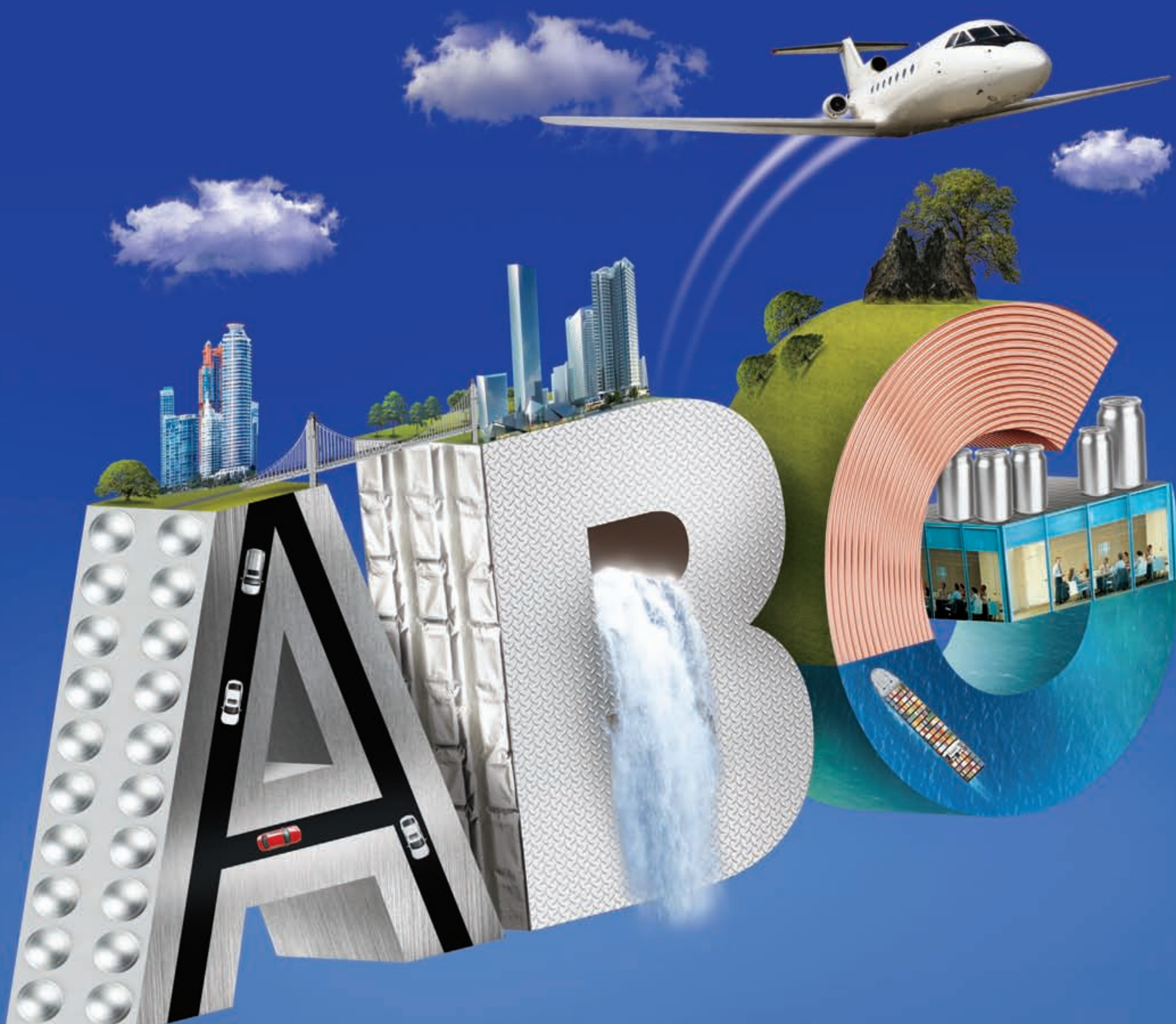
ADITYA BIRLA
HINDALCO

ANNUAL REPORT
2015-16

HINDALCO INDUSTRIES LIMITED

SUBSIDIARY COMPANIES - 2



BIG ON GROWTH
BASED ON STRONG FUNDAMENTALS

Hindalco Subsidiary - 2015-16

Hindalco Subsidiary - 2015-16

NOVELIS INC.

ADITYA BIRLA

NOVELIS

CERTIFICATION

I, Stephanie Rauls, have reviewed the attached unaudited standalone financial statements for Novelis Inc. and certify that the information included therein accurately reflects the financial position of Novelis Inc. as of 31 March 2016 and the results of its operations for the year then ended.

Signature

Stephanie Rauls

Print Name

VP, Controller and Chief Accounting Officer

Title

August 17, 2016

Date

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

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

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

Novelis Inc.
Financial Statements as of March 31, 2016
Unaudited

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

	March 31, 2016	March 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 2	$ 4
Accounts receivable, net		
— third parties	23	23
— related parties	191	210
Notes receivable — related parties	112	175
Inventories	46	55
Prepaid expenses and other current assets	6	5
Fair value of derivative instruments	26	19
Total current assets	406	491
Property, plant and equipment, net	80	95
Intangible assets, net	17	18
Investments in subsidiaries	2,948	2,771
Other long–term assets		
— third parties	45	57
— related parties	1,752	1,836
Total assets	$ 5,247	$ 5,268
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Current portion of long–term debt	$ 22	$ 22
Short–term borrowings		
— third parties	337	394
— related parties	136	-
Accounts payable		
— third parties	43	28
— related parties	69	77
Fair value of derivative instruments	19	83
Accrued expenses and other current liabilities		
— third parties	95	99
Total current liabilities	721	703
Long–term debt, net of current portion		
— third parties	4,253	4,205
— related parties	-	49
Accrued postretirement benefits	32	30
Other long–term liabilities	21	37
Total liabilities	5,027	5,024
Commitments and Contingencies		
Shareholder's equity		
Common stock, no par value; unlimited number of shares authorized; 1,000 shares issued and outstanding as of March 31, 2016 and 2015	-	-
Additional paid–in capital	1,580	1,580
Accumulated deficit	(1,343)	(1,289)
Accumulated other comprehensive income	(17)	(47)
Total shareholder's equity	220	244
Total liabilities and shareholder's equity	$ 5,247	$ 5,268

See accompanying notes to the financial statements.

Novelis Inc.
STATEMENT OF OPERATIONS
(In millions)

	Year Ended March 31, 2016	Year Ended March 31, 2015
Net sales:		
— third parties	$ 121	$ 144
— related parties	527	521
Total net sales	648	665
Cost of goods sold, including related party (exclusive of depreciation and amortization)	611	635
Selling, general and administrative expenses	27	5
Depreciation and amortization	18	18
Research and development expenses	-	-
Interest expense and amortization of debt issuance costs		
— third parties	316	317
— related parties	2	2
Interest income — related parties	(121)	(126)
Gain on assets held for sale	-	(5)
Loss on early extinguishment of debt	13	-
Gain on change in fair value of derivative instruments, net	28	93
Dividend income — related parties	(217)	(233)
Restructuring and impairment, net	14	1
Other expense (income), net	1	5
	692	712
(Loss) income before income taxes	(44)	(47)
Income tax provision	4	3
Net (loss) income	$ (48)	$ (50)

See accompanying notes to the financial statements

Novelis Inc.
STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(In millions)

	Year Ended March 31,	
	2016	**2015**
Net (loss) income	$ (48)	$ (50)
Other comprehensive income (loss):		
Change in translation adjustment	34	(164)
Change in pension and other benefits, net	(4)	10
Other comprehensive income, net of tax	30	(154)
Comprehensive (loss) income	$ (18)	$ (204)

See accompanying notes to the financial statements.

Novelis Inc.
STATEMENT OF CASH FLOWS
(In millions)

	Year Ended March 31, 2016	Year Ended March 31, 2015
OPERATING ACTIVITIES		
Net (loss) income	$ (48)	$ (50)
Adjustments to determine net cash provided by operation activities:		
Depreciation and amortization	18	18
Loss on change in fair value of derivative instruments, net	28	93
Gain on assets held for sale	-	(5)
Loss on sale of assets	-	-
Non-cash impairment charges	-	-
Loss on extinguishment of debt	13	-
Deferred income taxes	-	-
Amortization of fair value adjustments, net	-	-
Equity in net loss of non–consolidated affiliates	-	-
Gain on foreign exchange remeasurement of debt	(1)	(2)
Amortization of debt issuance costs and carrying value adjustment	18	23
Other, net	-	(1)
Changes in assets and liabilities including assets and liabilities held for sale (net of effects from divestitures):		
Accounts receivable	4	(8)
Inventories	9	(18)
Accounts payable	(100)	(17)
Other current assets	1	(1)
Other current liabilities	(3)	(3)
Other noncurrent assets	27	3
Other noncurrent liabilities	28	(3)
Net cash provided by operating activities	(6)	29
INVESTING ACTIVITIES		
Capital expenditures	(10)	(17)
Proceeds from sales of assets, third party, net of transaction fees	1	29
Proceeds from the sale of assets, related party, net of transaction fees	-	-
Inflows (outflows) from investments in and advances to non-consolidated affiliates, net	180	250
Outflows from settlement of other undesignated derivative instruments, net	(107)	(19)
Net cash provided by (used in) investing activities	64	243
FINANCING ACTIVITES		
Proceeds from issuance of debt	59	-
Principal payments - third parties	(18)	(21)
Principal payments - related parties	(49)	
Short–term borrowings, net — third parties	(57)	27
Short–term borrowings, net — related parties	20	(25)
Return of capital to our common shareholder	-	(250)
Dividends, noncontrolling interest	-	-
Debt issuance costs	(15)	(3)
Net cash (used in) provided by financing activities	(60)	(272)
Net increase in cash and cash equivalents	(2)	-
Effect of exchange rate changes on cash	-	-
Cash and cash equivalents — beginning of period	4	4
Cash and cash equivalents — end of period	$ 2	$ 4

See accompanying notes to the financial statements

Novelis Inc.
STATEMENT OF SHAREHOLDER'S EQUITY
(In millions, except number of shares)

	Common Shares		Additional Paid-in Capital	Retained Earnings/ (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss) (AOCI)	Total Equity
	Shares	Amount				
Balance as of March 31, 2014	1,000	$ -	$ 1,580	$ (1,230)	$ 107	$ 457
Net loss	-	-	-	(50)	-	(50)
Currency translation adjustment, net of tax provision (nil)	-	-	-	-	(164)	(164)
Change in pension and other benefits, net of tax provision (nil)	-	-	-	-	10	10
Related party transaction settlement	-	-	-	5	-	5
Amalgamation of Novelis subsidiaries' assets and activities	-	-	-	(14)	-	(14)
Balance as of March 31, 2015	1,000	-	1,580	(1,289)	(47)	244
Net loss	-	-	-	(48)	-	(48)
Currency translation adjustment, net of tax provision (nil)	-	-	-	-	34	34
Change in pension and other benefits, net of tax provision (nil)	-	-	-	-	(4)	(4)
Related party transaction settlement	-	-	-	(5)	-	(5)
Balance as of March 31, 2016	1,000	$ -	$ 1,580	$ (1,342)	$ (17)	$ 221

See accompanying notes to the financial statements

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Organization and Description of Business

Novelis Inc. was formed in Canada on September 21, 2004. Novelis Inc. operates a cold rolling mill and finishing line in Kinston, Ontario and is a holding company that has investments in entities that operate aluminum production entities throughout the world. These entities produce aluminum sheet and light gauge products for use in the packaging market, which includes beverage and food can and foil products, as well as for use in the transportation, electronics, architectural and industrial product markets. These entities also own recycling operations to recycle post-consumer aluminum, such as used beverage cans (UBCs) and post-industrial aluminum, such as class scrap. As of March 31, 2016, these entities own manufacturing operations in eleven countries on four continents: North America, South America, Asia and Europe, through 25 operating facilities, including recycling operations in eleven of these plants.

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

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

Basis of Presentation

These financial statements have been prepared solely to satisfy the reporting requirements of the ultimate parent company, Hindalco Industries Limited, to present separate subsidiary financial statements in accordance with Sections 136 and 137 of the Companies Act, 2013 in India (2013 Act). The results of the Company's separate financial statements are also included in the consolidated financial statements of our direct parent, Novelis Inc., and of our ultimate parent, Hindalco Industries Limited, and those consolidated financial statements are publicly available. These statements have not been audited, as there is no local jurisdictional requirement to present audited stand alone legal entity financial statements.

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.

The 2013 Act, as interpreted, states the format of accounts of foreign subsidiaries should be, as far as possible, in accordance with the requirements under the Companies Act, 2013. The books and records of Novelis Inc. are prepared and recorded under U.S. GAAP. These standalone unconsolidated financial statements are prepared for the sole purpose of complying with the 2013 Act and it is not feasibly possible to present these statements in another basis of accounting other than books and records of the subsidiary.

Use of Estimates and Assumptions

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

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

Risks and Uncertainties

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

Laws and regulations

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

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

We have established liabilities for environmental remediation where appropriate. However, the cost of addressing environmental matters (including the timing of any charges related thereto) cannot be predicted with certainty, and these liabilities may not ultimately be adequate, especially in light of potential changes in environmental conditions, changing interpretations of laws and regulations by regulators and courts, the discovery of previously unknown environmental conditions, the risk of governmental orders to carry out additional compliance on certain sites not initially included in remediation in progress, our potential liability to remediate sites for which provisions have not been previously established and the adoption of more stringent environmental laws. Such future developments could result in increased environmental costs and liabilities and could require significant capital expenditures, any of which could have a material adverse effect on our financial position or results of operations or cash flows. Furthermore, the failure to comply with our obligations under the environmental laws and regulations could subject us to administrative, civil or criminal penalties, obligations to pay damages or other costs, and injunctions or other orders, including orders to cease operations. In addition, the presence of environmental contamination at our properties could adversely affect our ability to sell a property, receive full value for a property or use a property as collateral for a loan.

Some of our current and potential operations are located or could be located in or near communities that may regard such operations as having a detrimental effect on their social and economic circumstances. Environmental laws typically provide for participation in permitting decisions, site remediation decisions and other matters. Concern about environmental justice issues may affect our operations. Should such community objections be presented to government officials, the consequences of such a development may have a material adverse impact upon the profitability or, in extreme cases, the viability of an operation. In addition, such developments may adversely affect our ability to expand or enter into new operations in such location or elsewhere and may also have an effect on the cost of our environmental remediation projects.

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

Materials and labor

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

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

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

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

Other risks and uncertainties

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

Revenue Recognition

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

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

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

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

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

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

Selling, General and Administrative Expenses

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

Research and Development

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

Restructuring Activities

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

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

Cash and Cash Equivalents

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

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

Accounts Receivable

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

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

Derivative Instruments

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

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

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

The majority of our derivative contracts are valued using industry-standard models that use observable market inputs as their basis, such as time value, forward interest rates, volatility factors, and current (spot) and forward market prices for foreign exchange rates. See Note 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.

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

Property, Plant and Equipment

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

The ranges of estimated useful lives are as follows:

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

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

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

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

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

Long-Lived Assets and Other Intangible Assets

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

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

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

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

Upon determining that a long-lived asset (disposal group) meets the criteria to be classified as held for sale, we report the assets and liabilities of the disposal group, if material, in the line items "Assets held for sale" and "Liabilities held for sale," respectively, in our balance sheets. See Note 5 — Assets Held for Sale for further discussion.

Investments in Subsidiaries

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

Financing Costs

We amortize financing costs and premiums, and accrete discounts, over the remaining life of the related debt using the effective interest amortization method. The expense is included in “Interest expense and amortization of debt issuance costs” in our statement of operations. We record discounts or premiums as a direct deduction from, or addition to, the face amount of the financing.

Fair Value of Financial Instruments

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

The carrying amounts of cash and cash equivalents, certificates of deposit, accounts receivable, accounts payable and current related party notes receivable, notes payable and related party debt approximate their fair value because of the short-term maturity and highly liquid nature of these instruments. The fair value of our letters of credit is deemed to be the amount of payment guaranteed on our behalf by third party financial institutions. We determine the fair value of our short-term borrowings and long-term debt based on various factors including maturity schedules, call features and current market rates. We also use quoted market prices, when available, or the present value of estimated future cash flows to determine fair value of short-term borrowings and long-term debt. When quoted market prices are not available for various types of financial instruments (such as currency, energy and interest rate derivative instruments, swaps, options and forward contracts), we use standard pricing models with market-based inputs, which take into account the present value of estimated future cash flows. See Note 16 — Fair Value Measurements for further discussion.

Pensions and Postretirement Benefits

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

We account for our pensions and other postretirement benefits in accordance with Accounting Standards Codification 715, *Compensation — Retirement Benefits* (ASC 715). We recognize the funded status of our benefit plans as a net asset or liability, with an offsetting adjustment to AOCI in shareholder’s equity. The funded status is calculated as the difference between the fair value of plan assets and the benefit obligation. For the years ended March 31, 2016 and 2015, we used March 31 as the measurement date.

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

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

Income Taxes

We account for income taxes using the asset and liability method. This approach recognizes the amount of income taxes payable or refundable for the current year, as well as deferred tax assets and liabilities for the future tax consequence of events recognized in the financial statements and income tax returns. Deferred income tax assets and liabilities are adjusted to recognize the effects of changes in tax laws or enacted tax rates. Under ASC 740, Income Taxes (ASC 740), a valuation allowance is required when it is more likely than not that some portion of the deferred tax assets will not be realized. Realization is dependent on generating sufficient taxable income through various sources. We used the benefits-for-loss method of tax allocation so that net operating losses are characterized as realized (or realizable). Net operating losses (or other current or deferred tax attributes) are characterized as realized (or realizable) when those tax attributes are realized (or realizable) by the consolidated group of Novelis Inc. even if Novelis Inc. would not otherwise have realized the attributes on a stand-alone basis. Thus, when the benefit of the net operating loss (or other tax attribute) is recognized in the consolidated financial statements of Novelis Inc., generally a benefit is also reflected in its separate financial statements. See Note 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 10 — Share-Based Compensation for further discussion.

Guarantees of Indebtedness

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

Recently Adopted Accounting Standards

Effective for the first quarter of fiscal 2016, we adopted Financial Accounting Standards Board (FASB) ASU No.2013-05, Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. The amendments in this update provide clarification regarding the release of a cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets within a foreign entity. Our existing accounting policy complies with this guidance; therefore, there was no impact on our financial statements.

Effective for the first quarter fiscal 2016, we adopted 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 modifies 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. There was no impact upon adoption; however, the accounting treatment and classification of future disposals under this new standard could differ from our previous treatment and classification of disposals.

We elected to early adopt, ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, which requires all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. We applied the new standard prospectively to the Consolidated Balance Sheet as of March 31, 2016. The Consolidated Balance Sheet as of March 31, 2015 was not retrospectively adjusted. See Note 17 — Income Taxes for further discussion.

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

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which, when effective, will supersede the guidance in former ASC 605, Revenue Recognition. The new guidance requires entities to recognize revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for 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. In August 2015, the FASB issued ASU 2015-14 Revenue from Contracts with Customers (Topic 606): Deferral of Effective Date, which provides an optional one-year deferral of the effective date. We are currently evaluating the impact of this standard on our consolidated financial position and results of operations.

In April 2015, the FASB issued *ASU 2015-03, Interest - Imputation of Interest (ASC 835-30)* , which, when effective, will require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. The guidance is effective for annual periods beginning after December 15, 2015 and interim periods within that year. An entity should apply the new guidance on a retrospective basis, wherein the balance sheet or each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Early adoption is permitted. We will adopt this standard in our first quarter ending June 30, 2016. Adoption of this standard will impact the presentation of debt issuance costs on our financial position.

In May 2015, the FASB issued ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent), which, when effective, will remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The guidance is effective for annual periods beginning after December 15, 2015 and interim periods within those fiscal years. An entity should apply the amendments retrospectively to all periods presented. Early adoption is permitted. We will adopt this standard in our annual period ending March 31, 2017. Adoption of this standard may impact the presentation of certain pension plan assets in our postretirement benefit plans footnote disclosure.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory, which, when effective, will remove the requirement to measure inventory at the lower of cost or market whereas market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin, and require an entity to measure inventory at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The guidance is effective for annual periods beginning after December 15, 2016 including interim periods within those fiscal years. This update should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. We will adopt this standard on April 1, 2016, the start of our next fiscal year. Adoption of this standard is not expected to have any impact on our consolidated financial position and results of operations.

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

2. RESTRUCTURING AND IMPAIRMENT

"Restructuring and impairment, net" for the year ended March 31, 2016 was $14 million, which included no impairment charges. "Restructuring and impairment, net" for the year ended March 31, 2015 was $1 million, which included no impairment charges.

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

	Total restructuring liabilities	Other restructuring charges (A)	Total restructuring charges	Other impairments (B)	Total Restructuring and impairments, net
Balance as of March 31, 2014	$ 4				
Fiscal 2015 Activity:					
Expenses	1	$ -	$ 1	$ -	$ 1
Cash payments	(4)				
Balance as of March 31, 2015	1				
Fiscal 2016 Activity:					
Expenses	12	$ 2	$ 14	$ -	$ 14
Cash payments	(12)				
Balance as of March 31, 2016	$ 1				

(A) Other restructuring charges include period expenses that were not recorded through the restructuring liability and partial impairment of certain capitalized software intangible assets that will no longer be developed.

(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, 2016	Year ended March 31, 2015
Restructuring charges		
Saguenay Plant Closure:		
Severance	-	-
Other exit related costs	-	1
Period Expense (A)	1	-
Corporate Restructuring Program:		
Severance charges related to employee and executive termination	12	-
Period Expense (A)	1	-
Asset Impairment (A)	-	-
Total restructuring charges	$ 14	$ 1
Restructuring payments		
Severance	-	(2)
Other	(12)	(2)
Total restructuring payments	$ (12)	$ (4)

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

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

3. ACCOUNTS RECEIVABLE

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

	March 31,	
	2016	2015
Trade accounts receivable — third parties	$ 17	$ 14
Other accounts receivable — third parties	6	9
Accounts receivable — third parties	23	23
Allowance for doubtful accounts — third parties	-	-
Accounts receivable, net — third parties	$ 23	$ 23
Trade accounts receivable — related parties	$ 78	$ 97
Dividends receivable — related parties	113	113
Accounts receivable, net — related parties	$ 191	$ 210

For the periods ended March 31, 2016 and 2015, the allowance for doubtful accounts for third party was $0 and $300K respectively.

4. INVENTORIES

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

	March 31, 2016	March 31, 2015
Finished goods	$ 10	$ 11
Work in process (A)	26	28
Raw materials	6	12
Supplies	4	4
Inventories	$ 46	$ 55

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

5. PROPERTY, PLANT AND EQUIPMENT

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

	March 31,	
	2016	2015
Land and property rights	$ 1	$ 1
Buildings	44	49
Machinery and equipment	160	156
Accumulated depreciation and amortization	(127)	(116)
	78	90
Construction in progress	2	5
Property, plant and equipment, net	$ 80	$ 95

As of March 31, 2016 and 2015, there were $29 million and $24 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, 2016 and 2015, we capitalized less than $2 million and $1 million of interest related to construction of property, plant and equipment and intangibles under development, respectively.

	Year Ended March 31,	
	2016	2015
Depreciation expense related to property, plant and equipment, net	$ 13	$ 13

Asset impairments

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

Leases

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

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

	Year Ended March 31,	
	2016	2015
Rent expense	$ 3	$ 4

5. PROPERTY, PLANT AND EQUIPMENT - (Continued)

Future minimum lease payments as of March 31, 2016, 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
2017	$ 5	$ 3
2018	5	2
2019	5	-
2020	6	-
2021	6	-
Thereafter	20	-
Total minimum lease payments	$ 47	$ 5
Less: interest portion on capital lease		-
Principal obligation on capital leases		$ 5

Assets and related accumulated amortization under capital lease obligations as of March 31, 2016 and 2015 are as follows (in millions).

	March 31, 2016	March 31, 2015
Assets under capital lease obligations:		
Machinery and equipment	$ 5	$ 9
Accumulated amortization	(3)	(4)
	$ 2	$ 5

6. INTANGIBLE ASSETS

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

		March 31, 2016			March 31, 2015		
	Weighted Average Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Technology and software	7 years	$ 50	$ (33)	$ 17	$ 47	$ (29)	$ 18

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

	Year Ended March 31, 2016	Year Ended March 31, 2015
Total Amortization expense related to intangible assets included in "Depreciation and amortization"	$ 5	$ 5

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

Fiscal Year Ending March 31,	
2017	$ 7
2018	7
2019	7
2020	7
2021	7

7. INVESTMENTS IN SUBSIDIARIES AND RELATED PARTY TRANSACTIONS

The following table summarizes our ownership percentage of our subsidiaries in which we have an investment as of March 31, 2016 and March 31, 2015 (in millions) using the cost method.

	March 31, 2016	March 31, 2015		As of March 31, 2016
Shareholdings			**Common Stock or Preferred Shares**	**Participation**
Novelis European Holdings Limited	$ 430	$ 430	Common stock	100.00%
Novelis Aluminium Beteiligungs GmbH	-	-	Common stock	100.00%
Novelis Laminés France S.A.S.	7	7	Common stock	100.00%
Novelis Cast House Technology Ltd. (B)	-	-	Common stock	0.00%
4260848 Canada Inc.	123	123	Common stock	100.00%
4260856 Canada Inc.	185	185	Common stock	100.00%
Novelis No.1 Limited Partnership (dissolved March 31, 2015)	-	-	Common stock	0.00%
Novelis Corporation	1,681	1,681	Preferred shares	100.00%
Novelis Brand LLC (B)	-	-	Common stock	0.00%
Novelis South America Holdings, LLC	-	-	Common stock	100.00%
Novelis (India) Infotech Ltd.	2	2	Common stock	99.88%
Aluminum Company of Malaysia Berhad	74	74	Common stock	59.15%
Novelis do Brasil Ltda.	378	202	Common stock	99.99%
Novelis Madeira, Unipessoal, Lda (A)	-	-	Common stock	0.00%
Novelis PAE S.A.S.	5	5	Common stock	100.00%
Novelis Holdings Inc.	-	-	Common stock	100.00%
Novelis Vietnam Company Limited	1	1	Common stock	100.00%
8018277 Canada Inc.	-	-	Common stock	100.00%
8018243 Canada Limited (B)	-	-	Common stock	100.00%
Novelis (Shanghai) Aluminum Trading Co., Ltd.	4	4	Common stock	100.00%
Novelis (China) Aluminum Products Co., Ltd.	57	56	Common stock	100.00%
Novelis MEA Ltd.	1	1	Common stock	100.00%
Novelis Asia Holdings (Singapore) Pte. Ltd.	-	-	Common stock	100.00%
	$ 2,948	$ 2,771		

(A) Entity liquidated as of March 31, 2016

(B) Entities amalgamated into Novelis Inc. on March 31, 2016

As of March 31, 2016 and 2015, we own redeemable preferred shares ("Preferred Shares") of $1,681 million in a subsidiary, Novelis Corporation. The Preferred Shares entitles us, as the holder, to receive a cash dividend at a rate of 9.5% per annum of the original issuance price of $1,681 million for seven years from the original issuance date of December 2010. The dividends are cumulative and are payable annually. At the end of each seven year period in which the Preferred Shares remains outstanding, the dividend rate will reset to a new annual rate to be determined by the Board of Directors of Novelis Inc., with the advice of a third party valuation firm. The holders of the Preferred Shares are entitled to receive on liquidation an amount equal to the issuance price of $1,681 million, plus any accrued and unpaid dividends thereon, whether declared or not declared. The holder of the Preferred Shares is not entitled to any voting powers. The Preferred Shares shall not be convertible into shares of any other class or classes or series of any class or classes of capital stock of Novelis Corporation.

In December 2010, we entered into a forward sale share agreement (the "Forward Sale Share Agreement") with Novelis Acquisitions LLC (a wholly owned subsidiary of Novelis Holdings Inc.). Under the terms of the Forward Sale Share Agreement, we are required to sell, assign, transfer and convey the Preferred Shares to Novelis Acquisitions LLC on December 17, 2017 for the forward price, as specified in the agreement. We granted Novelis Acquisitions LLC a non-assignable right (the "Early Purchase Right") to purchase, in whole or in part, the Preferred Shares at the forward price, as specified in the agreement, at any time commencing in December 2010 and ending immediately prior to December 17, 2017. If Novelis Acquisitions LLC fails to complete the purchase of the Preferred Shares by December 17, 2017, then we are entitled to sell the shares to a third party on terms and conditions acceptable to us. In the event that the proceeds received by us from such sale exceed the forward price by 10% or more, we are required to pay Novelis Acquisitions LLC such excess amount less reasonable costs and expenses associated with the sale to the third party. In the event that the proceeds received by us from such sale are less than the forward price, Novelis Acquisitions LLC is required to pay us an amount equal to the deficiency plus interest on the unpaid portion of the forward price at the rate of 11% per annum. As of March 31, 2016, no amounts have been recorded related to the Forward Sale Share Agreement that we have with Novelis Acquisitions LLC.

7. INVESTMENTS AND RELATED PARTY TRANSACTIONS - (Continued)

At any time on or after December 17, 2018, the Preferred Shares may be redeemed by the issuer or caused to be redeemed by the holder at the liquidation value plus all accrued and unpaid dividends. As of March 31, 2016, no amounts have been recorded related to the redemption.

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

	March 31,	
	2016	2015
Accounts receivable, net — related parties (A)	$ 191	$ 210
Other long-term assets — related parties (B)	$ 1,752	$ 1,836
Accounts payable-related parties	$ 69	$ 77

	March 31,	
	2016	2015
Notes receivable — related parties:		
Short term loan — related parties	$ -	$ 122
Interest receivable — related parties	112	53
	$ 112	$ 175

(A) Included in Accounts receivable-related parties is $113 million of dividends receivable as of March 31, 2016 and 2015 due from Novelis Corporation (our direct subsidiary) related to the outstanding Preferred Shares discussed above.

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

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

7. INVESTMENTS AND RELATED PARTY TRANSACTIONS - (Continued)

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

	March 31, 2016	March 31, 2015
Dividend income — related parties	$ 218	$ 233

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

	March 31, 2016	March 31, 2015
Interest income — related parties	$ 121	$ 126
Interest expense — related parties	$ 2	$ 2

We have related party transactions with other Novelis Inc. subsidiaries. During the years ended March 31, 2016 and 2015, "Net product sales with related parties" were $527 million and $521 million. As of March 31, 2016 and 2015, there were $83 million and $97 million of "Accounts Receivable trade, net" outstanding related to transactions with other Novelis subsidiaries.

We occasionally have related party transactions with our indirect parent company, Hindalco. During the years ended March 31, 2016 and 2015, “Net sales” were less than $1 million between Novelis and Hindalco. As of March 31, 2016 and 2015 there were less than $1 million of "Accounts receivable, net" outstanding related to transactions with Hindalco.

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

8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

	March 31, 2016	March 31, 2015
Accrued compensation and benefits	$ 27	$ 31
Accrued interest payable	64	64
Accrued income taxes	(1)	-
Other current liabilities	5	4
Accrued expenses and other current liabilities — third parties	$ 95	$ 99
Accrued expenses and other current liabilities — related party	$ -	$ -

9. DEBT

Debt consists of the following (in millions).

		March 31, 2016			March 31, 2015		
	Interest Rates (A)	Principal	Unamortized Carrying Value Adjustments	Carrying Value	Principal	Unamortized Carrying Value Adjustments	Carrying Value
Third party debt:							
Short term borrowings	4.50%	$ 337	$ -	$ 337	$ 394	$ -	$ 394
Long term debt:							
Floating rate Term Loan Facility, due June 2022	4.00%	1,787	(17) (B)	1,770	1,731	(13) (B)	1,718
8.375% Senior Notes, due December 2017	8.375%	1,100	-	1,100	1,100	-	1,100
8.75% Senior Notes, due December 2020	8.75%	1,400	-	1,400	1,400	-	1,400
Capital lease obligations, due through July 2017	3.64%	5	-	5	9	-	9
Total debt — third parties		4,629	(17)	4,612	4,634	(13)	4,621
Less: Short term borrowings		(337)	-	(337)	(394)	-	(394)
Less: Current portion of long term debt		(22)	-	(22)	(22)	-	(22)
Long-term debt, net of current portion — third parties:		$ 4,270	$ (17)	$ 4,253	$ 4,218	$ (13)	$ 4,205
Related party debt (C):							
3 % Fixed, due March 2017 (Novelis Korea)	3.00%	$ 20	$ -	$ 20	$ -	$ -	$ -
Other debt		$ 116	$ -	$ 116	$ -	$ -	$ -
Long term debt:							
2% Fixed, due June 2022 (Novelis AG)	2.00%	- (D)	-	-	49	-	49
Total debt — related parties		136	-	136	49	-	49
Less: Short term borrowings		(136)	-	(136)	-	-	-
Long-term debt, net of current portion — related parties:		$ -	$ -	$ -	$ 49	$ -	$ 49

(A) Interest rates are the stated rates of interest on the debt instrument (not the effective interest rate) as of March 31, 2016. We present stated rates of interest because they reflect the rate at which cash will be paid for future debt service.

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

(C) Related party short term debt comprises of a short term promissory note due to Novelis Korea, with a maturity date of March 27, 2017, bearing interest of fixed rate at 3% per annum and a demand note due to Novelis Corp.

(D) This note was paid in full in March 2016.

9. DEBT - (Continued)

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

	As of March 31, 2016
Short-term borrowings and Current portion of long term debt due within one year	$ 495
2 years	19
3 years	1,118
4 years	18
5 years	18
Thereafter	3,097
Total	$ 4,765

Senior Secured Credit Facilities

As of March 31, 2016, the senior secured credit facilities consisted of (i) a $1.8 billion seven-year secured term loan credit facility (Term Loan Facility), (ii) a $1.2 billion five-year asset based loan facility (ABL Revolver) and (iii) a $200 million 15-month subordinated secured lien revolving facility (Subordinated Lien Revolver). As of March 31, 2016, $18 million of the Term Loan Facility is due within one year.

In June 2015, we entered into the Subordinated Lien Revolver with a maturity date of September 10, 2016. The interest rate for a loan under the Subordinated Lien Revolver is either equal to (i) a prime rate plus a spread of 2.5% or 2.25 depending on the total net leverage ratio then in effect or (ii) the higher of LIBOR and 0.75% plus a spread of 3.50% or 3.25% depending on the total net leverage ratio then in effect. The Subordinated Lien Revolver requires us to maintain a secured net leverage ratio of 4 to 1. Pursuant to the terms of the Term Loan Facility, such secured net leverage maintenance covenant will automatically apply to the Term Loan Facility as well for so long as the Subordinated Lien Revolver is in effect.

In June 2015, we entered into a Refinancing Amendment Agreement with respect to our Term Loan Facility. The Amendment increases the principal amount of the Term Loan Facility from $1.7 billion to $1.8 billion and extends the final maturity from December 17, 2017 to June 2, 2022; provided that, in the event that any series of our senior unsecured notes remain outstanding 92 days prior to its maturity date, then the Term Loan Facility will mature on such date, subject to limited exceptions. The loans under the Term Loan Facility accrue interest at the higher of LIBOR and 0.75% plus a 3.25% spread. The Amendment eliminates the senior secured net leverage covenant that requires us to maintain a minimum senior secured net leverage ratio (subject to the terms disclosed in the preceding paragraph). In addition, certain negative covenants were amended to increase the Company’s operational flexibility, including increasing flexibility to enter into working capital management programs and incur other debt.

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

The senior secured credit facilities contain various affirmative covenants, including covenants with respect to our financial statements, litigation and other reporting requirements, insurance, payment of taxes, employee benefits and (subject to certain limitations) causing new subsidiaries to pledge collateral and guaranty our obligations. The senior secured credit facilities also include various customary negative covenants and events of default, including limitations on our ability to (1) make certain restricted payments, (2) incur additional indebtedness, (3) sell certain assets, (4) enter into sale and leaseback transactions, (5) make investments, loans and advances, (6) pay dividends or returns of capital and distributions beyond certain amounts, (7) engage in mergers, amalgamations or consolidations, (8) engage in certain transactions with affiliates, and (9) prepay certain indebtedness. Substantially all of our assets are pledged as collateral under the senior secured credit facilities. As of March 31, 2016, we were in compliance with the covenants in the Term Loan Facility and ABL Revolver.

Short-Term Borrowings

As of March 31, 2016, our short-term borrowings were $337 million of short-term loans under our ABL Revolver. The interest rate on our total short-term borrowings was 4.5% as of March 31, 2016.

As of March 31, 2016, $12 million of the ABL Revolver was utilized for letters of credit, and we had $204 million in remaining availability under the ABL Revolver.

As of March 31, 2016, $200 million under the Subordinated Lien Revolver was available.

9. DEBT - (Continued)

Senior Notes

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

The Notes contain customary covenants and events of default that will limit our ability and, in certain instances, the ability of certain of our subsidiaries to (1) incur additional debt and provide additional guarantees, (2) pay dividends or return capital beyond certain amounts and make other restricted payments, (3) create or permit certain liens, (4) make certain asset sales, (5) use the proceeds from the sales of assets and subsidiary stock, (6) create or permit restrictions on the ability of certain of the Company's subsidiaries to pay dividends or make other distributions to the Company, (7) engage in certain transactions with affiliates, (8) enter into sale and leaseback transactions, (9) designate subsidiaries as unrestricted subsidiaries and (10) consolidate, merge or transfer all or substantially all of the our assets and the assets of certain of our subsidiaries. During any future period in which either Standard & Poor's Ratings Group, Inc. or Moody's Investors Service, Inc. have assigned an investment grade credit rating to the Notes and no default or event of default under the Indenture has occurred and is continuing, most of the covenants will be suspended. The Notes include a cross-acceleration event of default triggered if (1) any other indebtedness with an aggregate principal amount of more than $100 million is (1) accelerated prior to its maturity or (2) not repaid at its maturity. As of March 31, 2016, we were in compliance with the covenants in the Notes. The Notes also contain customary call protection provisions for our bond holders that extend through December 2016 for the 2017 Notes and through December 2018 for the 2020 Notes.

Other Long-term Debt

During fiscal 2013 and 2014, Novelis Inc. entered into various five-year capital lease arrangements to upgrade and expand our information technology infrastructure. As of March 31, 2016, we had **$5** million outstanding under these capital leases.

10. SHARE-BASED COMPENSATION

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

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

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

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

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

Total compensation expense related to Hindalco SARs, Novelis SARs, and RSUs under the plans for the respective periods is presented in the table below (in millions). These amounts are included in “Selling, general and administrative expenses” or "Cost of goods sold, including related parties (exclusive of depreciation and amortization)" in our statement of operations. As the performance criteria for fiscal years 2016, 2017 and 2018 have not yet been established, measurement periods for Hindalco SARs and Novelis SARs relating to those periods have not yet commenced. As a result, only compensation expense for vested and current year Hindalco SARs and Novelis SARs has been recorded.

	Year Ended March 31, 2016	Year Ended March 31, 2015
Total compensation expense	$ -	$ 5

The table below shows the RSUs activity for the year ended March 31, 2016

	Number of RSUs	Grant Date Fair Value (in Indian Rupees)	Aggregate Intrinsic Value (USD in millions)
RSUs outstanding as of March 31, 2015	3,173,077	120.01	$ 7
Granted	1,343,722	117.64	-
Exercised	(1,515,370)	131.20	5
Forfeited/Cancelled	(631,153)	131.67	-
RSUs outstanding as of March 31, 2016	2,370,276	123.97	$ 4

10. SHARE-BASED COMPENSATION - (Continued)

The table below shows Hindalco SARs activity for the year ended March 31, 2016

	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, 2015	12,074,786	127.85	4.4	$ 3
Granted	4,681,895	117.64	6.1	-
Exercised	(46,185)	83.03	-	1
Forfeited/Cancelled	(4,349,880)	137.64	-	-
SARs outstanding as of March 31, 2016	12,360,616	-	-	-
SARs exercisable as of March 31, 2016	3,915,003	126.82	2.7	$ -

The table below shows the Novelis SARs activity for the year ended March 31, 2016

	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, 2015	587,904	93.05	5.2	$ 2
Granted	391,886	65.35	6.1	-
Exercised	(46,185)	83.03	-	1
Forfeited/Cancelled	(246,910)	91.72	-	-
SARs outstanding as of March 31, 2016	686,695	78.39	5.2	0
SARs exercisable as of March 31, 2016	146,460	91.64	3.7	$ 0

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

	Year ended March 31, 2016	Year ended March 31, 2015
Risk-free interest rate	7.23% - 7.68%	7.75% - 7.79%
Dividend yield	1.14 %	0.78 %
Volatility	43% - 44%	39% - 46%

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

	Year ended March 31, 2016	Year ended March 31, 2015
Risk-free interest rate	0.89% - 1.39%	0.96% - 1.59%
Dividend yield	—%	—%
Volatility	38% - 41%	27% - 34%

10. 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 $0.7 million and $5 million, in the years ended March 31, 2016 and 2015, respectively. Total cash payments made to settle Hindalco RSUs were $3.7 million for the year ended March 31, 2016. Unrecognized compensation expense related to the non-vested Hindalco 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 non-vested Novelis SARs (assuming all future performance criteria are met) was $7.2 million, which is expected to be recognized over a weighted average period of 2.8 years. Unrecognized compensation expense related to the RSUs was $1.9 million, which will be recognized over the remaining weighted average vesting period of 1.4 years.

11. POSTRETIREMENT BENEFIT PLANS

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

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

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

Employer Contributions to Plans

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

	Year Ended March 31, 2016	Year Ended March 31, 2015
Funded pension plans	$ 4	$ 4
Unfunded pension plans	-	1
Savings and defined contribution pension plans	-	4
Total contributions	$ 4	$ 9

During fiscal year 2017, we expect to contribute $4 million to our funded pension plans, less than $1 million to our unfunded pension plans and less than $1 million to our savings and defined contribution pension plans.

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

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

	Pension Benefits Year Ended March 31,		Other Benefits Year Ended March 31,	
	2016	2015	2016	2015
Benefit obligation at beginning of period	$ 124	$ 137	$ 11	$ 12
Service cost	3	4	-	-
Interest cost	4	6	-	-
Benefits paid	(9)	(4)	-	-
Curtailments and settlements	-	(13)	-	(1)
Actuarial losses (gains)	(3)	10	-	2
Plan participant contributions	-	-	-	-
Currency gains	(2)	(16)	-	(2)
Benefit obligation at end of period	$ 117	$ 124	$ 11	$ 11
Benefit obligation of funded plans	$ 97	$ 103	$ -	$ -
Benefit obligation of unfunded plans	20	21	11	11
Benefit obligation at end of period	$ 117	$ 124	$ 11	$ 11

11. POSTRETIREMENT BENEFIT PLANS - (Continued)

	Pension Benefits Year Ended March 31, 2016	Pension Benefits Year Ended March 31, 2015
Change in fair value of plan assets		
Fair value of plan assets at beginning of period	$ 104	$ 105
Actual return on plan assets	(2)	23
Members' contributions	-	-
Benefits paid	(9)	(4)
Company contributions	4	6
Settlements	-	(11)
Currency losses	(2)	(15)
Fair value of plan assets at end of period	$ 95	$ 104

	March 31, 2016		March 31, 2015	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Funded status				
Funded Status at end of period:				
Assets less the benefit obligation of funded plans	$ 1	$ -	$ 1	$ -
Benefit obligation of unfunded plans	21	11	(21)	(11)
	$ 22	$ 11	$ (20)	$ (11)
As included in our balance sheets within Total assets / (Total liabilities)				
Other non-current assets	$ -	$ -	$ 1	$ -
Accrued expenses and other current liabilities	(1)	-	(2)	-
Accrued postretirement benefits	(21)	(11)	(19)	(11)
	$ (22)	$ (11)	$ (20)	$ (11)

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

	March 31, 2016		March 31, 2015	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Net actuarial gain (loss) recognized in Accumulated other comprehensive income (loss)	$ (3)	$ -	$ 2	$ -

11. POSTRETIREMENT BENEFIT PLANS - (Continued)

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

The postretirement changes recognized in "Accumulated other comprehensive income (loss)," before tax effects, are presented in the table below (in millions), and include the impact related to our equity method investments.

	March 31,			
	2016		2015	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Beginning balance in Accumulated other comprehensive (loss) income	$ 2	$ -	$ (9)	$ 1
Curtailments and settlements	-	-	(1)	(1)
Net actuarial gain	(4)	-	10	-
Amortization of Actuarial loss	-	-	2	-
Total postretirement amounts recognized in Accumulated other comprehensive income (loss)	$ (2)	$ -	$ 2	$ -

Pension Plan Obligations

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

	March 31,	
	2016	2015
The projected benefit obligation and accumulated benefit obligation for all defined benefit pension plans:		
Projected benefit obligation	$ 112	$ 124
Accumulated benefit obligation	$ 118	$ 118
Pension plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligation	$ 118	$ 21
Fair value of plan assets	$ 95	$ -
Pension plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligation	$ 20	$ 20
Fair value of plan assets	$ -	$ -
Pension plans with projected benefit obligations less than plan assets:		
Projected benefit obligation	$ -	$ 103
Fair value of plan assets	$ -	$ 104

Future Benefit Payments

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

	Pension Benefits	Other Benefits
2017	$ 5	$ -
2018	6	-
2019	6	-
2020	6	-
2021	6	-
2022 through 2026	33	2
Total	$ 62	$ 2

11. 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 Year Ended March 31, 2016	Pension Benefits Year Ended March 31, 2015	Other Benefits Year Ended March 31, 2016	Other Benefits Year Ended March 31, 2015
Net periodic benefit cost				
Service cost	$ 3	$ 4	$ -	$ -
Interest cost	4	6	-	-
Expected return on assets	(5)	(6)	-	-
Amortization — losses	-	2	-	-
Curtailment/settlement losses	-	-	-	(1)
Net periodic benefit cost (income)	$ 2	$ 6	$ -	$ (1)

Actuarial Assumptions and Sensitivity Analysis

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

	Pension Benefits Year Ended March 31, 2016	Pension Benefits Year Ended March 31, 2015	Other Benefits Year Ended March 31, 2016	Other Benefits Year Ended March 31, 2015
Weighted average assumptions used to determine benefit obligations				
Discount rate	3.8%	3.6%	3.5%	3.4%
Average compensation growth	3.5%	3.5%	3.5%	3.5%
Weighted average assumptions used to determine net periodic benefit cost				
Discount rate	3.6%	4.4%	3.4%	4.3%
Average compensation growth	3.5%	3.5%	3.5%	3.5%
Expected return on plan assets	5.0%	5.5%	0.0%	0.0%

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

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

We provide unfunded health care and life insurance benefits to our retired employees in Canada, for which we paid less than $1 million in fiscal 2016. The assumed health care cost trend used for measurement purposes is 6.8% for fiscal 2017, decreasing gradually to 5% in 2026 and remaining at that level thereafter.

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

11. POSTRETIREMENT BENEFIT PLANS - (Continued)

Investment Policy and Asset Allocation

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

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

Asset Category	Target Allocation Ranges	Allocation in Aggregate as of March 31, 2016	Allocation in Aggregate as of March 31, 2015
Equity	25 - 35%	30%	31%
Fixed income	60 - 70%	69%	68%
Real estate	0 - 5%	0%	0%
Other	0 - 5%	1%	1%

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 Canadian pension plan assets are invested in both direct investments (Level 1) and commingled funds (Level 2).

Pension Plan Assets

	March 31, 2016 Fair Value Measurements Using				March 31, 2015 Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Equity	$ -	$ 29	$ -	$ 29	$ -	$ 32	$ -	$ 32
Fixed income	-	65	-	65	-	71	-	71
Cash and cash equivalents	1	-	-	1	1	-	-	1
Total	$ 1	$ 94	$ -	$ 95	$ 1	$ 103	$ -	$ 104

12. CURRENCY (GAINS) LOSSES

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

	Year Ended March 31,	
	2016	2015
Cumulative currency translation adjustment — begining of period	$ (49)	$ 115
Effect of changes in exchange rates	34	(164)
Cumulative currency translation adjustment — end of period	$ (15)	$ (49)

13. FINANCIAL INSTRUMENTS AND COMMODITY CONTRACTS

The gross fair values of our financial instruments and commodity contracts as of March 31, 2016 and 2015 are as follows (in millions).

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

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

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, 2016 we had 10KT outstanding aluminum forward contracts. As of March 31, 2015, we had no outstanding aluminum forward contracts.

Foreign Currency

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

As of both March 31, 2016 and March 31, 2015, we had outstanding currency exchange contracts with a total notional amount of $81 million and $509 million, respectively, which were not designated as hedges.

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

13. FINANCIAL INSTRUMENTS AND COMMODITY CONTRACTS - (Continued)

Loss Recognition

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

	Year Ended March 31,	
	2016	**2015**
Derivative Instruments		
Aluminum contracts	$ 1	$ -
Currency exchange contracts	(29)	(93)
"Loss on change in fair value of derivative instruments, net"	$ (28)	$ (93)

14. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

	(A) Currency Translation	(B) Postretirement Benefit Plans	Total
Balance as of March 31, 2014	$ 115	$ (8)	$ 107
Other comprehensive (loss) income before reclassifications	(164)	10	(154)
Amounts reclassified from AOCI	-	-	-
Net change in other comprehensive (loss) income (loss)	(164)	10	(154)
Balance as of March 31, 2015	(49)	2	(47)
Other comprehensive (loss) income before reclassifications	34	(4)	30
Amounts reclassified from AOCI	-	-	-
Net change in other comprehensive (loss) income	34	(4)	30
Balance as of March 31, 2016	$ (15)	$ (2)	$ (17)

(A) For additional information on our Postretirement benefit plans see Note 12 - Currency (Gains) Losses

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

15. FAIR VALUE MEASUREMENTS

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

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

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

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

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

Derivative Contracts

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

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

For Level 2 and 3 of the fair value hierarchy, where appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads and credit considerations (nonperformance risk). We regularly monitor these factors along with significant market inputs and assumptions used in our fair value measurements and evaluate the level of the valuation input according to the fair value hierarchy. This may result in a transfer between levels in the hierarchy from period to period. As of March 31, 2016 and March 31, 2015, we did not have any Level 1 or Level 3 derivative contracts. No amounts were transferred between levels in the fair value hierarchy.

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

The following tables present our derivative assets and liabilities which were measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of March 31, 2016 and 2015 (in millions).

	March 31,			
	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Level 2 Instruments				
Currency exchange contracts	$ 26	$ (20)	$ 19	$ (93)
Netting adjustment (A)	(6)	6	(5)	5
Total, net	$ 21	$ (14)	$ 14	$ (88)

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

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,			
	2016		2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities				
Total debt — third parties (excluding short term borrowings)	$ 4,275	$ 4,432	$ 4,227	$ 4,427
Total debt — related parties (excluding short term borrowings)	$ -	$ -	$ 49	$ 49

16. OTHER EXPENSE (INCOME)

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

	Year Ended March 31,	
	2016	2015
Foreign currency remeasurement gains, net	$ (2)	$ 1
Other, net	3	4
Other expense (income), net (A)	$ 1	$ 5

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

17. INCOME TAXES

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

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

	Year Ended March 31,	
	2016	**2015**
Domestic (Canada)	$ (44)	$ (47)
Foreign (all other countries)	-	-
Pre-tax (loss) income	$ (44)	$ (47)

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

	Year Ended March 31,	
	2016	**2015**
Current provision:		
Domestic (Canada)	$ 3	$ 1
Foreign (all other countries)	1	2
Total current	4	3
Deferred provision:		
Domestic (Canada)	-	-
Foreign (all other countries)	-	-
Total deferred	-	-
Income tax provision	$ 4	$ 3

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, 2016 the Company had total deferred tax assets of approximately $528 million primarily arising from book reserves not deductible for tax and net operating loss carryforwards, net of other deferred liabilities of $10 million. At March 31, 2015 the Company had total deferred tax assets of approximately $442 million primarily arising from book reserves not deductible for tax and net operating loss carryforwards, net of other deferred liabilities of $11 million.

ASC 740 requires that we reduce our deferred income tax assets by a valuation allowance if, based on the weight of the available evidence, it is more likely than not that all or a portion of a deferred tax asset will not be realized. After consideration of all evidence, both positive and negative, management concluded that is is more likely than not that we will be unable to realize a portion of our deferred tax assets and that valuation allowances of $518 million and $431 million were necessary as of March 31, 2016 and 2015, respectively.

As of March 31, 2016, we had net operating loss carryforwards of approximately $424 million (tax effected) and tax credit carryforwards of $47 million, which will be available to offset future taxable income and tax liabilities, respectively. The net operating loss carryforwards and the tax credit carryforwards begin expiring in fiscal 2028 and 2020, respectively. As of March 31, 2016, valuation allowances of $424 million, $47 million had been recorded against net operating loss carryforwards, tax credit carryforwards and other deferred tax assets, respectively, where it appeared more likely than not that such benefits will not be realized. The net operating loss carryforwards are Canadian related.

As of March 31, 2015, we had net operating loss carryforwards of approximately $342 million (tax effected) and tax credit carryforwards of $45 million, which will be available to offset future taxable income and tax liabilities, respectively. The net operating loss carryforwards and the tax credit carryforwards begin expiring in fiscal 2028 and 2020, respectively. As of March 31, 2015, valuation allowances of $342 million, $45 million and $44 million had been recorded against net operating loss carryforwards, tax credit carryforwards and other deferred tax assets, respectively, where it appeared more likely than not that such benefits will not be realized. The net operating loss carryforwards are Canadian related.

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

18. INCOME TAXES - (Continued)

Tax Uncertainties

Tax authorities continue to examine certain of our tax filings for fiscal years 2008 through 2013. As a result of further settlement of audits, judicial decisions, or the filing of amended tax returns, our net operating loss carryforwards could be impacted.

Income Taxes Receivable and Payable

Our balance sheet includes income taxes receivable (net) of $3 million and $3 million as of March 31, 2016 and 2015 respectively, which is included in "Prepaid expenses and other current assets."

18. SUPPLEMENTAL INFORMATION

Supplemental cash flow information (in millions).

	Year Ended March 31,	
	2016	2015
Supplemental disclosures of cash flow information:		
Interest paid	$ 300	$ 296
Income taxes paid	$ 3	$ 7

As of March 31, 2016, we recorded less than $1 million of outstanding accounts payable and accrued liabilities related to capital expenditures in which the cash outflows occurred subsequent to March 31, 2016. As of March 31, 2015, we recorded $3 million of outstanding accounts payable and accrued liabilities related to capital expenditures in which the cash outflows occurred subsequent to March 31, 2015. During the year ended March 31, 2016 and 2015 we incurred no capital lease obligations related to capital lease acquisitions.

4260848 CANADA INC.

ADITYA BIRLA
NOVELIS

CERTIFICATION

I, Nichole Robinson, have reviewed the attached unaudited standalone financial statements for 4260848 Canada Inc. and certify that the information included therein accurately reflects the financial position of 4260848 Canada Inc. as of 31 March 2016 and the results of its operations for the year then ended.

Signature

Nichole A. Robinson

Print Name

Vice President

Title

8/18/16

Date

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

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

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

4260848 Canada Inc
Financial Statements as of March 31, 2016
Unaudited

4260848 Canada Inc.

BALANCE SHEET

(In thousands, except number of shares)

	March 31, 2016		March 31, 2015	
ASSETS				
Current assets				
Cash and cash equivalents	$	1	$	1
Total current assets		1		1
Investment in subsidiary		124,087		124,087
Total assets	$	124,088	$	124,088
LIABILITIES AND SHAREHOLDER'S EQUITY				
Current liabilities				
Accrued expenses and other current liabilities				
— third parties	$	654	$	289
— related party		127		55
Total current liabilities		780		344
Long–term debt, net of current portion				
— related party		1,445		1,445
Total liabilities		2,225		1,789
Shareholder's equity				
Common stock, no par value; unlimited number of shares authorized; 100 shares issued and outstanding as of March 31, 2016 and 2015		-		-
Additional paid–in capital		122,643		122,643
Accumulated deficit		(780)		(344)
Total shareholder's equity		121,863		122,299
Total liabilities and shareholder's equity	$	124,088	$	124,088

See accompanying notes to the financial statements.

4260848 Canada Inc.
STATEMENT OF OPERATIONS
(In thousands)

	Year Ended March 31, 2016	Year Ended March 31, 2015
Interest expense — related party	$ 71	$ 55
Dividend income — related party	-	-
	71	55
(Loss) income before income taxes	(71)	(55)
Income tax provision	365	289
Net (loss) income	$ (436)	$ (344)

See accompanying notes to the financial statements

4260848 Canada Inc.
STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	For the Year Ended March 31,	
	2016	**2015**
Net (loss) income	$ (436)	$ (344)
Comprehensive (loss) income	$ (436)	$ (344)

See accompanying notes to the financial statements.

4260848 Canada Inc.
STATEMENT OF CASH FLOWS
(In thousands)

	Year Ended March 31, 2016	Year Ended March 31, 2015
OPERATING ACTIVITIES		
Net (loss) income	$ (436)	$ (344)
Adjustments to determine net cash provided by operating activities:		
Changes in assets and liabilities:		
Other current liabilities	436	344
Net cash provided by operating activities	-	-
INVESTING ACTIVITIES		
Net cash provided by investing activities	-	-
FINANCING ACTIVITIES		
Net cash (used in) financing activities	-	-
Net increase in cash and cash equivalents	-	-
Effect of exchange rate changes on cash	-	-
Cash and cash equivalents — beginning of period	1	1
Cash and cash equivalents — end of period	$ 1	$ 1

See accompanying notes to the financial statements

4260848 Canada Inc.
STATEMENT OF SHAREHOLDER'S EQUITY
(In thousands, except number of shares)

	Common Shares		Additional Paid-in	Accumulated	Total
	Shares	Amount	Capital	Deficit	Equity
Balance as of March 31, 2014	100	$ -	$ 122,643	$ -	$ 122,643
Net loss	-	-	-	(344)	(344)
Balance as of March 31, 2015	100	-	122,643	(344)	122,299
Net loss	-	-	-	(436)	(436)
Balance as of March 31, 2016	100	$ -	$ 122,643	$ (780)	$ 121,863

See accompanying notes to the financial statements

4260848 Canada Inc.
NOTES TO THE FINANCIAL STATEMENTS

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

References herein to the “Company,” “we,” “our,” or “us” refer to 4260848 Canada Inc. unless the context specifically indicates otherwise.

Organization of Business

4260848 Canada Inc. was formed in Canada on November 10, 2004. All of 4260848 Canada Inc. common shares are directly held by Novelis Inc. (Canada). The Company's functional and reporting currency is United States Dollar (USD).

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 tax uncertainties and valuation allowances. Future events and their effects cannot be predicted with certainty, and accordingly, our accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of our financial statements may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. We evaluate and update our assumptions and estimates on an ongoing basis and may employ outside experts to assist in our evaluations. Actual results could differ from the estimates we have used.

Basis of Presentation

These financial statements have been prepared solely to satisfy the reporting requirements of the ultimate parent company, Hindalco Industries Limited, to present separate subsidiary financial statements in accordance with Sections 136 and 137 of the Companies Act, 2013 in India (2013 Act). The results of the Company's separate financial statements are also included in the consolidated financial statements of our direct parent, Novelis Inc., and of our ultimate parent, Hindalco Industries Limited, and those consolidated financial statements are publicly available. These statements have not been audited, as there is no local jurisdictional requirement to present audited stand alone legal entity financial statements.

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.

The 2013 Act, as interpreted, states the format of accounts of foreign subsidiaries should be, as far as possible, in accordance with the requirements under the Companies Act, 2013. The books and records of Novelis Inc. are prepared and recorded under U.S. GAAP. These standalone unconsolidated financial statements are prepared for the sole purpose of complying with the 2013 Act and it is not feasibly possible to present these statements in another basis of accounting other than books and records of the subsidiary.

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.

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.

Investment in Subsidiary

For purposes of these standalone financial statements, we account for our investment in our subsidiary using the cost method. See Note 2 — Investment in Subsidiary for further discussion.

Financing Costs

We have related party debt with our direct parent, Novelis Inc. We amortize financing costs over the remaining life of the related debt using the straight-line method. The expense is included in "Interest expense — related party" in our statement of operations. See Note 4 — Debt for additional 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 4260848 Canada Inc. when those tax attributes are realized (or realizable) by the consolidated group of Novelis Inc. even if 4260848 Canada Inc. would not otherwise have realized the attributes on a stand-alone basis. Thus, when the benefit of the net operating loss (or other tax attribute) is recognized in the consolidated financial statements of Novelis Inc., 4260848 Canada Inc. would generally reflect a benefit in its separate financial statements.

We elected to early adopt, ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, which requires all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. We applied the new standard prospectively to the Consolidated Balance Sheet as of March 31, 2016. The Consolidated Balance Sheet as of March 31, 2015 was not retrospectively adjusted. See Note 5 — Income Taxes applicable for 2016.

Operating Guarantees

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

Recently Adopted Accounting Standards

Effective for the first quarter of fiscal 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.

2. INVESTMENT IN SUBSIDIARY AND RELATED PARTY TRANSACTIONS

The following table summarizes the ownership percentage of our subsidiary in which we have an investment as of March 31, 2016 and March 31, 2015 (in thousands) using the cost method.

	March 31, 2016	March 31, 2015	Participation
Shareholdings - Common Stock			
Novelis Korea Limited	$ 124,087	$ 124,087	27.31%

Included in the accompanying financial statements are transactions and balances arising from business we conduct with our subsidiary, with our direct parent Novelis Inc., or with certain other subsidiaries of Novelis Inc., 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 thousands).

	March 31, 2016	March 31, 2015
Accrued expenses and other current liabilities — related party	$ 127	$ 55

Below is interest expense related to the long term loans we have with Novelis Inc., which is shown as related party in the accompanying statement of operations (in thousands). See Note 4 — Debt for additional discussion.

	March 31, 2016	March 31, 2015
Interest expense — related party	$ 71	$ 55

Below is the dividend income related to the investment we have in our subsidiary, which is shown as related party in the accompanying statement of operations (in thousands).

	March 31, 2016	March 31, 2015
Dividend income — related party	$ -	$ -

3. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

	March 31,	
	2016	**2015**
Accrued withholding tax	$ 654	$ 289
Accrued expenses and other current liabilities — third parties	$ 654	$ 289
Accrued interest payable — related party (A)	$ 127	$ 55
Accrued expenses and other current liabilities — related party	$ 127	$ 55

(A) This represents interest on related party debt with our direct parent, Novelis Inc. See Note 4 —Debt for additional information on related party debt with our direct parent, Novelis Inc..

4. DEBT

Debt consists of the following (in thousands).

	March 31, 2016				March 31, 2015		
	Interest These	Principal	Unamortized Carrying Value Adjustments	Carrying Value	Principal	Unamortized Carrying Value Adjustments	Carrying Value
Related party debt:							
6-mo LIBOR + 3.75%, due March 17, 2022 (Novelis Inc)	4.234%	$ 1,437	$ -	$ 1,437	$ 1,437	$ -	$ 1,437
6-mo LIBOR + 3.75%, due March 17, 2022 (Novelis Inc)	4.167%	8	-	8	8	-	8
Total debt — related party (B)		1,445	-	1,445	1,445	-	1,445
Current portion of long term debt		-	-	-	-	-	-
Long-term debt, net of current portion — related parties:		$ 1,445	$ -	$ 1,445	$ 1,445	$ -	$ 1,445

(A) Interest rates are the stated rates of interest on the debt instrument as of March 31, 2016. We present stated rates of interest because they reflect the rate at which cash will be paid for future debt service.

(B) This represents related party debt with our direct parent, Novelis Inc.

Principal repayment requirements for our total debt over the next five years and thereafter are as follows (in thousands).

As of March 31, 2016	Amount
Short-term borrowings and current portion of long term debt due within one year	$ -
2 years	-
3 years	-
4 years	-
5 years	-
Thereafter	1,445
Total	$ 1,445

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. As of March 31, 2016, no contingent loss has been recorded related to the guarantee of debt.

The Notes contain customary covenants and events of default that will limit Novelis Inc.'s ability and, in certain instances, the ability of certain of Novelis Inc.'s 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 Novelis Inc.'s subsidiaries to pay dividends or make other distributions to Novelis Inc., (7) engage in certain transactions with affiliates, (8) enter into sale and leaseback transactions, (9) designate Novelis Inc.'s subsidiaries as unrestricted subsidiaries and (10) consolidate, merge or transfer all or substantially all of Novelis Inc.'s assets and the assets of certain of Novelis Inc.'s 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, 2016, Novelis Inc. was in compliance with the covenants in the Notes.

5. INCOME TAXES

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

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

	Year Ended March 31, 2016	Year Ended March 31, 2015
Domestic (Canada)	$ (71)	$ (55)
Pre-tax (loss) income	$ (71)	$ (55)

The components of the "Income tax provision" are as follows (in thousands), which are related to withholding taxes.

	Year Ended March 31, 2016	Year Ended March 31, 2015
Current provision:		
Domestic (Canada)	$ 365	$ 289
Total current	365	289
Deferred provision:		
Domestic (Canada)	-	-
Total deferred	-	-
Income tax provision	$ 365	$ 289

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, 2016 the Company had total deferred tax assets of approximately $272 thousand arising from net operating losses. At March 31, 2015 the Company had total deferred tax assets of approximately $253 thousand arising from net operating losses.

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 $272 thousand and $253 thousand were necessary as of March 31, 2016 and 2015, respectively.

It is reasonably possible that our estimates of future taxable income may change within the next 12 months, resulting in a change to the valuation allowance.

As of March 31, 2016, we had net operating loss carryforwards of approximately $272 thousand (tax effected), which will be available to offset future taxable income. The carryforwards begin expiring in fiscal 2032. As of March 31, 2016, a valuation allowance of $272 thousand had been recorded against the net operating loss carryforwards, where it appeared more likely than not that such benefits will not be realized. The net operating loss carryforwards are located in Canada.

As of March 31, 2015, we had net operating loss carryforwards of approximately $253 thousand (tax effected), which will be available to offset future taxable income. The carryforwards begin expiring in fiscal 2032. As of March 31, 2015, a valuation allowance of $253 thousand had been recorded against the net operating loss carryforwards, where it appeared more likely than not that such benefits will not be realized. The net operating loss carryforwards are located in Canada.

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

4260848 Canada Inc.
NOTES TO THE FINANCIAL STATEMENTS - (Continued)

6. SUPPLEMENTAL INFORMATION

Supplemental cash flow information (in thousands).

	Year Ended March 31,	
	2016	2015
Supplemental disclosures of cash flow information:		
Interest paid — related party	$ -	$ -
Income taxes paid	$ -	$ 1,256

ADITYA BIRLA
NOVELIS

CERTIFICATION

I, Nichole Robinson, have reviewed the attached unaudited standalone financial statements for 4260856 Canada Inc. and certify that the information included therein accurately reflects the financial position of 4260856 Canada Inc. as of 31 March 2016 and the results of its operations for the year then ended.

