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Independent Auditor's Report

To the Management of Novelis Inc.:

We have audited the accompanying balance sheet of Novelis Inc. (parent company alone) as of March 31, 2015, and were engaged to audit the related statements of operations, of comprehensive income, of shareholder's equity and of cash flows for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of Chapter IX of the India Companies Act, 2013 as further discussed in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on conducting our audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion on the Results of Operations and Cash Flows paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the results of operations and cash flows.

We conducted our audit of the balance sheet in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified opinion on the Regulatory Basis of Accounting financial position as of March 31, 2015.

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Basis for Disclaimer of Opinion on the Results of Operations and Cash Flows - U.S. Generally Accepted Accounting Principles and Regulatory Basis of Accounting

We were not engaged as auditors of Novelis Inc. (parent company alone) until after March 31, 2014, and, therefore, did not observe the counting of physical inventories at the beginning of the year. We were unable to satisfy ourselves by performing other auditing procedures concerning the inventory held at March 31, 2014. Since opening inventories enter into the determination of net income and cash flows, we were unable to determine whether any adjustments might have been necessary in respect of the profit for the year ended March 31, 2015 reported in the statements of operations and of comprehensive income, and the net cash flows from operating activities reported in the cash flow statement.

Disclaimer of Opinion on the Results of Operations and Cash Flows - U.S. Generally Accepted Accounting Principles and Regulatory Basis of Accounting

Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the Results of Operations and Cash Flows paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the results of operations and cash flows for the year ended March 31, 2015. Accordingly, we do not express an opinion on results of operations and cash flows for the year ended March 31, 2015.

Basis for Adverse Opinion on the Balance Sheet - U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by Novelis Inc. on the basis of the financial reporting provisions of Chapter IX of the India Companies Act, 2013, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on the Balance Sheet - U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on the Balance Sheet - U.S. Generally Accepted Accounting Principles paragraph, the balance sheet referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Novelis Inc. (parent company alone) as of March 31, 2015.

Opinion on the Balance Sheet - Regulatory Basis of Accounting

In our opinion, the balance sheet presents fairly, in all material respects, the financial position of Novelis Inc. (parent company alone) as of March 31, 2015 in accordance with the financial reporting provisions of Chapter IX of the India Companies Act, 2013 described in Note 1.

Other Matter

The accompanying balance sheet of Novelis Inc. (parent company alone) as of March 31, 2014, and related statements of operations, of comprehensive income, of shareholder's equity and of cash flows for the year then ended were not audited, reviewed, or compiled by us and, accordingly, we do not express an opinion or any other form of assurance on them.

PricewaterhouseCoopers LLP

Atlanta, Georgia
June 17, 2015

Novelis Inc.
BALANCE SHEET
(In millions, except number of shares)

	March 31, 2015	March 31, 2014 (Unaudited)
ASSETS		
Current assets		
Cash and cash equivalents	$ 4	$ 4
Accounts receivable, net		
— third parties (net of allowances)	23	15
— related parties	210	279
Notes receivable — related parties	175	814
Inventories	55	36
Prepaid expenses and other current assets	5	5
Fair value of derivative instruments	19	12
Assets held for sale	-	28
Total current assets	491	1,193
Property, plant and equipment, net	95	100
Intangible assets, net	18	19
Investments in subsidiaries	3,480	3,468
Other long–term assets		
— third parties	57	72
— related parties	1,265	844
Total assets	$ 5,406	$ 5,696
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Current portion of long–term debt	$ 22	$ 21
Short–term borrowings		
— third parties	394	367
— related parties	-	32
Accounts payable		
— third parties	28	35
— related parties	77	89
Fair value of derivative instruments	83	14
Accrued expenses and other current liabilities		
— third parties	99	104
— related party	-	250
Liabilities held for sale	-	10
Total current liabilities	703	922
Long–term debt, net of current portion		
— third parties	4,205	4,219
— related parties	49	49
Accrued postretirement benefits	30	44
Other long–term liabilities	37	28
Total liabilities	5,024	5,262
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, 2015 and 2014	-	-
Additional paid–in capital	1,580	1,580
Accumulated deficit	(1,290)	(1,230)
Accumulated other comprehensive income	92	84
Total shareholder's equity	382	434
Total liabilities and shareholder's equity	$ 5,406	$ 5,696

See accompanying notes to the financial statements.

Novelis Inc.
STATEMENT OF OPERATIONS
(In millions)

	Year Ended March 31,	
	2015	**2014 (Unaudited)**
Net sales:		
— third parties	$ 144	$ 209
— related parties	521	484
Total net sales	665	693
Cost of goods sold, including related party (exclusive of depreciation and amortization)	635	668
Selling, general and administrative expenses	5	47
Depreciation and amortization	18	16
Research and development expenses	-	1
Interest expense and amortization of debt issuance costs		
— third parties	317	313
— related parties	2	1
Interest income — related parties	(72)	(38)
Gain on assets held for sale	(5)	-
Loss on change in fair value of derivative instruments, net	93	40
Dividend income — related parties	(286)	(685)
Restructuring and impairment, net	1	8
Other expense (income), net	4	(3)
	712	368
(Loss) income before income taxes	(47)	325
Income tax provision	3	7
Net (loss) income	$ (50)	$ 318

See accompanying notes to the financial statements

Novelis Inc.

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(In millions)

	Year Ended March 31,	
	2015	**2014**
		(Unaudited)
Net (loss) income	$ (50)	$ 318
Other comprehensive income (loss):		
Currency translation adjustment	(2)	(2)
Change in pension and other benefits, net	10	5
Other comprehensive income, net of tax	8	3
Comprehensive (loss) income	$ (42)	$ 321

See accompanying notes to the financial statements.

