolidated financial position and results of operations.

In January 2017, the FASB issued ASU 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, accounting guidance, which removes Step 2 from the goodwill impairment test. As amended, the goodwill impairment test will consist of one step comparing the fair value of a reporting unit with its carrying amount. Under the simplified model, a goodwill impairment is calculated as the difference between the carrying amount of the reporting unit and its fair value, but not to exceed the carrying amount of goodwill allocated to that reporting unit. Early adoption is permitted. The guidance is effective for public business entities for interim and annual periods beginning after its annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. We are currently evaluating the impact of this standard and we do not expect the adoption of this standard will have an impact on our consolidated financial position and results of operations.

In January 2017, the FASB issued ASU 2017-01, Clarifying the Definition of a Business (Topic 805), which provides guidance on evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The new guidance amends ASC 805 to provide a more robust framework to use in determining when a set of assets and activities is a business. In addition, the amendments provide more consistency in applying the guidance, reduce the costs of application, and make the definition of a business more operable. The guidance is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted. Adoption of this standard is not expected to have a current impact on our consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230) - Statement of Cash Flows (Topic 230): Restricted Cash. The amendments in this update apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The guidance is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted. We are currently evaluating the impact of this standard and we believe that the adoption of this standard will have an immaterial impact on our statement of cash flow.

In October 2016, the FASB issued ASU 2016-16, Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory. The new guidance eliminates the exception for all intra-entity sales of assets other than inventory. The guidance will require the tax effects of intercompany transactions to be recognized currently and will likely impact reporting entities' effective tax rates. The guidance is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted. We are currently evaluating the impact of this standard on our consolidated financial position and results of operations.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments. The new guidance applies to all entities that are required to present a statement of cash flows under Topic 230 and addresses specific cash flow items to provide clarification and reduce the diversity in presentation of these items. The guidance is effective for annual periods beginning after December 15, 2017 and interim periods within that year. Early adoption is permitted. Adoption of this standard is not expected to have any impact on our consolidated financial position and results of operations as our current policies are aligned with this standard.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which when effective will require organizations that lease assets (e.g., through "leases") to recognize assets and liabilities for the rights and obligations created by the leases on balance sheet. A lessee will be required to recognize assets and liabilities for leases with terms that exceed twelve months. The standard will also require disclosures to help investors and financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. The guidance is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods. Early adoption is permitted. We are currently evaluating the impact of this standard on our consolidated financial position and results of operations.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which, when effective, will supersede the guidance in former ASC 605, Revenue Recognition. The new guidance requires entities to recognize revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods or services. The guidance is effective for annual periods beginning after December 15, 2016 and interim periods within that year. Early adoption is not permitted. In August 2015, the FASB issued ASU 2015-14 Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date, which provides an optional one-year deferral of the effective date. Subsequent to these amendments, further clarifying amendments have been issued. We are currently evaluating the impact of the standard on our consolidated financial position and results of operations. We have begun assessing our contracts and drafting polices to implement the new revenue standards and will be implementing this standard during the first quarter of fiscal 2019. We have not yet determined the impact of adopting the standard on our unaudited consolidated financial statements, nor have we determined whether we will utilize the full retrospective or modified retrospective approach.

2. RESTRUCTURING AND IMPAIRMENT

"Restructuring and impairment, net" for the year ended March 31, 2017 was $1 million, which included no impairment charges. "Restructuring and impairment, net" for the year ended March 31, 2016 was $14 million, which included no impairment charges.

The following table summarizes our restructuring liability activity and other impairment charges (in millions).

	Total restructuring liabilities	Other restructuring charges[(A)]	Total restructuring charges	Other impairments[(B)]	Total Restructuring and impairments, net
Balance as of March 31, 2015	$ 1				
Fiscal 2016 Activity:					
Expenses	12	$ 2	$ 14	$ -	$ 14
Cash payments	(12)				
Balance as of March 31, 2016	1				
Fiscal 2017 Activity:					
Expenses	1	$ -	$ 1	$ -	$ 1
Cash payments	(2)				
Balance as of March 31, 2017	$ -				

(A) Other restructuring charges include period expenses that were not recorded through the restructuring liability and impairments related to a restructuring activity.

(B) Other impairment charges not related to a restructuring activity.

The following table summarizes our restructuring activity by plan (in millions).

	Year ended March 31,	
	2017	2016
Restructuring charges		
Saguenay Plant Closure:		
Other exit related costs	$ 1	$ -
Period expense (A)	-	1
Corporate Restructuring Program:		
Severance charges related to employee and executive termination	-	12
Period expense (A)	0	1
Total restructuring charges	$ 1	$ 14
Restructuring payments		
Severance	(1)	-
Other	(1)	(12)
Total restructuring payments	$ (2)	$ (12)

(A) These charges were not recorded through the restructuring liability.

In fiscal 2012, we closed our Saguenay Works facility in Canada and relocated our North America research and development operations to a new global research and technology facility in Kennesaw, Georgia.

During the first quarter of fiscal 2016, the Company implemented a series of restructuring actions at the global headquarters office and in the Europe region to better align the organization structure and corporate staffing levels with strategic priorities. As part of this plan, the Company impaired certain capitalized software assets. As of March 31, 2017, the restructuring liability for the corporate office was $2 million and related to severance charges.

3. ACCOUNTS RECEIVABLE

"Accounts receivable, net" consists of the following (in millions).

	March 31,	
	2017	2016
Trade accounts receivable — third parties	$ 15	$ 17
Other accounts receivable — third parties	6	6
Accounts receivable — third parties	21	23
Allowance for doubtful accounts — third parties	-	-
Accounts receivable, net — third parties	$ 21	$ 23
Trade accounts receivable — related parties	$ 72	$ 78
Dividends receivable — related parties	12	113
Accounts receivable, net — related parties	$ 84	$ 191

4. INVENTORIES

"Inventories" consists of the following (in millions).

	March 31,	
	2017	2016
Finished goods	$ 9	$ 10
Work in process[(A)]	18	26
Raw materials	1	6
Supplies	4	4
Inventories	$ 32	$ 46

(A) Includes semi-finished goods purchased for our subsidiaries.

5. PROPERTY, PLANT AND EQUIPMENT

"Property, plant and equipment, net" consists of the following (in millions).

	March 31,	
	2017	2016
Land and property rights	$ 1	$ 1
Buildings	44	44
Machinery and equipment	163	160
Accumulated depreciation and amortization	(139)	(127)
	69	78
Construction in progress	3	2
Property, plant and equipment, net	$ 72	$ 80

As of March 31, 2017 and 2016, there were $11 million and $29 million, respectively, of fully depreciated assets included in our consolidated balance sheets.