Signature

Nichole A. Robinson

Print Name

Vice President

Title

8/18/16

Date

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

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

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

4260856 Canada Inc.
Financial Statements as of March 31, 2016
Unaudited

4260856 Canada Inc.

BALANCE SHEET

(In thousands, except number of shares)

	March 31, 2016		March 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents	$	1	1
Total current assets		1	1
Investment in subsidiary		183,970	183,970
Total assets	$	183,971	183,971
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Accrued expenses and other current liabilities	$	975	431
Total current liabilities		975	431
Total liabilities		975	431
Shareholder's equity			
Common stock, no par value; unlimited number of shares authorized; 100 shares issued and outstanding as of March 31, 2016 and 2015		-	-
Additional paid–in capital		183,971	183,971
Accumulated deficit		(975)	(431)
Total shareholder's equity		182,996	183,540
Total liabilities and shareholder's equity	$	183,971	183,971

See accompanying notes to the financial statements.

4260856 Canada Inc.
STATEMENT OF OPERATIONS
(In thousands)

	Year Ended March 31,	
	2016	2015
Dividend income — related parties	$ -	$ -
Income before income taxes	-	-
Income tax provision	544	431
Net (loss) income	$ (544)	$ (431)

See accompanying notes to the financial statements

4260856 Canada Inc.
STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Year Ended March 31,	
	2016	**2015**
Net (loss) income	$ (544)	$ (431)
Comprehensive (loss) income	$ (544)	$ (431)

See accompanying notes to the financial statements.

4260856 Canada Inc.
STATEMENT OF CASH FLOWS
(In thousands)

	Year Ended March 31,	
	2016	**2015**
OPERATING ACTIVITIES		
Net (loss) income	$ (544)	$ (431)
Adjustments to determine net cash provided by operating activities:		
Changes in assets and liabilities:		
Other current liabilities	544	431
Net cash provided by operating activities	-	-
INVESTING ACTIVITIES		
Net cash provided by investing activities	-	-
FINANCING ACTIVITIES		
Net cash (used in) financing activities	-	-
Net increase in cash and cash equivalents	-	-
Effect of exchange rate changes on cash	-	-
Cash and cash equivalents — beginning of period	1	1
Cash and cash equivalents — end of period	$ 1	$ 1

See accompanying notes to the financial statements

4260856 Canada Inc.
STATEMENT OF SHAREHOLDER'S EQUITY
(In thousands, except number of shares)

	Common Shares		Additional Paid-in	Accumulated	Total
	Shares	**Amount**	**Capital**	**Deficit**	**Equity**
Balance as of March 31, 2014	100	$ -	$ 183,971	$ -	$ 183,971
Net loss	-	-	-	(431)	(431)
Balance as of March 31, 2015	100	-	183,971	(431)	183,540
Net loss	-	-	-	(544)	(544)
Balance as of March 31, 2016	100	$ -	$ 183,971	$ (975)	$ 182,996

See accompanying notes to the financial statements

4260856 Canada Inc.
NOTES TO THE FINANCIAL STATEMENTS

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

References herein to the "Company," "we," "our," or "us" refer to 4260856 Canada Inc. unless the context specifically indicates otherwise.

Organization of Business

4260856 Canada Inc. was formed in Canada on November 10, 2004. 4260856 Canada Inc. common shares are directly held by Novelis Inc. (Canada). The Company's functional and reporting currency is United States Dollar (USD).

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 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 tax uncertainties and valuation allowances. Future events and their effects cannot be predicted with certainty, and accordingly, our accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of our financial statements may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. We evaluate and update our assumptions and estimates on an ongoing basis and may employ outside experts to assist in our evaluations. Actual results could differ from the estimates we have used.

Basis of Presentation

These financial statements have been prepared solely to satisfy the reporting requirements of the ultimate parent company, Hindalco Industries Limited, to present separate subsidiary financial statements in accordance with Sections 136 and 137 of the Companies Act, 2013 in India (2013 Act). The results of the Company's separate financial statements are also included in the consolidated financial statements of our direct parent, Novelis Inc., and of our ultimate parent, Hindalco Industries Limited, and those consolidated financial statements are publicly available. These statements have not been audited, as there is no local jurisdictional requirement to present audited stand alone legal entity financial statements.

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.

The 2013 Act, as interpreted, states the format of accounts of foreign subsidiaries should be, as far as possible, in accordance with the requirements under the Companies Act, 2013. The books and records of Novelis Inc. are prepared and recorded under U.S. GAAP. These standalone unconsolidated financial statements are prepared for the sole purpose of complying with the 2013 Act and it is not feasibly possible to present these statements in another basis of accounting other than books and records of the subsidiary.

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.

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.

Investment in Subsidiary

For purposes of these standalone financial statements, we account for our investment in subsidiary using the cost method. See Note 2 — Investment in Subsidiary for further discussion.

Income Taxes

We account for income taxes using the asset and liability method. This approach recognizes the amount of income taxes payable or refundable for the current year, as well as deferred tax assets and liabilities for the future tax consequence of events recognized in the financial statements and income tax returns. Deferred income tax assets and liabilities are adjusted to recognize the effects of changes in tax laws or enacted tax rates. Under ASC 740, *Income Taxes* (ASC 740), a valuation allowance is required when it is more likely than not that some portion of the deferred tax assets will not be realized. Realization is dependent on generating sufficient taxable income through various sources. 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 4260856 Canada Inc. when those tax attributes are realized (or realizable) by the consolidated group of Novelis Inc. even if 4260856 Canada Inc. would not otherwise have realized the attributes on a stand-alone basis. Thus, when the benefit of the net operating loss (or other tax attribute) is recognized in the consolidated financial statements of Novelis Inc., 4260856 Canada Inc. would generally reflect a benefit in its separate financial statements.

We elected to early adopt, ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, which requires all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. We applied the new standard prospectively to the Consolidated Balance Sheet as of March 31, 2016. The Consolidated Balance Sheet as of March 31, 2015 was not retrospectively adjusted. See Note 4 — Income Taxes applicable for 2016.

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

Operating Guarantees

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

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. As of March 31, 2016, no contingent loss has been recorded related to the guarantee of debt.

The Notes contain customary covenants and events of default that will limit Novelis Inc.'s ability and, in certain instances, the ability of certain of Novelis Inc.'s 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 Novelis Inc.'s subsidiaries to pay dividends or make other distributions to Novelis Inc., (7) engage in certain transactions with affiliates, (8) enter into sale and leaseback transactions, (9) designate Novelis Inc.'s subsidiaries as unrestricted subsidiaries and (10) consolidate, merge or transfer all or substantially all of Novelis Inc.'s assets and the assets of certain of Novelis Inc.'s 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, 2016, Novelis Inc. was in compliance with the covenants in the Notes.

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.

2. INVESTMENT IN SUBSIDIARY AND RELATED PARTY TRANSACTIONS

The following table summarizes our ownership percentage of our subsidiary in which we have an investment as of March 31, 2016 and March 31, 2015 (in thousands) using the cost method.

	March 31, 2016	March 31, 2015	Participation
Shareholdings - Common Stock			
Novelis Korea Limited	$ 183,970	$ 183,970	40.74%

3. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

	March 31,	
	2016	**2015**
Accrued withholding tax	$ 975	$ 431
Accrued expenses and other current liabilities	$ 975	$ 431

4. INCOME TAXES

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

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

	Year Ended March 31,	
	2016	2015
Domestic (Canada)	$ -	$ -
Pre-tax income	$ -	$ -

The components of the "Income tax provision" are as follows (in thousands), which are related to withholding taxes.

	Year Ended March 31,	
	2016	2015
Current provision:		
Domestic (Canada)	$ 544	$ 431
Total current	544	431
Deferred provision:		
Domestic (Canada)	-	-
Total deferred	-	-
Income tax provision	$ 544	$ 431

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, 2016 the Company had total deferred tax assets of approximately $299 thousand arising from net operating losses. At March 31, 2015 the Company had total deferred tax assets of approximately $299 thousand arising from net operating losses.

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 $299 thousand and $299 thousand were necessary as of March 31, 2016 and 2015, respectively.

It is reasonably possible that our estimates of future taxable income may change within the next 12 months, resulting in a change to the valuation allowance.

As of March 31, 2016, we had net operating loss carryforwards of approximately $299 thousand (tax effected), which will be available to offset future taxable income. The carryforwards begin expiring in fiscal 2032. As of March 31, 2016, a valuation allowance of $299 thousand had been recorded against the net operating loss carryforwards, where it appeared more likely than not that such benefits will not be realized. The net operating loss carryforwards are located in Canada.

As of March 31, 2015, we had net operating loss carryforwards of approximately $299 thousand (tax effected), which will be available to offset future taxable income. The carryforwards begin expiring in fiscal 2032. As of March 31, 2015, a valuation allowance of $299 thousand had been recorded against the net operating loss carryforwards, where it appeared more likely than not that such benefits will not be realized. The net operating loss carryforwards are located in Canada.

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

5. SUPPLEMENTAL INFORMATION

Supplemental cash flow information (in thousands).

	Year Ended March 31,	
	2016	2015
Supplemental disclosures of cash flow information:		
Income taxes paid	$ -	$ 1,874

ADITYA BIRLA
NOVELIS

CERTIFICATION

I, Nichole Robinson, have reviewed the attached unaudited standalone financial statements for Novelis South America Holdings LLC and certify that the information included therein accurately reflects the financial position of Novelis South America Holdings LLC as of 31 March 2016 and the results of its operations for the year then ended.

Signature

Nichole A. Robinson

Print Name

Assistant Secretary

Title

8/18/16

Date

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

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

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

Novelis South America Holdings LLC
Financial Statements as of
March 31, 2016
Unaudited

Novelis South America Holdings LLC
BALANCE SHEET
(In thousands, except number of shares)

	March 31, 2016	March 31, 2015
ASSETS		
Investment in subsidiary	$ -	$ -
Total assets	$ -	$ -
LIABILITIES AND SHAREHOLDER'S EQUITY		
Total liabilities	$ -	$ -
Shareholder's equity		
Common stock, no par value; one share authorized; 1 share issued and outstanding as of March 31, 2016 and 2015	-	-
Additional paid–in capital	1	1
Accumulated deficit	(1)	(1)
Total shareholder's equity	-	-
Total liabilities and shareholder's equity	$ -	$ -

See accompanying notes to the financial statements.

Novelis South America Holdings LLC
STATEMENT OF OPERATIONS
(In thousands)

	Year Ended March 31,	
	2016	**2015**
Income before income taxes	$ -	$ -
Income tax provision	-	-
Net income	$ -	$ -

See accompanying notes to the financial statements

Novelis South America Holdings LLC
STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Year Ended March 31,	
	2016	**2015**
Net income	$ -	$ -
Comprehensive income	$ -	$ -

See accompanying notes to the financial statements.

Novelis South America Holdings LLC
STATEMENT OF CASH FLOWS
(In thousands)

	Year Ended March 31,	
	2016	**2015**
OPERATING ACTIVITIES		
Net income	$ -	$ -
Net cash provided by operating activities	-	-
INVESTING ACTIVITIES		
Net cash provided by investing activities	-	-
FINANCING ACTIVITIES		
Net cash provided by financing activities	-	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents — beginning of period	-	-
Cash and cash equivalents — end of period	$ -	$ -

See accompanying notes to the financial statements

Novelis South America Holdings LLC
STATEMENT OF SHAREHOLDER'S EQUITY
(In thousands, except number of shares)

	Common Shares		Additional Paid-in	Total
	Shares	Amount	Capital	Equity
Balance as of March 31, 2014	1	$ -	$ 1	$ -
Net income	-	-	-	-
Balance as of March 31, 2015	1	-	1	-
Net income	-	-	-	-
Balance as of March 31, 2016	1	$ -	$ 1	$ -

See accompanying notes to the financial statements

Novelis South America Holdings LLC
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 South America Holdings LLC unless the context specifically indicates otherwise.

Organization of Business

Novelis South America Holdings LLC was formed in the United States of America on June 9, 2006. All of Novelis South America Holdings LLC common shares are directly held by Novelis Inc. (Canada). The Company's functional and reporting currency is United States Dollar (USD).

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 reported amounts of revenues and expenses during the reporting periods. 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 Presentation

These financial statements have been prepared solely to satisfy the reporting requirements of the ultimate parent company, Hindalco Industries Limited, to present separate subsidiary financial statements in accordance with Sections 136 and 137 of the Companies Act, 2013 in India (2013 Act). The results of the Company's separate financial statements are also included in the consolidated financial statements of our direct parent, Novelis Inc., and of our ultimate parent, Hindalco Industries Limited, and those consolidated financial statements are publicly available. These statements have not been audited, as there is no local jurisdictional requirement to present audited stand alone legal entity financial statements.

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.

The 2013 Act, as interpreted, states the format of accounts of foreign subsidiaries should be, as far as possible, in accordance with the requirements under the Companies Act, 2013. The books and records of Novelis Inc. are prepared and recorded under U.S. GAAP. These standalone unconsolidated financial statements are prepared for the sole purpose of complying with the 2013 Act and it is not feasibly possible to present these statements in another basis of accounting other than books and records of the subsidiary.

Investments in Subsidiaries

For purposes of these standalone financial statements, we account for our investments in subsidiaries using the cost method. We have also retrospectively adjusted financial statements to reflect the amalgamations of certain subsidiaries in the U.S. and Canada that occurred during fiscal year 2016. These amalgamations had no impact on the consolidated financial statements.

ADITYA BIRLA
NOVELIS

CERTIFICATION

I, Stephanie Rauls, have reviewed the attached unaudited standalone financial statements for Novelis Corporation (Texas) and certify that the information included therein accurately reflects the financial position of Novelis Corporation (Texas) as of 31 March 2016 and the results of its operations for the year then ended.

____
Signature

Stephanie Rauls
Print Name

Assistant Treasurer
Title

August 17, 2016
Date

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

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

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

Novelis Corporation
Financial Statements as of March 31, 2016
Unaudited

Novelis Corporation

BALANCE SHEET

(In millions, except par value and number of shares)

	March 31, 2016		March 31, 2015	
ASSETS				
Current assets				
Cash and cash equivalents	$	1	$	16
Accounts receivable, net				
— third parties (net of allowances)		203		300
— related parties		179		81
Inventories		343		454
Prepaid expenses and other current assets		7		17
Fair value of derivative instruments		12		25
Deferred income tax assets		-		34
Assets held for sale		-		-
Total current assets		745		927
Property, plant and equipment, net		1,093		1,082
Goodwill		275		275
Intangible assets, net		310		346
Investments in subsidiaries		-		-
Other long–term assets		5		9
Total assets	$	2,428	$	2,639
LIABILITIES AND EQUITY (DEFICIT)				
Current liabilities				
Current portion of long–term debt	$	1	$	1
Short–term borrowings				
— related parties		115		177
Accounts payable				
— third parties		358		433
— related parties		222		244
Fair value of derivative instruments		26		35
Accrued expenses and other current liabilities				
— third parties		93		99
— related parties		76		31
Total current liabilities		891		1,020
Long–term debt, net of current portion				
— third parties		-		1
— related parties		808		500
Deferred income tax liabilities		177		230
Accrued postretirement benefits		202		171
Other long–term liabilities		24		33
Total liabilities		2,102		1,955
Commitments and contingencies				
Mezzanine equity				
Redeemable preferred stock, $0.01 par value; 20,000 preferred shares authorized; 10,000 shares issued and outstanding as of March 31, 2016 and 2015		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, 2016 and 2015		-		-
Additional paid–in capital		-		-
Accumulated deficit		(1,293)		(963)
Accumulated other comprehensive (loss) income		(62)		(34)
Total Shareholder's deficit		(1,355)		(997)
Total liabilities and equity (deficit)	$	2,428	$	2,639

See accompanying notes to the financial statements.

Novelis Corporation
STATEMENT OF OPERATIONS
(In millions)

	Year Ended March 31, 2016	Year Ended March 31, 2015
Net sales:		
— third parties	$ 3,141	$ 3,321
— related parties	538	585
Total net sales	3,679	3,906
Cost of goods sold, including related parties (exclusive of depreciation and	3,368	3,525
Selling, general and administrative expenses	156	136
Depreciation and amortization	136	130
Research and development expenses	43	40
Interest expense		
— related parties	45	40
Gain on assets held for sale	-	(2)
Gain on change in fair value of derivative instruments, net	(66)	(1)
Restructuring and impairment, net	14	2
Other income, net	(36)	(39)
	3,660	3,831
Income before income taxes	19	75
Income tax provision	3	27
Net income	$ 16	$ 48

See accompanying notes to the financial statements

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

	Year Ended March 31,	
	2016	**2015**
Net income	$ 16	$ 48
Other comprehensive income (loss):		
Change in pension and other benefits, net	(44)	(72)
Other comprehensive (loss) income before income tax effect	(44)	(72)
Income tax (benefit) provision related to items of other comprehensive income (loss)	(16)	(27)
Other comprehensive (loss) income, net of tax	(28)	(45)
Comprehensive (loss) income	$ (12)	$ 3

See accompanying notes to the financial statements.

Novelis Corporation
STATEMENT OF CASH FLOWS
(In millions)

	Year Ended March 31, 2016	Year Ended March 31, 2015
OPERATING ACTIVITIES		
Net income	$ 16	$ 48
Adjustments to determine net cash provided by operating activities:		
Depreciation and amortization	136	130
Gain on change in fair value of derivative instruments, net	(66)	(1)
Gain on assets held for sale	-	(2)
Gain on sale of assets	-	5
Loss on sale of assets	4	-
Non-cash impairment charges	14	2
Loss on extinguishment of debt	-	-
Deferred income taxes	(51)	(24)
Amortization of fair value adjustments, net	11	12
Equity in net loss of non–consolidated affiliates	-	-
(Gain) loss on foreign exchange remeasurement of debt	-	-
Amortization of debt issuance costs and carrying value adjustment	-	-
Other, net	-	-
Changes in assets and liabilities including assets and liabilities held for sale (net of effects from divestitures):		
Accounts receivable	(2)	94
Inventories	111	(112)
Accounts payable	(68)	69
Other current assets	9	1
Other current liabilities	36	93
Other noncurrent assets	25	2
Other noncurrent liabilities	(8)	(31)
Net cash provided by operating activities	167	286
INVESTING ACTIVITIES		
Capital expenditures	(159)	(124)
Proceeds from sales of assets, third party, net	-	-
Proceeds from the sale of assets, related party	-	-
Proceeds (outflows) from investment in and advances to related parties, net	-	-
Proceeds from settlement of other undesignated derivative instruments, net	60	(3)
Net cash (used in) investing activities	(99)	(127)
FINANCING ACTIVITIES		
Proceeds from issuance of long-term and short-term borrowings	-	-
Proceeds from issuance of debt, related parties	140	500
Principal payments of long-term and short-term borrowings, net	(1)	(1)
Revolving credit facilities and other, net	-	-
Short-term borrowings, related parties	(62)	(735)
Dividends paid	(160)	(160)
Dividends, noncontrolling interest	-	-
Acquisition of noncontrolling interest in Novelis Korea Ltd.	-	-
Debt issuance costs	-	-
Net cash (used in) provided by financing activities	(83)	(396)
Net (decrease) increase in cash and cash equivalents	(15)	(237)
Effect of exchange rate changes on cash	-	-
Cash and cash equivalents — beginning of period	16	253
Cash and cash equivalents — end of period	$ 1	$ 16

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, 2014	10,000	$ 1,681	4,945	$ -	$ -	$ (897)	$ 11	$ 795
Net income	-	-	-	-	-	48	-	48
Change in pension and other benefits, net of tax provision of $27 million included in AOCI	-	-	-	-	-	-	(45)	(45)
Related party transaction settlement	-	-	-	-	-	(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
Net income	-	-	-	-	-	16	-	16
Change in pension and other benefits, net of tax loss of $28 million included in AOCI	-	-	-	-	-	-	(28)	(28)
Related party transaction settlement						5		5
Capital contribution	-	-	-	-	-	-	-	-
Dividends declared	-	-	-	-	-	(160)	-	(160)
Recharacterization of prior year cumulative contributed capital to loan payable	-	-	-	-	-	(191)	-	(191)
Balance as of March 31, 2016	$ 10,000	$ 1,681	$ 4,945	$ -	$ -	$ (1,293)	$ (62)	$ 326

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 subsidiary financial statements in accordance with Sections 136 and 137 of the Companies Act, 2013 in India (2013 Act). The results of the Company's separate financial statements are also included in the consolidated financial statements of our direct parent, Novelis Inc., and of our ultimate parent, Hindalco Industries Limited, and those consolidated financial statements are publicly available. These statements have not been audited, as there is no local jurisdictional requirement to present audited stand alone legal entity financial statements.

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.

The 2013 Act, as interpreted, states the format of accounts of foreign subsidiaries should be, as far as possible, in accordance with the requirements under the Companies Act, 2013. The books and records of Novelis Inc. are prepared and recorded under U.S. GAAP. These standalone unconsolidated financial statements are prepared for the sole purpose of complying with the 2013 Act and it is not feasibly possible to present these statements in another basis of accounting other than books and records of the subsidiary.

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.

<u>Laws and regulations</u>

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.

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

Other risks and uncertainties

In addition, refer to Note 14 — Fair Value Measurements and Note 17 — 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" in our statement of operations, include employee severance and benefit costs, impairments of assets, and other costs associated with exit activities. We apply the provisions of ASC 420, Exit or Disposal Cost Obligations (ASC 420). Severance costs accounted for under ASC 420 are recognized when management with the proper level of authority has committed to a restructuring plan and communicated those actions to employees. Impairment losses are based upon the estimated fair value less costs to sell, with fair value estimated based on existing market prices for similar assets. Other exit costs include environmental remediation costs and contract termination costs, primarily related to equipment and facility lease obligations. At each reporting date, we evaluate the accruals for restructuring costs to ensure the accruals are still appropriate. See Note 2 — Restructuring and Impairment for further discussion.

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 14 — 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 5 — Property, Plant and Equipment for further discussion.

The ranges of estimated useful lives are as follows:

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

As noted above, our machinery and equipment have useful lives of 2 to 25 years. Most of our large scale machinery, 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 as of the last day of February 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, 2016 and 2015, we elected to perform the two-step quantitative impairment test. No goodwill impairment was identified in any of the years. See Note 6 — Goodwill and Intangible Assets for further discussion.

We use the present value of estimated future cash flows to establish the estimated fair value of our reporting units as of the testing date. 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 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 consolidated statements 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 6 — 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.

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 14 — 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, 2016 and 2015, we used March 31 as the measurement date.

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

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 17 — 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 16 — 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 10 — 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 2016, we adopted Financial Accounting Standards Board (FASB) ASU No.2013-05, Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. The amendments in this update provide clarification regarding the release of a cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets within a foreign entity. Our existing accounting policy complies with this guidance; therefore, there was no impact on our financial statements.

Effective for the first quarter fiscal 2016, we adopted 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 modifies 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. There was no impact upon adoption; however, the accounting treatment and classification of future disposals under this new standard could differ from our previous treatment and classification of disposals.

We elected to early adopt, ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, which requires all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. We applied the new standard prospectively to the Consolidated Balance Sheet as of March 31, 2016. The Consolidated Balance Sheet as of March 31, 2015 was not retrospectively adjusted. See Note 16 — Income Taxes for further discussion.

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (ASC 606)* , which, when effective, will supersede the guidance in former ASC 605, *Revenue Recognition* . The new guidance requires entities to recognize revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for annual periods beginning after December 15, 2016 and interim periods within that year. Early adoption is not permitted. We will adopt this standard in our first quarter ending June 30, 2017. We are currently evaluating the impact of this standard on our financial position and results of operations.

In February 2015, the FASB issued ASU No. 2015-02, Consolidations (Topic 810): Amendments to the Consolidations Analysis, which when effective, will (i) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities, (ii) eliminate the presumption that a general partner should consolidate a limited partnership, (iii) affect the consolidation analysis of reporting entities that are involved with variable interest entities, particularly those that have fee arrangements and related party relationships, and (iv) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The guidance is effective for annual periods beginning after December 15, 2015 and interim periods within that year. Early adoption is permitted. We will adopt this standard in our first quarter ending June 30, 2016. Adoption of this standard is not expected to have any impact on our consolidated financial position and results of operations.

In April 2015, the FASB issued ASU 2015-03, Interest - Imputation of Interest (ASC 835-30), which, when effective, will require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. The guidance is effective for annual periods beginning after December 15, 2015 and interim periods within that year. An entity should apply the new guidance on a retrospective basis, wherein the balance sheet or each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Early adoption is permitted. We will adopt this standard in our first quarter ending June 30, 2016. Adoption of this standard will impact the presentation of debt issuance costs on our financial position.

In May 2015, the FASB issued ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent), which, when effective, will remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The guidance is effective for annual periods beginning after December 15, 2015 and interim periods within those fiscal years. An entity should apply the amendments retrospectively to all periods presented. Early adoption is permitted. We will adopt this standard in our annual period ending March 31, 2017. Adoption of this standard may impact the presentation of certain pension plan assets in our postretirement benefit plans footnote disclosure.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory, which, when effective, will remove the requirement to measure inventory at the lower of cost or market whereas market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin, and require an entity to measure inventory at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The guidance is effective for annual periods beginning after December 15, 2016 including interim periods within those fiscal years. This update should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. We will adopt this standard on April 1, 2016, the start of our next fiscal year. Adoption of this standard is not expected to have any impact on our consolidated financial position and results of operations.

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

2. RESTRUCTURING AND IMPAIRMENT

“Restructuring and impairment, net” for the year ended March 31, 2016 was $14 million, which included impairment charges unrelated to restructuring actions of $1 million on certain non-core assets. "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.

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, 2014	-				
Fiscal 2015 Activity:					
Expenses	-	$ -	$ -	$ 2	$ 2
Cash payments	-				
Balance as of March 31, 2015	$ -				
Fiscal 2016 Activity:					
Expenses	-	$ 13	$ 13	$ 1	$ 14
Cash payments	-				
Balance as of March 31, 2016	$ -				

(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, 2016	Year ended March 31, 2015
Corporate Restructuring Program		
Asset Impairment (A)	13	-
Total restructuring charges	$ 13	$ -
Restructuring payments - North America		
Severance	-	-
Other	-	-
Total restructuring payments	$ -	$ -

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

3. ACCOUNTS RECEIVABLE

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

	March 31, 2016		March 31, 2015	
Trade accounts receivable - third parties	$	197	$	300
Accounts receivable — third parties		204		300
Allowance for doubtful accounts — third parties		(1)		-
Accounts receivable, net — third parties	$	203	$	300
Trade accounts receivable — related parties	$	179	$	81

For the periods ended March 31, 2016 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, 2016		Year Ended March 31, 2015	
Receivables factored	$	1,183	$	384
Factoring expense	$	5	$	1

	March 31, 2016		March 31, 2015	
Factored receivables outstanding	$	222	$	159

4. INVENTORIES

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

	March 31,	
	2016	2015
Finished goods	$ 78	$ 111
Work in process	129	151
Raw materials	109	169
Supplies	27	23
Inventories	$ 343	$ 454

5. PROPERTY, PLANT AND EQUIPMENT

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

	March 31, 2016	March 31, 2015
Land and property rights	$ 39	$ 38
Buildings	548	471
Machinery and equipment	1,355	1,245
	1,942	1,754
Accumulated depreciation and amortization	(870)	(778)
	1,072	976
Construction in progress	21	106
Property, plant and equipment, net	$ 1,093	$ 1,082

As of March 31, 2016 and 2015, there were $314 million and $273 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, 2016 and 2015, we capitalized $5 million and $2 million of interest related to construction of property, plant and equipment and intangibles under development, respectively.

	Year Ended March 31, 2016	Year Ended March 31, 2015
Depreciation expense related to property, plant and equipment, net	$ 102	$ 97

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 2016 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, 2016	Year Ended March 31, 2015
Rent expense	$ 3	$ 3

6. PROPERTY, PLANT AND EQUIPMENT - (Continued)

Future minimum lease payments as of March 31, 2016, 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
2017	$ 1	$ 1
2018	1	-
2019	1	-
2020	1	-
2021	1	-
Thereafter	8	-
Total minimum lease payments	$ 13	$ 1
Less: interest portion on capital lease (A)		-
Principal obligation on capital leases		$ 1

(A) For the years ended March 31, 2016 and 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, 2016 and 2015 are as follows (in millions).

	March 31, 2016	March 31, 2015
Assets under capital lease obligations:		
Machinery and equipment	$ 3	$ 3
Accumulated amortization	(2)	(1)
	$ 1	$ 2

6. GOODWILL AND INTANGIBLE ASSETS

The following table summarizes "Goodwill" (in millions) for the years ended March 31, 2016 and 2015.

	March 31, 2016			March 31, 2015		
	Gross Carrying Amount	Accumulated Impairment	Net Carrying Value	Gross Carrying Amount	Accumulated Impairment	Net Carrying Value
Goodwill	$ 1,135	$ (860)	$ 275	$ 1,135	$ (860)	$ 275

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

		March 31, 2016			March 31, 2015 (Unaudited)		
	Weighted Average Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Technology and software	12.14 years	$ 241	$ (109)	$ 132	$ 232	$ (91)	$ 141
Customer-related intangible assets	20 years	305	(135)	170	305	(119)	186
Favorable energy supply contract	9.5 years	124	(116)	8	124	(105)	19
	15.2 years	$ 670	$ (360)	$ 310	$ 661	$ (315)	$ 346

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, 2016	Year Ended March 31, 2015
Total Amortization expense related to intangible assets	$ 45	$ 45
Less: Amortization expense related to intangible assets included in "Cost of goods sold (exclusive of depreciation and amortization)" (A)	(11)	(12)
Amortization expense related to intangible assets included in "Depreciation and amortization"	$ 34	$ 33

(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,	
2017	$ 43
2018	35
2019	35
2020	35
2021	35

7. 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, 2016 and 2015 (in millions) using the cost method.

	March 31, 2016	March 31, 2015	As of March 31, 2016 Participation
Shareholdings - Common Shares			
Novelis Services (North America) Inc.	$ -	$ -	100%
Novelis PAE Corporation (B)	-	-	0%
Eurofoil Inc. (USA) (B)	-	-	0%
Logan Aluminum Inc.	-	-	40%
Novelis de Mexico, S.A. de C.V. (A)	-	-	99.99%
	$ -	$ -	

(A) As of March 31, 2016 and 2015, these investments were less than $1 million.

(B) As of March 31, 2016, these investments were dormant, repurposed and renamed to Novelis Global Employment Organization (GEO), effective December 15,2015. This new entity is wholly owned by Novelis Holdings Inc.

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 9 - Debt for further information on our Long term debt-related parties and Short term borrowings-related parties.

	March 31, 2016	March 31, 2015
Loan Receivable Related Party (A)	$ 116	$ -
Accounts receivable-related parties	$ 63	$ 81
Accounts payable-related parties (B)	$ 222	$ 244
Interest payable-related parties (C)	$ 76	$ 31

(A) Loan receivable represents Demand Note balance due from Novelis Inc as of March 31,2016.

(B) Included in Accounts payable-related parties is $113 million of dividends payable as of March 31, 2016 and 2015 due to Novelis Inc. related to outstanding preferred stock.

(C) 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, 2016	March 31, 2015
Interest expense - related parties	$ 45	$ 40

During the years ended March 31, 2016 and 2015, "Net product sales-related parties" were $538 million and $585 million, respectively.

8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

	March 31, 2016	March 31, 2015
Accrued compensation and benefits	$ 35	$ 31
Other current liabilities	58	68
Accrued expenses and other current liabilities — third parties	$ 93	$ 99
Accrued interest payable (A)	76	31
Accrued expenses and other current liabilities — related party	$ 76	$ 31

(A) This represents interest on related party debt with Novelis Inc and Novelis Holdings. See Note 9 —Debt for additional information on related party debt with Novelis Inc, Novelis Holdings, Novelis do Brasil, Novelis MEA and Novelis Korea Inc.

9. DEBT

Debt consists of the following (in millions).

		March 31, 2016				March 31, 2015		
	Interest Rates (A)	Principal	Unamortized Carrying Value Adjustments	Carrying Value		Principal	Unamortized Carrying Value Adjustments	Carrying Value
Third party debt:								
Debt, due through July 2017	3.51%	$ 1	$ -	$ 1		$ 2	$ -	$ 2
Total debt — third parties		1	-	1		2	-	2
Less: Short term borrowings		-	-	-		-	-	-
Less: Current portion of long term debt		(1)	-	(1)		(1)	-	(1)
Long-term debt, net of current portion — third parties:		$ -	$ -	$ -		$ 1	$ -	$ 1
Related party debt:								
Short term borrowings	4.14%	$ 115	$ -	$ 115	(B)	$ 177	$ -	$ 177
Related party debt:								
6.8% Fixed, due April 2021 (Novelis Inc.)	6.80%	640	-	640	(B)	500	-	500
6.8% Fixed, due October 2022 (Novelis Holdings)	6.80%	168	-	168	(B)		-	-
Other debt		-	-	-		-	-	-
Total debt — related parties		923	-	923		677	-	677
Less: Short term borrowings		(115)	-	(115)		(177)	-	(177)
Long-term debt, net of current portion — related parties:		$ 808	$ -	$ 808		$ 500	$ -	$ 500

(A) Interest rates are the stated rates of interest on the debt instrument (not the effective interest rate) as of March 31, 2016. 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

(1) Novelis Inc. (indirect parent), with a maturity date of April 7, 2021 bearing interest at a fixed rate of 6.8% per annum.

(2) Novelis Holdings, with a maturity date of October 3, 2022 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 short term promissory notes due to

(3) Novelis do Brasil bearing interest rates of the 12-month LIBOR with a spread of 4.16% with a maturity of November 9, 2016.

(4) Novelis MEA Ltd bearing interest rate at a fixed rate of 4.25% per annum, with a maturity date of March 28, 2017.

(5) Novelis MEA Ltd bearing interest rate at a fixed rate of 4.25% per annum, with a maturity date of July 6, 2016.

(6) Novelis Korea Inc bearing interest rate at a fixed rate of 3% per annum, with a maturity date of March 29, 2017.

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, 2016 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, 2016
Short-term borrowings and Current portion of long term debt due within one year	$ 116
2 years	-
3 years	-
4 years	-
5 years	-
Thereafter	808
Total	$ 924

10. DEBT - (Continued)

Other Long-term Debt

As of March 31, 2016, we had approximately $1 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, 2016 and 2015, Novelis Inc. was in compliance with the covenants in the Notes.

As of March 31, 2016, Novelis Inc. had senior secured credit facilities consisting of (i) a $1.8 billion seven-year secured term loan credit facility (Term Loan Facility), (ii) a $1.2 billion five-year asset based loan facility (ABL Revolver) and (iii) a $200 million 15-month subordinated secured lien revolving facility (Subordinated Lien Revolver). As of March 31, 2016, $18 million of the Term Loan Facility is due within one year. We have issued guarantees on behalf of Novelis Inc.'s Term Loan Facility and ABL Revolver. As of March 31, 2016, 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 our financial statements, litigation and other reporting requirements, insurance, payment of taxes, employee benefits and (subject to certain limitations) causing new subsidiaries to pledge collateral and guaranty our obligations. The senior secured credit facilities also include various customary negative covenants and events of default, including limitations on our ability to (1) make certain restricted payments, (2) incur additional indebtedness, (3) sell certain assets, (4) enter into sale and leaseback transactions, (5) make investments, loans and advances, (6) pay dividends or returns of capital and distributions beyond certain amounts, (7) engage in mergers, amalgamations or consolidations, (8) engage in certain transactions with affiliates, and (9) prepay certain indebtedness. Substantially all of our assets are pledged as collateral under the senior secured credit facilities. As of March 31, 2016, we were in compliance with the covenants in the Term Loan Facility and ABL Revolver.

In June 2015, Novelis Inc. amended its Term Loan Facility. The Amendment increases the principal amount of the Term Loan Facility from $1.7 billion to $1.8 billion and extends the final maturity from December 17, 2017 to June 2, 2022; provided that, in the event that any series of our senior unsecured notes remain outstanding 92 days prior to its maturity date, then the Term Loan Facility will mature on such date, subject to limited exceptions. The loans under the Term Loan Facility accrue interest at the higher of LIBOR and 0.75% plus a 3.25% spread. The Amendment eliminates the senior secured net leverage covenant that requires us to maintain a minimum senior secured net leverage ratio (subject to the terms disclosed in the preceding paragraph). In addition, certain negative covenants were amended to increase the Company’s operational flexibility, including increasing flexibility to enter into working capital management programs and incur other debt. 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 the Subordinated Lien Revolver with a maturity date of September 10, 2016. The interest rate for a loan under the Subordinated Lien Revolver is either equal to (i) a prime rate plus a spread of 2.5% or 2.25 depending on the total net leverage ratio then in effect or (ii) the higher of LIBOR and 0.75% plus a spread of 3.50% or 3.25% depending on the total net leverage ratio then in effect. The Subordinated Lien Revolver requires us to maintain a secured net leverage ratio of 4 to 1. Pursuant to the terms of the Term Loan Facility, such secured net leverage maintenance covenant will automatically apply to the Term Loan Facility as well for so long as the Subordinated Lien Revolver is in effect. 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,	
	2016	2015
Total compensation expense (income)	$ (1)	$ 1

The table below shows the RSUs activity for the year ended March 31, 2016

	Number of RSUs	Grant Date Fair Value (in Indian Rupees)	Aggregate Intrinsic Value (USD in millions)
RSUs outstanding as of March 31, 2015	576,165	122.64	$ 1
Granted	229,501	130.40	-
Exercised	(143,368)	136.66	-
Forfeited/Cancelled	(78,085)	132.45	-
RSUs outstanding as of March 31, 2016	584,213	126.76	$ 1

10. SHARE-BASED COMPENSATION - (Continued)

The table below shows Hindalco SARs activity for the year ended March 31, 2016

	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, 2015	2,509,368	123.87	4.4	$ 1
Granted	799,623	130.40	6.1	-
Exercised	(155,571)	67.45	-	2
Forfeited/Cancelled	(466,307)	136.53	-	-
SARs outstanding as of March 31, 2015	2,687,113	126.91	4.3	-
SARs exercisable as of March 31, 2016	1,039,383	125.69	3.0	$ -

The table below shows the Novelis SARs activity for the year ended March 31, 2016

	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, 2015	123,583	92.98	5.2	$ -
Granted	74,400	65.35	6.1	-
Exercised	(1,140)	79.88	-	-
Forfeited/Cancelled	(29,808)	83.19	-	-
SARs outstanding as of March 31, 2016	167,035	82.51	4.9	-
SARs exercisable as of March 31, 2016	44,737	91.71	3.7	$ -

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

	Year ended March 31,	
	2016	2015
Risk-free interest rate	7.23% - 7.68%	7.75% - 7.79%
Dividend yield	1.14 %	0.78 %
Volatility	43% - 44%	39% - 46%

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

	Year ended March 31,	
	2016	2015
Risk-free interest rate	.89% - 1.39%	0.96% - 1.59%
Dividend yield	—%	—%
Volatility	38% - 41%	27% - 34%

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 \$0.2 million and \$1 million, in the years ended March 31, 2016 and 2015, respectively. Total cash payments made to settle Hindalco RSUs were less than \$0.3 million for the year ended March 31, 2016. Unrecognized compensation expense related to the non-vested Hindalco SARs (assuming all future performance criteria are met) was \$0.4 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 \$1.4 million, which is expected to be recognized over a weighted average period of 2.7 years. Unrecognized compensation expense related to the RSUs was \$0.9 million, which will be recognized over the remaining weighted average vesting period of 1.1 years.

11. 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,			
	2016		2015	
Funded pension plans	$	2	$	1
Savings and defined contribution pension plans	$	20		10
Total contributions	$	22	$	11

During fiscal year 2017, we expect to contribute less than **$1** million to our funded pension plans and **$20** 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 Year Ended March 31,		Other Benefits Year Ended March 31,	
	2016	2015	2016	2015
Benefit obligation at beginning of period	$ 590	$ 528	$ 48	$ 41
Service cost	11	10	1	1
Interest cost	24	24	1	1
Benefits paid	(22)	(20)	(6)	(6)
Amendments	-	-	-	11
Actuarial losses (gains)	(6)	48	(5)	-
Benefit obligation at end of period	$ 597	$ 590	$ 39	$ 48
Benefit obligation of funded plans	$ 597	$ 590	$ -	$ -
Benefit obligation of unfunded plans	-	-	39	48
Benefit obligation at end of period	$ 597	$ 590	$ 39	$ 48

	Pension Benefits Year Ended March 31,	
	2016	2015
Change in fair value of plan assets		
Fair value of plan assets at beginning of period	$ 459	$ 435
Actual return on plan assets	(10)	43
Benefits paid	(22)	(20)
Company contributions	2	1
Fair value of plan assets at end of period	$ 429	$ 459

	March 31,			
	2016		2015	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Funded status				
Funded Status at end of period:				
Assets less the benefit obligation of funded plans	$ (168)	$ -	$ (131)	$ -
Benefit obligation of unfunded plans	-	(39)	-	(48)
	$ (168)	$ (39)	$ (131)	$ (48)
As included on the balance sheet within Total assets (Total liabilities)				
Accrued expenses and other current liabilities	$ -	$ (5)	$ (1)	$ (7)
Accrued postretirement benefits	(168)	(34)	(130)	(41)
	$ (168)	$ (39)	$ (131)	$ (48)

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,			
	2016		2015	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Net actuarial (loss)	$ (100)	$ 4	$ (75)	$ (9)
Prior service (cost) credit	-	(1)	(1)	30
Total postretirement amounts recognized in Accumulated other comprehensive (loss) income	$ (100)	$ 3	$ (76)	$ 21

The estimated amounts that will be amortized from "Accumulated other comprehensive (loss) income" into net periodic benefit cost in fiscal 2017 are $12 million for pension benefits related to net actuarial losses of $12 million and prior service costs of less than $1 million, and $4 million for other postretirement benefits, related to amortization of prior service credits of $2 million partially offset by net actuarial losses of $2 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,			
	2016		2015	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Beginning balance in Accumulated other comprehensive (loss) income	$ (76)	$ 21	$ (47)	$ 64
Plan amendment	(34)	-	-	(11)
Net actuarial gain (loss)	-	5	(35)	-
Amortization of:	-	-	-	-
Prior service credits (costs)	1	(27)	1	(37)
Actuarial loss	9	4	5	5
Effect of currency exchange	-	-	-	-
Total postretirement amounts recognized in Accumulated other comprehensive (loss) income	$ (100)	$ 3	$ (76)	$ 21

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, 2016	March 31, 2015
The projected benefit obligation and accumulated benefit obligation for all defined benefit pension plans:		
Projected benefit obligation	$ 597	$ 590
Accumulated benefit obligation	$ 549	$ 536
Pension plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligation	$ 597	$ 590
Fair value of plan assets	$ 429	$ 459
Pension plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligation	$ 549	$ 536
Fair value of plan assets	$ 429	$ 459

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
2017	$ 22	$ 6
2018	24	4
2019	26	2
2020	28	3
2021	29	-
2022 through 2026	168	13
Total	$ 297	$ 28

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 Year Ended March 31,		Other Benefits Year Ended March 31,	
	2016	2015	2016	2015
Net periodic benefit cost				
Service cost	$ 11	$ 10	$ 1	$ 1
Interest cost	24	24	1	1
Expected return on assets	(30)	(31)	-	-
Amortization — losses	9	5	(26)	5
Amortization — prior service cost (credit)	-	1	3	(37)
Net periodic benefit cost (income)	$ 14	$ 9	$ (21)	$ (30)

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 Year Ended March 31,		Other Benefits Year Ended March 31,	
	2016	2015	2016	2015
Weighted average assumptions used to determine benefit obligations				
Discount rate	4.1%	3.9%	3.6%	4.0%
Average compensation growth	3.5%	3.5%	0.0%	0.0%
Weighted average assumptions used to determine net periodic benefit cost				
Discount rate	3.9%	4.2%	3.5%	3.8%
Average compensation growth	3.5%	3.5%	0.0%	0.0%
Expected return on plan assets	6.3%	6.9%	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 2017.

We provide unfunded health care and life insurance benefits to our retired employees in the U.S. for which we paid $6 million in fiscal 2016 and paid $7 million in fiscal 2015, respectively. The assumed health care cost trend used for measurement purposes is 7.0% for fiscal 2017, decreasing gradually to 5% in 2026 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	$ 2	$ 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, 2016	2015
Equity	23 - 48%	42%	44%
Fixed income	52 - 77%	58%	56%
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, 2016 Fair Value Measurements Using				March 31, 2015 Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Equity	$ -	$ 182	$ -	$ 182	$ -	$ 200	$ -	$ 200
Fixed income	-	247	-	247	-	259	-	259
Total	$ -	$ 429	$ -	$ 429	$ -	$ 459	$ -	$ 459

12. FINANCIAL INSTRUMENTS AND COMMODITY CONTRACTS

The gross fair values of our financial instruments and commodity contracts as of March 31, 2016 and 2015 are as follows (in millions)

	March 31, 2016				
	Assets		Liabilities		Net Fair Value
	Current	Noncurrent	Current	Noncurrent	Assets/(Liabilities)
Aluminum contracts	$ 12	$ -	$ (12)	$ -	$ -
Currency exchange contracts	$ -	$ -	$ -	$ -	$ -
Energy contracts	$ -	$ 1	$ (14)	$ -	$ (13)
Total derivative fair value	$ 12	$ 1	$ (26)	$ -	$ (13)

	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)

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, 2016 and March 31, 2015, we have (169) kt and (129) kt respectively, of outstanding aluminum Sales/Purchase contracts. The maximum and average duration of metal forward contracts is 22 months and 18 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.

As of March 31, 2016 and 2015, we had outstanding foreign currency exchange contracts with a total notional amount of $8 million and $21 million, respectively. Contracts that represent the majority of notional amounts hedge expected future foreign currency transactions, which include capital expenditures. These contracts cover the same periods as known or expected exposures and have a maximum duration of less than two years.

13. FINANCIAL INSTRUMENTS AND COMMODITY CONTRACTS - (Continued)

Energy

We own an interest in an electricity swap that matures January 5, 2017 which we formerly designated as a cash flow hedge of our exposure to fluctuating electricity prices. As of March 31, 2011, due to significant credit deterioration of our counterparty, we discontinued hedge accounting for this electricity swap, even though the counterparty's credit has subsequently improved. Less than 1 million of notional megawatt hours remained outstanding as of March 31, 2016, and the fair value of this swap was a liability of $9 million as of March 31, 2016. As of March 31, 2015, the fair value of this electricity swap was a liability of $16 million.

On December 31, 2015, we entered into an agreement to extend the existing electricity swap contract for an additional five years, effective January 6, 2017 and maturing on January 5, 2022. As of March 31, 2016, 1 million of notional megawatt hours was outstanding and the fair value of this swap was an asset of $1 million. The electricity swap was not designated as of March 31, 2016.

We use natural gas forward purchase contracts to manage our exposure to fluctuating energy prices in North America. We had 5 million MMBTUs designated as cash flow hedges as of March 31, 2016, and the fair value was a liability of $4 million. There were 7 million MMBTUs of natural gas forward purchase contracts designated as cash flow hedges as of March 31, 2015 and the fair value was a liability of $8 million. As of March 31, 2016 and 2015, we had less than 1 million MMBTUs and 2 million MMBTUs, respectively, of natural gas forward purchase contracts that were not designated as hedges. The fair value as of March 31, 2016 and 2015 was a liability of $1 million and a liability of $3 million, respectively, for the forward purchase contracts not designated as hedges. The average duration of undesignated contracts is less than two years. One MMBTU is the equivalent of one decatherm, or one million British Thermal Units.

We use diesel fuel forward purchase contracts to manage our exposure to fluctuating fuel prices in North America, which are not designated as hedges as of March 31, 2016. We had 4 million gallons of diesel fuel forward purchase contracts outstanding as of March 31, 2016, and the fair value was a liability of less than $1 million. The average duration of undesignated contracts is less than one year.

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,	
	2016	2015
Derivative Instruments		
Aluminum contracts	$ 63	$ 10
Currency exchange contracts	-	(4)
Energy contracts	3	(5)
Gain on change in fair value of derivative instruments, net	$ 66	$ 1

13. 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, 2014	$ 11	$ 11
Other comprehensive income (loss) before reclassifications	(45)	(45)
Amounts reclassified from AOCI	-	-
Net change in other comprehensive income (loss)	(45)	(45)
Balance as of March 31, 2015	(34)	(34)
Other comprehensive income (loss) before reclassifications	(28)	(28)
Amounts reclassified from AOCI	-	-
Net change in other comprehensive (loss) income	(28)	(28)
	$ (62)	$ (62)

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

14. 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.

For the electricity swap maturing January 5, 2017, the average forward price at March 31, 2016, estimated using the method described above, was $41 per megawatt hour, which represented a $2 premium over forward prices in the nearby observable market. The actual rate from the most recent swap settlement was approximately $25 per megawatt hour. Each $1 per megawatt hour decline in price decreases the valuation of the electricity swap by less than $1 million.

For the electricity swap maturing January 5, 2022, the average forward price at March 31, 2016, estimated using the method described above, was $46 per megawatt hour, which represented a $3 premium over forward prices in the nearby observable market. The actual rate from the most recent swap settlement was approximately $25 per megawatt hour. Each $1 per megawatt hour decline in price decreases the valuation of the electricity swap by $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, 2016 and March 31, 2015, 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, 2016 and March 31, 2015 (in millions).

14. FAIR VALUE MEASUREMENTS - (Continued)

	March 31,			
	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Level 2 Instruments				
Aluminum contracts	$ 12	$ (12)	$ 22	$ (9)
Currency exchange contracts	-	-	-	(5)
Energy contracts	-	(5)	3	(14)
Interest rate swaps	-	-	-	-
Total Level 2 Instruments	12	(17)	25	(28)
Level 3 Instruments				
Energy Contracts	1	(9)	-	(16)
Total Level 3 Instruments	1	(9)	-	(16)
Total gross	$ 13	$ (26)	$ 25	$ (44)
Netting adjustment (A)	(11)	11	(3)	3
Total net	$ 2	$ (15)	$ 22	$ (41)

(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 gains of $2 million for the year ended March 31, 2016 related to Level 3 financial instruments that were still held as of March 31, 2016. These unrealized gains were included in “Other (income) expense, 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, 2014	$ (19)
Realized/unrealized gain included in earnings (B)	10
Settlements	(7)
Balance as of March 31, 2015	$ (16)
Realized/unrealized gain included in earnings (B)	9
Settlements	(1)
Balance as of March 31, 2016	$ (8)

(A) Represents net derivative liabilities.

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

14. 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,			
	2016		2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities				
Total debt — third parties (excluding short term borrowings)	$ -	$ -	$ 2	$ 2
Total debt — related parties (excluding short term borrowings)	$ 758	$ 758	$ 500	$ 500

15. OTHER (INCOME) EXPENSE

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

	Year Ended March 31, 2016	Year Ended March 31, 2015
Gain on business interruption insurance recovery, net (A)	$ (10)	$ (13)
Other, net - third parties	(1)	-
Other, net - related parties (B)	(25)	(26)
Other income, net	$ (36)	$ (39)

(A) We experienced an outage at the hotmill in the Logan facility in North America due to an unexpected failure of motor, which resulted in lost shipments and profits during the fourth quarter of fiscal 2015. A repaired motor was installed and operations at the hotmill resumed within approximately three weeks of the outage. We recognized gains of $5 million, $5 million and $13 million during the second quarter of fiscal 2016, first quarter of fiscal 2016, and fourth quarter of fiscal 2015, respectively, as settlements of the related business interruption recovery claim were reached. The payment in the second quarter of fiscal 2016 represented the final settlement payment.

(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.

16. 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,	
	2016	**2015**
Domestic (US)	$ 19	$ 75
Pre-tax income	$ 19	$ 75

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

	Year Ended March 31,	
	2016	**2015**
Current provision (benefit):		
Federal	$ 30	$ 51
State	3	-
Total current	$ 33	51
Deferred provision (benefit):		
Federal	(25)	(27)
State	(5)	3
Total deferred	(30)	(24)
Income tax provision	$ 3	$ 27

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, 2016 the Company had total deferred tax assets of approximately $243 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 $378 million primarily related to differences in the tax and net book values of assets.

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.

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 $41 million and $53 million were necessary as of March 31, 2016 and 2015, respectively.

As of March 31, 2016, we had net operating loss carryforwards of approximately $48 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 year 2027 with some amounts being carried forward indefinitely. As of March 31, 2016, a valuation allowance of $41 million had been 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, 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, a valuation allowance of $53 million had been 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.

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.

16. INCOME TAXES - (Continued)

Tax Uncertainties

As of March 31, 2016 and 2015, 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 $2 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, 2016 and 2015, 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 $117 million and $8 million as of March 31, 2016, respectively. However, the federal income tax payable and a portion of the state will be settled annually.

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.

See Note 19-Supplemental Information for additional information.

17. 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 $70 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, 2016 were approximately $3 million, which was associated with undiscounted clean-up costs. Additionally, $2 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, 2016. 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, 2016 and 2015, 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, 2016 is $22 million and as of March 31, 2015 was approximately $81 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, 2016 and 2015, there was no liability related to these repurchase obligations on our accompanying consolidated balance sheets.

18. MEZZANINE EQUITY AND SHAREHOLDER'S DEFICIT

Preferred Stock

As of March 31, 2016 and 2015, we had redeemable preferred stock 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 stock, 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 stock 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 stock is not entitled to any voting powers. The shares of preferred stock shall not be convertible into shares of any other class or classes or series of any class or classes of capital stock of Novelis Corporation.

In December 2010, 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 stock from the stockholders 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 stock 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, 2016 and 2015, we declared $160 million dividends to Novelis Inc. for the preferred stock, which is included in our statement of shareholder's equity. As of March 31, 2016 and 2015, there was $113 million of dividends payable due to Novelis Inc. related to outstanding preferred stock 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, 2016 and March 31, 2015 respectively.

Material Non-Cash Contribution

Our balance sheet previously included federal and state income taxes payable (net) of $117 million and $8 million as of March 31, 2016, respectively, and $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. See Note 16 - Income Taxes and Note 19 - Supplemental Information for additional information.

19. SUPPLEMENTAL INFORMATION

Supplemental cash flow information (in millions).

	Year Ended March 31,	
	2016	2015
Supplemental disclosures of cash flow information:		
Interest paid	$ 1	$ 10
Income taxes paid	$ -	$ 1

As of March 31, 2016 and March 31, 2015, we recorded $36 and $58 million respectively of outstanding accounts payable and accrued liabilities related to capital expenditures in which the cash outflows will occur subsequent to March 31 of each year. During the years ended March 31, 2016 and 2015 we incurred capital lease obligations of zero and less than $1 million, respectively,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. During the year ended March 31, 2015 $51 million of the federal and state income taxes were settled through a non-cash contribution of capital from Novelis Holdings Inc. During the year ended March 31, 2016, the cumulative non-cash contribution of capital was recharacterized as a loan payable to Novelis Holdings Inc.. The loan payable is recorded within “Long term debt – related parties.” Additionally, certain net operating loss carryfowards that were previously part of the non-cash contribution of capital have been reclassified from Novelis Corporation back to Novelis Holdings Inc.

NOVELIS DE MEXICO S.A. DE C.V.

ADITYA BIRLA
NOVELIS

CERTIFICATION

I, Derek Keddy, have reviewed the attached unaudited standalone financial statements for Novelis de Mexico SA de CV and certify that the information included therein accurately reflects the financial position of Novelis de Mexico SA de CV as of 31 March 2016 and the results of its operations for the year then ended.

Signature

DEREK KEDDY

Print Name

VP Finance Novelis North America

Title

8/25/2016

Date

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

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

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

Novelis de Mexico, S.A. de C.V.
Financial statements as of
March 31, 2016
Unaudited

Novelis de Mexico, S.A. de C.V.
BALANCE SHEET
(In thousands, except par value and number of shares)

	March 31, 2016	March 31, 2015
ASSETS		
Total assets	$ -	$ -
LIABILITIES AND SHAREHOLDER’S EQUITY		
Total liabilities	-	-
Shareholder’s equity		
Common stock, $1 Moneda Nacional par value; unlimited number of shares authorized; 50,000 shares issued and outstanding as of March 31, 2016 and 2015	7	7
Accumulated deficit	(7)	(7)
Total shareholder's equity	-	-
Total liabilities and shareholder's equity	$ -	$ -

See accompanying notes to the financial statements.

Novelis de Mexico, S.A. de C.V.
STATEMENT OF OPERATIONS
(In thousands)

	Year Ended March 31,	
	2016	2015
Income before income taxes	$ -	$ -
Income tax provision	-	-
Net income	$ -	$ -

See accompanying notes to the financial statements

Novelis de Mexico, S.A. de C.V.
STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Year Ended March 31,	
	2016	**2015**
Net income	$ -	$ -
Comprehensive income	$ -	$ -

See accompanying notes to the financial statements.

Novelis de Mexico, S.A. de C.V.
STATEMENT OF CASH FLOWS
(In thousands)

	Year Ended March 31,	
	2016	**2015**
OPERATING ACTIVITIES		
Net income	$ -	$ -
Net cash provided by operating activities	-	-
INVESTING ACTIVITIES		
Net cash provided by investing activities	-	-
FINANCING ACTIVITIES		
Net cash provided by financing activities	-	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents — beginning of period	-	-
Cash and cash equivalents — end of period	$ -	$ -

See accompanying notes to the financial statements

Novelis de Mexico, S.A. de C.V.
STATEMENT OF SHAREHOLDER'S EQUITY
(In thousands, except number of shares)

	Common Shares		(Accumulated	Total
	Shares	Amount	Deficit)	Equity
Balance as of March 31, 2014	50,000	$ 7	$ (7)	$ -
Net income	-	-	-	-
Balance as of March 31, 2015	50,000	7	(7)	-
Net income	-	-	-	-
Balance as of March 31, 2016	50,000	$ 7	$ (7)	$ -

See accompanying notes to the financial statements

Novelis de Mexico, S.A. de C.V.
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 de Mexico, S.A. de C.V. unless the context specifically indicates otherwise.

Organization of Business

Novelis de Mexico, S.A. de C.V. was formed in the United States of America on September 18, 1996 and is currently dormant. Novelis Corporation directly holds 49,999 of the 50,000 authorized common shares. All of Novelis Corporation's common shares are directly held by Novelis Holdings Inc. All of Novelis Holdings Inc.'s common shares are directly held by Novelis Inc. (Canada). The Company's functional and reporting currency is United States Dollar (USD).

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 as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. 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 Presentation

These financial statements have been prepared solely to satisfy the reporting requirements of the ultimate parent company, Hindalco Industries Limited, to present separate subsidiary financial statements in accordance with Sections 136 and 137 of the Companies Act, 2013 in India (2013 Act). The results of the Company's separate financial statements are also included in the consolidated financial statements of our direct parent, Novelis Inc., and of our ultimate parent, Hindalco Industries Limited, and those consolidated financial statements are publicly available. These statements have not been audited, as there is no local jurisdictional requirement to present audited stand alone legal entity financial statements.

The 2013 Act, as interpreted, states the format of accounts of foreign subsidiaries should be, as far as possible, in accordance with the requirements under the Companies Act, 2013. The books and records of Novelis Inc. are prepared and recorded under U.S. GAAP. These standalone unconsolidated financial statements are prepared for the sole purpose of complying with the 2013 Act and it is not feasibly possible to present these statements in another basis of accounting other than books and records of the subsidiary.

(A free translation of the original in Portuguese)

Novelis do Brasil Ltda.

Financial statements at
March 31, 2016
and independent auditor's report

(A free translation of the original in Portuguese)

Independent auditor's report

To the Management and Quotaholders
Novelis do Brasil Ltda.

We have audited the accompanying financial statements of Novelis do Brasil Ltda. (the "Company"), which comprise the balance sheet as at March 31, 2016 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), 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 Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and 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 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 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. 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.

PricewaterhouseCoopers, Av. Francisco Matarazzo 1400, Torre Torino, São Paulo, SP, Brasil 05001-903, Caixa Postal 61005
T: (11) 3674-2000, www.pwc.com/br

Novelis do Brasil Ltda.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Novelis do Brasil Ltda. as at March 31, 2016, and its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

São Paulo, May 16, 2016

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Tadeu Cendón Ferreira
Contador CRC 1SP188352/O-5

Novelis do Brasil Ltda.

Balance sheet at March 31

All amounts in thousands of Reais

(A free translation of the original in Portuguese)

Assets	2016	2015
Current assets		
Cash and cash equivalents (Note 6)	984,005	611,389
Trade receivables (Note 8)	604,858	552,618
Other receivables (Note 8)	9,632	-
Receivables from related parties (Note 22)	65,577	110,751
Inventory (Note 9)	420,464	446,960
Taxes recoverable	13,671	92,810
Derivative financial instruments (Note 7)	44,285	31,530
Other receivables	51,519	123,028
	2,194,011	1,969,086
Non-current assets held for sale	16,819	19,504
	2,210,830	1,988,590
Non-current assets		
Long term receivables		
Related parties (Note 22)	108,898	178,940
Taxes recoverable	20,219	22,702
Judicial deposits (Note 13)	18,401	17,586
Other receivables	23,797	12,494
	171,316	231,722
Investments	3	3
Intangible assets	4,061	3,066
Property, plant and equipment (Note 10)	2,945,186	2,736,979
	3,120,566	2,971,770
Total assets	5,331,395	4,960,360

Liabilities and equity	2016	2015
Current liabilities		
Trade payables (Note 11)	207,584	322,181
Trade payables – reverse factoring (Note 11 (a))	409,152	214,959
Other payables (Note 11 (b))	244,955	199,947
Borrowing (Note 12)	283,585	542,358
Borrowing from related parties (Notes 12 and 22)	-	2,828
Salaries, provisions and social charges	47,530	46,548
Current income tax and social contribution payable	23,476	69,353
Other taxes and contributions payable	40,668	42,599
Tax refinancing (Note 14)	25,807	23,776
Derivative financial instruments (Note 7)	18,532	12,950
Payables to related parties (Note 22)	45,621	61,231
Advances from customers	11,167	17,774
Other liabilities (Note 23)	154,547	149,242
	1,512,623	1,705,743
Non-current liabilities		
Borrowing from related parties (Notes 12 and 22)	-	657,640
Borrowing (Note 12)	26,006	29,067
Deferred income tax and social contribution (Note 15)	639,931	511,198
Tax refinancing (Note 14)	202,585	209,964
Derivative financial instruments (Note 7)	18,841	18,688
Provision for contingencies (Note 13)	53,674	34,189
Other liabilities (Note 23)	31,801	63,171
	972,839	1,523,917
Total liabilities	2,485,462	3,229,660
Equity		
Share capital (Note 16)	958,528	402,147
Carrying value adjustments	1,178,235	933,097
Retained earnings	709,170	395,456
Total equity	2,845,933	1,730,700
Total liabilities and equity	5,331,395	4,960,360

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

Novelis do Brasil Ltda.

Statement of income
Years ended March 31
All amounts in thousands of reais

(A free translation of the original in Portuguese)

	2016	2015
Net revenue (Note 17)	**5,648,449**	**4,579,634**
Cost of sales (Note 19)	(4,467,001)	(3,894,643)
Gross profit	**1,181,448**	**684,991**
Selling expenses (Note 19)	(14,670)	(13,250)
Administrative expenses (Note 19)	(73,903)	(77,209)
Other expenses, net (Note 18)	(309,851)	(248,965)
Operating profit before finance results	**783,025**	**345,567**
Finance results, net (Note 20)	(17,307)	(20,450)
Net foreign exchange and monetary gains (losses) (Note 21)	94,844	129,097
Net finance income	**77,537**	**108,647**
Profit before taxation	**860,562**	**454,214**
Income tax and social contribution		
Current (Note 15)	(291,501)	(177,506)
Deferred (Note 15)	(51,304)	(4,164)
Profit for the year	**517,757**	**272,544**

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

Novelis do Brasil Ltda.

Statement of comprehensive income
Years ended March 31
All amounts in thousands of reais

(A free translation of the original in Portuguese)

	2016	2015
Profit for the year	517,757	272,544
Other comprehensive income (loss)		
Items that will be reclassified to profit or loss		
Derivatives	16,330	4,883
Exclusive health plan	(907)	322
Items that will not be reclassified to profit or loss		
Currency translation adjustments	241,573	487,260
Total other comprehensive income	256,996	492,465
Total comprehensive income for the year	774,753	765,009

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

Novelis do Brasil Ltda.

Statement of changes in equity
All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Share capital	Carrying value adjustments	Retained earnings	Total
At March 31, 2014	402,147	484,471	144,075	1,030,693
Profit for the year			272,544	272,544
Other comprehensive income (Note 17(c))		492,465		492,465
Total comprehensive income for the year		492,465	272,544	765,009
Reclassifications				
Realization – deemed cost		(43,839)	43,839	-
Allocation of profit for the year				
Interest on capital (Note 16 (b))			(21,172)	(21,172)
Dividend distribution (Note 16(b))			(60,266)	(60,266)
Write-off of goodwill – sale of business			16,436	16,436
Total distribution to quotaholders			(65,002)	(65,002)
At March 31, 2015	402,147	933,097	395,456	1,730,700
Profit for the year			517,757	517,757
Other comprehensive income (Note 17(c))		256,996		256,996
Total comprehensive income for the year		256,996	517,757	774,753
Transactions with stockholders				
Capital increase through capitalization of borrowing	556,381			556,381
Reclassifications				
Realization – deemed cost		(11,858)	11,858	-
Allocation of profit for the year				
Dividend distribution (Note 16(b))			(163,767)	(163,767)
Interest on capital (Note 16 (b))			(52,134)	(52,134)
Total distribution to quotaholders			(215,901)	(215,901)
At March 31, 2016	958,528	1,178,235	709,170	2,845,933

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

Novelis do Brasil Ltda.

Statement of cash flow
Years ended March 31
All amounts in thousands of reais

(A free translation of the original in Portuguese)

	2016	2015
Cash flow from operating activities		
Profit for the year	517,757	272,544
Adjustments to reconcile profit for the year with cash provided by operating activities		
Depreciation and amortization	209,298	152,629
Loss (profit) on disposal of property, plant and equipment and intangible assets	19,321	5,330
Deferred income tax and social contribution	51,304	4,164
Transactions with unsettled derivative instruments	14,981	(5,330)
Provision for contingencies	25,348	8,669
Updated fair value of borrowing	815	1,866
Proceedings from borrowing	(5,867)	(4,675)
Impairment	5,256	-
Interest on borrowing	11,556	29,240
	849,769	464,437
Changes in equity accounts		
Other comprehensive income	15,423	5,205
Other changes in equity	-	16,436
Changes in assets and liabilities		
Trade receivables	43,728	20,840
Inventory	75,998	(16,622)
Taxes recoverable	90,017	(12,639)
Other receivables	88,229	(123,110)
Judicial deposits	1,117	8,704
Assets held for sale	(398)	-
Trade payables	44,354	184,036
Salaries and social charges	(4,143)	(13,403)
Taxes and contributions payable	(51,814)	22,583
Tax refinancing	(31,166)	(85,090)
Derivative financial instruments	(35,234)	(3,922)
Payables to associates	(22,489)	(2,170)
Advances from customers	(8,621)	(4,975)
Contingencies	(6,810)	(8,221)
Other liabilities	(58,418)	28,209
Net cash provided by operating activities	989,542	480,297
Cash flow from investment activities		
Proceeds from sales of property, plant and equipment and assets held for sale	-	189,992
Loans receivable from related parties	-	(49,540)
Receipt of loans from related parties	89,696	-
Interest received on loans	6,517	2,745
Purchases of property, plant and equipment and intangible assets	(137,371)	(109,842)
Net cash provided by (used in) investment activities	(41,159)	33,355

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

Novelis do Brasil Ltda.

