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Independent Auditor's Report

To the Management of Novelis Corporation:

We have audited the accompanying financial statements of Novelis Corporation (parent company alone), which comprise the balance sheet as of March 31, 2015 and 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 described 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 our audit. We conducted our audit 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 financial statements are 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 audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by Novelis Corporation in accordance with 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, to meet the requirements of the India Companies Act, 2013.

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.

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Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Novelis Corporation (parent company alone) as of March 31, 2015, or the results of its operations or its cash flows for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Novelis Corporation (parent company alone) as of March 31, 2015, and the results of its operations and its cash flows the year then ended in accordance with the financial reporting provisions of Chapter IX of the India Companies Act, 2013 as further described in Note 1.

Other Matter

The accompanying balance sheet of Novelis Corporation (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 Corporation
BALANCE SHEET
(In millions, except par value and number of shares)

	March 31, 2015	March 31, 2014 (Unaudited)
ASSETS		
Current assets		
Cash and cash equivalents	$ 16	$ 253
Accounts receivable, net		
— third parties (net of allowances)	300	383
— related parties	81	91
Inventories	454	343
Prepaid expenses and other current assets	17	18
Fair value of derivative instruments	25	8
Deferred income tax assets	34	49
Assets held for sale	-	3
Total current assets	927	1,148
Property, plant and equipment, net	1,082	1,042
Goodwill	275	277
Intangible assets, net	346	375
Investments in subsidiaries	-	-
Other long–term assets	9	11
Total assets	$ 2,639	$ 2,853
LIABILITIES AND EQUITY (DEFICIT)		
Current liabilities		
Current portion of long–term debt	$ 1	$ 1
Short–term borrowings		
— related parties	177	912
Accounts payable		
— third parties	433	308
— related parties	244	260
Fair value of derivative instruments	35	18
Accrued expenses and other current liabilities		
— third parties	99	90
— related parties	31	2
Liabilities held for sale	-	1
Total current liabilities	1,020	1,592
Long–term debt, net of current portion		
— third parties	1	2
— related parties	500	-
Deferred income tax liabilities	230	296
Accrued postretirement benefits	171	127
Other long–term liabilities	33	41
Total liabilities	1,955	2,058
Commitments and contingencies		
Mezzanine equity		
Redeemable preferred shares, $0.01 par value; 20,000 preferred shares authorized; 10,000 shares issued and outstanding as of March 31, 2015 and 2014	1,681	1,681
Shareholder's deficit		
Common stock, $0.01 par value; 10,000 common shares authorized; 4,945 shares issued and outstanding as of March 31, 2015 and 2014	-	-
Accumulated deficit	(963)	(897)
Accumulated other comprehensive (loss) income	(34)	11
Total Shareholder's deficit	(997)	(886)
Total liabilities and equity (deficit)	$ 2,639	$ 2,853

See accompanying notes to the financial statements.

Novelis Corporation
STATEMENT OF OPERATIONS
(In millions)

	Year Ended March 31,	
	2015	**2014**
		(Unaudited)
Net sales:		
— third parties	$ 3,321	$ 2,797
— related parties	585	559
Total net sales	3,906	3,356
Cost of goods sold, including related parties (exclusive of depreciation and amortization)	3,525	3,053
Selling, general and administrative expenses	136	140
Depreciation and amortization	130	120
Research and development expenses	40	35
Interest expense		
— related parties	40	8
Gain on assets held for sale	(2)	-
Gain on change in fair value of derivative instruments, net	(1)	(47)
Restructuring and impairment, net	2	3
Other income, net	(39)	(23)
	3,831	3,289
Income before income taxes	75	67
Income tax provision	27	19
Net income	$ 48	$ 48

See accompanying notes to the financial statements

Novelis Corporation
STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(In millions)

	Year Ended March 31,	
	2015	**2014**
		(Unaudited)
Net income	$ 48	$ 48
Other comprehensive income (loss):		
Change in pension and other benefits, net	(72)	137
Other comprehensive (loss) income before income tax effect	(72)	137
Income tax (benefit) provision related to items of other comprehensive income (loss)	(27)	52
Other comprehensive (loss) income, net of tax	(45)	85
Comprehensive income	$ 3	$ 133

See accompanying notes to the financial statements.

Novelis Corporation
STATEMENT OF CASH FLOWS
(In millions)

	Year Ended March 31,	
	2015	**2014 (Unaudited)**
OPERATING ACTIVITIES		
Net income	$ 48	$ 48
Adjustments to determine net cash provided by operating activities:		
Depreciation and amortization	130	120
Gain on change in fair value of derivative instruments, net	(1)	(47)
Gain on assets held for sale	(2)	-
Gain on sale of assets	5	5
Non-cash impairment charges	2	1
Deferred income taxes	(24)	(10)
Amortization of fair value adjustments, net	12	12
Other, net	-	(3)
Changes in assets and liabilities including assets and liabilities held for sale (net of effects from divestitures):		
Accounts receivable	94	385
Inventories	(112)	(23)
Accounts payable	69	(202)
Other current assets	1	(2)
Other current liabilities	93	4
Other noncurrent assets	2	5
Other noncurrent liabilities	(31)	(1)
Net cash provided by operating activities	286	292
INVESTING ACTIVITIES		
Capital expenditures	(124)	(176)
Proceeds from settlement of other undesignated derivative instruments, net	(3)	57
Net cash (used in) investing activities	(127)	(119)
FINANCING ACTIVITIES		
Proceeds from issuance of debt, related parties	500	-
Principal payments of long-term and short-term borrowings, net	(1)	(1)
Short-term borrowings, related parties	(735)	237
Dividends paid	(160)	(160)
Net cash (used in) provided by financing activities	(396)	76
Net (decrease) increase in cash and cash equivalents	(237)	249
Cash and cash equivalents — beginning of period	253	4
Cash and cash equivalents — end of period	$ 16	$ 253

See accompanying notes to the financial statements

Novelis Corporation
STATEMENT OF EQUITY (DEFICIT)
(In millions, except number of shares)

	Preferred Shares		Common Shares		Additional Paid-in Capital	Retained Earnings/ (Accumulated Deficit)	Accumulated Other Comprehensive (Loss) Income (AOCI)	Total Mezzanine Equity and Shareholder's (Deficit)
	Shares	Amount	Shares	Amount				
Balance as of March 31, 2013 (Unaudited)	10,000	$ 1,681	4,945	$ -	$ -	$ (839)	$ (74)	$ 768
Net income	-	-	-	-	-	48	-	48
Change in pension and other benefits, net of tax provision of $52 million included in AOCI	-	-	-	-	-	-	85	85
Capital contribution	-	-	-	-	54	-	-	54
Dividends declared	-	-	-	-	(54)	(106)	-	(160)
Balance as of March 31, 2014 (Unaudited)	10,000	1,681	4,945	-	-	(897)	11	795
Net income	-	-	-	-	-	48	-	48
Change in pension and other benefits, net of tax benefit of $27 million included in AOCI	-	-	-	-	-	-	(45)	(45)
Settlement of related party balances for the sale of our foil operations	-	-	-	-	-	(5)	-	(5)
Capital contribution	-	-	-	-	51	-	-	51
Dividends declared	-	-	-	-	(51)	(109)	-	(160)
Balance as of March 31, 2015	10,000	$ 1,681	4,945	$ -	$ -	$ (963)	$ (34)	$ 684

See accompanying notes to the financial statements

Novelis Corporation
NOTES TO THE FINANCIAL STATEMENTS

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

References herein to the "Company," "we," "our," or "us" refer to Novelis Corporation unless the context specifically indicates otherwise.