For the years ended March 31, 2017, 2016 and 2015, we capitalized $1 million, $2 million and $1 million of interest related to construction of property, plant and equipment and intangibles under development, respectively. Depreciation expense related to property, plant, and equipment, net is shown in the table below (in millions).

	Year Ended March 31,	
	2017	2016
Depreciation expense related to property, plant and equipment, net	$ 12	$ 13

Asset impairments

Impairment charges are recorded in "Restructuring and impairment, net." See Note 2 — Restructuring and impairment for additional information on asset impairments classified as "Restructuring and impairment, net."

Leases

We lease certain land, buildings and equipment under non-cancelable operating leases expiring at various dates. During fiscal 2014 and 2015 we entered into various capital lease arrangements to upgrade and expand our information technology infrastructure. Operating leases generally have five to ten-year terms, with one or more renewal options, with terms to be negotiated at the time of renewal. Various facility leases include provisions for rent escalation to recognize increased operating costs or require us to pay certain maintenance and utility costs.

The following table summarizes rent expense included in our statements of operations (in millions):

	Year Ended March 31,	
	2017	**2016**
Rent expense	$ 3	$ 3

Future minimum lease payments as of March 31, 2017, for our operating and capital leases having an initial or remaining non-cancellable lease term in excess of one year are as follows (in millions).

Year Ending March 31,	**Operating Leases**	**Capital Lease Obligations**
2018	$ 6	$ 2
2019	6	-
2020	6	-
2021	6	-
2022	6	-
Thereafter	14	-
Total minimum lease payments	$ 44	$ 2
Less: interest portion on capital lease		-
Principal obligation on capital leases		$ 2

Assets and related accumulated amortization under capital lease obligations as of March 31, 2017 and 2016 are as follows (in millions).

	March 31,	
	2017	**2016**
Assets under capital lease obligations:		
Machinery and equipment	$ 4	$ 5
Accumulated amortization	(3)	(3)
	$ 1	$ 2

6. INTANGIBLE ASSETS

The components of "Intangible assets, net" are as follows (in millions).

	March 31, 2017				March 31, 2016		
	Weighted Average Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Technology and software	7 years	$ 54	$ (38)	$ 16	$ 50	$ (33)	$ 17

Amortization expense related to "Intangible assets, net" is as follows (in millions).

	Year Ended March 31,	
	2017	2016
Total Amortization expense related to intangible assets included in "Depreciation and amortization"	$ 5	$ 5

Estimated total amortization expense related to "Intangible assets, net" for each of the five succeeding fiscal years is as follows (in millions). Actual amounts may differ from these estimates due to such factors as customer turnover, raw material consumption patterns, impairments, additional intangible asset acquisitions and other events.

Fiscal Year Ending March 31,	
2018	$ 2
2019	2
2020	2
2021	2
2022	2

7. INVESTMENTS IN SUBSIDIARIES AND RELATED PARTY TRANSACTIONS

The following table summarizes our ownership percentage of our subsidiaries in which we have an investment as of March 31, 2017 and March 31, 2016 (in millions) using the cost method.

	March 31,			As of March 31, 2017
	2017	2016		
Shareholdings			**or Preferred Shares**	**Participation**
Novelis European Holdings Limited	$ 530	$ 430	Common stock	100.00%
Novelis Aluminium Beteiligungs GmbH	-	-	Common stock	100.00%
Novelis Laminés France S.A.S.	7	7	Common stock	100.00%
4260848 Canada Inc.	123	123	Common stock	100.00%
4260856 Canada Inc.	185	185	Common stock	100.00%
Novelis Corporation	-	1,681	Preferred shares	100.00%
Novelis South America Holdings, LLC	-	-	Common stock	100.00%
Novelis (India) Infotech Ltd.	2	2	Common stock	99.88%
Aluminum Company of Malaysia Berhad	-	74	Common stock	59.15%
Novelis do Brasil Ltda.	378	378	Common stock	99.99%
Novelis PAE S.A.S.	5	5	Common stock	100.00%
Novelis Holdings Inc.	-	-	Common stock	100.00%
Novelis Vietnam Company Limited	1	1	Common stock	100.00%
8018277 Canada Inc.	-	-	Common stock	100.00%
Novelis (Shanghai) Aluminum Trading Co., Ltd.	4	4	Common stock	100.00%
Novelis (China) Aluminum Products Co., Ltd.	57	57	Common stock	100.00%
Novelis MEA Ltd.	1	1	Common stock	100.00%
Novelis Asia Holdings (Singapore) Pte. Ltd.	-	-	Common stock	100.00%
	$ 1,293	$ 2,948		

As of March 31, 2016, we owned redeemable preferred shares ("Preferred Shares") of $1,681 million in a subsidiary, Novelis Corporation. The Preferred Shares entitled us, as the holder, to receive a cash dividend at a rate of 9.5% per annum of the original issuance price of $1,681 million for seven years from the original issuance date of December 2010. The dividends were cumulative and payable annually. At the end of each seven year period in which the Preferred Shares remained outstanding, the dividend rate would reset to a new annual rate determined by the Board of Directors of Novelis Inc., with the advice of a third party valuation firm. The holders of the Preferred Shares were entitled to receive, on liquidation, an amount equal to the issuance price of $1,681 million, plus any accrued and unpaid dividends therein, whether declared or not declared. The holder of the Preferred Shares were not entitled to any voting powers. The Preferred Shares were not convertible into shares of any other class or classes or series of any class or classes of capital stock of Novelis Corporation. As of March 31, 2017, the preferred shares were extinguished.

Included in the accompanying financial statements are transactions and balances arising from business we conduct with wholly-owned subsidiaries and majority owned subsidiaries over which we exercise control, which we classify as related party transactions and balances. The following table describes the period-end account balances that we had with these related parties, shown as related party balances in the accompanying consolidated balance sheets (in millions).

	March 31,	
	2017	2016
Accounts receivable, net — related parties[(A)]	$ 84	$ 191
Other long-term assets — related parties[(B)]	$ 871	$ 1,752
Short term borrowings — related parties	$ 260	$ 136
Accounts payable-related parties	$ 64	$ 69

	March 31,	
	2017	2016
Notes receivable — related parties:		
Short term loan — related parties	$ 10	$ -
Interest receivable — related parties	18	112
	$ 28	$ 112

(A) Included in Accounts receivable-related parties is $113 million of dividends receivable as of March 31, 2016 due from Novelis Corporation (our direct subsidiary) related to the outstanding Preferred Shares discussed above.