Statement of cash flow
Years ended March 31
All amounts in thousands of reals (continued)

	2016	2015
Cash flow from financing activities		
Payment of interest on borrowing from related parties	(1,676)	(11,684)
New borrowing	161,459	776,098
Payment of interest on borrowing from third parties	(11,034)	(15,330)
Repayment of borrowing from related parties	(107,635)	(111,789)
Payment of dividends	(163,200)	(60,266)
Repayment of borrowing from third parties	(485,029)	(642,978)
Interest on capital paid	(51,825)	(21,172)
Net cash used in financing activities	(658,939)	(87,120)
Effects of exchange rate changes on cash and cash equivalents	83,173	112,303
Increase in cash and cash equivalents	372,617	538,835
Cash and cash equivalents at the beginning of the year	611,389	72,554
Cash and cash equivalents at the end of the year	984,005	611,389
Additional information on cash flow		
Income tax		
Payments	(206,720)	(118,772)
Social contribution on net income		
Payments	(76,033)	(43,839)
Non-cash transactions		
Capital increase through associated checking accounts	556,381	

The accompanying notes are na integral part of these financial statements.

1 General information

Novelis do Brasil Ltda. (the "Company" or "Novelis") is a subsidiary of Novelis Inc., headquartered in Atlanta, Georgia, USA. Novelis Inc. belongs to Hindalco Industries Limited headquartered in Mumbai, the main company of the multinational Aditya Birla Group.

The Novelis Group is the world leader in aluminum rolled products and aluminum recycling. Based on the Company's capacity, commitment to innovation and cutting-edge technology, Novelis offers sustainable solutions for the most demanding applications, which include automobiles, beverage cans, civil construction, architectural materials, electronic goods, transportation, among others.

Most of the Company's aluminum products are made from recyclable materials, preserving natural resources and allowing the creation of products with a lower environmental impact.

Novelis, with its headquarters in the city of São Paulo, has two plants located in Pindamonhangaba and Santo André, both in the state of São Paulo, which together carry out aluminum sheet and foil rolling, recycling and toll manufacturing operations.

The main markets served by Novelis are: aluminum cans, specialty products, industrial, foil, packaging and transportation, with the beverage cans segment being the main market.

In response to the increasing demand for aluminum laminates, Novelis expanded the Pindamonhangaba plant in fiscal year 2014, installed a new beverage can painting line, and increased its aluminum recycling capacity in the fiscal year 2015.

Novelis also has eight collection centers distributed across five states (São Paulo, Minas Gerais, Bahia, Recife and Pará) and two small hydroelectric plants in the state of Minas Gerais.

It has a total of around 1,500 employees.

In 2013 Novelis started restructuring its non-strategic businesses, with the sale of the aluminum production assets and the closing of an aluminum production line in Ouro Preto, Minas Gerais.

In December 2014, continuing its global strategy of focusing its businesses on the rolling segment, Novelis sold its mining rights, closed the remaining operations of the production unit in Ouro Preto, Minas Gerais, and sold its stake in Consórcio da Usina Hidroelétrica de Candonga ("Candonga Consortium"). In February 2015 the Company also sold Usina Maynart Energética, which comprised six small hydroelectric plants, all of them in the State of Minas Gerais.

The issue of these financial statements was authorized by the Company's Board of Directors on May 16, 2016.

2 Summary of significant accounting policies

The main accounting policies applied to the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared using historical cost as the value base, and have been adjusted to reflect the "Deemed cost" of the fixed assets on the date of transition to the new pronouncements issued by the Brazilian Accounting Pronouncements Committee ("CPCs") beginning on January 1, 2008 ("transition date") and financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. Those areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2.1.1 New standards that are not yet effective

The following new standards were issued by IASB but are not effective for 2015. The early adoption of standards, even though encouraged by IASB, has not been implemented in Brazil by the Brazilian Accounting Pronouncements Committee (CPC).

. IFRS 9, "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014 and is effective from January 1, 2018. It replaces the guidance included in IAS 39 related to the classification and measurement of financial instruments. The main amendments introduced by IFRS 9 are: (i) new criteria for the classification of financial assets; (ii) new impairment model for financial assets, which is a hybrid of expected and incurred losses, replacing the current model of incurred losses; and (iii) relaxation of the requirements for the adoption of hedge accounting. Management has yet to assess IFRS 9's full impact.

. IFRS 15, "Revenue from Contracts with Customers" introduces the principles to be applied by an entity to determine the measurement and recognition of revenue. The effective date is January 1, 2018 and replaces IAS 11 - "Construction Contracts", IAS 18 - "Revenue" and related interpretations. Management has yet to assess IFRS 15's full impact.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group's financial statements.

(a) Financial statements

The financial statements have been prepared and are being presented in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPCs) and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Joint operations

The Candonga Consortium was incorporated under the terms of Article 278 of Law 6,404/76, which establishes that the consortium is not a legal entity, and that the consortium companies should individually account for their proportionate share of the consortium's assets and liabilities, without an assumption of joint liability. In this context, Novelis' stake in the consortium (corresponding to a 50% stake) was reflected in these financial statements until December 10, 2014, when Novelis' stake in the consortium was sold to a third party. In 2015, this represented a net amount of R$ 87,991 in the related asset and liability accounts, substantially recorded in non-current assets held for sale.

2.2 Foreign currency translation

(a) Functional currency

After an analysis of the operations and business of Novelis, mainly with respect to the determination of its functional currency, Management concluded that the US Dollar ("US$" or "Dollar") is its functional currency.

(b) Presentation currency

In compliance with Brazilian legislation, these financial statements are being presented in Brazilian Reais (R$), by translating the financial statements prepared in the Company's functional currency into R$, using the following criteria:

- Assets and liabilities at the foreign exchange rate at the end of the year.
- Statement of income accounts and statement of cash flow, at the monthly average rate.
- Equity, at historical cost.

The foreign exchange variations resulting from the translation mentioned above are recognized in the specific equity account "Currency translation adjustments".

(c) Transactions and balances

Transactions in other currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or the dates of valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income as monetary and foreign exchange variations.

2.3 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits with banks and other short term highly liquid investments with original maturities of three months or less, and with an immaterial risk of changes in value.

2.4 Financial assets

2.4.1 Classification

The Company classifies its financial assets, upon initial recognition, in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. In the years presented there were no financial assets classified as available for sale.

Derivatives are also categorized as measured at fair value through profit or loss unless they are designated as hedges.

Financial assets are included in current assets, except for those with maturities greater than 12 months after the balance sheet date.

2.4.2 Recognition and measurement

Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of income. Financial assets are derecognized when the rights to receive cash flow from the investments have expired or have been transferred, and the Company has transferred substantially all of the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the statement of income within "Finance results, net" in the period in which they arise.

2.4.3 Impairment of financial assets

Assets carried at amortized cost
The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired, and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flow of the financial asset or group of financial assets that can be reliably estimated.

The amount of any impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flow discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, and the amount of the loss is recognized in the statement of income. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recorded loss is recognized in the statement of income.

2.5 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, in the case of adoption of hedge accounting, and if so, the nature of the item being hedged. The Company adopts hedge accounting procedures, and designates certain derivatives as either:

- Hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);
- Hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow and metal hedges).

The Company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

The fair values of derivative instruments used for hedging purposes are disclosed in Note 7. Changes in the hedging amounts classified in "Carrying value adjustments" within equity are shown in the table of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Derivatives are classified as current assets or liabilities.

(a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Company only applies fair value hedge accounting to hedge the risk of fluctuations in the metal prices (commodities), interest on borrowing and foreign exchange exposure.

The gain or loss relating to the effective portion of the metal derivatives is recognized in the statement of income within "Cost of sales" and, in the case of foreign exchange exposure, within "Finance results, net".

(b) Cash flow hedges and metal hedges (commodity)

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity within "Carrying value adjustments". The gain or loss relating to the ineffective portion is recognized immediately in the statement of income within "Finance results, net ".

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of derivatives used as hedges by the Company is recognized as follows:

***(i)* Cash flow hedge**
The gain or loss relating to the effective portion of derivatives that hedge the Company's foreign exchange exposure, interest on borrowing and depreciation (of property, plant and equipment) is recognized in the statement of income within "Finance results, net" and, in the case of property, plant and equipment, within "Depreciation".

***(ii)* Metal hedge (commodity)**
The gain or loss relating to the effective portion of derivatives that hedge the Company's exposure to fluctuations in the metal price (commodity) is recognized in equity. The gain or loss relating to the ineffective portion is recognized in the statement of income within "Finance results, net". The amounts deferred in equity are ultimately transferred to "Cost of sales".

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized in profit or loss when the transaction is recognized in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recorded in equity is immediately recognized in the statement of income within "Finance results, net".

(c) Derivatives at fair value through profit or loss

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are recognized immediately in the statement of income within "Finance results, net".

2.6 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of the Company's business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less a provision for the impairment of trade receivables, which is recognized whenever a risk of default or delinquency is identified by the Company's credit and legal areas. In practice, they are usually recognized at the amount billed, adjusted by the provision for impairment, if necessary.

Novelis discounts receivables without rights of subrogation, as long as there are no contractual restrictions.

2.7 Inventory

Inventory is stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less conclusion costs and selling expenses.

2.8 Non-current assets held for sale

Non-current assets are classified as held for sale when their carrying amounts are to be recoverable principally through a sale transaction, and a sale is considered highly probable.
They are stated at the lower of the carrying amount and fair value less costs to sell.

All amounts in thousands of reais unless otherwise stated

2.9 Property, plant and equipment

Property, plant and equipment are stated at cost and depreciated on a straight line basis taking into consideration the estimated economic useful lives of the related components.

The costs of borrowing used to finance the construction of property, plant and equipment are capitalized during the period necessary to construct and prepare the asset for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with these costs will flow to the Company, and they can be measured reliably. The carrying amount of the replaced items or parts is derecognized. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Depreciation of other assets is calculated using the straight line method to reduce their costs to their residual values over their estimated useful lives, as follow:

	Years	Years (weighted average))
Buildings and improvements	10 to 40	31
Machinery and equipment	2 to 40	17
Vehicles	2 to 10	2
Furniture and fixtures	3 to 10	9

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other expenses, net" in the statement of income.

2.10 Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when 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 its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flow (Cash-generating unit (CGU) level). Non-financial assets that are impaired are subsequently reviewed for possible reversal of the impairment at the end of the reporting period.

2.11 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method. In practice, they are usually recognized at the amount of the related invoice.

2.12 Borrowing

Borrowing is recognized initially at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in the statement of income over the period of the borrowing using the effective interest rate method.

Borrowing items are classified within current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.13 Provisions for contingencies and other labilities

Provisions for environmental restoration, restructuring costs and legal claims (labor, civil and indirect taxes) are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Restructuring provisions comprise termination penalties and employee termination payments. Provisions do not include future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expenses.

2.14 Current and deferred income tax and social contribution

The income tax and social contribution benefit or expense for the period comprises current and deferred taxes. Taxes on profit are recognized in the statement of income, except to the extent that they relate to items recognized in comprehensive income or directly in equity. In such cases, the taxes are also recognized in comprehensive income or directly in equity.

The current income tax and social contribution are calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates the positions taken by the Company in its income tax returns with respect to situations in which the applicable tax regulations are subject to interpretation. It establishes provisions, where appropriate, on the basis of the amounts expected to be paid to the tax authorities.

Deferred income tax and social contribution are recognized, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax and social contribution are determined using tax rates (and laws) that have been enacted or substantially enacted up to the balance sheet date, and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences and/or tax losses can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when deferred income tax assets and liabilities are related to the income tax levied by the same tax authority on either the same taxable entity, or on different taxable entities where there is an intention to settle the balances on a net basis.

2.15 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Company recognizes revenue when its amount can be reliably measured, it is probable that future economic benefits will flow to the entity, and the risks and rewards had been transferred to the buyer. The Company's policy for revenue recognition, therefore, is the date on which the product is delivered to the buyer. Revenue from the provision of metal processing services is recognized when the product is delivered to the buyer; that is, when the services are completed.

2.16 Distribution of dividends and interest on capital

The distribution of dividends and interest on capital to the Company's quotaholders is recognized as a liability in the Company's financial statements when approved and proposed by management based on the Company's bylaws.

3 Critical accounting estimates and judgments

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and establishes assumptions regarding the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that carry a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year relate to the impairment of non-financial assets, as detailed in Note 2.10.

4 Financial risk management

4.1 Financial or market risks

Financial risk, also known as market risk, arises from the possibility of losses caused by fluctuations in interest rates, exchange rates, share prices and commodity prices.
Risk management is carried out by the Company based on policies approved by its parent company, with the purpose of identifying, evaluating and hedging the Company's assets and liabilities against financial risks through the use of derivative financial instruments.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from the organization's exposure on its assets and liabilities in a currency different from its functional currency.

Similarly to the fluctuations in the exchange rates, the amounts of assets and liabilities also fluctuate, with an impact on the company's overall value.

All amounts in thousands of reais unless otherwise stated

Since approximately 4.1% of the Company's billing and 18% of its costs are in local currency (R$), the company´s risk management strategy is to hedge the portion of the appreciation of the Brazilian Real in relation to the US Dollar. Therefore, the Company's strategy to mitigate foreign exchange risk includes future contracts for hedging certain costs and projected revenue and investments in property, plant and equipment. Presented below are the total assets and liabilities that are exposed to foreign exchange risk:

	2016	2015
Assets		
Cash and cash equivalents	761,131	441,352
Receivables from third parties	154,108	90,949
Judicial deposits	10,082	17,587
Recoverable Value-Added Tax on Sales and Services ("ICMS – CIAP") over property, plant and equipment	18,542	22,704
Income tax and social contribution for offsetting - prepayments	98,416	47,369
Other taxes recoverable	-	18,808
Other	-	25,853
National Telecommunications Fund ("FNT") and Tax on Financial Transactions ("IOF") processes	23,350	12,938
	1,065,629	677,560
Liabilities		
Trade payables	(543,824)	(526,512)
Labor charges	(47,673)	(61,272)
Taxes payable	(137,522)	(63,724)
Other	-	(52,477)
Tax refinancing	(213,610)	(242,101)
Borrowing - National Bank for Economic and Social Development ("BNDES")	(34,808)	(21,833)
Contingency	(8,160)	(22,396)
Provision for restructuring costs	(12,923)	(79,835)
Transfers of technology	(49,159)	(59,849)
	(1,047,679)	(1,129,999)
Net exposure	17,950	(452,439)

As mentioned in Note 2.2(a), the Company's functional currency is the US Dollar. However, the financial statements present assets and liabilities originating and controlled in Brazilian Reais that affect the results of operations because of variations in the Brazilian Real - US Dollar exchange rate. The Company's policy is to minimize foreign exchange exposure against the functional currency, which is aimed at hedging 100% of the short term and long term exposure, and the contracting of derivatives carried out by the head office. The Company's current net exposure is positive, due to a higher volume of short term assets "Cash and cash equivalents", "Receivables from third parties and long term receivables "ICMS recoverable – Fixed Assets (CIAP), net of short-time liabilities "Trade payables", "Taxes payable" and long term liabilities "Tax refinancing". Taking into consideration that the annual variation of 18% in the exchange rate (depreciation of Brazilian Real) will be an exchange gain when the Real depreciates in relation to the US Dollar, the currency hedge effectiveness was 90%, generating a gain in profit or loss of USS 3.1 million.

(ii) Commodity price risk

Commodity price risk is the risk of change in the prices of the raw materials used by the Company, which impacts the results. The factors that may affect the commodity prices include policies, regulatory changes, supply and demand and other general market conditions.

The Company's strategy for managing this risk is based on hedging the price of aluminum during the production cycle of the commodity or the final product that derives from it. The parent company has a specialized team that consolidates the projections for the Company's operating areas, identifies the exposure and hedges the Company by means of financial products (derivatives) available in the financial market, such as swap and future contracts.

The Company's business is conducted through a model for the conversion of metal that permits the passing on of the increases and reductions in aluminum prices to customers. The products have a price structure with two components:

Transfer of the aluminum price variations based on the quotations of the London Metal Exchange ("LME") and local market premium.

Conversion premium based on the conversion costs necessary to transform the metal into flat-rolled products requested by customers.

A key component of the conversion model is the use of financial instruments to preserve the conversion margin, hedging the metal purchase volumes and the metal volumes related to sales contracts. There is a timing difference between the recognition of gains and losses and the aluminum purchase and sale transactions, which is called the metal price lag. These future purchases, through financial instruments, directly cover the future risks of aluminum price fluctuations associated with contracts. Gains or losses on the financial instrument positions are recognized on an accruals basis.

The Company expects the gains or losses on the settlement of financial instruments to be offset by the effects of variations in the prices of sales to customers, as well as the impact caused by the different quotations of the LME in the cost of goods sold. However, there are some factors (such as market premiums and *contango)* for which there is no liquidity in the derivatives market to contract such financial instruments. Taking into consideration the maintenance of the level of efficiency of the coverage of derivatives related to the exposure to the metal price lag, the impact (gain) during 201 6 was 13.4 million (2015 – R$ 23.8 million) in cost of sales, the amount of which is mostly comprised of items for which it is not possible to apply derivative instruments, such as market premiums and *contango*.

(iii) Interest rate risk

Interest rate risk is the risk related to changes in investment values or in borrowing costs due to changes in interest rates, and the Company continuously monitors its exposure to market interest rates. A positive change is good, but without appropriate planning or hedging, the change may be negative and reduce the company's overall value.

(b) Credit risk

The credit risk refers to the possibility of not receiving the principal amount negotiated due to default, which cannot be avoided, but can be prevented or controlled through a credit analysis. However, as it is not possible to foresee whether the customers will be able to honor their financial commitments, the Company takes certain measures before granting credit to its customers.

The Company's sales policy is closely associated with the level of credit risk to which it is willing to be subjected during the course of its business. The diversification of the portfolio of receivables from customers and the monitoring of sales financing terms and individual position limits are among the procedures adopted to minimize defaults or losses on the realization of receivables. This risk is analyzed in more detail in Note 5 (b).

(c) Liquidity risk

The liquidity risk can be classified into two forms: market liquidity risk and cash flow liquidity risk. The first represents the possibility of losses due to the inability to carry out a transaction within a reasonable timeframe and without a significant loss of value. The second relates to the possibility of lack of funds to honor commitments assumed due to mismatches between assets and liabilities.

All amounts in thousands of reais unless otherwise stated

The Company's cash is centralized and managed by the treasury department under the supervision and monitoring of the parent company, which actively manages cash in order to ensure the necessary liquidity to meet operating needs. This management is based on periodic projections made by the Company's operating areas.

The Company invests the excess cash in investments with liquidity of less than 90 days and in deposits with prime financial institutions, choosing instruments with appropriate maturities or sufficient liquidity that have satisfactory margins.

The table below presents the main Company's non-derivative financial liabilities according to their expiry:

	Less than one year	Between one and two years	Between two and five years	More than five years	Total
At March 31, 2016					
Trade and other payables	777,928				777,928
Borrowing (*)	278,252				278,252
At March 31, 2015					
Trade and other payables	934,696				934,696
Borrowing	537,001		256,640	403,828	1,197,469

(*) The table above represents the balance sheet accounts as at March 31, 2016. However, the Company amortizes the interest on its main borrowing on a quarterly basis.
The future value of the borrowing up to the respective contractual maturity dates totals R$ 280,501 (2015 - R$ 1,203,476).

4.2 Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for quotaholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

Capital management is based on guidelines determined by its parent company, taking into consideration the Company's information. In order to maintain or adjust the capital structure, the Company can make adjustments to the amounts of dividends paid to quotaholders, return capital to quotaholders, issue new quotas or sell assets to reduce, for example, debt.

4.3 Fair value estimation

(a) Fair values of financial instruments

The fair values of the Company's assets and liabilities are determined based on information available on the market and by means of the application of methodologies the Company considers appropriate, in order to better evaluate each type of instrument.

The carrying amounts of cash and cash equivalents, receivables and current and non-current liabilities approximate their fair values given their nature and term. The fair value of long term debts is based on the discounted amount of its contractual cash flow. The discount rate is based on the future market curve for the flow of each liability.

(b) Classification

Financial instruments measured at fair value should be classified into the categories below:

(i) Level 1- quoted prices are available in highly liquid markets for identical assets and liabilities on the date of the financial statements.

All amounts in thousands of reais unless otherwise stated

(ii) Level 2- the prices utilized are different from those quoted in highly liquid markets included in Level 1; however, they are directly or indirectly observable as at the date of the financial statements.

(iii) Level 3- the sources of information on the prices utilized include sources that are usually less observable.

The table below classifies the Company's financial assets and liabilities by level using the fair value hierarchy. The Company did not have financial instruments classified in Levels 1 and 3 at March 31, 2016 or 2015:

Derivatives used for hedging (Level 2)	2016	2015
Assets	44,285	31,530
Liabilities	37,373	31,638

5 Financial instruments

(a) Classification by category

	March 31, 2016		
	Loans and receivables	Assets at fair value through profit or loss	Total
Cash and cash equivalents	984,005		984,005
Trade and other receivables, net	755,384		755,384
Derivative financial instruments		44,285	44,285
	1,739,389	44,285	1,783,673
	Other liabilities	**Liabilities at fair value through profit or loss**	**Total**
Borrowing	309,591		309,591
Trade and other payables	968,812		968,812
Derivative financial instruments		37,373	37,373
	1,278,403	37,373	1,315,776

All amounts in thousands of reais unless otherwise stated

	March 31, 2015		
	Loans and receivables	Assets at fair value through profit or loss	Total
Cash and cash equivalents	611,389		611,389
Trade and other receivables, net	798,891		798,891
Derivative financial instruments		31,530	31,530
	1,410,280	31,530	1,441,810

	Other liabilities	Liabilities at fair value through profit or loss	Total
Borrowing	1,231,892		1,231,892
Trade and other payables	1,028,502		1,028,502
Derivative financial instruments		31,638	31,638
	2,260,394	31,638	2,292,032

(b) Credit risk of the financial instruments

All financial institutions with which the Company operates are classified as at least "BBB", in accordance with the risk rating of Standard & Poor's Rating Services ("S&P").

The Company operates with financial institutions classified mostly (85%) as "BB", according to risk rating from Standard & Poor's Rating Services (S & P).
"BBB" - Has adequate capacity to fulfill financial obligations
"BB+" – Normal risk rating, capacity to honor commitments
"BB" - Less vulnerable than others classified below this ranking.

6 Cash and cash equivalents

	2016	2015
Cash on hand and in banks	226,926	179,021
Financial investments	757,079	432,368
	984,005	611,389

"Financial investments" refer mainly to fixed income transactions indexed to variations in the Interbank Deposit Certificate (CDI) rate with immediate liquidity. Income from financial investments recognized during the year, at the amount of R$ 37,171 (March 31, 2015 - R$ 12.590), was recorded as income from financial investments in the statement of income. At March 31, 2016 and 2015, the Company was not making use of bank overdrafts.

All amounts in thousands of reais unless otherwise stated

7 Derivative financial instruments

The table below summarizes the gross fair value of the Company's derivatives at March 31, 2016 and 2015:

					March 31, 2016
Type	Assets		Liabilities		Total Assets (-) Liabilities
	Current	Non-Current	Current	Non-Current	
Currency swap contracts	-	-	-	(17,583)	(17,583)
Aluminum contracts	11,839	-	(17,673)	(65)	(5,898)
Currency contracts	32,446	-	(860)	(1,194)	30,392
Total	**44,285**	**-**	**(18,532)**	**(18,841)**	**6,911**

					March 31, 2015
Type	Assets		Liabilities		Total Assets (-) Liabilities
	Current	Non-Current	Current	Non-Current	
Currency swap contracts	-	-	-	(18,682)	(18,682)
Aluminum contracts	31,530	-	(12,950)	(6)	18,574
Total	**31,530**	**-**	**(12,950)**	**(18,688)**	**(108)**

The derivative financial instruments are contracted with banks or brokers and registered, if applicable, with the Commodities and Futures Exchange ("BM&F"), São Paulo Stock Exchange ("BOVESPA") and Central System for the Custody and Financial Settlement of Securities ("CETIP"). The derivative contracts have as their sole purpose the management of risks, which are used to mitigate uncertainties and volatilities caused by certain exposures.

Aluminum contracts

The Company uses derivative instruments to hedge the conversion margin and manage the timing difference related to the fluctuations of the metal price. Over-the-counter derivatives indexed to the London Metals Exchange (LME) are used to reduce the exposure to the fluctuations of the metal price associated with the period between the inventory purchase pricing and the inventory sale pricing for the customers.

The Company also purchases LME forward contracts concurrently with contracts for customers that have fixed metal prices. These LME forward contracts directly hedge the economic risk of future pricing, meaning that the sale price is aligned with the metal purchase price.

The table below summarizes the Company's notional of derivatives described in kilotons:

All amounts in thousands of reais unless otherwise stated

Notional (KT)

Purchase/(Sale)	2016	2015
Cash flow	(47,2)	(42,8)
Not designated	(17,2)	(14,3)
Total	(64,4)	(57,1)

Foreign exchange contracts

The foreign exchange contracts are used to manage the exposure to exchange rate fluctuations. These exposures arise through assets and liabilities, commitments made and cash flow forecasts denominated in currencies other than the functional currency for certain transactions.

Notional (KT)	2016	2015
Currency swap contracts	34,808	41,430

8 Trade receivables

	2016	2015
Trade receivables, domestic market	554,897	484,671
Trade receivables, foreign market	59,593	68,197
	614,490	552,868
Less - provision for impairment of trade receivables	-	(250)
	614,490	552,618

The ageing analysis of these trade receivables is as follows:

	2016			2015		
	Past due	Not yet due	Total	Past due	Not yet due	Total
Up to 30 days	29,970	175,566	205,536	11,891	170,001	181,892
31 to 60 days	777	296.608	297.385	1,318	273,303	274,621
From 61 to 90 years	518	77.796	78.314	87	30,029	30,116
More than 90 days	9,925	23,330	33,255	33,561	32,678	65,989
	41,190	573,300	614,490	46,607	506,011	552,618

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Company does not hold any collateral security.

Credit quality of financial assets

The credit quality of financial assets neither past due nor impaired is assessed by means of historical references (historical performance), classified into two major groups according to the associated risk:

All amounts in thousands of reais unless otherwise stated

- Group 1 – Global customers
- Group 2 – Other customers

The composition of receivables by customer classification is presented below:

	2016	2015
Group 1	529,085	552,307
Group 2	85,405	311
	614,490	552,618

9 Inventory

	2016	2015
Finished goods	115,849	61,099
Work in progress	177,171	220,473
Raw materials	34,044	88,204
Storeroom supplies and others	109,339	87,811
	436,403	457,587
Provision for inventory losses	(15,939)	(10,627)
	420,464	446,960

10 Property, plant and equipment

	Land, buildings and improvements	Machinery, equipment and vehicles	Property, plant and equipment in progress	Total
Closing balance at March 31, 2014	421,628	1,349,864	203,002	1,974,494
Purchases	-	4,560	103,529	108,089
Write-offs	(442)	(2,809)	(1,976)	(5,227)
Transfers	14,343	249,659	(264,002)	
Depreciation	(11,970)	(138,793)		(150,763)
Translation adjustments	176,638	596,918	36,830	810,386
Net book value, at March 31, 2015	600,197	2,059,398	77,383	2,736,979
Cost	757,343	3,070,355	77,383	3,905,081
Accumulated depreciation	(157,146)	(1,010,957)		(1,168,102)
Net book value, at March 31, 2015	600,197	2,059,398	77,383	2,736,979
Closing balance at March 31, 2015	600,197	2,059,398	77,383	2,736,979
Purchases	-	897	133,777	134,674
Write-offs	(3,963)	(13,817)	(1,502)	(19,283)
Transfers	19,870	107,608	(127,480)	(2)
Depreciation	(23,321)	(183,979)	-	(207,300)
Translation adjustments	65,711	225,982	8,426	300,119
Net book value, at March 31, 2016	658,494	2,196,089	90,603	2,945,186

All amounts in thousands of reais unless otherwise stated

	Land, buildings and improvements	Machinery, equipment and vehicles	Property, plant and equipment in progress	Total
Cost	855,956	3,466,358	90,603	4,412,918
Accumulated depreciation	(197,462)	(1,270,270)	-	(1,467,732)
Net book value, at March 31, 2016	658,494	2,196,089	90,603	2,945,186

(a) Deemed cost

At January 1, 2008, the Company applied the deemed cost method, as permitted by CPC 27- "Property, Plant and Equipment". The Company recorded the deemed cost and reviewed the remaining useful lives of the land, buildings and machinery and equipment groups in conformity with the technical appraisal report issued by the internal appraisers at the transition date. As a consequence, assets increased by R$ 781,076 and the depreciation rates of property, plant and equipment were altered based on the review of the estimated economic useful lives of these items. Annually, or when indications of impairment are identified, the remaining useful life of property, plant and equipment is reviewed.

(b) Non-current assets held for sale

In March 2014, the Company decided to sell its operations related to hydroelectric energy generation, including the investment in the joint venture Candonga Consortium, to a third party. In April 2014, the Company entered into an agreement to sell the operations. In December 2014, after regulatory approvals, the sale of the stake in the joint operation Candonga Consortium was concluded, resulting in proceeds of R$163,323 (net of gains on derivatives and transaction expenses) and the recognition of gains on assets held for sale of R$59,397, Additionally, in February 2015, after regulatory approval, the Company sold the hydroelectric energy generation operations of Maynart Energética and received R$43,170 (net of transaction expenses) and recognized a loss related to assets held for sale of R$35,061.

In May 2014, the Company recognized gains related to assets held for sale of R$ 9,638 after non-reimbursable receipts related to the mining rights sales contract. In December 2014, the Company received the payment of R$ 9,700, after regulatory approval, and recognized gains related to assets held for sale net of the residual value of R$6,134.

After a new regulation related to authorization for small hydroelectric plants, one of these assets, the Brito plant, is ready to be sold. However, through the date of approval of these financial statements, the Company had not received the regulatory approval to sell the hydroelectric energy generation operations (Brecha). In March 2016, the values of both plants classified as non-current assets held for sale amounted to R$ 13,759 (2015 - R$ 19,504).

Additionally, in March 2016 the Company decided to sell certain properties in Ouro Preto with a residual value of R$ 3,060.

The total balance of non-current assets held for sale is R$ 16,819 (2015 –R$ 19,504).

(c) Other information

The depreciation of property, plant and equipment and the amortization of intangible assets during the year ended March 31, 2016, allocated to cost of goods sold and administrative expenses, totaled R$ 206,065 (2015 – R$ 149,842) and R$ 3,232 (2015 – R$ 2,787), respectively.

11 Trade payables

The balance at March 31, 2016 of R$ 207,584 (2015 –R$ 322,181) reflects reclassifications between the account balances of trade payables - reverse factoring and other payables described below.

(a) Trade payables – reverse factoring

The Company has agreements entered into with certain financial institutions to structure with its main suppliers the operation named " reverse factoring", which allows the Company to have payment terms ranges from 45 to 90 days. As part of these transactions the suppliers transfer the right to receive billed amounts from the Company's sales of metal (raw material) to the financial institutions, which in turn will become the creditors of the transaction. The balance at March 31, 2016 is R$ 409,152 (2015 –R$ 214,959).

(b) Other payables

The Company entered into agreements with intermediary metal suppliers, for import-to-order operations, with an average payment term of 190 days. The balance at March 31, 2016 is R$ 244,955 (2015 –R$ 199,947).

The present value calculation was performed, but was not recorded in March 31, 2016 due to the immaterial results.

All amounts in thousands of reais unless otherwise stated

12 Borrowing

	Currency	Index and weighted average annual rate of interest and commission	Final maturity	2016	2015
Current					
Foreign currency					
From related parties					
Interest	US$	Exchange variation + LIBOR + interest from 1% to 2.0%	September 2021	-	2,828
				-	2,828
From third parties		Import financing			
Interest	US$	LIBOR 6m + interest of 2.20 to 3.81%	June 2015	-	595
				-	595
From third parties		ACC			
Interest	US$	Interest of 1.74 to 2.30%	October 2015	-	3,403
Interest	US$	Interest of 1.83 to 2.25%	April 2016	2,921	-
				2,921	3,403
From third parties		4131			
Interest	US$	Interest of 1.60% to 1.90%	November 2015	-	1,439
Interest	US$	Interest of 2.00%	November 2016	1,295	-
				1,295	1,439
Local currency					
BNDES	R$	Interest of 5.50%	April 2021	87	109
				87	109
From third parties		Import financing			
Principal	US$	LIBOR 6m + interest of 3.20% to 3.8066%	May 2015 to April 2015	-	49,824

All amounts in thousands of reais unless otherwise stated

	Currency	Index and weighted average annual rate of interest and commission	Final maturity	2016	2015
				-	49,824
From third parties		Import financing			
Principal	US$	Interest of 1.74% to 2.30%	April 2015 to October 2015	-	189,913
Principal	US$	Interest of 1.83% to 2.25%	April 2016	160,151	-
				160,151	189,913
From third parties		4131			
Principal	US$	LIBOR 6m + interest of 1.60% to 1.90%	July 2015 to November 2015	-	263,056
Principal	US$	LIBOR 12m + interest of 2.00%	November 2016	113,885	-
				113,885	263,056
From third parties		International forfeiting			
Principal	US$	Interest of 1.90% to 2.80%	July 2015 to December 2015	-	28,771
				-	28,771
Local currency					
BNDES	R$	Interest of 5.5% to 8.7%	December 2018 to April 2020	5,245	5,248
				5,245	5,248
				283,585	542,358
Total current				283,585	545,186

All amounts in thousands of reais unless otherwise stated

Non-current					
Foreign currency					
From related parties					
Principal	US$	Foreign exchange variations + LIBOR + interest of 1.00% to 2.00%	May 2018 to September 2021	-	657,640
				-	657,640
BNDES	R$	Interest of 5.50% to 8.70%	December 2018 to April 2020	26,006	29,067
				26,006	29,067
Total non-current				26,006	686,707
Total current and non-current				309,591	1,231,893

(i) The borrowing from related parties was capitalized in 2016, as described in Note 16– Equity.

(ii) The financing obtained from the National Bank for Economic and Social Development ("BNDES") is guaranteed by the Company's equipment amounting to R$ 31,251(2015 – R$34,315).

(iii) At March 31, 2016, the Company had credit limits with nine financial institutions amounting to approximately R$ 1,928 million (2015 - R$ 2,425 million). These lines were available to support the Company's operations, either in the form of Derivatives, Working Capital or Guarantees.

All amounts in thousands of reais unless otherwise stated

13 Provision for contingencies and judicial deposits

The Company is a party to labor, civil, tax, and other lawsuits in progress, and is discussing these matters at the administrative and judicial levels.

The provision for probable losses arising from contingent liabilities is estimated and adjusted by management, supported by the opinion of its external or internal attorneys. The contingent liabilities for which losses are classified as possible are not recognized in the accounting records, and are disclosed in the notes to the financial statements. The contingent liabilities for these losses are classified as remote and are neither recognized nor disclosed.

The balances of judicial deposits and provision for contingent liabilities recognized in the accounting records are as follow:

	Judicial deposits		Provision for contingencies	
	2016	2015	2016	2015
Tax contingencies	8,671	9,614	1,660	8,540
Labor and civil contingencies	9,060	7,301	52,014	25,649
Other deposits	670	671		
	18,401	17,586	53,674	34,189

The movements in the provision during the year ended March 31, 2016 were as follow:

	Labor	Civil	Tax	Total
At March 31, 2014	17,462	657	15,854	33,972
Additions/(reversals)	6,062	3,659	(1,360)	8,361
Interest/monetary adjustments			310	310
Transfers to "Tax refinancing"			(6,548)	(6,548)
Write-offs	(1,558)	(35)	(82)	(1,675)
Translation adjustments	(15)	(582)	366	(231)
At March 31, 2015	21,951	3,699	8,540	34,189
Additions/(reversals)	8,111	16,966		25,077
Interest/monetary adjustments			270	270
Transfers to "Tax refinancing"			(6,358)	(6,358)
Write-offs	(366)		(86)	(452)
Translation adjustments	(449)	2,101	(706)	947
At March 31, 2016	29,248	22,766	1,660	53,674

(a) Labor claims

Labor contingencies mainly comprise lawsuits related to challenges by employees and labor unions. The main claims are presented below:

A labor claim filed by the Metalworkers Union of Candeias - BA, requiring that the court recognize a mass dismissal, and award indemnification to the dismissed employees, as a result of the closure of the plant located in Aratu - BA. in December 2010. The Company has a provision amounting to R$ 17,312 at March 31, 2016 (2015 - R$ 15,382).

Also, concerning the plant closed in Aratu, there is one relevant labor claim, for which a provision of R$ 1,322 was made at March 31, 2016, discussing the recognition of occupational accident/disease and the consequent payment of indemnification for pain and suffering and property damages.

At the plant closed in Ouro Preto, there is a public civil action for which an agreement was reached, the only pending issue is the discussion of the payment of an attorney's fee to the Labor Union. In the fiscal year 2016, a provision of R$ 1,202 was recognized for this claim.

(b) Civil claims

Civil contingencies refer mostly to injunctions in progress obtained during 2016 related to charges and contributions on the consumption and sale of electrical energy and demands involving expropriation of land because of the installation of hydroelectric plants and/or small hydroelectric plants in Minas Gerais, in which the Company has an equity interest.

(c) Tax claims

Tax claims refer mostly to lawsuits and administrative proceedings related to the collection of any taxes that are considered by the Company as not due.

(d) Possible losses

At March 31, 2016, the Company had lawsuits for which losses are considered possible by its external and internal lawyers amounting to R$ 176,445 (2015 – R$ 131,730). These lawsuits are not accrued and are related to tax, labor, civil and environmental matters.

All amounts in thousands of reais unless otherwise stated

14 Tax refinancing

	IPI	Other	Total
At March 31, 2014	229,780	12,845	242,625
Additions			
Interest/monetary adjustments	13,691	3,226	16,917
Amortization	(18,536)	(7,724)	(26,260)
Translation adjustments	(1,236)	1,694	458
At March 31, 2015	223,699	10,041	233,740
Additions			
Interest/monetary adjustments	18,248	363	18,611
Amortization	(24,362)	(452)	(24,814)
Translation adjustments	(113)	967	854
At March 31, 2016	217,472	10,920	228,392

The Company filed a lawsuit asserting its right to receive IPI credits arising from purchases of products that are subject to a zero rate ("Zero Rate IPI Case") and to offset them in the respective year through the instalment payment program, dividing the payment into 180 fixed installments. The movement of such liabilities between April 2014 and March 2016 is shown above.

15 Deferred income tax and social contribution

Deferred taxes are calculated based on income tax and social contribution losses and the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In Brazil, the currently enacted tax rates of 25% for income tax and 9% for social contribution are used to calculate deferred taxes.

All amounts in thousands of reais unless otherwise stated

The changes in the deferred income tax assets and liabilities in the year, without taking into consideration the offsetting of balances, were as follow:

	2014	Additions/ exclusions	Functional currency effect	Translation adjustment	2015	Additions/ exclusions	Functional currency effect	Translation adjustment	2016
Assets									
Temporarily non-deductible provisions	35,478	27,528	(13,687)	18,900	68,219	(18,160)	(7,523)	7,669	50,205
	35,478	27,528	(13,687)	18,900	68,219	(18,160)	(7,523)	7,669	50,205
Liabilities									
Foreign exchange variations taxed on a cash basis	(107,092)	70,155	21,425	(17,694)	(33,206)	(24,876)	3,644	(3,461)	(57,899)
PP&E/intangible assets/ inventory/hedge accounting (*)	(294,404)	(177,109)	77,606	(152,304)	(546,211)	(86,727)	60,232	(59,531)	(632,237)
	(401,496)	(106,954)	99,031	(169,998)	(579,416)	(111,603)	63,876	(62,992)	(690,135)
	(366,018)	(79,426)	85,344	(151,098)	(511,198)	(129,763)	56,353	(55,323)	(639,931)

(*) Substantially resulting from differences generated by the Transitional Tax Regime ("RTT"), as described further in (b).

All amounts in thousands of reais unless otherwise stated

(a) Reconciliation of income tax and social contribution

The Company also recognizes liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will have an impact on the current and deferred tax assets and liabilities in the period in which this determination is made.

The amounts in the financial statements are recorded in the Company's functional currency (US Dollars), whereas the calculation basis of income tax on assets and liabilities is determined in Brazilian Reais. Therefore, fluctuations in the foreign exchange rates may significantly affect the amounts of income tax expenses recognized in each period, particularly as a result of the impact on non-monetary assets. The reconciliation between the income tax and social contribution expenses at the nominal and effective rates is shown below:

	2016	2015
Profit before income tax and social contribution	860,562	454,214
Tax calculated based on the local tax rates (34%)	292,591	154,433
Non-taxable income	(16,999)	(9,155)
Tax incentives	(6,567)	(4,039)
Effect of the translation of the result	46,457	(46,616)
Provision for tax relating to legal and administrative disputes	1,507	1,704
Functional currency effect on deferred tax	25,817	85,345
Income tax and social contribution for the year	342,805	181,670
Current	291,501	(177,506)
Deferred	51,304	(4,164)
	342,805	181,670

(b) Law 12,973/2014

On May 14, 2014 Provisional Measure 627/2013 (PM) was converted into Law 12,973/2014, repealing the Transitory Tax Regime ("RTT") and bringing in other measures, among them: (i) changes in Decree-Law 1,598/77 which deals with corporate income tax as well as amendments to the relevant legislation governing the social contribution on net income; (ii) provides that the amendment or adoption of accounting methods and criteria through administrative acts issued based on the business law in force, which post-date the publication of this PM, will not have implications for the calculation of federal income tax and social contribution on net income until they are approved by the tax authorities; (iii) includes a specific treatment of the potential taxation of profits earned abroad; (iv) includes provisions regarding the calculation of interest on net equity; and (v) includes a consideration of investments accounted for using the equity method.

On January 1, 2015, Law 12,973/14 entered into force, since the Company decided not to advance the effects of this law in 2014. In 2015, sub-accounts were opened for recording positive and negative differences between the values of the assets measured in accordance with the corporate legislation and the values measured according to the accounting criteria in effect on December 31, 2007 (RTT), so that the tax effect of these adjustments would occur according to the realization of these assets.

All amounts in thousands of reais unless otherwise stated

16 Equity

(a) Share capital

The share capital, subscribed and paid up at March 31, 2016, amounting to R$ 958,528, is represented by quotas of R$ 1.00 each.

(i) The capital increases in April 2015, amounting to R$ 148,976, and in October 2015 of R$ 407,405, were made through the capitalization of loans and the related financial charges by the shareholder Novelis Inc.

(ii) According to the commitments made under agreements and the prevailing legislation, on March 18, 2016, the Company published in the Official Gazette of the State of São Paulo – Business Section, and in the Commercial Gazette, a summary of the Minutes of the Quotaholders 'Meeting held on March 16, 2016, which formalized the approval of the reduction of the Company's capital by R$ 400,000,000.00, since it considered this amount to be excessive in relation to is corporate purpose. After the legal term of ninety (90) days, which is scheduled to occur on June 16, 2016, if there is no opposition of the creditors, the Company will make this reduction by canceling 400,000,000 quotas, with a par value of R$ 1.00 (one Real) each, held by the shareholder Novelis Inc., and refund this shareholder for R$ 400,000,000.00, in cash or in installments, until December 31, 2016.

(b) Interest on capital and dividends

Under the Company's bylaws and in conformity with Law 9,249/95, on September 11, 2015 and December 8, 2015, management approved the distribution to the quotaholders of interest on capital, calculated based on the variations of the long term interest rate ("TJLP").

The amount of interest on capital approved was R$ 51,825, or R$ 43,592 net of taxes (2015 – R$ 21,172, or R$ 17,997 net of taxes). The tax benefits generated by the payment of dividends in the form of interest on capital were recorded in the year's result.

In addition, dividends amounting to R$ 163,200 (2015 – R$ 60,266) were distributed, approved by the Company's management on September 11, 2015 and November 26, 2015.

(c) Carrying value adjustments

Composition of the carrying value adjustments

	Deemed cost)	Derivatives	Cumulative translation adjustments, net	Pension reserve	Total
At March 31, 2014	191,745	(3,825)	298,869	(2,318)	484,471
Deemed cost realization	(43,839)				(43,839)
Derivatives ("OCI")		4,883			4,883
Pension reserve				322	322
Cumulative translation adjustments			487,260		487,260
At March 31, 2015	147,906	1,058	786,129	(1,996)	933,097
Deemed cost realization	(11,858)				(11,858)
Derivatives ("OCI")		16,330			16,330
Pension reserve				(907)	(907)
Cumulative translation adjustments			241,572		241,572
At March 31, 2016	136,048	17,388	1,027,701	(2,903)	1,178,235

17 Net revenue

The reconciliation of gross sales and net revenue is as follows:

	2016	2015

Gross revenue		
Sales of goods		
Domestic market	5,733,244	4,621,318
Foreign market	690,191	617,811
Provision of services	396,683	313,010
	6,820,118	5,552,139
Deductions		
Taxes on invoicing	(1,075,326)	(882,980)
Cancellations and abatements	(96,343)	(89,525)
	(1,171,669)	(972,505)
Net revenue	5,648,449	4,579,634

18 Other expenses, net

	2016	2015
Development of businesses and projects	(3,685)	(292)
Restructuring costs	(6,445)	(75,677)
Transfer of technology (Note 22)	(243,338)	(186,725)
Donations	(6,303)	(3,885)
Other taxes and duties	(7,812)	(7,221)
Taxes on remittances abroad	(32,753)	(26,942)
Net gain (loss) on disposal of property, plant and equipment	(2,854)	-
Processes - FNT	-	8,495
Labor claims	-	(5,093)
Sale of energy	-	31,518
Other income and expenses, net	(6,662)	16,857
	(309,851)	(248,965)

19 Expenses by nature

	2016	2015
Personnel	(172,661)	(238,780)
Depreciation and amortization	(209,298)	(152,629)
Materials, energy and services of third parties	(356,430)	(256,457)
Maintenance and occupancy	(119,746)	(80,720)
Freight	(103,073)	(122,037)
Raw materials and others	(3,594,366)	(3,134,479)
Total cost of sales, selling and administrative expenses	(4,555,575)	(3,985,102)
Classified as follow		
Cost of sales	(4,467,001)	(3,894,643)
Selling expenses	(14,670)	(13,250)
Administrative expenses	(73,903)	(77,209)
	(4,555,575)	(3,985,102)

20 Finance results, net

	2016	2015
Financial discounts received	1,228	501
Financial charges on discounting of trade notes	(33,832)	(16,923)
Financial charges on borrowing	(12,024)	(26,998)
Interest received from third parties	498	750
Transactions involving derivatives - unsettled	(14,981)	6,288

All amounts in thousands of reais unless otherwise stated

Transactions involving derivatives - settled	19,108	12,284
Income from financial investments	37,171	12,590
Monetary adjustment of taxes and contingencies	(20,743)	(13,176)
Other	6,268	4,232
Net financial results	(17,307)	(20,450)

21 Net foreign exchange and monetary gains (losses)

The exchange and monetary differences (debited) credited to the statement of income are as follow:

	2016	2015
Foreign exchange variations	68,777	36,992
Monetary adjustments of taxes and contingencies	26,067	92,105
	94,844	129,097

22 Related party transactions

(a) Transactions and balances between related parties

(i) Transactions

	2016	2015
Purchases of products		
Maynart Energética	-	268
Novelis – Korea	1,520	63
Novelis - Germany	-	73
Novelis – Solatens	685	-
Novelis - Corporation	722	-
	2,927	404
Sales of goods		
Novelis - Madeira	-	804
Novelis - MEA	301,190	238,456
Novelis - Logan	20,716	15,092
Novelis – Oswego	176	-
	322,082	254,352
Technology transfer expenses		
Novelis - UK	243,338	186,725
Interest income		
Financial charges on borrowing	5,792	4,788
Finance costs		
Financial charges on borrowing	2,050	10,912

(ii) Balances

	2016	2015
Current assets		
Trade receivables		
Novelis - MEA	64,141	89,804
Novelis - Logan	-	17,383
Novelis – United States	199	2,972

All amounts in thousands of reais unless otherwise stated

		2016	2015
Novelis – Switzerland		1,238	592
		65,578	110,751
Long term receivables			
Checking account – loan			
Novelis Corp – United States	Exchange variations + 3.78% p.a. plus LIBOR	-	96,240
Novelis Corp – United States	Exchange variations + 4.39% p.a. plus LIBOR	-	80,200
Novelis Corp – United States	Exchange variations + 4.16% p.a. plus LIBOR	106,767	-
Novelis Corp – United States (charges)		2,131	2,500
		108,898	178,940
Current liabilities			
Other payables			
Novelis – United States		1,182	657
Novelis - England		44,407	59,845
Novelis – Switzerland		32	29
Novelis - MEA		-	399
Novelis – Korea		-	33
Maynart Energética		-	268
		45,621	61,231
Borrowing (current liabilities)			
Novelis – United States (Note 13)		-	2,828
Borrowing (non-current liabilities)			
Novelis Inc. - United States (Note 13)		-	657,640
		45,621	721,699

(b) Key management compensation

Key management includes the Company's directors and managers. The compensation paid or payable to key management for their services, related to salaries and social charges, profit sharing and the reimbursement of expenses, in the year ended March 31, 2016 amounted to R$ 16,353 (2015 - R$ 13,166).

All amounts in thousands of reais unless otherwise stated

23 Other liabilities

The table below presents the balance of other liabilities for the years ended March 31, 2016 and 2015 respectively:

	2016	2015
Current liabilities		
Provision for restructuring costs	53,981	31,030
Provision for contracts with customers	44,625	-
Provision for freight	18,267	8,430
Commitments payable	11,743	10,492
Bonuses	2,407	4,109
Exclusive health plan	430	298
Provision for agreements with suppliers	-	55,073
Other provisions	23,094	39,810
	154,547	149,242

	2016	2015
Non-current liabilities		
Provision for restructuring costs	14,888	48,799
Bonuses	7,076	3,194
Exclusive health plan	1,689	2,292
Provision for disposal of assets	1,874	2,844
Other provisions	6,274	6,042
	31,801	63,171

(i) The balance related to the provision for agreements with suppliers in 2015 (R$ 55,073) was reclassified in 2016 to the other payables account.

24 Insurance

The Company has a risk management program with the objective of covering the risks, contracting insurance coverage compatible with its size and operations. The coverage was contracted for the amounts indicated below, which were considered sufficient by management to cover any claims, considering the nature of its activity, the risks involved in its operations and the advice of its insurance brokers.

At March 31, 2016 the Company had the following insurance policies, contracted with third parties:

Lines	Amounts insured (unaudited)
Fire damage to property, plant and equipment	
Property	6,462,172
Small hydroelectric power plants	85,264
Multi-risk	34,383
	6,581,819
Civil liability	4,000
	6,585,819

* * *

Novelis Korea Limited

Financial Statements
December 31, 2015 and 2014

Novelis Korea Limited
Index
December 31, 2015 and 2014

Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Novelis Korea Limited

We have audited the accompanying financial statements of Novelis Korea Limited (the "Company"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the statements of income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with the Accounting Standards for Non-Public Entities in the Republic of Korea 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 audits. We conducted our audits in accordance with the Korean Standards on Auditing. Those standards require that we comply with ethical requirements and 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 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 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. 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.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Novelis Korea Limited as of December 31, 2015 and 2014, and its financial performance and cash flows for the years then ended in conformity with the Accounting Standards for Non-Public Entities in the Republic of Korea.

Other Matter
Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, financial performance and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

Samil PricewaterhouseCoopers

March 24, 2016
Seoul, Korea

This report is effective as of March 24, 2016, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Novelis Korea Limited
Statements of Financial Position
December 31, 2015 and 2014

(in millions of Korean won)		**2015**		**2014**
Assets				
Current assets				
Cash and cash equivalents (Note 13)	₩	219,919	₩	61,601
Short-term investment assets (Note 4)		8		7
Trade accounts and notes receivable, net (Notes 5, 13 and 28)		261,510		366,741
Other accounts receivable (Notes 13 and 28)		11,476		7,717
Prepaid expenses		9,359		9,537
Prepaid value added taxes		8,839		22,956
Short-term loans to employees		176		195
Loans to affiliated companies (Notes 13 and 28)		52,740		43,968
Derivative instrument assets (Note 25)		7,259		23,481
Firm commitment assets (Note 25)		2,353		591
Current deferred income tax assets (Note 16)		9,070		7,656
Other current assets		2,573		2,841
Inventories, net (Notes 6 and 8)		151,793		203,241
Total current assets		737,075		750,532
Non-current assets				
Long-term investment assets (Notes 3 and 4)		36		37
Derivative instrument assets (Note 25)		2,602		-
Long-term loans to employees		1,032		646
Property, plant and equipment, net (Notes 7 and 8)		725,401		764,629
Intangible assets, net (Note 9)		3,303		3,554
Deferred income tax assets (Note 16)		2,665		1,994
Deposits provided		4,013		2,531
Total non-current assets		739,052		773,391
Total assets	₩	1,476,127	₩	1,523,923

Novelis Korea Limited

Statements of Financial Position

December 31, 2015 and 2014

(in millions of Korean won)		2015		2014
Liabilities and Equity				
Current liabilities				
Trade accounts and notes payable (Notes 11, 13 and 28)	₩	475,587	₩	519,026
Other accounts payable (Notes 11, 13 and 28)		29,676		42,382
Advance receipts		1,054		480
Withholdings		2,010		1,447
Accrued expenses (Notes 11 and 15)		26,939		24,775
Short-term borrowings (Note 11)		57,500		117,500
Current portion of long-term liabilities(Note 11)		20,760		86,290
Derivative instrument liabilities (Notes 11 and 25)		17,740		16,053
Firm commitment liabilities (Note 25)		80		556
Income taxes payable		7,204		6,120
Dividends payable		30		30
Carbon Emission liabilities (Note 26)		2,803		-
Total current liabilities		641,383		814,659
Non-current liabilities				
Long-term borrowings (Note 11)		191,250		96,010
Asset retirement obligation liabilities (Note 7)		654		610
Derivative instrument liabilities (Notes 11 and 25)		312		867
Long-term accrued expenses (Notes 11 and 15)		3,085		3,143
Accrued severance benefits, net (Note 12)		2,578		3,994
Total non-current liabilities		197,879		104,624
Total liabilities		839,262		919,283
Equity				
Capital stock (Notes 1 and 17)				
Common stock		116,905		116,905
Capital surplus				
Paid-in capital in excess of par value		399,241		399,241
Accumulated other comprehensive income				
Gain on valuation of cash flow hedge(Notes 23 and 25)		(472)		6,443
Retained earnings				
Legal reserve		29,834		29,835
Unappropriated retained earnings(Note 18)		91,357		52,216
Total Equity		636,865		604,640
Total liabilities and Equity	₩	1,476,127	₩	1,523,923

The accompanying notes are an integral part of these financial statements

Novelis Korea Limited
Statements of Income
Years ended December 31, 2015 and 2014

(in millions of Korean won, except per share amounts)		2015		2014
Sales (Notes 19 and 28)	₩	2,000,958	₩	1,962,941
Cost of sales (Notes 20, 22 and 28)		1,824,993		1,808,341
Gross income		175,965		154,600
Selling and administrative expenses (Notes 21 and 22)		109,450		111,795
Operating income		66,515		42,805
Non-operating income				
Interest income		3,365		2,046
Gain on foreign currency transactions		39,759		19,383
Gain on foreign currency translation		7,075		8,199
Gain on disposal of property, plant and equipment		173		213
Gain on derivative transactions		99,592		82,408
Gain on valuation of derivatives (Note 25)		4,946		11,322
Gain on valuation of firm commitments (Note 25)		2,393		667
Others		1,363		1,803
		158,666		126,041
Non-operating expenses				
Interest expense		10,234		9,382
Loss on foreign currency transactions		22,585		14,909
Loss on foreign currency translation		2,045		1,540
Loss on disposal of trade accounts and notes receivable		2,400		2,525
Loss on disposal of property, plant and equipment		141		707
Provision for asset retirement obligation liabilities		43		41
Depreciation of assets not in use		521		338
Loss on derivative transactions		122,409		92,327
Loss on valuation of derivatives (Note 25)		12,003		13,309
Loss on valuation of firm commitments (Note 25)		152		693
Others		212		262
		172,745		136,033
Income before income tax expense		52,436		32,813
Income tax expense (Note 16)		13,296		5,714
Net income (Note 23)	₩	39,140	₩	27,099
Basic and diluted earnings per share (Note 24)	₩	837	₩	580

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

Novelis Korea Limited
Statements of Changes in Equity
Years ended December 31, 2015 and 2014

(in millions of Korean won)

	Capital stock	Capital surplus	Accumulated other comprehensive income and loss	Retained earnings	Total
Balances as of January 1, 2014	₩ 116,905	₩ 399,241	₩ 14,096	₩ 149,879	₩ 680,121
Dividends	-	-	-	(94,927)	(94,927)
Retained earnings after appropriation	116,905	399,241	14,096	54,952	585,194
Loss on valuation of cash flow hedge(Note 25)	-	-	(7,653)	-	(7,653)
Net income	-	-	-	27,099	27,099
Balances as of December 31, 2014	₩ 116,905	₩ 399,241	₩ 6,443	₩ 82,051	₩ 604,640
Balances as of January 1, 2015	₩ 116,905	₩ 399,241	₩ 6,443	₩ 82,051	₩ 604,640
Dividends	-	-	-	-	-
Retained earnings after appropriation	116,905	399,241	6,443	82,051	604,640
Loss on valuation of cash flow hedge(Note 25)	-	-	(6,915)	-	(6,915)
Net income	-	-	-	39,140	39,140
Balances as of December 31, 2015	₩ 116,905	₩ 399,241	₩ (472)	₩ 121,191	₩ 636,865

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

Novelis Korea Limited
Statements of Cash Flows
Years ended December 31, 2015 and 2014

(in millions of Korean won)	2015	2014
Cash flows from operating activities		
Net income	₩ 39,140	₩ 27,099
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for severance benefits	10,436	9,673
Depreciation and amortization	74,260	78,540
Loss on foreign currency translation	2,022	1,537
Change of allowance for doubtful accounts	(365)	119
Loss on disposal of property, plant and equipment	141	707
Loss on disposal of trade and notes receivable	2,400	2,525
Loss on valuation of derivatives	12,003	13,309
Loss on valuation of firm commitments	152	693
Provision for asset retirement obligation liabilities	43	41
Gain on foreign currency translation	(7,075)	(8,198)
Gain on disposal of property, plant and equipment	(173)	(212)
Gain on valuation of derivatives	(4,946)	(11,322)
Gain on valuation of firm commitments	(2,393)	(667)
	86,505	86,745
Changes in operating assets and liabilities		
Decrease(increase) in trade receivables	105,129	(158,444)
Increase in other accounts receivable	(3,771)	(1,619)
Decrease(increase) in prepaid expenses	178	(8,058)
Decrease(increase) in prepaid value added taxes	14,117	(5,213)
Decrease in derivative instrument assets	11,018	6,599
Decrease in firm commitment assets	630	2,394
Decrease(increase) in current deferred income tax assets	794	(1,582)
Decrease(increase) in other current assets	270	(691)
Decrease(increase) in inventories	51,448	(57,258)
Increase in non-current deferred income tax assets	(670)	(788)
Increase(decrease) in trade payables	(43,870)	188,952
Increase(decrease) in other accounts payable	(8,897)	5,633
Increase in advance receipts	575	190
Increase in withholdings	562	48
Increase in accrued expenses	7,016	602
Decrease in derivative instrument liabilities	(12,447)	(9,218)
Decrease in firm commitment liabilities	(628)	(205)
Increase(decrease) in income taxes payable	1,084	(9,515)
Increase in carbon emission liabilities	2,803	-
Increase(decrease) in long-term accrued expenses	(57)	595
Payments of severance benefits	(1,226)	(888)
Increase in pension plan assets	(10,627)	(10,066)
Decrease in contributions to the National Pension Fund	2	3
	113,433	(58,529)
Net cash provided by operating activities	239,078	55,315

Novelis Korea Limited
Statements of Cash Flows
Years ended December 31, 2015 and 2014

(in millions of Korean won)		2015		2014
Cash flows from investing activities				
Proceeds from disposal of short-term investment	₩	7	₩	4
Proceeds from short-term loans to employees		202		297
Proceeds from affiliated companies		43,968		-
Proceeds from disposal of long-term investment		1		-
Proceeds from guarantee deposits		20		113
Proceeds from disposal of property, plant and equipment		192		151
Acqusition of long-term investment		(8)		(4)
Long-term loans provided to employees		(570)		(300)
Loans provided to affiliated companies		(48,681)		(42,540)
Acquisition of property, plant and equipment		(43,024)		(67,701)
Acquisition of intangible assets		(1,074)		(479)
Payment of guarantee deposits		(1,503)		(11)
Net cash used in investing activities		(50,470)		(110,470)
Cash flows from financing activities				
Net increase(decrease) in short-term borrowings		(60,000)		87,500
Increase in long-term borrowings		80,000		22,500
Payment of long-term borrowings		-		(7,500)
Payment of current portion of long-term borrowings		(50,290)		(22,500)
Dividends paid		-		(94,927)
Net cash used in financing activities		(30,290)		(14,927)
Net increase(decrease) in cash and cash equivalents		158,318		(70,082)
Cash and cash equivalents (Note 27)				
Beginning of the year		61,601		131,683
End of the year	₩	219,919	₩	61,601

The accompanying notes are an integral part of these financial statements

1. General information

Novelis Korea Limited (the “Company”), a spin-off from Taihan Electric Wire Co., Ltd., was incorporated in 1999 under the Commercial Code of the Republic of Korea to manufacture and market aluminum and related products. The company’s headquarter is located in Yeongju City, North Gyeongsang Province.

As of December 31, 2015, the Company has capital stock amounting to ₩ 116,905 million after several capital increases, which was ₩ 16,500 million upon establishment.

The Company’s common major shareholders and their respective ownership as of December 31, 2015, are as follows:

	Number of shares owned	Percentage of Ownership (%)
4260848 Canada Inc.[1]	12,770,000	27.309
4260856 Canada Inc. [1]	19,052,400	40.743
8018227 Canada Inc. [1]	14,939,200	31.947
Other shareholders	400	0.001
	46,762,000	100.000

[1] Owned by Novelis Inc. which was acquired by Hindalco Industries Limited on May 15, 2007.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The Company’s financial statements have been prepared in accordance with KAS-NPEs(Korean Accounting Standards for Non-Public Entities), which apply to those companies which are subject to the Act on External Audit of Stock Companies but do not prepare their financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (“Korean IFRS”). Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, financial performance or cash flows, is not presented in the accompanying financial statements.

Foreign Currency Translation

(a) Functional and presentation currency

Items included in the Company’s financial statements are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in Korean won, which is the Company’s functional and presentation currency.

(b) Foreign currency transactions and translations

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at each reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges or available-for-sale debt securities.

2.3 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash without significant transaction costs which are subject to an insignificant risk of change in value.

2.4 Investments in Securities

Costs of securities are determined using the moving-weighted average method. Investments in equity securities or debt securities are classified into trading securities, available-for-sale securities and held-to-maturity securities, depending on the acquisition and holding purpose. Investments in equity securities of companies, over which the Company exercises a significant control or influence, are recorded using the equity method of accounting. Trading securities are classified as current assets while available-for-sale securities and held-to-maturity securities are classified as long-term investments, excluding those securities that mature or are certain to be disposed of within one year, which are then classified as current assets.

Held-to-maturity securities are measured at amortized cost while available-for-sale and trading securities are measured at fair value. However, non-marketable securities, classified as available-for-sale securities, are carried at cost when the fair values are not readily determinable.

Gains and losses related to trading securities are recognized in the income statement, while unrealized gains and losses of available-for-sale securities are recognized in equity as other comprehensive income. Realized gains and losses on available-for-sale securities are recognized in the income statement.

2.5 Derivatives

All derivative instruments are accounted for at their fair value according to the rights and obligations associated with the related derivative contracts. The resulting changes in fair value of derivative instruments are recognized either in the income statement or shareholders' equity, depending on whether the derivative instruments qualify as a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument purchased with the purpose of hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment that is attributable to a particular risk. The resulting changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in shareholders' equity as accumulated other comprehensive income.

2.6 Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts and notes receivable. Allowances are calculated based on the estimates made through a reasonable and objective method. Bad debts expense is recorded by the amount of the estimated loss on doubtful accounts less the balance of allowance for doubtful accounts. Bad debts expense for notes receivable from commercial transactions is accounted for as selling and administrative expenses, while bad debts expense from other receivables is accounted for as non-operating expense. Uncollectible receivables are offset against allowance for doubtful accounts and in case of insufficient amount of allowance, bad debts expense is recognized.

2.7 Inventories

The quantities of inventories are determined using the perpetual method and periodic inventory count, while the costs of inventories are determined using the monthly-average method, except for inventories in-transit which is determined using the specific identification method. Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense. Replacement cost is used for the estimate of net realizable value of raw materials. If, however, the circumstances which caused the valuation loss cease to exist, the valuation loss is reversed, but not exceeding the original carrying amount before valuation. The said reversal is deducted from cost of sales.

2.8 Property, Plant and Equipment

Property, plant and equipment are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. It also includes the present value of the estimated cost of dismantling and removing the asset, and restoring the site after the termination of the asset's useful life, provided it meets the criteria for recognition of provisions.

Property, plant and equipment are stated at acquisition cost, net of accumulated depreciation calculated based on the following depreciation method and estimated useful lives:

Description	Estimated useful lives	Depreciation Method
Buildings	9 - 47 years	Straight-line method
Structures	8 - 40 years	"
Machinery and equipment	8 - 22 years	"
Vehicles	5 - 8 years	"
Tools and furniture	4 - 10 years	"

Expenditures incurred after the acquisition or completion of assets are capitalized only when it is probable that future economic benefits associated with the item will flow to the Company, which includes the enhancement of the value of the related assets over their recently appraised value or extension of the useful life of the related assets, and the fair value for the related cost can be reliably measured. All other routine maintenance and repairs are charged to expense as incurred.

2.9 Borrowing Costs

The Company capitalizes the interest it incurs on borrowings used to finance the cost of manufacturing, acquisition, and construction of property, plant, and equipment, intangible assets, investment property and inventories that require more than one year to complete from the initial date of manufacture, acquisition, and construction (qualifying asset).

2.10 Intangible Assets

Intangible assets are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. Intangible assets are stated net of accumulated amortization calculated based on using the following depreciation method and estimated useful lives:

Description	Estimated useful lives	Depreciation Method
Software	4 - 8 years	Straight-line method

2.11 Impairment of Non-financial Assets

Intangible assets not yet available for use are tested annually for impairment. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Property, plant and equipment are reviewed for impairment under the above circumstances and when gross estimated future cash flows expected from the use and disposal of property, plant and equipment (individual assets or cash-generating units) is less than the carrying amount. Impairment loss is recognized 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 its value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels (cash-generating units) for which there are separate and identifiable cash flows.

Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Provisions and Contingent Liabilities

Provisions are recognized when it is probable that an outflow of resources will occur due to a present obligation resulting from a past event, and the amount can be reliably estimated. However, when such outflow is dependent upon a future event, is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are reviewed at each report date and adjusted to reflect the current best estimate. The discount rate used in the present value measurement is the discount rate adjusted to reflect the current best estimate at each report date.

2.13 Income Tax and Deferred Income Tax

Income tax expense includes the current income tax under the relevant income tax law and the changes in deferred tax assets or liabilities. Deferred tax assets and liabilities represent temporary differences between financial reporting and the tax bases of assets and liabilities. Deferred tax assets are recognized for temporary differences which will decrease future taxable income or operating losses to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Deferred tax effects applicable to items in the shareholders' equity are directly reflected in the equity.

2.14 Employee Benefits

(a) Provision for severance benefits

Employees and directors with at least one year of service are entitled to receive a lump-sum payment upon termination of their employment with the Company based on their length of service and rate of pay at the time of termination. Provision for severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the date of the statement of financial position.

The Company contributes a certain portion of the severance benefits to the National Pension Service according to the National Pension Law. The contribution amount is recorded as a deduction from the provision for severance benefits.

The Company has a defined contribution pension plan with the related contribution to the pension plan recorded as severance benefit expense.

The Company also has a defined benefit pension plan, and accrues severance benefits for current employees and pension payables for retired employees.

Pension plan assets are presented as a deduction from the total of provision for severance benefits and pension payables. The excess portion of pension plan assets over provision for severance benefits and pension plan liabilities is recorded as investment assets.

(b) Annual paid leave obligations

The Company recognizes expenses and liabilities related to annual paid leave during an accounting period when an employee has rendered service that gives rise to employee's entitlement to future annual paid leave.

The Company recognizes expenses and liabilities for the entire annual paid leave resulting from the rendered service as the Company compensates for unused annual leave.

2.15 Revenue Recognition

Revenue is measured as the fair value of the consideration received or receivable, and represents amounts receivable for the sale of goods and rendering of services, stated net of value-added tax, sales discounts and sales returns. The Company recognizes revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow into the Company.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of goods are transferred to the customer. Interest income is recognized using the effective interest method.

2.16 Share-based Payments

For equity-settled share-based payment, the fair value of the goods or employee services received in exchange for the grant of the options is recognized as an expense and a capital adjustment. If the fair value of goods or employee services cannot be reliably estimated, the fair value is estimated based on the fair value of the equity granted.

For cash-settled share-based payment, the fair value of the obligation the Company will assume is determined by the fair value of the goods or employee services received in exchange for the grant of the options. Until the liability is settled, the Company remeasures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognized as an expense in income statement.

Share-based payment transactions with an option for the parties to choose between cash and equity settlement are accounted for based on the substance of the transaction.

2.17 Carbon Emission Rights (Allowances) and Liabilities

With Enforcement of Allocation and Trading of Carbon Emissions Allowances, allowances that are received free of charge from the government are measured at zero while allowances purchased are measured at acquisition cost and stated net of accumulated impairment loss. Emissions liabilities are measured as the sum of the carrying amount of the allocated allowances that will be submitted to the government and the best estimate of expenditure required to settle the obligation at the end of reporting period for any excess emission. The allowances and emissions liabilities are classified as intangible assets and provisions, respectively, in the statement of financial position.

2.18 Measurement of Financial Assets and Financial Liabilities

(a) Initial measurement

Financial assets and financial liabilities are measured at fair value at the initial recognition. Generally, the transaction price (i.e. the fair value of the consideration paid for financial assets and received for financial liabilities) is treated as fair value. In addition, if there is any significant difference between the fair value and the nominal amount of receivable and payable from long-term lending and borrowing transactions or sales transactions with long-term deferred payment conditions, total amount of receivable and payable is carried at fair value.

If the consideration paid (or received) includes any amount for other than financial instruments, fair value of the financial instrument is carried at the market price. When market price is not available, fair value is estimated using valuation techniques (including present value based techniques). However, although the consideration consists of the amount for other than financial instrument, the whole amount is initially recognized if a benefit in return from using the funds is imposed or there is a certain relationship between raising and using funds. Also for lease deposits, the whole transaction price is recognized at inception. Trading securities and derivatives (except when hedge accounting is applied) are subsequently measured at fair value after initial recognition, and changes in fair value are recognized in profit and loss. In the case of other financial assets and liabilities, any transaction costs related to the acquisition of financial assets or issuance of financial liabilities are added to or deducted from the initially recognized fair value.

When measuring the present value of financial instruments, the Company uses the internal interest rate of transactions that occurred in the current period. If internal interest rate is not available or the difference from the market interest rate is material, market interest rate is applied. If the market interest rate cannot be calculated, then the weighted average interest rate which is calculated by reasonable and objective standards is used. If reasonable and objective standards are unavailable, the Company applies the financing costs which are reasonably estimated using the distribution rate of corporate bonds, reflecting the Company’s credit rating.

(b) Subsequent measurement

Financial assets and financial liabilities other than derivatives (Note 2.5) are measured at amortized cost using the effective interest method.

3. Restricted Financial Instruments

As of December 31, 2015 and 2014, restricted financial instruments related to bank overdraft agreements amounted to ₩ 4 million and ₩ 5 million respectively.

4. Short-term and Long-term Investment Assets

Short-term and Long-term investment assets as of December 31, 2015 and 2014, are as follows:

(in millions of Korean won)		**2015**		**2014**
Short-term investment assets				
Held-to-maturity securities	₩	8	₩	7
Long-term investment assets				
Bank deposits		4		5
Held-to-maturity securities		32		32
		36		37
	₩	44	₩	44

Short-term and long-term held-to-maturity securities as of December 31, 2015 and 2014, consist of government and public bonds.

Maturities of long-term held-to-maturity securities as of December 31, 2015 and 2014, are as follows:

(in millions of Korean won)		2015		2014
Maturity period				
Within one year	₩	8	₩	7
More than one year to five years		32		32
	₩	40	₩	39

5. Trade Receivables

Trade receivables as of December 31, 2015 and 2014, are as follows:

(in millions of Korean won)		2015		2014
Trade receivables	₩	261,724	₩	367,320
Less: Allowance for doubtful accounts		(214)		(579)
	₩	261,510	₩	366,741

As of December 31, 2015 and 2014, trade bills transferred through banks that have not yet matured are as follows:

(in millions of Korea won, in thousands of US dollars)		2015		2014	
Forfeiture of export receivables of US$145,940 (2014:US$ 152,193)	₩	171,042	₩	167,290	Without recourse
Financing of domestic receivables		22,180		27,519	Without recourse
	₩	193,222	₩	194,809	

6. Inventories

Details of inventories as of December 31, 2015 and 2014, are as follows:

(in millions of Korean won)		2015		2014
Finished goods	₩	35,846	₩	48,032
Merchandise		67		768
Work-in-process		66,958		95,123
Raw materials		31,748		38,544
Supplies		16,924		16,181
Materials in transit		3,529		7,663
		155,072		206,311
Less: Valuation allowance(*)		(3,279)		(3,070)
	₩	151,793	₩	203,241

(*)As of December 31, 2015, valuation allowance of inventory and work-in-process amounted to ₩ 881 million (2014: ₩ 489 million) and ₩ 0 million (2014: ₩ 164 million), respectively. In addition, valuation allowance of supplies amounted to ₩ 2,398 million (2014: ₩ 2,417 million).

7. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)	2015							
	Land	Buildings	Structures	Machinery & Equipment	Vehicles	Tools	Construction-in-progress	Total
Balance as of January 1, 2015	₩ 75,999	₩ 142,011	₩ 23,516	₩ 499,907	₩ 2,864	₩ 8,704	₩ 11,628	₩ 764,629
Acquisition	-	588	315	10,872	907	1,255	19,929	33,866
Disposal	-	-	-	(73)	(54)	(33)	-	(160)
Transfer	-	2,517	1,002	24,114	358	1,557	(29,350)	198
Depreciation	-	(5,025)	(1,506)	(61,372)	(1,159)	(4,070)	-	(73,132)
Balance as of December 31, 2015	₩ 75,999	₩ 140,091	₩ 23,327	₩ 473,448	₩ 2,916	₩ 7,413	₩ 2,207	₩ 725,401
Acquisition cost	₩ 75,999	₩ 202,414	₩ 54,015	₩ 1,134,607	₩ 9,861	₩ 53,852	₩ 2,207	₩ 1,532,955
Accumulated depreciation	-	(62,323)	(30,617)	(660,069)	(6,945)	(46,378)	-	(806,332)
Accumulated impairment	-	-	(71)	(1,090)	-	(61)	-	(1,222)

(in millions of Korean won)	2014							
	Land	Buildings	Structures	Machinery & Equipment	Vehicles	Tools	Construction-in-progress	Total
Balance as of January 1, 2014	₩ 75,999	₩ 139,904	₩ 21,776	₩ 533,909	₩ 2,927	₩ 11,627	₩ 16,221	₩ 802,363
Acquisition	-	4,251	1,749	8,658	927	1,975	22,380	39,940
Disposal	-	(309)	(41)	(130)	(74)	(92)	-	(646)
Transfer	-	3,174	2,521	21,689	-	85	(26,973)	496
Depreciation	-	(5,009)	(2,489)	(64,219)	(916)	(4,891)	-	(77,524)
Balance as of December 31, 2014	₩ 75,999	₩ 142,011	₩ 23,516	₩ 499,907	₩ 2,864	₩ 8,704	₩ 11,628	₩ 764,629
Acquisition cost	₩ 75,999	₩ 199,309	₩ 52,699	₩1,103,932	₩ 9,533	₩ 54,382	₩ 11,628	₩1,507,482
Accumulated depreciation	-	(57,298)	(29,112)	(602,935)	(6,669)	(45,617)	-	(741,631)
Accumulated impairment	-	-	(71)	(1,090)	-	(61)	-	(1,222)

As of December 31, 2015, the book value of the Company’s land is recorded at ₩ 75,999 million. (2014: ₩ 75,999 million).

As of December 31, 2015, the value of the Company’s land, as determined by the local government for property tax assessment purposes, amounts to approximately ₩ 115,657 million (2014: ₩ 108,393 million).

The Company recognizes asset retirement obligation liabilities of ₩ 654 million and ₩ 610 million as of December 31, 2015 and 2014, respectively, which represent the present value of the estimated expenses for the required dismantlement of waste water facilities and the recovery of the related land when the facilities are removed from the site. The asset retirement obligation liabilities are recognized as part of the carrying amounts of the related assets as well.

8. Insured Assets

The details of the insurance as of December 31, 2015 and 2014, are as follows:

(in millions of Korean won, in thousands of US dollars)

Type of Insurance	Asset Insured	Amount Insured 2015	Amount Insured 2014	Insurance Company	Beneficiary
General property insurance	Inventories and property, plant and equipment, excluding land and certain construction-in-progress	US$ 1,661,806	US$ 1,745,867	Hyundai Marine & Fire Insurance Co.,Ltd.	the Company
General insurance for losses from product liability	-	US$ 10,000	US$ 10,000	Hyundai Marine & Fire Insurance Co.,Ltd.	the Company
General insurance for losses from gas accidents	-	₩ 11,020	₩ 10,640	Hyundai Marine & Fire Insurance Co.,Ltd.	the Company
Short-term Export Insurance	Trade Receivables	US$ 289,998	US$ 297,795	Korea Trade Insurance Corporation	the Company, other

Besides the above insurance, the Company has marine insurance for the export transactions. In addition, the Company has car liability insurance and comprehensive insurance for its vehicles and accident insurance for the benefit of its employees.

9. Intangible Assets

Details of intangible assets as of December 31, 2015 and 2014, are as follows:

(in millions of Korean won)	2015 Software		2015 Construction-in-progress intangible assets		2015 Total	
Balance as of January 1, 2015	₩	3,554	₩	-	₩	3,554
Acquisition		51		1,024		1,075
Transfer		451		(648)		(198)
Amortization		(1,128)		-		(1,128)
Balance as of December 31, 2015	₩	2,928	₩	375	₩	3,303
Acquisition cost		11,199		375		11,574
Accumulated amortization		(8,271)		-		(8,272)

(in millions of Korean won)	2014					
	Software		**Construction-in-progress intangible assets**		**Total**	
Balance as of January 1, 2014	₩	1,618	₩	2,969	₩	4,587
Acquisition		35		443		478
Transfer		2,916		(3,412)		(496)
Amortization		(1,015)		-		(1,015)
Balance as of December 31, 2014	₩	3,554	₩	-	₩	3,554
Acquisition cost		10,698		-		10,698
Accumulated amortization		(7,144)		-		(7,144)

For the year ended December 31, 2015, the Company classified the amortization amounting to ₩ 566 million as cost of sales, and ₩ 562 million as selling and administrative expenses.

10. Capitalization of borrowing costs

For the year ended December 31, 2015, the Company capitalized interest expense of ₩ 286 million incurred on the borrowings used to finance the cost of acquiring the Company's property, plant and equipment.

Effects on statements of financial position and income statements as of and for the years ended December 31, 2015 and 2014, are as follows:

	2015		2014	
(in millions of Korean won)	**Capitalized**	**Expensed**	**Capitalized**	**Expensed**
Acquisition cost	₩ 1,532,955	₩ 1,525,234	₩ 1,507,482	₩ 1,500,047
Accumulated Depreciation	(806,332)	(805,047)	(741,631)	(740,912)
Net book Amounts	725,401	718,965	764,629	757,913
Equity	636,865	630,429	604,640	597,924

	2015		2014	
(in millions of Korean won)	**Capitalized**	**Expensed**	**Capitalized**	**Expensed**
Depreciation	₩ 73,132	₩ 72,566	₩ 77,524	₩ 76,975
Interest expense	10,234	10,520	9,382	9,529
Net income	39,140	39,420	27,099	27,501

11. Borrowings

Short-term borrowings as of December 31, 2015 and 2014, are as follows:

(in millions of Korean won)	Lender	Interest rate(%) as of December 31, 2015	2015	2014
General loans	Bank of America	2.47	₩ 30,000	₩ 30,000
General loans	Citibank Korea	2.77	27,500	-
General loans	Shinhan Bank	-	-	32,000
General loans	Nonghyup Bank	-	-	45,500
General loans	KEB Hana Bank	-	-	10,000
			₩ 57,500	₩ 117,500

Long-term borrowings as of December 31, 2015 and 2014, are as follows:

(in millions of Korean won)	Lender	Interest rate(%) As of December 31, 2015	2015	2014
General loans	Nonghyup Bank	3.05	₩ 20,000	₩ 20,000
Facility loans	Nonghyup Bank	-	-	10,000
General loans	Shinhan Bank	2.85~2.93	35,500	20,000
Facility loans	Shinhan Bank	2.52~2.6	74,500	60,000
General loans	Korea Development Bank	3.16	30,000	-
Facility loans	Korea Development Bank	2.83	20,000	-
Facility loans	Woori Bank	2.58	22,500	22,500
Facility loans	KEB Hana Bank	1.75	3,510	33,800
Facility loans	Bank of China	2.82	6,000	16,000
			212,010	182,300
Less: Current portion of long-term liabilities			(20,760)	(86,290)
			₩ 191,250	₩ 96,010

Liquidity risk is defined as the risk that the Company is unable to meet its short-term payment obligations on time due to deterioration of its business performance or inability to access financing. The Company forecasts its cash flow and liquidity status such as sufficient cash level to meet operational needs and sets action plans on a monthly basis to manage liquidity risk proactively.

In addition, the Company copes with potential financial distress by maintaining adequate amount of cash and committed credit facilities. The balance of cash and cash equivalents, and current-financial deposits at December 31, 2015, is ₩ 219,919 million (2014: ₩ 61,601 million). The Company maintains total committed credit lines of ₩ 1,009,510 million and US$ 231,342 thousand in Korea Exchange Bank and Citibank in Korea and other financial institutions at December 31, 2015 (2014: ₩ 846,800 million and US$ 377,100 thousand).

The Company forfeits its trade receivables to financial institutions during short-term liquidity needs. Thus, it secures financing and manages credit risk of the receivables.

Details of the Company's maturity analysis as of December 31, 2015 and 2014, are as follows:

(in millions of Korean won)	2015					
	Less than 6 months	**Between 6 months and 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Trade payables	₩ 475,587	₩ -	₩ -	₩ -	₩ -	₩ 475,587
Other accounts payable	29,676	-	-	-	-	29,676
Accrued expenses(including long-term accrued expenses)	23,603	3,336	717	698	1,670	30,024
Derivative instruments	16,057	1,479	322	194	-	18,052
Borrowings	31,246	53,734	78,602	120,144	-	283,726
	₩ 576,169	₩ 58,549	₩ 79,641	₩ 121,036	₩ 1,670	₩ 837,065

The table above analyzes the Company's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity based on the remaining period at the date of the statement of financial position to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

12. Provision for Severance Benefits

Changes in provision for severance benefits for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)	**2015**	**2014**
Beginning balance	₩ 43,315	₩ 34,529
Increase	10,436	9,674
Payment	(1,226)	(888)
Ending balance	52,525	43,315
Less: Cumulative contribution to the National Pension Fund	(113)	(115)
Less: Pension Plan assets	(49,834)	(39,207)
Provision for severance benefits	₩ 2,578	₩ 3,993

As of December 31, 2015, the Company estimates severance payable to all employees to be ₩52,525 million (2014: ₩ 43,315 million) and records the corresponding amount as provision for severance benefits. Also, the Company funded 95% of severance payable through severance insurance deposits with Korea Investment & Securities and other financial institutions.

Changes in the fair value of plan assets for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)		2015		2014
Beginning balance	₩	39,207	₩	29,141
Employer contributions		12,047		11,136
Benefits paid		(1,420)		(1,070)
Ending balance	₩	49,834	₩	39,207

Plan assets as of December 31, 2015 and 2014, are as follows:

(in millions of Korean won)		2015		2014
Cash	₩	4,454	₩	7
Time deposits		26,295		22,963
Securities combined with derivatives (guaranteed)		19,085		16,237
	₩	49,834	₩	39,207

13. Foreign Currency Denominated Assets and Liabilities

Significant monetary assets and liabilities denominated in foreign currencies as of December 31, 2015 and 2014, are as follows:

(In millions of Korean won, foreign currencies in thousands)

	2015				2014			
	Foreign currencies		Won equivalents		Foreign currencies		Won equivalents	
Foreign currency deposits	US$	209	₩	245	US$	484	₩	532
	SG$	-		-	SG$	3		2
	HK$	387		58	HK$	366		52
Trade accounts receivable	US$	161,289	₩	189,031	US$	254,645	₩	279,906
	JP￥	35,143		342	JP￥	72,858		670
	EUR	-		-	EUR	1		2
Other accounts receivable	US$	6,783	₩	7,950	US$	1,784	₩	1,961
	EUR	987		1,263	EUR	987		1,319
Loans	US$	45,000	₩	52,740	US$	40,000	₩	43,968
Trade accounts payable and notes payable	US$	50,914	₩	59,671	US$	11,518	₩	12,661
	EUR	33		42	EUR	-		-
	JP￥	7,092		69	JP￥	2,364		22
Other accounts payable	US$	17,272	₩	20,243	US$	27,554	₩	30,287
	EUR	-		-	EUR	117		156

14. Contingencies and Commitments

The Company has bank overdraft agreements with Korea Exchange Bank and Citibank Korea amounting to ₩ 10.5 billion and US$ 5,000 thousand as of December 31, 2015. The Company also has entered into agreements with Citibank Korea and other financial institutions in relation to the opening of letters of credit of up to US$ 246,342 thousand as of December 31, 2015.

The Company has bank loan agreements with Shinhan Bank, Bank of America, Nonghyup, Korea Exchange Bank and Bank of China amounting to ₩ 505.5 billion as of December 31, 2015.

The Company has agreements with Kookmin Bank and other financial institutions regarding a purchase card program of up to ₩ 458 billion as of December 31, 2015.

The Company has provided a payment guarantee in relation to borrowings of Novelis China, Novelis Vietnam,and Novelis MEA from Korea Exchange Bank, Woori Bank and Shinhan Bank amounting up to US$ 93,689 thousand. In addition, the company has provided a payment guarantee to Korean National Tax Service amounting up to ₩ 22 billion as of December 31,2015 in relation to the Mutual agreed procedure between Korean Tax Authority and Canadian Tax Authority.

The Company has accounts receivable forfaiting agreements with HSBC Bank and eight other financial institutions.

As of December 31, 2015, the Company has a technical assistance agreement with Novelis Inc. for the manufacture of aluminum products and accordingly, the Company recognized royalty fee amounting to ₩ 10,170 million (2014: ₩ 8,365 million) which was included in research expenses and royalties (Notes 21 and 28).

As of December 31, 2015, the Company has a “Novelis” brand license agreement with Novelis Limited and accordingly, royalty expense amounting ₩ 4,874 million (2014: ₩ 4,558 million) was recognized (Notes 21 and 28).

A management fee refers to a type of commission received in return for the services Novelis Inc. provides to its subsidiaries, which include managerial and strategic consulting services, sales and marketing support, IT and Public Relations services, and others. Novelis Inc. annually imposes such management fee to its subsidiaries pursuant to the Strategic Management Services Agreement that specifically stipulates the above mentioned services (Notes 21 and 28).

15. Share-Based Payments

As of December 31, 2015, the Company’s parent company, Novelis Inc., has granted cash-settled share-based payments and restricted stock units to the employees and directors of the company based on the share of the ultimate parent company, Hindalco Industries Limited and the parent company, Novelis Inc. The Company is responsible for the compensation cost of the said grants.

As of December 31, 2015, details of cash-settled share-based payments and restricted stock unit for employees and directors are as follows:

- Hindalco Industries Limited

		Cash-settled share-based payment							Restricted Stock Unit		
Grant years		**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**
Remaining number of grants[1]		112,933	143,035	122,308	354,781	480,306	545,774	548,945	143,484	163,127	168,466
Maturity years		2016	2017	2018	2019	2020	2021	2022	2016	2017	2018
Exercise price		INR 85.79	INR 147.10	INR 192.38	INR 109.58	INR 104.88	INR 145.50	INR 134.58	-	-	-
Vesting condi-Tions	1 ~ 4 yrs	1 ~ 4 yrs	1 ~ 4 yrs	1 ~ 4 yrs	1 ~ 4 yrs	1 ~ 4 yrs	1 ~ 4 yrs	1 ~ 4 yrs	3 yrs	3 yrs	3 yrs
	Non-market conditions	Achievement of target EBITDA for one year of individual service period								-	
Cap (maximum share price at the exercise gain calculation)		INR 209.48	INR 371.81	INR 495.67	INR 264.14	INR 255.81	INR 341.19	INR 308.38	INR 255.81	INR 341.19	INR 308.38

[1] The number of grants is subject to change due to inflow and outflow of vested employees among associated companies.

- Novelis Inc.

		Cash-settled share-based payment					
Grant years		**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Remaining number of grants[1]		2,484	5,570	12,300	24,802	42,223	56,415
Maturity years		2017	2018	2019	2020	2021	2022
Exercise price		$ 63.23	$73.55	$101.81	$91.87	$94.40	$65.35
Vesting condi-Tions	Service period	1 ~ 4 yrs	1 ~ 4 yrs	1 ~ 4 yrs	1 ~ 4 yrs	1 ~ 4 yrs	1 ~ 4 yrs
	Non-market conditions	Achievement of target EBITDA for one year of individual service period					
Cap (maximum share price at the exercise gain calculation)		$159.82	$189.50	$246.25	$174.82	$164.93	$112.40

[1] The number of grants is subject to change due to inflow and outflow of vested employees among associated companies.

In May, 2013, upon approval of the Company's executives and employees, Novelis Inc., the parent company, decided to cancel and pay certain cash-settled share-based payments that were based on shares of Hindalco Industries Limited and then exchange the remaining share based payments to the share based payment based on shares of Novelis Inc.

These changes are reflected in the information described above.

Changes in the number of grants and weighted average exercised price of grants for the year ended December 31, 2015, are as follows:

	Hindalco Industries Limited		Novelis Inc.	
	Number of grants	Weighted average exercised price of grants	Number of grants	Weighted average exercised price of grants
Beginning	1,989,732	INR 125.42	89,889	$ 92.40
Vested	600,217	INR 134.58	57,691	$ 65.35
Cancelled	(211,241)	INR 125.14	(4,559)	$ 83.98
Exercised	(44,851)	INR 84.21	(185)	$ 70.82
Change due to related Party's Business Transfer	12,126	INR 145.50	958	$ 94.40
Ending	2,345,983	INR 128.68	143,794	$ 81.86
Exercisable balance as of December 31, 2015	995,504	INR 126.25	39.791	$ 90.38

The Company calculated the fair value of the grant, whose service period requirement has not been met using the Monte Carlo method, as follows:

	2012	2013		2014			2015			
	Tranche4	Tranche3	Tranche4	Tranche2	Tranche3	Tranche4	Tranche1	Tranche2	Tranche3	Tranche4
Hindalco	INR 12.45	INR 27.45	INR 27.06	INR 23.48	INR 23.41	INR 22.72	INR 23.04	INR 22.89	INR 21.97	INR 20.12
Novelis	$ 8.11	$ 11.23	$ 11.19	$ 11.73	$ 11.66	$ 11.30	$ 21.03	$ 20.62	$ 20.19	$ 20.07

The assumptions used for determination of fair value are as follows:

- Hindalco Industries Limited

	2012 Grant	2013 Grant	2014 Grant	2015 Grant
Stock price [1]	INR 84.75	INR 84.75	INR 84.75	INR 84.75
Expected share price volatility [2]	41%	43%	43%	43%
Risk-free interest rate	7.51%	7.64%	7.72%	7.82%
Expected dividend rate	1.18%	1.18%	1.18%	1.18%

[1] The stock price of Hindalco Industries Limited as of December 31, 2015.
[2] The expected exercise period and historical share price as of December 31, 2015, were considered in the calculation of volatility.

- Novelis Inc.

	2012 Grant	2013 Grant	2014 Grant	2015 Grant
Stock price [1]	$ 65.35	$ 65.35	$ 65.35	$ 65.35
Expected share price volatility [2]	33%	36%	37%	38%
Risk-free interest rate	1.40%	1.62%	1.82%	1.98%
Expected dividend rate	0.00%	0.00%	0.00%	0.00%

[1] The stock fair value of Novelis Inc. as of December 31, 2015.
[2] The expected exercise period and historical share price of 11 competitors of Novelis Inc. as of December 31, 2015, were considered in the calculation of volatility.

The difference between the stock price of underlying shares at the reporting period end date and the exercise price is used for the fair value for the 2009 Tranche 1, Tranche 2, Tranche 3 and Tranche 4; 2010 Tranche 1, Tranche 2, Tranche 3 and Tranche 4; 2011 Tranche 1 and Tranche 2, Tranche 3 and Tranche 4; 2012 Tranche 1, Tranche 2 and Tranche 3; 2013 Tranche 1 and Tranche 2; 2014 Tranche 1 whose service requirement period has been met.

The restricted stock unit vested to the employees and directors is calculated based on the fair value of the underlying shares at valuation date.

For the year ended December 31, 2015, the Company recognized the compensation cost on cash-settled share-based payments and restricted stock unit amounting to ₩ (1,093) million as selling and administrative expense, and related liabilities amounting to ₩ 390 million as accrued expense.

16. Income Taxes

Income tax expense for the years ended December 31, 2015 and 2014, consists of:

(in millions of Korean won)		2015		2014
Current income taxes	₩	13,173	₩	8,084
Deferred income tax due to temporary differences		(2,085)		(4,813)
Deferred income tax charged to equity		2,208		2,443
Income tax expense	₩	13,296	₩	5,714

Deferred income taxes charged directly to the equity as of December 31, 2015 and 2014, are as follows:

(in millions of Korean won)		2015		2014
Gain(loss) on valuation of derivative instruments	₩	2,208	₩	2,443

Reconciliation between net income before tax and income tax expense for the years ended December 31, 2015 and 2014, is as follows:

(in millions of Korean won)	2015	2014
Net income before tax	₩ 52,436	₩ 32,813
Income tax based on statutory rate	₩ 12,690	₩ 7,941
Add (deduct):		
Non-deductible expense	391	114
Tax credit and exempt	(236)	(1,795)
Others	451	(546)
Income tax expense	₩ 13,296	₩ 5,714
Effective tax rate (Income tax expense/net income before tax)	25.36%	17.41%

Changes in the temporary differences and related deferred tax assets and liabilities for the years ended December 31, 2015 and 2014, are as follows:

	Temporary differences			Deferred tax assets (liabilities)		
(in millions of Korean won)	Beginning	Increase (Decrease)	Ending	Beginning	Increase (Decrease)	Ending
Derivatives	₩ 8,791	₩ (11,325)	₩ 2,534	₩ (2,127)	₩ 2,740	₩ 613
Accrued expenses	(36,176)	3,410	(32,766)	8,754	(826)	7,928
Property, plant and equipment	(6,315)	(1,684)	(7,999)	1,528	408	1,936
Loss on valuation of inventories	(3,070)	(209)	(3,279)	743	51	794
Gain or loss on foreign currency translation	(24)	-	(24)	6	-	6
Accrued Revenue	1,215	863	2,078	(294)	(209)	(503)
Others	(473)	147	(326)	114	(34)	80
	₩ (36,052)	₩ (8,798)	₩ (44,850)	₩ 8,724	₩ 2,130	₩ 10,854
Tax credits	(1,157)	56	(1,101)	926	(45)	881
2015	₩ (37,209)	₩ (8,742)	₩ (45,951)	₩ 9,650	₩ 2,085	₩ 11,735
2014	₩ (19,987)	₩ (17,222)	₩ (37,209)	₩ 4,837	₩ 4,813	₩ 9,650

Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Company's ability to generate taxable income within the period during which the temporary differences reverse, the outlook of the Korean economic environment, and the overall future industry outlook. Management periodically considers these factors in reaching its conclusion and recognized the deferred income tax asset since all the future deductible tax benefits are determined to be realizable as of December 31, 2015.

The gross balances of deferred tax assets and liabilities as of December 31, 2015 and 2014, are as follows:

(in millions of Korean won)	2015				2014			
	Deferred tax assets		**Deferred tax liabilities**		**Deferred tax assets**		**Deferred tax liabilities**	
Current	₩	9,612	₩	(542)	₩	10,087	₩	(2,431)
Non-current		2,665		-		1,994		-
	₩	12,277	₩	(542)	₩	12,081	₩	(2,431)

17. Capital Stock

The Company is authorized to issue 80,000,000 shares with the par value per share of ₩ 2,500. The Company has issued and outstanding 46,762,000 shares of common stock.

18. Retained Earnings

Appropriation of Retained Earnings

Date of Appropriation: March 25, 2016 and March 27, 2015 for the years ended December 31, 2015 and 2014, respectively.

Retained earnings as of December 31, 2015 and 2014, consist of:

(in millions of Korean won)	**2015**		**2014**	
Retained earnings before appropriation				
Unappropriated retained earnings carried over from prior year	₩	52,216	₩	25,117
Net income		39,141		27,099
		91,357		52,216
Appropriation of retained earnings				
Legal reserve		-		-
Cash dividends		-		-
Dividends(ratio) per share common stock:				
₩ 46,762000 (%) in 2015				
₩ 46,762,000 (%) in 2014				
		-		-
Unappropriated retained earnings carried forward to subsequent year	₩	91,357	₩	52,216

19. Sales

Sales for the years ended December 31, 2015 and 2014, consist of:

(in millions of Korean won)		**2015**		**2014**
Domestic sales of finished goods	₩	569,192	₩	630,790
Export sales of finished goods		1,360,324		1,255,562
Sales of merchandise		9,412		15,630
Other sales		62,030		60,959
	₩	2,000,958	₩	1,962,941

20. Cost of Sales

Cost of sales for the years ended December 31, 2015 and 2014, consists of:

(in millions of Korean won)		**2015**		**2014**
Cost of finished goods sold				
Finished goods, beginning	₩	48,032	₩	38,637
Manufacturing cost		1,881,033		1,831,152
Loss on valuation of inventories		209		960
Finished goods, ending		(35,846)		(48,032)
Transfer to other accounts		(110,203)		(69,887)
Refunded customs duties		(9,105)		(5,017)
		1,774,120		1,747,813
Cost of merchandise sold				
Merchandise, beginning		768		413
Purchases		7,812		14,130
Merchandise, ending		(67)		(768)
Transfer to other accounts		(20)		(137)
		8,493		13,638
Other cost of sales		42,380		46,890
	₩	1,824,993	₩	1,808,341

21. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)		2015		2014
Personnel expenses	₩	14,895	₩	14,897
Severance benefits		936		1,287
Welfare expenses		3,122		2,176
Travel expenses		1,598		1,629
Communication expenses		1,465		2,010
Fees		2,551		2,015
Rental charges		1,825		1,783
Freight costs		4,751		5,281
Depreciation and amortization		1,233		1,072
Export expenses		25,580		24,146
Overseas offices expenses		1,134		1,135
Research expenses and royalties		12,399		10,550
Claim expenses		16,411		6,557
Brand Fees		4,874		4,558
Management Service Fees		9,893		25,512
Computer expenses		3,377		3,104
Others		3,406		4,083
	₩	109,450	₩	111,795

22. Value Added Information

Value added information for the years ended December 31, 2015 and 2014, follows:

(in millions of Korean won)	2015						2014					
	Manufacturing Costs		Selling and Administrative Expenses		Total		Manufacturing Costs		Selling and Administrative Expenses		Total	
Personnel expenses	₩	88,824	₩	14,895	₩	103,719	₩	81,333	₩	14,897	₩	96,230
Severance benefits		9,491		936		10,427		8,726		1,287		10,013
Welfare expenses		16,600		3,122		19,722		15,157		2,176		17,333
Depreciation and Amortization		72,506		1,233		73,739		77,130		1,072		78,202
Tax and dues		1,316		419		1,735		1,270		136		1,406
Rental charges		131		1,825		1,956		123		1,783		1,906
	₩	188,868	₩	22,430	₩	211,298	₩	183,739	₩	21,351	₩	205,090

23. Comprehensive Income

Comprehensive income for the years ended December 31, 2015 and 2014, consists of:

(in millions of Korean won)	2015	2014
Net income	₩ 39,140	₩ 27,099
Other comprehensive income		
Cash flow hedge, net of tax of ₩ 2,208 million (2014: 2,443 million)	(6,916)	(7,653)
Comprehensive income	₩ 32,224	₩ 19,446

24. Earnings Per Share

Basic ordinary income per share and earnings per share for the years ended December 31, 2015 and 2014, are calculated as follows:

	2015	2014
Net income	₩ 39,140,442,407	₩ 27,099,316,402
Ordinary income and net income allocated to common stock (A)	39,140,442,407	27,099,316,402
Weighted-average number of common shares outstanding during the year (B)	46,762,000	46,762,000
Basic earnings per share ((A)/(B))	₩ 837	₩ 580

Since the Company has not issued any convertible securities such as convertible bonds, diluted ordinary income per share and diluted earnings per share are identical to basic ordinary income per share and basic earnings per share, respectively.

25. Derivatives

In order to hedge against price fluctuation in sales contracts with fixed-prices, the Company enters into futures contracts. Also to hedge against price fluctuation in inventories, the Company has futures contracts. The Company entered into derivative instrument contracts including currency forward to hedge the exposure to changes in foreign exchange rates for assets and liabilities and future cash flows denominated in foreign currencies. In addition, to hedge against interest rate fluctuation in debt, the Company has interest rate swaps

The gains and losses on valuation of derivatives mentioned above for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)	2015		
	Income statements		Other comprehensive income and expense[1]
	Valuation Gain	Valuation Loss	
Commodity futures	₩ 2,840	₩ 4,551	₩ (9,103)
Firm commitment	2,393	152	-
Currency forward	1,975	7,453	(262)
Interest rate swap	131	-	240
	₩ 7,339	₩ 12,156	₩ (9,125)

[1] The ₩ (6,916) million, net of tax, was recorded in other comprehensive income and expense.

(in millions of Korean won)	2014					
	Income statements				**Other comprehensive income and expense[1]**	
	Valuation Gain		**Valuation Loss**			
Commodity futures	₩	8,048	₩	6,150	₩	8,114
Firm commitment		667		693		-
Currency forward		3,274		7,137		(17,992)
Interest rate swap		-		22		(218)
	₩	11,989	₩	14,002	₩	(10,096)

[1] The ₩ (7,653) million, net of tax, was recorded in other comprehensive income and expense

The Company recognized gain or loss on valuation of derivatives amounting ₩ 10 million and ₩ 7 million, respectively, which is the ineffective portion of derivatives as hedging instrument but meets the hedge effectiveness for the application of fair-value hedge accounting criteria as of December 31, 2015.

The Company recognized gain or loss on valuation of derivatives amounting ₩ 1,108 million and ₩ 298 million, respectively, which are the ineffective portion of derivatives as hedging instrument but meet the hedge effectiveness criteria for the application of cash-flow hedge accounting as of December 31, 2015. The Company applies cash flow hedge accounting and is exposed to fluctuations in cash flows up to May 15th, 2018.

Total accumulated other comprehensive income and loss recognized amount to ₩5,626 million and ₩6,250 million, respectively, of which ₩ 2,033 million and ₩ 4,847 million are expected to be recognized as gain and loss, respectively, within 12 months from December 31, 2015. Also, the realized gain and loss on derivative transactions recognized upon the expiration of contracts for the year ended December 31, 2015, which were reflected in sales, amounted to ₩ 4,619 million and ₩ 8,886 million, respectively, while gain and loss reflected as cost of sales amounted to ₩ 25,921 million and ₩ 669 million, respectively. Realized loss on derivative transactions reflected as interest expenses amounted to ₩ 837 million, while realized gain and loss reflected in property, plant and equipment amounted to₩ 286 million and ₩ 0 million, respectively.

26. Carbon Emissions Rights (Allowances) and Liabilities

(1) Details of emissions rights in 2015, 2016 and 2017 are as follows:

(in millions of Korean won,	2015		2016		2017		Total	
except quantities for ton)	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
At January 1	-	₩ -	-	₩ -	-	₩ -	-	₩ -
Allocation of no cost	340,548	-	300,291	-	294,262	-	935,101	-
Purchase	-		-	-	-	-	-	-
Sale	-	-	-	-	-	-	-	-
Submitted to the government	-	-	-	-	-	-	-	-
At December 31	340,548	₩ -	300,291	₩ -	294,262	₩ -	935,101	₩ -

(2) Details of emissions liabilities for the year ended December 31, 2015, are as follows:

(in millions of Korean won)		**Emissions obligations**
At January 1	₩	-
Additional addition (excess emissions)		2,803
Used (submitted to the government)		-
At December 31	₩	2,803

27. Significant Transactions Not Affecting Cash Flows

Significant transactions not affecting cash flows for the years ended December 31, 2015 and 2014, are as follows:

(In millions of Korean won)		**2015**		**2014**
Reclassification of construction-in-progress to property, plant and equipment	₩	29,350	₩	26,973
Increase in other accounts payable related to acquisition of property, plant and equipment		(9,158)		(27,760)

28. Related Party Transactions

The Company's parent company, Novelis Inc., is a foreign registrant and there is no intermediate domestic company which prepares financial statements for external users.

Details of related parties that have sales and other transactions with the Company or have receivables and payables balances as of December 31, 2015 and 2014, are as follows:

	2015	**2014**
Ultimate parent company	Hindalco Industries Limited	Hindalco Industries Limited
Parent company	Novelis Inc.	Novelis Inc.
Other related parties	Novelis Switzerland-SA, Novelis Deutschland GMBH, Novelis Corporation, Novelis MEA Ltd., Novelis Services Limited, Aluminum company of Malaysia Berhad, Novelis Vietnam Company Limited, Novelis Madeira, Unipessoal Lda., Novelis Shanghai Aluminum Trading Company, Novelis (China) Aluminum Products Co Ltd., Novelis Italia SpA, Novelis do Brazil Ltda., Novelis PAE SAS	Novelis Switzerland-SA, Novelis Deutschland GMBH, Novelis Corporation, Novelis MEA Ltd., Novelis Services Limited, Aluminum company of Malaysia Berhad, Novelis Vietnam Company Limited, Novelis Madeira, Unipessoal Lda., Novelis Shanghai Aluminum Trading Company, Novelis (China) Aluminum Products Co Ltd., Novelis Italia SpA, Novelis do Brazil Ltda., Novelis PAE SAS

Sales and purchases with related parties for the years ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)	**Counter party**	**Sales of goods [1]**	**Purchase of raw materials [2]**	**Acquisition of property, plant and equipment**	**Other Income (expense)**
Ultimate parent company	Hindalco Industries Limited	₩ -	₩ -	₩ -	₩ -
Parent company	Novelis Inc.	-	25,535	-	910
Other related parties	Novelis Switzerland SA	-	62	-	-
	Novelis Deutschland GMBH	132,392	-	-	(5,311)
	Novelis UK Ltd.	-	-	-	-
	Novelis Corporation	41,674	7,148	273	773
	Novelis MEA Ltd.	254,178	15,083	-	(198)
	Novelis Services Limited	-	4,829	-	-
	Aluminum company of Malaysia Berhad	23	38	-	(4)
	Novelis Vietnam Company Limited	23,177	-	-	336
	Novelis Madeira Unipessoal Lda	-	-	-	-
	Novelis Shanghai Aluminum Trading Company	64,651	13,892	-	1,862
	Novelis (China) Aluminum Products Co Ltd	558	-	-	-
	Novelis do Brazil Ltda.	-	-	-	-
	Novelis PAE SAS	-	104	-	-
	2015	₩ 516,653	₩ 66,691	₩ 273	₩ (1,632)
	2014	₩ 275,057	₩ 71,270	₩ 13	₩ 2,317

[1] Sales of goods and rendering of services are included in sales.
[2] Purchases of goods and services (management services) are included in purchases (Note 14).

Year-end balances of receivables and payables arising from sales and purchases of goods and services as of December 31, 2015 and 2014, are as follows:

(in millions of Korean won)		Receivables			Payables	
		Trade receivables	Loans	Other receivables	Trade payables	Other payables
Parent company	Novelis Inc.	₩ -	₩ 52,740	₩ 135	₩ -	₩ 1,603
Other related parties	Novelis Switzerland SA	-	-	-	-	-
	Novelis Deutschland GMBH	21,183	-	2,162	-	4,012
	Novelis Corporation	530	-	862	338	4,327
	Novelis MEA Ltd.	36,653	-	232	4,961	19
	Novelis Services Limited	-	-	-	-	-
	Aluminum company of Malaysia Berhad	-	-	6	-	11
	Novelis Vietnam Company Limited	8,876	-	1,012	-	-
	Novelis Madeira, Unipessoal Lda	-	-	-	-	-
	Novelis (China) Aluminum Products Co Ltd	38,008	-	2,212	1,892	-
	Novelis Italia SpA	-	-	-	-	-
	Novelis do Brazil Ltda.	497	-	1	-	-
	Novelis PAE SAS	-	-	-	-	-
	2015	₩ 105,748	52,740	₩ 6,623	₩ 7,191	₩ 9,972
	2014	₩ 159,937	₩ 43,968	₩ 2,508	₩ 2,345	₩ 3,020

Details of payment guarantees provided by the Company for the related parties as of December 31, 2015, are stated in Note 14.

Details of loan transactions between the Company and the related parties for the year ended December 31, 2015 and 2014, are as follows:

(in millions of Korean won)		Loan transactions				
2015		Begining	Loans	Collection	Foreign exchange	Ending
Parent company	Novelis Inc.	₩ 43,968	₩ 48,681	₩ (43,968)	₩ 4,059	₩ 52,740
2014						
Parent company	Novelis Inc.	₩ -	₩ 42,540	₩ -	₩ 1,428	₩ 43,968

29. Approval of Financial Statements

The December 31, 2015 financial statements of the Company were approved by the Board of Directors on March 11, 2016.

Report of Independent Accountants'
Review of Internal Accounting Control System

To the President of
Novelis Korea Limited

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of Novelis Korea Limited (the "Company") as of December 31, 2015. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2015, no material weaknesses are identified as of December 31, 2015, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

Our review was conducted in accordance with the IACS review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the operations of the IACS to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's IACS and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit. However, in accordance with Chapter 5, Application for small- and medium-sized companies of the IACS standards, the design, operation and assessment of its IACS are limited compared with those of public large-sized companies as the Company is a non-public large- sized company. As such, we performed our review in accordance with Chapter 14, Review standards for small- and medium-sized companies.

A company's IACS is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that management's report on the operations of the IACS, referred to above, is not presented fairly, in all material respects, in accordance with Chapter 5, Application for small- and medium-sized companies', of the IACS standards established by IACSOC.

Our review is based on the Company's IACS as of December 31, 2015, and we did not review management's assessment of its IACS subsequent to December 31, 2015. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers
March 24, 2016

Report on the Operations of the Internal Accounting Control System

To the Board of Directors and Auditor of
Novelis Korea Limited

I, as the Internal Accounting Control Officer ("IACO") of Novelis Korea Limited ("the Company"), assessed the status of the design and operations of the Company's internal accounting control system ("IACS") for the year ended December 31, 2015.

The Company's management including IACO is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external purposes. I, as the IACO, applied Chapter 5, Application to small & medium sized companies of the IACS standards for the assessment of design and operations of the IACS.

Based on the assessment on the operation of the IACS, no material weakness has been identified as of December 31, 2015, in all material respect, in accordance with the IACS standards.

February 26, 2016

Paul Stadnikia

Internal Accounting Control Officer

Shashi Maudgal

Chief Executive Officer

ALUMINIUM COMPANY OF MALAYSIA BERHAD
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

2289A6/zu

Company No.

003859	U

ALUMINIUM COMPANY OF MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The Company is primarily engaged in the manufacturing and trading of aluminium sheet and foil products. The principal activities of the subsidiaries are shown in Note 17 to the financial statements.

There were no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit/(loss) for the financial year	1,811	(2,172)

DIVIDENDS

Since the end of the previous financial year, the Company has declared and paid the following dividend:

	RM'000
In respect of the financial year ended 31 March 2016:	
Single-tier interim dividend of 5 sen per ordinary share, paid on 20 August 2015	6,613

The Directors do not recommend the payment of any final dividend for the financial year ended 31 March 2016.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are disclosed in the financial statements.

TREASURY SHARES

During the financial year, the Company did not effect any share buyback. Details of the treasury shares purchased in previous financial years and held by the Company as at 31 March 2016 are set out in Note 29 to the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

DIRECTORS

The Directors who have held office during the year since the date of the last report are as follows:

Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar, Chairman
Dato' Kok Wee Kiat
Y.M. Tengku Yunus Kamaruddin
Paul Allen Stadnikia
Heon Chee Shyong
James F. Makki (Appointed on 27 May 2015)
Shashi Kant Maudgal (Resigned on 31 May 2016)

In accordance with Article 92(A) of the Company's Articles of Association, Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Pursuant to Section 129(2) of the Companies Act, 1965, Dato' Kok Wee Kiat and Y.M. Tengku Yunus Kamaruddin retire at the forthcoming Annual General Meeting and offer themselves for re-appointment in accordance with Section 129 of the Companies Act, 1965 to hold office until the conclusion of the next Annual General Meeting.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration and benefits as disclosed in Note 11 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares of the Company are as follows:

	Number of ordinary shares of RM1.00 each in the Company			
	At 1.4.2015	Acquired	Sold	At 31.3.2016
Y.M. Tengku Yunus Kamaruddin	114,500	-	-	114,500

None of the other Directors held any interests in shares of the Company and its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that there are no known bad debts and that provision need not be made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to amounts which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would necessitate the writing off of bad debts or the provision for doubtful debts; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

Company No.

003859	U

ALUMINIUM COMPANY OF MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

In the opinion of the Directors:

(a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

IMMEDIATE AND ULTIMATE HOLDING COMPANIES

The immediate holding company of the Company is Novelis Inc., a company incorporated in Canada, while the ultimate holding company is Hindalco Industries Limited, a company incorporated in India.

AUDITORS

The Auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 3 June 2016.

Y.A.M. TUNKU TAN SRI IMRAN
IBNI ALMARHUM TUANKU JA'AFAR
DIRECTOR

HEON CHEE SHYONG

DIRECTOR

Bukit Raja, Klang

Company No.

003859	U

ALUMINIUM COMPANY OF MALAYSIA BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

	Note	Group 2016 RM'000	Group 2015 RM'000
Revenue	7	287,406	279,712
Other operating income	8	960	930
Changes in inventories of raw materials, work-in-progress and finished goods		(3,091)	9,240
Raw materials and consumables used		(205,651)	(219,610)
Staff costs	10	(25,975)	(25,074)
Utilities and fuel		(17,266)	(17,151)
Depreciation of property, plant and equipment		(11,734)	(11,465)
Amortisation of intangible assets		(175)	(11)
Upkeep, repairs and maintenance of assets		(6,664)	(5,972)
Information technology and technical fees		(3,174)	(2,706)
Impairment loss of property, plant and equipment		(2,125)	-
Allowance for inventory writedown		(512)	(1,103)
Environmental costs		(447)	(583)
Other operating expenses		(8,690)	(7,170)
Profit/(Loss) from operations before tax	9	2,862	(963)
Taxation	12	(1,051)	(552)
Profit/(Loss) for the financial year		1,811	(1,515)
Other comprehensive income:			
<u>Items that will not be classified subsequently to profit or loss</u>			
Actuarial gains/(losses) on gratuity scheme	28	997	(161)
Taxation relating to component of other comprehensive income	29	(238)	38
Other comprehensive income for the financial year, net of tax		759	(123)
Total comprehensive income/(loss) for the financial year		2,570	(1,638)
Attributable to shareholders of the Company:			
- profit/(loss) for the financial year		1,811	(1,515)
- total comprehensive income/(loss) for the financial year		2,570	(1,638)
Earnings/(Loss) per share:			
- basic (sen)	13(a)	1.37	(1.15)
- diluted (sen)	13(b)	1.37	(1.15)

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

Company No.

003859	U

ALUMINIUM COMPANY OF MALAYSIA BERHAD
(Incorporated in Malaysia)

COMPANY STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

	Note	Company 2016 RM'000	Company 2015 RM'000
Revenue	7	271,292	279,600
Other operating income	8	2,568	2,714
Changes in inventories of raw materials, work-in-progress and finished goods		(374)	3,534
Raw materials and consumables used		(207,741)	(222,790)
Staff costs	10	(23,292)	(23,096)
Utilities and fuel		(15,027)	(15,200)
Depreciation of property, plant and equipment		(10,039)	(9,732)
Amortisation of intangible assets		(175)	(11)
Upkeep, repairs and maintenance of assets		(5,640)	(5,078)
Information technology and technical fees		(3,099)	(2,240)
Impairment loss of property, plant and equipment		(2,125)	-
Allowance for inventory writedown		(138)	(786)
Environmental costs		(362)	(494)
Other operating expenses		(8,133)	(5,631)
(Loss)/Profit from operations before tax	9	(2,285)	790
Taxation	12	113	(742)
(Loss)/Profit for the financial year		(2,172)	48
Other comprehensive income:			
Items that will not be classified subsequently to profit or loss			
Actuarial gains on gratuity scheme	28	945	45
Taxation relating to component of other comprehensive income	29	(226)	(11)
Other comprehensive income for the financial year, net of tax		719	34
Total comprehensive (loss)/income for the financial year		(1,453)	82

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

Company No.

003859	U

ALUMINIUM COMPANY OF MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	15	68,601	81,426	61,050	72,208
Intangible assets	16	2,419	1,622	2,419	1,622
Subsidiaries	17	-	-	26,860	26,860
		71,020	83,048	90,329	100,690
CURRENT ASSETS					
Inventories	18	48,369	54,611	38,791	43,048
Trade receivables	19	31,962	27,098	14,239	14,370
Amounts due from related companies	20	29	26	11,043	11,828
Other receivables and prepayments	21	6,216	1,510	4,346	1,338
Derivative financial instruments	22	1,428	-	515	-
Deposits, cash and bank balances	23	50,709	62,045	34,478	45,665
		138,713	145,290	103,412	116,249
LESS: CURRENT LIABILITIES					
Trade payables	24	22,601	29,488	17,432	27,758
Other payables and accruals	25	11,109	10,599	10,268	8,582
Amounts due to related companies	26	-	1,800	1,643	3,049
Provision for taxation		581	558	11	700
Derivative financial instruments	22	292	610	287	273
Borrowings	27	-	4,494	-	3,181
		34,583	47,549	29,641	43,543
NET CURRENT ASSETS		104,130	97,741	73,771	72,706
LESS: NON-CURRENT LIABILITIES					
Provision for gratuity scheme	28	5,595	6,426	5,138	5,961
Deferred taxation	29	4,991	5,756	4,059	4,466
		10,586	12,182	9,197	10,427
		164,564	168,607	154,903	162,969

ALUMINIUM COMPANY OF MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2016 (CONTINUED)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
CAPITAL AND RESERVES					
Share capital	30	134,331	134,331	134,331	134,331
Share premium		4,113	4,113	4,113	4,113
Other reserves	31	1,670	1,670	1,670	1,670
Revenue reserve	32	24,450	28,493	14,789	22,855
Total equity		164,564	168,607	154,903	162,969

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

Company No.

003859	U

ALUMINIUM COMPANY OF MALAYSIA BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

		Attributable to shareholders of the Company					
		Issued and fully paid ordinary shares of RM1.00 each		Non-distributable		Distributable	
	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Other reserves RM'000	Revenue reserve RM'000	Total RM'000
At 1 April 2015		134,331	134,331	4,113	1,670	28,493	168,607
Total comprehensive income:							
Profit for the financial year		-	-	-	-	1,811	1,811
Actuarial gains on gratuity scheme, net of tax		-	-	-	-	759	759
Total comprehensive income for the financial year		-	-	-	-	2,570	2,570
Transaction with owners:							
Dividend for the financial year ended 31 March 2016 (paid)	14	-	-	-	-	(6,613)	(6,613)
At 31 March 2016		134,331	134,331	4,113	1,670	24,450	164,564

Company No.

003859	U

ALUMINIUM COMPANY OF MALAYSIA BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016 (CONTINUED)

		Attributable to shareholders of the Company					
		Issued and fully paid ordinary shares of RM1.00 each		Non-distributable		Distributable	
	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Other reserves RM'000	Revenue reserve RM'000	Total RM'000
At 1 April 2014		134,331	134,331	4,113	1,670	36,744	176,858
Total comprehensive loss:							
Loss for the financial year		-	-	-	-	(1,515)	(1,515)
Actuarial losses on gratuity scheme, net of tax		-	-	-	-	(123)	(123)
Total comprehensive loss for the financial year		-	-	-	-	(1,638)	(1,638)
Transaction with owners:							
Dividend for the financial year ended 31 March 2015 (paid)	14	-	-	-	-	(6,613)	(6,613)
At 31 March 2015		134,331	134,331	4,113	1,670	28,493	168,607

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

Company No.

003859	U

ALUMINIUM COMPANY OF MALAYSIA BERHAD
(Incorporated in Malaysia)

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

	Note	Issued and fully paid ordinary shares of RM1.00 each		Non-distributable		Distributable	
		Number of shares '000	Nominal value RM'000	Share premium RM'000	Other reserves RM'000	Revenue reserve RM'000	Total RM'000
At 1 April 2015		134,331	134,331	4,113	1,670	22,855	162,969
Total comprehensive loss:							
Loss for the financial year		-	-	-	-	(2,172)	(2,172)
Actuarial gains on gratuity scheme, net of tax		-	-	-	-	719	719
Total comprehensive loss for the financial year		-	-	-	-	(1,453)	(1,453)
Transaction with owners:							
Dividend for the financial year ended 31 March 2016 (paid)	14	-	-	-	-	(6,613)	(6,613)
At 31 March 2016		134,331	134,331	4,113	1,670	14,789	154,903

Company No.

003859	U

ALUMINIUM COMPANY OF MALAYSIA BERHAD
(Incorporated in Malaysia)

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016 (CONTINUED)

	Note	Issued and fully paid ordinary shares of RM1.00 each		Non-distributable		Distributable	
		Number of shares '000	Nominal value RM'000	Share premium RM'000	Other reserves RM'000	Revenue reserve RM'000	Total RM'000
At 1 April 2014		134,331	134,331	4,113	1,670	29,386	169,500
Total comprehensive income:							
Profit for the financial year		-	-	-	-	48	48
Actuarial gains on gratuity scheme, net of tax		-	-	-	-	34	34
Total comprehensive income for the financial year		-	-	-	-	82	82
Transaction with owners:							
Dividend for the financial year ended 31 March 2015 (paid)	14	-	-	-	-	(6,613)	(6,613)
At 31 March 2015		134,331	134,331	4,113	1,670	22,855	162,969

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

Company No.

003859	U

ALUMINIUM COMPANY OF MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) for the financial year		1,811	(1,515)	(2,172)	48
Adjustments for:					
Net fair value (gain)/loss on currency forwards		(1,746)	981	(501)	376
Property, plant and equipment					
- depreciation		11,734	11,465	10,039	9,732
- impairment		2,125	-	2,125	-
- gain on disposal		-	(4)	-	(4)
Intangible assets					
- amortisation		175	11	175	11
Provision for gratuity scheme		646	607	602	1,072
Allowance for inventory writedown		512	1,103	138	786
Unrealised foreign exchange loss/(gain)		1,879	(228)	228	152
Interest income		(619)	(808)	(364)	(564)
Interest expense		3	9	3	7
Taxation		1,051	552	(113)	742
		17,571	12,173	10,160	12,358
Changes in working capital:					
Inventories		5,730	(11,489)	4,119	(7,152)
Receivables		(11,718)	(3,594)	(3,558)	(4,549)
Payables		(4,723)	14,948	(7,172)	14,126
Balances with related companies		(1,803)	946	(621)	(1,299)
Cash generated from operations		5,057	12,984	2,928	13,484
Tax refunded		-	426	-	214
Tax paid		(2,031)	(545)	(1,209)	(275)
Gratuity paid		(588)	(283)	(588)	(283)
Net cash from operating activities		2,438	12,582	1,131	13,140

Company No.

003859	U

ALUMINIUM COMPANY OF MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016 (CONTINUED)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Property, plant and equipment					
- purchases		(1,301)	(4,069)	(1,217)	(3,876)
- proceeds from disposal		-	7	-	7
Intangible assets					
- purchases		(1,256)	(822)	(1,256)	(822)
Interest income received		615	808	364	564
Net cash used in investing activities		(1,942)	(4,076)	(2,109)	(4,127)
CASH FLOWS FROM FINANCING ACTIVITY					
Dividends paid to shareholders		(6,613)	(6,613)	(6,613)	(6,613)
(Repayment)/Drawdown of borrowings		(4,494)	4,494	(3,181)	3,181
Interest paid		(3)	(9)	(3)	(7)
Net cash used in financing activities		(11,110)	(2,128)	(9,797)	(3,439)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		(10,614)	6,378	(10,775)	5,574
Foreign exchange differences		(722)	(34)	(412)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		61,812	55,468	45,432	39,858
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	23	50,476	61,812	34,245	45,432

NON-CASH TRANSACTION

The principal non-cash transaction during the financial year is the acquisition of plant, equipment and intangible assets by the Group and the Company of which RM657,000 (2015: RM1,208,000) and RM657,000 (2015: RM1,152,000) (Note 24) respectively remain as payable at the end of the financial year.

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

Company No.

003859	U

ALUMINIUM COMPANY OF MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

1 GENERAL INFORMATION

The principal activity of the Company is the manufacturing and trading of aluminium sheet and foil products. The principal activities of the subsidiaries are shown in Note 17 to the financial statements.

The immediate holding company of the Company is Novelis Inc., a company incorporated in Canada, while the ultimate holding company is Hindalco Industries Limited, a company incorporated in India.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad.

The address of the registered office and principal place of business of the Company is as follows:

No. 3, Persiaran Waja
Kawasan Perindustrian Bukit Raja
41050 Klang
Selangor Darul Ehsan

2 BASIS OF PREPARATION

The financial statements of the Group and Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5 to the financial statements.

2 BASIS OF PREPARATION (CONTINUED)

(a) New accounting standards, amendments and improvements to published standards and interpretations that are applicable to the Group and the Company and effective for the current financial year are as follows:

- Annual Improvements to MFRSs 2010 – 2012 Cycle
- Annual Improvements to MFRSs 2011 – 2013 Cycle
- Amendments to MFRS 119 "Defined Benefit Plans: Employees Contributions"

The adoption of the Annual Improvements to MFRSs 2010 – 2012 Cycle has required additional disclosures about the aggregation of segments. Other than that, the adoption of these amendments did not have any impact on the current or any prior year and are not likely to affect future periods.

(b) New accounting standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective

The Group and the Company will apply the new accounting standards, amendments to standards and interpretations in the following financial years:

(i) Financial year beginning on/after 1 April 2016
- Amendments to MFRS 11 "Joint arrangements"
- Amendments to MFRS 116 "Property, plant and equipment"
- Amendments to MFRS 138 "Intangible assets""

(ii) Financial year beginning on/after 1 April 2017
- Amendments to MFRS 107 "Statement of cash flows" - Disclosure initiative
- Amendments to MFRS 112 "Income taxes" - Recognition of deferred tax assets for unrealised losses

(iii) Financial year beginning on/after 1 April 2018
- MFRS 9 "Financial instruments"
- MFRS 15 "Revenue from contracts with customers"

(iv) Financial year beginning on/after 1 April 2019
- MFRS 16 "Leases"

Management is in the process of assessing the impact of the above standards and amendments to published standards on the financial statements of the Group and the Company in the year of initial application.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to the financial year presented, unless otherwise stated.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Investments in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the profit or loss.

(c) Property, plant and equipment

Property, plant and equipment are initially stated at cost and are subsequently stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

Leasehold land is amortised over the tenure of the lease of 99 years. Other property, plant and equipment are depreciated on the straight-line method to allocate the cost, to their residual values over their estimated useful lives at the following average annual rates:

Buildings	3%
Plant and machinery	4% - 20%
Equipment and vehicles	10% - 33%

Depreciation on projects-in-progress commences when the assets are ready for their intended use.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 3(e) on impairment of non-financial assets.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

(i) it is technically feasible to complete the software product so that it will be available for use;
(ii) management intends to complete the software product and use or sell it;
(iii) there is an ability to use or sell the software product;
(iv) it can be demonstrated how the software product will generate probable future economic benefits;
(v) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
(vi) the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised from the point at which the asset is ready for use over their estimated useful lives, which does not exceed 5 years.

(e) Impairment of non-financial assets

Assets that have indefinite useful lives, for example goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. In respect of other assets, any subsequent increase in the recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Inventories

Inventories, which include spares and operating supplies, raw materials, work-in-progress, supplies and finished goods, are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. The costs of finished goods and work-in-progress comprise raw materials, direct labour, other direct costs and related factory overheads. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale.

In addition, inventory adjustments are made so that there is proper determination of income through the process of matching appropriate costs against revenues. These adjustments include provisions for slow moving inventory and obsolescence.

(g) Trade and other receivables

Trade receivables are amounts due from customers for sale of aluminium products. Other receivables generally arise from transactions outside the usual operating activities of the Group. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. See accounting policy Note 3(e) on impairment of non-financial assets.

(h) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Financial assets at fair value through profit or loss

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading. Derivatives are categorised as held for trading unless they are designated as effective hedging instruments. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

(iii) Subsequent measurement - Gains and losses

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

(iv) Subsequent measurement - Impairment

Assets carried at amortised cost

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(v) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(k) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as fair value through profit or loss if they are held for trading. Derivatives are categorised as held for trading unless they are designated as effective hedging instruments.

Other financial liabilities

The other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

A financial liability is de-recognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Financial liabilities are classified as current liabilities for those having maturity dates of less than 12 months after the reporting period, and the balance is classified as non-current.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Trade payables

Trade payables represent liabilities for goods or services provided to the Group prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities unless payment is not due within 12 months after the reporting period. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value.

Trade payables are subsequently measured at amortised cost using the effective interest method.

(m) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group and the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

When the Group expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

(o) Employee benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(ii) Post-employment pension benefits

The Group has various post-employment pension benefit schemes in accordance with local conditions and practices in the country in which it operates. These benefits plans are either defined contribution or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) on a mandatory, contractual or voluntary basis and the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits (continued)

(ii) Post-employment pension benefits (continued)

Defined contribution plan

The Group's contributions to defined contribution plans are charged to profit or loss in the period to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plan

The liability or asset recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan reflects the increase in the defined benefit obligation resulting from employee service in the current year. It is recognised in the profit or loss in employee benefit expense, except where included in the cost of an asset.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income in the period in which they arise.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Current and deferred income taxes

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Group's subsidiaries operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deduction temporary difference can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flow or net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

All foreign exchange gains and losses are presented in profit or loss on a net basis.

(r) Contingent assets and contingent liabilities

The Group does not recognise contingent assets and liabilities other than those arising from business combinations, but discloses its existence in the financial statements.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(s) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight line basis over the lease period. Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in profit or loss when incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Share capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument is recognised directly in equity.

(iii) Purchase of own shares

Where any company within the Group purchases the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of tax, is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled, reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the owners of the Company.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of goods and services tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Rental income is recognised over the term of the lease on a straight-line basis.

Interest income is recognised using the effective interest method.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns and is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments. The Group is solely involved in the manufacturing and trading of aluminium products.

Segment revenue and assets are those amounts resulting from the operating activities of the segment that are directly attributable to the segment and the relevant portion that can be allocated to the segment on a reasonable basis.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities are subject to a variety of financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity risk and fair value. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. Financial risk management is carried out through risk reviews, internal control systems, a comprehensive insurance programme and adherence to Group financial risk management policies. Senior management regularly reviews these risks and approves the treasury policies, which covers the management of these risks. The Board is updated on all issues arising in the management of such risks.

The Group uses financial instruments such as forward foreign exchange contracts to cover certain exposures. It does not trade in financial instruments.

Details of financial risks faced by the Group are further described as follows:

(a) Foreign currency exchange risk

The Group enters into currency forwards in the normal course of business to manage its exposure against foreign currency fluctuations on transactions denominated in foreign currencies. In general, the Group's policy is to enter into currency forwards for anticipated sales and purchases in foreign currencies. Refer to Note 22 to the financial statements for further details.

The Group does not apply hedge accounting.

