[English translation for reference only]

Auditor's Report

PwC ZT Shen Zi (2015) No. 24737

To the Board of Directors of Novelis (China) Aluminum Products Co., Ltd.:

We have audited the accompanying financial statements of Novelis (China) Aluminum Products Co., Ltd. (hereinafter "the Company") which comprise the balance sheet as at 31 December 2014, the income statement, the statement of changes in owner's equity and the cash flow statement for the year ended 31 December 2014, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation 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 these financial statements based on our audit. We conducted our audit in accordance with the China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 opinion.

[English translation for reference only]

Auditor's Report (continued)

To the Board of Directors of Novelis (China) Aluminum Products Co., Ltd.:

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and its financial performance and cash flows for the the year ended 31 December 2014 in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China

13 May 2015

NOVELIS (CHINA) ALUMINUM PRODUCTS CO., LTD.

BALANCE SHEET
AS AT 31 DECEMBER 2014
(All amounts in Rmb Yuan unless otherwise stated)
[English translation for reference only]

ASSETS	Notes	31 December 2014	31 December 2013
Current assets			
Cash at bank and on hand	7(1)	5,746,927.48	111,508,793.40
Accounts receivable	7(2)(a)	9,634,119.66	-
Advances to suppliers	7(3)	6,384,221.19	924,207.50
Other receivables	7(2)(b)	2,804,722.08	299,718.12
Inventory	7(4)	53,628,143.94	-
Other current assets	7(5)	69,814,310.08	44,438,311.75
Total current assets		148,012,444.43	157,171,030.77
Non-current assets			
Fixed assets	7(6)	589,112.73	706,715.99
Construction in progress	7(7)	603,232,260.43	406,828,332.79
Intangible assets	7(8)	21,570,367.54	13,785,918.10
Deferred tax assets	7(13)	12,002,479.75	4,444,909.50
Total non-current assets		637,394,220.45	425,765,876.38
TOTAL ASSETS		785,406,664.88	582,936,907.15

LIABILITIES AND OWNER'S EQUITY	Notes	31 December 2014	31 December 2013
Current liabilities			
Accounts payable	8(4)	51,456,614.22	-
Employee benefits payable	7(9)	1,857,822.90	1,118,978.82
Taxes payable	7(10)	28,074.56	28,074.56
Advances from customers		2,708,424.42	-
Other payables	7(11),8(4)	21,814,084.00	1,975,978.90
Total current liabilities		77,865,020.10	3,123,032.28
Non-current liabilities			
Long-term borrowings	7(12),8(4)	388,340,707.48	320,386,024.29
Other long-term liabilities		102,336.00	-
Total non-current liabilities		388,443,043.48	320,386,024.29
Total liabilities		466,308,063.58	323,509,056.57
Owner's equity			
Paid-in capital (2014: USD 56,700,018, 2013: USD 43,340,008)	1	355,106,040.54	272,762,579.06
Accmulated losses		(36,007,439.24)	(13,334,728.48)
Total owner's equity		319,098,601.30	259,427,850.58
TOTAL LIABILITIES AND OWNER'S EQUITY		785,406,664.88	582,936,907.15

The accompanying notes form an integral part of these financial statements.

Legal representative:	Person in charge of accounting:	Head of accounting department:
Liu Qing	Tom Ferro	Howard Hao

NOVELIS (CHINA) ALUMINUM PRODUCTS CO., LTD.

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014
(All amounts in Rmb Yuan unless otherwise stated)
[English translation for reference only]

	Notes	2014	2013
Revenue		-	-
Less: Selling and distribution expenses	7(15)	-	(126,321.71)
General and administrative expenses	7(15)	(28,363,722.03)	(12,052,551.67)
Finance expenses - net	7(14)	(1,866,558.98)	(1,652,318.91)
Gain/(losses) arising from changes in fair value		-	784,411.48
Investment income		-	848,907.97
Operating losses		(30,230,281.01)	(12,197,872.84)
Add: Income tax	7(16)	7,557,570.25	3,049,468.21
Net losses		(22,672,710.76)	(9,148,404.63)
Other comprehensive income		-	-
Total comprehensive losses		(22,672,710.76)	(9,148,404.63)

The accompanying notes form an integral part of these financial statements.

Legal representative:	Person in charge of accounting:	Head of accounting department:
Liu Qing	Tom Ferro	Howard Hao

NOVELIS (CHINA) ALUMINUM PRODUCTS CO., LTD.