Organization and Description of Business

Novelis Corporation was formed in the United States of America on January 1, 2005. All of Novelis Corporation's common shares are directly held by Novelis Holdings, Inc. All of Novelis Corporation's preferred shares are directly held by Novelis Inc. (Canada). All of Novelis Holdings Inc.'s shares are directly held by Novelis Inc. (Canada). The Company's functional and reporting currency is United States Dollar (USD).

Included within Novelis Corporation are seven manufacturing facilities all located within the United States of America. These facilities produce aluminum sheet and light gauge products for use in the packaging market, which includes beverage, food can and foil products, as well as for use in the automotive, transportation, electronics, architectural and industrial product markets. We also have recycling operations in many of our plants to recycle post-consumer aluminum, such as used beverage cans (UBCs), and post-industrial aluminum, such as class scrap, mostly for other Novelis Corporation plants or other Novelis Inc. owned entities.

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 goodwill; (3) impairment of long lived assets and other intangible assets; (4) actuarial assumptions related to pension and other postretirement benefit plans; (5) tax uncertainties and valuation allowances; and (6) assessment of loss contingencies, including environmental and litigation liabilities. Future events and their effects cannot be predicted with certainty, and accordingly, our accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of our financial statements may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. We evaluate and update our assumptions and estimates on an ongoing basis and may employ outside experts to assist in our evaluations. Actual results could differ from the estimates we have used.

Basis of Preparation

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 Novelis Corporation are included in the consolidated financial statements of our indirect parent, Novelis Inc., and of our ultimate parent, Hindalco Industries Limited, and those consolidated 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.

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 in the jurisdictions in which we operate. 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. Some environmental laws, such as the U.S. Comprehensive Environmental Response, Compensation, and Liability Act, also known as CERCLA or Superfund, and comparable state laws, impose joint and several liability for the cost of environmental remediation, natural resource damages, third party claims, and other expenses, without regard to the fault or the legality of the original conduct.

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. In certain instances, these costs and liabilities, as well as related action to be taken by us, could be accelerated or increased if we were to close, divest of or change the principal use of certain facilities with respect to which we may have environmental liabilities or remediation obligations. Currently, we are involved in a number of compliance efforts, remediation activities and legal proceedings concerning environmental matters, including certain activities and proceedings arising under U.S. Superfund and comparable laws in other jurisdictions where we have operations.

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

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. Certain of our current and former facilities incorporated asbestos-containing materials, a hazardous substance that has been the subject of health-related claims for occupation exposure. In addition, 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 these claims and lawsuits due to the unpredictable nature of personal injury litigation. If these claims and 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.

Approximately 20% of the Novelis Corporation employees are represented by labor unions under collective bargaining agreements. 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 15 — Fair Value Measurements and Note 18 — Commitments and Contingencies for a discussion of financial instruments and commitments and contingencies.

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

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" and the related shipping and handling costs we incur are included in "Cost of goods sold, including related parties (exclusive of depreciation and amortization)."

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 Corporation. 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.

On occasion, and in an attempt to better manage inventory levels, we sell inventory to third parties and have agreed to repurchase the same or similar inventory back from the third parties over a future period, based on market prices at the time of repurchase. We record these transactions on a net basis in our statement of operations through "Cost of goods sold, including related parties (exclusive of depreciation and amortization)."

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; software license fees and bad debt expenses.

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," 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 Programs for further discussion.

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.

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

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, foreign exchange rates, interest rate, and energy prices. 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 “Gain on change in fair value of derivative instruments, net” in our statement of operations. We classify cash settlement amounts as part of investing activities in the statement of cash flows.

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

Inventories

We carry our inventories at the lower of their cost or 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.

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, including hot mills, cold mills, continuous casting 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 income, net” or "Gain on assets held for sale" in our statement 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.

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

Goodwill

We test for impairment at least annually during the fourth quarter of each fiscal year, unless a triggering event occurs that would require an interim impairment assessment. We do not aggregate components of operating segments to arrive at our reporting units and, as such, our reporting units are the same as our operating segments.

In performing our goodwill impairment test, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the estimated fair value of a reporting unit is less than its carrying amount. If we perform a qualitative assessment and determine that an impairment is more likely than not, then we perform the two-step quantitative impairment test, otherwise no further analysis is required. We also may elect not to perform the qualitative assessment and, instead, proceed directly to the two-step quantitative impairment test. The ultimate outcome of the goodwill impairment assessment will be the same whether we choose to perform the qualitative assessment or proceed directly to the two-step quantitative impairment test.

For the years ended March 31, 2015 and 2014, we elected to perform the two-step quantitative impairment test. No goodwill impairment was identified in any of the years. See Note 7 — Goodwill and Intangible Assets for further discussion.

In years where we elect to perform the two-step quantitative impairment test, we use the present value of estimated future cash flows to establish the estimated fair value of our reporting units as of the testing dates. This approach includes many assumptions related to future growth rates, discount factors and tax rates, among other considerations. Changes in economic and operating conditions impacting these assumptions could result in goodwill impairment in future periods. When available and as appropriate, we use the market approach or the stock build up approach to corroborate the estimated fair value. If the carrying amount of a reporting unit's goodwill exceeds its estimated fair value, the second step of the impairment test is performed in order to determine the amount of impairment loss, if any. The second step compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds its implied fair value, we would recognize an impairment charge in an amount equal to that excess in our statement of operations.

When a business within a reporting unit is disposed of, goodwill is allocated to the gain or loss on disposition using the relative fair value methodology.

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 — Goodwill and Intangible Assets for further discussion.

We assess the recoverability of long-lived assets (excluding goodwill) 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 (excluding goodwill) 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.

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

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

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

Pensions and Postretirement Benefits

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

We account for our pensions and other postretirement benefits in accordance with Accounting Standards Codification 715, *Compensation — Retirement Benefits* (ASC 715). We recognize the funded status of our benefit plans as a net asset or liability, with an offsetting adjustment to Accumulated Other Comprehensive Income (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.