(B) The Other long-term assets - related parties consist of loans due from other Novelis subsidiaries. These loans include:

i. loan to Novelis Corporation, with a maturity date of April 7, 2021 bearing interest at a fixed rate of 6.8% per annum.
ii. loan to Novelis Europe Holdings Ltd. with a maturity date of September 30, 2020 bearing interest at a fixed rate of 6.8% per annum
iii. loans to Novelis Aluminium Holding Company (Ireland) with maturity dates of March 31, 2019 bearing interest rates at a fixed rate of 8% per annum
iv. loans to 4260848 Canada Inc. maturing March 17, 2017 bearing an interest rate based on the 6-month LIBOR + 3.75%
v. loans to 8018227 Canada Inc. maturing March 17, 2017 bearing an interest rate based on the 6-month LIBOR + 3.75%
vi. loans to Novelis (China) Aluminum Products Co. Ltd maturing March 31, 2023 with a fixed interest rate of 6.84% per annum

Below is the dividend income related to the investment we have in our subsidiaries (in millions):

	March 31,	
	2017	2016
Dividend income — related parties	$ 284	$ 217

Below is the interest income and interest expense related to the short term and long term notes and loans we have with our subsidiaries (in millions). See Note 9 — Debt for additional information on notes and loans due to related parties.

	March 31,	
	2017	2016
Interest income — related parties	$ 82	$ 121
Interest expense — related parties	$ 3	$ 2

We have related party transactions with other Novelis Inc. subsidiaries. During the years ended March 31, 2017 and 2016, "Net product sales with related parties" were $512 million and $527 million. As of March 31, 2017 and 2016, there were $84 million and $191 million of "Accounts Receivable trade, net" outstanding related to transactions with other Novelis subsidiaries.

We occasionally have related party transactions with our indirect parent company, Hindalco. During the years ended March 31, 2017 and 2016, “Net sales” were less than $1 million between Novelis and Hindalco. As of March 31, 2017 and 2016 there were less than $1 million of "Accounts receivable, net" outstanding related to transactions with Hindalco.

8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

"Accrued expenses and other current liabilities" consists of the following (in millions).

	March 31,	
	2017	2016
Accrued compensation and benefits	$ 29	$ 27
Accrued interest payable	2	64
Accrued income taxes	-	(1)
Other current liabilities	8	5
Accrued expenses and other current liabilities — third parties	$ 39	$ 95

9. DEBT

Debt consists of the following (in millions).

	March 31, 2017				March 31, 2016		
	Interest Rates[A]	Principal	Unamortized Carrying Value Adjustments	Carrying Value	Principal	Unamortized Carrying Value Adjustments	Carrying Value
Third party debt:							
Short term borrowings	2.94%	$ 120	$ -	$ 120	$ 337	$ -	$ 337
Long term debt:							
Floating rate Term Loan Facility, due June 2022	3.00%	1,796	(53) [B]	1,743	1,787	(17) [B]	1,770
8.375% Senior Notes, due December 2017	8.375%	-	-	-	1,100	-	1,100
8.75% Senior Notes, due December 2020	8.75%	-	-	-	1,400	-	1,400
Capital lease obligations, due through July 2017	4.06%	2	-	2	5	-	5
Total debt — third parties		1,918	(53)	1,865	4,629	(17)	4,612
Less: Short term borrowings		(120)	-	(120)	(337)	-	(337)
Less: Current portion of long term debt		(20)	-	(20)	(22)	-	(22)
Long-term debt, net of current portion — third parties:		$ 1,778	$ (53)	$ 1,725	$ 4,270	$ (17)	$ 4,253
Related party debt (C):							
3 % Fixed, due March 2017 (Novelis Korea)	3.00%	$ -	$ -	$ -	$ 20	$ -	$ 20
Other debt		$ 260	$ -	$ 260	$ 116	$ -	$ 116
Long term debt:							
Total debt — related parties		$ 260	$ -	$ 260	$ 136	$ -	$ 136
Less: Short term borrowings		(260)	-	(260)	(136)	-	(136)
Long-term debt, net of current portion — related parties:		$ -	$ -	$ -	$ -	$ -	$ -

(A) Interest rates are the stated rates of interest on the debt instrument (not the effective interest rate) as of March 31, 2017. We present stated rates of interest because they reflect the rate at which cash will be paid for future debt service.

(B) Debt existing at the time of Hindalco's purchase of Novelis was recorded at fair value. In connection with a series of refinancing transactions, a portion of the historical fair value adjustments were allocated to the Term Loan Facility, resulting in carrying value adjustments on this debt obligation. The unamortized carrying value balances also include an issuance discount.

Principal repayment requirements for our total debt over the next five years and thereafter (excluding unamortized carrying value adjustments) are as follows (in millions). The ability to repay debt is contingent upon the operating income of unconsolidated subsidiaries.

	As of March 31, 2017
Short-term borrowings and current portion of long term debt due within one year	$ 398
2 years	20
3 years	18
4 years	18
5 years	18
Thereafter	1,706
Total	$ 2,178

Senior Secured Credit Facilities

As of March 31, 2017, the senior secured credit facilities consisted of (i) a $1.8 billion seven-year secured term loan credit facility (Term Loan Facility) and (ii) a $1.2 billion five-year asset based loan facility (ABL Revolver). As of March 31, 2016, $18 million of the Term Loan Facility is due within one year.

In June 2015, we entered into a $200 million secured lien revolving (the Subordinated Lien Revolver) with a maturity date of September 10, 2016. In June 2016, we amended the Subordinated Lien Revolver to downsize the facility to $150 million and extend the maturity date to October 30, 2016. The Subordinated Lien Revolver was subsequently extinguished in July 2016.

In January 2017, we entered into a new Term Loan Credit Agreement. The Agreement provided Novelis with $1.8 billion, and the proceeds were used to extinguish the existing Term Loan agreement originally maturing on June 2, 2022 and fund related transaction expenses. The Term Loan Credit Agreement matures on June 2, 2022, subject to 0.25% quarterly amortization payments. The loans under the Term Loan Credit Agreement accrue interest at LIBOR plus 1.85%. The Term Loan Credit Agreement also requires customary mandatory prepayments with excess cash flow, asset sale and condemnation proceeds and proceeds of prohibited indebtedness, all subject to customary exceptions. The Term Loan may be prepaid, in full or in part, at any time at the Company's election without penalty or premium; provided that any optional prepayment in connection with a repricing amendment or refinancing through the issuance of lower priced debt made within six-months after the earlier of (i) completion of the initial syndication of the Term Loan and (ii) April 13, 2017, will be subject to a 1.00% prepayment premium. The Term Loan Credit Agreement allows for additional term loans to be issued in an amount not to exceed $300 million (or its equivalent in other currencies) plus an unlimited amount if, after giving effect to such incurrence on a pro forma basis, the senior secured net leverage ratio does not exceed 3.00 to 1.00. The lenders under the Term Loan Credit Agreement have not committed to provide any such additional term loans.