CASH FLOW STATEMENT
FOR FOR THE YEAR ENDED 31 DECEMBER 2014
(All amounts in Rmb Yuan unless otherwise stated)
[English translation for reference only]

	Notes	2014	2013
1. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		25,432,830.98	-
Cash received relating to other operating activities		139,799.01	198,293.55
Sub-total of cash inflows		25,572,629.99	198,293.55
Cash paid for goods and services		(47,650,871.10)	-
Cash paid to and on behalf of employees		(24,255,205.87)	(3,303,195.76)
Payments of taxes and surcharges		(723,487.28)	(13,521.00)
Cash paid relating to other operating activities		(10,471,476.05)	(9,344,328.32)
Sub-total of cash outflows		(83,101,040.30)	(12,661,045.08)
Net cash flows from operating activities	7(17)(a)	(57,528,410.31)	(12,462,751.53)
2. Cash flows from investing activities			
Cash received relating to other investing activities		-	848,907.97
Sub-total of cash inflows		-	848,907.97
Cash paid to acquire fixed assets and other long-term assets		(184,241,439.75)	(372,047,188.50)
Sub-total of cash outflows		(184,241,439.75)	(372,047,188.50)
Net cash flows from investing activities		(184,241,439.75)	(371,198,280.53)
3. Cash flows from financing activities			
Cash received from capital contributions		82,343,461.48	108,593,379.65
Cash received from borrowings		51,738,384.00	310,002,960.00
Cash received relating to other operating activities		1,900,000.00	
Sub-total of cash inflows		135,981,845.48	418,596,339.65
Net cash flows from financing activities		135,981,845.48	418,596,339.65
4. Effect of foreign exchange rate changes on cash		26,138.66	(1,383,058.51)
5. Net (decrease)/increase in cash	7(17)(b)	(105,761,865.92)	33,552,249.08
Add: Cash at beginning of period		111,508,793.40	77,956,544.32
6. Cash at end of year		5,746,927.48	111,508,793.40

The accompanying notes form an integral part of these financial statements.

Legal representative:	Person in charge of accounting:	Head of accounting department:
Liu Qing	Tom Ferro	Howard Hao

NOVELIS (CHINA) ALUMINUM PRODUCTS CO., LTD.

STATEMENT OF CHANGES IN OWNER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014
(All amounts in Rmb Yuan unless otherwise stated)
[English translation for reference only]

Items	Paid-in capital	Accmulated losses	Total owner's equity
Balance at 1 January 2013	164,169,199.41	(4,186,323.85)	159,982,875.56
Movements for the year ended 31 December 2013			
Net losses	-	(9,148,404.63)	(9,148,404.63)
Capital contribution by owner	108,593,379.65	-	108,593,379.65
Balance at 31 December 2013	272,762,579.06	(13,334,728.48)	259,427,850.58
Balance at 1 January 2014	272,762,579.06	(13,334,728.48)	259,427,850.58
Movements for the year ended 31 December 2014			
Net losses	-	(22,672,710.76)	(22,672,710.76)
Capital contribution by owner	82,343,461.48	-	82,343,461.48
Balance at 31 December 2014	355,106,040.54	(36,007,439.24)	319,098,601.30

The accompanying notes form an integral part of these financial statements.

Legal representative:	Person in charge of accounting:	Head of accounting department:
Liu Qing	Tom Ferro	Howard Hao

1 General information

Novelis (China) Aluminum Products Co., Ltd. (the "Company") is a limited liability company incorporated in Changzhou, Jiangsu Province of the People's Republic of China on 18 June 2012 by Novelis Inc.. The Company has an approved operating period of 50 years. The registered capital is USD 40,000,000. On 27 February 2013, the Company received the forth capital injection amounting to USD 14,000,000 and the accumulated paid-in capital increased to USD 40,000,000 after this capital injection. Based on the resolution of board of directors and amended articles on 15 June 2013 and the approval of Commerence Department of Jiangsu Province, the Company applied for increasing the registered capital to USD 16,700,000. As at 31 December 2013, the Company has received the first capital injection of the increase in registered capital amounting to USD 3,340,008, the accumulated paid in capital increased to USD 43,340,008.