Environmental Liabilities

We record accruals for environmental matters when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based on current law and existing technologies. We adjust these accruals periodically as assessment and remediation efforts progress or as additional technical or legal information becomes available. Accruals for environmental liabilities are stated at undiscounted amounts. Environmental liabilities are included in our balance sheets in "Accrued expenses and other current liabilities" and "Other long-term liabilities," depending on their short- or long-term nature. Any receivables for related insurance or other third party recoveries for environmental liabilities are recorded when it is probable that a recovery will be realized and are included in our balance sheet in "Prepaid expenses and other current assets."

Costs related to environmental matters are charged to expense. Estimated future incremental operations, maintenance and management costs directly related to remediation are accrued in the period in which such costs are determined to be probable and estimable. See Note 18 — Commitments and Contingencies 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) by Novelis Corporation when those tax attributes are realized (or realizable) by the consolidated group of Novelis Inc. (indirect parent), even if Novelis Corporation 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., Novelis Corporation would generally reflect a benefit in its financial statements. See Note 17 — 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.

Operating Guarantees

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

Recently Adopted Accounting Standards

Effective for the first quarter of fiscal 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.

Recently Issued Accounting Standards

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.

2. RESTRUCTURING AND IMPAIRMENT

"Restructuring and impairment, net" for the year ended March 31, 2015 was $2 million, which included impairment charges unrelated to restructuring actions of $2 million on certain non-core assets. "Restructuring and impairment, net" for the year ended March 31, 2014 was $3 million, which included impairment charges unrelated to restructuring actions of $1 million on long-lived 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)	1				
Fiscal 2014 Activity:					
Expenses	1	$ 1	$ 2	$ 1	$ 3
Cash payments	(2)				
Balance as of March 31, 2014 (Unaudited)	$ -				
Fiscal 2015 Activity:					
Expenses	-	$ -	$ -	$ 2	$ 2
Cash payments	-				
Balance as of March 31, 2015	$ -				

(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)
Relocation of R&D operations to Kennesaw, Georgia		
Severance	-	1
Other	-	1
Total restructuring charges	$ -	$ 2
Restructuring payments - North America		
Severance	-	(1)
Other	-	(1)
Total restructuring payments	$ -	$ (2)

3. ACCOUNTS RECEIVABLE

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

	March 31,	
	2015	2014 (Unaudited)
Trade accounts receivable - third parties	$ 300	$ 383
Accounts receivable — third parties	300	383
Allowance for doubtful accounts — third parties	-	-
Accounts receivable, net — third parties	$ 300	$ 383
Trade accounts receivable — related parties	$ 81	$ 91

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

Factoring of Trade Receivables

We factor trade receivables (collectively, we refer to these as "factoring" programs) based on local cash needs including the need to fund our strategic investments, as well as attempting to balance the timing of cash flows of trade payables and receivables, fund strategic investments, and fund other business needs. Factored invoices are not included in our consolidated balance sheets when we do not retain a financial or legal interest. If a financial or legal interest is retained, we classify these factorings as secured borrowings.

Summary Disclosures of Financial Amounts

The following tables summarize amounts relating to our factoring activities (in millions).

	Year Ended March 31,	
	2015	2014 (Unaudited)
Receivables factored	$ 384	$ -
Factoring expense	$ 1	$ -

	March 31,	
	2015	2014 (Unaudited)
Factored receivables outstanding	$ 159	$ -

4. INVENTORIES

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

	March 31,	
	2015	2014 (Unaudited)
Finished goods	$ 111	$ 54
Work in process	151	140
Raw materials	169	130
Supplies	23	19
Inventories	$ 454	$ 343

5. ASSETS HELD FOR SALE

In June 2014, we sold our consumer foil operations in North America to a third party, and we recognized a $2 million "Gain on assets held for sale" 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 related party accounts payable due to Novelis Inc. between the foil operations that were sold, which was settled through shareholder's 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	$ -	$ 3
Total assets held for sale	$ -	$ 3
Liabilities held for sale		
Accrued expenses and other current liabilities	$ -	$ 1
Total liabilities held for sale	$ -	$ 1

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	$ 38	$ 28
Buildings	471	381
Machinery and equipment	1,245	1,113
	1,754	1,522
Accumulated depreciation and amortization	(778)	(698)
	976	824
Construction in progress	106	218
Property, plant and equipment, net	$ 1,082	$ 1,042

As of March 31, 2015 and 2014, there were $273 million and $258 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 $2 million and $9 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	$ 97	$ 88

Asset impairments

See Note 2 — Restructuring and impairment for additional information on asset impairments classified as "Restructuring and impairment, net."

Leases

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

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

	Year Ended March 31,	
	2015	2014 (Unaudited)
Rent expense	$ 3	$ 2

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	$ 1	$ 1
2017	1	1
2018	1	-
2019	1	-
2020	1	-
Thereafter	10	-
Total minimum lease payments	$ 15	$ 2
Less: interest portion on capital lease (A)		-
Principal obligation on capital leases		$ 2

(A) For the period ended March 31, 2015, the interest portion on capital leases was less than $1 million.

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	$ 3	$ 1
Accumulated amortization	(1)	-
	$ 2	$ 1

7. GOODWILL AND INTANGIBLE ASSETS

As a result of the Foil sale, we wrote off $2 million of goodwill during the year ended March 31, 2015. The following table summarizes "Goodwill" (in millions) for the years ended March 31, 2015 and 2014. See Note 5 - Assets Held for Sale for further discussion of the Foil Sale.

	March 31, 2015			March 31, 2014 (Unaudited)		
	Gross Carrying Amount	Accumulated Impairment	Net Carrying Value	Gross Carrying Amount	Accumulated Impairment	Net Carrying Value
Goodwill	$ 1,135	$ (860)	$ 275	$ 1,137	$ (860)	$ 277

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	12 years	$ 232	$ (91)	$ 141	$ 216	$ (73)	$ 143
Customer-related intangible assets	20 years	305	(119)	186	305	(104)	201
Favorable energy supply contract	9.5 years	124	(105)	19	124	(93)	31
	15.4 years	$ 661	$ (315)	$ 346	$ 645	$ (270)	$ 375

Our favorable energy supply contract is amortized over its estimated useful life using a method that reflects the pattern in which the economic benefits are expected to be consumed. All other intangible assets are amortized using the straight-line method.

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	$ 45	$ 44
Less: Amortization expense related to intangible assets included in "Cost of goods sold (exclusive of depreciation and amortization)" (A)	(12)	(12)
Amortization expense related to intangible assets included in "Depreciation and amortization"	$ 33	$ 32

(A) Relates to amortization of favorable energy supply contract.