Novelis Inc.
STATEMENT OF CASH FLOWS
(In millions)

	Year Ended March 31, 2015	Year Ended March 31, 2014 (Unaudited)
OPERATING ACTIVITIES		
Net (loss) income	$ (50)	$ 318
Adjustments to determine net cash provided by operating activities:		
Depreciation and amortization	18	16
Loss on change in fair value of derivative instruments, net	93	40
Gain on assets held for sale	(5)	-
Non-cash dividends	-	(11)
Non-cash impairment charges	-	5
Gain on foreign exchange remeasurement of debt	(2)	(1)
Amortization of debt issuance costs and carrying value adjustment	23	23
Other, net	(1)	-
Changes in assets and liabilities including assets and liabilities held for sale (net of effects from divestitures):		
Accounts receivable	(8)	240
Inventories	(18)	29
Accounts payable	(17)	(341)
Other current assets	(1)	1
Other current liabilities	(3)	12
Other noncurrent assets	3	(180)
Other noncurrent liabilities	(3)	(1)
Net cash provided by operating activities	29	150
INVESTING ACTIVITIES		
Capital expenditures	(17)	(22)
Proceeds from sales of assets, third party, net of transaction fees	29	-
Inflows (outflows) from investments in and advances to non-consolidated affiliates, net	250	(264)
Outflows from settlement of other undesignated derivative instruments, net	(19)	(23)
Net cash provided by (used in) investing activities	243	(309)
FINANCING ACTIVITES		
Principal payments	(21)	(20)
Short–term borrowings, net — third parties	27	162
Short–term borrowings, net — related parties	(25)	25
Return of capital to our common shareholder	(250)	-
Debt issuance costs	(3)	(8)
Net cash (used in) provided by financing activities	(272)	159
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents — beginning of period	4	4
Cash and cash equivalents — end of period	$ 4	$ 4

See accompanying notes to the financial statements

Novelis Inc.
STATEMENT OF SHAREHOLDER'S EQUITY
(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, 2013 (Unaudited)	1,000	$ -	$ 1,830	$ (1,548)	$ 81	$ 363
Net income	-	-	-	318	-	318
Currency translation adjustment, net of tax provision (nil)	-	-	-	-	(2)	(2)
Change in pension and other benefits, net of tax provision (nil)	-	-	-	-	5	5
Return of capital	-	-	(250)	-	-	(250)
Balance as of March 31, 2014 (Unaudited)	1,000	-	1,580	(1,230)	84	434
Net loss	-	-	-	(50)	-	(50)
Currency translation adjustment, net of tax provision (nil)	-	-	-	-	(2)	(2)
Change in pension and other benefits, net of tax provision (nil)	-	-	-	-	10	10
Settlement of related party balances for the sale of our foil operations	-	-	-	5	-	5
Amalgamation of Novelis subsidiaries' assets and activities	-	-	-	(15)	-	(15)
Balance as of March 31, 2015	1,000	$ -	$ 1,580	$ (1,290)	$ 92	$ 382

See accompanying notes to the financial statements

Novelis Inc.
NOTES TO THE 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. is primarily 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, 2015, 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, 2015, Novelis Inc.'s subsidiary, Novelis Madeira, Unipessoal, Lda was liquidated. In addition, $15 million of the assets and activities of two dormant subsidiaries of Novelis Inc., Novelis Brand LLC and Novelis Cast House Technology Ltd., were amalgamated into Novelis Inc. through Shareholder's equity as of March 31, 2015.

Basis of Presentation

These financial statements have been prepared solely to satisfy the reporting requirements of the ultimate parent company, Hindalco Industries Limited, to present separate audited subsidiary financial statements in accordance with Sections 136 and 137 of the Companies Act, 2013 in India (2013 Act). The results of the Company's separate financial statements are also included in the Company's consolidated financial statements and the consolidated financial statements of our ultimate parent, Hindalco Industries Limited, and these financial statements are publicly available.

U.S. Generally Accepted Accounting Principles (U.S. GAAP) require that 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 be consolidated. The 2013 Act, as interpreted, calls for separate financial statements to be presented. Accordingly, we have presented these financial statements on a standalone unconsolidated basis, which is a deviation from U.S. GAAP. Otherwise, these separate financial statements are prepared in accordance with U.S. GAAP. Investments in subsidiaries are presented using the cost method.

Use of Estimates and Assumptions

The preparation of our 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 long lived assets and other intangible assets; (3) impairment of and assessment of investments; (4) actuarial assumptions related to pension and other postretirement benefit plans; and (5) tax uncertainties and valuation allowances. 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 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.

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. Environmental laws typically provide for participation in permitting decisions, site remediation decisions and other matters. Concern about environmental justice issues may affect our operations. Should such community objections be presented to government officials, the consequences of such a development may have a material adverse impact upon the profitability or, in extreme cases, the viability of an operation. In addition, such developments may adversely affect our ability to expand or enter into new operations in such location or elsewhere and may also have an effect on the cost of our environmental remediation projects.

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.

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Some 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 risks and uncertainties

In addition, refer to Note 16 — 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, including related parties (exclusive of depreciation and amortization)” includes all costs associated with inventories, including the procurement of materials, the conversion of such materials into finished product, 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 expenses 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.

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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 14 — Financial Instruments and Commodity Contracts and Note 16 — Fair Value Measurements for additional discussion related to derivative instruments.

Inventories

We carry our inventories at the lower of their cost or market 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 cost; determined based on the first-in first-out method. See Note 4 — Inventories for further discussion.

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 6 — 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 7 — 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.

Assets and Liabilities Held for Sale

We classify long-lived assets (disposal groups) to be sold as held for sale in the period in which all of the following criteria are met: management, having the authority to approve the action, commits to a plan to sell the asset (disposal group); the asset (disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (disposal groups); an active program to locate a buyer and other actions required to complete the plan to sell the asset (disposal group) have been initiated; the sale of the asset (disposal group) is probable, and transfer of the asset (disposal group) is expected to qualify for recognition as a completed sale within one year, except if events or circumstances beyond our control extend the period of time required to sell the asset (disposal group) beyond one year; the asset (disposal group) is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. See Note 5 — Assets Held for Sale for further discussion.

Investments in Subsidiaries

For purposes of these standalone financial statements, we account for our investments in subsidiaries using the cost method. See Note 8 - 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. 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 16 — 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 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, 2015 and 2014, 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 12 — Postretirement Benefit Plans for further discussion.

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. We used the benefits-for-loss method of tax allocation so that net operating losses are characterized as realized (or realizable). Net operating losses (or other current or deferred tax attributes) are characterized as realized (or realizable) when those tax attributes are realized (or realizable) by the consolidated group of Novelis Inc. even if Novelis Inc. would not otherwise have realized the attributes on a stand-alone basis. Thus, when the benefit of the net operating loss (or other tax attribute) is recognized in the consolidated financial statements of Novelis Inc., generally a benefit is also reflected in its separate financial statements. See Note 18 — Income Taxes for further discussion.

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 11 — Share-Based Compensation for further discussion.