Short-Term Borrowings

As of March 31, 2017, our short-term borrowings were $120 million short-term loans under our ABL Revolver. The interest rate on our total short-term borrowings was 2.94% as of March 31, 2017.

As of March 31, 2017, $20 million of the ABL Revolver was utilized for letters of credit, and we had $448 million in remaining availability under the ABL Revolver.

Senior Notes

On August 29, 2016, Novelis Corporation, an indirect wholly owned subsidiary of Novelis Inc., issued $1.15 billion in aggregate principal amount of 6.25% Senior Notes Due 2024 (the 2024 Notes). The 2024 Notes are guaranteed, jointly and severally, on a senior unsecured basis, by Novelis Inc. and certain of its subsidiaries. Additionally, on September 14, 2016, Novelis Corporation issued $1.5 billion in aggregate principal amount of 5.875% Senior Notes Due 2026 (the 2026 Notes, and together with the 2024 Notes, the Notes). The 2026 Notes are guaranteed, jointly and severally, on a senior unsecured basis, by Novelis Inc. and certain of its subsidiaries. The proceeds from the issuance of the 2024 Notes and the 2026 Notes were used to extinguish our 8.375% 2017 Senior Notes and our 8.75% 2020 Senior Notes, respectively.

The Notes contain customary covenants and events of default that will limit our ability and, in certain instances, the ability of certain of our subsidiaries to (1) incur additional debt and provide additional guarantees, (2) pay dividends or return capital beyond certain amounts and make other restricted payments, (3) create or permit certain liens, (4) make certain asset sales, (5) use the proceeds from the sales of assets and subsidiary stock, (6) create or permit restrictions on the ability of certain of the Company's subsidiaries to pay dividends or make other distributions to the Company, (7) engage in certain transactions with affiliates, (8) enter into sale and leaseback transactions, (9) designate subsidiaries as unrestricted subsidiaries and (10) consolidate, merge or transfer all or substantially all of our assets and the assets of certain of our subsidiaries. During any future period in which either Standard & Poor's Ratings Group, Inc. or Moody's Investors Service, Inc. have assigned an investment grade credit rating to the Notes and no default or event of default under the indenture has occurred and is continuing, most of the covenants will be suspended. The Notes include a cross-acceleration event of default triggered if (1) any other indebtedness with an aggregate principal amount of more than $100 million is (1) accelerated prior to its maturity or (2) not repaid at its maturity. As of March 31, 2017, we were in compliance with the covenants in the Notes. The Notes also contain customary call protection provisions for our bond holders that extend through August 2022 for the 2024 Notes and through September 2024 for the 2026 Notes.

Other Long-term Debt

During fiscal 2013 and 2014, Novelis Inc., entered into various five-year capital lease arrangements to upgrade and expand out information technology infrastructure.

10. SHARE-BASED COMPENSATION

The Company's board of directors has authorized long term incentive plans (LTIPs), under which Hindalco stock appreciation rights (Hindalco SARs), Novelis stock appreciation rights (Novelis SARs), phantom restricted stock units (RSUs), and Novelis Performance Units (Novelis PUs) are granted to certain executive officers and key employees.

The Hindalco SARs and Novelis SARs vest at the rate of 25% per year for plan year FY2011, FY2012, FY2013, FY2014, FY2015, FY2016 and 33% per year for plan year FY2017, subject to the achievement of an annual performance target, and expire 7 years from their original grant date. Each Hindalco SAR is to be settled in cash based on the difference between the market value of one Hindalco share on the date of grant and the market value on the date of exercise. Each Novelis SAR is to be settled in cash based on the difference between the fair value of one Novelis phantom share on the original date of grant and the fair value of a phantom share on the date of the exercise. The amount of cash paid to settle Hindalco SARs and Novelis SARs are limited to two and a half or three times the target payout, depending on the plan year. The Hindalco SARs and Novelis SARs do not transfer any shareholder rights in Hindalco or Novelis to a participant. The Hindalco SARs and Novelis SARs are classified as liability awards and are re-measured at fair value each reporting period until the SARs are settled.

The targets are set by the Novelis Inc. Board of Directors based on results of Novelis Inc. and other unconsolidated subsidiaries. The performance criterion for vesting of both the Hindalco SARs and Novelis SARs is based on the actual overall consolidated Novelis Inc. operating EBITDA compared to the target established and approved each fiscal year. The minimum threshold for vesting each year is 75% of each annual target operating consolidated EBITDA. Given that the performance criterion is based on an earnings target in a future period for each fiscal year, the grant date of the awards for accounting purposes is generally not established until the performance criterion has been defined.

The RSUs vest in full three years from the grant date for plan year FY2015, FY2016, and 33% per year for plan year FY2017, subject to continued employment with the Company, but are not subject to performance criteria. Each RSU is to be settled in cash equal to the market value of one Hindalco share. The payout on the RSUs is limited to three times the market value of one Hindalco share measured on the original date of grant. The RSUs are classified as liability awards and expensed over the requisite service period (three years) based on the Hindalco stock price as of each balance sheet date.

On May 13, 2013, the Company's board of directors amended the long-term incentive plans for fiscal years 2010 - 2013 (FY 2010 Plan), fiscal years 2011- 2014 (FY 2011 Plan), fiscal years 2012 - 2015 (FY 2012 Plan) and fiscal years 2013 - 2016 (FY 2013 Plan). The amendment gave each participant the option to cancel a portion of their outstanding Hindalco SARs for a lump-sum cash payment and/or the issuance of new Novelis SARs. The remaining Hindalco SARs and the new Novelis SARs continue to vest according to the terms and conditions of the original grant.

In May 2016, the Company's board of directors approved the issuance of Novelis PUs which have a fixed $100 value per unit and will vest in full three years from the grant date, subject to specific performance criteria compared to the established target. The Company made a voluntary offer to the participants with outstanding Novelis SARs granted for fiscal years 2012 through 2016 to exchange their Novelis SARs for an equivalently valued number of Novelis PUs. The voluntary exchange resulted in 521,168 Novelis SARs being modified into PUs which are not based on Novelis' nor Hindalco's fair values and are accounted for outside the scope of ASC 718, Compensation - Stock Compensation. This exchange was accounted for as a modification. There were 55,809 of Novelis SARs that remain outstanding as of March 31, 2017.

Total compensation expense related to Hindalco SARs, Novelis SARs, and RSUs under the plans for the respective periods is presented in the table below (in millions). These amounts are included in "Selling, general and administrative expenses" in our consolidated statements of operations. As the performance criteria for fiscal years 2018, 2019 and 2020 have not yet been established, measurement periods for Hindalco SARs and Novelis SARs relating to those periods have not yet commenced. As a result, only compensation expense for vested and current year Hindalco SARs and Novelis SARs has been recorded.