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	$ 46
2017	42
2018	34
2019	34
2020	34

8. INVESTMENT 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 2014 (in millions) using the cost method.

	March 31,		As of
	2015	2014	March 31, 2015
Shareholdings - Common Shares		(Unaudited)	Participation
Novelis Services (North America) Inc.	$ -	$ -	100%
Novelis PAE Corporation (A)	-	-	100%
Eurofoil Inc. (USA)	-	-	100%
Logan Aluminum Inc.	-	-	40%
Novelis de Mexico, S.A. de C.V. (A)	-	-	99.99%
	$ -	$ -	

(A) As of March 31, 2015 and 2014, these investments were less than $1 million.

Included in the accompanying financial statements are transactions and balances arising from business we conduct with our indirect parent, Novelis Inc., and its wholly-owned subsidiaries, 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). See Note 10 - Debt for further information on our Long term debt-related parties and Short term borrowings-related parties.

	March 31,	
	2015	2014
		(Unaudited)
Accounts receivable-related parties	$ 81	$ 91
Accounts payable-related parties (A)	$ 244	$ 260
Interest payable-related parties (B)	$ 31	$ 2

(A) Included in Accounts payable-related parties is $113 million of dividends payable as of March 31, 2015 and 2014 due to Novelis Inc. related to outstanding preferred shares. See Note 19 - Mezzanine Equity and Shareholder's Deficit for further information on our preferred shares.

(B) Included in "Accrued expenses and other current liabilities-related parties".

Below is interest expense related to the short term and long term notes and loans due to Novelis Inc. and other Novelis Inc. subsidiaries:

	March 31,	
	2015	2014
		(Unaudited)
Interest expense - related parties	$ 40	$ 8

During the years ended March 31, 2015 and 2014, "Net product sales-related parties" were $585 million and $559 million, respectively.

We occasionally have related party transactions with our ultimate parent company, Hindalco. During the year ended March 31, 2015, there were no "Net sales" between Novelis Corporation and Hindalco, and during the year ended March 31, 2014, “Net sales” were less than $1 million. As of March 31, 2015, there were no "Accounts receivable, net" outstanding and as of March 31, 2014, there were less than $1 million of "Accounts receivable, net" related to transactions with Hindalco.

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	$ 30
Other current liabilities	68	60
Accrued expenses and other current liabilities — third parties	$ 99	$ 90
Accrued interest payable (A)	31	2
Accrued expenses and other current liabilities — related party	$ 31	$ 2

(A) This represents interest on related party debt with Novelis Inc. See Note 10 —Debt for additional information on related party debt with Novelis Inc.

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:							
Debt, due through March 2018	3.24%	$ 2	$ -	$ 2	$ 3	$ -	$ 3
Total debt — third parties		2	-	2	3	-	3
Less: Current portion of long term debt		(1)	-	(1)	(1)	-	(1)
Long-term debt, net of current portion — third parties:		$ 1	$ -	$ 1	$ 2	$ -	$ 2
Related party debt:							
Short term borrowings	3.11%	$ 177	$ -	$ 177 (B)	$ 912	$ -	$ 912
Related party debt:							
6.8% Fixed, due April 2021 (Novelis Inc.)	6.80%	500	-	500 (B)	-	-	-
Other debt		-	-	-	-	-	-
Total debt — related parties		677	-	677	912	-	912
Less: Short term borrowings		(177)	-	(177)	(912)	-	(912)
Long-term debt, net of current portion — related parties:		$ 500	$ -	$ 500	$ -	$ -	$ -

(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) Related party long term debt represents a promissory note due to Novelis Inc. (indirect parent), with a maturity date of April 7, 2021 bearing interest at a fixed rate of 6.8% per annum. Related Party short term borrowing primarily consists of a Demand Note due to Novelis Inc. (indirect parent), plus a short term promissory notes due to Novelis do Brasil bearing interest rates of the 1-month LIBOR with a spread of 4.39% with an original maturity date of April 30, 2015, but extended to July 2015 and a second promissory note maturing in November 2015 bearing an interest rate of the 6-month LIBOR plus a spread of 3.78%.

Principal repayment requirements for our total debt over the next five years and thereafter (excluding unamortized carrying value adjustments and using exchange rates as of March 31, 2015 for our debt denominated in foreign currencies) 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	$ 178
2 years	-
3 years	-
4 years	-
5 years	-
Thereafter	500
Total	$ 678

10. DEBT - (Continued)

Other Long-term Debt

As of March 31, 2015, we had $2 million of other debt, including certain capital lease obligations, with due dates through March 2018.

Guarantees of Indebtedness

On December 17, 2010, Novelis Inc. 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). We have issued guarantees on behalf of Novelis Inc.'s (the Parent and Issuer) 2017 Notes and 2020 Notes. This guarantee is full and unconditional as well as joint and several. No contingent loss has been recorded related to the guarantee of debt.

The Notes contain customary covenants and events of default that will limit the Novelis Inc.'s ability and, in certain instances, the ability of certain of its 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 Parent's subsidiaries to pay dividends or make other distributions to the Parent, (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 accelerated prior to its maturity or (2) not repaid at its maturity. As of March 31, 2015, Novelis Inc. was in compliance with the covenants in the Notes.

As of March 31, 2015, Novelis Inc. has outstanding senior secured credit facilities, which 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. We have issued guarantees on behalf of Novelis Inc.'s Term Loan Facility and ABL Revolver. As of March 31, 2015, no contingent loss has been recorded related to the guarantee of debt.

The senior secured credit facilities contain various affirmative covenants, including covenants with respect to consolidated Novelis Inc. financial statements, litigation and other reporting requirements, insurance, payment of taxes, employee benefits and (subject to certain limitations) causing Novelis Inc.'s subsidiaries to pledge collateral and guaranty Novelis Inc.'s obligations. The senior secured credit facilities also include various customary negative covenants and events of default, including limitations on Novelis Inc.'s 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. The senior secured credit facilities include a cross-default provision under which lenders could accelerate repayment of the loans if a payment or non-payment default arises under any other indebtedness with an aggregate principal amount of more than $100 million (or, in the case of the Term Loan Facility, under the ABL Revolver regardless of the amount outstanding). Substantially all of consolidated Novelis Inc.'s assets are pledged as collateral under the senior secured credit facilities. As of March 31, 2015, Novelis Inc. was in compliance with the covenants in the Term Loan Facility and ABL Revolver.

In June 2015, Novelis Inc. amended its 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 Novelis Inc.'s 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. We have issued guarantees on behalf of Novelis Inc. on the new amended Term Loan Facility.

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%, as specified in the agreement. We have issued guarantees on behalf of Novelis Inc. on the Junior Lien Revolver.