Guarantees of Indebtedness

We have issued guarantees on behalf of certain of our 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 our 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 2015, we adopted Financial Accounting Standards Board ASU No. 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists.* The amendments in this update provide guidance on the presentation of unrecognized tax benefits and will better reflect the manner in which an entity would settle, at the reporting date, any additional income taxes that would result from the disallowance of a tax position when net operating loss carryforwards, similar tax losses, or tax credit carryforwards exist. The adoption of this standard had an insignificant impact on our financial position.

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Recently Issued Accounting Standards

In March 2013, the FASB issued ASU No. 2013-05, *Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity* . The amendments in this update provide clarification regarding the release of a cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets within a foreign entity. The guidance will be effective for annual reporting periods beginning after December 15, 2014, and interim periods within those annual periods. We will adopt this standard prospectively in our first quarter ending June 30, 2015 and our current accounting policies comply with this guidance. Therefore, there will be no change in how we account for these transactions.

In April 2014, the FASB issued ASU No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* . The amendment changes the criteria for determining which disposals can be presented as discontinued operations and modify related disclosure requirements. Under the revised standard, a discontinued operation is (1) a component of an entity or group of components that has been disposed of by sale, disposed of other than by sale or is classified as held for sale that represents a strategic shift that has or will have a major effect on an entity's operations and financial results or (2) an acquired business or nonprofit activity that is classified as held for sale on the date of the acquisition. The guidance is effective for annual periods beginning on or after December 15, 2014 and interim periods within that year. The guidance will be applied prospectively. Early adoption is permitted but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issue. We will adopt this standard prospectively in our first quarter ending June 30, 2015 on future disposals. The accounting treatment and classification of future disposals under this new standard could differ from our current treatment and classification of disposals.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (ASC 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 those 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. We will adopt this standard in our first quarter ending June 30, 2017. We are currently evaluating the impact of this standard on our financial position and results of operations.

In April 2015, the FASB issued *ASU 2015-03, Interest - Imputation of Interest (ASC 835-30)* , which, when effective, will require that 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. The guidance is effective for annual periods beginning after December 15, 2015 and interim periods within that year. An entity should apply the new guidance on a retrospective basis, wherein the balance sheet or each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Early adoption is permitted. We will adopt this standard in our first quarter ending June 30, 2016. Adoption of this standard will impact the presentation of debt issuance costs on our financial position.

2. RESTRUCTURING AND IMPAIRMENT

"Restructuring and impairment, net" for the year ended March 31, 2015 was $1 million, which included no impairment charges. "Restructuring and impairment, net" for the year ended March 31, 2014 was $8 million, which included impairment charges of $5 million on certain capitalized software assets.

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, 2013 (Unaudited)	$ 8				
Fiscal 2014 Activity:					
Expenses	2	$ 1	$ 3	$ 5	$ 8
Cash payments	(6)				
Balance as of March 31, 2014 (Unaudited)	4				
Fiscal 2015 Activity:					
Expenses	1	$ -	$ 1	$ -	$ 1
Cash payments	(4)				
Balance as of March 31, 2015	$ 1				

(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,	
	2015	2014 (Unaudited)
Restructuring charges		
Saguenay Plant Closure Severance costs	$ 1	$ 2
Relocation costs of R&D operations to Kennesaw, Georgia	-	1
Total restructuring charges	$ 1	$ 3
Restructuring payments		
Severance	(2)	(3)
Other	(2)	(3)
Total restructuring payments	$ (4)	$ (6)

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.

3. ACCOUNTS RECEIVABLE

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

	March 31,	
	2015	2014 (Unaudited)
Trade accounts receivable — third parties	$ 14	$ 11
Other accounts receivable — third parties	9	4
Accounts receivable — third parties	23	15
Allowance for doubtful accounts — third parties	-	-
Accounts receivable, net — third parties	$ 23	$ 15
Trade accounts receivable — related parties	$ 97	$ 166
Dividends receivable — related parties	113	113
Accounts receivable, net — related parties	$ 210	$ 279

For the periods ended March 31, 2015 and 2014, the allowance for doubtful accounts was less than $1 million.

4. INVENTORIES

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

	March 31,	
	2015	2014 (Unaudited)
Finished goods	$ 11	$ 12
Work in process (A)	28	18
Raw materials	12	2
Supplies	4	4
Inventories	$ 55	$ 36

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

5. ASSETS HELD FOR SALE

In June 2014, we and our subsidiary company Novelis Corporation sold our consumer foil operations in North America to a third party for $29 million in cash, net of transaction fees. We recorded the entire cash proceeds from the sale in the first quarter of fiscal 2015. We recognized a $5 million "Gain on assets held for sale, net" in the statement of operations in the first quarter of fiscal 2015. The related assets and liabilities were classified as "Assets held for sale" and "Liabilities held for sale" in our balance sheet as of March 31, 2014. We had an outstanding receivable due from Novelis Corporation between the foil operations that were sold. The related party accounts receivable of $5 million due from Novelis Corporation was settled through shareholders' equity as of March 31, 2015.

The following table summarizes the carrying amounts of the major classes of assets and liabilities held for sale (in millions).

	March 31,	
	2015	2014 (Unaudited)
Assets held for sale		
Accounts receivable	$ -	$ 9
Inventories	-	14
Prepaid expenses and other current assets	-	1
Property, plant and equipment, net	-	4
Total assets held for sale	$ -	$ 28
Liabilities held for sale		
Accounts payable	$ -	$ 4
Accrued expenses and other current liabilities	-	6
Total liabilities held for sale	$ -	$ 10

6. PROPERTY, PLANT AND EQUIPMENT

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

	March 31,	
	2015	2014 (Unaudited)
Land and property rights	$ 1	$ 1
Buildings	49	45
Machinery and equipment	156	147
Accumulated depreciation and amortization	(116)	(102)
	90	91
Construction in progress	5	9
Property, plant and equipment, net	$ 95	$ 100

As of March 31, 2015 and 2014, there were $24 million and $25 million, respectively, of fully depreciated assets included in our balance sheets.

Depreciation expense related to property, plant, and equipment, net is shown in the table below (in millions). For the years ended March 31, 2015 and 2014, we capitalized less than $ 1 million and $1 million of interest related to construction of property, plant and equipment and intangibles under development, respectively.

	Year Ended March 31,	
	2015	2014 (Unaudited)
Depreciation expense related to property, plant and equipment, net	$ 13	$ 12

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 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,	
	2015	2014 (Unaudited)
Rent expense	$ 4	$ 4

6. PROPERTY, PLANT AND EQUIPMENT - (Continued)

Future minimum lease payments as of March 31, 2015, 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
2016	$ 6	$ 4
2017	6	4
2018	6	1
2019	5	-
2020	6	-
Thereafter	26	-
Total minimum lease payments	$ 55	$ 9
Less: interest portion on capital lease		-
Principal obligation on capital leases		$ 9

Assets and related accumulated amortization under capital lease obligations as of March 31, 2015 and 2014 are as follows (in millions).