	Year Ended March 31,	
	2017	2016
Total compensation expense	$ 11	$ -

The table below shows the RSUs activity for the year ended March 31, 2017.

	Number of RSUs	Grant Date Fair Value (in Indian Rupees)	Aggregate Intrinsic Value (USD in millions)
RSUs outstanding as of March 31, 2016	2,370,276	123.97	$ 4
Granted	2,687,165	93.99	-
Exercised	(612,411)	108.34	1
Forfeited/cancelled	(572,293)	122.24	-
RSUs outstanding as of March 31, 2017	3,872,737	103.68	$ 12

The table below shows Hindalco SARs activity for the year ended March 31, 2017.

	Number of Hindalco SARs	Weighted Average Exercise price (in Indian Rupees)	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (USD in millions)
SARs outstanding as of March 31, 2016	11,193,610	122.58	4.5	$ -
Granted	2,513,550	81.75	6.1	-
Exercised	(3,814,450)	114.91	-	4
Forfeited/cancelled	(2,034,614)	126.84	-	-
SARs outstanding as of March 31, 2017	7,858,096	116.48	4.7	10
SARs exercisable as of March 31, 2017	1,815,866	138.89	2.9	$ 2

The table below shows Novelis SARs activity for the year ended March 31, 2017.

	Number of Novelis SARs	Weighted Average Exercise price (in Indian Rupees)	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (USD in millions)
SARs outstanding as of March 31, 2016	686,695	78.39	5.2	$ -
Granted	28,959	-	-	-
Exercised	(7,768)	64.90	-	-
Forfeited/cancelled	(652,077)	77.81	-	-
SARs outstanding as of March 31, 2017	55,809	80.37	3.8	-
SARs exercisable as of March 31, 2017	30,485	106.90	3.0	$ -

The fair value of each unvested Hindalco SAR was estimated using the following assumptions:

	Year ended March 31,	
	2017	2016
Risk-free interest rate	5.82% - 6.99%	7.23% - 7.68%
Dividend yield	0.51 %	1.14 %
Volatility	35% - 44%	43% - 44%

The fair value of each unvested Novelis SAR was estimated using the following assumptions:

	Year ended March 31,	
	2017	2016
Risk-free interest rate	0.78% -1.95%	0.89% - 1.39%
Dividend yield	—%	—%
Volatility	25% - 28%	38% - 41%

The fair value of each unvested Hindalco SAR was based on the difference between the fair value of a long call and a short call option. The fair value of each of these call options was determined using the Monte Carlo Simulation model. We used historical stock price volatility data of Hindalco on the National Stock Exchange of India to determine expected volatility assumptions. The risk-free interest rate is based on Indian treasury yields interpolated for a time period corresponding to the remaining contractual life. The forfeiture rate is estimated based on actual historical forfeitures. The dividend yield is estimated to be the annual dividend of the Hindalco stock over the remaining contractual lives of the Hindalco SARs. The value of each vested Hindalco SAR is remeasured at fair value each reporting period based on the excess of the current stock price over the exercise price, not to exceed the maximum payout as defined by the plans. The fair value of the Hindalco SARs is being recognized over the requisite performance and service period of each tranche, subject to the achievement of any performance criteria.

The fair value of each unvested Novelis SAR was based on the difference between the fair value of a long call and a short call option. The fair value of each of these call options was determined using the Monte Carlo Simulation model. We used the historical volatility of comparable companies to determine expected volatility assumptions. The risk-free interest rate is based on U.S. treasury yields for a time period corresponding to the remaining contractual life. The forfeiture rate is estimated based on actual historical forfeitures of Hindalco SARs. The value of each vested Novelis SAR is remeasured at fair value each reporting period based on the percentage increase in the current Novelis phantom stock price over the exercise price, not to exceed the maximum payout as defined by the plans. The fair value of the Novelis SARs is being recognized over the requisite performance and service period of each tranche, subject to the achievement of any performance criteria.

The cash payments made to settle SAR liabilities were $4 million, $2 million, and $8 million, in the years ended March 31, 2017, 2016, and 2015, respectively. Total cash payments made to settle Hindalco RSUs were $1 million, $5 million, and $3 million in the years ended March 31, 2017, 2016 and 2015, respectively. Unrecognized compensation expense related to the non-vested Hindalco SARs (assuming all future performance criteria are met) was $5 million which is expected to be recognized over a weighted average period of 1.5 years. Unrecognized compensation expense related to the non-vested Novelis SARs (assuming all future performance criteria are met) was less than $1 million, which is expected to be recognized over a weighted average period of 1.4 years. Unrecognized compensation expense related to the RSUs was $6 million, which will be recognized over the remaining weighted average vesting period of 1.0 years.

11. POST RETIREMENT BENEFIT PLANS

Our pension obligations relate to a funded defined benefit pension plan in Canada and unfunded defined benefit pension plans in Canada and the U.S. Our other postretirement obligations (Other Benefits, as shown in certain tables below) include unfunded health care and life insurance benefits provided to retired employees in Canada and the U.S.

Employer Contributions to Plans

For pension plans, our policy is to fund an amount required to provide for contractual benefits attributed to service to-date, and amortize unfunded actuarial liabilities typically over periods of approximately 10 years or less. We also participate in savings and defined contribution plans in Canada and the U.S. We contributed the following amounts (in millions) to all plans.

	Year Ended March 31,	
	2017	2016
Funded pension plans	$ 3	$ 4
Unfunded pension plans	-	-
Savings and defined contribution pension plans	1	-
Total contributions	$ 4	$ 4

During fiscal year 2018, we expect to contribute $4 million to our funded pension plans, less than $1 million to our unfunded pension plans and less than $1 million to our savings and defined contribution pension plans

	Pension Benefits		Other Benefits	
	Year Ended March 31,		Year Ended March 31,	
	2017	2016	2017	2016
Benefit obligation at beginning of period	$ 117	$ 124	$ 11	$ 11
Service cost	3	3	-	-
Interest cost	4	4	-	-
Benefits paid	(4)	(9)	-	-
Curtailments and settlements	-	-	-	-
Actuarial losses (gains)	(2)	(3)	-	-
Currency gains	(2)	(2)	-	-
Benefit obligation at end of period	$ 116	$ 117	$ 11	$ 11
Benefit obligation of funded plans	$ 96	$ 97	$ -	$ -
Benefit obligation of unfunded plans	20	20	11	11
Benefit obligation at end of period	$ 116	$ 117	$ 11	$ 11

Benefit Obligations, Fair Value of Plan Assets, Funded Status and Amounts Recognized in Financial Statements

The following tables present the change in benefit obligation, change in fair value of plan assets and the funded status for pension and other benefits (in millions).