11. SHARE-BASED COMPENSATION

Novelis Inc.'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 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 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, Novelis Inc.'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	$ 1	$ 3

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	491,216	119.29	$ 1
Granted	250,318	146.01	-
Exercised	(85,726)	170.91	-
Forfeited/Cancelled	(79,643)	123.33	-
RSUs outstanding as of March 31, 2015	576,165	122.64	$ 1

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	2,711,619	110.21	4.3	$ 2
Granted	837,477	146.01	6.1	-
Exercised	(673,338)	92.84	-	1
Forfeited/Cancelled	(366,390)	128.78	-	-
SARs outstanding as of March 31, 2015	2,509,368	123.87	4.4	1
SARs exercisable as of March 31, 2015	805,783	117.33	2.6	$ -

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	82,025	90.84	5.4	$ -
Granted	64,814	94.40	6.1	-
Exercised	(5,795)	83.60	-	-
Forfeited/Cancelled	(17,461)	91.29	-	-
SARs outstanding as of March 31, 2015	123,583	92.98	5.2	-
SARs exercisable as of March 31, 2015	21,073	90.16	4.1	$ -

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 less than $1 million and $2 million, in the years ended March 31, 2015 and 2014, respectively. Total cash payments made to settle Hindalco RSUs were less than $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 $1 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 $2 million, which is expected to be recognized over a weighted average period of 2.7 years. Unrecognized compensation expense related to the RSUs was $2 million, which will be recognized over the remaining weighted average vesting period of 1.3 years.

12. POSTRETIREMENT BENEFIT PLANS

Our pension obligations relate to funded defined benefit pension plans in 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 the U.S.

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.

In June 2014, the Company amended its U.S. non-union retiree medical plan to extend retirees' option to participate in a Retiree Health Access Exchange (RHA). For calendar years 2014 through 2017, the Company will subsidize a portion of the retiree medical premium rates of the RHA. The Company will not provide a subsidy beginning in calendar year 2018. The amendment to the plan resulted in a plan remeasurement and recognition of prior service costs of approximately $11 million which is being amortized on a straight-line basis through December 31, 2017, subject to an annual remeasurement adjustment.

In August 2013, the Company amended its U.S. non-union retiree medical plan. Beginning January 2014, the health care benefits provided by the Company to retirees was discontinued and replaced with the retirees' option to participate in a new Retiree Health Access Exchange. For calendar year 2014 and 2015, the Company will subsidize a portion of the retiree medical premium rates of the RHA. The amendment resulted in the Company no longer providing a subsidy beginning in calendar year 2016. The amendments to the plan resulted in a plan remeasurement and recognition of a negative plan amendment, which reduced our obligation by $97 million as of August 31, 2013. The negative plan amendment, net of unrecognized actuarial losses resulted in a credit balance of $70 million recorded in AOCI as of August 31, 2013. The $70 million is being amortized, on a straight-line basis, as a reduction to net periodic benefit cost from September 1, 2013 through December 31, 2015, subject to an annual remeasurement adjustment.

In June 2012, the Company amended a U.S. nonunion benefit plan, which reduced postretirement life insurance benefits to retirees and eliminated the postretirement life insurance benefits for active employees. As a result, we recognized a negative plan amendment and a curtailment gain of $14 million, which was recorded as an adjustment to "Accumulated other comprehensive (loss) income" during the first quarter of fiscal 2013 and is being amortized on a straight-line basis as a reduction to net periodic benefit cost.

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 15 years or less. We also participate in savings plans in the U.S., as well as defined contribution pension plans in the U.S.. We contributed the following amounts (in millions) to all plans.

	Year Ended March 31,	
	2015	2014 (Unaudited)
Funded pension plans	$ 1	$ 1
Savings and defined contribution pension plans	10	8
Total contributions	$ 11	$ 9

During fiscal year 2016, we expect to contribute $1 million to our funded pension plans and $11 million to our savings and defined contribution pension plans.

12. POSTRETIREMENT BENEFIT PLANS - (Continued)

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	$ 528	$ 540	$ 41	$ 139
Service cost	10	12	1	4
Interest cost	24	22	1	3
Benefits paid	(20)	(19)	(6)	(7)
Amendments	-	-	11	(89)
Actuarial losses (gains)	48	(27)	-	(9)
Benefit obligation at end of period	$ 590	$ 528	$ 48	$ 41
Benefit obligation of funded plans	$ 590	$ 528	$ -	$ -
Benefit obligation of unfunded plans	-	-	48	41
Benefit obligation at end of period	$ 590	$ 528	$ 48	$ 41

	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	$ 435	$ 406
Actual return on plan assets	43	47
Benefits paid	(20)	(19)
Company contributions	1	1
Fair value of plan assets at end of period	$ 459	$ 435

	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	$ (131)	$ -	$ (93)	$ -
Benefit obligation of unfunded plans	-	(48)	-	(41)
	$ (131)	$ (48)	$ (93)	$ (41)
As included on the balance sheet within Total assets (Total liabilities)				
Accrued expenses and other current liabilities	$ (1)	$ (7)	$ -	$ (7)
Accrued postretirement benefits	(130)	(41)	(93)	(34)
	$ (131)	$ (48)	$ (93)	$ (41)

12. POSTRETIREMENT BENEFIT PLANS - (Continued)

The postretirement amounts recognized in "Accumulated other comprehensive (loss) income," before tax effects, are presented in the table below (in millions), and includes the impact related to our equity method investments. 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 (loss)	$ (75)	$ (9)	$ (45)	$ (14)
Prior service (cost) credit	(1)	30	(2)	78
Total postretirement amounts recognized in Accumulated other comprehensive (loss) income	$ (76)	$ 21	$ (47)	$ 64

The estimated amounts that will be amortized from "Accumulated other comprehensive (loss) income" into net periodic benefit cost in fiscal 2016 are $9 million for pension benefits related to net actuarial losses of $8 million and prior service costs of $1 million, and $23 million for other postretirement benefits, related to amortization of prior service credits of $26 million partially offset by net actuarial losses of $3 million.

The postretirement changes recognized in "Accumulated other comprehensive (loss) income," 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	$ (47)	$ 64	$ (102)	$ (17)
Plan amendment	-	(11)	-	89
Net actuarial gain (loss)	(35)	-	43	9
Amortization of:	-	-	-	-
Prior service credits (costs)	1	(37)	1	(23)
Actuarial loss	5	5	11	6
Total postretirement amounts recognized in Accumulated other comprehensive (loss) income	$ (76)	$ 21	$ (47)	$ 64

12. POSTRETIREMENT BENEFIT PLANS - (Continued)

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 (Unaudited)
The projected benefit obligation and accumulated benefit obligation for all defined benefit pension plans:		
Projected benefit obligation	$ 590	$ 528
Accumulated benefit obligation	$ 536	$ 483
Pension plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligation	$ 590	$ 528
Fair value of plan assets	$ 459	$ 435
Pension plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligation	$ 536	$ 483
Fair value of plan assets	$ 459	$ 435

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	$ 21	$ 7
2017	23	6
2018	24	4
2019	26	2
2020	27	3
2021 through 2025	160	13
Total	$ 281	$ 35

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	$ 10	$ 12	$ 1	$ 4
Interest cost	24	22	1	3
Expected return on assets	(31)	(30)	-	-
Amortization — losses	5	11	5	6
Amortization — prior service cost (credit)	1	1	(37)	(23)
Net periodic benefit cost (income)	$ 9	$ 16	$ (30)	$ (10)

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 (Unaudited)	2015	2014 (Unaudited)
Weighted average assumptions used to determine benefit obligations				
Discount rate	3.9%	4.2%	4.0%	3.8%
Average compensation growth	3.5%	3.5%	0.0%	0.0%
Weighted average assumptions used to determine net periodic benefit cost				
Discount rate	4.2%	3.8%	3.8%	3.8%
Average compensation growth	3.5%	3.5%	0.0%	0.0%
Expected return on plan assets	6.9%	7.1%	0.0%	0.0%

In selecting the discount appropriate discount rate for each plan, for pension and other postretirement plans in 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 6.3% in fiscal 2016.