On 7 August 2014, the Company received the second capital injection of the increase in registered capital amounting to USD 4,999,983. This capital injection has been verified by Changzhou Jinzhengxing CPAs LLP with Capital Verification Report of CJZ [2014]B017. On 19 September 2014, the Company received the third capital injection of the increase in registered capital amounting to USD 5,000,018. This capital injection has been verified by Changzhou Jinzhengxing CPAs LLP with Capital Verification Report of CJZ [2014]B019. On 20 October 2014, the Company received the forth capital injection of the increase in registered capital amounting to USD 3,360,009. This capital injection has been verified by Changzhou Jinzhengxing CPAs LLP with Capital Verification Report of CJZ [2014]B022. As at 31 December 2014, registered capital has been received in full amount.

The approved scope of business of the Company includes research and develop and manufacture of special aluminum sheet for automobile use; sale of self-manufactured products; import and export, domestic wholesale and commissioned agency (excluding auction) of metal materials and products and provision of ancillary services (manufacturing projects can be run by branches individually). For the year ended 31 December 2014, the Company was in the process of factory construction and equipment installation and did not have any production and sales activities.

These financial statements were authorised for issue by the Company's responsible persons on 13 May 2015.

2 Basis of preparation

The financial statements were prepared by the Company in accordance with the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by Ministry of Finance on 15 February 2006, Application Guidance of the Accounting Standard for Business Enterprises, Interpretation of the Accounting Standards for Business Enterprises and other regulations issued thereafter (the "Accounting Standard for Business Enterprises", "China Accounting Standards" or "CAS").

The financial statements are prepared on a going concern basis.

3 Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2014 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Company as of 31 December 2014 and of its financial performance, cash flows and other information for the year ended 31 December 2014.

4 Summary of significant accounting policies

(1) Accounting period

The Company's accounting year starts on 1 January and ends on 31 December.

(2) Recording currency

The recording currency is Renminbi ("RMB").

(3) Foreign currency translation

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(4) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(5) Financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Company's intention and ability to hold the financial assets. The Company's financial assets are receivables.

(a) Receivables

Receivables, including accounts receivable and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market (Note 4 (6)).

4 Summary of significant accounting policies (continued)

(5) Financial assets (continued)

(b) Recognition and measurement

Financial assets are recognised at fair value on the balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initially recognised amounts. Financial assets are derecognised when the contractual rights to receive the cash flows from the financial assets have expired, or all substantial risks and rewards of ownership of the financial assets have been transferred.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

Gains or losses arising from change in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in profit or loss for the current period.

Gains or losses arising from change in fair value of available-for-sale financial assets are recognised directly in equity, except for impairment losses and foreign exchange gains and losses arising from translation of monetary financial assets. When such financial assets are derecognised, the cumulative gains or losses previously recognised directly into equity are recycled into profit or loss for the current period. Interests on available-for-sale investments in debt instruments calculated using the effective interest method during the period in which such investments are held and cash dividends declared by the investee on available-for-sale investments in equity instruments are recognised as investment income, which is recognised in profit or loss for the period.

(c) Impairment of financial assets

The Company assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for.

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

4 Summary of significant accounting policies (continued)

(5) Financial assets (continued)

(c) Impairment of financial assets (continued)

If there is objective evidence that an impairment loss on available-for-sale financial assets incurred, the cumulative losses arising from the decline in fair value that had been recognised directly in equity are transferred out from equity and into impairment loss. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognised, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the previously recognised impairment loss is reversed into profit or loss for the current period. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised directly in equity.

If an impairment loss incurred on an investment in an equity instrument not quoted in an active market and whose fair value cannot be reliably measured, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The impairment loss is not allowed to be reversed when the value is recovered in a subsequent period.

(6) Receivables

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

Receivables with amounts that are individually significant are subject to separate assessment for impairment. If there exists objective evidence that the Company will not be able to collect the amount under the original terms, a provision for bad debts of that receivable is made at the difference between its carrying amount and the present value of its estimated future cash flows.

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

(7) Inventories

Inventories are goods held for sale, and are presented at the lower of cost and net realisable value.

Cost is determined using the specific identification method.

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

The Company adopts the perpetual inventory system.

4 Summary of significant accounting policies (continued)

(8) Fixed assets

Fixed assets comprise computers and electronic equipment. Fixed assets purchased or constructed by the Company are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Company and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated residual values	Annual depreciation rates
Computer and electronic equipment	3-5 years	10%	18%-30%

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(9) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month.