	Pension Benefits	
	Year Ended March 31,	
	2017	2016
Change in fair value of plan assets		
Fair value of plan assets at beginning of period	$ 95	$ 104
Actual return on plan assets	5	(2)
Benefits paid	(4)	(9)
Company contributions	4	4
Settlements	-	-
Currency losses	(3)	(2)
Fair value of plan assets at end of period	$ 97	$ 95

	March 31,			
	2017		2016	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Funded status				
Funded Status at end of period:				
Assets less the benefit obligation of funded plans	$ 1	$ -	$ 1	$ -
Benefit obligation of unfunded plans	19	11	21	11
	$ 20	$ 11	$ 22	$ 11
As included in our balance sheets within Total assets / (Total liabilities)				
Other non-current assets	$ -	$ -	$ -	$ -
Accrued expenses and other current liabilities	(3)	-	(1)	-
Accrued postretirement benefits	(17)	(11)	(21)	(11)
	$ (20)	$ (11)	$ (22)	$ (11)

The postretirement amounts recognized in “Accumulated other comprehensive loss,” before tax effects, are presented in the table below (in millions). Amounts are amortized to net periodic benefit cost over the group’s average future service life of the employees or the group's average life expectancy.

	March 31,			
	2017		2016	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Net actuarial loss recognized in Accumulated other comprehensive income (loss)	$ (2)	$ -	$ (3)	$ -

The estimated amounts that will be amortized from “Accumulated other comprehensive income (loss)” into net periodic benefit cost in fiscal 2017 are less than $1 million for pension benefits related to net actuarial losses and less than $1 million for other postretirement benefits, related to amortization of net actuarial gains.

The postretirement changes recognized in “Accumulated other comprehensive loss,” before tax effects, are presented in the table below (in millions).

	March 31,			
	2017		2016	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Beginning balance in Accumulated other comprehensive (loss) income	$ (3)	$ -	$ 2	$ -
Curtailments and settlements	-	-	-	-
Net actuarial gain (loss)	2	-	(4)	-
Amortization of Actuarial loss	1	-	-	-
Total postretirement amounts recognized in Accumulated other comprehensive income (loss)	$ -	$ -	$ (2)	$ -

Pension Plan Obligations

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets are presented in the table below (in millions).

	March 31,	
	2017	2016
The projected benefit obligation and accumulated benefit obligation for all defined benefit pension plans:		
Projected benefit obligation	$ 116	$ 118
Accumulated benefit obligation	$ 110	$ 111
Pension plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligation	$ 20	$ 118
Fair value of plan assets	$ 19	$ 95
Pension plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligation	$ 19	$ 20
Fair value of plan assets	$ -	$ -
Pension plans with projected benefit obligations less than plan assets:		
Projected benefit obligation	$ -	$ -
Fair value of plan assets	$ -	$ -

Future Benefit Payments

Expected benefit payments to be made during the next ten fiscal years are listed in the table below (in millions).

	Pension Benefits	Other Benefits
2018	$ 6	$ -
2019	6	-
2020	6	-
2021	6	-
2022	6	-
2023 through 2027	32	2
Total	$ 62	$ 2

Components of Net Periodic Benefit Cost

The components of net periodic benefit cost for the respective periods are listed in the table below (in millions).

	Pension Benefits		Other Benefits	
	Year Ended March 31,		Year Ended March 31,	
	2017	2016	2017	2016
Net periodic benefit cost				
Service cost	$ 3	$ 3	$ -	$ -
Interest cost	4	4	1	-
Expected return on assets	(4)	(5)	-	-
Amortization — losses	1	-	-	-
Curtailment/settlement losses	-	-	-	-
Net periodic benefit cost	$ 4	$ 2	$ 1	$ -

Actuarial Assumptions and Sensitivity Analysis

The weighted average assumptions used to determine benefit obligations and net periodic benefit costs for the respective periods are listed in the table below.

	Pension Benefits		Other Benefits	
	Year Ended March 31,		Year Ended March 31,	
	2017	2016	2017	2016
Weighted average assumptions used to determine benefit obligations				
Discount rate	3.8%	3.8%	3.6%	3.5%
Average compensation growth	3.7%	3.5%	3.8%	3.5%
Weighted average assumptions used to determine net periodic benefit cost				
Discount rate	3.8%	3.6%	3.5%	3.4%
Average compensation growth	3.7%	3.5%	3.8%	3.5%
Expected return on plan assets	4.6%	5.0%	0.0%	0.0%

In selecting the appropriate discount rate for each plan, for pension and other postretirement plans in Canada, the United States, we used spot rate yield curves and individual bond matching models.

In estimating the expected return on assets of a pension plan, consideration is given primarily to its target allocation, the current yield on long-term bonds in the country where the plan is established, and the historical risk premium of equity or real estate over long-term bond yields in each relevant country. The approach is consistent with the principle that assets with higher risk provide a greater return over the long-term. The expected long-term rate of return on plan assets is 5.0% in fiscal 2017.

We provide unfunded health care and life insurance benefits to our retired employees in Canada, for which we paid less than $1 million in fiscal 2017. The assumed health care cost trend used for measurement purposes is 6.0% for fiscal 2018, decreasing gradually to 5% in 2027 and remaining at that level thereafter.

A change of one percentage point in the assumed health care cost trend rates would have the following effects on our other benefits (in millions).

Investment Policy and Asset Allocation

The Company's overall investment strategy is to achieve a mix of investments for long-term growth (equities, real estate) and for near-term benefit payments (debt securities, other) with a wide diversification of asset categories, investment styles, fund strategies and fund managers. Since most of the defined benefit plans are closed to new entrants, we expect this strategy to gradually shift more investments toward near-term benefit payments.

Our funded pension plan is governed by an Investment Fiduciary, who establishes an investment policy appropriate for the pension plan. The Investment Fiduciary is responsible for selecting the asset allocation for the plan, monitoring investment managers, monitoring returns versus benchmarks and monitoring compliance with the investment policy. The targeted allocation ranges by asset class, and the actual allocation percentages for each class are listed in the table below.

Fair Value of Plan Assets

All pension plan assets as of March 31, 2017 are reported as net asset value.

12. CURRENCY (GAINS) LOSSES

The following currency (gains) losses are included in “Other expense (income), net” in the accompanying consolidated statements of operations (in millions).

	Year Ended March 31,	
	2017	2016
Gain on remeasurement of monetary assets and liabilities, net	$ (6)	$ (2)
(Gain) loss recognized on balance sheet remeasurement currency exchange contracts, net	(6)	16
Currency (gains) losses, net	$ (12)	$ 14

The following currency gains (losses) are included in “Accumulated other comprehensive income (loss),” net of tax (in millions).