The Group is primarily exposed to United States Dollar ("USD") for its purchases of raw materials including aluminium ingots and sales of finished products.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Details of financial risks faced by the Group are further described as follows:

(a) Foreign currency exchange risk (continued)

The Group's exposure to foreign currencies in respect of its financial assets and financial liabilities are as follows:

At 31 March 2016	USD RM'000	SGD RM'000	Others RM'000	Total RM'000
FINANCIAL ASSETS				
Trade receivables	22,074	48	-	22,122
Other receivables	183	3	13	199
Amounts due from related companies	29	-	-	29
Cash and cash equivalents	9,415	29	-	9,444
	31,701	80	13	31,794
LESS: FINANCIAL LIABILITIES				
Trade payables	(7,610)	(3)	(491)	(8,104)
Other payables and accruals	(916)	(25)	-	(941)
	(8,526)	(28)	(491)	(9,045)
NET FINANCIAL ASSETS/ (LIABILITIES)	23,175	52	(478)	22,749
LESS: CURRENCY FORWARDS	(23,578)	-	40	(23,538)
NET CURRENCY EXPOSURE	(403)	52	(438)	(789)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Foreign currency exchange risk (continued)

The Company's exposure to foreign currencies in respect of its financial assets and financial liabilities are as follows:

At 31 March 2016	USD RM'000	SGD RM'000	Others RM'000	Total RM'000
FINANCIAL ASSETS				
Trade receivables	5,924	48	-	5,972
Other receivables	183	3	13	199
Amounts due from related companies	29	-	-	29
Cash and cash equivalents	5,344	29	-	5,373
	11,480	80	13	11,573
LESS: FINANCIAL LIABILITIES				
Trade payables	(5,614)	(3)	(45)	(5,662)
Other payables and accruals	(853)	(25)	-	(878)
	(6,467)	(28)	(45)	(6,540)
NET FINANCIAL ASSETS/ (LIABILITIES)	5,013	52	(32)	5,033
LESS: CURRENCY FORWARDS	(3,976)	-	-	(3,976)
NET CURRENCY EXPOSURE	1,037	52	(32)	1,057

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Foreign currency exchange risk (continued)

The Group's exposure to foreign currencies in respect of its financial assets and financial liabilities are as follows: (continued)

At 31 March 2015	USD RM'000	SGD RM'000	Others RM'000	Total RM'000
FINANCIAL ASSETS				
Trade receivables	20,636	57	-	20,693
Other receivables	-	-	52	52
Amounts due from related companies	26	-	-	26
Cash and cash equivalents	1,211	27	6	1,244
	21,873	84	58	22,015
LESS: FINANCIAL LIABILITIES				
Trade payables	(22,141)	(6)	(17)	(22,164)
Other payables and accruals	(1,010)	-	(65)	(1,075)
Amounts due to related companies	(1,800)	-	-	(1,800)
Borrowings	(4,388)	-	-	(4,388)
	(29,339)	(6)	(82)	(29,427)
NET FINANCIAL ASSETS/ (LIABILITIES)	(7,466)	78	(24)	(7,412)
LESS: CURRENCY FORWARDS	(3,997)	-	-	(3,997)
NET CURRENCY EXPOSURE	(11,463)	78	(24)	(11,409)

Company No.

003859	U

ALUMINIUM COMPANY OF MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Foreign currency exchange risk (continued)

The Company's exposure to foreign currencies in respect of its financial assets and financial liabilities are as follows: (continued)

At 31 March 2015	USD RM'000	SGD RM'000	Others RM'000	Total RM'000
FINANCIAL ASSETS				
Trade receivables	9,198	57	-	9,255
Other receivables	-	-	52	52
Amounts due from related companies	26	-	-	26
Cash and cash equivalents	2	27	6	35
	9,226	84	58	9,368
LESS: FINANCIAL LIABILITIES				
Trade payables	(22,096)	(6)	-	(22,102)
Other payables and accruals	(514)	-	(8)	(522)
Amounts due to related companies	(1,800)	-	-	(1,800)
Borrowings	(3,181)	-	-	(3,181)
	(27,591)	(6)	(8)	(27,605)
NET FINANCIAL ASSETS/ (LIABILITIES)	(18,365)	78	50	(18,237)
LESS: CURRENCY FORWARDS	6,888	-	-	6,888
NET CURRENCY EXPOSURE	(11,477)	78	50	(11,349)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Foreign currency exchange risk (continued)

The following table demonstrates the sensitivity of the Group's and the Company's net profit/(loss) after tax to 10% (2015: 10%) strengthening of USD, respectively against the RM, with all other variables, in particular interest rates, being held constant.

	Decrease in net profit after tax 2016 RM'000	Increase in net loss after tax 2015 RM'000
Group		
USD against RM	(31)	(860)

	Decrease in net loss after tax 2016 RM'000	Decrease in net profit after tax 2015 RM'000
Company		
USD against RM	79	(861)

A 10% weakening of the above currency against the RM would have the equal but opposite effect to the amount shown above, on the basis that all other variables remain constant.

The Group's and the Company's foreign currency exchange risk management seeks to protect cash flows and shareholders value by limiting the impact from adverse exchange movement whilst sharing in the benefit from favourable movements. Aside from natural hedges, the Group and the Company also enters into forward foreign currency exchange contracts to limit their exposure on foreign currency receivables and payables.

As at reporting date, the exposure on foreign currency receivables and payables are substantially covered by natural hedges or forward foreign currency exchange contracts. As a result, the net foreign currency exchange exposure not covered by hedges is not expected to have a significant impact on the financial statements of the Group and of the Company.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Interest rate risk

The Group's and the Company's interest bearing assets are primarily short-term bank deposits with financial institutions. The interest rates on these deposits are monitored closely to ensure that they are maintained at favourable rates. The Group and the Company consider the risk of significant changes to interest rates on deposits to be unlikely.

(c) Credit risk

Credit risk arises when sales are made on deferred credit terms. The Group seeks to control credit risk by setting counterparty limits as well as credit terms and ensuring that sales of products and services are made to customers with an acceptable credit history. Credit facilities are accorded after formal review and have to be authorised by different levels of management according to the quantum of credit subject to approval. Loading in of orders for production as well as shipment of finished goods are subject to credit checks.

The Group has no significant concentration of credit risks except for trade receivables. In the opinion of the Directors, the credit risk in relation to trade receivables is not significant and the trade receivables are expected to be recoverable.

As the deposits are placed with major financial institutions in Malaysia, the Directors are of the view that the credit risk associated with these major financial institutions is minimal.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of that class of financial instruments presented on the statement of financial position. The Group's and the Company's major classes of financial assets are bank deposits, trade and other receivables and related party balances.

Details of the financial assets are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Not past due	85,899	86,850	62,287	70,147
Past due not impaired - 0 to 3 months	1,361	2,613	1,070	1,988
	87,260	89,463	63,357	72,135

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks which have high credit ratings as determined by international credit rating agencies. The Group and the Company considers the risk of material loss in the event of non-performance by a financial counterparty to be unlikely. Trade and other receivables, and amounts due from subsidiary and related companies that are neither past due nor impaired are substantially companies with good collection track records with the Group and the Company.

Financial assets that are past due but not impaired

There are no other financial assets in the Group and the Company that are past due but not impaired except for certain trade receivables of the Group and the Company as set out below.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade receivables	1,361	2,613	1,070	1,988

Receivables that are past due but not impaired are principally less than 60 days past due. No impairment has been made on these amounts as the Group and the Company are closely monitoring these receivables and they have no prior history of bad or doubtful debts and these amounts are expected to be recovered within 12 months from the reporting date. No allowance for impairment has been made in respect of these receivables in the current and previous financial year, hence the movement in allowance for impairment is not presented.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk

The Group and the Company practise prudent liquidity risk management to minimise the mismatch of financial assets and liabilities. The Group's and the Company's cash flows are reviewed regularly to ensure that the Group and the Company are able to settle their commitments when they fall due.

At reporting date, the Group and the Company held cash and cash equivalents of RM50,476,000 (2015: RM61,812,000) and RM34,245,000 (2015: RM45,432,000) respectively that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 1 year equal their carrying amount as the impact of discounting is not significant.

	Due within one year	
	2016	2015
Group	RM'000	RM'000
Financial liabilities		
Trade payables	(22,601)	(29,488)
Other payables and accruals	(5,174)	(5,964)
Amount due to related companies	-	(1,800)
Borrowings	-	(4,497)
Derivative financial instruments liabilities	(292)	(610)
	(28,067)	(42,359)
Company		
Financial liabilities		
Trade payables	(17,432)	(27,758)
Other payables and accruals	(4,718)	(4,235)
Amount due to related companies	(1,643)	(3,049)
Borrowings	-	(3,183)
Derivative financial instruments liabilities	(287)	(273)
	(24,080)	(38,498)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (continued)

The table below analyses the Group's and the Company's derivative financial instruments, for which contractual maturities are essential for an understanding of the timing of the cash flows, into relevant maturity groupings based on the remaining financial period from the reporting date to the contractual maturity date.

	Due within one year	
	2016	2015
Group	RM'000	RM'000
Gross-settled currency forwards		
Hedge of trade receivables:		
- Receipts in RM	32,565	19,502
- Payments in USD	(31,137)	(20,056)
Hedge of trade payables:		
- Receipts in USD	8,697	15,449
- Receipts in EURO	38	-
- Payments in RM	(9,027)	(15,505)
Company		
Gross-settled currency forwards		
Hedge of trade receivables:		
- Receipts in RM	11,367	8,617
- Payments in USD	(10,852)	(8,834)
Hedge of trade payables:		
- Receipts in USD	7,104	15,449
- Payments in RM	(7,391)	(15,505)

(e) Fair value measurement

The carrying amounts of the Group's and the Company's financial assets and liabilities approximate their fair values due to the relatively short-term maturity of these financial instruments: deposits, cash and bank balances, borrowings, receivables and payables (including non-trade amounts due (to)/from a subsidiary and related companies).

Fair value hierarchy

Disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- 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 2);

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value measurement (continued)

Fair value hierarchy (continued)

Disclosure of fair value measurements by level of the following fair value measurement hierarchy (continued):

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

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date.

The following table presents the Group's and the Company's assets and liabilities that are measured at fair value at 31 March 2016:

Group

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Derivative financial instruments	-	1,428	-	1,428
Liabilities				
Derivative financial instruments	-	(292)	-	(292)

Company

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Derivative financial instruments	-	515	-	515
Liabilities				
Derivative financial instruments	-	(287)	-	(287)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value measurement (continued)

Fair value hierarchy (continued)

The following table presents the Group's and the Company's assets and liabilities that are measured at fair value at 31 March 2015:

Group

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Derivative financial instruments	-	-	-	-
Liabilities				
Derivative financial instruments	-	(610)	-	(610)

Company

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Derivative financial instruments	-	-	-	-
Liabilities				
Derivative financial instruments	-	(273)	-	(273)

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgement are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Company's results and financial positions are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Impairment of property, plant and equipment

The Group and the Company assess impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, i.e. the carrying amount of the asset is higher than the recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use.

Projected future cash flows used in impairment testing of property, plant and equipment are based on the Group's and the Company's estimates calculated based on historical, sector and industry trends, general market and economic conditions and other available information.

The assumptions used, results and impact of possible change in the key assumptions of the impairment assessment of the property, plant and equipment are disclosed in Note 15 to the financial statements.

In addition, the Company has performed a review of plant and machinery and has identified and impaired specific machinery amounting to RM2.125 million (2015: RM Nil) (Note 15). This amount has been charged to the statement of comprehensive income in the current financial year.

6 CAPITAL MANAGEMENT

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group and the Company may adjust the amount of dividend payment, return capital to shareholders and issue new shares or buy back issued shares.

The Group and the Company consider that the capital of the Group and the Company relates to the total equity and this remain unchanged from the prior year.

7 REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sale of finished goods	287,303	279,540	271,192	279,428
Sale of scrap	103	172	100	172
	287,406	279,712	271,292	279,600

Revenue of the Group and Company represents the aggregate invoiced value of goods sold to customers, net of goods and services tax, trade allowances and discounts and after eliminating sales within the Group.

8 OTHER OPERATING INCOME

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest income on short-term deposits	619	808	364	564
Rental income	-	-	1,140	1,140
Management service fees	-	-	888	888
Gain on disposal of property, plant and equipment	-	4	-	4
Miscellaneous income	341	118	176	118
	960	930	2,568	2,714

9 PROFIT/(LOSS) FROM OPERATIONS BEFORE TAX

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit/(loss) from operations before tax is arrived at after charging/(crediting):				
Auditors' remuneration				
- statutory audit				
- current year	223	203	162	142
- (over)/under provision in prior year	(23)	7	(20)	7
Hire of machinery and equipment	566	439	525	406
Loss/(gain) on foreign exchange				
- realised	365	(1,767)	1,240	(574)
- unrealised	1,879	(228)	228	152
Net fair value (gain)/loss on currency forwards	(1,746)	981	(501)	376
Interest expense	3	9	3	7

The cost of goods sold for the Group and the Company recognised as an expense during the financial year amounted to RM266,482,000 and RM258,141,000 respectively (2015: RM270,030,000 and RM268,062,000).

10 STAFF COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Wages, salaries and bonus	22,040	21,204	19,646	18,970
Defined contribution retirement plan	2,361	2,294	2,215	2,152
Defined benefit gratuity scheme	646	607	602	1,072
Other employee benefits	928	969	829	902
	25,975	25,074	23,292	23,096

11 DIRECTORS' REMUNERATION

The aggregate amount of emoluments receivable by Directors of the Group and Company during the financial year are as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Non-executive Directors:				
- fees	150	136	150	136
Executive Directors:				
- salaries and bonus	552	470	552	470
- estimated monetary value of benefits-in-kind	101	160	101	160
	653	630	653	630
	803	766	803	766

The Executive Directors' salaries and bonus are included in staff costs in the profit or loss for the financial year.

12 TAXATION

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current tax				
Current year	2,115	1,127	590	1,066
Over provision in prior years	(61)	-	(70)	-
	2,054	1,127	520	1,066
Deferred taxation (Note 29)				
Origination and reversal of temporary differences	(1,003)	(575)	(633)	(324)
Tax expense/(credit)	1,051	552	(113)	742

The explanation of the relationship between tax expense/(credit) and profit/(loss) before tax is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit/(Loss) before tax	2,862	(963)	(2,285)	790
Tax calculated at the Malaysian tax rate of 24% (2015: 25%)	687	(241)	(548)	198
Tax effects of:				
- expenses not deductible for tax purposes	991	944	727	590
- income not subject to tax	(493)	(88)	(181)	(29)
- double deduction claims	(73)	(63)	(41)	(17)
- over provision in prior years	(61)	-	(70)	-
Tax expense/(credit)	1,051	552	(113)	742

13 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the Group's net profit/(loss) attributable to shareholders for the financial year by the weighted average number of ordinary shares in issue during the financial year, excluding ordinary shares purchased by the Company and held as treasury shares.

	Group 2016	Group 2015
Net profit/(loss) attributable to shareholders (RM'000)	1,811	(1,515)
Weighted average number of ordinary shares in issue ('000)	132,252	132,252
Basic earnings/(loss) per share (sen)	1.37	(1.15)

(b) Diluted earnings per share

The Group does not have any dilutive potential ordinary shares in the current and previous financial year.

14 DIVIDEND

	Group and Company 2016 Dividend per share Sen	2016 Amount of dividend RM'000	2015 Dividend per share Sen	2015 Amount of dividend RM'000
Single-tier interim dividend				
Financial year ended 31 March 2016 - paid on 20 August 2015	5.0	6,613	-	-
Financial year ended 31 March 2015 - paid on 12 August 2014	-	-	5.0	6,613
Recognised as distribution to ordinary equity holders of the Company during the financial year	5.0	6,613	5.0	6,613

The Directors do not recommend the payment of any final dividend for the financial year ended 31 March 2016.

ALUMINIUM COMPANY OF MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016 (CONTINUED)

15 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Equipment and vehicles RM'000	Projects-in-progress RM'000	Total RM'000
2016						
At 1 April 2015	13,870	8,957	55,206	2,927	466	81,426
Additions	-	110	862	36	26	1,034
Reclassifications	-	-	300	150	(450)	-
Depreciation charge	(189)	(1,082)	(9,019)	(1,444)	-	(11,734)
Impairment charge	-	-	(2,125)	-	-	(2,125)
At 31 March 2016	13,681	7,985	45,224	1,669	42	68,601
At 31 March 2016						
Cost	20,000	27,825	276,313	10,024	42	334,204
Accumulated depreciation	(6,319)	(19,840)	(228,839)	(8,355)	-	(263,353)
Accumulated impairment losses	-	-	(2,250)	-	-	(2,250)
Net carrying amount	13,681	7,985	45,224	1,669	42	68,601
2015						
At 1 April 2014	14,060	9,074	60,304	3,134	3,001	89,573
Additions	-	746	1,708	395	472	3,321
Disposals	-	-	-	(3)	-	(3)
Reclassifications	-	71	2,119	817	(3,007)	-
Depreciation charge	(190)	(934)	(8,925)	(1,416)	-	(11,465)
At 31 March 2015	13,870	8,957	55,206	2,927	466	81,426
At 31 March 2015						
Cost	20,000	27,715	275,151	9,838	466	333,170
Accumulated depreciation	(6,130)	(18,758)	(219,820)	(6,911)	-	(251,619)
Accumulated impairment losses	-	-	(125)	-	-	(125)
Net carrying amount	13,870	8,957	55,206	2,927	466	81,426

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Equipment and vehicles RM'000	Projects-in -progress RM'000	Total RM'000
2016						
At 1 April 2015	13,870	8,957	46,236	2,818	327	72,208
Additions	-	110	832	38	26	1,006
Reclassifications	-	-	287	24	(311)	-
Depreciation charge	(189)	(1,082)	(7,443)	(1,325)	-	(10,039)
Impairment charge *	-	-	(2,125)	-	-	(2,125)
At 31 March 2016	13,681	7,985	37,787	1,555	42	61,050
At 31 March 2016						
Cost	20,000	27,825	237,901	9,328	42	295,096
Accumulated depreciation	(6,319)	(19,840)	(197,989)	(7,773)	-	(231,921)
Accumulated impairment losses	-	-	(2,125)	-	-	(2,125)
Net carrying amount	13,681	7,985	37,787	1,555	42	61,050
2015						
At 1 April 2014	14,060	9,074	49,909	2,948	2,806	78,797
Additions	-	746	1,679	388	333	3,146
Disposals	-	-	-	(3)	-	(3)
Reclassifications	-	71	1,970	771	(2,812)	-
Depreciation charge	(190)	(934)	(7,322)	(1,286)	-	(9,732)
At 31 March 2015	13,870	8,957	46,236	2,818	327	72,208
At 31 March 2015						
Cost	20,000	27,715	236,782	9,266	327	294,090
Accumulated depreciation	(6,130)	(18,758)	(190,546)	(6,448)	-	(221,882)
Net carrying amount	13,870	8,957	46,236	2,818	327	72,208

* The Company has performed a specific review of plant and machinery and identified and impaired certain machinery which were deemed unsuitable for production or no longer in use amounting to RM2.125 million (2015: RM Nil). The impairment loss has been charged to the statement of comprehensive income in the current financial year. The recoverable amount of the machinery based on fair value less costs to sell is determined using the income approach after estimating the scrap value of the machinery, which is categorised as within Level 3 of the fair value hierarchy.

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment assessment of the Company's property, plant and machinery

In addition to the specific identification of individual machinery which may be impaired, management has also performed an impairment testing of the Company's land, buildings, plant and machinery. Based on management's assessment, the recoverable amount of property, plant and machinery as at 31 March 2016 of the Company, based on value-in-use ("VIU") is RM77.2 million, which is in excess of its carrying amount of RM60.1 million by RM17.1 million. On this basis, management is of the view that no impairment is necessary with respect to land, buildings, plant and machinery.

(a) Key assumptions used in the VIU calculation

The VIU calculation applied a discounted cash flow model using cash flow projections based on an approved 5-year budget. These projections reflect management's best estimate of the future results based on past experience and future outlook.

The key estimates used in the cash flow projections are the selling prices of the products, key components of the raw material prices and the weighted average cost of capital specific to the Company's industry. The key assumptions of the projections are as follows:

- Sales volumes are anticipated to be running at capacity levels based on historical trend and expected forecast sales.
- Costs have been determined after incorporating inflationary effects, net of productivity improvements and value engineering projects.
- Conversion margins are expected to be maintained at existing rates throughout the projection years.
- Terminal value based on 10 years beyond the 5-year budget.
- A discount rate of 12.1% has been applied to the cash flow projections.

(b) Impact of possible change in key assumptions

The Company's impairment assessment includes an assessment of changes in key assumptions that would impact the financial statements as follows:

- If the discount rate used was 13.1%, the recoverable amount would be lower by RM4.7 million.
- If the conversion margin differs by 1% from management's estimates, the recoverable amount would be higher or lower by RM3.5 million.
- If the sales volume differs by 2% from management's estimates, the recoverable amount would be higher or lower by RM3.1 million.

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment assessment of the subsidiary's plant and machinery

Based on management's assessment, the recoverable amount of plant and machinery as at 31 March 2016 of the subsidiary, based on value-in-use ("VIU") is RM37.7 million, which is in excess of its carrying amount of RM7.4 million by RM30.3 million. On this basis, management is of the view that no impairment is necessary with respect to plant and machinery.

(a) Key assumptions used in the VIU calculation

The VIU calculation applied a discounted cash flow model using cash flow projections based on an approved 5-year budget. These projections reflect management's best estimate of the future results based on past experience and future outlook.

The key estimates used in the cash flow projections are the selling prices of the products, key components of the raw material prices and the weighted average cost of capital specific to the subsidiary's industry. The key assumptions of the projections are as follows:

- Sales volumes are anticipated to be running at capacity levels based on historical trend and expected forecast sales.
- Costs have been determined after incorporating inflationary effects, net of productivity improvements and value engineering projects.
- Conversion margins are expected to be maintained at existing rates throughout the projection years.
- Terminal value based on 10 years beyond the 5-year budget.
- A discount rate of 12.1% has been applied to the cash flow projections.

(b) Impact of possible change in key assumptions

The subsidiary's impairment assessment includes an assessment of changes in key assumptions that would impact the financial statements as follows:

- If the discount rate used was 13.1%, the recoverable amount would be lower by RM2.9 million.
- If the conversion margin differs by 1% from management's estimates, the recoverable amount would be higher or lower by RM4.9 million.
- If the sales volume differs by 2% from management's estimates, the recoverable amount would be higher or lower by RM1.5 million.

ALUMINIUM COMPANY OF MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

16 INTANGIBLE ASSETS

	Group and Company		
	Software RM'000	Projects-in -progress RM'000	Total RM'000
2016			
At 1 April 2015	12	1,610	1,622
Additions	701	271	972
Reclassifications	1,540	(1,540)	-
Amortisation charge	(175)	-	(175)
At 31 March 2016	2,078	341	2,419
At 31 March 2016			
Cost	2,275	341	2,616
Accumulated amortisation	(197)	-	(197)
Net carrying amount	2,078	341	2,419
2015			
At 1 April 2014	23	-	23
Additions	-	1,610	1,610
Amortisation charge	(11)	-	(11)
At 31 March 2015	12	1,610	1,622
At 31 March 2015			
Cost	34	1,610	1,644
Accumulated amortisation	(22)	-	(22)
Net carrying amount	12	1,610	1,622

17 SUBSIDIARIES

	Company	
	2016	2015
	RM'000	RM'000
Unquoted shares, at cost	26,860	26,860

The details of the subsidiaries are as follows:

Name	Principal activities	Country of incorporation	Company's effective interest	
			2016	2015
			%	%
Alcom Nikkei Specialty Coatings Sdn Bhd	Manufacturing and trading of pre-coated finstocks for use in air-conditioners	Malaysia	100	100
AL Dotcom Sdn Bhd #	Dormant	Malaysia	-	100

\# The subsidiary has been struck off on 4 August 2015 and deemed dissolved pursuant to Section 308 of the Companies Act, 1965 in the Gazette.

18 INVENTORIES

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Raw materials	5,057	9,172	3,009	7,679
Work-in-progress	22,543	23,969	22,293	22,548
Finished goods	11,086	11,597	5,597	4,699
Operating supplies and spare parts	9,683	9,873	7,892	8,122
	48,369	54,611	38,791	43,048

The Group's and the Company's inventories are net of allowances for inventory writedown of RM512,000 (2015: RM1,103,000) and RM138,000 (2015: RM786,000) respectively. Allowance for inventory writedown is made primarily for aged store items as well as the net realisable value of work-in-progress and finished goods.

19 TRADE RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Trade receivables	31,962	27,098	14,239	14,370
Less: Allowance for impairment	-	-	-	-
	31,962	27,098	14,239	14,370

Credit terms of trade receivables of the Group and the Company range from 7 days to 90 days (2015: 7 days to 90 days).

20 AMOUNTS DUE FROM RELATED COMPANIES

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Trade				
Amount due from:				
- a subsidiary company	-	-	10,263	11,405
- other related companies	-	-	-	-
	-	-	10,263	11,405
Non-trade				
Amounts due from:				
- a subsidiary company	-	-	751	397
- other related companies	29	26	29	26
	29	26	780	423
Total	29	26	11,043	11,828

The trade balances due from a subsidiary company and other related companies are unsecured, interest free and have credit terms ranging from 30 to 60 days (2015: 30 to 60 days). The non-trade balances due from a subsidiary company and other related companies are unsecured, interest free and have no fixed terms of repayment.

21 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Advanced payment to suppliers	2,718	851	905	708
Prepayments	366	365	359	358
Deposits	166	216	150	197
Staff advances	135	72	133	71
Other receivables	2,831	6	2,799	4
	6,216	1,510	4,346	1,338

22 DERIVATIVE FINANCIAL INSTRUMENTS

			Group 2016
Assets/(Liabilities)	Notional amount RM'000	Assets RM'000	Liabilities RM'000
Forward foreign currency exchange contracts – Note (a)	32,565	1,428	-
Forward foreign currency exchange contracts – Note (b)	(9,027)	-	(292)

			2015
Assets/(Liabilities)	Notional amount RM'000	Assets RM'000	Liabilities RM'000
Forward foreign currency exchange contracts – Note (a)	19,502	-	(554)
Forward foreign currency exchange contracts – Note (b)	(15,505)	-	(56)
			(610)

22 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

			Company 2016
Assets/(Liabilities)	Notional amount RM'000	Assets RM'000	Liabilities RM'000
Forward foreign currency exchange contracts – Note (a)	11,367	515	-
Forward foreign currency exchange contracts – Note (b)	(7,391)	-	(287)

			2015
Assets/(Liabilities)	Notional amount RM'000	Assets RM'000	Liabilities RM'000
Forward foreign currency exchange contracts – Note (a)	8,617	-	(217)
Forward foreign currency exchange contracts – Note (b)	(15,505)	-	(56)
			(273)

Forward foreign exchange contracts

Aside from using natural hedges, the Group and the Company enter into forward foreign currency exchange contracts with a licensed bank to limit its exposure on foreign currency receivables and payables.

Note (a)
Under the forward contracts - receivables, the currency to be received is Ringgit Malaysia and the currency to be paid is US Dollar. The maturity period of the contracts ranges between 1 month to 4 months (2015: 1 month to 2 months).

Note (b)
Under the forward contracts - payables, the currency to be paid is Ringgit Malaysia and the currency to be received are US Dollar and Euro. The maturity period of the contracts ranges between 1 day to 4 days (2015: 1 day).

The fair value gain or loss of the forward foreign exchange contracts of the Group and the Company which has been recognised at the reporting date was a surplus net position of RM1,136,000 (2015: deficit of RM610,000) and RM228,000 (2015: deficit of RM273,000) respectively.

23 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits with licensed banks	42,223	51,769	29,219	41,291
Cash and bank balances	8,486	10,276	5,259	4,374
	50,709	62,045	34,478	45,665
Less: Restricted cash and cash equivalents*				
Deposit with licensed bank	(233)	(233)	(233)	(233)
	50,476	61,812	34,245	45,432

* Restricted cash and cash equivalents refer to funds set aside for purposes of payment to holders of cumulative redeemable preference shares. The preference shares had been redeemed by the Company in prior years.

The weighted average interest rates on year end deposit placements are as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Deposits with licensed banks	2.96	3.07	3.01	3.05

The deposits of the Group and the Company comprise of overnight placements (2015: overnight placements). Bank balances are deposits held at call with banks and are non-interest bearing.

24 TRADE PAYABLES

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Trade payables	19,382	27,402	14,787	25,796
Trade related accruals	3,219	2,086	2,645	1,962
	22,601	29,488	17,432	27,758

Credit terms of trade payables granted to the Group and the Company range from 7 days to 90 days (2015: 7 days to 90 days) from month end.

25 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Plant and equipment suppliers payable	657	1,208	657	1,152
Payroll related accruals				
- salary, benefits and allowances	5,391	3,983	5,006	3,695
- provision for gratuity scheme (Note 28)	544	652	544	652
Other accruals and sundry payables	4,517	4,756	4,061	3,083
	11,109	10,599	10,268	8,582

26 AMOUNTS DUE TO RELATED COMPANIES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade				
Amount due to:				
- a subsidiary company	-	-	1,426	1,049
Non-trade				
Amount due to:				
- a subsidiary company	-	-	217	200
- other related companies	-	1,800	-	1,800
Total	-	1,800	1,643	3,049

The trade balances due to a subsidiary company are unsecured, interest free and have credit terms of 7 days to 30 days (2015: 7 days to 30 days). The non-trade balances due to a subsidiary company and other related companies are unsecured, interest free and have no fixed terms of repayment.

27 BORROWINGS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current				
Bankers' acceptance	-	106	-	-
Onshore foreign currency loans	-	4,388	-	3,181
	-	4,494	-	3,181

The weighted average effective interest rates on borrowings are as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Borrowings	-	1.07	-	1.00

In the previous financial year, the bankers' acceptance and onshore foreign currency loans were unsecured and had a tenure to maturity of less than a year.

28 PROVISION FOR GRATUITY SCHEME

The movements in the present value of unfunded obligations are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Defined benefit gratuity scheme				
At beginning of the year	7,078	6,593	6,613	5,869
Charged to profit or loss:				
- current service cost	367	317	342	281
- interest cost	279	290	260	257
- transferred from subsidiary company	-	-	-	534
	646	607	602	1,072
(Credited)/Charged to other comprehensive income:				
- actuarial (gains)/losses	(997)	161	(945)	(45)
Gratuity paid	(588)	(283)	(588)	(283)
At end of the year	6,139	7,078	5,682	6,613
Reflected in the statement of financial position as:				
Current (Note 25)	544	652	544	652
Non-current	5,595	6,426	5,138	5,961
	6,139	7,078	5,682	6,613

The principal actuarial assumptions used in respect of the defined benefit gratuity scheme are as follows:

	Group and Company	
	2016 %	2015 %
Discount rate	3.8	3.8
Expected average rate of salary increases	5.0	5.0

The Group and the Company operate an unfunded final salary defined benefit gratuity scheme for its employees. Independent actuaries value the scheme every year using the projected unit credit actuarial cost method. The latest actuarial valuation was carried out on 31 March 2016.

28 PROVISION FOR GRATUITY SCHEME (CONTINUED)

The discount rate used is based on investment grade private debt securities with tenure approximating the tenure of the gratuity liability. The salary growth takes into account market factors such as inflation rate.

	2016 RM'000	2015 RM'000
Group		
Present value of unfunded obligations	6,139	7,078
Experience (gains)/losses adjustment on plan liabilities	(997)	161
Company		
Present value of unfunded obligations	5,682	6,613
Experience (gains)/losses adjustment on plan liabilities	(945)	(45)

The sensitivity of the defined benefit obligation to changes in the weighted principal actuarial assumptions is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Discount rate -1% - effect an increase of	384	525	357	491
Discount rate +1% - effect a decrease of	(346)	(465)	(322)	(434)
Salary increment rate -1% - effect a decrease of	(346)	(464)	(322)	(433)
Salary increment rate +1% - effect an increase of	376	513	350	480

The above sensitivity analysis are based on staff data as at 31 March 2016 and considers a change of each principal assumption in isolation.

29 DEFERRED TAXATION

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets	4,698	4,541	4,130	4,069
Deferred tax liabilities	(9,689)	(10,297)	(8,189)	(8,535)
Deferred tax liabilities - net	(4,991)	(5,756)	(4,059)	(4,466)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets				
- to be recovered within 12 months	3,355	2,998	2,897	2,638
- to be recovered after more than 12 months	1,343	1,543	1,233	1,431
	4,698	4,541	4,130	4,069
Deferred tax liabilities				
- to be recovered within 12 months	(187)	(343)	(81)	(171)
- to be recovered after more than 12 months	(9,502)	(9,954)	(8,108)	(8,364)
	(9,689)	(10,297)	(8,189)	(8,535)
Deferred tax liabilities - net	(4,991)	(5,756)	(4,059)	(4,466)

29 DEFERRED TAXATION (CONTINUED)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax liabilities:				
At beginning of the year	5,756	6,369	4,466	4,779
Credited to profit or loss (Note 12):				
- property, plant and equipment	(608)	(341)	(346)	(116)
- provisions and allowances	(395)	(234)	(287)	(208)
	(1,003)	(575)	(633)	(324)
Charged/(credited) to other comprehensive income:				
- provision for gratuity scheme	238	(38)	226	11
At end of the year	4,991	5,756	4,059	4,466
Subject to income tax:				
Profit or loss:				
Deferred tax liabilities (before offsetting)				
- property, plant and equipment	9,689	10,297	8,189	8,535
Offsetting	(4,698)	(4,541)	(4,130)	(4,069)
Deferred tax liabilities (after offsetting)	4,991	5,756	4,059	4,466
Deferred tax assets (before offsetting)				
- provisions and allowances	(4,852)	(4,457)	(4,308)	(4,021)
Offsetting	4,852	4,457	4,308	4,021
Deferred tax assets (after offsetting)	-	-	-	-
Other comprehensive income:				
Deferred tax liabilities/(assets) (before offsetting)				
- provision for gratuity scheme	154	(84)	178	(48)
Offsetting	(154)	84	(178)	48
Deferred tax liabilities/(assets) (after offsetting)	-	-	-	-

30 SHARE CAPITAL

	Group and Company	
	2016	2015
	RM'000	RM'000
Authorised:		
200,000,000 ordinary shares of RM1.00 each		
At beginning/end of the year	200,000	200,000
Issued and fully paid:		
134,330,848 ordinary shares of RM1.00 each		
At beginning/end of the year	134,331	134,331

31 OTHER RESERVES

	Group and Company	
	2016	2015
	RM'000	RM'000
Non-distributable:		
Capital redemption reserve	4,000	4,000
Treasury shares	(2,330)	(2,330)
	1,670	1,670

Capital redemption reserve

The capital redemption reserve was created upon the redemption of the cumulative redeemable preference shares of the Company in 1996.

Treasury shares

At the Annual General Meeting of the Company held on 26 August 2015, the shareholders of the Company approved the renewal of the authority for the Company to purchase its own shares up to a limit not exceeding 10% of the total issued and paid-up share capital of the Company.

During the financial year ended 31 March 2016, the Company did not repurchase any of its issued share capital from the open market (2015: Nil). Shares repurchased are being held as treasury shares as allowed under Section 67A of the Companies Act, 1965. There was no resale or cancellation of treasury shares during the financial year. Treasury shares have no right to voting, dividends and participation in other distribution.

31 OTHER RESERVES (CONTINUED)

Treasury shares (continued)

As at the date of reporting, of the total 134,330,848 (2015: 134,330,848) issued and fully paid ordinary shares, 2,079,000 (2015: 2,079,000) are held as treasury shares by the Company. The number of shares with voting rights in issued and fully paid share capital is 132,251,848 (2015: 132,251,848) ordinary shares of RM1.00 each.

32 REVENUE RESERVE

The Company is under the single-tier tax system with effect from year of assessment 2014 and hence, there is no restriction on the Company to declare the payment of dividends out of its retained earnings.

33 CAPITAL COMMITMENTS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Authorised capital expenditure for property, plant and equipment not provided for in the financial statements are as follows:				
- contracted	163	1,275	163	1,275
- not contracted	313	362	313	272
	476	1,637	476	1,547

34 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related party transactions

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions.

In the normal course of business, the Group and the Company undertake, on agreed terms and prices, a variety of transactions with related companies, some of whom are shareholders or share common shareholders or share a common ultimate holding company. The material related party transactions between the Group and the Company and these entities are described below:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Income				
Sales of finished goods to: - Alcom Nikkei Specialty Coatings Sdn Bhd, a subsidiary incorporated in Malaysia	-	-	118,502	115,049
Rental income received from: - Alcom Nikkei Specialty Coatings Sdn Bhd, a subsidiary incorporated in Malaysia	-	-	1,140	1,140
Management service fees received from: - Alcom Nikkei Specialty Coatings Sdn Bhd, a subsidiary incorporated in Malaysia	-	-	888	888

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related party transactions (continued)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Expenditure				
Purchases of raw materials from: - Hindalco Industries Limited, ultimate holding company	17,667	-	17,667	-
Purchases of scrap from: - Alcom Nikkei Specialty Coatings Sdn Bhd, a subsidiary incorporated in Malaysia	-	-	11,917	9,516
Purchases of metal from: - Novelis Korea Limited ULSAN PL, a related company incorporated in Korea	62	1,977	62	1,977
IT allocation fees charged by: - Novelis Inc., immediate holding company	2,149	1,407	2,149	1,407
Technical service fees charged by: - Novelis Inc., immediate holding company	1,424	1,250	950	833

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management remuneration

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. Key management personnel include the Directors and certain members of senior management of the Group and of the Company. The remuneration below is inclusive of home country salary and other benefit payments made to expatriate staff.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Key management remuneration:				
- salaries and bonus	2,121	2,040	1,540	1,491
- defined contribution retirement plan	212	166	212	166
- estimated monetary value of benefits-in-kind	190	255	109	174
	2,523	2,461	1,861	1,831

35 FINANCIAL INSTRUMENTS

(a) Financial instruments by category

The table below provides an analysis of the financial instruments by category.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Loans and receivables				
Trade receivables	31,962	27,098	14,239	14,370
Amounts due from related companies	29	26	11,043	11,828
Other receivables (excluding prepayments and advanced payment to suppliers)	3,132	294	3,082	272
Cash and cash equivalents	50,709	62,045	34,478	45,665
	85,832	89,463	62,842	72,135

35 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments by category (continued)

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Financial assets/(liabilities) at fair value through profit or loss				
Derivative financial instruments	1,136	(610)	228	(273)
Other financial liabilities at amortised cost				
Trade payables	(22,601)	(29,488)	(17,432)	(27,758)
Other payables and accruals (excluding provision for gratuity scheme and payroll related liabilities)	(5,174)	(5,964)	(4,718)	(4,235)
Amounts due to related companies	-	(1,800)	(1,643)	(3,049)
Borrowings	-	(4,494)	-	(3,181)
	(27,775)	(41,746)	(23,793)	(38,223)

(b) Income, expenses, gains and losses on financial instruments

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Derivatives				
Net fair value (gain)/loss on currency forwards	(1,746)	981	(501)	376
Loans and receivables				
Interest income on short-term deposits	(619)	(808)	(364)	(564)
Borrowings				
Interest expense on short-term borrowings	3	9	3	7

36 SEGMENT INFORMATION

Segmental reporting is not separately presented as the Group is principally engaged in the manufacturing and trading of aluminium products, which are substantially within a single operating segment. The Group operates primarily in Malaysia.

Revenue of the Group is derived from a single class of product.

For the purpose of resources allocation and performance assessment, the chief operating decision-maker reviews the profit from operation of the Group as disclosed in consolidated statement of comprehensive income.

All non-current assets of the Group are located in Malaysia, being the Group's country of domicile. The breakdown of the Group's external revenues based on the geographical location of the external customers is as follows:

	Revenue	
	2016	2015
	RM'000	RM'000
Malaysia *	96,011	107,656
Thailand	68,145	60,281
India	47,236	52,728
Asia	28,687	18,779
Europe	23,148	832
Middle East	14,051	32,257
Others	10,128	7,179
	287,406	279,712

* Included in sales to Malaysian customers are sales to customers in the Licensed Manufacturing Warehouse and Free Trade Zone areas amounting to RM13,342,000 (2015: RM24,096,000).

Revenues of the Group of approximately RM33,768,000 (2015: RM15,502,000) are derived from a single external customer.

37 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 3 June 2016.

38 SUPPLEMENTARY INFORMATION – BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED

The breakdown of the retained profits of the Group and of the Company as at 31 March 2016 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained profits of the Company and its subsidiaries				
- Realised	34,828	40,071	10,386	19,211
- Unrealised	4,566	4,159	4,403	3,644
	39,394	44,230	14,789	22,855
Less: Consolidation adjustments	(14,944)	(15,737)	-	-
Retained profits as per financial statements	24,450	28,493	14,789	22,855

The disclosure of realised and unrealised profits above is solely for compliance with the directive issued by Bursa Malaysia Securities Berhad and should not be used for any other purpose.

Company No.	
003859	U

ALUMINIUM COMPANY OF MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Y.A.M. Tunku Tan Sri Imran Ibni Almarhum Tuanku Ja'afar and Heon Chee Shyong, two of the Directors of Aluminium Company of Malaysia Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 5 to 70 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2016 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The information set out in Note 38 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with their resolution dated 3 June 2016.

Y.A.M. TUNKU TAN SRI IMRAN
IBNI ALMARHUM TUANKU JA'AFAR
DIRECTOR

HEON CHEE SHYONG
DIRECTOR

Bukit Raja, Klang

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Bernard William A/L William G. Gomez, the Officer primarily responsible for the financial management of Aluminium Company of Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 5 to 70 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

BERNARD WILLIAM A/L WILLIAM G. GOMEZ

Subscribed and solemnly declared by the abovenamed Bernard William A/L William G. Gomez at Bukit Raja, Klang in Malaysia on 3 June 2016, before me.

COMMISSIONER FOR OATHS

Bandar Baru Klang
Klang, Selangor

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ALUMINIUM COMPANY OF MALAYSIA BERHAD
(Incorporated in Malaysia)
(Company No. 003859 U)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Aluminium Company of Malaysia Berhad on pages 5 to 70 which comprise the statements of financial position as at 31 March 2016 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 37.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and 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 judgement, including the assessment of 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 of financial statements that give a true and fair view 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 the Directors, 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.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

pwc

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ALUMINIUM COMPANY OF MALAYSIA BERHAD
(CONTINUED)
(Incorporated in Malaysia)
(Company No. 003859 U)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 March 2016 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit report on the financial statements of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 38 on page 72 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ALUMINIUM COMPANY OF MALAYSIA BERHAD
(CONTINUED)
(Incorporated in Malaysia)
(Company No. 003859 U)

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

LEE TUCK HENG
(No. 2092/09/16 (J))
Chartered Accountant

Kuala Lumpur
3 June 2016

Company No.

203469	H

ALCOM NIKKEI SPECIALTY COATINGS SDN. BHD.
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

2195A6/nm

Company No.

203469	H

ALCOM NIKKEI SPECIALTY COATINGS SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Company for the financial year ended 31 March 2016.

PRINCIPAL ACTIVITY

The Company is primarily engaged in the manufacturing and trading of pre-coated aluminium finstocks for use in air conditioners. There were no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	RM
Profit for the financial year	3,187,847

DIVIDENDS

No dividend has been paid, declared or proposed by the Company since the end of the previous financial year.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

DIRECTORS

The Directors who have held office during the year since the date of the last report are as follows:

Bernard William A/L William G. Gomez
Heon Chee Shyong

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for benefits accruing to Directors as employees of the immediate holding company, Aluminium Company of Malaysia Berhad. These benefits have been disclosed as part of the Directors' remuneration in the Group's financial statements.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, none of the Directors held any interests in shares in the Company and its related corporations during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statement of comprehensive income and statement of financial position of the Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that there are no known bad debts and that provision need not be made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Company had been written down to amounts which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would necessitate the writing off of bad debts or the provision for doubtful debts; or

(b) which would render the values attributed to current assets in the financial statements of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations when they fall due.

Company No.

203469	H

ALCOM NIKKEI SPECIALTY COATINGS SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

At the date of this report, there does not exist:

(a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

(a) the results of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

IMMEDIATE AND ULTIMATE HOLDING COMPANIES

The immediate holding company of the Company is Aluminium Company of Malaysia Berhad, a company incorporated in Malaysia, while the ultimate holding company is Hindalco Industries Limited, a company incorporated in India.

AUDITORS

The Auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 3 June 2016.

HEON CHEE SHYONG
DIRECTOR

BERNARD WILLIAM A/L WILLIAM G. GOMEZ
DIRECTOR

Bukit Raja, Klang

Company No.

203469	H

ALCOM NIKKEI SPECIALTY COATINGS SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

	Note	2016 RM	2015 RM
Revenue	7	146,596,752	124,677,326
Other operating income	8	418,502	243,534
Changes in inventories of raw materials, work-in-progress and finished goods		(2,717,443)	5,706,407
Raw materials and consumables used		(128,391,543)	(121,385,019)
Staff costs	10	(2,682,329)	(1,978,078)
Utilities and fuel		(2,238,558)	(1,951,364)
Depreciation of property, plant and equipment		(1,695,407)	(1,733,043)
Rental of premises		(1,140,000)	(1,140,000)
Repairs and maintenance		(1,023,510)	(893,614)
Management service fees		(888,000)	(888,000)
Allowance for inventory writedown		(373,231)	(316,706)
Other operating expenses		(1,513,443)	(1,001,517)
Profit/(Loss) from operations before tax	9	4,351,790	(660,074)
Taxation	11	(1,163,943)	189,923
Profit/(Loss) for the financial year		3,187,847	(470,151)
Other comprehensive income/(loss):			
<u>Items that will not be classified subsequently to profit or loss</u>			
Actuarial gains/(losses) on gratuity scheme	23	52,096	(206,000)
Taxation relating to component of other comprehensive income	24	(12,503)	49,440
Other comprehensive income for the financial year, net of tax		39,593	(156,560)
Total comprehensive income/(loss) for the financial year		3,227,440	(626,711)

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

Company No.

203469	H

ALCOM NIKKEI SPECIALTY COATINGS SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

	Note	2016 RM	2015 RM
NON-CURRENT ASSET			
Property, plant and equipment	12	7,551,084	9,217,978
CURRENT ASSETS			
Inventories	13	10,273,482	13,052,836
Trade receivables	14	17,722,820	12,727,926
Other receivables and prepayments	15	1,870,567	171,807
Amounts due from immediate holding company	16	1,642,541	1,248,815
Tax recoverable		-	142,113
Derivative financial instruments	17	913,174	-
Deposits, cash and bank balances	18	16,230,269	16,379,888
		48,652,853	43,723,385
LESS: CURRENT LIABILITIES			
Trade payables	19	5,169,180	1,729,716
Other payables and accruals	20	839,555	2,016,954
Amounts due to immediate holding company	21	11,014,684	11,801,853
Derivative financial instruments	17	4,797	337,308
Borrowings	22	-	1,313,111
Provision for taxation		570,540	-
		17,598,756	17,198,942
NET CURRENT ASSETS		31,054,097	26,524,443
LESS: NON-CURRENT LIABILITIES			
Provision for gratuity scheme	23	456,904	465,000
Deferred taxation	24	932,534	1,289,118
		1,389,438	1,754,118
		37,215,743	33,988,303
CAPITAL AND RESERVES			
Share capital	25	12,250,000	12,250,000
Share premium	26	362,500	362,500
Revenue reserve	27	24,603,243	21,375,803
Total equity		37,215,743	33,988,303

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

Company No.

203469	H

ALCOM NIKKEI SPECIALTY COATINGS SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

	Note	Issued and fully paid ordinary shares of RM1.00 each		Non distributable	Distributable	
		Number of shares	Nominal value	Share premium	Revenue reserve	Total
			RM	RM	RM	RM
At 1 April 2015		12,250,000	12,250,000	362,500	21,375,803	33,988,303
Total comprehensive income:						
Profit for the financial year		-	-	-	3,187,847	3,187,847
Actuarial gains on gratuity scheme, net of tax		-	-	-	39,593	39,593
Total comprehensive income for the financial year		-	-	-	3,227,440	3,227,440
At 31 March 2016		12,250,000	12,250,000	362,500	24,603,243	37,215,743
At 1 April 2014		12,250,000	12,250,000	362,500	22,002,514	34,615,014
Total comprehensive loss:						
Loss for the financial year		-	-	-	(470,151)	(470,151)
Actuarial losses on gratuity scheme, net of tax		-	-	-	(156,560)	(156,560)
Total comprehensive loss for the financial year		-	-	-	(626,711)	(626,711)
At 31 March 2015		12,250,000	12,250,000	362,500	21,375,803	33,988,303

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

Company No.

203469	H

ALCOM NIKKEI SPECIALTY COATINGS SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

	Note	2016 RM	2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) for the financial year		3,187,847	(470,151)
Adjustments for:			
Net fair value (gain)/loss on currency forwards		(1,245,685)	605,888
Interest income		(255,100)	(243,534)
Interest expense		-	2,052
Depreciation of property, plant and equipment		1,695,407	1,733,043
Provision for gratuity scheme		44,000	(465,000)
Allowance for inventory writedown		373,231	316,706
Unrealised foreign exchange loss/(gain)		1,651,226	(380,044)
Taxation		1,163,943	(189,923)
		6,614,869	909,037
Changes in working capital:			
Inventories		2,406,123	(5,429,043)
Receivables		(8,159,320)	954,254
Payables		2,446,575	823,146
Balances with immediate holding company		(1,180,895)	2,243,344
Cash generated from/(used in) operations		2,127,352	(499,262)
Tax paid		(820,377)	(58,171)
Net cash from/(used in) operating activities		1,306,975	(557,433)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(84,452)	(193,526)
Interest income received		250,557	243,390
Net cash from investing activities		166,105	49,864
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment)/Drawdown of borrowings		(1,313,111)	1,313,111
Interest paid		-	(2,052)
Net cash (used in)/from financing activities		(1,313,111)	1,311,059

Company No.

203469	H

ALCOM NIKKEI SPECIALTY COATINGS SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016 (CONTINUED)

	Note	2016 RM	2015 RM
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		159,969	803,490
FOREIGN EXCHANGE DIFFERENCES		(309,588)	(33,609)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		16,379,888	15,610,007
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	18	16,230,269	16,379,888

Non-cash transaction

The principal non-cash transaction during the financial year is the acquisition of plant and equipment by the Company of which RM Nil (2015: RM55,939) (Note 19) remained as payables at the end of the financial year.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

1 GENERAL INFORMATION

The principal activity of the Company is the manufacturing and trading of pre-coated aluminium finstocks for use in air conditioners.

The immediate holding company of the Company is Aluminium Company of Malaysia Berhad, a company incorporated in Malaysia, while the ultimate holding company is Hindalco Industries Limited, a company incorporated in India.

The Company is a private limited liability company, incorporated and domiciled in Malaysia.

The address of the registered office and principal place of business of the Company is as follows:

No. 3, Persiaran Waja
Kawasan Perindustrian Bukit Raja
41050 Klang
Selangor Darul Ehsan

2 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5 to the financial statements.

(a) New accounting standards, amendments and improvements to published standards and interpretations that are applicable to the Company and effective for the current financial year are as follows:

- Annual Improvements to MFRSs 2010 – 2012 Cycle
- Annual Improvements to MFRSs 2011 – 2013 Cycle
- Amendments to MFRS 119 "Defined Benefit Plans: Employees Contributions"

The adoption of the Annual Improvements to MFRSs 2010 – 2012 Cycle has required additional disclosures about the aggregation of segments. Other than that, the adoption of these amendments did not have any impact on the current or any prior year and are not likely to affect future periods.

2 BASIS OF PREPARATION (CONTINUED)

(b) New accounting standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective

The Company will apply the new accounting standards, amendments to standards and interpretations in the following financial years:

(i) <u>Financial year beginning on/after 1 April 2016</u>
- Amendments to MFRS 11 "Joint arrangements"
- Amendments to MFRS 116 "Property, plant and equipment"

(ii) <u>Financial year beginning on/after 1 April 2017</u>
- Amendments to MFRS 107 "Statement of cash flows" - Disclosure initiative
- Amendments to MFRS 112 "Income taxes" - Recognition of deferred tax assets for unrealised losses

(iii) <u>Financial year beginning on/after 1 April 2018</u>
- MFRS 9 "Financial instruments"
- MFRS 15 "Revenue from contracts with customers"

(iv) <u>Financial year beginning on/after 1 April 2019</u>
- MFRS 16 "Leases"

Management is in the process of assessing the impact of the above standards and amendments to published standards on the financial statements of the Company in the year of initial application.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to the financial year presented, unless otherwise stated.

(a) Property, plant and equipment

Property, plant and equipment are initially stated at cost and are subsequently stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Property, plant and equipment (continued)

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

Property, plant and equipment are depreciated on the straight-line method to allocate the cost to their residual values over their estimated useful lives at the following average annual rate:

Plant, machinery and equipment	4% - 20%
Office equipment	10% - 33%

Depreciation on projects-in-progress commences when the assets are ready for their intended use.

Residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of the reporting period.

At the end of the reporting period, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 3(b) on impairment of non-financial assets.

(b) Impairment of non-financial assets

Assets that have indefinite useful lives, for example goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. In respect of other assets, any subsequent increase in the recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Inventories

Inventories, which include spares and operating supplies, raw materials, work-in-progress, supplies and finished goods, are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. The costs of finished goods and work-in-progress comprise raw materials, direct labour, other direct costs and related factory overheads. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated costs necessary to make the sale.

In addition, inventory adjustments are made so that there is proper determination of income through the process of matching appropriate costs against revenues. These adjustments include provisions for slow moving inventory and obsolescence.

(d) Trade and other receivables

Trade receivables are amounts due from customers for sale of pre-coated aluminium finstocks. Other receivables generally arise from transactions outside the usual operating activities of the Company. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value.

After recognition, trade and other receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. See accounting policy Note 3(b) on impairment of non-financial assets.

(e) Cash and cash equivalents

For the purpose of statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets

(i) Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Financial assets at fair value through profit or loss

The Company classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

(iii) Subsequent measurement - Gains and losses

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation and interest income are recognised in profit or loss in the period in which the changes arise.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets (continued)

(iv) Subsequent measurement - Impairment

Assets carried at amortised cost

The Company assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(v) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(h) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as fair value through profit or loss if they are held for trading. Derivatives are categorised as held for trading unless they are designated as effective hedging instruments.

Other financial liabilities

The other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

A financial liability is de-recognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Financial liabilities are classified as current liabilities for those having maturity dates of less than 12 months after the reporting period, and the balance is classified as non-current.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Trade payables

Trade payables represent liabilities for goods or services provided to the Company prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities unless payment is not due within 12 months after the reporting period. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value. Trade payables are subsequently measured at amortised cost using the effective interest method.

(j) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

When the Company expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

(l) Employee benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

The Company recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(ii) Post-employment pension benefits

The Company has various post-employment pension benefit schemes in accordance with local conditions and practices in the country in which it operates. These benefits plans are either defined contribution or defined benefit plans.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Employee benefits (continued)

(ii) Post-employment pension benefits (continued)

Defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Defined contribution plan

The Company's contributions to defined contribution plans are charged to profit or loss in the period to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plan

The liability or asset recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan reflects the increase in the defined benefit obligation resulting from employee service in the current year. It is recognised in the profit or loss in employee benefit expense, except where included in the cost of an asset.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Current and deferred income taxes

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Company operates and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flow or net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

All foreign exchange gains and losses are presented in profit or loss on a net basis.

(o) Contingent assets and contingent liabilities

The Company does not recognise contingent assets and liabilities other than those arising from business combinations, but discloses its existence in the financial statements.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight line basis over the lease period. Initial direct costs incurred by the Company in negotiating and arranging operating leases are recognised in profit or loss when incurred.

(q) Share capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument is recognised directly in equity.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of goods and services tax, returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Interest income is recognised using the effective interest method.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities are subject to a variety of financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity risk and fair value. The Company's overall financial risk management objective is to ensure that the Company creates value for its shareholders. Financial risk management is carried out through risk reviews, internal control systems, a comprehensive insurance programme and adherence to Company financial risk management policies. Senior management regularly reviews these risks and approves the treasury policies, which covers the management of these risks. The Board is updated on all issues arising in the management of such risks.

The Company uses financial instruments such as forward foreign exchange contracts to cover certain exposures. It does not trade in financial instruments.

Details of financial risks faced by the Company are further described as follows:

(a) Foreign currency exchange risk

The Company enters into currency forwards in the normal course of business to manage its exposure against foreign currency fluctuations on transactions denominated in foreign currencies. In general, the Company's policy is to enter into currency forwards for anticipated sales and purchases in foreign currencies. Refer to Note 17 to the financial statements for further details.

The Company does not apply hedge accounting.

The Company is primarily exposed to United States Dollar ("USD") for its sales of finished products.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Foreign currency exchange risk

The Company's exposure to foreign currencies in respect of its financial assets and financial liabilities are as follows:

	USD RM	JPY RM	EURO RM	Total RM
At 31 March 2016				
FINANCIAL ASSETS				
Trade receivables	16,150,406	-	-	16,150,406
Cash and cash equivalents	4,071,431	-	-	4,071,431
	20,221,837	-	-	20,221,837
LESS: FINANCIAL LIABILITIES				
Trade payables	(1,995,571)	(76,851)	(368,770)	(2,441,192)
Other payables and accruals	(63,450)	-	-	(63,450)
	(2,059,021)	(76,851)	(368,770)	(2,504,642)
NET FINANCIAL ASSETS/ (LIABILITIES)	18,162,816	(76,851)	(368,770)	17,717,195
LESS: CURRENCY FORWARDS	(19,601,424)	-	39,769	(19,561,655)
NET CURRENCY EXPOSURE	(1,438,608)	(76,851)	(329,001)	(1,844,460)
At 31 March 2015				
FINANCIAL ASSETS				
Trade receivables	11,437,606	-	-	11,437,606
Cash and cash equivalents	1,208,611	-	-	1,208,611
	12,646,217	-	-	12,646,217
LESS: FINANCIAL LIABILITIES				
Trade payables	(45,344)	(16,859)	-	(62,203)
Other payables and accruals	(496,279)	(17,823)	(38,931)	(553,033)
Borrowings	(1,207,111)	-	-	(1,207,111)
	(1,748,734)	(34,682)	(38,931)	(1,822,347)
NET FINANCIAL ASSETS/ (LIABILITIES)	10,897,483	(34,682)	(38,931)	10,823,870
LESS: CURRENCY FORWARDS	(10,884,416)	-	-	(10,884,416)
NET CURRENCY EXPOSURE	13,067	(34,682)	(38,931)	(60,546)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Foreign currency exchange risk (continued)

The following table demonstrates the sensitivity of the Company's net profit/(loss) after tax to 10% (2015: 10%) strengthening of USD, JPY and EURO against the RM, with all other variables, in particular interest rates, being held constant.

	Increase/(decrease)	
	Net profit after tax 2016 RM	Net loss after tax 2015 RM
USD against RM	109,334	(980)
JPY against RM	5,841	2,601
EURO against RM	25,004	2,920

A 10% weakening of the above currency against the RM would have the equal but opposite effect to the amount shown above, on the basis that all other variables remain constant.

The Company's foreign currency exchange risk management seeks to protect cash flows and shareholders value by limiting the impact from adverse exchange movement whilst sharing in the benefit from favourable movements. Aside from natural hedges, the Company also enters into forward foreign currency exchange contracts to limit its exposure on foreign currency receivables and payables.

As at reporting date, the exposure on foreign currency receivables and payables are substantially covered by natural hedges or forward foreign currency exchange contracts. As a result, the net foreign currency exchange exposure not covered by hedges is not expected to have a significant impact on the financial statements of the Company.

(b) Interest rate risk

Interest rate risk arises mainly from the Company's short-term deposits. The Company's short-term deposits are placed with the financial institutions at prevailing interest rates and are not significant to the financial statements.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk

Credit risk arises when sales are made on deferred credit terms. The Company seeks to control credit risk by setting counterparty limits as well as credit terms and ensuring that sales of products and services are made to customers with an acceptable credit history. Credit facilities are accorded after formal review and have to be authorised by different levels of management according to the quantum of credit subject to approval. Loading in of orders for production as well as shipment of finished goods are subject to credit checks.

The Company has no significant concentration of credit risks except for trade receivables. In the opinion of the Directors, the credit risk in relation to trade receivables is not significant and the trade receivables are expected to be recoverable.

As the deposits are placed with major financial institutions in Malaysia, the Directors are of the view that the credit risk associated with these major financial institutions is minimal.

Exposure to credit risk

At the reporting date, the Company's maximum exposure to credit risk is represented by the carrying amount of that class of financial instruments presented on the statement of financial position. The Company's major classes of financial assets are trade receivables, amounts due from immediate holding company, other receivables (excluding prepayments and advances to suppliers), deposits, cash and bank balances and derivatives.

Details of the financial assets are as follows:

	2016 RM	2015 RM
Not past due	36,268,191	29,753,184
Past due but not impaired		
- 0 to 2 months	290,968	624,646
	36,559,159	30,377,830

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (continued)

Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks which have high credit ratings as determined by international credit rating agencies. The Company considers the risk of material loss in the event of non-performance by a financial counterparty to be unlikely. Trade and other receivables, and amount due from immediate holding company that are neither past due nor impaired are substantially companies with good collection track records with the Company.

Financial assets that are past due but not impaired

There are no other financial assets in the Company that are past due but not impaired except for certain trade receivables of the Company as set out below.

	2016 RM	2015 RM
Trade receivables	290,968	624,646

Receivables that are past due but not impaired are principally less than 60 days past due. No impairment has been made on these amounts as the Company is closely monitoring these receivables and they have no prior history of bad or doubtful debts and these amounts are expected to be recovered within 12 months from the reporting date. No allowance for impairment has been made in respect of these receivables in the current and previous financial year, hence the movement in allowance for impairment is not presented.

(d) Liquidity risk

The Company practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities. The Company's cash flows are reviewed regularly to ensure that the Company is able to settle their commitments when they fall due.

At reporting date, the Company held cash and cash equivalents of RM16,230,269 (2015: RM16,379,888) that are expected to readily generate cash inflows for managing liquidity risk.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (continued)

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 1 year equal their carrying amount as the impact of discounting is not significant.

	Due within one year	
	2016	2015
	RM	RM
FINANCIAL LIABILITIES		
Trade payables	(5,169,180)	(1,729,716)
Other payables and accruals (excluding provision for gratuity scheme and payroll related liabilities)	(455,641)	(1,729,037)
Amounts due to immediate holding company	(11,014,684)	(11,801,853)
Borrowings	-	(1,313,832)
Derivative financial liabilities	(4,797)	(337,308)
	(16,644,302)	(16,911,746)

The table below analyses the Company's derivative financial instruments, for which contractual maturities are essential for an understanding of the timing of the cash flows, into relevant maturity groupings based on the remaining financial period from the reporting date to the contractual maturity date.

	Due within one year	
	2016	2015
	RM	RM
Gross-settled currency forwards		
Hedge of trade receivables:		
- Receipts in RM	21,197,540	10,884,416
- Payments in USD	(20,284,366)	(11,221,724)
Hedge of trade payables:		
- Receipts in USD	1,592,858	-
- Receipts in EURO	38,230	-
- Payments in RM	(1,635,885)	-

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Fair value measurement

The carrying amounts of the Company's financial assets and liabilities approximate their fair values due to the relatively short-term maturity of these financial instruments: deposits, cash and bank balances, borrowings, receivables and payables (including non-trade amounts due (to)/from immediate holding company).

Fair value hierarchy

Disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- 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 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date.

The following table presents the Company's assets and liabilities that are measured at fair value at 31 March 2016:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Derivative financial instruments	-	913,174	-	913,174
Liabilities				
Derivative financial instruments	-	(4,797)	-	(4,797)

The following table presents the Company's assets and liabilities that are measured at fair value at 31 March 2015:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Liabilities				
Derivative financial instruments	-	(337,308)	-	(337,308)

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgement are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Company's results and financial positions are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Impairment of property, plant and equipment

The Company assesses impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, i.e. the carrying amount of the asset is higher than the recoverable amount. Recoverable amount is measured at the higher of the fair value less cost to sell for that asset and its value-in-use.

Projected future cash flows used in impairment testing of property, plant and equipment are based on the Company's estimates calculated based on historical, sector and industry trends, general market and economic conditions and other available information.

The assumptions used, results and impact of possible change in the key assumptions of the impairment assessment of the property, plant and equipment are disclosed in Note 12 to the financial statements.

6 CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividend payment.

The Company considers that the capital of the Company relates only to the equity and this remains unchanged from the prior year.

Company No.

203469	H

ALCOM NIKKEI SPECIALTY COATINGS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016 (CONTINUED)

7 REVENUE

	2016 RM	2015 RM
Sale of finished goods	134,676,184	115,161,377
Sale of scrap to:		
- immediate holding company	11,917,149	9,515,949
- third party	3,419	-
	146,596,752	124,677,326

Revenue of the Company represents the aggregate invoiced value of goods sold to customers, net of goods and services tax, trade allowances and discounts.

8 OTHER OPERATING INCOME

	2016 RM	2015 RM
Interest income on short-term deposits	255,100	243,534
Miscellaneous income	163,402	-
	418,502	243,534

9 PROFIT/(LOSS) FROM OPERATIONS BEFORE TAX

	2016 RM	2015 RM
Profit/(loss) from operations before tax is arrived at after charging/(crediting):		
Auditors' remuneration		
- statutory audit		
- current year	61,000	61,000
- over provision in prior year	(3,260)	(190)
Hire of machinery and equipment	40,756	33,190
Interest expense	-	2,052
(Gain)/loss on foreign exchange		
- realised	(874,596)	(1,193,316)
- unrealised	1,651,226	(380,044)
Net fair value (gain)/loss on currency forwards	(1,245,685)	605,888

The cost of goods sold for the Company recognised as an expense during the financial year amounted to RM139,616,261 (2015: RM125,441,774).

10 STAFF COSTS

	2016 RM	2015 RM
Wages, salaries and bonus	2,392,954	2,234,636
Defined contribution retirement plan	146,069	141,955
Defined benefit gratuity scheme (Note 23)	44,000	(465,000)
Other employee benefits	99,306	66,487
	2,682,329	1,978,078

11 TAXATION

	2016 RM	2015 RM
Current taxation		
Current year	1,523,546	60,884
Under provision in prior years	9,484	-
	1,533,030	60,884
Deferred taxation (Note 24):		
Origination and reversal of temporary differences	(369,087)	(250,807)
Tax expense/(credit)	1,163,943	(189,923)

The explanation of the relationship between tax expense/(credit) and profit/(loss) before tax is as follows:

	2016 RM	2015 RM
Profit/(Loss) before tax	4,351,790	(660,074)
Tax calculated at the Malaysian tax rate of 24% (2015: 25%)	1,044,430	(165,019)
Tax effects of:		
- expenses not deductible for tax purposes	454,207	109,207
- income not subject to income tax	(312,283)	(88,079)
- double deduction claims	(31,895)	(46,032)
- under provision in respect of prior year	9,484	-
Tax expense/(credit)	1,163,943	(189,923)

Company No.

203469	H

ALCOM NIKKEI SPECIALTY COATINGS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016 (CONTINUED)

12 PROPERTY, PLANT AND EQUIPMENT

	Plant, machinery and equipment RM	Office equipment RM	Projects-in -progress RM	Total RM
2016				
At 1 April 2015	8,969,789	109,557	138,632	9,217,978
Additions	28,513	-	-	28,513
Reclassifications	13,748	124,884	(138,632)	-
Depreciation charge	(1,575,810)	(119,597)	-	(1,695,407)
At 31 March 2016	7,436,240	114,844	-	7,551,084
At 31 March 2016				
Cost	38,411,629	696,996	-	39,108,625
Accumulated depreciation	(30,850,389)	(582,152)	-	(31,432,541)
Accumulated impairment loss	(125,000)	-	-	(125,000)
Net carrying amount	7,436,240	114,844	-	7,551,084
2015				
At 1 April 2014	10,394,364	186,261	195,385	10,776,010
Additions	29,087	7,292	138,632	175,011
Reclassifications	149,237	46,148	(195,385)	-
Depreciation charge	(1,602,899)	(130,144)	-	(1,733,043)
At 31 March 2015	8,969,789	109,557	138,632	9,217,978
At 31 March 2015				
Cost	38,369,368	572,112	138,632	39,080,112
Accumulated depreciation	(29,274,579)	(462,555)	-	(29,737,134)
Accumulated impairment loss	(125,000)	-	-	(125,000)
Net carrying amount	8,969,789	109,557	138,632	9,217,978

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment assessment of the Company's plant and machinery

Based on management's assessment, the recoverable amount of plant and machinery as at 31 March 2016 of the Company, based on value-in-use ("VIU") is RM37.7 million, which is in excess of its carrying amount of RM7.4 million by RM30.3 million. On this basis, management is of the view that no impairment is necessary with respect to plant and machinery.