(10) Intangible assets

Intangible assets are land use rights and softwares measured at cost.

(a) Land use rights

Land use rights are amortised on the straight-line basis over their approved use period of 50 years. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

4 Summary of significant accounting policies (continued)

(10) Intangible assets (continued)

(b) Softwares

Softwares are amortised on the straight-line basis over their approved use period of 5 years.

(c) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortization method is performed at each year-end, with adjustment made as appropriate.

(11) Impairment of long-term assets

Fixed assets, construction in progress and intangible assets with finite useful lives are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

(12) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

(13) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently stated at amortised cost using the effective interest method. Borrowings of which the period is within one year (including one year) are classified as the short-term borrowings, and the others are classified as long-term borrowings.

(14) Employee benefits

Employee benefits include short-term employee benefits and post-employment benefits, provided in various forms of consideration in exchange for service rendered by employees or compensations for the termination of employment relationship.

4 Summary of significant accounting policies (continued)

(14) Employee benefits (continued)

(a) Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences. The employee benefit liabilities are recognized in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Employee benefits which are non-monetary benefits are measured at fair value.

(b) Post-employment benefits

The Company classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Company's post-employment benefits mainly include basic pensions and unemployment insurance, both of which belong to the defined contribution plans.

Basic pensions

The Company’s employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to prescribed bases and percentage by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognized as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(15) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

(16) Segment reporting

Based on the internal organisation structure, management requirements and internal reporting system, no business segments are identified.

4 Summary of significant accounting policies (continued)

(17) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable and willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, and discounted cash flow analysis, etc. When a valuation technique is used to establish the fair value of a financial instrument, it makes the maximum use of market inputs and relies as little as possible on entity-specific inputs.

(18) Critical accounting estimates and judgments

The Company continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

(a) Provision for bad debts of receivables

The impairment for receivables is based on the assessment of the collectability of receivables. Management assesses the impairment for receivables by using judgment and estimates. The differences between actual results and the original estimates will impact the carrying amount of the receivables and provision or reversal of provision for bad debts of the receivables during the period of changes of estimates.

(b) Net realisable value of inventories

Net realisable value of inventories is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes. These estimates are made based on current market conditions and historical experiences of selling products of similar nature, which may change due to the changes of clients taste and the changes of competitors with period changes in industry. The management assesses the reasonableness of this estimate on each financial statements date.

(c) Income taxes, deferred tax assets and deferred tax liabilities

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Company in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Expected applicable tax rate is determined according to current tax regulation and status of the Company.

The Company management recognizes deferred tax assets according to expected taxable income gained with great possibility which will deduct temporary difference for coming years.If expected taxable income for coming year changes, the Company management will adjust deferred tax assets accordingly.

5 Changes in significant accounting policies

In 2014, the Ministry of Finance of the PRC issued CAS 39 "Fair Value Measurement", CAS 40 "Joint arrangement", CAS 41 "Disclosure of Interests in Other Entities", and CAS 2 "Long-Term Equity Investments"(revised), CAS 9 "Employee Benefits" (revised), CAS 30 "Presentation of Financial Statements" (revised), CAS 33 "Consolidated Financial Statements" (revised) and CAS 37 "Presentation of Financial Instrument" (revised) should be applied from 1 July 2014 other than CAS 37 "Presentation of Financial Instrument" (revised) being required to be implemented for financial statements of annual 2014 and ever since.

The Company has adopted the above new standards to prepare the financial statements for the year ended 31 December 2014, which have no significant impact on these financial statements.

6 Taxation

The main categories and rates of taxes applicable to the Company are set out below:

Category	Tax rate	Taxable base
Enterprise income tax	25%	Taxable income
Value added tax (“VAT”)	17%	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate of current period.)