	March 31,	
	2015	2014 (Unaudited)
Assets under capital lease obligations:		
Machinery and equipment	$ 9	$ 9
Accumulated amortization	(4)	(2)
	$ 5	$ 7

7. INTANGIBLE ASSETS

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

		March 31, 2015			March 31, 2014 (Unaudited)		
	Weighted Average Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Technology and software	4 years	$ 47	$ (29)	$ 18	$ 46	$ (27)	$ 19

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

	Year Ended March 31,	
	2015	2014 (Unaudited)
Total Amortization expense related to intangible assets included in "Depreciation and amortization"	$ 5	$ 4

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,	
2016	$ 13
2017	13
2018	13
2019	8
2020	-

8. 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, 2015 and March 31, 2014 (in millions) using the cost method.

	March 31,			As of
	2015	2014		March 31, 2015
Shareholdings		(Unaudited)	Common Stock or Preferred Shares	Participation
Novelis Europe Holdings Limited	$ 430	$ 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%
Novelis Cast House Technology Ltd. (B)	-	-	Common stock	0.00%
4260848 Canada Inc.	123	123	Common stock	100.00%
4260856 Canada Inc.	185	185	Common stock	100.00%
Novelis No.1 Limited Partnership (dissolved March 31, 2015)	-	-	Common stock	0.00%
Novelis Corporation	1,681	1,681	Preferred shares	100.00%
Novelis Brand LLC (B)	-	-	Common stock	0.00%
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	74	Common stock	59.15%
Novelis do Brasil Ltda.	202	202	Common stock	99.99%
Novelis Madeira, Unipessoal, Lda (A)	-	1	Common stock	0.00%
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%
8018243 Canada Limited	709	709	Common stock	100.00%
Novelis (Shanghai) Aluminum Trading Co., Ltd.	4	4	Common stock	100.00%
Novelis (China) Aluminum Products Co., Ltd.	56	43	Common stock	100.00%
Novelis MEA Ltd.	1	1	Common stock	100.00%
Novelis Asia Holdings (Singapore) Pte. Ltd.	-	-	Common stock	100.00%
	$ 3,480	$ 3,468		

(A) Entity liquidated as of March 31, 2015

(B) Entities amalgamated into Novelis Inc. on March 31, 2015

As of March 31, 2015 and 2014, we own redeemable preferred shares (“Preferred Shares”) of $1,681 million in a subsidiary, Novelis Corporation. The Preferred Shares entitles 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 are cumulative and are payable annually. At the end of each seven year period in which the Preferred Shares remains outstanding, the dividend rate will reset to a new annual rate to be determined by the Board of Directors of Novelis Inc., with the advice of a third party valuation firm. The holders of the Preferred Shares are entitled to receive on liquidation an amount equal to the issuance price of $1,681 million, plus any accrued and unpaid dividends thereon, whether declared or not declared. The holder of the Preferred Shares is not entitled to any voting powers. The Preferred Shares shall not be convertible into shares of any other class or classes or series of any class or classes of capital stock of Novelis Corporation.

In December 2010, we entered into a forward sale share agreement (the "Forward Sale Share Agreement") with Novelis Acquisitions LLC (a wholly owned subsidiary of Novelis Holdings Inc.). Under the terms of the Forward Sale Share Agreement, we are required to sell, assign, transfer and convey the Preferred Shares to Novelis Acquisitions LLC on December 17, 2017 for the forward price, as specified in the agreement. We granted Novelis Acquisitions LLC a non-assignable right (the "Early Purchase Right") to purchase, in whole or in part, the Preferred Shares at the forward price, as specified in the agreement, at any time commencing in December 2010 and ending immediately prior to December 17, 2017. If Novelis Acquisitions LLC fails to complete the purchase of the Preferred Shares by December 17, 2017, then we are entitled to sell the shares to a third party on terms and conditions acceptable to us. In the event that the proceeds received by us from such sale exceed the forward price by 10% or more, we are required to pay Novelis Acquisitions LLC such excess amount less reasonable costs and expenses associated with the sale to the third party. In the event that the proceeds received by us from such sale are less than the forward price, Novelis Acquisitions LLC is required to pay us an amount equal to the deficiency plus interest on the unpaid portion of the forward price at the rate of 11% per annum. As of March 31, 2015, no amounts have been recorded related to the Forward Sale Share Agreement that we have with Novelis Acquisitions LLC.

8. INVESTMENTS AND RELATED PARTY TRANSACTIONS - (Continued)

At any time on or after December 17, 2018, the Preferred Shares may be redeemed by the issuer or caused to be redeemed by the holder at the liquidation value plus all accrued and unpaid dividends. As of March 31, 2015, no amounts have been recorded related to the redemption.

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 balance sheet (in millions).

	March 31,	
	2015	2014 (Unaudited)
Accounts receivable, net — related parties (A)	$ 210	$ 279
Other long-term assets — related parties (B)	$ 1,265	$ 844
Accounts payable-related parties	$ 77	$ 89

	March 31,	
	2015	2014 (Unaudited)
Notes receivable — related parties:		
Short term loan — related parties (C)	$ 122	$ 808
Interest receivable — related parties	53	6
	$ 175	$ 814

(A) Included in Accounts receivable-related parties is $113 million of dividends receivable as of March 31, 2015 and 2014 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 a loan to Novelis Corporation, with a maturity date of April 7, 2021 bearing interest at a fixed rate of 6.8% per annum; a 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; loans to Novelis do Brasil with maturity dates of May 31, 2018 through September 15, 2021 bearing interest rates of the 6-month LIBOR plus spreads ranging from 1.00% to 2.00%; loans to 4260848 Canada Inc. maturing March 17, 2017 bearing an interest rate based on the 6-month LIBOR + 3.75%; loans to 8018227 Canada Inc. maturing March 17, 2017 bearing an interest rate based on the 6-month LIBOR + 3.75%; loans to Novelis (China) Aluminum Products Co. Ltd maturing March 31, 2023 with a fixed interest rate of 6.84% per annum.

In April 2015, Novelis do Brasil Ltda paid $30 million in loans due to Novelis Inc. and converted $50 million from loans to contributed equity.

(C) This primarily represents a demand note due from Novelis Corporation with an interest rate of 2.53% as of March 31, 2015.