	Year Ended March 31,	
	2017	2016
Cumulative currency translation adjustment — beginning of period	$ (15)	$ (49)
Effect of changes in exchange rates	(30)	34
Sale of investment in foreign entities (A)	16	0
Cumulative currency translation adjustment — end of period	$ (29)	$ (15)

(A) We reclassified $16 million of cumulative currency losses from AOCI to "Other expense (income), net" in the twelve months ended March 31, 2017. Refer to Note 16 - Other expense (income), net for further details.

13. FINANCIAL INSTRUMENTS AND COMMODITY CONTRACTS

The gross fair values of our financial instruments and commodity contracts as of March 31, 2017 and 2016 are as follows (in millions).

	March 31, 2017				
	Assets		Liabilities		Net Fair Value
	Current	Noncurrent	Current	Noncurrent	Assets/(Liabilities)
Derivative Instruments					
Aluminum contracts	$ 1	$ -	$ (4)	$ -	$ (3)
Currency exchange contracts	3	-	(3)	-	-
Total derivative fair value	$ 4	$ -	$ (7)	$ -	$ (3)

	March 31, 2016				
	Assets		Liabilities		Net Fair Value
	Current	Noncurrent	Current	Noncurrent(A)	Assets/(Liabilities)
Derivative Instruments					
Aluminum contracts	$ 1	$ -	$ -	$ -	$ 1
Currency exchange contracts	25	1	(19)	(1)	6
Total derivative fair value	$ 26	$ 1	$ (19)	$ (1)	$ 7

Aluminum

We use derivative instruments to preserve our conversion margins and manage the timing differences associated with metal price lag. We sell short-term LME aluminum forward contracts to reduce our exposure to fluctuating metal prices associated with the period of time between the pricing of our purchases of inventory and the pricing of the sale of that inventory to our customers. We also purchase forward LME aluminum contracts simultaneous with our sales contracts with customers that contain fixed metal prices. These LME aluminum forward contracts directly hedge the economic risk of future metal price fluctuations to better match the selling price of the metal with the purchase price of the metal.

As of March 31, 2017 we had 14kt of outstanding aluminum sales forward contracts. As of March 31, 2016, we had 10kt of outstanding aluminum forward contracts.

The maximum and average duration of metal forward contracts is 12 months and 4 months, respectively.

Foreign Currency

We use foreign exchange forward contracts, cross-currency swaps and options to manage our exposure to changes in exchange rates. These exposures arise from recorded assets and liabilities, firm commitments and forecasted cash flows denominated in currencies other than the functional currency of certain operations.

As of March 31, 2017 and March 31, 2016, we had outstanding currency exchange contracts with a total notional amount of $40 million and $81 million, respectively.

Currency contracts have a maximum duration one year. Contracts that represent the majority of notional amounts will mature within the next six months.

Gain (Loss) Recognition

The following table summarizes the gains (losses) associated with the change in fair value of derivative instruments and recognized in “Gain (loss) on change in fair value of derivative instruments, net” (in millions).

	Year Ended March 31,	
	2017	2016
Derivative Instruments		
Aluminum contracts	$ (5)	$ 1
Currency exchange contracts	6	(29)
"Gain (Loss) on change in fair value of derivative instruments, net"	$ 1	$ (28)

14. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the change in the components of accumulated other comprehensive income (loss) net of tax, for the periods presented (in millions).

	Currency Translation	(A) Postretirement Benefit Plans	Total
Balance as of March 31, 2015	$ (49)	$ 2	$ (47)
Other comprehensive income (loss) before reclassifications	34	(4)	30
Amounts reclassified from AOCI	-	-	-
Net change in other comprehensive income (loss)	34	(4)	30
Balance as of March 31, 2016	(15)	(2)	(17)
Other comprehensive (loss) income before reclassifications	(14)	3	(11)
Amounts reclassified from AOCI	-	-	-
Net change in other comprehensive (loss) income	(14)	3	(11)
Balance as of March 31, 2017	$ (29)	$ 1	$ (28)

(A) For additional information on our postretirement benefit plans see Note 11 - Postretirement Benefit Plans.

15. FAIR VALUE MEASUREMENTS

We record certain assets and liabilities, primarily derivative instruments, on our consolidated balance sheets at fair value. We also disclose the fair values of certain financial instruments, including debt and loans receivable, which are not recorded at fair value. Our objective in measuring fair value is to estimate an exit price in an orderly transaction between market participants on the measurement date. We consider factors such as liquidity, bid/offer spreads and nonperformance risk, including our own nonperformance risk, in measuring fair value. We use observable market inputs wherever possible. To the extent observable market inputs are not available, our fair value measurements will reflect the assumptions we used. We grade the level of the inputs and assumptions used according to a three-tier hierarchy:

Level 1 — Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities we have the ability to access at the measurement date.

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 — Unobservable inputs for which there is little or no market data, which require us to develop our own assumptions based on the best information available as what market participants would use in pricing the asset or liability.

The following section describes the valuation methodologies we used to measure our various financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified.

Derivative Contracts

For certain derivative contracts with fair values based upon trades in liquid markets, such as aluminum and foreign exchange, model inputs can generally be verified and valuation techniques do not involve significant judgment. The fair values of such financial instruments are generally classified within Level 2 of the fair value hierarchy.

The majority of our derivative contracts are valued using industry-standard models that use observable market inputs as their basis, such as time value, forward interest rates, volatility factors, and current (spot) and forward market prices. We generally classify these instruments within Level 2 of the valuation hierarchy. Such derivatives commonly include cross-currency swaps, foreign currency contracts, and LME aluminum forwards.

For Level 2 and 3 of the fair value hierarchy, where appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads and credit considerations (nonperformance risk). We regularly monitor these factors along with significant market inputs and assumptions used in our fair value measurements and evaluate the level of the valuation input according to the fair value hierarchy. This may result in a transfer between levels in the hierarchy from period to period. As of March 31, 2017 and March 31, 2016, we did not have any Level 1 or Level 3 derivative contracts. No amounts were transferred between levels in the fair value hierarchy.

All of the Company's derivative instruments are carried at fair value in the balance sheet prior to considering master netting agreements. The table below also discloses the net fair value of the derivative instruments after considering the impact of master netting agreements.

The following tables present our derivative assets and liabilities which were measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of March 31, 2017 and 2016 (in millions).