7 Notes to the Company's financial statements

(1) Cash at bank and at hand

	31 December 2014	31 December 2013
Cash at bank	5,746,927.48	111,508,793.40

(2) Accounts receivable and other receivables

(a) Accounts receivable

	31 December 2013			31 December 2014
Accounts receivable	-			9,634,119.66
		Increase in current year	Decrease in current year	
Less: provision for bad debts	-	-	-	-
	-			9,634,119.66

The ageing of accounts receivable and related provision for bad debts are analysed below:

Ageing	31 December 2014			31 December 2013		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	9,634,119.66	100%	-	-	-	-

(b) Other receivables

The ageing of other receivables and related provisions for bad debts are analysed below:

	31 December 2013			31 December 2014
Customs guarantee deposit	-			2,222,400.00
Prepaid gas expenses	-			300,000.00
Compensation	-			166,362.00
Rental deposit	-			76,000.00
Staff advance	281,069.22			12,637.00
Others	18,648.90			27,323.08
		Increase in current year	Decrease in current year	
Less: provision for bad debts	-	-	-	-
	299,718.12			2,804,722.08

7 Notes to the Company's financial statements (continued)

(2) Accounts receivable and other receivables (continued)

(b) Other receivables (continued)

Ageing	31 December 2014			31 December 2013		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	2,804,722.08	100%	-	299,718.12	100%	-

(3) Advances to suppliers

The ageing of advances to suppliers is analysed below:

Ageing	31 December 2014		31 December 2013	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	6,384,221.19	100%	924,207.50	100%

(4) Inventory

	31 December 2013	Increase in current year	Decrease in current year	31 December 2014
Cost -				
Goods held for trading	-			53,628,143.94
Less: Provision for declines in the value of inventories				
Goods held for trading	-	-	-	-
	-			53,628,143.94

(5) Other current assets

	31 December 2014	31 December 2013
Value-added tax to be offset	69,814,310.08	44,438,311.75

7 Notes to the Company's financial statements (continued)

(6) Fixed assets

	Computer and electronic equipment
Cost	
31 December 2013	924,363.51
Transfer from contruction in progress (Note 7(7))	162,386.33
Other additions in current year	2,222.22
31 December 2014	1,088,972.06
Accumulated depreciation	
31 December 2013	(217,647.52)
Depreciation charged in current year	(282,211.81)
31 December 2014	(499,859.33)
Carrying amount	
31 December 2013	589,112.73
31 December 2014	706,715.99

7 Notes to the consolidated financial statements (continued)

(7) Construction in progress

Name of project	31 December 2013	Increase in current year	Transfer to fixed assets (Note 7(6))	Transfer to intangible assets (Note 7 (8))	31 December 2014
Novelis Changzhou construction	406,828,332.79	205,209,077.40	(162,386.33)	(8,642,763.43)	603,232,260.43
Including: capitalised borrowing costs	10,383,184.29	22,854,163.19	-	-	33,237,347.48
Less: provision for impairment of construction in progress	-	-	-	-	-
	406,828,332.79				603,232,260.43

(8) Intangible assets

	Cost	31 December 2013	Transfer from construction in progress (Note 7 (7))	Amortisation charged in current year	31 December 2014	Accumulated amortisation
Land use right	14,106,702.14	13,785,918.10	-	(282,129.76)	13,503,788.34	(602,913.80)
Software	8,642,763.43	-	8,642,763.43	(576,184.23)	8,066,579.20	(576,184.23)
	22,749,465.57	13,785,918.10	8,642,763.43	(858,313.99)	21,570,367.54	(1,179,098.03)

7 Notes to the consolidated financial statements (continued)

(9) Employee benefits payable

	31 December 2014	31 December 2013
Short-term employee benefits payable	1,794,069.69	1,083,674.84
Defined contribution plans payable	63,753.21	35,303.98
	1,857,822.90	1,118,978.82

(a) Short-term employee benefits

	31 December 2013	Increase in current year	Decrease in current year	31 December 2014
Wages and salaries, bonuses, allowances and subsidies	1,055,755.89	18,103,052.04	(17,420,012.21)	1,738,795.72
Social security contributions	17,803.56	1,297,986.97	(1,284,309.46)	31,481.07
Including: Medical insurance	17,340.67	1,038,389.58	(1,027,447.57)	28,282.68
Work injury insurance	347.17	194,698.05	(192,646.42)	2,398.80
Maternity insurance	115.72	64,899.34	(64,215.47)	799.59
Housing funds	10,115.39	1,297,986.97	(1,284,309.46)	23,792.90
	1,083,674.84	20,699,025.98	(19,988,631.13)	1,794,069.69

(b) Defined contribution plans

	31 December 2013	Increase in current year	Decrease in current year	31 December 2014
Basic pensions	32,413.86	2,595,973.95	(2,568,618.92)	59,768.89
Unemployment insurance	2,890.12	103,838.96	(102,744.76)	3,984.32
	35,303.98	2,699,812.91	(2,671,363.68)	63,753.21