8. INVESTMENTS AND RELATED PARTY TRANSACTIONS - (Continued)

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

	March 31,	
	2015	2014 (Unaudited)
Dividend income — related parties	$ 286	$ 685

Below is the interest income and interest expense related to the short term and long term notes and loans we have with our subsidiaries. See Note 10 — Debt for additional information on notes and loans due to related parties.

	March 31,	
	2015	2014 (Unaudited)
Interest income — related parties	$ 72	$ 38
Interest expense — related parties	$ 2	$ 1

We have related party transactions with other Novelis Inc. subsidiaries. During the years ended March 31, 2015 and 2014, "Net product sales with related parties" were $521 million and $484 million. As of March 31, 2015 and 2014, there were $97 million and $166 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, 2015 and 2014, “Net sales” were less than $1 million between Novelis and Hindalco. As of March 31, 2015 and 2014 there were less than $1 million of "Accounts receivable, net" outstanding related to transactions with Hindalco.

In March 2014, we declared a return of capital to our direct shareholder, AV Metals Inc., in the amount of $250 million, which we subsequently paid on April 30, 2014. The $250 million return of capital is recorded as "Accrued expenses and other current liabilities — related party" in our balance sheet as of March 31, 2014.

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

	March 31,	
	2015	2014 (Unaudited)
Accrued compensation and benefits	$ 31	$ 31
Accrued interest payable	64	64
Accrued income taxes	-	1
Other current liabilities	4	8
Accrued expenses and other current liabilities — third parties	$ 99	$ 104
Accrued expenses and other current liabilities — related party (A)	$ -	$ 250

(A) In March 2014, we declared a return of capital to our direct shareholder, AV Metals Inc., in the amount of $250 million, which we subsequently paid on April 30, 2014.

10. DEBT

Debt consists of the following (in millions).

	March 31, 2015				March 31, 2014 (Unaudited)		
	Interest Rates (A)	Principal	Unamortized Carrying Value Adjustments	Carrying Value	Principal	Unamortized Carrying Value Adjustments	Carrying Value
Third party debt:							
Short term borrowings	4.25%	$ 394	$ -	$ 394	$ 367	$ -	$ 367
Long term debt:							
Floating rate Term Loan Facility, due March 2017	3.75%	1,731	(13) (B)	1,718	1,749	(20) (B)	1,729
8.375% Senior Notes, due December 2017	8.375%	1,100	-	1,100	1,100	-	1,100
8.75% Senior Notes, due December 2020	8.75%	1,400	-	1,400	1,400	-	1,400
Capital lease obligations, due through March 2019	3.64%	9	-	9	11	-	11
Total debt — third parties		4,634	(13)	4,621	4,627	(20)	4,607
Less: Short term borrowings		(394)	-	(394)	(367)	-	(367)
Less: Current portion of long term debt		(22)	-	(22)	(21)	-	(21)
Long-term debt, net of current portion — third parties:		$ 4,218	$ (13)	$ 4,205	$ 4,239	$ (20)	$ 4,219
Related party debt (C):							
Short term borrowings	4.00%	$ -	$ -	$ -	$ 32	$ -	$ 32
Long term debt:							
2% Fixed, due June 2022 (Novelis AG)	2.00%	49	-	49	49	-	49
Total debt — related parties		49	-	49	81	-	81
Less: Short term borrowings		-	-	-	(32)	-	(32)
Long-term debt, net of current portion — related parties:		$ 49	$ -	$ 49	$ 49	$ -	$ 49

(A) Interest rates are the stated rates of interest on the debt instrument (not the effective interest rate) as of March 31, 2015. 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.

(C) This represents related party debt we have with our subsidiaries.

10. DEBT - (Continued)

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, 2015
Short-term borrowings and Current portion of long term debt due within one year	$ 416
2 years	1,716
3 years	1,102
4 years	-
5 years	-
Thereafter	1,449
Total	$ 4,683

Senior Secured Credit Facilities

As of March 31, 2015, the senior secured credit facilities consist of (1) a $1.7 billion four-year secured term loan credit facility (Term Loan Facility) and (2) a $1.2 billion five-year asset based loan facility (ABL Revolver) which has a provision that allows the facility to be increased by an additional $500 million. The Term Loan Facility interest rate is equal to LIBOR (with a floor of 1%) plus a spread of 2.75%, at all times.

In October 2014, we amended and extended our ABL Revolver by entering into a $1.2 billion, five-year, senior secured ABL Revolver bearing an interest rate of LIBOR plus a spread of 1.50% to 2.00% plus a prime spread of 0.50% to 1.00% based on excess availability. However, our current Term Loan Facility limits our indebtedness under the ABL Revolver to $1.0 billion. The ABL Revolver has a provision that allows the facility to be increased by an additional $500 million. The ABL Revolver has various customary covenants including maintaining a minimum fixed charge coverage ratio of 1.25 to 1 if excess availability is less than the greater of (1) $110 million and (2) 12.5% of the lesser of (a) the maximum size of the ABL Revolver and (b) the borrowing base. The fixed charge coverage ratio will be equal to the ratio of (1) (a) ABL Revolver defined Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") less (b) maintenance capital expenditures less (c) cash taxes; to (2) (a) interest expense plus (b) scheduled principal payments plus (c) dividends to the Company's direct holding company to pay certain taxes, operating expenses and management fees and repurchases of equity interests from employees, officers and directors. The ABL Revolver matures on October 6, 2019; provided that, in the event that any of the Notes, the Term Loan Facility, or certain other indebtedness are outstanding (and not refinanced with a maturity date later than April 6, 2020) 90 days prior to their respective maturity dates, then the ABL Revolver will mature 90 days prior to the maturity date for the Notes, the Term Loan Facility or such other indebtedness, as applicable; unless excess availability under the ABL Revolver is at least (i) 25% of the lesser of (x) the total ABL Revolver commitment and (y) the then applicable borrowing base and (ii) 20% of the lesser of (x) the total ABL Revolver commitment and (y) the then applicable borrowing base, and a minimum fixed charged ratio test of at least 1.25 to 1 is met.