We provide unfunded health care and life insurance benefits to our retired employees in the U.S. for which we paid $7 million in fiscal 2015 and paid $6 million in fiscal 2014, respectively. The assumed health care cost trend used for measurement purposes is 7.1% for fiscal 2016, decreasing gradually to 5% in 2019 and remaining at that level thereafter.

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

	1% Increase	1% Decrease
Sensitivity Analysis		
Effect on service and interest costs	$ -	$ -
Effect on benefit obligation	$ 3	$ (2)

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.

Each of our funded pension plans 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 each 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	23 - 48%	44%	38%
Fixed income	52 - 77%	56%	62%
Real estate	0 - 5%	0%	0%
Other	0 - 5%	0%	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 15— Fair value measurements for a description of the fair value hierarchy. The U.S. pension plan assets are invested exclusively in commingled funds and classified in Level 2.

Pension Plan Assets

	March 31, 2015				March 31, 2014 (Unaudited)			
	Fair Value Measurements Using				Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Equity	$ -	$ 200	$ -	$ 200	$ -	$ 193	$ -	$ 193
Fixed income	-	259	-	259	-	242	-	242
Total	$ -	$ 459	$ -	$ 459	$ -	$ 435	$ -	$ 435

13. 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	Assets/(Liabilities)
Aluminum contracts	$ 22	$ -	$ (9)	$ -	$ 13
Currency exchange contracts	-	-	(5)	-	(5)
Energy contracts	3	-	(21)	(9)	(27)
Total derivative fair value	$ 25	$ -	$ (35)	$ (9)	$ (19)

	March 31, 2014 (Unaudited)				
	Assets		Liabilities		Net Fair Value
	Current	Noncurrent	Current	Noncurrent	Assets/(Liabilities)
Aluminum contracts	$ 5	$ -	$ (12)	$ -	$ (7)
Currency exchange contracts	-	-	-	-	-
Energy contracts	3	-	(6)	(13)	(16)
Total derivative fair value	$ 8	$ -	$ (18)	$ (13)	$ (23)

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 and March 31, 2014, we have (129) kt and (141) kt respectively, of outstanding aluminum Sales/Purchase contracts. The maximum and average duration of metal forward contracts is 18 months and 4 months respectively.

Foreign Currency

We use foreign exchange forward contracts, cross-currency swaps and options to manage our exposure to changes on 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. Currency contracts have a maximum duration of one year. Contracts that represent the majority of notional amounts will mature within the next six months.

Energy

Less than 1 million of notional megawatt hours remained outstanding as of March 31, 2015, and the fair value of this swap was a liability of $16 million as of March 31, 2015. As of March 31, 2014, the fair value of this electricity swap was a liability of $19 million.

We use natural gas forward purchase contracts to manage our exposure to fluctuating energy prices in North America. We had 7 million MMBTUs designated as cash flow hedges as of March 31, 2015, and the fair value was a liability of $8 million. There were 9.5 million MMBTUs of natural gas forward purchase contracts designated as cash flow hedges as of March 31, 2014 and the fair value was an asset of $3 million. As of March 31, 2015 and March 31, 2014, we had 2 million MMBTUs and 1.5 million MMBTUs, respectively, of natural gas forward purchase contracts that were not designated as hedges. The fair value as of March 31, 2015 and March 31, 2014 was a liability of $3 million and an asset of less than $1 million, respectively, for the forward purchase contracts not designated as hedges. The average duration of undesignated contracts is approximately one year in length. One MMBTU is the equivalent of one decatherm, or one million British Thermal Units.

13. FINANCIAL INSTRUMENTS AND COMMODITY CONTRACTS - (Continued)

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

	Year Ended March 31,	
	2015	2014 (Unaudited)
Derivative Instruments		
Aluminum contracts	$ 10	$ 25
Currency exchange contracts	(4)	-
Energy contracts	(5)	22
Gain on change in fair value of derivative instruments, net	$ 1	$ 47

14. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

	(A) Postretirement Benefit Plans	Total
Balance as of March 31, 2013 (Unaudited)	$ (74)	$ (74)
Other comprehensive income (loss) before reclassifications	85	85
Amounts reclassified from AOCI	-	-
Net change in other comprehensive income (loss)	85	85
Balance as of March 31, 2014 (Unaudited)	11	11
Other comprehensive income (loss) before reclassifications	(45)	(45)
Amounts reclassified from AOCI	-	-
Net change in other comprehensive (loss) income	(45)	(45)
Balance as of March 31, 2015	$ (34)	$ (34)

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

15. 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, foreign exchange and natural gas forward contracts and options, 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 include interest rate swaps, cross-currency swaps, foreign currency contracts, LME and Midwest transaction premium aluminum forwards and swaps and natural gas forward contracts.

We classify derivative contracts that are valued based on models with significant unobservable market inputs as Level 3 of the valuation hierarchy. Our electricity swap, which is our only Level 3 derivative contract, represents an agreement to buy electricity at a fixed price at our Oswego, New York facility. Forward prices are not observable for this market, so we must make certain assumptions based on available information that we believe to be relevant to market participants. We use observable forward prices for a geographically nearby market and adjust for 1) historical spreads between the cash prices of the two markets, and 2) historical spreads between retail and wholesale prices.

The average forward price at March 31, 2015, estimated using the method described above, was $51 per megawatt hour, which represented a $5 premium over forward prices in the nearby observable market. The actual rate from the most recent swap settlement was approximately $50 per megawatt hour. Each $1 per megawatt hour decline in price decreases the valuation of the electricity swap by less than $1 million.

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, 2014 and March 31, 2013, we did not have any Level 1 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 statements of financial position 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 March 31, 2014 (in millions).