(10) Taxes payable

	31 December 2014	31 December 2013
Withholding VAT	28,074.56	28,074.56

(11) Other payables

	31 December 2014	31 December 2013
Payable for purchase of equipment	17,384,697.85	842,061.29
Cashpool(Note 8(4)(c))	1,900,000.00	-
Accrued consulting fee	1,608,818.95	236,206.01
Payables to related parties(Note 8(4)(c))	564,405.92	496,501.59
Accrued addit fee	279,000.00	401,210.01
Other	77,161.28	-
	21,814,084.00	1,975,978.90

7 Notes to the consolidated financial statements (continued)

(12) Long-term borrowings

	31 December 2014	31 December 2013
Unsecured	388,340,707.48	320,386,024.29

As at 31 December 2014, long-term unsecured borrowings were due to the parent company Novelis Inc., and included the USD principal and interests were amounted to USD 7,330,401.71, equivalent to RMB 45,178,962.06 and the EUR principal and interests were amounted to EUR 9,434,554.96 equivalent to RMB 76,654,017.95 (As at 31 December 2013, long-term unsecured borrowings were due to the parent company Novelis Inc., and included the USD principal and interests were amounted to USD 3,582,224.92, equivalent to RMB 21,843,024.38 and the EUR principal and interests were amounted to EUR 8,846,025.32 equivalent to RMB 74,144,730.46).

As at 31 December 2014, the principal is due for repayment on 31 March 2023 and the weighted average interest rate of long-term borrowings is 6.84% annually (31 December 2013: 6.84%).

(13) Deferred tax assets

	31 December 2014		31 December 2013	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Accumulated losses	11,066,069.29	44,264,277.14	4,005,810.79	16,023,243.14
Accrued expenses	471,954.74	1,887,818.95	159,354.00	637,416.02
Accrued payroll	464,455.72	1,857,822.90	279,744.71	1,118,978.82
	12,002,479.75	48,009,918.99	4,444,909.50	17,779,637.98

(14) Finance expense - net

	2014	2013
Exchange losses	1,892,468.12	1,834,701.85
Others	113,889.87	15,910.61
Less: interest income	(139,799.01)	(198,293.55)
	1,866,558.98	1,652,318.91

7 Notes to the consolidated financial statements (continued)

(15) Expense by nature

The cost of sales, selling expenses, general and administrative expenses, and financial expenses in the income statements are listed as follows by nature:

	2014	2013
Employee benefits	15,538,268.11	4,139,543.64
Travelling expenses	2,921,652.22	2,643,890.14
Consulting fees	2,486,874.17	1,326,328.29
Rental expenses	1,950,149.34	1,689,198.38
Marketing expenses	1,781,090.23	149,405.21
Depreciation and amortization	1,140,525.80	499,781.56
Service fees	1,098,443.62	500,714.30
Taxes	723,487.28	286,145.26
Recruitment fees	212,799.71	412,336.67
Others	510,431.55	531,529.93
	28,363,722.03	12,178,873.38

(16) Income tax

	2014	2013
Current income tax	-	-
Deferred income tax	(7,557,570.25)	(3,049,468.21)
	(7,557,570.25)	(3,049,468.21)

The reconciliation from income tax calculated based on the applicable tax rate and total losses presented in the financial statements to the income tax is listed below:

	2014	2013
Total losses	(30,230,281.01)	(12,197,872.84)
Tax rate	25%	25%
Income tax calculated at applicable tax rates	(7,557,570.25)	(3,049,468.21)

7 Notes to the consolidated financial statements (continued)

(17) Notes to cash flow statement

(a) Reconciliation from net losses to cash flows from operating activities

	2014	2013
Net losses	(22,672,710.76)	(9,148,404.63)
Add: Trial production loss recorded in construction in progress	(13,519,018.12)	
Depreciation of fixed assets	282,211.81	217,647.52
Amortisation of intangible assets	858,313.99	282,134.04
Gain arising from changes in fair value	-	(784,411.48)
Investment income	-	(848,907.97)
Financial expenses	(26,138.66)	1,383,058.51
Increase in deferred tax assets	(7,557,570.25)	(3,049,468.21)
Increase in inventories	(53,628,143.94)	-
Increase in operating receivables	(17,599,137.31)	(1,115,377.59)
Increase in operating payables	56,333,782.93	600,978.28
Net cash flows from operating activities	(57,528,410.31)	(12,462,751.53)