The senior secured credit facilities contain various affirmative covenants, including covenants with respect to our financial statements, litigation and other reporting requirements, insurance, payment of taxes, employee benefits and (subject to certain limitations) causing new subsidiaries to pledge collateral and guaranty our obligations. The senior secured credit facilities also include various customary negative covenants and events of default, including limitations on our ability to (1) make certain restricted payments, (2) incur additional indebtedness, (3) sell certain assets, (4) enter into sale and leaseback transactions, (5) make investments, loans and advances, (6) pay dividends or returns of capital and distributions beyond certain amounts, (7) engage in mergers, amalgamations or consolidations, (8) engage in certain transactions with affiliates, and (9) prepay certain indebtedness. Substantially all of our assets are pledged as collateral under the senior secured credit facilities. As of March 31, 2015, we were in compliance with the covenants in the Term Loan Facility and ABL Revolver.

Short-Term Borrowings

As of March 31, 2015, our short-term borrowings were $394 million of short-term loans under our ABL Revolver. The interest rate on our total short-term borrowings was 4.25% as of March 31, 2015 and 2014.

As of March 31, 2015, less than $1 million of the ABL Revolver was utilized for letters of credit, and we had $41 million in remaining availability under the ABL Revolver.

10. DEBT - (Continued)

Senior Notes

On December 17, 2010, we issued $1.1 billion in aggregate principal amount of 8.375% Senior Notes Due 2017 (the 2017 Notes) and $1.4 billion in aggregate principal amount of 8.75% Senior Notes Due 2020 (the 2020 Notes, and together with the 2017 Notes, the Notes).

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 the 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, 2015, 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 December 2016 for the 2017 Notes and through December 2018 for the 2020 Notes.

Other Long-term Debt

Novelis Inc. entered into various five-year capital lease arrangements to upgrade and expand our information technology infrastructure. As of March 31, 2015, we had $9 million outstanding under these capital leases.

Subsequent Events

In June 2015, we amended our Term Loan Facility to increase the principal to $1.8 billion and extend the final maturity to June 2, 2022; provided that, in the event that any series of our senior unsecured notes remain outstanding 92 days prior to its maturity date, then the Term Loan Facility will mature on such date, subject to limited exceptions. The amended Term Loan Facility accrues interest at the higher of LIBOR and 0.75% plus a 3.25% spread.

In addition, in June 2015, Novelis Inc. entered into a new $200 million Junior Lien Revolver, which matures in September 2016. The Junior Lien Revolver accrues interest at LIBOR plus a spread of 3.25% to 3.50%.

11. 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), and phantom restricted stock units (RSUs) are granted to certain executive officers and key employees.

The Hindalco SARs and Novelis SARs vest at the rate of 25% per year, 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 remeasured 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, 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. The following tables reflect the activity related to the participants' elections under the amendment.

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” or "Cost of goods sold, including related parties (exclusive of depreciation and amortization)" in our statement of operations. As the performance criteria for fiscal years 2016, 2017 and 2018 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,	
	2015	2014 (Unaudited)
Total compensation expense	$ 5	$ 16

The table below shows the RSUs activity for the year ended March 31, 2015.

	Number of RSUs	Grant Date Fair Value (in Indian Rupees)	Aggregate Intrinsic Value (USD in millions)
RSUs outstanding as of March 31, 2014	2,613,200	120.87	$ 6
Granted	1,051,179	145.64	-
Exercised	(411,263)	189.73	1
Forfeited/Cancelled	(80,039)	126.43	-
RSUs outstanding as of March 31, 2015	3,173,077	120.01	$ 7

11. SHARE-BASED COMPENSATION - (Continued)

The table below shows Hindalco SARs activity for the year ended March 31, 2015.

	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, 2014	12,174,518	112.92	4.3	$ 7
Granted	3,517,063	145.64	6.1	-
Exercised	(3,262,043)	90.58	-	4
Forfeited/Cancelled	(354,752)	134.41	-	-
SARs outstanding as of March 31, 2015	12,074,786	127.85	4.4	3
SARs exercisable as of March 31, 2015	3,791,571	130.96	2.7	$ 1

The table below shows the Novelis SARs activity for the year ended March 31, 2015.

	Number of Novelis SARs	Weighted Average Exercise Price (in USD)	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (USD in millions)
SARs outstanding as of March 31, 2014	379,435	90.10	5.3	$ 1
Granted	271,777	94.40	6.1	-
Exercised	(44,662)	79.96	-	1
Forfeited/Cancelled	(18,646)	84.11	-	-
SARs outstanding as of March 31, 2015	587,904	93.05	5.2	2
SARs exercisable as of March 31, 2015	90,825	91.64	4.1	$ 1

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

	Year ended March 31,	
	2015	2014
Risk-free interest rate	7.75% - 7.79%	8.67% - 8.96%
Dividend yield	0.78 %	0.99 %
Volatility	39% - 46%	37% - 51%

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

	Year ended March 31,	
	2015	2014
Risk-free interest rate	0.96% - 1.59%	0.96% - 2.05%
Dividend yield	—%	—%
Volatility	27% - 34%	28% - 41%

11. SHARE-BASED COMPENSATION - (Continued)

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 $5 million and $9 million, in the years ended March 31, 2015 and 2014, respectively. Total cash payments made to settle Hindalco RSUs were $1 million for the year ended March 31, 2015. 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 2.6 years. Unrecognized compensation expense related to the non-vested Novelis SARs (assuming all future performance criteria are met) was $8 million, which is expected to be recognized over a weighted average period of 2.7 years. Unrecognized compensation expense related to the RSUs was $11 million, which will be recognized over the remaining weighted average vesting period of 1.1 years.

12. POSTRETIREMENT 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.

During fiscal year 2015 and as a result of the sale of our North America foil operations, $11 million of benefits were transferred out of the pension plan along with a corresponding amount of plan assets resulting in settlement accounting. The settlements resulted in an insignificant impact to the statement of operations.

In October 2014, the Society of Actuaries published an updated mortality table and mortality improvement scale for U.S. plans. We recognized an increase to our benefit obligation and net actuarial loss as a result of updating mortality assumptions applicable to our U.S. plans. These deferred costs will be amortized on a straight-line basis to net periodic benefit costs in future years.

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 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,	
	2015	2014
Funded pension plans	$ 4	$ 8
Unfunded pension plans	1	1
Savings and defined contribution pension plans	4	3
Total contributions	$ 9	$ 12

During fiscal year 2016, we expect to contribute $4 million to our funded pension plans, $1 million to our unfunded pension plans and $4 million to our savings and defined contribution pension plans.