(a) Key assumptions used in the VIU calculation

The VIU calculation applied a discounted cash flow model using cash flow projections based on an approved 5-year budget. These projections reflect management's best estimate of the future results based on past experience and future outlook.

The key estimates used in the cash flow projections are the selling prices of the products, key components of the raw material prices and the weighted average cost of capital specific to the Company's industry. The key assumptions of the projections are as follows:

- Sales volumes are anticipated to be running at capacity levels based on historical trend and expected forecast sales.
- Costs have been determined after incorporating inflationary effects, net of productivity improvements and value engineering projects.
- Conversion margins are expected to be maintained at existing rates throughout the projection years.
- Terminal value based on 10 years beyond the 5 years budget.
- A discount rate of 12.1% has been applied to the cash flow projections.

(b) Impact of possible change in key assumptions

The Company's impairment assessment includes an assessment of changes in key assumptions that would impact the financial statements as follows:

- If the discount rate used was 13.1%, the recoverable amount would be lower by RM2.9 million.
- If the conversion margin differs by 1% from management's estimates, the recoverable amount would be higher or lower by RM4.9 million.
- If the sales volume differs by 2% from management's estimates, the recoverable amount would be higher or lower by RM1.5 million.

13 INVENTORIES

	2016 RM	2015 RM
Raw materials	2,047,486	1,492,652
Work-in-progress	250,139	1,421,001
Finished goods	6,185,300	8,388,107
Operating supplies and spare parts	1,790,557	1,751,076
	10,273,482	13,052,836

The inventories are net of allowances for inventory writedown of RM373,231 (2015: RM316,706) which is primarily relating to aged store items.

14 TRADE RECEIVABLES

	2016 RM	2015 RM
Trade receivables	17,722,820	12,727,926
Less: Allowance for impairment	-	-
	17,722,820	12,727,926

Credit terms of trade receivables of the Company range from 7 days to 60 days (2015: 7 days to 60 days).

15 OTHER RECEIVABLES AND PREPAYMENTS

	2016 RM	2015 RM
Advanced payment to suppliers	1,813,301	143,301
Prepayments	6,911	7,305
Deposits	15,550	19,050
Other receivables	34,805	2,151
	1,870,567	171,807

16 AMOUNTS DUE FROM IMMEDIATE HOLDING COMPANY

	2016 RM	2015 RM
Trade	1,426,141	1,048,815
Non-trade	216,400	200,000
	1,642,541	1,248,815

The trade balances due from immediate holding company are unsecured, interest free and have credit terms ranging from 7 days to 30 days (2015: 7 days to 30 days). The non-trade balances due from immediate holding company are unsecured, interest-free and have no fixed terms of repayment.

17 DERIVATIVE FINANCIAL INSTRUMENTS

			2016
Assets/(Liabilities)	Notional amount RM	Assets RM	Liabilities RM
Forward foreign currency exchange contracts – Note (a)	21,197,540	913,174	-
Forward foreign currency exchange contracts – Note (b)	(1,635,885)	-	(4,797)

			2015
Assets/(Liabilities)	Notional amount RM	Assets RM	Liabilities RM
Forward foreign currency exchange contracts – Note (b)	10,884,416	-	(337,308)

17 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Forward foreign exchange contracts

Aside from using natural hedges, the Company enters into forward foreign currency exchange contracts with a licensed bank to limit its exposure on foreign currency receivables and payables.

Note (a)
Under the forward contracts - receivables, the currency to be received is Ringgit Malaysia and the currency to be paid is US Dollar. The maturity period of the contracts ranges between 1 month to 4 months (2015: 1 month to 2 months).

Note (b)
Under the forward contracts - payables, the currency to be paid is Ringgit Malaysia and the currency to be received is US Dollar and Euro. The maturity period of the contracts ranges between 1 day to 4 days (2015: Nil).

The fair value gain or loss of the forward foreign exchange contracts of the Company which has been recognised at the reporting date was a surplus net position of RM908,377 (2015: deficit of RM337,308).

18 DEPOSITS, CASH AND BANK BALANCES

	2016 RM	2015 RM
Deposits with licensed banks	13,004,080	10,478,000
Cash and bank balances	3,226,189	5,901,888
	16,230,269	16,379,888

The weighted average interest rates on year end deposit placements are as follows:

	2016 %	2015 %
Deposits with licensed banks	2.83	3.05

The deposits have a maturity period of 1 day (2015: 1 day). Bank balances are deposits held at call with banks and are non-interest bearing.

Company No.

203469	H

ALCOM NIKKEI SPECIALTY COATINGS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016 (CONTINUED)

19 TRADE PAYABLES

	2016 RM	2015 RM
Trade payables	4,594,849	1,606,016
Trade related accruals	574,331	123,700
	5,169,180	1,729,716

Credit terms of trade payables granted to the Company range from 15 days to 90 days (2015: 15 days to 90 days) from month end.

20 OTHER PAYABLES AND ACCRUALS

	2016 RM	2015 RM
Payroll related accruals	383,914	287,917
Other accruals and sundry payables	455,641	1,673,098
Plant and equipment suppliers payable	-	55,939
	839,555	2,016,954

21 AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY

	2016 RM	2015 RM
Trade	10,263,637	11,404,606
Non-trade	751,047	397,247
	11,014,684	11,801,853

The trade balances due to immediate holding company are unsecured, interest free and have credit terms ranging from 30 to 60 days (2015: 30 to 60 days). The non-trade balances due to immediate holding company are unsecured, interest-free and have no fixed terms of repayment.

22 BORROWINGS

	2016 RM	2015 RM
Current		
Bankers' acceptance	-	106,000
Onshore foreign currency loans	-	1,207,111
	-	1,313,111

The weighted average effective interest rate on borrowings are as follows:

	2016 %	2015 %
Borrowings	-	1.25

In the previous financial year, the bankers' acceptance and onshore foreign currency loans were unsecured and had a tenure to maturity of less than a year.

23 PROVISION FOR GRATUITY SCHEME

The movements in the present value of unfunded obligations are as follows:

	2016 RM	2015 RM
Defined benefit gratuity scheme		
At beginning of the year	465,000	724,000
Charged/(Credited) to profit and loss:		
- Current service cost	25,000	36,000
- Interest cost	19,000	33,000
- Transferred to immediate holding company	-	(534,000)
	44,000	(465,000)
(Credited)/Charged to other comprehensive income:		
- Actuarial (gains)/losses	(52,096)	206,000
At end of the year	456,904	465,000
Reflected in the statement of financial position as:		
Non-current	456,904	465,000

23 PROVISION FOR GRATUITY SCHEME (CONTINUED)

The principal actuarial assumptions used in respect of the defined benefit gratuity scheme are as follows:

	2016	2015
	%	%
Discount rate	3.8	3.8
Expected average rate of salary increases	5.0	5.0

The Company operates an unfunded final salary defined benefit gratuity scheme for its employees. Independent actuaries value the scheme every year using the projected unit credit actuarial cost method. The latest actuarial valuation was carried out on 31 March 2016.

The discount rate used is based on investment grade private debt securities with tenure approximating the tenure of the gratuity liability. The salary growth takes into account market factors such as inflation rate.

	2016	2015
	RM	RM
Present value of unfunded obligations	456,904	465,000
Experience (gains)/losses adjustment on plan liabilities	(52,096)	206,000

The sensitivity of the defined benefit obligation to changes in the weighted principal actuarial assumptions is as follows:

	2016	2015
	RM	RM
Discount rate -1%		
- effect an increase of	27,000	34,000
Discount rate +1%		
- effect a decrease of	(24,000)	(31,000)
Salary increment rate -1%		
- effect a decrease of	(24,000)	(31,000)
Salary increment rate +1%		
- effect an increase of	26,000	33,000

The above sensitivity analysis are based on staff data as at 31 March 2016 and considers a change of each principal assumption in isolation.

24 DEFERRED TAXATION

	2016 RM	2015 RM
Deferred tax assets	567,167	472,839
Deferred tax liabilities	(1,499,701)	(1,761,957)
Deferred tax liabilities - net	(932,534)	(1,289,118)

Analysis of deferred tax assets and deferred tax liabilities is as follows:

	2016 RM	2015 RM
Deferred tax assets		
- to be recovered within 12 months	457,510	361,239
- to be recovered after more than 12 months	109,657	111,600
	567,167	472,839
Deferred tax liabilities		
- to be recovered within 12 months	(105,635)	(171,697)
- to be recovered after more than 12 months	(1,394,066)	(1,590,260)
	(1,499,701)	(1,761,957)
Deferred tax liabilities - net	(932,534)	(1,289,118)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	2016 RM	2015 RM
Deferred tax liabilities:		
At beginning of the year	1,289,118	1,589,365
Credited to profit or loss:		
- property, plant and equipment	(262,256)	(225,028)
- provisions and allowances	(106,831)	(25,779)
	(369,087)	(250,807)
Charged/(Credited) to other comprehensive income:		
- provision for gratuity scheme	12,503	(49,440)
At end of the year	932,534	1,289,118

24 DEFERRED TAXATION (CONTINUED)

	2016 RM	2015 RM
Subject to income tax:		
Profit or loss:		
Deferred tax liabilities (before offsetting)		
- property, plant and equipment	1,499,701	1,761,957
Offsetting	(567,167)	(472,839)
Deferred tax liabilities (after offsetting)	932,534	1,289,118
Deferred tax assets (before offsetting)		
- provisions and allowances	(543,510)	(436,679)
Offsetting	543,510	436,679
Deferred tax assets (after offsetting)	-	-
Other comprehensive income:		
Deferred tax assets (before offsetting)		
- provision for gratuity scheme	(23,657)	(36,160)
Offsetting	23,657	36,160
Deferred tax assets (after offsetting)	-	-

25 SHARE CAPITAL

	2016 RM	2015 RM
Authorised:		
25,000,000 ordinary shares of RM1.00 each		
At beginning/end of the year	25,000,000	25,000,000
Issued and fully paid:		
12,250,000 ordinary shares of RM1.00 each		
At beginning/end of the year	12,250,000	12,250,000

26 SHARE PREMIUM

	2016 RM	2015 RM
Arising from issue of 250,000 ordinary shares of RM1.00 each at a premium of RM1.45 per share	362,500	362,500

27 REVENUE RESERVE

The Company is under the single-tier tax system with effect from year of assessment 2014 and hence, there is no restriction on the Company to declare the payment of dividends out of its retained earnings.

28 CAPITAL COMMITMENTS

	2016 RM	2015 RM
Authorised capital expenditure for property, plant and equipment not provided for in the financial statements are as follows:		
- not contracted	-	90,000

29 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related party transactions

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions.

In the normal course of business, the Company undertakes, on agreed terms and prices, a variety of transactions with related companies, some of whom are shareholders or share a common ultimate holding company. The material related company transactions between the Company and these entities are described below:

	2016 RM	2015 RM
Income		
Sales of scrap to immediate holding company	11,917,149	9,515,949

29 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Related party transactions (continued)

	2016 RM	2015 RM
Expenditure		
Purchases of raw materials from immediate holding company	118,502,226	115,049,117
Rental of premises charged by immediate holding company	1,140,000	1,140,000
Management service fees charged by immediate holding company	888,000	888,000
Technical service fees charged by Novelis Inc., intermediate holding company	474,805	416,568

(b) Key management remuneration

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. Key management personnel include the Directors and certain members of senior management of the Company. The remuneration below is inclusive of home country salary and other benefit payments made to expatriate staff.

	2016 RM	2015 RM
Key management remuneration:		
- salaries and bonus	580,000	549,000
- estimated monetary value of benefits-in-kind	82,137	81,081
	662,137	630,081

30 FINANCIAL INSTRUMENTS

(a) Financial instruments by category

The table below provides an analysis of the financial instruments by category.

	2016 RM	2015 RM
Loans and receivables		
Trade receivables	17,722,820	12,727,926
Other receivables (excluding prepayments and advanced payment to suppliers)	50,355	21,201
Amounts due from immediate holding company	1,642,541	1,248,815
Cash and cash equivalents	16,230,269	16,379,888
	35,645,985	30,377,830
Financial assets/(liabilities) at fair value through profit or loss		
Derivative financial instruments	908,377	(337,308)
Other financial liabilities at amortised cost		
Trade payables	(5,169,180)	(1,729,716)
Other payables and accruals (excluding provision for gratuity scheme and payroll related liabilities)	(455,641)	(1,729,037)
Amounts due to immediate holding company	(11,014,684)	(11,801,853)
Borrowings	-	(1,313,111)
	(16,639,505)	(16,573,717)

30 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Income, expenses, gains and losses on financial instruments

	2016 RM	2015 RM
Derivatives		
Net fair value (gain)/loss on currency forwards	(1,245,685)	605,888
Loans and receivables		
Interest income on short-term deposits	(255,100)	(243,534)
Borrowings		
Interest expense on short-term borrowings	-	2,052

31 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 3 June 2016.

Company No.

203469	H

ALCOM NIKKEI SPECIALTY COATINGS SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Heon Chee Shyong and Bernard William A/L William G. Gomez, being the two Directors of Alcom Nikkei Specialty Coatings Sdn. Bhd., state that, in our opinion, the financial statements set out on pages 4 to 45 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 2016 and of the results and cash flows of the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 3 June 2016.

HEON CHEE SHYONG
DIRECTOR

BERNARD WILLIAM A/L WILLIAM G. GOMEZ
DIRECTOR

Bukit Raja, Klang

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Bernard William A/L William G. Gomez, the Director primarily responsible for the financial management of Alcom Nikkei Specialty Coatings Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 4 to 45 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

BERNARD WILLIAM A/L WILLIAM G. GOMEZ

Subscribed and solemnly declared by the abovenamed Bernard William A/L William G. Gomez at Bukit Raja, Klang in Malaysia on 3 June 2016, before me.

PESURUHJAYA SUMPAH
No: B413
Nama: AZMI BIN ISHAK
MALAYSIA

COMMISSIONER FOR OATHS

No. 31-1, Tingkat Satu
Jalan Tiara 2B
Bandar Baru Klang
41150 Klang, Selangor

pwc

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF ALCOM NIKKEI SPECIALTY COATINGS SDN. BHD.
(Incorporated in Malaysia)
(Company No. 203469 H)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Alcom Nikkei Specialty Coatings Sdn. Bhd. on pages 4 to 45 which comprise the statement of financial position as at 31 March 2016 of the Company, and the statement of comprehensive income, statements of changes in equity and statements of cash flows of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on Notes 1 to 31.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and 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 judgement, including the assessment of 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 of financial statements that give a true and fair view 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 the Directors, 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.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

pwc

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF ALCOM NIKKEI SPECIALTY COATINGS SDN. BHD.
(CONTINUED)
(Incorporated in Malaysia)
(Company No. 203469 H)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 March 2016 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

OTHER MATTERS

This report is made solely to the member of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

LEE TUCK HENG
(No. 2092/09/16 (J))
Chartered Accountant

Kuala Lumpur
3 June 2016

ADITYA BIRLA
NOVELIS

NOVELIS UK LTD

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

Novelis UK Ltd

CONTENTS

Novelis UK Ltd

Registered office:
Latchford Lock Works
Thelwall Lane
Warrington
Cheshire
WA4 1NN

Telephone: +44 (0)1925 784 137
Facsimile: +44 (0)1925 784 102

Registered in England Number 279596

Novelis UK Ltd

Strategic Report

Strategic report for the year ended 31 March 2016

The directors present their strategic report on the Company for the year ended 31 March 2016.

Activity, review of the business and future development

The principal activity of the Company is the processing and sale of aluminium products. It operates an aluminium recycling plant.

The recycling operation continued to perform at full capacity for the year. However, a fall in the underlying LME and ECDP means that the profitability of the recycling operation has fallen.

Despite these falls, the Company continued to trade profitably during the year and as a result of this the Shareholders' Funds increased by the year end. This can be seen on the statement of financial position on page 10 of these financial statements.

Principal Business Risks, Financial Risks and Uncertainties

The Company's operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, metal prices, credit risk, liquidity risk and interest rate risk.

Risk Management Policies are set within the Novelis Group at a Global level and are adopted in full by the Company. Specifically Novelis has policies and procedures manuals that set out specific guidelines to manage foreign currency, metal price and credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Foreign currency risk - The Company is exposed to currency risk on foreign purchases and sales. In-line with Novelis Group policy the Company's net foreign currency exposure is covered by forward currency contracts, so as to fix the sterling value of the company's forecast cash flows.

Metal price risk - The Company is exposed to metal price risk from changes in the traded London Metal Exchange (LME) price for Aluminium. In-line with Novelis Group policy this exposure is minimised by hedging sales commitments due for delivery in greater than three months, by the use of conversion only sales contracts and by the use of floating price sales contracts where metal prices for purchase and sale are synchronised.

Credit risk - The Company has implemented the Novelis Credit Management Policy that requires appropriate credit checks on potential customers to be performed before sales orders are taken, and also requires the ongoing monitoring of customers credit agency ratings and credit limits. The Group also utilises credit insurance for the majority of its third party business.

Liquidity risk - The Company has access to short term funding through the Novelis Group Revolving Credit Facility as well as Inter-Company lending through the Novelis Europe Cash Pool.

Interest rate risk - The Company's debt is in the form of short-term inter-company debt being LIBOR based. Management of interest rate risk is performed at a Novelis Inc. Group level.

Key Performance Indicators

The Directors consider the Company's key performance indicators to be financial measures included in these accounts and its environmental, health and safety (EHS) performance. Novelis Inc. mandates very high EHS standards at its operations throughout the world including year on year improvements in safety at work performance.

On behalf of the Board

F Lucido
Director

13 May 2016

Directors' report

The directors present their report together with the audited financial statements of Novelis UK Ltd (the Company) for the year ended 31 March 2016.

1. Directors and their interests

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

F. Lucido	
V. Nguyen	(resigned 27 August 2015)
P. Labat	(resigned 1 April 2016)
J. Quick	(appointed 27 August 2015)
S. Clarke	(appointed 1 April 2016)

There are no disclosable directors' interests in the Company's shares. No director during or at the end of the year had any material interest in any significant contract with the Company.

2. Future development of the Company

The plant continues to generate a profit and the directors expect to continue to operate in its current role in the future.

3. Principal activity, review of the business and future developments

These details are now contained within the strategic report.

4. Results and dividends

The profit for the year is set out on page 9. The directors do not propose the payment of a dividend (2015: £nil).

5. Adoption of FRS 102

For the year ended 31 March 2016, the Company has adopted FRS 102. Details of the transition to FRS 102 are contained within note 24.

6. Subsequent events

There are no subsequent events.

7. Research and development

The Company's research and development is directed towards aluminium products.

8. Financial risk management / principal risks and uncertainties

These details are now contained within the strategic report.

7. Employee involvement

During the year the Company has continued its policy of providing employees systematically with information on matters of concern to them.

Employees or their representatives are consulted on a regular basis, so that their views can be taken into account in making decisions that are likely to affect their interests. It is also Company policy to make employees aware of the financial and economic factors affecting its performance.

The Company continues its policy to give full and fair consideration to applications for employment made by disabled persons, together with the policy of fulfilling its obligations towards employees who are disabled during the year of their employment by the Company.

8. Statement of Directors' Responsibilities

The directors are responsible for preparing the strategic report and the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

9. Provision of information to auditors

As far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Each director has taken appropriate steps to ensure that they are aware of such relevant audit information and that the auditors are aware of that information.

Novelis UK Ltd

Directors' report (continued)

10. Independent Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office. Resolutions concerning their re-appointment and the authorisation of the directors to determine their remuneration will be submitted to the forthcoming Annual General Meeting of the Company.

By order of the Board

F Lucido
Director

13 May 2016

Registered office:
Latchford Locks Works
Thelwall Lane
Warrington
WA4 1NN

Independent auditors' report to the members of Novelis UK Ltd

Report on the financial statements

Our opinion

In our opinion, Novelis UK Ltd's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the statement of financial position as at 31 March 2016;
- the income statement and the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the notes to the financial statements; and
- a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOVELIS UK LTD (CONTINUED)

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Stuart Couch

Stuart Couch (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Swansea

13 May 2016

Novelis UK Ltd

Summary of Significant Accounting Policies

1. Accounting convention
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the year presented, unless otherwise stated.

2. Basis of preparation
The financial statements have been prepared on the going concern basis, in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS102") and the Companies Act 2006. The company has adopted FRS 102 in these financial statements for the first time. Details of the transition to FRS 102 are disclosed in note 21. The date of transition of FRS 102 was 1 April 2014.

The preparation of financial statements in conformity with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

3. Exemptions
The Company's results are consolidated in the consolidated financial statements of Novelis Inc. that are publicly available. Consequently the Company has taken advantage of the exemptions granted by FRS 102 and has not provided a cash flow statement.

Under FRS 102, the Company is exempt from the requirement to disclose related party transactions with Novelis Inc. and its subsidiaries on the grounds that it is a wholly owned subsidiary undertaking.

4. Acquisitions and goodwill
The results of any undertakings acquired are dealt with from the effective date of acquisition using acquisition accounting. The assets and liabilities acquired are incorporated into the accounts at their fair values. Any difference between the acquisition cost and the fair values of the net assets acquired is carried on the balance sheet as goodwill or negative goodwill and amortised over its expected useful economic life (subject to a maximum of 10 years).

5. Consolidation
The results of the Company are consolidated in the consolidated accounts of Novelis Inc.. These accounts have been prepared in a manner consistent with consolidated accounts prepared under the European Commission's 7th Company Law Directive and so the Company has taken advantage of the exemption allowed under section 401(2)(d) of the Companies Act 2006 and has not prepared group accounts.

6. Revenue
Revenue represents the amount invoiced in the ordinary course of business for goods sold and services provided after deducting returns and value added tax.

7. Depreciation
Depreciation of tangible assets is calculated on original cost at rates estimated to write off the assets over their useful lives by equal instalments. The annual rates in use are:

Land	Nil
Buildings	3.33%
Plant equipment and machinery	4% to 20%

Assets are not depreciated until they are brought into operational use. If business conditions or changes in circumstances indicate asset values may be impaired an estimate is made of the discounted future cashflow arising from an asset or group of assets and impairment charges made when this estimated cashflow is less than the recorded value of the asset.

8. Leases
Payments under operating lease agreements are charged to the profit and loss account on a straight-line basis over the life of the lease.

Rental income is charged to the profit and loss account on a straight-line basis over the life of the lease.

Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

9. Inventory
Inventory of raw materials, work in progress and finished goods are stated at the lower of cost and estimated selling price less cost to complete and sell. The cost of manufactured goods and work in progress is taken as production cost which includes an appropriate proportion of production overheads.

10. Research and development costs
Expenditure on research and development is written off in the year/period in which it is incurred.

11. Taxation
Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Statement of Accounting Policies (continued)

Taxation (continued)

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax
Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

12. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet. Gains or losses on translation are included in the profit and loss account.

13. Pensions

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

14. Provisions

Where a present obligation is deemed to exist, as a result of a past event, and a reliable estimate of the liability can be made a provision is made to reflect the probable cost in the profit and loss account immediately.

15. Investments

Investments are recorded at cost. If business conditions or changes in circumstances indicate that asset values may be impaired, an impairment review is undertaken and impairment charges are recorded if the carrying value of the investment exceeds the higher of its realisable value and its value in use.

16. Financial Instruments

As a qualifying entity under FRS102, Novelis UK Ltd has taken advantage of the exemption from presenting financial instrument disclosure as these disclosures are contained within the consolidated financial statements of Novelis Inc.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through the statement of comprehensive income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

17. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are initially recognised at transaction price and subsequently measured at amortised costs using the effective interest method.

Novelis UK Ltd

Income statement for the year ended 31 March 2016

Registered in England
Number 279596

	Note	2016 £'000	2015 £'000
Revenue	4	340,482	360,602
Cost of sales		(329,196)	(332,422)
Gross profit		11,286	28,180
Distribution costs		(7,350)	(6,959)
Administrative expense		(3,418)	1,032
Other operating income		6,653	6,263
Finance costs	8	(581)	(817)
Finance expense	20	(383)	(774)
Profit on ordinary activities before taxation	5	6,207	26,925
Tax charge on profit on ordinary activities	9	(880)	(6,167)
Profit for the financial year	18	5,327	20,758

Statement of comprehensive income for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Profit for the financial year	18	5,327	20,758
Actuarial (loss) / gain recognised in the pension scheme	20	(1,829)	1,701
Movement on deferred tax relating to pension deficit	18	329	(340)
Total comprehensive income for the year		3,827	22,119

A statement of movements on the profit and loss account is given in note 18.

Profit for the financial year is derived from continuing operations.

The statement of accounting policies on pages 7 to 8 and the notes on pages 12 to 24 form part of these financial statements.

Novelis UK Ltd

Statement of financial position as at 31 March 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Intangible assets	10	-	-
Property, plant and equipment	11	24,024	23,793
Investments	12	124,188	124,188
		148,212	147,981
Current assets			
Inventories	13	17,064	23,042
Trade receivables: amounts falling due within one year	14	109,271	100,593
Trade receivables: amounts falling due after more than one year	14	16,115	16,379
Cash at bank and in hand		1,000	1,000
		143,450	141,014
Creditors: amounts falling due within one year	15	(68,464)	(69,487)
Net current assets		74,986	71,527
Total assets less current liabilities		223,198	219,508
Creditors: amounts falling due after more than one year	15	-	-
Provisions for liabilities and charges	16	(249)	(45)
Pension and similar obligations	20	(10,553)	(10,894)
Net assets		212,396	208,569
Equity			
Called up share capital	17	146,089	146,089
Capital Contribution reserve in respect of share capital of subsidiary		7	7
Profit and loss account	18	66,300	62,473
Total equity		212,396	208,569

The financial statements on pages 7 to 24 were authorised by issue of the board of directors on 13 May 2016 and were signed on its behalf by:

F Lucido
Director

The statement of accounting policies on pages 7 and 8 and the notes on pages 12 to 24 form part of these financial statements.

Novelis UK Ltd

Statement of change in equity

	Called up share capital £000	Capital contribution reserve in respect of share capital of subsidiary £000	Profit and loss account £000	Total £000
Balance as at 1 April 2014	292,094	7	(105,735)	186,366
Profit for the financial year	-	-	20,758	20,758
Other comprehensive income for the year	-	-	1,361	1,361
Total comprehensive income for the year	-	-	22,119	22,119
Foreign exchange of revaluation of investment	84	-	-	84
Share capital reduction	(146,089)	-	146,089	-
Total transactions with owners, recognised directly in equity	(146,005)	-	146,089	84
Balance as at 31 March 2015	**146,089**	**7**	**62,473**	**208,569**
Balance as at 1 April 2015	146,089	7	62,473	208,569
Profit for the financial year	-	-	5,327	5,327
Other comprehensive income for the year	-	-	(1,500)	(1,500)
Total comprehensive income for the year	-	-	3,827	3,827
Balance as at 31 March 2016	**146,089**	**7**	**66,300**	**212,396**

Notes to the accounts

1. General information

Novelis UK Limited ('the company') processes and sells aluminium products. It operates an aluminium recycling plant. The company has a processing plant in the UK and sells primarily to the rest of Europe.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Latchford Lock Works, Warrington.

2. Statement of compliance

The individual financial statements of Novelis UK Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to the assumptions made in the impairment assessment referred to in note 12.

4. Revenue

An analysis of revenue by geographical market is as follows:

	2016 £'000	2015 £'000
United Kingdom	64,596	86,638
Rest of Europe	275,886	273,946
Americas	-	18
	340,482	360,602

The revenue of the business is from the sale of goods.

5. Profit on ordinary activities before taxation

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation is stated after charging / (crediting):		
Auditors' remuneration:		
- for audit services	69	67
- other services	8	-
Operating lease charges	675	437
Amortisation of negative goodwill (note 10)	-	(713)
Depreciation of tangible fixed assets (note 11)	2,279	2,299
Foreign exchange losses/ (gains)	1,107	(2,560)
Research and development expenditure	491	493

During the year ended 31 March 2016 the audit fees payable by the Novelis UK Pension Plan to PricewaterhouseCoopers LLP totalled £17,574 (2015: £17,015).

6. Staff costs and numbers

The aggregate remuneration and associated costs of persons employed was:

	2016 £'000	2015 £'000
Wages and salaries	7,905	8,187
Social security costs	914	869
Other pension costs – defined benefit scheme (note 20)	1,330	(1,190)
– defined contribution scheme (note 20)	182	154
Total staff costs	10,331	8,020

	2016 Number	2015 Number
Average monthly number employed:		
Manufacturing	147	143
Administration	66	67
	213	210

7. Directors' emoluments

During the year no director (2015: none) received emoluments for qualifying services to the Company (2015: £NIL). At the year end no director was accruing retirement benefits in relation to qualifying services (2015: none).

8. Finance costs

Interest: interest payable and similar charges

	2016 £'000	2015 £'000
On bank loans and overdrafts	19	52
On loans from group undertakings	562	765
Total interest payable and similar charges	581	817

9. Tax on profit on ordinary activities

	2016 £'000	2015 £'000
Current tax:		
Current tax charge	-	-
Total current tax charge	-	-
Deferred tax (note 13)		
Origination and reversal of timing differences	272	5,287
Movement on deferred taxation relating to the Pension Scheme	608	880
Tax charge on profit on ordinary activities	880	6,167

UK corporation tax has been provided where applicable at a rate of 20% (2015: 21%).

The current tax charge for the year is lower (2015: higher) than the standard rate of corporation tax in the UK (20%). The differences are explained below:

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation	6,207	26,925
Profit on ordinary activities multiplied by standard rate in the UK 20% / 21%	1,242	5,654
Effects of:		
Permanent differences	6	4
Non-taxable credits	-	(148)
Timing differences	(831)	657
Group relief surrendered for no charge	463	-
Total tax expense	880	6,167

There are no significant current factors that will affect future tax charges.

10. Intangible fixed assets

	Negative goodwill £'000	Total £'000
Cost:		
At beginning and end of the year	(7,148)	(7,148)
Amortisation:		
At beginning and end of the year	7,148	7,148
Net book amount at 31 March 2016	-	-
Net book amount at 31 March 2015	-	-

11. Property, plant and equipment

	Freehold land and buildings £'000	Plant equipment & machinery £'000	Total £'000
Cost:			
At beginning of the year	5,476	34,526	40,002
Additions	22	2,488	2,510
Disposals	-	-	-
At end of the year	5,498	37,014	42,512
Depreciation:			
At beginning of the year	2,944	13,265	16,209
Charge for the year	226	2,053	2,279
Disposals	-	-	-
At end of the year	3,170	15,318	18,488
Net book value at 31 March 2016	**2,328**	**21,696**	**24,024**
Net book value at 31 March 2015	2,532	21,261	23,793

Assets with a net book value of £nil (2015: £114,000) are held under finance leases and depreciation of £114,000 (2015: 236,000) was charged on them in the year.

At 31 March 2016 the cost of assets in the course of construction included above amounted to £20,581,000 (2015: £18,149,000). The non-depreciable element of freehold land and buildings is £483,000 (2015: £461,000).

Future capital expenditure not provided in the financial statements is as follows:

	2016 £'000	2015 £'000
Authorised by the directors and contracts placed	**156**	175
	156	175

12. Investments

	£'000
Cost	
At 1 April 2015	124,188
Additions	-
At 31 March 2016	124,188
Net book value	
At 31 March 2016	**124,188**
At 31 March 2015	124,188

The Company's fixed asset investment value represents the purchase cost of its wholly owned subsidiary. The Company is exempt from preparing group accounts because the results of both it and its subsidiary are included in the consolidated accounts of its immediate parent Novelis Inc. The table below shows the shareholders' funds reported by the subsidiary as at 31 March 2016 and their reported profit or loss for the year ended on that date. The numbers are prepared under UK GAAP as in the statutory accounts of the subsidiary.

	Total shareholders' funds $'000	Profit for the year $'000
Novelis Services Limited	329,298	50,735

13. Inventories

	2016 £'000	2015 £'000
Raw materials and consumables	8,228	12,363
Work in progress	1,478	687
Finished goods and goods for resale	7,358	9,992
	17,064	23,042

There is no material difference between the balance sheet value and the replacement cost of stocks.

14. Trade receivables

Trade receivables: amounts falling due within one year

	2016 £'000	2015 £'000
Trade debtors	17,175	30,725
Amounts owed by group undertakings	79,479	60,420
VAT and other tax receivables	8,573	5,144
Other debtors	408	1,787
Deferred tax asset (note 16)	1,856	2,126
Prepayments and accrued income	1,780	391
	109,271	100,593

Trade receivables: amounts falling due after more than one year

	2016 £'000	2015 £'000
Deferred tax asset (note 16)	16,098	16,379
Long term deposits	17	-
	16,115	16,379

15. Creditors

Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	39,402	26,337
Amounts owed to group undertakings	6,844	19,003
Derivative financial instruments	1,325	224
Taxation and social security	683	2,942
Finance leases	-	114
Accruals and deferred income	20,210	20,867
	68,464	69,487

The amounts due to group undertakings are unsecured.

Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Finance leases	-	-
	-	-

The minimum lease payments under finance leases fall due as follows:	2016 £'000	2015 £'000
Within one year	-	114
Between one and two years	-	-
Between two and five years	-	-
	-	114

16. Provisions for liabilities and charges

	Restructuring provision £'000	Employee sickness & retirement £'000	Total £'000
At 31 March 2015	(2)	47	45
Profit and loss charge	2	202	204
At 31 March 2016	-	**249**	**249**

Maturity profile of provisions:

	2016 £'000	2015 £'000
Within one year	208	2
Between one and two years	8	8
Between two and five years	12	12
Over five years	21	23
	249	45

16. Provisions for liabilities (continued)

Deferred taxation in the financial statements is as follows:-

	2016 £'000	2015 £'000
Accelerated capital allowances	**(8,916)**	(8,349)
Other timing differences	**(45)**	(27)
Corporation tax losses carried forward	**(8,993)**	(10,129)
Deferred tax asset	**(17,954)**	(18,505)

The deferred tax assets have been fully recognised as management believes that suitable taxable profits will be available against which they can be realised. The deferred tax assets have been calculated at a rate of 18% (2015: 20%).

Factors affecting current and future tax charges:-

Reductions to the UK corporation tax rate were announced in the March 2013 Budget. These changes were substantively enacted on 3 July 2013 and reduced the rate of corporation tax to 21% for the tax year beginning 1 April 2014 and to 20% for the tax year beginning 1 April 2015. Since these changes had been substantively enacted at the balance sheet date, they have been recognised in these financial statements.

The movement in the deferred tax asset is as follows:

	£'000
At 1 April 2015	(18,505)
Charged to income statement	880
Charged to statement of comprehensive income	(329)
At 31 March 2016	**(17,954)**

17. Called up share capital

	2016 £'000	2015 £'000
Issued and fully paid:		
292,178,000 (2015: 292,178,000) ordinary shares of £0.50 each (2014:£0.50 each)	**146,089**	146,089

18. Profit and loss account

	2016 £'000	2015 £'000
At beginning of the year	**62,473**	(105,735)
Profit for the financial year	**5,327**	20,758
Actuarial (loss)/ gain recognised in the pension scheme	**(1,829)**	1,701
Movement on deferred tax relating to pension deficit	**329**	(340)
Reduction of share capital	**-**	146,089
At end of the year	**66,300**	62,473

19. Operating leases

The Company has future minimum lease payments under non-cancellable operating leases as follows:

	2016 £'000	2015 £'000
Not later than one year	762	259
Later than one year and not later than five years	2,788	62
Later than five years	-	-
	3,550	321

20. Pension commitments

The Novelis UK Pension Plan is a funded defined benefit scheme that includes employees of the Company together with a small number of expatriate employees working overseas.

A formal valuation of the Plan was carried out as at 31 March 2015 for funding purposes by an independent qualified actuary using the projected unit method. The discount rate and inflation assumptions were set with reference to UK government bond yield curves with prudent margins applied where appropriate. Salary increases were assumed to be in line with RPI inflation. The market value of assets at that date was £203.2 million and the valuation disclosed a funding level of 85.7% and a Technical Provisions deficit (i.e. shortfall in assets relative to the funding liabilities) of £33.9 million.

Contributions for funding purposes are agreed with the Trustees of the Plan. Following the valuation as at 31 March 2015, the following employer contributions were agreed:

- To meet the cost of benefits being accrued by current employees: 12.3% of Pensionable Earnings for the year to 31 March 2016 and 16.0% of Pensionable Earnings thereafter.
- To rectify the funding deficit: £3m by 31 March 2016, £2m in each of the two years to 31 March 2018 and £3m pa for each of the subsequent 5 years.

In addition the Company makes a contribution towards the expense of running the Plan.

For the purposes of the Company's accounts, an actuarial valuation was carried out at 31 March 2013. The Company has employed an independent actuary to approximately update that actuarial valuation to 31 March 2016 allowing for changes in actuarial assumptions, as well as adjusting for benefit accrual and benefits paid from the Plan. The main assumptions made by the actuary were:

	At 31 March 2016	At 31 March 2015	At 31 March 2014
Rate of increase in pensions	CPI:1.80% to 6.00%	CPI:1.80% to 6.00%	CPI: 2.00% to 6.00%
Discount rate	3.40%	3.30%	4.40%
Rate of inflation:			
▪ CPI	2.00%	2.00%	2.40%
▪ RPI	3.00%	3.00%	3.40%
Salary increase rate:			
▪ For service pre 1 April 2010	2.75%	2.75%	3.00%
▪ For service post 1 April 2010	2.50%	2.50%	2.50%

20. Pension commitments (continued)

The assets in the Plan were:

	Value at 31 March 2016 £'000	Value at 31 March 2015 £'000	Value at 31 March 2014[1] £'000
Equities	30,196	35,941	40,581
Diversified Growth Funds[2]	-	-	35,390
Government bonds & LDI	129,724	92,386	88,631
Property	5,165	10,876	-
Cash/other[3]	33,573	65,332	3,398
Combined			
Total market value of assets	198,658	204,535	168,000
Present value of scheme liabilities	(209,211)	(215,429)	(184,993)
Total pension liability	(10,553)	(10,894)	(16,993)

1 The asset split as at 31 March 2014 is as per the 2014 disclosures. In particular, the assets shown as "Diversified Growth Funds" are not split into the underlying asset classes.

2 The Plan's assets are now held under fiduciary management and are in effect 100% invested in Diversified Growth Funds. In the interest of providing more information the assets at 31 March 2015 and 31 March 2016 have been split into the underlying asset classes.

3 Cash/other at 31 March 2015 included £35m which was due to be invested in bonds and LDI on 1 April 2016.

The value of members' additional voluntary contribution funds has been excluded from both the value of the assets and the value of the liabilities.

20. Pension commitments (continued)

Year Ending	2016 £000	2015 £000
Profit & Loss (P&L)		
Effect of employee service in the current year	703	541
Net interest on net defined benefit liability	383	774
Plan introductions, changes, curtailments and settlements	-	(2,700)
Administration costs	627	969
Defined benefit cost recognised in P&L	1,713	(416)
Cost of termination benefits	-	-
Cost recognised in P&L	1,713	(416)
Other Comprehensive Income (OCI)		
Actuarial (gain)/loss arising during year	(5,580)	31,709
Return on plan assets less/ (greater) than discount rate	7,409	(33,410)
Remeasurement effects recognised in OCI	1,829	(1,701)

20. Pension commitments (continued)

Change in Defined Benefit Obligation (DBO)

DBO as at 1 April 2015	215,429
Effect of employee service in the current year	703
Interest cost on the DBO	7,002
Administration costs	627
Remeasurement of the DBO	(5,580)
Plan introductions, changes, curtailments and settlements	-
Plan participants' contributions	2
Benefits paid from plan assets	(8,972)
DBO as at 31 March 2016	209,211

Change in Plan Assets

Fair value of assets as at 1 April 2015	204,535
Interest income on plan assets	6,619
Return on plan assets greater/(less) than discount rate	(7,409)
Plan introductions, changes, curtailments and settlements	-
Employer contributions	3,883
Plan participants' contributions	2
Benefits paid	(8,972)
Fair value of assets as at 31 March 2016	198,658

Return on Plan Assets

Total return on Plan Assets	(790)

The Company also operates a defined contribution pension scheme, the Company's contributions to this scheme totalled £182,000 (2015 £155,000)

21. Financial instruments

The Company enters into hedging transactions where derivative financial instruments are used. The fair value of derivatives held at the year end was:

	2016 £'000	2015 £'000
Foreign currency rate derivatives – forward contracts	**931**	142

22. Contingent liabilities

As of March 31, 2016, the senior secured credit facilities consisted of (i) a $1.8 billion seven-year secured term loan credit facility (Term Loan Facility) due June 2022, (ii) a $1.2 billion five-year asset based loan facility (ABL Revolver) due October 2019 and (iii) a $200 million 15-month subordinated secured lien revolving facility (Subordinated Lien Revolver) due September 2016. All the assets of the Company, along with those of certain other companies in the Novelis Inc. group, have been pledged as security for these facilities. As of 31 March 2016, there was $394M outstanding on the ABL facility. (2015: $609m).

23. Ultimate parent company

In the opinion of the directors, the ultimate parent company and controlling party at the balance sheet date was Hindalco Industries Ltd, a company incorporated in India. Hindalco Industries Ltd was also the parent company of the largest group in which Novelis UK Ltd is included. Novelis Inc is the parent company of the smallest group in which Novelis UK Ltd is included. Copies of this company's financial statements can be obtained from its head office at Century Bhavan, 3rd floor, Dr. Annie Besant Road, Worli, Mumbai 400 030.

The Company's immediate parent company is Novelis Europe Holdings Limited, a company incorporated in England and Wales.

24. Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under the UK GAAP here for the year ended 31 March 2015. The date of transition to FRS 102 was 1 April 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 March 2016 and the total equity as at 1 April 2015 and 31 March 2016 between UK GAAP as previously reported and FRS 102.

Profit for the financial year			2015 £'000
UK GAAP as previously reported			21,512
Derivative financial instruments	A	(311)	
Defined Benefit Scheme	B	(841)	
Tax	C	398	
FRS 102			20,758

Closing shareholder's funds		1 April 2014 £'000	31 March 2015 £'000
UK GAAP as previously reported		185,913	208,197
Derivative financial instruments	A	453	142
Tax	C	-	230
FRS 102		186,366	208,569

24. Transition to FRS 102(continued)

A Derivative financial instruments

FRS 102 requires derivative financial instruments to be recognised at fair value. Previously under UK GAAP the company did not recognise these instruments in the financial statements. Accordingly at transition an asset of £453,000 was recognised and a loss of £311,000 was recognised in the profit and loss account for the year ended 31 March 2015. An asset of £142,000 was recognised at that date.

B Defined Benefit Scheme

Under previous UK GAAP the company recognised an expected return on defined benefit plan assets in the profit and loss account. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in the profit and loss account. There has been no change in the defined benefit liability at either 1 April 2014 or 31 March 2015. The effect of the change has been to reduce the credit to the profit and loss account in the year to 31 March 2015 by £841,000 and increase the credit in other comprehensive income by an equivalent amount.

C Deferred taxation

The company has accounted for deferred taxation on transition as follows. The reduction in the profit has increased the losses available to the company to offset future losses. Therefore, an increased deferred tax asset has been recognised on these losses.

NOVELIS SERVICES LIMITED

ADITYA BIRLA
NOVELIS

NOVELIS SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

Novelis Services Limited

CONTENTS

Novelis Services Limited

Registered office:
Latchford Locks Works
Thelwall Lane
Warrington
Cheshire
United Kingdom
WA4 1NN

Telephone: +44 (0)1925 784 137
Facsimile: +44 (0)1925 784 102

Registered in England Number 6628654

Strategic report

Strategic report for the year ended 31 March 2016

The directors present their strategic report on the Company for the year ended 31 March 2016.

Activity, review of the business and future development

The principal activities are to hold the license to the Novelis Brand and to charge associated branding, technology and service fees to group companies.

The Company continued to trade profitably during the year and as a result of this the Shareholders' Funds increased by the year end. This can be seen on the statement of financial position on page 8 of these financial statements.

Financial risk management / principal risks and uncertainties

The Company's operations expose it periodically to financial risks associated with the effects of changes in foreign currency exchange rates.

Risk Management Policies are set by the Novelis Group, and are adopted in full by the Company. Specifically Novelis has policies and procedures manuals that set out specific guidelines to manage foreign currency risk and circumstances where it would be appropriate to use financial instruments to manage this.

The Company is occasionally exposed to currency risk on foreign currency receipts and payments. In-line with Novelis Group policy all foreign currency commitments are covered by forward currency contracts, at the time they arise, so as to fix the functional currency value of the Company's future cash flows.

Key Performance Indicators

The directors consider the Company's key performance indicators to be financial, specifically turnover and operating profit. These are disclosed in the financial statements.

On behalf of the Board

F Lucido
Director

13 May 2016

Directors' report

The directors present their report together with the audited financial statements of the Company for the year ended 31 March 2016.

1. Directors and their interests

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

F. Lucido
C. Courts
J. M. Quick

There are no disclosable directors' interests in the Company's shares. No director during or at the end of the year had any material interest in any significant contract with the Company.

2. Future development of the Company

The directors expect the Company to continue in its current role in the future.

3. Results and dividends

The result for the year is set out on page 7. No ordinary dividends were paid during the year (2015: NIL).

The Directors do not propose the payment of a final dividend.

4. Subsequent events

There have been no subsequent events.

5. Statement of directors' responsibilities

The directors are responsible for preparing the strategic report and the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

6. Provision of information to auditors

As far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Each director has taken appropriate steps to ensure that they are aware of such relevant audit information and that the auditors are aware of that information.

7. Independent Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office. Resolutions concerning their re-appointment and the authorisation of the directors to determine their remuneration will be submitted to the forthcoming Annual General Meeting of the Company.

On behalf of the Board

F Lucido
Director

13 May 2016

Registered office:
Latchford Locks Works
Thelwall Lane
Warrington
Cheshire
WA4 1NN

Independent auditors' report to the members of Novelis Services Limited

Report on the financial statements

Our opinion

In our opinion, Novelis Services Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the statement of financial position as at 31 March 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements; and
- a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOVELIS SERVICES LTD (CONTINUED)

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Stuart Couch

Stuart Couch (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Swansea

13 May 2016

Statement of Accounting Policies

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the year presented, unless otherwise stated.

2. Basis of preparation

The financial statements have been prepared on the going concern basis, in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS102") and the Companies Act 2006. . The company has adopted FRS 102 in these financial statements for the first time. The date of transition of FRS 102 was 1 April 2014.

The preparation of financial statements in conformity with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

3. Exemptions

The Company's results are consolidated in the consolidated financial statements of Novelis Inc. that are publicly available. Consequently the Company has taken advantage of the exemptions granted by FRS 102 and has not provided a cash flow statement.

Under FRS 102, the Company is exempt from the requirement to disclose related party transactions with Novelis Inc. and its subsidiaries on the grounds that it is a wholly owned subsidiary undertaking.

4. Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

5. Revenue

Revenue represents the amount invoiced in the ordinary course of business for services provided.

6. Intangible assets

Intangible assets are recorded at cost.

Amortisation of intangible assets is calculated on original cost at rates estimated to write off the assets over their useful lives by equal instalments The annual rates in use are:

Trademark Brand	5%

If business conditions or changes in circumstances indicate asset values may be impaired an estimate is made of the discounted future cashflow arising from an asset or group of assets and impairment charges made when this estimated cashflow is less than the recorded value of the asset.

7. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date or the forward rate where forward exchange contracts have been entered into. Gains or losses on translation are included in the profit and loss account.

Novelis Services Limited

Statement of comprehensive income for the year ended 31 March 2016

Registered in England
Number 6628654

	Note	2016 US$'000	2015 US$'000
Revenue	4	92,097	101,651
Cost of sales		(37,366)	(42,257)
Gross profit		54,731	59,394
Administrative Expense		730	(4,810)
Interest receivable and similar income	7	4,865	2,477
Profit on ordinary activities before taxation		60,326	57,061
Tax charge on profit on ordinary activities	8	(9,591)	(11,308)
Profit for the financial year	13	50,735	45,753
Total comprehensive income for the year		50,735	45,753

The statement of accounting policies on page 6 and the notes on pages 9 to 12 form part of these financial statements.

Novelis Services Limited

Statement of financial position as at 31 March 2016

	Note	2016 US$'000	2015 US$'000
Fixed assets			
Intangible assets	9	175,875	185,925
		175,875	185,925
Current assets:			
Debtors (including $132,000,000 (2015: $72,000,000) due after one year)	10	152,398	97,968
Cash at bank and in hand		2,579	3,550
		154,977	101,518
Creditors: amounts falling due within one year	11	(1,554)	(8,880)
Net current assets		153,423	92,638
Total assets less current liabilities		329,298	278,563
Net assets		329,298	278,563
Equity			
Called up share capital	12	201,010	201,010
Profit and loss account	13	128,288	77,553
Total shareholders' funds	14	329,298	278,563

The financial statements on pages 6 to 12 were authorised by issue of the board of directors on 13 May 2016 and were signed on its behalf by:

F Lucido
Director

The statement of accounting policies on page 6 and the notes on pages 9 to 12 form part of these financial statements.

Statement of change in equity

	Called up share capital US$000	Profit and loss account US$000	Total shareholders' funds US$000
Balance as at 1 April 2014	201,010	31,800	232,810
Profit for the financial year and total comprehensive income for the year	-	45,753	45,753
Balance as at 31 March 2015	**201,010**	**77,553**	**278,563**
Balance as at 1 April 2015	201,010	77,553	278,563
Profit for the financial year and total comprehensive expense for the year	-	50,735	50,735
Balance as at 31 March 2016	**201,010**	**128,288**	**329,298**

Notes to the accounts

1. General information

Novelis Services Limited ('the company') holds the license to the Novelis Brand charges associated branding, technology and service fees to group companies.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Latchford Lock Works, Warrington.

2. Statement of compliance

The individual financial statements of Novelis Services Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

4. Revenue

An analysis of revenue by geographical market is as follows:

	2016 US$'000	2015 US$'000
United Kingdom	7	-
Rest of Europe	9,161	10,751
Americas	77,613	84,982
Asia	4,004	4,840
Middle East	1,312	1,078
	92,097	101,651

An analysis of revenue by category is as follows:

	2016 US$'000	2015 US$'000
Branding fees	24,550	26,970
Royalties	67,547	74,681
	92,097	101,651

5. Profit on ordinary activities before taxation

	2016 US$'000	2015 US$'000
Profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration:		
- for audit services	29	29
Amortisation of tradename license (note 9)	10,050	10,050

6. Staff costs and directors' emoluments

The Company does not employ any staff. During the year no director received any emoluments for qualifying services to the Company. No pension contributions were made on behalf of any director nor at the year end was any director accruing retirement benefits in relation to qualifying services.

7. Interest receivable and similar income

	2016 US$'000	2015 US$'000
Interest receivable on intercompany loans	4,865	2,477

8. Tax on profit on ordinary activities

	2016 US$'000	2015 US$'000
Current tax:		
UK corporation tax on profits for the year	9,027	9,151
Double tax relief	(9,027)	(9,151)
Overseas tax incurred	9,591	11,308
Total current tax	9,591	
11,308		
Deferred tax charge	-	-
Total tax charge on profit on ordinary activities	9,591	11,308

UK corporation tax has been provided where applicable at a rate of 20% (2015: 21%).

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK (20%). The differences are explained below:

	2016 US$'000	2015 US$'000
Profit on ordinary activities before tax	60,326	57,061
Profit on ordinary activities multiplied by standard rate in the UK 20% / 21%	12,065	11,983
Effect of:		
Overseas tax suffered	9,591	11,308
UK deduction for overseas tax suffered	(9,027)	(9,151)
Group relief received for no charge	(3,038)	(2,832)
Total tax charge	9,591	11,308

There are no significant current factors that will affect future tax charges.

Notes to the accounts (continued)

9. Intangible assets

	Trademark License US $'000	Trademark US$'000	Total US$'000
Cost:			
At beginning of the year	100,000	201,000	301,000
Additions	-	-	-
At end of the year	100,000	201,000	301,000
Accumulated amortisation:			
At beginning of the year	100,000	15,075	115,075
Charge for the year	-	10,050	10,050
At end of the year	100,000	25,125	125,125
Net book amount at 31 March 2016	-	175,875	175,875
Net book amount at 31 March 2015	-	185,925	185,925

10. Debtors

	2016 US$'000	2015 US$'000
Amounts owed by group undertakings	144,137	95,322
Other debtors	7,511	2,646
Corporation tax	750	-
	152,398	97,968

Amounts owed by group undertakings includes $132,014,000 (2015:$72,150,000) falling due after more than one year.

The loan of $132,014k, bears interest at a rate of 4.5%, is due to be repaid to the Company by 17 December 2018. The amounts due from group undertakings are unsecured.

11. Creditors: amounts falling due within one year

	2016 US$'000	2015 US$'000
Amounts owed to group undertakings	1,537	8,833
Accruals and deferred income	17	47
	1,554	8,880

The amounts owed to group undertakings are unsecured.

12. Called up share capital

	2016 US$'000	2015 US$'000
Allotted, called up and fully paid:		
201,010,000 ordinary shares of $1 each (2015: 201,010,000)	201,010	201,010

13. Profit and loss account

	US$'000
At 1 April 2015	77,553
Profit for the financial year	50,735

At 31 March 2016	**128,288**

Notes to the accounts (continued)

14. Reconciliation of movement in shareholder's funds

	2016 US$'000	2015 US$'000
Profit for the financial year and net increase of shareholders' funds	**50,735**	45,753
Opening shareholders' funds	**278,563**	232,810
Closing shareholders' funds	**329,298**	278,563

15. Contingent liabilities

As of March 31, 2016, the senior secured credit facilities consisted of (i) a $1.8 billion seven-year secured term loan credit facility (Term Loan Facility) due June 2022, (ii) a $1.2 billion five-year asset based loan facility (ABL Revolver) due October 2019 and (iii) a $200 million 15-month subordinated secured lien revolving facility (Subordinated Lien Revolver) due September 2016. All the assets of the Company, along with those of certain other companies in the Novelis Inc. group, have been pledged as security for these facilities. As of 31 March 2016, there was $394M outstanding on the ABL facility. (2015: $609m).

16. Ultimate parent company

In the opinion of the directors, the ultimate parent company and controlling party at the balance sheet date was Hindalco Industries Ltd, a company incorporated in India. Hindalco Industries Ltd was also the parent company of the largest group in which Novelis Services Limited is included. Novelis Inc is the parent company of the smallest group in which Novelis Services Limited is included. Copies of this company's financial statements can be obtained from its head office at Century Bhavan, 3rd floor, Dr. Annie Besant Road, Worli, Mumbai 400 030.

The Company's immediate parent company is Novelis UK Ltd, a company incorporated in England and Wales.

17. Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under old UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 102 was 1 April 2015. There have been no changes to the accounting policies which means that a reconciliation of profit for the financial year ended 31 March 2015 and the total equity as at 1 April 2015 and 31 March 2016 between UK GAAP as previously reported and FRS 102 is not presented.

Novelis Deutschland GmbH

Goettingen

Annual Financial Statements as of March 31, 2016
and Management Report for Financial Year 2015/2016

Auditor's Report

(Translation - the German text is authoritative)

Contents **Page**

Novelis Deutschland GmbH, Goettingen

Management Report for Financial Year 2015/2016

1. Markets

In the financial year 2015/20016 the global economic growth has stabilized and was 3.1 % in calendar year 2015. However within the individual regions different developments occurred, with Asia (excl. Japan) at 6.1% and China at 7.0 % realizing the largest increase.(Source: Deutsche Bank Research, Global Outlook 2016)

The biggest challenges and uncertainties in the future are the changes in China and the low commodity prices. Therefore, we see the growth prognosis rather moderate and at the level of 2015. The economy in the Eurozone will recover slightly due to, in particular, the favorable oil price, the European Central Bank's monetary policy of quantitative easing and the strong depreciation of the € against the $. Furthermore, Italy, Spain and France seem to find a way out of the crisis.

The German economy is grew moderately in 2015 and is within the midfield of the EU countries. Growth was based on increasing employment, higher wages and salaries and a higher private consumption as well as low inflation.

Daily **prices** for **aluminum** on the London Metal Exchange (LME) were very volatile in the financial year. On a monthly basis the price range was from US$ 1,817 per tonne in April 2015 to US$ 1,466 per tonne in November 2015. The average price for the financial year was US$ 1,599 per tonne. Aluminum price as of March 31, 2016 was US$ 1,531 per tonne which represents a price decrease of 14% compared to March 31, 2015 (US$ 1,773 per tonne). In Euro the price decrease was about 18% due to the change in the currency relation.

2. Business Development

In the financial year 2015/2016 all markets supplied by Novelis Deutschland GmbH were generally in good condition. Demand and production of aluminum products increased overall. The beverage can market was stable with a slight increase in demand. Novelis also benefited highly from higher usage of aluminum in the automotive industry, but near the year end the demand for automotive products decreased. Demand in segment Specialities was overall stable. Sales volume in the market segment Foil decreased due to capacity shifts within the European Novelis System. Segment Packaging showed a revival compared to prior year.

Novelis Europe invested about € 220 million in the expansion of the recycling capacities of its plant in Nachterstedt. The world's largest recycling plant was constructed with an annual capacity of ready-to-ship aluminum ingots of about 400 kt. Production commenced in the previous year, and in the financial year 2015/2016 the step by step ramp up of the production volume was carried out. The facility is within a separate legal entity, Novelis Sheet Ingot GmbH, which is a 100% subsidiary of

Novelis Deutschland GmbH and integrated by a fiscal unity. Novelis Sheet Ingot GmbH created 230 new jobs in the course of this investment.

3. Earning position

Total shipment of 1,093.3 kt is 0.6 % lower than in the prior year and thereof lagging behind the prior year´s outlook of 9 % increase. The core business Rolled Products was short of plan mainly caused by lower sales in segments Automotive (market weakness in China) and in Specialities

In **plant Goettingen** production and sales volumes were constant compared to the prior year. This results from a slight decrease in segments Automotive and Painted, which was compensated by volume growth in segments Specialties and Can. In this context the shift of some products of segment Specialities from Nachterstedt to Goettingen was positive. The sales volume of segment Litho was at prior year level. Segment Painted was less stable and developed negatively compared to the previous year. In segment Can we were above prior year shipments, which was driven by volume increase of product can end stock. Due to a more favorable product mix, sales increased by 6% compared to prior year. In the separate segment Industrial Products sales increased by 6 %, which was mainly caused by higher demand for cartridges and bottles.

The **plant in Nachterstedt** increased sales volume slightly compared to prior year. However the operating result of the prior year was not achieved. The increase in sales volume was again primarily due to the very positive development in segment Automotive. On the contrary, sales volume in segment Specialities was reduced as planned because almost all products have been transferred to plant Goettingen in the meantime. Overall, production equipment was well- utilized although we once again experienced bottlenecks in raw material. Inventories slightly decreased. The operating result was lower compared to prior year, primarily caused by an even stronger change in purchase-mix of semi-finished products.

Plant Luedenscheid comprises rolled products and finishing. Sales volume of rolled products was at the level of the prior year. In sector Finishing sales volume increased compared to prior year. Due to the increased volumes in this sector and assisted by cost reduction measures, the operating result was higher than in the previous year.

Sales volume of the **rolling plant in Ohle** was above the prior year. Higher sales volume primarily resulted from increased sales volume to third party customers. Due to higher sales volumes and very good production, the operating result was above the previous year. Sales volumes of finished goods at **Ohler packaging** was slightly below prior year level. The operating result increased in particular due to price increases and cost reduction.

In segment **Ohler flex pipes** sales volumes as well as sales were above the prior year level. The operating result improved significantly due volume growth combined with stable fix costs.

All plants together generated **sales** of € 2,951.3 million in the reporting period. This is a decrease of 1.5 % compared to the prior year. The decrease was mainly caused by lower metal prices.

Earnings before tax are € - 1.4 million in 2015/2016 (prior year: € -125.0 million) and are based on a result from ordinary activities of € -0.3 million (prior year: € -123.3 million).

The positive development of the result of ordinary activities of € 123.6 million results from an increase in operating profit of € 100.0 million and an increase in in the financial result of € 23.6 million. The increase in the financial result is primarily due to lower interest expense for pensions and a lower loss assumption from SIG GmbH. After the production startup, subsidiary SIG GmbH did not met the expected production volume and the expected quality. The guaranteed quality could be met by superior input material. Lower output and production problems, in particular at the second production line (Flexline), caused a loss of SIG GmbH in the amount of € -28.4 million (prior year: € -44.9 million).

The increase in the operating result is primarily due to higher gross profit, which is driven by lower metal expenses. Due to decreased market values of aluminum hidden reserves in inventories due to applying the Last-in First-out method in accordance with German GAAP decreased.

Furthermore, general administrative expenses decreased due to lower charges from Novelis Inc. (lower management fees). Other operating income includes mainly cost charges to affiliated companies, income from the release of provisions, income from the reversal of impairment charges on financial assets as well as currency gains. The increase in selling expenses is due to higher freight cost. Significant items in other operating expenses are expenses for services, research and development, restructuring, losses from disposal of fixed assets as well as expenses for anticipated losses. Significant prior period expenses have not been incurred in the reporting period.

Our financial key performance indicator for our worldwide business is Operating EBITDA (operating profit in accordance with US GAAP before amortization and depreciation, interest, taxes and intra group charges).

In the financial year we achieved an Operating EBITDA of € 32.3 million. We did not meet our prognosis of € 157.6 million for the year. The main reasons were a strong decline in EDCP, which we could not hedge and therefore caused losses in the metal price transfer to our customers, as well as non-effective hedges. The total impact compared to our prognosis was € 75 million. Further negative effects were losses from the sale of scrap, due to weaker yield, which could not be compensated on the purchase side. This resulted in € 18 million reduction compared to our prognosis. Further material effects were higher extraordinary freight cost in segments Automotive and Can of about € 9 million, higher personnel expenses of about € 7 million, higher job processing cost of about € 5 million, higher coating costs of about € 4 million, due to higher portion of coated products, as well as higher administrative and selling cost of about € 4 million.

Operating EBITDA in accordance with German GAAP is € 89.8 million. Significant deviations versus US GAAP result from different measurement of inventories, by applying the Last-in First-out method, in the amount of € 62.7 million and of pension provisions in the amount of € 11 million.

Furthermore, the loss of Novelis Sheet Ingot GmbH in the amount of € 28.4 million is included in Earnings before tax in accordance with German GAAP.

4. Net assets and financial position

Total assets decreased by € 193.8 million to € 722.7 million. Current assets decreased by € 212.1 million to € 425.4 million. Prepaid expenses increased by € 0.9 million. The increase results from deferred custom costs. Non-current assets increased by € 17.4 million to € 294.8 million. The change in non-current assets resulted from an increase of property, plant and equipment. In the financial year 2015/2016 investment in property, plant and equipment was € 33.7 million, while depreciation was € 14.0 million. Investments comprised primarily an automotive line for the automotive production in plant Nachterstedt. The decrease in current assets was primarily due to active cash management which resulted in lower inventories as well as lower trade receivables and receivables from cash pooling.

Equity remained unchanged due to the profit and loss transfer agreement. The ratio of equity to total assets is 17 % as of balance sheet date. Bank liabilities, based on the worldwide credit agreement of Novelis Inc., were reduced by € 20 million. Provisions for pensions and similar obligations increased by € 2.6 million. This was primarily due to accrued interest on pension obligations and changes in assumptions. Accruals for goods received not invoiced decreased by € 19.4 million and trade payables to third as well as affiliated parties decreased by € 132.6 million due to lower purchasing volume. A supply right resulted in a financial liability of € 2.0 million as of balance sheet date.

The issued credit facility of Alunorf GmbH is € 81.8 million. Currently € 58.9 million are drawn to finance strategic expansion projects, which result in higher production and purchasing volumes, and are necessary to meet higher demand for aluminum products.

Novelis Deutschland GmbH arranged a cash pooling agreement with Novelis AG, Zurich, Switzerland in 2007. Bank balances are transferred to bank accounts of the Novelis AG on a daily basis and are interest-bearing at market rates. Cash inflows from financing activities in fiscal year 2015/16 were contrasted with cash outflows from investing and operating activities, so that cash pooling receivables have been reduced by € 94.6 million compared to previous year; a short-term loan of € 40.0 million was granted to Novelis Holding. The cash flow from financing activities was due to the compensation of the loss takeover for the fiscal year 2014/15 by Novelis Holding; this was reduced by the compensation of the loss takeover for 2014/15 from SIG and by the granted loan to Novelis Holding of € 40.0 million. Novelis Deutschland GmbH could reduce the amounts owed to credit institutions by 20.0 million in the financial year 2015/16.

Interest-bearing funding can be obtained if needed. In addition, as in previous year, trade receivables were sold to Novelis group companies and to a foreign bank to finance sales on a short term basis. The legally sold trade receivables are not any longer recognized in the financial statements.

5. Environment, Health and Safety

A key part of the integrated Business Management System of Novelis is the EHS-Management System (Environment, Health & Safety). It provides fixed standards for all business divisions aimed on constantly improving the high quality of environment protection and work safety on all sites. The objective for all sites regarding work safety is **avoidance of accidents**. In the reporting period, additional risk analyses were performed to develop measures and behavioral standards to further reduce and avoid accident risks completely. Intensive training courses and workshops with regard to various Novelis EHS-topics were further extended. Furthermore, a set of projects to increase **health care** were implemented.

Protection of **resources** and environment are natural to us. Environment protection is an integral part of our business and is monitored constantly. Novelis applies its expertise and experience in developing innovative products for the protection of environment, nature and climate as well as in the continued optimization of technologies and processes. No significant environmental incidents occurred during the reporting period.

Accidents and environmental incidents are key indicators in measuring the performance of safety and environmental work integrated in daily processes. Each person in authority is responsible for involving all employees in those activities.

6. Risk Management

Novelis Inc. further optimized its activities in central coordination of risk management in the current reporting period

The Novelis group has to comply with the **provisions of SOX 404** (Sarbanes Oxley Act). SOX 404 requires establishing a functioning internal control system and a review of this system by the auditors.

Following the main risk in order of priority:

Risks of Novelis Deutschland GmbH primarily result from the procurement markets' trends, foreign currency fluctuations and specific customer risks. Increase in raw material price must be passed on promptly via sales prices of our products. Price risks are eliminated either by provision of aluminum by the customers or in case of own raw material purchases reduced to an acceptable risk via extensive coordination of LME-price basis of purchase and sale prices. This is realized by commodity forward contracts (LME futures). Due to losses incurred, the effectiveness of our offset-hedging processes will be reviewed and adjusted. In particular, the time lag between metal purchase and the underlying hedging transaction should be reduced. Aluminum price is denominated in US$, which results in a currency risk. Further currency risks exist on the purchasing and selling side. To hedge these risks hedging contracts are closed. These commercial hedging accounts are not recognized as an evaluation unit on the balance sheet. Through early and systematic control of credit risk, bad debt losses remain on a low level. Furthermore, credit risks are mitigated significantly due to the factoring agreement with Novelis AG.