(b) Net increase in cash and cash equivalents

	2014	2013
Cash at end of year	5,746,927.48	111,508,793.40
Less: cash at beginning of year	(111,508,793.40)	(77,956,544.32)
Net (decrease)/increase in cash	(105,761,865.92)	33,552,249.08

8 Related parties and related party transactions

(1) Parent company

(a) Basic information of parent company

	Registered address	Principal business
Novelis Inc.	Canada	Industries

The ultimate holding company of the Company is Hindalco Industries Ltd..

(b) Registered capital and changes in registered capital of parent company:

	31 December 2013	Current year additions	Current year decreases	31 December 2014
Novelis Inc.	1,000 shares	-	-	1,000 shares

(c) The proportion of interests and voting rights in the Company held by the parent company

	31 December 2014		31 December 2013	
	% interest held	% voting rights	% interest held	% voting rights
Novelis Inc.	100%	100%	100%	100%

(2) Nature of related parties that do not control or are not controlled by the Company

	Relationship with the Company
Novelis Valais SA	Controlled by the same ultimate parent company
Novelis Corporation	Controlled by the same ultimate parent company
Novelis Korea Ulsan	Controlled by the same ultimate parent company
Novelis Deutschland GmbH	Controlled by the same ultimate parent company
Novelis Switzerland SA	Controlled by the same ultimate parent company
Novelis (Shanghai) Aluminum Trading Co., Ltd.	Controlled by the same ultimate parent company

(3) Related party transactions

(a) Pricing policies

The Company's pricing policies on procurement of inventories from related parties and other related party transactions are negotiated between the transaction parties based on each specific situation.

(b) Acceptance of construction consulting service

	2014	2013
Novelis Inc.	8,606,623.85	12,330,375.06
Novelis Valais SA	1,617,838.21	137,112.03
Novelis Corporation	-	1,014,217.94
	10,224,462.06	13,481,705.03

8 Related parties and related party transactions (continued)

(3) Related party transactions (continued)

(c) Sales of goods

	2014	2013
Novelis Korea Ulsan	14,756,974.29	-
Novelis Deutschland GmbH	607,338.40	-
Novelis Switzerland SA	501,785.69	-
Novelis (Shanghai) Aluminum Trading Co., Ltd.	24,732.88	-
	15,890,831.26	-

(d) Purchases of goods

	2014	2013
Novelis Korea Ulsan	79,681,985.34	-
Novelis Switzerland SA	2,879,120.50	-
	82,561,105.84	-

(e) Borrowings

	2014	2013
Novelis Inc.	51,738,384.00	310,002,960.00

(f) Interest expense

	2014	2013
Novelis Inc.	22,854,163.19	8,992,676.53

(g) Cashpool – borrow funds

	2014	2013
Novelis (Shanghai) Aluminum Trading Co., Ltd.	1,900,000.00	-

Since 2014, the Company, Novelis (Shanghai) Aluminum Trading Co., Ltd., and Industrial and Commercial Bank of China Jiangsu branch ("ICBC") signed the cashpool agreement for the purpose of allocating funds withing group. According to the agreement, all parties involved can entrust ICBC to provide cashpool funds to other parties.

Annual interest rate of 2014 is 3% (2013: nil).

8 Related parties and related party transactions (continued)

(4) Payables from and payables to related parties

(a) Accounts receivable

	31 December 2014	31 December 2013
Novelis Korea Ulsan	10,161,403.75	-
Novelis Switzerland SA	498,106.86	-
Novelis Deutschland GmbH	394,037.64	-
Novelis (Shanghai) Aluminum Trading Co., Ltd.	14,489.99	-
	11,068,038.24	-

(b) Accounts payable

	31 December 2014	31 December 2013
Novelis Korea Ulsan	48,663,484.89	-
Novelis Switzerland SA	2,793,129.31	-
	51,456,614.20	-

(c) Other payables

	31 December 2014	31 December 2013
Novelis (Shanghai) Aluminum Trading Co., Ltd.	1,900,000.00	-
Novelis Inc.	444,416.04	427,582.31
Novelis Valais SA	119,989.88	68,919.28
	2,464,405.92	496,501.59