15. FAIR VALUE MEASUREMENTS - (Continued)

	March 31,			
	2015		2014 (Unaudited)	
	Assets	Liabilities	Assets	Liabilities
Level 2 Instruments				
Aluminum contracts	$ 22	$ (9)	$ 5	$ (12)
Currency exchange contracts	-	(5)	-	-
Energy contracts	3	(14)	4	-
Interest rate swaps	-	-	-	-
Total Level 2 Instruments	25	(28)	9	(12)
Level 3 Instruments				
Energy Contracts	-	(16)	-	(19)
Total Level 3 Instruments	-	(16)	-	(19)
Total gross	$ 25	$ (44)	$ 9	$ (31)
Netting adjustment (A)	(3)	3	-	-
Total net	$ 22	$ (41)	$ 9	$ (31)

(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.

We recognized unrealized losses of $2 million for the year ended March 31, 2015 related to Level 3 financial instruments that were still held as of March 31, 2015. These unrealized losses were included in “Other income, net.”

The following table presents a reconciliation of fair value activity for Level 3 derivative contracts (in millions).

	Level 3 – Derivative Instruments (A)
Balance as of March 31, 2013	$ (27)
Realized/unrealized gain included in earnings (B)	19
Settlements	(11)
Balance as of March 31, 2014	$ (19)
Realized/unrealized gain included in earnings (B)	10
Settlements	(7)
Balance as of March 31, 2015	$ (16)

(A) Represents net derivative liabilities.
(B) Included in “Gain on change in fair value of derivative instruments, net.”

15. 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)	$ 2	$ 2	$ 3	$ 3
Total debt — related parties (excluding short term borrowings)	$ 500	$ 500	$ -	$ -

16. OTHER (INCOME) EXPENSE

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

	Year Ended March 31,	
	2015	2014 (Unaudited)
Gain on business interruption insurance recovery, net (A)	$ (13)	$ -
Other, net - third parties	-	(2)
Other, net - related parties (B)	(26)	(21)
Other income, net	$ (39)	$ (23)

(A) We recognized a net gain of $13 million during the year ended March 31, 2015 related to a business interruption recovery claim for a temporary stoppage of the hot mill at the Logan Aluminum joint venture facility due to an unexpected failure of a motor.

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

17. INCOME TAXES

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

We are subject to United States federal and state income taxes. The domestic components of our "Income before income taxes" (and after removing our "Equity in net loss of non-consolidated affiliates") are as follows (in millions).

	Year Ended March 31,	
	2015	2014 (Unaudited)
Domestic (US)	$ 75	$ 67
Pre-tax income	$ 75	$ 67

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

	Year Ended March 31,	
	2015	2014 (Unaudited)
Current provision (benefit):		
Federal	$ 51	$ 26
State	-	3
Total current	$ 51	29
Deferred provision (benefit):		
Federal	(27)	(22)
State	3	12
Total deferred	(24)	(10)
Income tax provision	$ 27	$ 19

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 $229 million primarily arising from book reserves not deductible for tax and net operating loss carryforwards. Also, the Company had total deferred tax liabilities of approximately $372 million primarily related to differences in the tax and net book values of assets.

At March 31, 2014 the Company had total deferred tax assets of approximately $194 million primarily arising from book reserves not deductible for tax and net operating loss carryforwards. Also, the Company had total deferred tax liabilities of approximately $397 million primarily related to differences in the tax and net book values of assets.

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 it is more likely than not that we will be unable to realize a portion of our deferred tax assets and that valuation allowances of $53 million and $44 million were necessary as of March 31, 2015 and 2014, respectively.

As of March 31, 2015, we had net operating loss carryforwards of approximately $77 million (tax effected) and tax credit carryforwards of $66 million, which will be available to offset future taxable income and tax liabilities, respectively. The carryforwards begin expiring in fiscal year 2027 with some amounts being carried forward indefinitely. As of March 31, 2015, valuation allowances of $53 million recorded against the tax credit carryforwards, where it appeared more likely than not that such benefits will not be realized. The net operating loss carryforwards are both federal and state related.

As of March 31, 2014, we had net operating loss carryforwards of approximately $69 million (tax effected) and tax credit carryforwards of $53 million, which will be available to offset future taxable income and tax liabilities, respectively. The carryforwards begin expiring in fiscal 2026 with some amounts being carried forward indefinitely. As of March 31, 2014, valuation allowances of $41 million and $3 million had been recorded against the 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 both federal and state related.

Although realization is not assured, management believes it is more likely than not that all the remaining net deferred tax assets will be realized. In the near term, the amount of deferred tax assets considered realizable could be reduced if we do not generate sufficient taxable income in certain jurisdictions.

17. INCOME TAXES - (Continued)

Tax Uncertainties

As of March 31, 2015 and 2014, the total amount of unrecognized benefits that, if recognized, would affect the effective income tax rate in future periods based on anticipated settlement dates is $3 million and $3 million, respectively.

Tax authorities continue to examine certain other of our tax filings for fiscal years 2009 through 2012. As a result of further settlement of audits, judicial decisions, the filing of amended tax returns or the expiration of statutes of limitations, our reserves for unrecognized tax benefits, as well as reserves for interest and penalties, may change over the next 12 months. With few exceptions, tax returns for all jurisdictions for all tax years before 2009 are no longer subject to examination by taxing authorities.

Our policy is to record interest and penalties related to unrecognized tax benefits in the income tax provision (benefit). As of March 31, 2015 and 2014, we had less than one million accrued, respectively, for interest and penalties.

Income Taxes Payable

Our balance sheet previously included a federal and state income taxes payable (net) of $184 million and $5 million as of March 31, 2015, respectively. However, the federal income tax payable and a portion of the state will be settled annually through equity with Novelis Holdings, Inc. See Note 20-Supplemental Information for additional information.

Our balance sheet previously included a federal and state income taxes payable (net) of $134 million and $2 million as of March 31, 2014, respectively. However, the federal income tax payable and a portion of the state will be settled annually through equity with Novelis Holdings, Inc. See Note 20-Supplemental Information for additional information.

18. COMMITMENTS AND CONTINGENCIES

We are party to, and may in the future be involved in, or subject to, disputes, claims and proceedings that arise in the ordinary course of our business, including some that we assert against others, such as environmental, health and safety, product liability, employee, tax, personal injury and other matters. We have established a liability with respect to contingencies for which a loss is probable and we are able to reasonably estimate such loss. While the ultimate resolution of and liability and costs related to these matters cannot be determined with certainty due to the considerable uncertainties that exist, we do not believe that any of these pending actions, individually or in the aggregate, will materially impair our operations or materially affect our financial condition or liquidity.

For certain matters in which the Company is involved, for which a loss is reasonably possible, we are unable to estimate a loss. For certain other matters for which a loss is reasonably possible and the loss is estimable, we have estimated the aggregated range of loss as $0 to $15 million. This estimated aggregate range of reasonably possible losses is based upon currently available information. The Company's estimates involve significant judgment, and therefore, the estimate will change from time to time and actual losses may differ from the current estimate.

The following describes certain contingencies relating to our business, including those for which we assumed liability as a result of our spin-off from Alcan Inc.