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		Other Benefits	
	Year Ended March 31,		Year Ended March 31,	
	2015	2014 (Unaudited)	2015	2014 (Unaudited)
Benefit obligation at beginning of period	$ 137	$ 138	$ 12	$ 14
Service cost	4	5	-	-
Interest cost	6	5	-	1
Benefits paid	(4)	(5)	-	-
Curtailments and settlements	(13)	-	(1)	-
Actuarial losses (gains)	10	3	2	(2)
Plan participant contributions	-	1	-	-
Currency gains	(16)	(10)	(2)	(1)
Benefit obligation at end of period	$ 124	$ 137	$ 11	$ 12
Benefit obligation of funded plans	$ 103	$ 118	$ -	$ -
Benefit obligation of unfunded plans	21	19	11	12
Benefit obligation at end of period	$ 124	$ 137	$ 11	$ 12

12. POSTRETIREMENT BENEFIT PLANS - (Continued)

	Pension Benefits	
	Year Ended March 31,	
	2015	2014 (Unaudited)
Change in fair value of plan assets		
Fair value of plan assets at beginning of period	$ 105	$ 100
Actual return on plan assets	23	9
Members' contributions	-	1
Benefits paid	(4)	(5)
Company contributions	6	9
Settlements	(11)	-
Currency losses	(15)	(9)
Fair value of plan assets at end of period	$ 104	$ 105

	March 31,			
	2015		2014 (Unaudited)	
	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	$ -	$ (13)	$ -
Benefit obligation of unfunded plans	(21)	(11)	(19)	(12)
	$ (20)	$ (11)	$ (32)	$ (12)
As included in our balance sheets within Total assets / (Total liabilities)				
Other non-current assets	$ 1	$ -	$ -	$ -
Accrued expenses and other current liabilities	(2)	-	-	-
Accrued postretirement benefits	(19)	(11)	(32)	(12)
	$ (20)	$ (11)	$ (32)	$ (12)

The postretirement amounts recognized in "Accumulated other comprehensive income (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,			
	2015		2014 (Unaudited)	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Net actuarial gain (loss) recognized in Accumulated other comprehensive income (loss)	$ 2	$ -	$ (9)	$ 1

12. POSTRETIREMENT BENEFIT PLANS - (Continued)

The estimated amounts that will be amortized from "Accumulated other comprehensive income (loss)" into net periodic benefit cost in fiscal 2016 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 income (loss)," before tax effects, are presented in the table below (in millions), and include the impact related to our equity method investments.

	March 31,			
	2015		2014 (Unaudited)	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Beginning balance in Accumulated other comprehensive (loss) income	$ (9)	$ 1	$ (13)	$ -
Curtailments and settlements	(1)	(1)	-	-
Net actuarial gain	10	-	2	1
Amortization of Actuarial loss	2	-	2	-
Total postretirement amounts recognized in Accumulated other comprehensive income (loss)	$ 2	$ -	$ (9)	$ 1

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,	
	2015	2014
The projected benefit obligation and accumulated benefit obligation for all defined benefit pension plans:		
Projected benefit obligation	$ 124	$ 137
Accumulated benefit obligation	$ 118	$ 125
Pension plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligation	$ 21	$ 137
Fair value of plan assets	$ -	$ 105
Pension plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligation	$ 20	$ 125
Fair value of plan assets	$ -	$ 105
Pension plans with projected benefit obligations less than plan assets:		
Projected benefit obligation	$ 103	$ -
Fair value of plan assets	$ 104	$ -

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
2016	$ 5	$ -
2017	6	-
2018	6	-
2019	6	-
2020	6	-
2021 through 2025	33	2
Total	$ 62	$ 2

12. POSTRETIREMENT BENEFIT PLANS - (Continued)

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,	
	2015	2014 (Unaudited)	2015	2014 (Unaudited)
Net periodic benefit cost				
Service cost	$ 4	$ 5	$ -	$ -
Interest cost	6	5	-	1
Expected return on assets	(6)	(6)	-	-
Amortization — losses	2	2	-	-
Curtailment/settlement losses	-	-	(1)	-
Net periodic benefit cost (income)	$ 6	$ 6	$ (1)	$ 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,	
	2015	2014	2015	2014
Weighted average assumptions used to determine benefit obligations				
Discount rate	3.6%	4.4%	3.4%	4.3%
Average compensation growth	3.5%	3.5%	3.5%	3.5%
Weighted average assumptions used to determine net periodic benefit cost				
Discount rate	4.4%	4.1%	4.3%	4.1%
Average compensation growth	3.5%	3.5%	3.5%	3.5%
Expected return on plan assets	5.5%	6.0%	0.0%	0.0%

In selecting the discount appropriate discount rate for each plan, for pension and other postretirement plans in Canada, and 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 2016.

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 2015. The assumed health care cost trend used for measurement purposes is 6.8% for fiscal 2016, decreasing gradually to 5% in 2020 and remaining at that level thereafter.

A change of one percentage point in the assumed health care cost trend rates would have an effect of less than a million to service and interest costs and the benefit obligation.

12. POSTRETIREMENT BENEFIT PLANS - (Continued)

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.

Asset Category	Target Allocation Ranges	Allocation in Aggregate as of March 31, 2015	Allocation in Aggregate as of March 31, 2014
Equity	25 - 35%	31%	36%
Fixed income	60 - 70%	68%	64%
Real estate	0 - 5%	0%	0%
Other	0 - 5%	1%	0%

Fair Value of Plan Assets

The following pension plan assets are measured and recognized at fair value on a recurring basis (in millions). Please see Note 16— Fair value measurements for a description of the fair value hierarchy. The Canadian pension plan assets are invested in both direct investments (Level 1) and commingled funds (Level 2).

Pension Plan Assets

	March 31, 2015				March 31, 2014			
	Fair Value Measurements Using				Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Equity	$ -	$ 32	$ -	$ 32	$ -	$ 38	$ -	$ 38
Fixed income	-	71	-	71	-	67	-	67
Cash and cash equivalents	1	-	-	1	-	-	-	-
Total	$ 1	$ 103	$ -	$ 104	$ -	$ 105	$ -	$ 105

13. CURRENCY (GAINS) LOSSES

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

	Year Ended March 31,	
	2015	2014 (Unaudited)
Cumulative currency translation adjustment — beginning of period	$ 92	$ 94
Effect of changes in exchange rates	(2)	(2)
Cumulative currency translation adjustment — end of period	$ 90	$ 92

14. FINANCIAL INSTRUMENTS AND COMMODITY CONTRACTS

The gross fair values of our financial instruments and commodity contracts as of March 31, 2015 and 2014 are as follows (in millions).