(d) Long-term loan

	31 December 2014	31 December 2013
Novelis Inc.	388,340,707.48	320,386,024.29

9 Commitments

(1) Capital commitments

The Company's own commitments for capital expenditure at the balance sheet date is as follows:

	31 December 2014	31 December 2013
Buildings, machinery and equipment	66,000,000.00	108,000,000.00

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarized as follows:

	31 December 2014	31 December 2013
Within 1 year	977,711.00	-

10 Financial instrument and risk

The Company's activities expose it to a variety of financial risks: market risk (primarily currency risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(1) Market risk

(a) Foreign exchange risk

The Company's major operational activities are carried out in Mainland. For the year ended 31 December 2014, the Company was in the process of factory construction and equipment installation, relevant construction expenditures are mainly denominated in RMB, USD, and EUR. The Company is exposed to foreign exchange risk arising from the recognized assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to USD and EUR. The Company's finance department is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to minimise the foreign exchange risk. During 2014, the Company did not enter into any forward exchange contracts.

As at 31 December 2014 and 31 December 2013, the carrying amounts in RMB equivalent of the Company's assets and liabilities denominated in foreign currencies are summarized below:

	31 December 2014		
	USD	EUR	Total
Financial assets denominated in foreign currency -			
Cash at bank and on hand	466,361.38	-	466,361.38
Financial liabilities denominated in foreign currency -			
Payables	48,988,199.51	3,032,820.62	52,021,020.13
Long-term borrowings	45,178,962.06	76,654,017.95	121,832,980.01
	94,167,161.57	79,686,838.57	173,854,000.14

	31 December 2013		
	USD	EUR	Total
Financial assets denominated in foreign currency -			
Cash at bank and on hand	13,959,156.40	2,837,822.18	16,796,978.58
Financial liabilities denominated in foreign currency -			
Other payables	427,582.31	68,919.28	496,501.59
Long-term borrowings	21,843,024.38	74,144,730.46	95,987,754.84
	22,270,606.69	74,213,649.74	96,484,256.43

As at 31 December 2014, if RMB had strengthened/weakened by 10 % against the foreign currencies while all other variables had been held constant, the Company's net losses for the year would have been approximately RMB 13,004,072.91 lower/higher (2013: net losses RMB 5,976,545.84 higher/lower) for various financial assets and liabilities denominated in foreign currencies.

10 Financial instrument and risk (continued)

(2) Credit risk

Credit risk is managed on a group basis. Credit risk mainly arises from cash at bank and on hand and other receivables.

The Company expects that there is no significant credit risk associated with cash at bank since they are deposited at a large size listed bank. Management does not expect that there will be any significant losses from non-performance by this counterparty.

Other receivables refer to staff advance and management does not expect that there will be any significant losses rarsing from it.

(3) Liquidity risk

Cash flow forecasting is performed by finance department of the Company, and monitors rolling forecasts of the Company's short-term and long-term liquidity requirements to ensure it has sufficient cash to meet operational needs.

The financial liabilities of the Company at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2014		31 December 2013	
	Within one year	Over five years	Within one year	Over five years
Financial liabilities-				
Payables	73,270,698.22	-	1,975,978.90	-
Long-term borrowings	-	588,775,442.58	-	496,100,153.18
	73,270,698.22	588,775,442.58	1,975,978.90	496,100,153.18

(4) Fair value

Based on the lowest level input that is significant to the fair value measurement in its entirety, the fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

(a) Financial instruments measured at fair value

No financial instruments measured at fair value are held by the Company as at the balance sheet date.

(b) Financial instruments not measured at fair value

No financial instruments not measured at fair value are held by the Company as at the balance sheet date.

10 Financial instrument and risk (continued)

(4) Fair value (continued)

(c) Financial instruments not measured at fair value but disclose the fair value of the assets and liabilities

The financial assets and financial liabilities are measured at the amortized cost include: accounts receivable and accounts payable, etc, the difference between the book value and the fair value is very small.

11 Capital management

The Company's capital management policies aim to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to investors, or sell assets to reduce debts.

The Company's total capital is calculated as 'owner's equity' as shown in the balance sheet. The Company is not subject to external mandatory capital requirements.

As at 31 December 2014 and 31 December 2013, the asset liability ratio is as bellow:

	31 December 2014	31 December 2013
Asset liability ratio	59%	55%