Environmental Matters

We own and operate numerous manufacturing and other facilities in various countries around the world. Our operations are subject to environmental laws and regulations from various jurisdictions, which govern, among other things, air emissions, wastewater discharges, the handling, storage and disposal of hazardous substances and wastes, the remediation of contaminated sites, post-mining reclamation and restoration of natural resources, and employee health and safety. Future environmental regulations may impose stricter compliance requirements on the industries in which we operate. Additional equipment or process changes at some of our facilities may be needed to meet future requirements. The cost of meeting these requirements may be significant. Failure to comply with such laws and regulations could subject us to administrative, civil or criminal penalties, obligations to pay damages or other costs, and injunctions and other orders, including orders to cease operations.

We are involved in proceedings under the U.S. Comprehensive Environmental Response, Compensation, and Liability Act, also known as CERCLA or Superfund, or analogous state provisions regarding liability arising from the usage, storage, treatment or disposal of hazardous substances and wastes at a number of sites in the United States**.** Many of these jurisdictions have laws that impose joint and several liability, without regard to fault or the legality of the original conduct, for the costs of environmental remediation, natural resource damages, third party claims, and other expenses. In addition, we are, from time to time, subject to environmental reviews and investigations by relevant governmental authorities. We are also involved in claims and litigation filed on behalf of persons alleging exposure to substances and other hazards at our current and former facilities.

With respect to environmental loss contingencies, we record a loss contingency whenever such contingency is probable and estimable. The evaluation model includes all asserted and unasserted claims that can be reasonably identified including claims relating to our responsibility for compliance with environmental, health and safety laws and regulations in the jurisdictions in which we operate or formerly operated. Under this evaluation model, the liability and the related costs are quantified based upon the best available evidence regarding actual liability loss and cost estimates. Except for those loss contingencies where no estimate can be made, the evaluation attempts to estimate the full costs of each claim. Management reviews the status of, and estimated liability related to, pending claims and civil actions on a quarterly basis. The estimated costs in respect of such reported liabilities are not offset by amounts related to insurance or indemnification arrangements unless otherwise noted.

We have established liabilities based on our estimates for the currently anticipated costs associated with these environmental matters. We estimated that the remaining undiscounted clean-up costs related to our environmental liabilities as of March 31, 2015 were approximately $4 million, which was associated with undiscounted clean-up costs. Additionally, $3 million of the environmental liability was included in "Other long-term liabilities," with the remaining $1 million included in "Accrued expenses and other current liabilities" in our balance sheet as of March 31, 2015. Management has reviewed the environmental matters, including those for which we assumed liability as a result of our spin-off from Alcan Inc. As a result of this review, management has determined that the currently anticipated costs associated with these environmental matters will not, individually or in the aggregate, materially impact our operations or materially adversely affect our financial condition, results of operations or liquidity.

Other Commitments

As of March 31, 2015 and 2014, we had sold certain inventories to third parties and have agreed to repurchase the same or similar inventory back from the third parties subsequent to the balance sheet dates. Our estimated outstanding repurchase obligations for this inventory as of March 31, 2015 is $81 million and as of March 31, 2014 was approximately $3 million, based on market prices as of these dates. We sell and repurchase inventory with third parties in an attempt to better manage inventory levels and to better match the purchasing of inventory with the demand for our products. As of March 31, 2015 and 2014, there was no liability related to these repurchase obligations on our accompanying consolidated balance sheets.

19. MEZZANINE EQUITY AND SHAREHOLDER'S DEFICIT

Preferred Shares

As of March 31, 2015 and 2014, we had redeemable preferred shares of $1,681 million, which is included in our balance sheet as part of mezzanine equity. Novelis Inc., our indirect parent, is the holder of the preferred shares, which was issued in December 2010, and is entitled to receive a cash dividend at a rate of 9.5% of the original issuance price of the preferred shares for seven years. The dividends are cumulative and are payable annually. At the end of each seven year period, the 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 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 shares of Novelis Corporation.

In December 2010, Novelis Acquisitions LLC (a wholly owned subsidiary of Novelis Holdings Inc.) and Novelis Inc. entered into a forward sale share agreement (the "Forward Sale Share Agreement"). Under the terms of the Forward Sale Share Agreement, Novelis Inc. will be required to sell the preferred shares on December 17, 2017 for the forward price, as specified in the agreement. Novelis Acquisitions LLC was granted a non-assignable right (the "Early Purchase Right") to purchase, in whole or in part, the preferred shares at the forward price at any time commencing in December 2010 and ending immediately prior to the forward closing date.

The holder will be required to redeem (put option) the preferred shares from the shareholders upon receipt of written request on or after the eighth anniversary of the issue date at a price equal to the issuance price per share plus cumulative unpaid dividends. Additionally, the holder has the option to redeem (call option) the preferred shares at any time after the eighth anniversary of the issuance at the price equal to the issuance price per share plus cumulative unpaid dividends.

In the event of any liquidation, the holder is entitled to receive an amount equal to the issuance price per share plus cumulative unpaid dividends. If this amount is not paid in full, the holder will share in any such distribution of assets of Novelis Corporation in proportion to the full respective liquidating distributions to which they are entitled.

As of March 31, 2015 and 2014, we declared $160 million dividends to Novelis Inc. for the preferred shares, which is included in our statement of shareholder's equity. As of March 31, 2015 and 2014, there was $113 million of dividends payable due to Novelis Inc. related to outstanding preferred shares included in Accounts payable-related parties.

Settlement of Related Party Balances for the Sale of our Foil Operations

In June 2014, we and our indirect parent, Novelis Inc., sold our consumer foil operations in North America to a third party. We had an outstanding payable due to Novelis Inc. between the foil operations that were sold. The related party accounts payable of $5 million due to Novelis Inc. was settled through shareholder's equity as of March 31, 2015. See Note 5 — Assets Held for Sale for further discussion of the sale.

Capital Contribution

During the years ended March 31, 2015 and 2014, $51 million and $54 million of the federal and state income taxes were settled through a non-cash contribution of capital from Novelis Holdings Inc. See Note 17 — Income Taxes and Note 20 — Supplemental Information for additional information.

20. SUPPLEMENTAL INFORMATION

Supplemental cash flow information (in millions).

	Year Ended March 31,	
	2015	2014 (Unaudited)
Supplemental disclosures of cash flow information:		
Interest paid	$ 10	$ 7
Income taxes paid	$ 1	$ 2

As of March 31, 2015, we recorded $58 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 years ended March 31, 2015 and 2014 we incurred capital lease obligations of less than $1 million related to capital lease acquisitions.

Material Non-Cash Contributions

Our balance sheet previously included federal and state income taxes payable (net) of $184 million and $5 million as of March 31, 2015, respectively, and $134 million and $2 million as of March 31, 2014, respectively. During the years ended March 31, 2015 and 2014, $51 million and $54 million of the federal and state income taxes were settled through a non-cash contribution of capital from Novelis Holdings Inc.