The new purchasing source for recycled ingots, SIG GmbH, will provide an extended portion of the ingot supply of Novelis Deutschland GmbH for the upcoming financial year. Besides the UBC line a further production line ("Flex line") is in production. The produced rolled products meet the markets' quality standards. The portion of scrap as an input material and the manufacturing process up to the delivered ingot must be improved. To achieve this, additional experts have been hired in plant Nachterstedt. Novelis absorbs profit and loss of SIG in connection with the profit and loss transfer agreement. Besides securing the supply with high quality aluminum, the start-up problems of SIG, if not resolved, could directly affect the result of Novelis Deutschland GmbH. In case the sole customer Novelis AG does not order the contracted minimum volumes of 54 kt per quarter a premium of 50 per €/to on the quarterly order volume is imposed.

Our value streams Can and Automotive concentrate on few significant customers with mostly long term supply contracts.

In connection with securities given, as described under "Contingencies" in the notes to the financial statements, Novelis Deutschland GmbH is exposed to potential claims. However, no securities were drawn upon during the preparation of the financial statements and management does not expect any claims in the FY 2016/2017 as it is assumed that the original obligor will be able to fulfill its contractual obligations.

7. Research and Development

The research and development functions of region Novelis Europe are primarily concentrated in two facilities. The objective is to stand out from competition by focusing on customer service, innovation and faster implementation. The **research and technology center** in Goettingen focuses on the market segments Can, Specialities (Painted, Litho, AQ) and Recycling while the plant Sierre, Switzerland, serves the market segments Automotive and Specialities.

On the Goettingen site, **development activities** in the area of Recycling, Architecture, Packaging, Litho, Anodizing quality and Painted semi-finished goods are carried out. With this facility, the leading position in upmarket products on the global market shall be secured. Moreover, the other Novelis-sites partake of the results. In addition, the **research and technology center** cooperates with the universities in German (RWTH Aachen, TU Berlin, IOM Leipzig) and other international institutions.

Research and development expenses were € 14.5 million (prior year € 15.1 million), thereof € 3.2 million (prior year € 2.6 million) are recognized in cost of sales and € 11.3 million (prior year € 12.5 million) in other operating expenses. In research and development 19 persons are employed.

8. Employees

The company had 2,174 employees at year-end. Headcount is subdivided in 1,904 employees in production, 201 employees in selling and administration and 66 non-active employment contracts. At year-end 137 young apprentices were employed. The apprentice ratio is 6.3 % and at prior year level.

9. Branches

Novelis Deutschland GmbH has branches in Goettingen, Nachterstedt, Luedenscheid and Plettenberg-Ohle. In addition, distribution offices are also located in Dordrecht (Netherland), Espoo (Finland).

10. Forecast & Opportunities

“Zero accidents” is still the ultimate objective in the area of work safety in all Novelis plants worldwide.

Based on the law for equal participation of men and women in executive positions in the private and public sector, the supervisory board aims to achieve that of 12 members of the supervisory one women shall have a seat up to June 30, 2017. Furthermore, the supervisory board aims to achieve up to June 30, 2017 that, in case the number of managing directors of Novels Deutschland GmbH is 3, one woman shall be managing director.

The managing directors with approval of the supervisory board aim to achieve that up to June 30, 2017 the ratio of women within the two next lower executive levels shall be at the level of September 2015.

For the year 2016/2017 global macroeconomic growth is expected to be at or slightly above prior year level. Primarily, growth stimuli are expected from USA and Great Britain. Growth stimuli are also expected from low oil price. The national debt of some industrial countries remains a stress factor. Concerns arise from the emerging and developing countries like India, Mexico or Russia, but also China and Brazil are not growing as expected or even an economic downturn is expected.

A slight recovery in economic performance in south European countries at the level of the reporting period is expected. With regard to the German economy, we expect, given the economic context and positive domestic demand, a similar growth compared to the prior year. On this background we continue to focus on optimizing our productivity, portfolio and our processes in the upcoming years. Novelis works intensively, as in the past, on optimizing cost development, increasing capacity as well as freeing liquidity by improved operating results and working capital reductions.

In the last year the growth trend of the previous years continued. In this environment line conversion from steel to aluminum and the demand development in Germany should be highlighted. The startup of a new beverage can plant as well as the increased listing of beverage cans by leading retailers resulted in above average growth in Germany. Novelis Deutschland GmbH participated from the positive market development. The sales volume was 2% above prior year and the market position was expanded.

Overall the filling quantity of beverage cans increased by 2.5 %. The filling quantity of aluminum beverage cans increased more than proportionally by 7 %.

For the current year, it is expected that the demand pattern follows a positive trend. This assessment is based announced expansion investments, line conversions from steel to aluminum as well as the upcoming European Football Championship. With its investment made, Novelis Deutschland GmbH is well positioned to participate from the market growth and to extent its position as European market leader.

In 2015 the European automotive market further recovered and grew compared to 2014 by 9.3%. In total13.7 million cars were newly registered in Western Europe. In particular in Spain and Italy the growth rate of sales was double digit compared to the previous year. The growth rates were as follows in the main European markets: Spain 20.9%, Italy 15.8%, France 6.8%, UK 6.3% and Germany 5.6%. For 2016 analysts expect in Europe a further moderate growth in registration and production figures of about 5%.

In 2015 the segment of SUV's had the largest growth rate (+17.9%). In contrast, the production figures of premium and upper class cars declined slightly. As SUV's have a higher portion of aluminum, Novelis could once again benefit from this positive development. Given the current information, this will continue into the financial year 2016/2017. In particular due to the new Jaguar F-Pace Sport SUV which has a very high portion of aluminum sheet in the car body (>300kg per vehicle). Also, the continuing high demand for the SUV models BMW X1, Audi Q3, Volvo XC60 and XC90 contributes to a further growth of sales volumes in segment Automotive in the financial year of about 5%.

In addition there are the launches of Maserati Levante, Inifiniti Q30, Alfa Giulia as well as Volvo models S90 and V90 which almost entirely use Novelis aluminum sheet.

This will result in ongoing high capacity utilization of production equipment in the plants Nachterstedt, Norf and Sierre.

Due to the startup of the new heat treatment facility in Nachterstedt (Lynx) in November 2015 and existing customer authorization we are now able to optimize our product and supply portfolio to improve productivity and cost efficiency. Furthermore, we expect a continual improvement of our supply quality which is a key criterion for a high customer satisfaction.

The mid- and long-term outlook remains positive. However, also our competitors invested massively in production capacity. In 2016 two new heat treatment facilities with an annual capacity of 100,000 tonnes commissioned.

For this reason we expect over-capacity in the market from 2017 onwards and therefore price pressure, in particular with regard to vehicle projects produced in 2017 and later.

As a measurement we conclude increasingly multi-annual contracts with our automotive customers and try to broaden our customer base.

In addition we work on creating added value for example by utilizing our cutting facilities, in particular at our plant Nachterstedt.

In segment **Specialities** the Litho-market was slightly declining in the recent year. An extensive customer complaint at year end resulted in volume losses. For the current year we observe a recovery of the demand. The expectations up the yearend are very positive. Our quality is on the former level and the material supply is solid. Negotiations for the next year will commence within short time and we expect pressure on the sales prices.

The product Compound Tubes is almost entirely transferred to Goettingen, but the main number of Plain products is still supplied by Nachterstedt.

Demand in painted and anodized products is expected to grow moderately in the upcoming years. Market focus is on application within the area of Architecture. Novelis marketed successfully its painted and anodized products in the prior years as high quality material. Therefore, market opportunities are primarily in prestigious major projects with corresponding quality requirements. The mass market with small projects, currently stimulated, is covered by Novelis to a limited extent, which explains the restricted demand despite the mild winter. Project planner as well as distribution partner expect a revitalization of the market in the second quarter when construction terms stabilize. This should result directly in increasing order entries as also the distribution partners handle currently rather small stock sizes.

After, partially substantial, price increases in the calender year 2015 we expect stabilized prices in 2016. The reasons are in first line a normalization of metal premium ECDP and further price pressure especially from Southeast Europe. The development requires further improvements in production costs.

Market growth opportunities still exist for our premium products in EMEA, in particular in Middle East with its high portion of major construction projects. The demand in industrial applications is stable. In segment Roller Shutters we expect, despite increasing price pressure, a slightly growing order entry. Still under high pressure is the segment Car License Plates. Dependency from export projects increases as demand in established markets is rather declining. With regard to the other segments we expect a moderate growth in calender year 2016.

The container strap market demonstrates a slight growth primarily driven by the tea light business. There is a transfer of production capacities from West to Eastern Europe, in particular Poland. Aggressive competition from Southeast Europe leads to increasing price pressure in particular in the medium-term business. In the pharmaceutical sector we experience sales growth, which should continue in the upcoming year. Moreover, we expect a substantial volume increase due to intensified cooperation with a major customer, which was established in the recent years.

Demand in the European market for **Foil** has long been stable. However, competitive pressure is increasing as the market share of Chinese and Korean suppliers grows in Europe resulting in free capacities and lower sales for the European foil rolling facilities. Our limited supply range poses an additional disadvantage.

Still the order situation in segment packaging is very satisfactory.

The price increase in autumn of calendar year 2015 was accepted by most customers without renegotiations. In many new framework agreements the increased metal price could be fully passed on. On the other side we suffered customer losses in market segments with strong price competition.

Corresponding to our strategy additional price increases in segment Technical Products over the financial year 2015/2016 and in segment Converter Foil for the second half year were realized. While high demand for cable ties resulted in stable or slight increased sales volumes, sales of converter foil decreased towards the year end due to increasing competition.

Contrary to the observable trend in the recent year of key customers applying a risk minimizing multi-supplier strategy we could again act as the sole supplier in some sub-sectors. The current input material situation represents a challenge for us to meet the customer expectations with regard to supply reliability. This could be again an entry opportunity for competitors.

Fortunately, key customers continue the trend to invest in new products which will result in some new product launches in the market.

Complicating to the argument for aluminum as "material of choice" is the ongoing anti-aluminum discussion. Recent writings of consumer protection associations caused considerable confusion questioning the safety of using aluminum package food. In some segments customers openly consider substitutes like cardboard, paper or plastic. Some industrial customers have already made such switch, due to pressure of market-dominant discounters and the retail food industry.

At Novelis, we focus on the success of our stakeholders, in particular customers, employees, shareholders and communities by aligning enterprise value to environment, health, safety and quality (EHS&Q). At all our plants, we have systems to avoid accidents and to constantly improve our environment and safety performance and dedicate financial and personnel resources to

- reduce accidents and health incidents by prevention and risk awareness to zero,
- minimize impacts on environment by reducing input of natural resources and avoiding pollution, and
- improve quality and advantages of our products and services throughout the entire life cycle, especially via increased recycling.

To gauge the safety standards at our plants, we regularly give an account of key figures pertaining to "Total Recordable Incidents (TRI Rate)" - accidents to be reported - and also "Days Away From

Work (DAFW Rate)" - absence time due to injury and illness. Our TRI Rate for the financial year 2015/2016 was 0.74, which was above our prognosis of 0.5, and DAFW was 0.14 and therefore slightly better than our expectation of 0.15. Both key figures improved compared to the prior year. With regard to financial year 2016/2017 we expect an improvement of TRI Rate to < 0.5% and of DAFW Rate to < 0.1%.

Novelis takes high interest in investing in its employees and enhancing their skills. We offer internal and external training programs for employees and university graduates. Training programs are provided on regional and global level. Examples are Global Leadership Program, Accelerated Leadership Program, Leadership Essential 1 & 2 and Leadership Launch Program.

For the financial year 2016/2017 we expect currently to improve shipments and therefore sales, under high capacity utilization, in our core business rolled products by approximately 6%. We expect an improvement of Operating EBITDA by a low 3-digit million figure. The increase is based primarily on an improved metal result and improvement of hedging activities as well as lower cost price, higher revenues and cost control.

This improvement is supported by the worldwide short-term strategy of Novelis, the Focused 5-Guidelines. Five topics – safety, customer focus, quality, excellent production and capital-return-ration (ROCE) – are the decisive levers to improve our results.

Goettingen, May 06, 2016

Novelis Deutschland GmbH

Eric Tonkowski Gottfried Weindl

Annual Financial Statements
from April 1, 2015
to March 31, 2016

Novelis Deutschland GmbH, Goettingen

Balance Sheet as of March 31, 2016

Assets

	Notes	2016	2015
		K€	**K€**
A. Non-current assets	(3.1)		
I. Intangible assets	(3.2)	9.735	11.139
II. Property, plant and equipment		148.701	128.588
III. Financial assets	(3.3)	136.416	137.735
		294.852	**277.462**
B. Current assets			
I. Inventories	(3.4)	217.558	242.348
II. Receivables and other assets	(3.5)	202.733	390.016
		420.291	632.364
III. Cash and cash equivalents		5.096	5.038
		425.387	**637.401**
C. Prepaid expenses		**2.486**	**1.611**
		722.725	**916.475**

Equity and Liabilities

	Notes	2016	2015
		K€	**K€**
A. Equity	(3.6)		
I. Share capital		111.500	111.500
II. Additional paid-in capital		9.296	9.296
III. Retained earnings		4.471	4.471
		125.267	**125.267**
B. Provisions and accruals	(3.7)	**213.242**	**235.870**
C. Liabilities	(3.8)	**384.216**	**555.338**
		722.725	**916.475**

Novelis Deutschland GmbH, Goettingen

Income Statement for Financial Year April 1, 2015 to March 31, 2016

	Notes	2015/16	2014/15
		K€	K€
1. Sales	(4.1)	2.951.254	2.994.973
2. Cost of sales		-2.712.894	-2.850.380
3. Gross profit		**238.360**	**144.593**
4. Selling expenses		-104.240	-101.316
5. General and administrative expenses	(4.2)	-49.158	-51.023
6. Other operating income	(4.3)	28.521	31.197
7. Other operating expenses	(4.4)	-72.128	-82.077
Operating profit		**41.355**	**-58.626**
8. Expenses from profit and loss transfer agreements		-28.420	-44.878
9. Income from long-term loans	(4.5)	3.180	3.008
10. Other interest and similar income	(4.5)	5	13
11. Interest and similar expenses	(4.5)	-15.795	-22.809
Financial result		**-41.030**	**-64.666**
12. Profit from ordinary activities		**325**	**-123.292**
13. Extraordinary result	(4.6)	**-1.757**	**-1.757**
14. Income taxes	(4.7)	-19	-37
15. Loss transferred due to profit and loss transfer agreement		1.451	125.086
16. Profit for the year		**0**	**0**

Novelis Deutschland GmbH, Goettingen

Notes to the Financial Statements for Financial Year 2015/2016

(1) GENERAL BASIS OF PRESENTATION

In accordance with § 267 German Commercial Code (HGB) Novelis Deutschland GmbH is a large corporation with balance sheet date as of March 31, 2016. The annual financial statements are prepared in compliance with the provisions of the Commercial Law (HGB) for large corporations and the Limited Liability Company Law (GmbHG). Financial year is the 12 month period ending March 31.

Novelis Deutschland GmbH is included in the consolidated financial statements of Hindalco Industries Ltd., Mumbai, India (largest group of consolidated companies), as well as Novelis Inc., Toronto, Canada (smallest group of consolidated companies). The consolidated financial statements are available at the registered seat of the companies and at www.hindalco.com respectively www.novelis.com.

In accordance with § 271 Section 2 HGB, affiliated companies of Novelis Deutschland GmbH are the ultimate parent company Hindalco Industries Ltd., Mumbai, India and all subsidiaries of this parent company.

(2) ACCOUNTING POLICIES

Assets

Acquired intangible and fixed assets are valued at acquisition or production cost less ordinary accumulated amortization or depreciation. Grants received are recognized as a reduction of acquisition cost.

Buildings are depreciated straight-line over 25 to 50 years. Additions to property, plant and equipment before December 31, 2007 and within the period January 1, 2009 to March 31, 2010 are initially depreciated with declining balances and subsequently straight-line over 3 to 25 years. Additions within the period January 1, 2008 to December 31, 2008 as well as additions from April 1, 2010 onwards are depreciated straight-line. Unplanned depreciation is recognized if necessary. Extensive wear and tear due to multi-shift working is considered. In general intangible assets are amortized over 3 years. A capitalized supply right is amortized over a useful life of 10 years.

Low-value items up to € 150 excluding VAT are fully expensed in the year of addition. Moveable assets with acquisition or production cost over € 150 and up to € 1,000 (excluding VAT) are grouped according to § 6 section 2a Income Tax Law (EStG) and expensed in equal portions over 5 years.

Investments in affiliates and in associated companies are stated at acquisition cost or lower recoverable amounts as of balance sheet date.

Loans to associated companies are stated at acquisition cost less redemptions.

Inventory, except for aluminum included, is measured at average acquisition respectively production cost. Production cost comprises all direct cost as well appropriate portions of indirect cost and general administrative cost. Selling costs are not capitalized. Aluminum is measured using the LIFO-Method or at lower cost of replacement. Risks due to slow-moving items or limited usability are considered by appropriate allowances.

Receivables and other assets are measured at nominal values less allowances for specific and general foreseeable risks. Receivables from and payables to affiliated companies are netted to the extent the requirements of § 387 German Civil Law (BGB) are met.

Cash, cash equivalents and restricted cash as well as cash-in-transit are stated at nominal value.

Prepaid expenses are payments before the balance sheet date to the extent that they represent expenses for a certain period after the balance sheet date.

Equity and Liabilities

Equity is stated at nominal value.

Pension obligations are measured using the projected unit credit method. The discount rate, as provided by the German Federal Reserve Bank, is the average market interest rate of the last 10 years assuming a remaining term of 15 years for the pension obligations. Assumed annual salary increase was 2.75 % and annual pension increase was 1.75 %. Life expectancy statistics 2005G by Prof. Dr. K. Heubeck are applied.

Up to March 31, 2010 pension obligations were measured applying the going-concern value method pursuant to § 6a EStG and a discount rate of 6 %. The conversion to the accounting rules of the accounting modernization law as of April 1, 2010 resulted in K€ 25,116 higher pension obligations. The amount will be recognized on March 31, 2024 at latest, with annual minimum charges to extra ordinary expenses of K€ 1,757. As of March 31, 2016 the unrecognized amount was K€ 14,053.

In the context of the law to implement the residential real estate loan directive also the rules of the German Commercial Code with regard to discounting of pension obligations were modified. The amendment extends the time period over which the German Federal Reserve Bank determines the average market interest rate. For financial years ending after December 31, 2015 the time period is 10 years (previously: 7 years). An interest rate of 4.25 % was applied to calculate the pension provision as of March 31, 2016.

The average market interest rate published by the German Federal Reserve Bank for the last 7 years assuming a remaining term of 15 years for the obligation as of March 31, 2016 is 3.70 % (prior years: 4.37 %). The difference in the pension provision due to the application of the average market interest rate of the last 10 years instead of the last 7 years is recognized in the financial result or the operating result in accordance with IDW RS HFA.

Pension and similar obligations are netted with assets, which are solely available to fund pension and similar obligations and are not subject to potential third party claims (plan assets). Plan assets are measured at fair value. Fair value is equivalent to acquisition cost.

Other provisions and accruals are measured taking into account all identifiable risks. They are recognized at at a reasonable and necessary amount to settle the obligation. Other provisions and accruals with a remaining term of more than a year are discounted with the average market interest rate of the last 7 years equivalent to the remaining term of the obligation.

Long-term provisions exist for early retirement benefits and jubilee benefits and are measured applying actuarial principles. The planned annual salary increase was set at 2.75%.

Actuarial assumptions to measure retirement obligations and jubilee benefit obligations are in line with the measurement of pension obligations applying the average market interest rate of the last 7 years; for jubilee benefit obligations a remaining term of 15 years was assumed.

Early retirement obligations are based on the so called “Block Modell“. The likelihood of exercising the early retirement plan was assumed to be 6 %. This assumption is based on the actual usage in prior years. Early retirement obligations are netted with plan assets. Plan assets are measured at fair value. Fair value is equivalent to acquisition cost.

Liabilities are stated at their settlement amount.

Foreign currency

Receivables and payables denominated in a foreign currency are usually hedged by a currency forward contract. Foreign currency liabilities are converted at the exchange rate of the designated hedging instrument. Receivables and liabilities denominated in a foreign currency, which are not hedged, are converted with the historical exchange rate of the transaction date.

Long-term foreign currency receivables are converted with the spot exchange rate at the transaction date or the lower spot exchange rate as of balance sheet date (principle of prudence). Short-term foreign currency receivables (due within a year) as well as cash, cash equivalents and other short-term assets denominated in foreign currencies are converted with the spot exchange rate as of balance sheet date.

Long term foreign currency liabilities are measured with the spot exchange rate of the transaction date or the higher spot exchange rate as of balance sheet date (principle of prudence). Short-term foreign currency liabilities (due within a year) are converted with the spot exchange rate as of balance sheet date.

Aluminum forward contracts

Novelis closes with its customers so called fixed-forward-price contracts over the sale of aluminum finished goods. The production costs of those finished goods result materially from costs of aluminum. Aluminum is purchased by Novelis at the average industry price LME cash of the delivery month. Consequently, Novelis is exposed to aluminum price risk due to fixed selling price and variable purchasing price. In order to avoid this, Novelis closes commodity forward purchasing contracts (LME Future) at a fixed forward price. The fixed forward price is passed on to the customer. Later the forward purchasing contract is settled in cash (Cash Settlement). Approximately 2 months prior to the sale of the finished goods, Novelis closes a physical purchasing contract over the required amount of aluminum at the average price (LME cash) of the delivery month. The fixed selling price results in aluminum price risk. The exposure is compensated by the commodity forward contract.

Deferred taxes

A fiscal unity with Novelis Aluminium Holding Company, Dublin, Ireland, as well as Novelis Sheet Ingot GmbH, Goettingen, exists. Novelis Aluminium Holding Company is the fiscal unity parent. Novelis Deutschland GmbH and Novelis Sheet Ingot GmbH are the subsidiary companies. Deferred taxes relating to the subsidiary company are accounted for in the financial statements of the parent company as the parent company is solely subject to income taxes.

(3) BALANCE SHEET

(3.1) Non-current assets movement schedule

The development of non-current assets is on page 23 to 25. As in the previous period,no non-scheduled depreciation has been recorded in the financial year.

(3.2) Intangible Assets

Intangible assets comprise primarily a supply contract with an initial value of € 13.8 million. Furthermore software licenses are included.

(3.3) Shareholdings

	Equity K€	Participation	Result K€
Novelis Sheet Ingot GmbH, Goettingen	20,000	100.0%	-28,420 [1]
ALUMINIUM NORF GmbH, Neuss	77,003	50.0 %	2,820 [2]
Novelis Italia S.p.A., Bresso	66,027	37.5 %	-4,912 [3]
Deutsche Aluminium Verpackung Recycling GmbH, Grevenbroich	80	30.0 %	+1 [4]

[1] Before profit and loss transfer for the period April 1, 2015 to March to March 31, 2016

[2] For the period January 1, 2015 to December 31, 2015

[3] For the period April 1, 2014 to March 31, 2015

[4] For the period January 1, 2015 to December 31, 2015

In the financial year 2012/2013 Novelis Sheet Ingot GmbH was newly established. A profit and loss transfer agreement with Novelis Deutschland GmbH exists.

As of October 25, 2013, the company granted a loan in the amount € 40 million to Novelis Sheet Ingot GmbH. This loan expires on October 1, 2023

(3.4) Inventories

	2016 K€	2015 K€
Raw material	86,149	72,857
Work in progress / Unfinished goods	57,429	70,370
Finished goods and merchandise	73,980	99,121
	217,558	**242,348**

Compared to the relevant stock price inventories are stated € 41.1 million lower (prior year € 102.8 million).

(3.5) Receivables and other assets

	2016 K€	2015 K€
Trade receivables	26,244	20,207
Receivables from affiliated companies	90,346	302,021
Receivables from associated companies	59,602	55,158
Other assets	25,419	12,630
	202,733	**390,016**

Certain trade receivables are sold on a monthly basis to Novelis AG, Zurich, Switzerland, based on a factoring contract closed in 2007 (please refer also to note 10 and 11 "Contingencies").

Furthermore trade receivables are sold to a foreign bank to finance sales on a short-term basis. Legally sold receivables are not anymore recognized in the financial statements of the company.

All trade receivables and other assets are due within a year. To account for general credit risks relating to trade receivables, a bad debt provision has been set up. The percentage of provision ranges from 0.5 % to 1.32 %.

Receivables from affiliated companies include cash pooling receivables from Novelis AG, Zurich, Switzerland, in the amount of K€ 393 (prior year K€ 95,029). Further receivables from affiliated companies amounting to K€ 45,973 (prior year K€ 3.440) resulted from financing activities.

As of balance sheet date, a receivable from the sole shareholder Novelis Aluminium Holding Company in the amount of K€ 1,437 (prior year K€ 125,086) due to the loss transfer for the fiscal year 2015/2016 exists and additional K€ 40,000 from loans.

The remaining receivables result from sale of goods and services in the amount of K€ 42,543 (prior year K€ 78,480). Trade receivables from affiliated companies are due within a year.

Receivables from associated companies in the amount of K€ 59,602 (prior year K€ 55,158) result from short-term borrowings.

(3.6) Equity

The sole shareholder of Novelis Deutschland GmbH is Novelis Aluminium Holding

Company, Dublin, Ireland.

(3.7) Provisions and accruals

	2016 K€	2015 K€
Pensions and similar obligations	138,352	135,710
Taxes	3,063	2,203
Other provisions and accruals	71,827	97,957
	213,242	**235,870**

Provisions for pension obligations are K€ 138,352 as at March 31, 2016 (prior year K€ 135,710). The underlying interest rate is 4.25%. Planned annual salary and pension increase is set at 2.75 % and 1.75 % respectively.

Pension obligations are net off plan assets in the amount of K€ 1,031. The settlement amount is K€ 153,436. Income from plan assets (K€ 42) was netted with interest expense on the provision (K€ 9,082) in accordance with § 246 Section 2 Sentence 2 HGB. The net expense of K€ 9,040 is included in “Other interest and similar expenses”.

Pension provisions for former managing directors of the company and of former subsidiaries are K€ 7,030 as of March 31, 2016 (prior year K€ 7,350).

The difference in the pension provision in the amount of K€ 12,630 due to the application of the average market interest rate of the last 10 years instead of the last 7 years was recognized in the financial result.

Actuarial assumptions in measuring early retirement and jubilee obligations are in line with the calculation of the pension obligations.

Provisions for early retirement obligations as of March 31, 2016 are offset by covered funds in the amount of K€ 5,051. The settlement amount is K€ 11,701. Income from plan assets in the amount of K€ 3 was netted with interest expense on the provision in the amount of K€ 437 in accordance with § 246 Section 2 Sentence 2 HGB. The net expense of K€ 434 is included in “Other interest and similar expenses”.

Other provisions and accruals comprise primarily accruals for goods and services received but not invoiced (K€ 27,287; prior year K€ 46,663), overtime and vacation (K€ 7,138; prior year K€ 7,385), early retirement provisions net of plan assets (K€ 6,650; prior year K€ 6,319) as well as restructuring provisions (K€ 3,695; prior year K€ 4,353).

Provisions for onerous contracts (K€ 445; prior year K€ 5,501) were calculated based on the selling price of the contracts and the full production cost. Furthermore, provisions were set up for anticipated losses from foreign currency and aluminum forward contracts (K€ 11,471; prior year K€ 15,792).

(3.8) Liabilities

	2016 K€	Due within a year K€	2015 K€	Due within a year K€
Trade payables	154,071	154,071	265,684	265,684
Bank liabilities	50,000	50,000	70,031	70,031
Liabilities to affiliated companies [1), 2), 3)*]	119,813	119,813	157,221	157,221
Liabilities to associated companies [4)]	41,491	41,491	40,512	40,512
Other liabilities [5)]	18,841	16,829	21,890	21,890
	384,216	**382,204**	**555,338**	**555,338**

	2016	2015
[1)] Thereof from purchase of goods and services	91,393	113,978
[2)] Thereof to shareholder	0	0
[3)] Thereof from profit and loss transfer agreement	28,420	44,878
[4)] Thereof from purchase of goods and services	41,491	40,512
[5)] Thereof from taxes	11,400	11,128

As of the balance sheet date no liabilities are due in more than five years.

INCOME STATEMENT

(4.1) Sales

Sales by region	2015/16 K€	2014/15 K€
Germany	811,387	1,003,387
European Union - excluding Germany	1,726,278	1,550,136
Remaining Europe	250,918	235,778
Far East	43,361	59,370

North America	110,456	135,563
Other foreign countries	9,104	10,739
	2,951,504	**2,994,973**

Sales by product line	**2015/16**	**2014/15**
	K€	**K€**
Rolled products	2,778,899	2,836,587
Foil and foil products	139,018	135,764
Industrial products	23,337	22,622
	2,951,254	**2,994,973**

(4.2) General and administrative expenses

General and administrative expenses comprise, among other expenses, allocation charges from Novelis Inc. Material prior period expenses have not been incurred during the reporting period.

(4.3) Other operating income

Other operating income comprises income from service charges and prior period income in the amount to K€ 7,725 (prior year K€ 12,641). Prior period income results from the release of provisions, foreign exchange gains and, to a smaller extent, from the reduction of bad debt allowances and income from commissions. With regard to income from foreign exchange differences and metal hedge contracts please refer to (12) derivative financial instruments.

(4.4) Other operating expenses

Other operating expenses include primarily service expenses, research and development expenses charged by affiliated companies, expenses to set up provisions for hedging transactions as well as expenses from the restructuring program. Significant expenses relating to other periods have not been incurred in this reporting period. Other taxes included in other operating expenses are K€ 482 (prior year K€ 429).

(4.5) Income from long-term loans, other interest and similar income as well as interest and similar expenses

Income from long-term loans results from interest income on loans to associated companies. Besides interest income from affiliated companies at an amount of K€ 2,533 (prior year K€ 2,433) is included.

Interest and similar expenses include interest payable to affiliated companies in the amount of K€ 2,782 (prior year K€ 3,582).

The accumulation of interest expense on long-term provisions net of interest income on the respective plan assets resulted in K€ 9,685 (prior year K€ 16,432) expenses.

(4.6) Extraordinary result

The extraordinary result includes expenses in the amount of K€ 1,757 (prior year K€ 1,757) to account for the pension obligation in accordance with new accounting regulations.

(4.7) Income taxes

Due to the fiscal unity with Novelis Aluminium Holding Company, a tax profit of the reporting year is not subject to income taxes. The expense of K€ 19 relates to Novelis Deutschland GmbH's foreign distribution offices.

(5) MATERIAL EXPENSES

	2015/16	2014/15
	K€	K€
Raw materials	2,433,812	2,553,253
Merchandise	7,287	6,635
	2,441,100	**2,559,888**
Services received	246,347	260,140
	2,687,447	**2,820,028**

(6) PERSONNEL EXPENSES

	2015/16	2014/15
	K€	K€
Salaries and wages	127,636	119,678
Social security	24,021	45,719
Thereof pension costs	1,013	23,524
	151,657	**165,397**

(7) EXPENSES FOR INSTITUTIONS OF THE COMPANY

	2015/16
	K€
Supervisory board	65
Insurance premiums for former managing directors and surviving family members	10
	75

The managing directors did not receive any remuneration from the company. The remuneration of former managing directors and their surviving family members amounted to K€ 1,139.

(8) INSTITUTIONS OF THE COMPANY

Members of the supervisory board

Dr. Erwin Mayr	Senior Vice President of Novelis Inc. and President of Novelis Europe, Chairman
Detlev Kiel *	Secretary of Labour Union, IG Metall Schoenebeck
Fortunato Llamido Lucido	Regional Counsel of Novelis Europe
Michaela Pampel * - member up to June 24, 2015	Member Workers' Council of Aluminium Norf GmbH
Dieter Salewski *	Member Workers' Council Nachterstedt, Vice-Chairman
Burkhard Schmitz * - member up to June 24, 2015	Representative of executive employees
Sabine Schauer	Communications Director Novelis Europe
Ralf Fischbach *	Chairman Workers' Council Ohle
Dr. Markus Gaertner	General Manager Specialties Value Stream, Novelis Europe
Ulf Halbauer*	2. Authorized Secretary of Labour Union IG Metall Süd-Niedersachsen-Harz
Pierre Labat	Global Automotive VS General
Michael Hahne	Value Stream Manager Automotive Novelis Europe
Andreas Rudolph* - member since June 24,	Manager Engineering, Maintenance and Process Development

2015

Stefan Mross* - member since June 24, 2015	Vice Chairman Workers' Council Aluminium Norf GmbH

* Representative of employees

Managing Directors

Eric Tonkowski	Managing director Purchasing, Production, Sales, Finance, IT
Gottfried Weindl	Managing director Human Resources, EHS, Legal, Labour director

(9) EMPLOYEES (average number of employees)

	2015/16	2014/15
Production	1,904	1,820
Administration and sales	201	194
Other	66	59
	2,174	2,073
Apprentices / Trainees	137	129
	2,311	**2,202**

(10) CONTINGENCIES

The latest comprehensive refinancing of the group took place on December 17, 2010 and since that was amended several times. Afterwards, the Novelis group had a financial capital in the amount of US$ 5,700 million available to them. Novelis Inc. issued two Unsecured Senior Notes in the amount of US$ 2,500 and obtained a Term Loan Facility in the amount of US$ 1,800 million. In June 2015 Novelis extended the financing and adapted certain credit agreement clauses. In addition an Asset Based Revolving Credit Facility in the amount of US$ 1,200 million is available. Furthermore, in June 2015 Novelis obtained a Subordinated Lien Revolver in the amount of US$ 200 million.

In this context the company sold a major portion of its existing and future trade receivables to Novelis AG, Switzerland. Novelis AG assigns the acquired receivables to the secured party by way of security. The company still administrates the receivables and payments are made to an account of Novelis AG.

The company assigned all moveable assets which are legal property of Novelis Deutschland GmbH by way of security to the secured party.

The company assigned all receivables not sold to Novelis AG by way of security to the secured party (global assignment). The profit and loss transfer agreement between Novelis Deutschland GmbH and Novelis Aluminium Holding Company must stay in place. Receivables must be free of claims of third parties. Any claims have to be reported immediately to the secured party.

The company pledged all bank domestic accounts in favor of the secured party.

The company is obliged not to create mortgages on land and similar property rights. Mortgages in favor of the secured party have not been created.

The company assigned all intellectual property rights by way of security to the secured party.

In the ordinary course of business the security provider has extensive disposition rights.

Due to the guarantees and securities given, Novelis Deutschland GmbH is exposed to potential claims. However at the date of the preparation of the financial statements, no claims have been made and management does not expect claims in the future given that the relevant company's expected liquidity has a high likelihood to provide sufficient funds to fulfill the agreement in time.

(11) OTHER FINANCIAL COMMITMENTS AND OFF-BALANCE-SHEET TRANSACTIONS

Financial commitments from rent and lease contracts and other purchase contracts amount to € 24.1 million (prior year € 26.5 million) and result from the on-going business. Thereof € 16.7 million will result in cash payments in the financial year 2016/17. € 13.8 million will result in cash payments until March 31, 2022. To a large extent commitments are operating lease contracts which do not result in recognition of assets. The benefits of those contracts are lower financing needs and no risks of disposal. Risks may occur during the term of the agreements if the items are not fully used. Currently no indication of risks exists.

As of March 31, 2016 purchase commitments for investing activities amount to € 6.5 million (prior year € 16.8 million).

Novelis Deutschland GmbH concluded in 2003 a Joint Venture Agreement with ALUMINIUM NORF GmbH, Neuss. As a subcontractor, ALUMINIUM NORF GmbH will provide production services. Benefits from the agreement due to the construction of the world's largest aluminum rolling and melting plant are lower average cost, efficient processes and extensive production know-how. Risks and opportunities resulting from the market and product development as well as aluminum supply remain directly with Novelis Deutschland GmbH.

According to an agreement with the co-shareholder of Hydro Rolled Products GmbH, the shareholders are obliged to pay a commitment fee to ALUMINIUM NORF GmbH, Neuss, corresponding to their shareholdings. The commitment fee will be € 74.3 million in the financial year 2016/2017.

In 2007 the company concluded a factoring agreement with the affiliated company Novelis AG, Zurich/ Switzerland and in 2015 an additional factoring agreement with a foreign bank. Liquidity and financing are strengthened due to the factoring. The credit risk is fully transferred to Novelis AG, Zurich, Switzerland or the foreign bank.

(12) DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used to hedge raw material prices and foreign currency risks.

As of balance sheet date aluminum forward contracts hedge aluminum price risks from contracted underlying transactions. Up to March 31, 2012 the underlying transaction and the hedging instrument represented a valuation unit. In 2013 it was opted not to designate a hedging relationship.

Market values of raw material price hedging instruments comprise negative fair values in the amount of € 4.8 million for which onerous contract provisions are recognized.

At the balance sheet date currency forward contracts hedge foreign currency risks from contracted underlying transactions. Currency forward contracts mainly provide for the purchase of US$ (€ 238.6 million) and the sale of US$ (€ 115.6 million). Market values of the currency forward contracts comprise negative fair values of € 6.7 million for which onerous contract provisions are recognized. As of balance sheet date no hedge relationship was designated.

As of balance sheet date, the nominal and fair values of existing derivatives are as follows:

Mio €	Nominal volume			Market Value	
	Purchase	Sale	Total	Total	Total Prior Year
Currency exchange forwards	245.2	128.5	373.7	3.9	-4.8
Currency swaps	0.0	0.0	0.0	0.0	0.0
Currency hedge contracts	**245.2**	**128.5**	**373.7**	**3.9**	**-4.8**
Aluminum forward contracts	30.2	582.8	613.1	-4.3	8.5
Raw material hedge contracts	**30.2**	**582.8**	**613.1**	**-4.3**	**8.5**

Nominal values are the total of all purchasing or sale contracts. Market value is the net amount of positive and negative market values. Market values match fair values which have been derived from Bloomberg-rates.

Currency exchange gains and losses from derivatives and underlying transactions are netted in the income statement. As of balance sheet date currency exchange gains disclosed under other operating are as follows:

Mio €	Expense	Income	Total	Total Prior year
Underlying transactions	-37.7	40.6	2.9	-38.7
Currency derivatives	-54.3	52.5	-1.8	24.6
			1.1	**-14.1**

Currency gains include unrealized gains from the conversion with the spot exchange rate in the amount of K€ 6.341 (prior year K€ 4.571 expenses).

(13) OTHER INFORMATION

The Lifo-method is applied for measuring aluminum included in cost of sales. As a result pre-tax income is approximately € 63.8 million higher (prior year € 73.3 million lower) compared to a measurement in accordance with the moving average price method.

(14) TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of the business Novelis Deutschland GmbH has business relationships with numerous companies including affiliated and associated companies. Affiliated and associated companies are considered related parties.

Purchases from the associated company ALUMINIUM NORF GmbH are invoiced applying the cost-plus-method. The risk mark-up is 0.7 %. The resulting production costs are € 206.3 million in 2015/2016 (prior year € 197.1 million). Furthermore ALUMINIUM NORF GmbH received a loan with a fixed interest rate of 1.1%. Interest income was € 0.6 million.

(15) AUDITOR RENUMERATION

Total auditor fees for audit services in the financial year were K€ 521 (prior year K€ 538).

Goettingen, May 6, 2016

Novelis Deutschland GmbH

Eric Tonkowski Gottfried Weindl

Movement in Fixed Assets

Novelis Deutschland GmbH, Goettingen

Movement in Fixed Assets

	Historical cost				
	April 1, 2015	**Additions**	**Reclassi-fications**	**Disposals**	**March 31, 2016**
	K€	**K€**	**K€**	**K€**	**K€**
I. Intangible assets					
1. Concessions, intellectual property rights, licences and similar rights	**30.982**	0	21	2	**31.001**
	30.982	0	21	2	**31.001**
II. Property, plant and equipment					
1. Property, buildings and similar property rights	**94.710**	0	22.464	2	**117.172**
2. Technical equipment and machinery	**393.754**	0	43.637	603	**436.788**
3. Other plant, furniture and office equipment	**84.639**	0	2.366	1.075	**85.930**
4. Prepayments and construction in progress	**59.455**	32.718	-68.488	0	**23.685**
	632.558	32.718	-21	1.680	**663.575**
III. Financial assets					
1. Investments in affiliated companies	**59.750**	0	0	0	**59.750**
2. Loans to affiliated companies	**40.000**	0	0	0	**40.000**
3. Investments in associated companies	**30.836**	0	0	0	**30.836**
4. Loans to associated companies	**7.255**	0	0	1.319	**5.936**
	137.841	0	0	1.319	**136.522**
	801.381	**32.718**	**0**	**3.001**	**831.098**

Amortization and depreciation				Book value	
April 1, 2015	Additions	Disposals	March 31, 2016	March 31, 2016	March 31, 2015
K€	K€	K€	K€	K€	K€
19.843	1.424	1	**21.266**	**9.735**	**11.139**
19.843	1.424	1	**21.266**	**9.735**	**11.139**
72.752	1.497	0	**74.249**	**42.923**	**21.958**
355.412	8.578	561	**363.429**	**73.359**	**38.342**
75.806	2.459	1.069	**77.196**	**8.734**	**8.833**
0	0	0	**0**	**23.685**	**59.455**
503.970	12.534	1.630	**514.874**	**148.701**	**128.588**
0	0	0	**0**	**59.750**	**59.750**
0	0	0	**0**	**40.000**	**40.000**
106	0	0	**106**	**30.730**	**30.730**
0	0	0	**0**	**5.936**	**7.255**
106	0	0	**106**	**136.416**	**137.735**
523.919	**13.958**	**1.631**	**536.246**	**294.852**	**277.462**

Auditors' Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Novelis Deutschland GmbH, Goettingen, for the business year from April 1, 2015 to March 31, 2016. The maintenance of the books and records and the preparation of the annual financial statements and the management report in accordance with German commercial law are the responsibility of the Company's Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 HGB [Handelsgesetzbuch - German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany - IDW]. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Managing Directors, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, May 6, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(sgd.) Nadia Brieder-Markl	(sgd.) ppa. Georg Rogowski
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FINANCIAL STATEMENTS

Novelis Aluminium Beteiligungsgesellschaft mbH, Goettingen

Goettingen

Annual Financial Statements as of December 31, 2015

(Translation - the German text is authoritative)

Contents **Page**

Annual Financial Statements

Notes to the Financial Statements for Financial Year 2015

(1) GENERAL AND BASIS OF PRESENTATION

In accordance with § 267 German Commercial Code (HGB) the company is a small corporation. Balance sheet, income statement and notes to the financial statements are prepared in compliance with the provisions of HGB for corporations and the Limited Liability Company Law (GmbHG). The income statement is prepared according to the cost of sales method (§ 275 Section 3 HGB).

(2) ACCOUNTING POLICIES

Receivables and other assets are measured at nominal values less specific and general allowances for identifiable risks.

Equity is stated at nominal value.

Other provisions and accruals are measured taking into account all identifiable risks. They are recognized in the amount reasonably necessary to settle the obligation.

Liabilities are stated at their repayment amount (settlement amount).

(3) NOTES TO THE BALANCE SHEET

(3.1) Receivables and other assets

	Dec. 31, 2015 €	Dec. 31, 2014 €
Receivables from affiliated companies	47,514	47,580
Other assets	0	0
	47,514	**47,580**

Receivables from affiliated companies include receivables from Novelis Deutschland GmbH in the amount of € 43,774 and receivables from Aluminium Holding Co. in the amount of € 3,740.

(3.2) Shareholder

The sole shareholder of Novelis Aluminium Beteiligungsgesellschaft GmbH is Novelis Inc., Toronto, Canada.

(3.3) Provisions and accruals

No provisions or accruals had to be recognised as of the balance sheet date.

(3.4) Liabilities

	Dec. 31, 2015 €	Due within a year €	Dec. 31, 2014 €	Due within a year €
Liabilities to affiliated companies [1)]	0	0	0	0
	0	0	0	0
[1)]Thereof from purchase of goods and services	0		0	

There are no liabilities to affiliated companies at the balance sheet date.

(4) OTHER INFORMATION

(4.1) Managing directors

In the financial year 2015 the following person was managing director:

- Sabine Trautwein

The managing director did not receive any remuneration from the company.

(4.2) EMPLOYEES (average number of employees)

In the financial year 2015 the company did not have any employees.

Goettingen, March 15, 2016

Novelis Aluminium Beteiligungsgesellschaft mbH

S Trautwein

Sabine Trautwein

Novelis Aluminium Beteiligungsgesellschaft mbH, Goettingen

Balance Sheet as of December 31, 2015

Assets — Equity and Liabilities

Assets	12/31/15	12/31/14	Equity and Liabilities	12/31/15	12/31/14
	EUR	EUR		EUR	EUR
A. Non-current assets			**A. Equity**		
I. Intangible assets	0,00	0,00	I. Share capital	25.000,00	25.000,00
II. Property, plant and equipment	0,00	0,00	II. Additional paid-in capital	0,00	0,00
III. Financial assets	0,00	0,00	III. Retained earnings	22.514,31	22.580,31
	0,00	**0,00**		**47.514,31**	**47.580,31**
B. Current assets					
I. Inventories	0,00	0,00	**B. Provisions and accruals**	**0,00**	**0,00**
II. Receivables and other assets	47.514,31	47.580,31	**C. Liabilities**	**0,00**	**0,00**
	47.514,31	47.580,31			
III. Cash and cash equivalents	0,00	0,00			
	47.514,31	**47.580,31**			
C. Prepaid expenses	**0,00**	**0,00**			
	47.514,31	**47.580,31**		**47.514,31**	**47.580,31**

Novelis Aluminium Beteiligungsgesellschaft mbH, Goettingen

Income Statement for the year ended 31 December 2015

	2015	2014
	EUR	EUR
1. Sales	0,00	0,00
2. Cost of sales	0,00	0,00
3. Gross profit	**0,00**	**0,00**
4. Selling expenses	0,00	0,00
5. General and administrative expenses	0,00	-193,50
6. Other operating income	0,00	0,00
7. Other operating expenses	-66,00	-66,00
8. Income from investments in associated companies	0,00	0,00
9. Income from long-term loans	0,00	0,00
10. Other interest and similar income	0,00	0,00
11. Interest and similar expenses	0,00	0,00
12. Profit from ordinary activities	**-66,00**	**-259,50**
13. Income taxes	0,00	0,00
14. Other taxes	0,00	0,00
15. Profit for the year	**-66,00**	**-259,50**
16. Retained earnings	22.580,31	22.839,81
17. Distribution	0,00	0,00
18. Retained earnings	**22.514,31**	**22.580,31**

Anhang für das Geschäftsjahr 2015

(1) ALLGEMEINE ANGABEN

Die Gesellschaft ist eine kleine Kapitalgesellschaft im Sinne von § 267 Abs. 1 HGB. Die Bilanz, die Gewinn – und Verlustrechnung und der Anhang sind nach den Vorschriften des HGB und des GmbHG aufgestellt worden. Die Gewinn- und Verlustrechnung wurde nach dem Umsatzkostenverfahren (§ 275 Abs.3 HGB) aufgestellt.

(2) BILANZIERUNGS- UND BEWERTUNGSGRUNDSÄTZE

Forderungen und sonstige Vermögensgegenstände werden grundsätzlich zum Nennwert angesetzt; alle erkennbaren Risiken sind durch individuelle oder pauschale Absetzungen berücksichtigt.

Eigenkapitalpositionen sind zum Nennbetrag angesetzt.

Die übrigen Rückstellungen sind so bemessen, dass sie allen erkennbaren Risiken Rechnung tragen. Sie sind in Höhe des nach vernünftiger kaufmännischer Beurteilung notwendigen Erfüllungsbetrages gebildet.

Verbindlichkeiten werden mit dem Rückzahlungsbetrag (Erfüllungsbetrag) bilanziert.

(3) ZUR BILANZ

(3.1) Forderungen und sonstige Vermögensgegenstände

	31.12.2015 €	31.12.2014 €
Forderungen gegen verbundene Unternehmen	47.514	47.580
Sonstige Vermögensgegenstände	0	0
	47.514	**47.580**

Die Forderungen gegen verbundene Unternehmen enthalten Forderungen gegen die Novelis Deutschland GmbH in Höhe von € 43.774 und Forderungen gegen die Novelis Aluminium Holding Co. in Höhe € 3.740.

(3.2) Eigentumsverhältnisse

Alleiniger Gesellschafter der Novelis Aluminium Beteiligungsgesellschaft mbH ist die Novelis Inc., Toronto, Kanada.

(3.3) Rückstellungen

Zum Abschlussstichtag waren keine Rückstellungen zu passivieren.

(3.4) Verbindlichkeiten

	31.12.2015 €	Fällig innerhalb 1 Jahres €	31.12.2014 €	Fällig innerhalb 1 Jahres €
Verbindlichkeiten gegenüber verbundenen Unternehmen [1)]	0	0	0	0
	0	0	0	0
[1)] Davon aus Lieferungen und Leistungen	0		0	

Zum Abschlussstichtag bestehen keine Verbindlichkeiten gegenüber verbundenen Unternehmen.

(4) SONSTIGE ANGABEN

(4.1) Mitglieder des Geschäftsführung

Der Geschäftsführung gehörte im Geschäftsjahr 2015 folgende Person an:

- Sabine Trautwein

Die Mitglieder der Geschäftsführung bezogen kein Gehalt von der Gesellschaft.

(4.2) MITARBEITER (durchschnittliche Mitarbeiterzahl)

Die Gesellschaft beschäftigte im Geschäftsjahr 2015 keine Mitarbeiter.

Göttingen, 15. März 2016

Novelis Aluminium Beteiligungsgesellschaft mbH

S Trautwein

Sabine Trautwein

Novelis Aluminium Beteiligungsgesellschaft mbH, Göttingen

Gewinn- und Verlustrechnung für das Geschäftsjahr 2015

	2015	2014
	EUR	EUR
1. Umsatzerlöse	0,00	0,00
2. Herstellungskosten der zur Erzielung der	0,00	0,00
Umsatzerlöse erbrachten Leistungen	0,00	0,00
3. Bruttoergebnis vom Umsatz	**0,00**	**0,00**
4. Vertriebskosten	0,00	0,00
5. Allgemeine Verwaltungskosten	0,00	-193,50
6. Sonstige betriebliche Erträge	0,00	0,00
7. Sonstige betriebliche Aufwendungen	-66,00	-66,00
8. Erträge aus Beteiligungen	0,00	0,00
9. Erträge aus Ausleihungen des Finanzanlagevermögens	0,00	0,00
10. Sonstige Zinsen und ähnliche Erträge	0,00	0,00
11. Zinsen und ähnliche Aufwendungen	0,00	0,00
12. Ergebnis der gewöhnlichen Geschäftstätigkeit	**-66,00**	**-259,50**
13. Steuern vom Einkommen und vom Ertrag	0,00	0,00
14. Sonstige Steuern	0,00	0,00
15. Jahresergebnis	**-66,00**	**-259,50**
16. Bilanzgewinn Vorjahr	22.580,31	22.839,81
17. Ausschüttung/Entnahme	0,00	0,00
18. Bilanzgewinn	**22.514,31**	**22.580,31**

Novelis Aluminium Beteiligungsgesellschaft mbH, Göttingen

Bilanz zum 31. Dezember 2015

Aktiva | **Passiva**

	31.12.2015	31.12.2014		31.12.2015	31.12.2014
	EUR	EUR		EUR	EUR
A. Anlagevermögen			**A. Eigenkapital**		
I. Immaterielle Vermögensgegenstände	0,00	0,00	I. Gezeichnetes Kapital	25.000,00	25.000,00
II. Sachanlagen	0,00	0,00	II. Kapitalrücklage	0,00	0,00
III. Finanzanlagen	0,00	0,00	III. Bilanzgewinn	22.514,31	22.580,31
	0,00	**0,00**		**47.514,31**	**47.580,31**
B. Umlaufvermögen					
I. Vorräte	0,00	0,00	**B. Rückstellungen**	**0,00**	**0,00**
II. Forderungen und sonstige Vermögensgegenstände	47.514,31	47.580,31	**C. Verbindlichkeiten**	**0,00**	**0,00**
	47.514,31	47.580,31			
III. Kassenbestand und Guthaben bei Kreditinstituten	0,00	0,00			
	47.514,31	**47.580,31**			
C. Rechnungsabgrenzungsposten	**0,00**	**0,00**			
	47.514,31	**47.580,31**		**47.514,31**	**47.580,31**

pwc

Novelis Switzerland SA
Sierre

Report of the statutory auditor
to the General Meeting
on the financial statements 2015/2016

Report of the statutory auditor
to the General Meeting of
Novelis Switzerland SA
Sierre

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Novelis Switzerland SA, which comprise the balance sheet, income statement and notes, for the year ended 31 March 2016.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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 Swiss law and Swiss Auditing Standards. Those standards require that we 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 the internal control system 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, 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.

Opinion

In our opinion, the financial statements for the year ended 31 March 2016 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

PricewaterhouseCoopers SA, avenue C.-F. Ramuz 45, case postale, CH-1001 Lausanne, Switzerland
Téléphone: +41 58 792 81 00, Téléfax: +41 58 792 81 10, www.pwc.ch

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Philippe Lienhard	Yan Pannatier
Audit expert Auditor in charge	Audit expert

Lausanne, 12 May 2016

Enclosures:

- Financial statements (balance sheet, income statement and notes)
- Proposed appropriation of the available earnings

Balance sheet at
(in Swiss Francs)

	March 31, 2016	March 31, 2015
Assets		
Current assets		
Liquid funds	13 433	18 206
Trade accounts receivable -		
Third parties, net	30 786 395	3 915 901
Group companies	50 762 148	52 415 198
Prepaid and accrued expenses -		
Third parties	938 679	2 022 035
Other receivables -		
Third parties	14 430 645	13 285 102
Shareholders	221 856 727	176 085 855
Inventories, net	58 613 673	52 186 797
	377 401 700	299 929 094
Fixed assets		
Tangible fixed assets -		
Land and buildings	30 789 009	29 483 392
Machinery and other equipments	35 660 463	34 348 601
Construction in progress	5 555 881	8 567 430
Intangible fixed assets -		
Intellectual property	2 394 225	3 192 300
Softwares	186 964	87 512
	74 586 542	75 679 235
Other long-term assets		
Deposit	0	1 204 244
	0	1 204 244
Total assets	451 988 242	376 812 573

Balance sheet at
(in Swiss Francs)

	March 31, 2016	March 31, 2015
Liabilities and shareholders' equity		
Current liabilities		
Trade accounts payable -		
Third parties	68 775 709	89 837 027
Group companies	25 524 182	20 117 524
Short-term bearing interest		
Due to third parties	26 799 891	0
Other current liabilities -		
Third parties	237 866	648 973
Accrued liabilities		
Third parties	13 109 437	11 866 858
Group companies	305	147 845
Short-term provisions	8 911 828	17 776 528
Short-term debts	31 102	24 416
	143 390 320	140 419 171
Non-current liabilities		
Long term debt -		
third parties	31 487	37 344
	31 487	37 344
Shareholders' equity		
Share capital	5 000 000	5 000 000
Legal reserve	2 500 000	2 500 000
Statutory retained earnings	228 856 057	156 603 396
Profit/loss for the year/period	72 210 378	72 252 661
	308 566 435	236 356 057
Total liabilities and shareholders' equity	451 988 242	376 812 572

Statement of income for the period

(in Swiss Francs)

	April 1, 2015 - March 31, 2016	April 1, 2014 - March 31, 2015
Turnover		
Income from sales	682 132 363	671 689 321
Income from service fees	8 145 812	10 103 741
Sales deductions	(19 098 244)	(15 540 884)
	671 179 931	666 252 178
Materials used	(467 832 198)	(476 714 065)
Energy consumption costs	(12 750 793)	(14 164 618)
Variation in inventories	8 051 901	19 325 293
Gross profit	198 648 841	194 698 788
Personnel costs	(64 794 841)	(63 269 980)
Leasing	(8 872 053)	(8 313 962)
Maintenance	(7 583 909)	(7 493 420)
Other operating costs	(26 960 028)	(26 841 372)
Other income	383 874	6 178 937
Depreciation	(9 784 592)	(11 782 195)
Operating profit before financial items	81 037 292	83 176 796
Financial income	14 363 652	8 757 002
Financial expense	(4 968 199)	(10 127 057)
Operating profit	90 432 745	81 806 741
Non-operating expense	(4 388 661)	(319 720)
Income before tax	86 044 084	81 487 021
Taxes	(13 833 706)	(9 234 360)
Net income (loss) for the period	72 210 378	72 252 661

Notes to the financial statements 2016

1. Accounting principles applied in the preparation of the financial statements

These financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (Art. 957 to 963b CO, effective since 1 January 2013). Significant balance sheet items are accounted for as follows:

1.1 Trade receivables

Trade receivables and other short-term receivables are carried at their nominal value.
Impairment charges are calculated for these assets on an individual basis; for the remainder, a general allowance of 5%, respectively 10%, has been made for Swiss, respectively non-Swiss receivable

1.2 Recognition of revenue

Revenues comprise all proceeds from the sale of Novelis Switzerland SA's standard products. Revenues from standard products are calculated on the basis of the product or service actually provided to the customer up to the balance sheet date. These revenues are recognised if the amount of revenue can be reliably measured and it is sufficiently probable that the economic benefits will flow to Novelis Switzerland SA.

1.3 Inventories

Inventories are valued at the lower of cost (acquisition or manufacturing cost) for spare parts and net realisable value for metal. Cost comprises all directly attributable costs of materials and production, and overheads necessary to bring the inventories to their present location and condition. Cost is determined using the weighted average method. Net realisable value is the estimated selling price less the estimated cost to completion and the estimated selling cost.
Impairment charges are made for unsellable inventory or inventory with a low turnover.
In addition, a general impairment charge of 33% has been recorded (excluding metal base)

	March 31, 2016 SFr	March 31, 2015 SFr
Raw materials	29 688 415	20 359 034
Work in progress	16 744 834	21 171 373
Finished goods	11 172 135	8 644 655
Consumables and supplies	8 126 492	7 629 143
Valuation adjustments	(7 118 202)	(5 617 408)
	58 613 673	52 186 797

Notes to the financial statements 2016

1.4 Non-current assets and leases

Property, plant and equipment is carried at cost or manufacturing cost less depreciation.
Assets held under finance leases are carried at the lower of the fair value of the asset and the present value of the minimum lease payments.
The related outstanding finance lease obligations are presented under liabilities.
The leased asset is initially capitalised at the lower of the present value of the lease payments and fair value. Lease instalments are broken down into interest and repayment amounts.
The leased asset is depreciated over the shorter of the lease term and the estimated life of the asset.

Depreciation is calculated on the basis of the following useful lives and in accordance with the following methods:

Property, plant and equipment	Useful life	Method
Building	33 to 40 years	100% linear
Machinery (production)	15 to 25 years	100% linear
Machinery (non-production)	3 to 15 years	100% linear
Vehicles	3 to 5 years	100% linear

Lease commitments not recorded in the balance sheet	**March 31, 2016** **SFr**	**March 31, 2015** **SFr**
Liabilities from capital leases	21 924 664	26 625 304
Future operating lease payments	17 203 411	18 720 321
	39 130 091	45 347 640

1.5 Assets pledged in favour of third parties

Casthouse	60 000 000	60 000 000
Trade accounts receivables	81 548 543	56 331 099
Cash	13 433	18 206
	141 561 976	116 349 305

At the balance sheet date Novelis Inc's senior secured facilities consisted of:
(1) a $1.8 billion seven-year secured term loan credit facility ("Term Loan Agreement"), and
(2) a $1.2 billion five-year asset based loan facility (ABL Facility), and
(3) a $0.2 billion 15-month subordinated secured lien revolving facilitiy ("Subordinated Lien Revolver")
All the assets of the Company, along with those of certain other companies in the Novelis Inc. group, have been pledged as security for these facilities.

As of March 31, 2016, the outstanding borrowing under the ABL facility is $394 million (2015: $609 million) for the Novelis Inc. Group.

The ABL Agreement and the Term Loan Agreement require Novelis AG and Novelis Switzerland SA, to enter into:
(i) a First Ranking Account Pledge Agreement related to the ABL Agreement, and
(ii) a Second Ranking Account Pledge Agreement related to the Term Loan Agreement (together, the "Pledge Agreements"). The Pledge Agreements provide collateral rights over certain assets of Novelis AG and Novelis Switzerland SA to the lending syndicates of the ABL Agreement and the Term Loan Agreement.

In addition to the Pledge Agreements, there are also non-recourse receivables purchase agreements in place between Novelis Switzerland SA and Novelis AG.
Pursuant to these agreements, Novelis Switzerland SA agreed to sell their receivables in arm's length transactions to Novelis AG. In June 2015 Novelis Inc. entered into an amended Agreement on the Term Loan Facility allowing Novelis Switzerland SA to factor their trade receivables to a third party. The existing non-recourse receivable purchase agreement between Novelis AG and Novelis Switzerland SA has been terminated in June 2015 based on the amended Term Loan Facility Agreement Subsequently to this termination in June 2015 Novelis Switzerland SA and Standard Chartered Bank, London Branch, enterred in a new receivable purchase agreement allowing Novelis Switzerland SA to factor their trade receivables for agreed customers.

1.6 Guarantee

	March 31, 2016 SFr	March 31, 2015 SFr
Guarantee in favour of Listex Sàrl, Sierre	3 000 000	3 000 000

1.7 Amounts due to pension funds

Amounts due to pension funds	636 515	615 985
	636 515	615 985

1.8 Other contingent liabilities

The Company is jointly liable for Swiss VAT with respect to the Novelis AG VAT Group.

1.9 Commitments

As of 31.03.2016, the company owns 476 (FY15: 172) open forward contracts for an estimated net fair value of -2'782'768 CHF (FY15: +2'318'405 CHF).

473 (FY15: 154) contracts hedging the FX rates risk for an estimated fair value amounting to -2'771'946 CHF (FY15: +2'585'634 CHF) and 3 (FY15: 18) contracts hedging the metal price risk for an estimated fair value amounting to -10'882 CHF (FY15: -267'229 CHF) .

The losses related to these contracts have not been considered in the net profit as they are dedicated to hedge future trade commitments. Therefore, any unrealized losses on the contracts are offset by the corresponding gains on futur trade commitments

1.10 Foreign currencies

Functionnal currency for Novelis Switzerland SA is CHF.
Non CHF transactions are recorded in CHF at public daily currency exchange rates
Non CHF translations for closure are recorded in CHF at monthend currency exchange rates

Notes to the financial statements 2016

1.11 Full-time equivalents

The number of full-time equivalents exceeds 250 on an annual average basis.

1.12 Derogation from the principle of continuity in the presentation.

Presentation of accounts for the past year has been changed for purpose of comparison.

2. Movements on retained earnings

(in Swiss Francs)	March 31, 2016 SFr	March 31, 2015 SFr
Retained earnings at the beginning of the period	228 856 057	156 603 396
Appropriations of retained earnings resolved by general meeting		
Dividends	0	0
Appropriations to general legal reserve	0	0
Net income for the period	72 210 378	72 252 661
Retained earnings at the disposal of the annual general meeting	301 066 435	228 856 057

Proposal of the board of directors for appropriation of retained earnings

	2016 Proposal of the board of directors
Gross dividend	0
Appropriation to general	0
legal reserve	0
To be carried forward	301 066 435
	301 066 435

NOVELIS LAMINES FRANCE SAS

Statutory auditor's report on the financial statements

(For the year ended 31st March 2016)

Statutory auditor's report on the financial statements

(For the year ended 31st March 2016)

To the sole shareholder
NOVELIS LAMINES FRANCE SAS
Technopolis – Bâtiment E
Rue Blaise Pascal
F-28000 - Chartres

In compliance with the assignment entrusted to us following the decision of the sole shareholder, we hereby report to you, for the year ended 31st March 2016, on:

the audit of the accompanying financial statements of Novelis Lamines France SAS;
the justification of our assessments;
the specific verifications and information required by law.

These financial statements have been approved by the President. Our role is to express an opinion on these financial statements based on our audit.

I - Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sample techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as 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.

PricewaterhouseCoopers Audit, 63, rue de Villiers 92208 Neuilly-sur-Seine Cedex
Téléphone: +33 (0)1 56 57 58 59, Fax: +33 (0)1 56 57 58 60, www.pwc.fr

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at and of the results of its operations for the year then ended in accordance with French accounting principles.

II - Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you that we have appraised the appropriate application of French accounting principles along with the reasonableness of the significant accounting estimates used.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.
We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the President, and in the documents addressed to the sole shareholder with respect to the financial position and the financial statements.