	March 31, 2015				
	Assets		Liabilities		Net Fair Value
	Current	Noncurrent	Current	Noncurrent(A)	Assets/(Liabilities)
Derivative Instruments					
Aluminum contracts	$ -	$ -	$ -	$ -	$ -
Currency exchange contracts	19	-	(83)	(9)	(73)
Total derivative fair value	$ 19	$ -	$ (83)	$ (9)	$ (73)

	March 31, 2014 (Unaudited)				
	Assets		Liabilities		Net Fair Value
	Current	Noncurrent	Current	Noncurrent(A)	Assets/(Liabilities)
Derivative Instruments					
Aluminum contracts	$ -	$ -	$ -	$ -	$ -
Currency exchange contracts	12	2	(14)	(2)	(2)
Total derivative fair value	$ 12	$ 2	$ (14)	$ (2)	$ (2)

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 and Midwest Transaction Premium 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, 2015 we had no outstanding aluminum forward contracts. As of March 31, 2014, we had 1 kt of outstanding aluminum Sales/Purchase contracts.

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 both March 31, 2015 and March 31, 2014, we had outstanding currency exchange contracts with a total notional amount of $509 million and $414 million, respectively, which were not designated as hedges.

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

14. FINANCIAL INSTRUMENTS AND COMMODITY CONTRACTS - (Continued)

Loss Recognition

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

	Year Ended March 31,	
	2015	2014 (Unaudited)
Derivative Instruments		
Aluminum contracts	$ -	$ (1)
Currency exchange contracts	(93)	(39)
"Loss on change in fair value of derivative instruments, net"	$ (93)	$ (40)

15. ACCUMULATED OTHER COMPREHENSIVE INCOME (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).

	(A) Currency Translation	(B) Postretirement Benefit Plans	Total
Balance as of March 31, 2013 (Unaudited)	$ 94	$ (13)	$ 81
Other comprehensive (loss) income before reclassifications	(2)	5	3
Amounts reclassified from AOCI	-	-	-
Net change in other comprehensive (loss) income (loss)	(2)	5	3
Balance as of March 31, 2014 (Unaudited)	92	(8)	84
Other comprehensive (loss) income before reclassifications	(2)	10	8
Amounts reclassified from AOCI	-	-	-
Net change in other comprehensive (loss) income	(2)	10	8
Balance as of March 31, 2015	$ 90	$ 2	$ 92

(A) For additional information on our Postretirement benefit plans see Note 13 - Currency (Gains) Losses

(B) For additional information on our Postretirement benefit plans see Note 12 - Postretirement Benefit Plans.

16. FAIR VALUE MEASUREMENTS

We record certain assets and liabilities, primarily derivative instruments, on our 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 that 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 that 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 that have fair values based upon trades in liquid markets, such as aluminum and foreign exchange forward contracts, valuation 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 and Midwest transaction premium 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, 2015 and March 31, 2014, 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, 2015 and 2014 (in millions).

	March 31,			
	2015		2014 (Unaudited)	
	Assets	Liabilities	Assets	Liabilities
Level 2 Instruments				
Currency exchange contracts	$ 19	$ (93)	$ 13	$ (15)
Netting adjustment (A)	(5)	5	(3)	3
Total, net	$ 14	$ (88)	$ 10	$ (12)

(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.

16. FAIR VALUE MEASUREMENTS - (Continued)

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.

	March 31,			
	2015		2014 (Unaudited)	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities				
Total debt — third parties (excluding short term borrowings)	$ 4,227	$ 4,427	$ 4,240	$ 4,525
Total debt — related parties (excluding short term borrowings)	$ 49	$ 49	$ 49	$ 49

17. OTHER EXPENSE (INCOME)

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

	Year Ended March 31,	
	2015	2014 (Unaudited)
Foreign currency remeasurement gains, net	$ (1)	$ (3)
Other, net	5	-
Other expense (income), net (A)	$ 4	$ (3)

(A) Represents charge-outs to our participating subsidiaries through the Joint Technology Agreement for Global Research & Development expenses based on the type of work performed.

18. 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,	
	2015	2014 (Unaudited)
Domestic (Canada)	$ (47)	$ 325
Foreign (all other countries)	-	-
Pre-tax (loss) income	$ (47)	$ 325

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

	Year Ended March 31,	
	2015	2014 (Unaudited)
Current provision:		
Domestic (Canada)	$ 1	$ 2
Foreign (all other countries)	2	5
Total current	3	7
Deferred provision:		
Domestic (Canada)	-	-
Foreign (all other countries)	-	-
Total deferred	-	-
Income tax provision	$ 3	$ 7

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, 2015 the Company had total deferred tax assets of approximately $442 million primarily arising from book reserves not deductible for tax and net operating loss carryforwards, net of other deferred liabilities of $11 million. At March 31, 2014 the Company had total deferred tax assets of approximately $357 million primarily arising from book reserves not deductible for tax and net operating loss carryforwards, net of other deferred liabilities of $7 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 is more likely than not that we will be unable to realize a portion of our deferred tax assets and that valuation allowances of $431 million and $350 million were necessary as of March 31, 2015 and 2014, respectively.

As of March 31, 2015, we had net operating loss carryforwards of approximately $342 million (tax effected) and tax credit carryforwards of $45 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 2020, respectively. As of March 31, 2015, valuation allowances of $342 million, $45 million and $44 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, 2014, we had net operating loss carryforwards of approximately $259 million (tax effected) and tax credit carryforwards of $43 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 2020, respectively. As of March 31, 2014, valuation allowances of $259 million, $43 million and $48 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.

18. INCOME TAXES - (Continued)

Tax Uncertainties

Tax authorities continue to examine certain 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 could be impacted.

Income Taxes Receivable and Payable

Our balance sheet includes income taxes receivable (net) of $3 million as of March 31, 2015, which is included in "Prepaid expenses and other current assets," and income taxes payable (net) of $1 million as of March 31, 2014, which is included in "Accrued expenses and other current liabilities."

19. SUPPLEMENTAL INFORMATION

Supplemental cash flow information (in millions).

	Year Ended March 31,	
	2015	2014 (Unaudited)
Supplemental disclosures of cash flow information:		
Interest paid	$ 296	$ 292
Income taxes paid	$ 7	$ 6

As of March 31, 2015, we recorded $3 million of outstanding accounts payable and accrued liabilities related to capital expenditures in which the cash outflows will occur subsequent to March 31, 2015. During the year ended March 31, 2015 we incurred no capital lease obligations related to capital lease acquisitions. During the year ended March 31, 2014 we incurred less than $1 million of capital lease obligations related to capital lease acquisitions.