	March 31,			
	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Level 2 Instruments				
Aluminum contracts	$ 1	$ (4)	$ 1	$ -
Currency exchange contracts	$ 3	$ (3)	$ 26	$ (20)
Total Level 2 Instruments	4	(7)	27	(20)
Netting adjustment (A)	(4)	4	(6)	6
Total, net	$ -	$ (3)	$ 21	$ (14)

(A) Amounts represent the impact of legally enforceable master netting agreements that allow the Company to settle positive and negative positions with the same counterparties.

Financial Instruments Not Recorded at Fair Value

The table below presents the estimated fair value of certain financial instruments that are not recorded at fair value on a recurring basis (in millions). The table excludes short-term financial assets and liabilities for which we believe carrying value approximates fair value. The fair value of long-term receivables is based on anticipated cash flows, which approximates carrying value and is classified as Level 2. We value long-term debt using Level 2 inputs. Valuations are based on either market and/or broker ask prices when available or on a standard credit adjusted discounted cash flow model. The values below relate to consolidated Novelis.

	March 31,			
	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities				
Total debt — third parties (excluding short term borrowings)	$ 1,778	$ 1,725	$ 4,275	$ 4,432
Total debt — related parties (excluding short term borrowings)	$ -	$ -	$ -	$ -

16. OTHER EXPENSES (INCOME)

"Other expense (income), net" is comprised of the following (in millions)

	Year Ended March 31,	
	2017	2016
Foreign currency remeasurement gains, net	$ (6)	$ (2)
Loss on sale of a business (A)	27	-
Other, net	60	3
Other expense (income), net	$ 81	$ 1

(A) On September 30, 2016, we sold our 59.15% equity interest in Aluminum Company of Malaysia Berhad (ALCOM), a previously consolidated subsidiary, to Towerpack Sdn. Bhd. for $12 million (MYR 48 million), which was recorded in "Accounts Receivable, net" as of September 30, 2016, and received in October 2016. The transaction includes our interest in the Bukit Raja, Malaysia facility, which processed aluminum within the construction/industrial and heavy and light gauge foil markets, and the wholly-owned entity Alcom Nikkei Specialty Coatings Sdn. Berhad. This sale is part of our continued strategy to exit certain non-core operations and align our growth strategy in the premium product markets. The sale resulted in a loss of $27 million during the year ended March 31, 2017. As a result of this sale, we no longer own any interest in ALCOM.

17. INCOME TAXES

We used the benefits-for-loss method of tax allocation so that net operating losses are characterized as realized (or realizable).

We are subject to Canadian and local income taxes. The domestic (Canada) components of our "(Loss) income before income taxes" are as follows (in millions).

	Year Ended March 31,	
	2017	2016
Domestic (Canada)	$ (35)	$ (44)
Foreign (all other countries)	-	-
Pre-tax (loss) income	$ (35)	$ (44)

The components of the "Income tax provision" are as follows (in millions).

	Year Ended March 31,	
	2017	2016
Current provision:		
Domestic (Canada)	$ 5	$ 3
Foreign (all other countries)	-	1
Total current	5	4
Deferred provision:		
Domestic (Canada)	-	-
Foreign (all other countries)	-	-
Total deferred	-	-
Income tax provision	$ 5	$ 4

Deferred Income Taxes

Deferred income taxes recognize the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the carrying amounts used for income tax purposes, and the impact of available net operating loss (NOL) and tax credit carryforwards. These items are stated at the enacted tax rates that are expected to be in effect when taxes are actually paid or recovered.

At March 31, 2017 the Company had total deferred tax assets of approximately $584 million primarily arising from book reserves not deductible for tax and net operating loss carryforwards, net of other deferred liabilities of $8 million. At March 31, 2016 the Company had total deferred tax assets of approximately $528 million primarily arising from book reserves not deductible for tax and net operating loss carryforwards, net of other deferred liabilities of $10 million.

ASC 740 requires that we reduce our deferred income tax assets by a valuation allowance if, based on the weight of the available evidence, it is more likely than not that all or a portion of a deferred tax asset will not be realized. After consideration of all evidence, both positive and negative, management concluded that is more likely than not that we will be unable to realize a portion of our deferred tax assets and that valuation allowances of $576 million and $518 million were necessary as of March 31, 2017 and 2016, respectively.

As of March 31, 2017, we had net operating loss carryforwards of approximately $473 million (tax effected) and tax credit carryforwards of $46 million, which will be available to offset future taxable income and tax liabilities, respectively. The net operating loss carryforwards and the tax credit carryforwards begin expiring in fiscal 2027 and 2018, respectively. As of March 31, 2017, valuation allowances of $473 million, $46 million and $59 million had been recorded against net operating loss carryforwards, tax credit carryforwards and other deferred tax assets, respectively, where it appeared more likely than not that such benefits will not be realized. The net operating loss carryforwards are Canadian related.

As of March 31, 2016, we had net operating loss carryforwards of approximately $424 million (tax effected) and tax credit carryforwards of $47 million, which will be available to offset future taxable income and tax liabilities, respectively. The net operating loss carryforwards and the tax credit carryforwards begin expiring in fiscal 2028 and 2017, respectively. As of March 31, 2016, valuation allowances of $424 million, $47 million and $47 million had been recorded against net operating loss carryforwards, tax credit carryforwards and other deferred tax assets, respectively, where it appeared more likely than not that such benefits will not be realized. The net operating loss carryforwards are Canadian related.

The Company has not provided deferred taxes on undistributed earnings of its non domestic subsidiaries, as the Company does not currently plan to initiate any action that would result in these earnings being repatriated. It is not practicable to determine the income tax liability that would be payable if such earnings were not reinvested indefinitely.

Tax Uncertainties

Tax authorities have concluded examination of our tax filings for fiscal years 2008 through 2013. As a result of further settlement of audits, judicial decisions, or the filing of amended tax returns, our net operating loss carryforwards has been reduced by $5 million, and our valuation allowance on NOLs has been reduced by $5 million.

Income Tax Payable and Receivable

Our balance sheet includes income taxes payable of less than $1 million as of March 31, 2017 and income taxes receivable of $1 million as of March 31, 2016, which are included in "Prepaid expenses and other current assets."

18. SUPPLEMENTAL INFORMATION

Supplemental cash flow information (in millions).

	Year Ended March 31,	
	2017	2016
Supplemental disclosures of cash flow information:		
Interest paid	$ 237	$ 300
Income taxes paid	$ 3	$ 3

As of March 31, 2017, we recorded less than $1 million of outstanding accounts payable and accrued liabilities related to capital expenditures in which the cash outflows occurred subsequent to March 31, 2017. As of March 31, 2016, we recorded $3 million of outstanding accounts payable and accrued liabilities related to capital expenditures in which the cash outflows occurred subsequent to March 31, 2016. During the year ended March 31, 2017 and 2016, we incurred no capital lease obligations related to capital lease acquisitions.