Neuilly-sur-Seine, May 11, 2016

The statutory auditor
PricewaterhouseCoopers Audit

Edouard Sattler

Financial statements

BALANCE SHEET ASSETS

			Note	Period N, closing at: Gross 1	Provision for depreciation 2	31/03/2016 Net 3	31/03/2015 Net 4
Capital subscribed, uncalled (I)			30				
CAPITAL ASSETS	INTANGIBLE ASSETS	Formation expenses	31				
		Development costs					
		Franchises, patents and other similar rights					
		Goodwill (1)					
		Other intangible assets					
		Intangible assets in progress					
		Payments on account					
	TANGIBLE ASSETS	Land					
		Buildings					
		Plant, machinery and equipment					
		Other tangible assets		19 880	19 880		
		Fixed assets in progress					
		Payments on account					
	FINANCIAL ASSETS (2)	Participating interests (equity method)					
		Other participating interests					
		LT receivables from related companies					
		Portfolio investments					
		Other fixed securities					
		Loans					
		Other financial assets		3 045		3 045	3 985
		Total (II)		**22 925**	**19 880**	**3 045**	**3 985**
CURRENT ASSETS	INVENTORIES	Raw materials and supplies	32				
		Work in progress - goods					
		Work in progress - services					
		Semi-processed and finished goods					
		Goods held for resale					
		Payments on account made	33				
	RECEIVABLES	Trade notes and accounts (3)	34	488 858		488 858	5 815
		Other receivables (3)		6 392 306		6 392 306	6 425 910
		Capital subscribed, called yet unpaid					
	OTHER	Investment securities (includ. shares:)	35				
		Cash instruments					
		Cash		48		48	48
ADJUSTMENT ACCOUNTS		Prepaid expenses (3)	36	1 300		1 300	1 776
		Total (III)		**6 882 513**		**6 882 513**	**6 433 549**
		Expenses of issue of loans to be spread out (IV)	36				
		Premiums on redemption of debt securities (V)					
		Translation differences (assets) (VI)					
		GRAND TOTAL (I à VI)		**6 905 438**	**19 880**	**6 885 558**	**6 437 534**

References : (1) including leasehold acquisition cost :		(2) Short term financial investments		(3) Amouth falling due + 1 year	
Reserve of title as security :	Fixed assets :	Inventories :		Receivables :	

BALANCE SHEET LIABILITIES

		Note	31/03/2016	31/03/2015
SHAREHOLDER EQUITY	Legal or share capital (1) (of which, paid up: 3 100 000)	40	3 100 000	3 100 000
	Premiums on share issues, mergers, contributions			
	Appraisal increase credit (2) (including difference via equity method)			
	Legal reserve (3)		310 000	310 000
	Statutory or contractual reserves			
	Regulated reserves (3) (Including special reserve for changes in price rates)			
	Other reserves (Including reserve for purchases of original works by live artists)		2 192	2 192
	Retained earnings carried forward		2 641 659	2 614 328
	NET INCOME OR LOSS OF THE PERIOD		143 259	27 332
	Investment subsidies			
	Regulated provisions			
	Total (I)		**6 197 109**	**6 053 851**
OTHER SHAREHOLD. EQUITY	Income from issues of equity interests	41		
	Conditional subsidies			
	Total (II)			
PROVISIONS FOR CONTING. & EXPENSES	Provision for contingency	42		
	Provision for expenses		60 823	103 461
	Total (III)		**60 823**	**103 461**
LIABILITIES (4)	Convertible debenture loans	43		
	Other debenture loans			
	Sums owed to lending institutions (5)			
	Sundry financial debts and borrowings (Including shareholder borrowings)			
	Payments on account received on orders in progress			
	Trade notes and accounts payable		17 845	31 028
	Tax and social liabilities		609 560	249 114
	Liabilities to fixed asset suppliers and related accounts			
	Other liabilities		220	81
	Cash instruments			
Adjustm. accounts	Prepaid income (4)	44		
	Total (IV)		**627 626**	**280 223**
Translation differences (liabilities)	(V)	44		
	GRAND TOTAL (I to V)		**6 885 558**	**6 437 534**

Footnotes	(1) Appraisal increase credit incorporated into the capital			
	(2) Including	Special revaluation reserve (1959)		
		Appraisal increase credit (2)		
		Revaluation reserve (1976)		
	(3) Including special long term gains reserve			
	(4) Prepayments (income and expenses) within one year		627 626	280 223
	(5) Including current bank borrowings, bank and post office account (CCP) credit balances			

PROFIT AND LOSS ACCOUNT FOR THE PERIOD

		1 - France	2 - Export	Note	31/03/2016	31/03/2015
	Number of months in period				12	12
OPERATING INCOME					Total	Total
	Sales of goods held for resale			50		
	Production sold – goods					
	Production sold – services		1 288 588		1 288 588	396 608
	NET TURNOVER (14)		1 288 588		1 288 588	396 608
	Production taken into inventory					
	Production capitalised					
	Operating subsidies					
	Provisions and depreciation written back, charges transferred (9)				455 674	1 115 582
	Other income (1) (11)				4	7
	Total operating income (2) (I)				**1 744 266**	**1 512 197**
OPERATING EXPENSES	Purchase of goods held for resale (including customs duty)			51		
	Inventory changes (goods held for resale)					
	Purchases of raw materials and supplies (including customs duties)					
	Changes of inventory (raw materials and supplies)					
	Other purchases and external charges (3) (6bis)				189 147	296 328
	Taxes, levies and similar payments				12 766	16 685
	Wages and salaries				925 822	719 592
	Payroll charges (10)				359 328	310 510
	Appropriation to depreciation of fixed assets					
	Appropriation to provisions for fixed assets					
	Appropriation to provisions for current assets					
	Appropriation to provisions for contingency and expenses				60 823	103 461
	Other expenses (12)				4	96
	Total operating expenses (4) (II)				**1 547 889**	**1 446 671**
1 - OPERATING INCOME OR LOSS (I - II)					**196 376**	**65 526**
INTERCPY TRANSACT.	Profit appropriated or loss transferred (III)			52		
	Loss appropriated or profit transferred (IV)					
FINANCIAL INCOME	Financial income from participating interests (5)			53		
	Other investment income and amounts owed (5)					14
	Other interest and similar income (5)					
	Provisions written back and charges transferred					
	Foreign exchange gains					
	Net gains on realisation of investments held as current assets					
	Total financial income (V)					**14**
FINANCIAL CHARGES	Allocation to financial assets and provisions			54		
	Interest and similar charges (6)					
	Foreign exchange losses					
	Net charges on realisation of investments held as current assets					
	Total financial charges (VI)					
2 - FINANCIAL PROFIT OR LOSS (V - VI)						**14**
3 - CURRENT INCOME OR LOSS BEFORE TAX (I-II+III-IV+V-VI)					**196 376**	**65 540**

PROFIT AND LOSS ACCOUNT FOR THE PERIOD

		Note	31/03/2016	31/03/2015
EXTRAORDINARY INCOME	Extraordinary income from operating transactions Extraordinary income from capital transactions Provisions written back and charges transferred	55	6 298	
	Total extraordinary income (VII)		**6 298**	
EXTRAORDINARY CHARGES	Extraordinary charges on operating transactions (6bis) Extraordinary charges on capital transactions Extraordinary allocation to depreciation and provisions	56	4 940	
	Total extraordinary charges (VIII)		**944**	
4 - EXTRAORDINARY INCOME OR LOSS (VII - VIII)			**5 354**	
	Employee profit share (IX)	57		
	Income tax (X)	58	58 472	38 208
	TOTAL INCOME (I+III+V+VII)		**1 750 564**	**1 512 211**
	TOTAL CHARGES (II+IV+VI+VIII+IX+X)		**1 607 305**	**1 484 879**
5 - PROFIT OR LOSS (total income - total charges) (15)			**143 259**	**27 332**

				31/03/2016	31/03/2015
Footnotes	(1)	Including payment instalments on long term transactions			
	(2)	Of which	- Income from real estate rentals - Income from prior period operations		
	(3)	Of which	- Property leasing - Real estate leasing		
	(4)	Of which, charges for prior period operations			
	(5)	Of which, income related to affiliated undertakings			
	(6)	Of which, interest related to affiliated undertakings			
	(6 bis)	Of which, gifts to agencies of general interest (Art.238 bis of the French tax code)			
	(9)	Of which, charges transferred		352 213	1 044 114
	(10)	Of which, personal contributions of the proprietor (13)			
	(11)	Of which, royalties for concession of patents, licences (income)			
	(12)	Of which, royalties for concession of trademarks, licences (charges)			
	(13)	Of which, premiums and additional personal contributions: optional	obligatory		
	(14)	Turnover in Euros and cents		1 288 588,00	396 608,23
	(15)	Net income or loss in Euros and cents		143 258,69	27 331,54

Notes

Note 10 - Highlights

One employee left the company following a contractual termination. As of March 31st, 2016, the number of employees is 5.

An other contractual termination has been signed before the closure of the accounts with effect from April 30 th, 2016. All the implications have been recorded.

Note 20 - Accounting principles

Accounting standards - General

The preparation and presentation of financial statements have been made pursant to PGC 2014 and the principles generally accepted in France.The application of the general conventions took place in accordance with the precautionary principle, of consistency, independence exercises and business continuity.

The items recorded in the accounts have been valued using the historical cost method.

Additional information on the balance sheet, income statement, as well as those relating to the company's commitments and various information are presented in the notes attached.

Accounting standards - Other information

The component approach introduced by CRC regulation 2002-10 on depreciation and asset impairment is applicable since 1 January 2005.

The inventory of property doesn't hold signifiant items that should be subject to decomposition.

Pursuant to Order (2005-1757 of 30 November 2005) and CRC (05-09 of November 3, 2005), by way of simplification, the plans for depreciation determined based on the useful lives of assets based on tax rules were preserved.

Note 31 - Fixed assets

Gross fixed asset transactions

Description	Gross value at beginning of period	Transactions of the period: Purchases	Transactions of the period: Disposals Transf. of items	Gross value at end of period
Intangible assets				
-Formation and development costs				
-Formation and development costs				
-Formation and development costs				
-Other intangible asset items				
Total				
Tangible assets				
-Land				
-Buildings . freehold				
. leasehold				
. general installations and improvements				
-Plant, industrial machinery and equipment				
-Other tangible assets				
. general installations and improvements				
. transportation equipment				
. office equipment	19 880			19 880
. miscellaneous, returnable containers				
-Fixed assets in progress				
-Payments on account				
Total	**19 880**			**19 880**
Financial assets				
-Participating interests assessed by the equity method				
-Other participating interests				
-Other fixed securities				
-Loans and other financial assets	3 985		940	3 045
Total	**3 985**		**940**	**3 045**
Grand total	**23 865**		**940**	**22 925**

Depreciation transactions

Depreciable fixed assets	Accumulated depreciation at beginning of the period	Transactions of the period		Accumulated depreciation at end of the period
		Allocation	Reduction	
Intangible assets				
- Formation and development costs				
- Formation and development costs				
- Formation and development costs				
Other intangible asset items				
Total				
Tangible assets				
- Land				
- Buildings . Freehold				
. Leasehold				
. General installations and improvements				
- Plant, industrial machinery and equipment				
- Other tangible assets				
. General installations and improvements				
. Transportation equipment				
. Office equipment	19 880			19 880
. Miscellaneous, returnable containers				
Total	**19 880**			**19 880**
Grand total	**19 880**			**19 880**

Statement of tangible assets

Description	Gross fixed assets	Depreciation	Net fixed assets
At beginning of the period	+ 19 880	+ 19 880	+
Revaluation of the period	+		+
Investments of the period	+		+
Allocation of the period		+	-
Disposals or retirements	-	-	-
Value at end of period	**= 19 880**	**= 19 880**	**= 0**

Financial asset transactions

Description	Amount
Value at beginning of the period	+ 3 985
Purchases	+
Increase by the equity method	+
Disposals, retirements or reduction via the equity method	- 940
Value at end of period	**= 3 045**

Depreciation method and term

Description	Method	Term
Intangible assets		
- Formation expenses		
- Development costs		
- Franchises, patents and other similar rights		
- Goodwill		
- Other intangible assets		
Tangible assets		
- Land		
- Buildings		
- Plant, machinery and equipment		
- Other tangible assets		
- General installations and improvements		
- Transportation equipment		
- Office equipment	Straight line	120, 36 et 24 month
- Miscellaneous, returnable containers		

Note 34 - Accounts receivable

Accounts receivable were valued at the face value.

Provision for doubtful accounts are recorded when Novelis Lamines assesses the recoverable value to be lower than the face value in particular when collection difficulties arise.

Note 36 - Adjustment accounts: assets

Breakdown of prepaid charges

Description	Period		Operating	Financial	Extraordinary
	to	from			
CCA LOCATION CONTENEUR	01/04/2016		379		
CCA SISTEL	01/04/2016		544		
CCA THELEM	01/04/2016		377		
		Totals	1 300		

Note 40 - Shareholder equity

Composition of registered capital

Description	Shares or partnership interests		
	Number	Unit value	Total
At beginning of the period	200000	15,50	3 100 000
Issued during the period			
Redeemed during the period			
At end of the period	200000	15,50	3 100 000
Increase of capital by incorporation of reserves			
Reduction of capital by use of reserves			

Note 60 - Other information

Charge transfer

Over the year, the amount of expense transfers is 352 213.

Consolidation company name by full accounts integration

Novelis Inc.
231 Church Street - Mississauga - Ontario L5M 1N1
TORONTO
CANADA

Breakdown of accrued charges

Description	Amount
CFE A PAYER - Etablissement princ	470
CHARGES SOCIALES/CONGES A PAYER	13 954
CMS LEFEBVRE JURIDIQUE-HONORAIRES	2 400
CONGES A PAYER BRUTS	31 009
CPLT MUTUELLE 01-02/16 PART PATRONA	18
Payables	1 249
PROVISION BONUS FY2016	81 105
PROVISION INDEMNITE RUPTURE CHANIAL	92 991
PROVISION INDEMNITE RUPTURE CHANIAL	306 652
PWC-HONORAIRES 31/03/2016	3 600
Tax and social liabilities	2 117
TVS à payer	837
Total	**536 401**

Breakdown of accrued income

Description	Amount
REFACT. INDEMNITE RUPTURE CHANAL	399 643
REFACTURATION BONUS FY2016	89 216
Total	**488 858**

Retirement liabilities

Rights acquired by employees for the retirement indemnity, taking into account a probability of presence in the company at the retirement age, rise to 60 823 €.

The method is in accordance with the ANC 2013-02 recommendation. The retirement indemnity is calculated in compliance with the projected method. This amount is recorded.

This amount is calculated by taking into account the following assumtpions :

- Manner of calculation is in compliance with the collective agreement "Métallurgie Eure-et-Loir"
- Retirement age 62 years old
- Latest mortality table set up by INSEE
- Turnover low

- Discount rate (TMOP)	1,19 %
- Initiative of the retirement	employee
- Social and fiscal charges rate	45,05 %
- Payrise annual rate	2 %

Maturity of receivables

Statement of receivables	Gross amount	Within 1 year maximum	After 1 year
Receivables from undertakings in which interests are held			
Loans (1) (2)			
Other financial assets			
Doubtful or contested accounts			
Other customer receivables	488 858	488 858	
Amounts owed from loaned securities (Provision for loss in value, constituted in prior periods)			
Personnel and related accounts			
Social security and and other social agencies	896	896	
Income tax			
Value added tax	8 886	8 886	
Other taxes, levies and similar payments			
Miscellaneous			
Group and partners (2)	6 377 249	6 377 249	
Sundry debtors (receivables relating to repo agreements)	5 275	5 275	
Prepaid expenses	1 300	1 300	
Totals	**6 882 464**	**6 882 464**	

(1) Sum of	- Loans granted during the period	
	- Repayments obtained during the period	
(2) Loans and advances to partners (individuals)		

Maturity of liabilities

Statement of liabilities		Gross amount	Within 1 year maximum	Between 1 and 5 years max.	After 5 years
Convertible debenture loans (1)					
Other debenture loans (1)					
Sums owed to lending institutions (1)	Original maximum 1 year term				
	Original greater than 1 year term				
Sundry financial debts and loans (1) & (2)					
Supplier and related accounts		17 845	17 845		
Personnel and related accounts		418 766	418 766		
Social security and other social agencies		165 271	165 271		
Income tax		20 264	20 264		
Value added tax					
Secured bonds					
Other taxes, levies and similar payments		5 259	5 259		
Debts to fixed asset suppliers and related accounts					
Group and partners (2)					
Other liabilities		220	220		
Debts on loaned securities					
Prepaid income					
Totals		**627 625**	**627 625**		
(1) Borrowings subscribed during the period			(2) Sums owed to partners (individuals)		
Borrowings repaid during the period					

Statement of provisions

Type of provisions	Amount at beginning of the period	Increase: allocations of the period	Reduction: reversals of the period	Amount at end of the period
REGULATED PROVISIONS				
Provisions for depletion of mining and oil reserves				
Investment provisions (Art.237 bis A-II)				
Provisions for price increases				
Derogatory depreciation (regulated)				
Derogatory depreciation (regulated)				
Provision for business set-up loans (Art.39d (quinquies) H of CGI)				
Other regulated provisions				
Total (I)				
PROVISIONS FOR CONTINGENCY AND EXPENSES				
Provisions for lawsuit contingency				
Estimated liability under warranties				
Provisions for unrealised losses on futures markets				
Provisions for fines and penalties				
Provisions for foreign exchange losses				
Provisions for pension plans and similar requirements	103 461	60 823	103 461	60 823
Tax provisions				
Provisions for renewal of fixed assets				
Provisions for large maintenance and great revisions				
Accrued payroll charges on unpaid holiday				
Other provisions for contingency and expenses				
Total (II)	**103 461**	**60 823**	**103 461**	**60 823**
PROVISION FOR LOSS IN VALUE				
on fixed assets - intangible				
on fixed assets - tangible				
on fixed assets - securities via the equity method				
on fixed assets - participating interests				
on fixed assets - other financial assets				
On inventories				
On customer accounts				
Other provisions for loss in value				
Total (III)				
Total (I + II + III)	**103 461**	**60 823**	**103 461**	**60 823**
including allocations and reversals -operating		60 823	103 461	
including allocations and reversals -financial				
including allocations and reversals -extraordinary				
Securities assessed by the equity method: depreciation at closing computed in pursuance of Article 39-1-5quinquies of French tax code.				

pwc

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the shareholders of
Novelis Italia SpA

Report on the financial statements

We have audited the accompanying financial statements of Novelis Italia SpA, which comprise the balance sheet as of 31 March 2016, the income statement for the year then ended and related notes.

Directors' responsibility for the financial statements

The directors of Novelis Italia SpA are responsible for the preparation of financial statements that give a true and fair view in compliance with the Italian laws governing the criteria for their preparation.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional 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 financial statements that give a true and fair view, 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 the directors, 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.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 6.890.000,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40122 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wührer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37122 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

www.pwc.com/it

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Novelis Italia SpA as of 31 March 2016 and of the result of its operations for the year then ended in compliance with the Italian laws governing the criteria for their preparation.

Report on compliance with other laws and regulations

Opinion on the consistency of the report on operations with the financial statements

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations, which is the responsibility of the directors of Novelis Italia SpA, with the financial statements of Novelis Italia SpA as of 31 March 2016. In our opinion, the report on operations is consistent with the financial statements of Novelis Italia SpA as of 31 March 2016.

Milan, 18 May 2016

PricewaterhouseCoopers SpA

Signed by

Stefano Bravo
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

NOVELIS ITALIA SPA

Company subject to the management and co-ordination activities of Hindalco Industries Ltd

Registered office: VIA VITTORIO VENETO 106 - BRESSO (MI)

Share capital: € 96,000,000.00 fully paid-up

Registered at the Milan Chamber of Commerce for Industry, Agriculture and Handicraft

Tax code no. and Register of Companies 04598460964

VAT no. 04598460964 - Rea (Administrative Economic Register) no. 1760001

Directors' Report as at 31 March 2016

All amounts are expressed in euros

Dear Shareholders,

the financial year ending 31 March 2016 closed with a net income of € 889,230 after depreciation/amortisation of € 6,417,263, provision for doubtful accounts for € 142,453, extraordinary charges for restructuring equal to € 505,225, and the charge for income taxes of € 337,960.

Operative conditions and development of activity

Pursuant to Art. 2428 of the Italian Civil Code, the aluminium rolling and recycling activities have been carried out in the Bresso registered office, the Pieve Emanuele plant, as well as the San Martino Buon Albergo (VR) and Campi Bisenzio (FI) Distribution Centres.

Increase in demand for rolled aluminium products and diversification of product portfolio

In the course of the financial year, the demand for rolled aluminium products was higher than expectations and the previous year's figures with a rise in revenues from sales of 3%, thanks to the extension of the product range and the increased export of pre-painted products.
With regard to pre-painted products, there has been an increase in export in Central and Northern Europe while demand continues to be weak in the countries of Southern Europe, mainly in Italy, France, Greece, Spain and Portugal.
The Company has decided to expand its product portfolio in collaboration with the R&D centres of the Novelis group. Qualification process of non-painted rolled products for the production of cans will be completed in the course of the next financial year.
The additional volumes compared to the previous financial year have led to a better utilization of production lines, greater absorption of fixed costs and a consequent improvement in profitability.

Performance of operations, restructuring and corporate reorganisation

In the year under review, the Company continued to adopt a sales approach oriented towards products with higher margins and also a new strategy of penetration in the geographical area of Central and Northern Europe.

The financial year saw the completion of a restructuring programme, which also through the use of shock absorbers, brought to a reduction in the personnel employed in the support functions in order to reduce overhead costs, improve profitability and find positive results for the year.
In light of the reduction in the support functions workforce, in the second half of the financial year, it was necessary to recruit workers on fixed-term contracts to meet the increased export of pre-painted products and the qualification of new products allotted for use in can production.

Optimisation of cash flows and improvement of customer services

In order to increase sales volumes, reduce delivery times and improve customer services, during the financial year, the Company increased the stocks of finished products.
Following this increase in the stocks of finished products, the Company further strengthened the reduction programs of capital employed through careful management of inventories and semi-finished products and by extending the plan regarding the assignment of trade receivables without recourse, which has now been extended to more customers.
The combined effect of these actions allowed the level of the working capital to be maintained at similar levels to those of the previous financial year.

Development of the manufacturing process and R&D activities

The investments made in the Pieve Emanuele and Bresso plants also continued in the course of the financial year, as better explained below.
No other R&D activities, which are guaranteed by the Group research centres, have been carried out locally.

Objectives and policies concerning financial risk management

The Company is subject to the following risks:

- exchange rate fluctuations;
- fluctuations in the price of raw materials (mainly aluminium);
- fluctuations in interest rates;
- credit risk;
- risk of health and safety at the workplace;
- compliance risks.

Against the exchange rate risk and the risk of fluctuations in the price of raw materials, hedging strategies are entered into exclusively through forward purchases of foreign currency and metal. These purchases have been made exclusively against commitments and risks well identified and without any speculative purposes. All the hedging contracts have been made exclusively through the Treasury Management of the Novelis Group.

With regard to the interest rate risk and the optimisation of financial flows, since October 2011 the Company has adhered to a cash pooling procedure, which involves all the related companies with registered office in Europe managed by Novelis AG and implies an optimization of financial flows and a better coverage of the interest rate risk.

With reference to the credit risk, we report that there are no significant concentrations of trade receivables since the Company has very diversified customers from a geographical point of view and in relation to the segment of rolled products in which the same operates.
It should be reported that the European division stipulated a credit insurance policy that covers all the related concerns carrying out productive activities in Europe thus reaching a significant reduction in the credit risk. Furthermore, the agreement of assignment of receivables without recourse, which was stipulated in December 2013, translated into a further reduction in the credit risk.

Against the risks of health and safety at the workplace and environment connected with the corporate activity, the Company arranged to ensure the compliance with law requirements, prepared an Integrated Manual for the Management of Environment, Health and Safety in the Workplace and obtained the ISO 14001 and BSI OSHAS 18001 certifications.
In July 2008, the Company introduced the Organisation, Management and Control Model as per Legislative Decree 231/2001, latest update approved in December 2015.
In this respect, it should be specified, that in the course of the financial year, the Supervisory Board provided by Legislative Decree 231/2001 performed its activity regularly and prepared the annual report as set forth in Art. 4.1 of the Organisation, Management and Control Model. During the year, the Supervisory Board did not receive any significant notice or specific intervention requests and did not report any behaviour or conduct such as to infringe the provisions contained in Legislative Decree 231/2001.

Costs

The main costs related to operating activities can be summarised as follows:

Description	31/03/2016	31/03/2015
Personnel costs	24,411,906	24,023,586
Costs of services	32,937,116	34,639,248
Amortisation, depreciation and write-downs	6,559,716	6,896,586

The average workforce totalled some 387 units compared with approximately 386 units in the previous financial year. Overall there was a slight increase in personnel costs of about € 388 thousand, equal to 2%. The per capita cost for the year was approximately € 64 thousand, which is in line with the previous financial year.

Overall, the costs of services decreased by € 1,702 thousand compared to the previous financial year. As mentioned in the Notes to the Financial Statements, the item "Purchases of services" recorded an increase due to the new type of employment contract and the lower Intercompany costs.

Description	31/03/2016	31/03/2015
Change in inventories of work in progress, semi-finished and finished products	-754,298	-2,257,198
Raw, ancillary and consumable materials	121,575,192	120,694,378
Change in inventories of raw, ancillary, and consumable materials	-10,459	417,894
Total cost of material	**120,810,435**	**118,855,074**

The cost of raw materials rose by 1% compared to the previous financial year thanks to the turnover increase, however partially offset by the reduction in the price of aluminium.

Gross sales margin

The margin on sales is shown below.

Description	31/03/2016	31/03/2015
Revenues from sales and rendering of services	184,978,352	180,098,638
Total cost of material	120,810,435	118,855,074
Gross sales margin	**64,167,917**	**61,243,564**
Other revenues and income	7,055,737	5,284,153

The gross sales margin showed an increase of 5%, resulting from the turnover increase, the improvement of productivity, the reduction in production scraps and restructuring programmes.

Financial position and indicators

Description	31/03/2016	31/03/2015
Bank deposits	9,370	16,608
Cash on hand	16,064	13,715
Cash and cash equivalents	**25,434**	**30,323**
Bank borrowings (within 12 months)	1,082	0
Short-term borrowings	**1,082**	**0**
Short-term financial position	**24,352**	**30,323**
Position towards group companies for cash-pooling	-9,852,826	-9,979,535
Net financial position	**-9,828,474**	**-9,949,212**

The Cash Flow Statement is presented at the foot of the Notes to the Financial Statements; the net financial position recorded a slight decrease compared to the previous financial year.

The Reclassified Income Statement is as follows:

Description	31.03.2016	31.03.2015
Revenues from sales	184,978,352	180,098,638
Change in inventories	754,298	2,257,198
VALUE OF PRODUCTION OBTAINED	**185,732,650**	**182,355,836**
Raw, ancillary and consumable materials	121,575,192	120,694,378
Change in inventories of raw, ancillary and consumable materials	-10,459	417,894
CONSUMPTION OF MATERIALS	**121,564,733**	**121,112,272**
GROSS MARGIN	**64,167,917**	**61,243,564**
Costs of services	32,937,116	34,639,248
Leases and rentals	983,260	747,739
Other operating expenses	1,195,250	1,416,686
EXTERNAL COSTS	**35,115,626**	**36,803,673**
VALUE ADDED	**29,052,291**	**24,439,891**
Other revenues	7,055,737	5,284,153
Personnel costs	24,411,906	24,023,586
Ebitda	**11,696,122**	**5,700,458**
Amortisation, depreciation and write-downs	6,559,716	6,896,586
Provisions for risks	0	7,176
OPERATING RESULT	**5,136,406**	**-1,203,304**
Financial income	182	883,188
Financial charges	-3,463,990	-2,524,138
FINANCIAL CHARGES - NET	**-3,463,808**	**-1,640,950**
Extraordinary income	169,694	3
Extraordinary charges	-615,102	-1,393,471
NON-OPERATING CHARGES/INCOME - NET	**-445,408**	**-1,393,468**
Income taxes	337,960	674,549
NET RESULT	**889,230**	**-4,912,271**

Below are specified the indicators of non-current assets financing and the debt structure ratios:

	31/03/2016	31/03/2015
Primary margin		
=Shareholders' equity - (Non-current assets +Receivables classified under current assets after 12 months)	-3,394,596	-6,197,509
Primary ratio		
=Shareholders' equity / (Non-current assets + Receivables classified under current assets after 12 months)	0.95	0.91
Secondary margin		
=Shareholders' equity + Consolidated liabilities- (Non-current assets + Receivables classified under current assets after 12 months)	334,062	-2,042,575
Secondary ratio		
=(Shareholders' equity + Consolidated liabilities)/ (Non-current assets + Receivables classified under current assets after 12 months)	1.00	0.97
Debt to equity ratio		
=(Current liabilities + Consolidated liabilities)/Shareholders' equity	0.88	0.92
Financial debt to equity ratio		
= Financial payables/Shareholders' equity	0.15	0.16

Investments

The Company made investments for € 4.1 million during the financial year in order to improve the painting lines at the Bresso plant, maintain productive efficiency, reduce energy consumption and increase the level of safety and environmental protection.

Transactions with parent companies and Novelis group companies

Valuation criteria applied to the intra-group transactions

(Disclosure pursuant to Art. 4, para. 1 bis of Legislative Decree no. 74 of 10 March 2000)

The Company carried out several transactions with some Group companies in the course of the financial year.

Specifically, intra-group transactions are grouped into these homogeneous categories:

a) Centralised treasury management (cash pooling);

b) Supply of administrative and management services ("Management Service Agreement");

c) Purchase and sale of raw materials and semi-finished goods (metal).

In order to ensure a correct transparency in the accounts, it should be noted that in the financial year under review related party transactions have been carried out at arm's length.

The Company has supported the choice of such methods through the results of studies commissioned by the Company to professionals and top-notch consulting firms. Technical and economic specifications relating to the application of the said methods are outlined in the documents relating to Transfer Pricing drawn up for this purpose.

Together with a description of each intra-group transaction, below is provided a brief analysis of the method adopted.

a) Centralised treasury management

This service is represented by the centralized management of the Group liquidity.
The centralization of cash management means that the Company, like any other company adhering to the cash pooling agreement, should transfer on a daily basis its positive or negative balance of the current account to the master account of the "pool leader" i.e. Novelis AG.

In accordance with the provisions set forth in the "Cash pooling agreement", the related concern manages the group treasury by granting loans or depositing liquid funds.

During the tax period, in compliance with the cash pooling agreement, the Company accrued interest expense for a total amount of € 263 thousand. Interests are determined on the basis of the parameters established contractually in relation to the LIBOR rate.

The economic reasons, which led the Company to enter into a cash pooling agreement with Novelis AG, appear easy to understand; the pool leader, in fact, is able to manage on a daily basis the positive/negative balance of the companies in accordance with the agreement allowing them to have sufficient availability of capital to meet their commitments.

Moreover, taking on the exchange-rate risk and the risk of fluctuations in interest rates, the position of the companies participating in the agreement is safeguarded.

b) Supply of administrative and management services ("Management Service Agreement")

The Company has availed of services provided by the Group companies, which charged back the costs mainly related to the centralization of part of the business activities.

The Company, in the course of the financial year, recorded costs for services in accordance with the "Management Service Agreement" for a total amount of € 2.1 million and, likewise, recorded revenues from services for a total amount of € 1.3 million.

The recharged cost mainly refers to administrative, management, risk management, business development, information technology, legal advice and collection services. For these services and as provided by the contract, the Company commits to pay to the Group companies and to receive from the same a consideration equal to the direct and indirect cost incurred to provide that specific service, plus a mark-up, which varies on the basis of the service provided.

The services provided by and received from the Group companies include both ordinary support services and additional services of high value.

c) Purchase and sale of raw materials and semi-finished goods (metal)

The determination of transfer pricing is as follows:

- The raw materials are purchased and sold at a price equal to the London Metal Exchange quotation with respect to the specific raw material plus the shipping costs and any other customs duties, if applicable.
- The semi-finished goods are purchased and sold at a price equal to the London Metal Exchange quotation with respect to the specific semi-finished good plus the shipping costs and any other customs duties if applicable, and a premium which substantially reflects the production cost already incurred by the transferors. The premium thus represents the additional revenue component for the transferor compared to the mere recharging of the costs incurred for the transformation of the raw material into semi-finished good.

Moreover, during the financial year under review, the Company recorded revenues amounting to € 5.5 million for Market assistance fees from the parent company Novelis Inc., as reported in the Notes to the Financial Statements.

Break-down of intra-group transactions

The transactions outstanding at 31 March 2016 and the costs and revenues pertaining to the year under review are summarized in the following table.

Commercial and financial transactions	Revenues from sales	Revenues from services	Fees charged	Purchase of goods	Costs of services	Metal Hedging Income and (charges)	Financial income and (charges)	Receivables	Payables	Cash pooling receivables/(payables)
Parent companies:										
Novelis Inc. Global Research					624,863				114,604	
Novelis Inc - US Branch					2,111,011					
Novelis Inc.			5,491,630					5,491,632		
Total parent companies	**0**	**0**	**5,491,630**	**0**	**2,735,874**	**0**	**0**	**5,491,632**	**114,604**	**0**
Related concerns:										
Novelis AG Zurigo		286,597			2,367,495	616,038	-781,897	912,832	279,827	-9,852,826
Novelis Deutschland Gmbh	6,664,415	135,180		18,428,443	116,940			845,832	1,279,142	
Novelis Sheet Ingot Gmbh		245,775						57,387		
Novelis Corporation		484,360						132,142		
Novelis Switzerland SA	98,134			8,999,112					355,714	
Novelis Korea		121,938								
Novelis Services Limited (UK)					514,844					
Novelis Laminee France					144,134				24,764	
Novelis PAE				72,125					12,586	
Total related concerns	**6,762,548**	**1,273,850**	**0**	**27,499,681**	**3,143,413**	**616,038**	**-781,897**	**1,948,193**	**1,952,034**	**-9,852,826**

Transactions with the company which carries out the management and co-ordination activities

The Company is indirectly controlled by the company Hindalco Industries Ltd, which belongs to the Aditya Birla Group based in Mumbai (India).
The balance-sheet and income statement data of Hindalco Industries Ltd, which carries out the management and co-ordination activities, are shown in the Notes to the Financial Statements.

Treasury shares

The Company does not hold treasury shares, or hold shares or quotas in the parent companies; furthermore, the Company did not purchase or sell treasury shares in the course of the financial year.

Information on personnel and environment

With regard to personnel, in the course of the year, there were:

- no reports of casualties of the personnel registered in the Libro Unico del Lavoro (labour book);
- no reports of serious accidents at work, that entailed serious or dangerous injuries of the personnel registered in the Libro Unico del Lavoro;
- no charges for occupational diseases on employees or former employees and mobbing lawsuit for which corporate liability was confirmed.

With regard to information on environment, no environment-related damages have been reported in the course of the financial year, for which the Company was declared liable; no sanctions or penalties for environmental damages or crimes were inflicted on the Company.
The Company does not fall within the requirements provided for by Law 316/2004.

Significant events subsequent to year-end

No subsequent events occurred after the year end.

Outlook

The outlook for the year ahead sees a slight increase in the demand for pre-painted products in Central and Northern Europe, and in the non-EU countries.
In the course of the financial year, the Company will continue to develop new products in order to complete the qualification process of rolled products for the production of cans, also for the varnishing part which will be executed at the Bresso plant.
Because of the weak demand in the Italian and South-European market, the Company will keep on implementing the commercial strategy aimed at increasing the export share in Central Europe.

Allocation of the result for the year

Dear Shareholders,
the financial year as at 31 March 2016 closed with a net income of € 889,230.

In accordance with the provisions of current laws and the Company's by-laws, we propose that the net income for the year be allocated as follows:

- € 44,462 to legal reserve;
- the remaining part as a reduction of the accumulated losses carried forward.

Steven Kenneth Clarke
Member of the Board of Directors
Bresso, 18 May 2016

NOVELIS ITALIA SPA

Company subject to the management and co-ordination activities of Hindalco Industries Ltd

Registered office: VIA VITTORIO VENETO 106 - BRESSO (MI)

Share capital: € 96,000,000.00 fully paid-up

Registered at the Milan Chamber of Commerce for Industry, Agriculture and Handicraft

Tax code no. and Register of Companies 04598460964

VAT no. 04598460964 - Rea (Administrative Economic Register) no. 1760001

Financial Statements as at 31 March 2016

BALANCE SHEET

ASSETS	31/03/2016	31/03/2015
A) RECEIVABLES FROM SHAREHOLDERS FOR PAYMENTS STILL OWED		
Total receivables from shareholders for payments still owed (A)	0	0
B) NON-CURRENT ASSETS		
I – Intangible assets		
4) Concessions, licences, trademarks and similar rights	99,385	115,514
7) Other	101,341	128,260
Total intangible assets (I)	200,726	243,774
II – Property, plant and equipment		
1) Land and buildings	25,339,609	26,125,884
2) Plant and machinery	38,776,116	40,484,148
3) Industrial and commercial equipment	966,847	1,024,977
4) Other assets	1,015,699	1,516,060
5) Assets under construction and advances paid	914,213	414,521
Total property, plant and equipment (II)	67,012,484	69,565,590
III – Financial assets		
1) Equity investments		
d) other companies	3,590	3,613
Total equity investments (1)	3,590	3,613

2) Trade and Other Receivables		
d) due from others		
within 12 months	1,636,047	1,636,047
after 12 months	352,597	352,597
Total due from others	1,988,644	1,988,644
Total trade and other receivables (2)	1,988,644	1,988,644
Total financial assets (III)	1,992,234	1,992,257
Total non-current assets (B)	**69,205,444**	**71,801,621**
C) CURRENT ASSETS		
I) Inventories		
1) Raw materials, supplies & consumables	7,337,375	7,326,916
2) Work in progress and semi-finished products	13,853,266	14,220,685
4) Finished products and goods for resale	12,928,209	11,806,492
Total inventories (I)	34,118,850	33,354,093
II) Receivables		
1) Trade receivables		
within 12 months	11,720,358	13,110,722
Total trade receivables (1)	11,720,358	13,110,722
4) Due from parent companies		
within 12 months	5,491,632	4,478,362
Total due from parent companies (4)	5,491,632	4,478,362
4-bis) Tax receivables		
within 12 months	581,122	73,342
after 12 months	1,005,452	239,738
Total tax receivables (4-bis)	1,586,574	313,080
4-ter) Deferred tax assets		
after 12 months	100,277	183,497
Total deferred tax assets (4-ter)	100,277	183,497

5) Due from others		
within 12 months	3,761,851	3,562,206
Total due from others (5)	3,761,851	3,562,206
Total receivables (II)	22,660,692	21,647,867
IV – Cash and cash equivalents		
1) Banks and post office accounts	9,370	16,608
3) Cash on hand	16,064	13,715
Total cash and cash equivalents (IV)	25,434	30,323
Total current assets (C)	**56,804,976**	**55,032,283**
D) ACCRUED INCOME AND PREPAID EXPENSES		
Accrued income and prepaid expenses	239,700	313,297
Total accrued income and prepaid expenses (D)	**239,700**	**313,297**
TOTAL ASSETS	**126,250,120**	**127,147,201**

BALANCE SHEET

LIABILITIES	31/03/2016	31/03/2015
A) SHAREHOLDERS' EQUITY		
I – Share capital	96,000,000	96,000,000
IV – Legal reserve	611,647	611,647
VII - Other reserves, shown separately		
Amounts paid-in for future capital increase	10,000,000	10,000,000
Total other reserves (VII)	10,000,000	10,000,000
VIII - Retained earnings (accum. losses) carried forward	-40,584,300	-35,672,029
IX - Net income (loss) for the year	889,230	-4,912,271
Total shareholders' equity (A)	**66,916,577**	**66,027,347**
B) PROVISIONS FOR RISKS AND CHARGES		
1) Retirement benefit obligations	417,730	409,357
3) Others	452,093	1,377,152

Total provisions for risks and charges (B)	**869,823**	**1,786,509**
C) STAFF LEAVING INDEMNITY (TFR)	**3,310,928**	**3,735,641**
D) PAYABLES		
4) Bank borrowings		
within 12 months	1,082	0
Total bank borrowings (4)	1,082	0
7) Trade payables		
within 12 months	36,778,405	36,188,503
Total trade payables (7)	36,778,405	36,188,503
11) Due to parent companies		
within 12 months	114,604	180,551
Total due to parent companies (11)	114,604	180,551
12) Tax payable		
within 12 months	334,701	614,623
Total tax payable (12)	334,701	614,623
13) Due to insurance and pension institutes		
within 12 months	1,772,684	1,843,724
Total due to insurance and pension institutes (13)	1,772,684	1,843,724
14) Other payables		
within 12 months	16,151,316	16,760,367
after 12 months	0	9,936
Total other payables (14)	16,151,316	16,770,303
Total payables (D)	**55,152,792**	**55,597,704**
E) ACCRUED LIABILITY AND DEFERRED INCOME		
Total accrued liability and deferred income (E)	**0**	**0**
TOTAL LIABILITIES	**126,250,120**	**127,147,201**

MEMORANDUM ACCOUNTS

	31/03/2016	31/03/2015
1) Hedging transactions (forward contracts)	22,603,944	17,272,619
2) Guarantees issued in favour of third parties (sureties)	733,614	733,614
3) Metal hedging transactions	12,664,032	7,369,322
TOTAL MEMORANDUM ACCOUNTS	36,001,590	25,375,555

INCOME STATEMENT

	31/03/2016	31/03/2015
A) VALUE OF PRODUCTION (REVENUE):		
1) Revenues from sales and rendering of services	184,978,352	180,098,638
2) Change in inventories of work in progress, semi-finished and finished products	754,298	2,257,198
5) Other revenues and income		
Miscellaneous	7,055,737	5,284,153
Total value of production (A)	192,788,387	187,639,989
B) PRODUCTION COSTS:		
6) Raw, ancillary and consumable materials	121,575,192	120,694,378
7) Costs of services	32,937,116	34,639,248
8) Leases and rentals	983,260	747,739
9) Personnel costs:		
a) Wages and salaries	16,321,403	17,084,482
b) Social security contributions	6,666,630	5,782,855
c) Staff leaving indemnity	1,355,508	1,129,668
e) Other costs	68,365	26,581
Total personnel costs (9)	24,411,906	24,023,586
10) Amortisation, depreciation and write-downs:		
a) Amortisation of intangible assets	53,051	48,942
b) Depreciation of property, plant and equipment	6,364,212	6,544,613

d) Write-downs of receivables included under current assets and cash and cash equivalents	142,453	303,031
Total amortisation, depreciation and write-downs (10)	6,559,716	6,896,586
11) Change in inventories of raw, ancillary, and consumable materials	-10,459	417,894
12) Provisions for risks	0	7,176
14) Other operating expenses	1,195,250	1,416,686
Total production costs (B)	187,651,981	188,843,293
Difference between production value and cost (A-B)	5,136,406	-1,203,304
C) FINANCIAL INCOME AND CHARGES:		
16) Other financial income:		
d) Income other than the foregoing		
Others	182	3,822
Total other financial income (16)	182	3,822
17) Interest and other financial charges		
Others	2,951,168	2,524,138
17-bis) Exchange gains and losses	-512,822	879,366
Total financial income and charges (C) (15+16-17+-17-bis)	-3,463,808	-1,640,950
D) VALUATION ADJUSTMENTS TO FINANCIAL ASSETS:		
Total valuation adjustments to financial assets (D) (18-19)	0	0
E) EXTRAORDINARY INCOME AND CHARGES:		
20) Income		
Gains from disposals, which cannot be recorded under no. 5	75,798	0
Other	93,896	3
Total income (20)	169,694	3
21) Charges		
Losses from disposals, which cannot be recorded under no. 14	109,877	0
Other	505,225	1,393,471
Total charges (21)	615,102	1,393,471

Total extraordinary income and charges (E) (20-21)	-445,408	-1,393,468
PRE-TAX RESULT (A-B+-C+-D+-E)	1,227,190	-4,237,722
22) Current and deferred income taxes for the year	337,960	674,549
23) INCOME (LOSS) FOR THE YEAR	889,230	-4,912,271

Member of the Board of Directors:

NOVELIS ITALIA SPA

Company subject to the management and co-ordination activities of Hindalco Industries Ltd

Registered office: VIA VITTORIO VENETO 106 - BRESSO (MI)

Share capital: € 96,000,000.00 fully paid-up

Registered at the Milan Chamber of Commerce for Industry, Agriculture and Handicraft

Tax code no. and Register of Companies 04598460964

VAT no. 04598460964 - Rea (Administrative Economic Register) no. 1760001

Financial Statements as at 31 March 2016

All amounts are expressed in euros

Preamble

The financial year ending 31 March 2016 closed with a net income of € 889,230, after depreciation/amortisation of € 6,417,263, provision for doubtful accounts for € 142,453, extraordinary charges for restructuring equal to € 505,225, and the charge for current income taxes of € 337,960.

Business carried out

Pursuant to Art. 2428 of the Italian Civil Code, the aluminium rolling and recycling activities have been carried out in the Bresso registered office, the Pieve Emanuele plant, as well as the San Martino Buon Albergo (VR) and Campi Bisenzio (FI) Distribution Centres.

Group structure

The Company is controlled by the Novelis Inc. Group, based in the USA, through the English subsidiary Novelis Europe Holdings Limited. In May 2007, the Aditya Birla Group, which is one of the main industrial groups in India, acquired the majority of the share capital of the Group parent Novelis Inc.. Therefore the Company is subject to the management and co-ordination of Hindalco Industries Ltd, company belonging to the Aditya Birla Group, which deals with the production and marketing of metals.

Below is presented the latest available data relating to the consolidated financial statements of Hindalco Industries Ltd (in $ millions):

	Financial year as at 31 March 2015
Fixed assets	13,811
Other assets	3,889
Total assets	17,700
Current liabilities	10,986
Deferred taxes	411
Minority interests	153
Shareholders' equity	6,150
Total liabilities and shareholders' equity	17,700

	Financial year as at 31 March 2015
Net revenues	17,059
Costs	15,596
Operating result before taxes and other items	1,463
Income taxes	-42
Other revenues	181
Other items	-778
Interest	-684
Net result	140

For an adequate and complete understanding of the financial position and results of operations of the Hindalco Industries Ltd Group at 31 March 2015, reference should be made to the financial statements of the above mentioned (which are available in the format and the manner provided for by the law).

Basis of preparation

These Financial Statements were prepared in accordance with the provisions set forth in Arts. 2423 and subsequent of the Italian Civil Code, as indicated in these notes, drawn up in compliance with Art. 2427 of the Italian Civil Code, which form, pursuant to and by effects of Arts. 2423, an integral part of the Financial Statements for the year.
The Balance Sheet and the Income Statement reflect the provisions drawn down by Arts. 2423-ter, 2424 and 2425 of the Italian Civil Code. The Notes to the Financial Statements also include the Cash Flow Statement.
As outlined in the explanatory notes, the items "Due from/to. other Group companies" have been reported separately to show the balances of the transactions made at arm's length with other companies subject to the control of the Group parent Novelis Inc. All the relationships with the parent companies and related concerns are also outlined in a specific section of the Directors' Report and are regulated at arm's length.
The Balance Sheet and Income Statement items have been recorded in compliance with the principles set forth in Arts. 2424-bis and 2425-bis of the Italian Civil Code.
It should be also noted that these Financial Statements comply with the requirements of the form and substance principles and give a true and fair value of the financial position and results of operations of the Company.
Please refer to the Directors' Report for the information relating to Art. 2428 of the Italian Civil Code.

Accounting principles

The items in the Financial Statements have been valued in accordance with the general criteria of prudence, accrual and on a going concern basis as well as by taking account of the economic substance of assets or liabilities considered. The valuations have been undertaken in accordance with the provisions set forth in Art. 2426 of the Italian Civil Code and the accounting standards as contemplated by the Organismo Italiano di Contabilità (the Italian Accounting Standards Committee).
The application of the principle of prudence requires each asset and liability item to be valued on an individual basis so as not to offset losses that should be recognised against profits that should not be recognised, as they have not been realised.
In accordance with the accrual basis, the effect of the operations and other events was accounted for and attributed to the year such operations and events refer to, and not to the year in which the relative movements took place (receipts and payments).
Taking into account the economic function of each single component, the valuation of each item of assets and liabilities, expressing the principle of prevalence of substance over form - compulsory where not expressly in contrast with other specific regulations on the Financial Statements – allows the representation of the transactions according to the financial reality behind the formal aspects.

The accounting policies, remained unchanged from the prior year, were as follows:

Non-current assets

Intangible assets

Intangible assets are stated at their historical purchase cost, with the consent of the Board of Statutory Auditors where contemplated by the regulations in force, and shown net of the amortisation made.

Amortisation is calculated over the expected useful life of 10 years.

Property, plant and equipment

These are stated at purchase cost and adjusted by the corresponding accumulated depreciation.
Any accessory charges and costs incurred for bringing the asset in the present location were capitalized when recording this item to the Balance Sheet and any non-negligible commercial and cash discounts were deducted from said costs and charges.
Depreciation charged to the Income Statement has been calculated taking into account the use, utility and economic-technical life of the assets, over their estimated useful life.
The depreciation rates of the assets received upon transfer with effect 1 January 2005 differ from the rates of the new assets acquired after the transfer in virtue of their different residual possibility of use by adjusting the same to the useful life of the newly-acquired assets.
The assets acquired after the transfer by Alcan Alluminio SpA on 1 January 2005 are depreciated systematically using the economic-technical rates reflecting the remaining possibilities for the use of the assets, as shown in the following table:

	Useful life
Land and buildings	from 10 to 50 years
Plant and machinery	from 2 to 35 years
Industrial and commercial equipment	from 3 to 10 years
Motor vehicles	from 3 to 8 years
Office furniture and machines	from 5 to 10 years

For fixed assets acquired during the year, depreciation is reduced by 50%.
Land is not depreciated since not subject to a limited use in the time.

Ordinary maintenance and repair cost are expensed when incurred. Improvement and expansion costs, where they represent an increase of the asset value or useful life, are shown as an increase in the value of the assets.

Impairment of assets

Impairment of property, plant and equipment and intangible assets is recorded as prescribed by the accounting principle OIC 9.
In particular, if the recoverable amount of an asset (e.g. intended as the higher of its value in use and its fair value) has declined below its carrying value, the asset is measured at the lower value. The difference is recorded in the Income Statement as impairment loss and is recognised in the Income Statement under item B10c) if attributable to ordinary operations, or under item E21 if attributable to extraordinary operations. If requirements for write-down no longer apply in subsequent periods, the original value is restored as adjusted by depreciation/amortisation only. Similarly, the reinstatement is recorded under item A5 if the previous impairment loss was attributable to ordinary operations, or under item E20 if the previous impairment loss was attributable to extraordinary operations.

If it is not possible to estimate the recoverable value of an individual asset, the company determines the recoverable amount of the Cash Generating Unit to which the asset belongs. This occurs when individual assets do not generate cash flows in an autonomous way with respect to other assets.

The Company verifies at least annually, whether any indication exists that assumes a permanent impairment of assets; in the presence of this indication, the Company estimates the recoverable amount of the related assets.

Revaluations

The book value of property, plant and equipment can include revaluations of cost, if these are made under specific laws.
Revaluations do not represent an Income Statement component but are carried to a shareholders' equity reserve.

Receivables

Receivables are stated at their estimated net realisable value. The adjustment of the nominal value of receivables to their estimated realisable value is obtained by setting aside a specific allowance, taking into account the general economic conditions and the risks potentially under way.

Payables

Payables are stated at their nominal value, which corresponds to their estimated settlement value.

Prepayments/deferred income/accrued income and liabilities

Prepayments and deferred revenue are recorded on the basis of the matching principle, in compliance with the costs and revenues correlation.

Inventories

Raw materials, supplies & consumables and finished products are valued at the lower of purchase or production cost and their net realisable value presumed from market trends (replacement cost for raw materials), applying the weighted average cost method.
Work-in-progress is measured on the basis of the costs incurred in the financial year.
A stock depreciation provision has been recorded in order to adjust the value of obsolete and slow-moving items to their market value, and recorded as a direct reduction of the closing inventories value.

Cash and cash equivalents

These are stated at nominal value.
The cash pooling is represented by debit and credit positions with respect to the company that manages the cash pooling itself, for withdrawals from the pool account and the deposits paid in respectively.

Equity investments

Investments in subsidiaries, associated and other companies, that are meant to be held for the long term and thus recorded under financial fixed assets, are stated at their cost of acquisition or subscription, reduced in the event of permanent impairment of value. Impairment losses are reversed up to the original amount in subsequent years, when the reasons for the original write-down are no longer valid.

Provisions for risks and charges

Provisions for risks and losses are accrued to cover known or probable losses or liabilities, whose amounts or settlement dates are uncertain at year-end.
In measuring the value of these provisions, the general principles of prudence and accruals basis have been complied with and no provisions for general risks without any economic justification have been set aside.
Potential liabilities have been recognised in the accounts and recorded as provisions since they are considered probable and being their amount reasonably determinable.
In compliance with OIC 31 para. 16, given that the classification of expenses by nature should prevail, provisions for risks and charges are recorded under the items of operational activity (classes B, C and E of the Income Statement) to which the operation refers (ordinary, accessory, financial or extraordinary).

Staff indemnity leaving (TFR)

This represents the liability accrued in favour of employees in accordance with current legislation and employment contracts, taking into consideration any type of remuneration having a permanent nature.
The indemnities set aside fully cover the employee retirement and seniority accrued up to the date of their transfer to funds outside the company in compliance with Law no. 296 of 27 December 2006.

Current and deferred taxes

Current taxes are determined on the basis of a realistic estimate of the amounts payable in accordance with the current fiscal regulations. Current income taxes are reflected in the Balance Sheet under item "Tax receivables" in case the advances paid are higher than the actual tax payable for the year, or otherwise under "Tax payable". Deferred tax assets and liabilities result from the temporary differences between the carrying amounts of assets and liabilities reported in the Balance Sheet and their carrying amounts for tax purposes.
Deferred tax assets are booked to the extent their future recoverability is deemed probable on the basis of the future taxable income.
Deferred tax assets and liabilities are calculated on the basis of the rates in force in the financial year in which the temporary differences arise.

Revenues recognition

Revenues from sales of finished products are recognised upon the transfer of ownership, which normally coincides with the delivery or shipment of the products.
Financial revenues and revenues from services are recognised on an accrual basis.

White certificates

White certificates are recognised when there is reasonable assurance that all the conditions for obtaining them are met; this generally coincides with the issue of the certificate by the authorised body.

White certificates are recorded in the Income Statement on the basis of their nature, as a reduction in electric power costs.

Translation of foreign currencies

Receivables and payables originally expressed in foreign currency, entered on the basis of the exchange rates prevailing at the date of transactions, are translated at the rates in force at the closing of the financial statements for the currencies of non-EMU countries. The gains and losses resulting from the translation of receivables and payables are respectively reflected in the Income Statement under item C)17 bis Exchange gains and losses. The exchange gain resulting from the translation is set aside, for the part not absorbed by the loss for the year, as a specific reserve not distributable until realisation.

Financial derivative instruments and hedging transactions

The Company has not entered into derivative contracts for speculative purposes. The financial derivative instruments used for specific hedging strategies are recorded on the basis of the underlying assets and liabilities as explained below.

Forward foreign currency purchase/sale transactions

If the Company uses financial instruments as part of hedging strategies to neutralise the risk of cash flow variations related to a receivable or payable stated in the financial statements in currencies other than the euro, the accrued income or expense pertaining to the financial year deriving from the differential between the exchange rate at the date of transaction and the fixed forward exchange rate of the derivative instrument are recorded in the Income Statement under financial income and charges. The market value of derivative instruments outstanding at the end of the financial year is recorded in the memorandum accounts.

Hedging strategies on metal purchase/sale transactions or foreign currency purchase/sale transactions

If the Company uses financial instruments as part of hedging strategies to neutralise the risk of cash flow variations related to highly probably operations, the gains or losses arising from the valuation of the derivative instrument at the end of the financial year are shown in the memorandum accounts and not recognised in the financial statements. The gains and losses realised on hedging contracts coincides with the delivery of materials or the booking of receivables or payables in currencies other than the euro. These gains or losses are reflected in the Income Statement respectively as production cost (as part of the purchase cost allocation and the stock valuation) or as financial income/charges.

Forward metal purchase/sale transactions (offset hedge)

The Company faced the management of the metal price risk through entering in contracts directly with the suppliers of raw materials or with financial counterparts. The portion of gain or loss realised on the offset hedge is distributed among the Group companies included in the hedging process. The Company is taking part in the global hedging strategy and records the pertaining portion of the result in the Income Statement as operating income or expense.

Factoring without recourse

The Novelis Group entered into an agreement with a German bank in December 2013 relating to the assignment of trade receivables without recourse. As provided for by OIC 15, the assigned receivables have been removed from the Balance Sheet up to a quota of 90% equal to the advance received. The difference of 10% is recorded in the Balance Sheet as receivable from factoring companies.
Interest and fees due to the factoring company have been fully charged to the Income Statement.

Guarantees, commitments, third party assets and risks

Commitments and guarantees are shown in memorandum accounts at their contract value.

Employment data

The average size of the Company's workforce, broken-down by category, recorded the following changes compared to the previous financial year:

Staff	2016 FY	2015 FY	Changes
Executives	10	10	0
Office workers	128	130	-2
Manual workers	235	246	-11
Fixed-term contracts (manual workers)	14	0	14
Total	387	386	1

The changes are mainly due to the restructuring for mobility started in April 2015 and completed in December 2015; moreover, since the year under review, the Company has stipulated new employment contracts on a fixed-term basis to cope with seasonal demand and to meet the needs for increased shifts due to the qualification process of new products (aluminium for cans).
The relevant national labour contract in force is the contract applicable to the metal and mechanical industry.

Balance sheet - Assets

Intangible assets

Intangible assets amount to € 200,726 (€ 243,774 in the previous financial year).

The break-down and changes in individual items are shown below:

Description	Concessions, licences, trademarks and similar rights	Other	Total intangible assets
Opening balance			
Historical cost	303,706	352,807	656,513
Accumulated amortisation	188,192	224,547	412,739
Net book value at 31 March 2015	115,514	128,260	243,774
Changes in the financial year			
Transfers from property, plant and equipment	10,003	0	10,003
Amortisation for the period	26,132	26,919	53,051
Total changes	-16,129	-26,919	-43,048
Closing balance			
Historical cost	292,039	374,477	666,516
Accumulated amortisation	192,654	273,136	465,790
Net book value at 31 March 2016	**99,385**	**101,341**	**200,726**

The item "Concessions, licenses, trademarks and similar rights" regards licenses for the use of software.

The final balance of "Other" refers to software packages.

Property, plant and equipment

Property, plant and equipment amount to € 67,012,484 (€ 69,565,590 in the previous financial year).

The break-down and changes in individual items are shown below:

Description	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances paid	Total
Opening balance						
Historical cost	44,289,049	85,138,994	4,609,154	5,697,902	414,521	140,149,620
Accumulated depreciation	18,163,165	44,654,846	3,584,177	4,181,842	0	70,584,030
Net book value at 31 March 2015	26,125,884	40,484,148	1,024,977	1,516,060	414,521	69,565,590
Changes in the financial year						

Increases for acquisitions/capitalisation	0	0	0	0	4,122,587	4,122,587
Transfers from assets under construction	248,966	3,119,439	190,450	54,037	-3,612,892	0
Transfers to intangible assets	0	0	0	0	-10,003	-10,003
Decreases for disposals (historical cost)	0	12,548	16,216	1,298,206	0	1,326,970
Depreciation for the year	1,035,241	4,824,822	248,033	256,116	0	6,364,212
Decreases for disposals (historical cost)	0	9,899	15,669	999,923	0	1,025,491
Total changes	-786,275	-1,708,032	-58,130	-500,362	499,692	-2,553,107
Closing balance						
Historical cost	44,538,015	88,245,885	4,783,388	4,453,733	914,213	142,935,234
Accumulated depreciation	19,198,406	49,469,769	3,816,541	3,438,034	0	75,922,750
Net book value at 31 March 2016	**25,339,609**	**38,776,116**	**966,847**	**1,015,699**	**914,213**	**67,012,484**

Land is not depreciated in accordance with the accounting principles.

The investments in assets under construction occurred during the financial year have been made in order to improve the painting lines at the Bresso plant, maintain productive efficiency, reduce energy consumption and increase the level of safety and environmental protection.

The transfer from assets under construction refers to the above-mentioned investments.

Impairment of assets

As required by the accounting principles, directors assessed at the reference date of the financial statements whether any indication exists that a tangible asset or a cash generating unit may be impaired.
After considering the economic trend, directors drew-up a five-year financial plan to assess the recoverability of the value of the assets recorded in the financial statements.
On the basis of the estimated future cash flows on a timescale of five years, the recoverability of the recorded values is deemed probable and therefore no write-down is needed.

Revaluation/ write-down of property, plant and equipment

It should be noted that in the 2009 financial year, pursuant to Legislative Decree 185/2008, land was revalued by € 12,060,895 and buildings were written-down by € 2,046,662.

Financial assets – Equity investments

The equity investments, which are included under financial assets, amount to € 3,590 (€ 3,613 in the previous financial year).
In compliance with Art. 2427 bis of the Italian Civil Code, the fair value of equity investments in other companies cannot be determined reliably on the basis of the information at disposal. However, it should

be specified that these equity investments are not material and cannot generate significant impacts on the Company's earnings, capital and financial position.

The outstanding equity investments refer to Consorzio Conai, Consorzio imballaggi Alluminio, Società Gas Intensive.

Financial assets – Trade and other receivables

The amounts due from others included under financial assets are equal to € 1,988,644 (€ 1,988,644 in the previous financial year).

The break-down and changes in individual items are shown below:

Description	Net opening balance	Reclassification	Decreases	Net closing balance
Cash guarantee deposits due within one year:				
- For remediation activities at the Borgofranco plant	1,636,047	0	0	1,636,047
- Sundry	352,597	0	0	352,597
Total	**1,988,644**	**0**	**0**	**1,988,644**

The five-year monitoring period subsequent to the completion of the environmental remediation process on the Borgofranco plant is concluded.
Once the results of the analyses are available, ARPA (Regional Environmental Protection Agency) will issue a final technical report with the objective to carry out specific testing activities confirming the remedial objectives have been met.
Following the presentation of the ARPA report, the Metropolitan City of Turin will issue a Certificate of Remediation and authorize to clear the related guarantee.
The Company believes that the procedure will be completed by 31 March 2017.

Current assets

Current assets - Inventories

The inventories included under current assets amount to € 34,118,850 (€ 33,354,093 in the previous financial year).

The break-down and changes in individual items are shown below:

Description	Opening balance	Closing balance	Change
Raw materials, supplies & consumables	7,326,916	7,337,375	10,459
Work in progress and semi-finished products	14,220,685	13,853,266	-367,419
Finished products and goods for resale	11,806,492	12,928,209	1,121,717
Total	**33,354,093**	**34,118,850**	**764,757**

The increase in inventories is due to the rise in production in order to meet the orders already acquired.

Current assets - Receivables

The receivables included under current assets amount to € 22,660,692 (€ 21,647,867 in the previous financial year).

The break-down is shown below:

Description	Nominal value	Provision for doubtful accounts	Net closing balance	Net opening balance	Change
Trade receivables within 12 months	12,590,608	870,250	11,720,358	13,110,722	-1,390,364
Due from parent companies – within 12 months	5,491,632	0	5,491,632	4,478,362	1,013,270
Tax receivables within 12 months	581,122	0	581,122	73,342	507,780
Tax receivables after 12 months	1,005,452	0	1,005,452	239,738	765,714
Deferred tax assets after 12 months	100,277	0	100,277	183,497	-83,220
Due from others within 12 months	3,761,851	0	3,761,851	3,562,206	199,645
Total	**23,530,942**	**870,250**	**22,660,692**	**21,647,867**	**1,012,825**

The item "Trade receivables" consists of the following:

Description	Opening balance	Closing balance	Change
Receivables from customers / Unaccepted orders to pay	12,809,584	11,358,408	-1,451,176
Doubtful receivables	1,295,641	1,230,016	-65,625
Other	45,989	2,184	-43,805
Provision for doubtful accounts - trade	-1,040,492	-870,250	170,242
Total	**13,110,722**	**11,720,358**	**-1,390,364**

It should be noted that trade receivables are shown net of the assignment of receivables without recourse; the assigned receivables amount to € 16,826 thousand at 31 March 2016 (€ 16,954 thousand in the previous financial year).

The decrease in trade receivables is mainly due to the higher number of customers assigned to factoring companies.

The provision for doubtful accounts showed the following movement in the course of the financial year:

Opening balance	1,040,492
Utilisation	-312,695
Charge	142,453
Closing balance	870,250

The utilisations in the year refer to closed matters, for which credit collection was considered not possible, as expressed by legal advice.

The item "Due from parent companies" includes USD 6.1 million for Market assistance fees, equal to € 5,491,632 acknowledged this year by Novelis Inc..

Deferred tax assets, equal to € 100,277, refer to tax losses, net of deferred tax liabilities as explained hereinafter.
The main reasons for recognising deferred tax assets arising from the carried forward of unused tax losses are illustrated in the relevant paragraph in these Notes.
The change of € 83,220, recorded in the financial year, reflects the effect resulting from the reduction of the IRES tax rate, as explained further below.

The item "Due from others" consists of the following:

Description	Opening balance	Closing balance	Change
Receivables from related companies	674,990	1,903,198	1,228,208
Receivables from factoring companies	2,496,572	1,768,193	-728,379
Receivables from employees	9,039	29,099	20,060
Positive differentials on forward contracts	335,644	44,995	-290,649
Receivables from social-security institutions	40,615	7,697	-32,918
Other	5,346	8,669	3,323
Total	**3,562,206**	**3,761,851**	**199,645**

Receivables from related companies are detailed in the Directors' Report.

Receivables – break-down by maturity dates

Description	Within 12 months	After 12 months	Total
Trade receivables	11,720,358	0	11,720,358
Due from parent companies	5,491,632	0	5,491,632
Tax receivables	581,122	1,005,452	1,586,574
Deferred tax assets	0	100,277	100,277
Due from others	3,761,851	0	3,761,851
Total	**21,554,963**	**1,105,729**	**22,660,692**

At 31 March 2016, there are no receivables with maturity after 5 years.

Receivables – break-down by geographical area

Description	Italy	Other EU countries	Rest of Europe	Africa and Middle East	Other	Total
Trade receivables	1,937,704	8,730,660	704,636	347,358	0	11,720,358
Due from parent companies	0	0	0	0	5,491,632	5,491,632
Tax receivables	1,586,574	0	0	0	0	1,586,574
Deferred tax assets	100,277	0	0	0	0	100,277
Due from others	759,976	2,671,411	198,322	0	132,142	3,761,851
Total	**4,384,531**	**11,402,071**	**902,958**	**347,358**	**5,623,774**	**22,660,692**

Current assets – Cash and cash equivalents

The cash and cash equivalents included in current assets total € 25,434 (€ 30,323 in the previous financial year).

The balance is made up of cash and cash equivalents and cash and valuables existing at the closing date of the financial year.

There are no constraints on the availability of the amounts shown in the above table.

Accrued income and prepaid expenses

Accrued income and prepaid expenses amount to € 239,700 (€ 313,297 in the previous financial year).

This item shows income and expenses related to prior or subsequent periods without considering the date of payment or collection of the relative income and charges.

At 31 March 2016, there were no accruals and deferrals with a duration of more than five years.

The break-down and changes in individual items are shown below:

Description	Opening balance	Closing balance	Change
Prepaid expenses – insurance	250,834	101,759	-149,075
Prepaid expenses - EDP costs	22,111	10,056	-12,055
Prepaid expenses – commercial information	0	13,000	13,000
Sundry	25,478	114,885	89,407
Other amounts	14,874	0	-14,874
Total	**313,297**	**239,700**	**-73,597**

Balance sheet – Liabilities and Shareholders' equity

Shareholders' equity

The Shareholders' equity at the end of the financial year was equal to € 66,916,577 (€ 66,027,347 in the previous financial year).

The changes in Shareholders' equity are provided in the following table:

Description	Share capital	Legal reserve	Revaluation reserve ex Legislative Decree 185/2008	Other reserves	Retained earnings (accum. losses) carried forward	Net income (loss) for the year	Total
31/3/2014	**96,000,000**	**611,647**	**0**	**10,000,000**	**-27,093,229**	**-8,578,800**	**70,939,618**
Allocation of the result:					-8,578,800	8,578,800	0
Result for the year 2014/2015	0	0	0	0	0	-4,912,271	-4,912,271
31/03/2015	**96,000,000**	**611,647**	**0**	**10,000,000**	**-35,672,029**	**-4,912,271**	**66,027,347**
Allocation of the result:					-4,912,271	4,912,271	0
Result for the year 2015/2016	0	0	0	0	0	889,230	889,230
31/03/2016	**96,000,000**	**611,647**	**0**	**10,000,000**	**-40,584,300**	**889,230**	**66,916,577**

The Shareholders' meeting of 15 May 2015 resolved to carry forward the loss for the financial year ended 31 March 2015.

"Other reserves" include the amounts paid-in for future capital increase on 6 December 2013 by the two shareholders on a pro-quota basis.

Below is given the information required by Art. 2427 point 7-bis of the Italian Civil Code regarding the Shareholders' equity items, broken-down by origin, possibility of utilisation, possibility of distribution and the uses made in the previous financial years:

Description	Amount	Possible utilisation (*)	Available portion	Distributions made in the 3 previous periods for loss coverage	Distributions made in the 3 previous periods for other reasons
Share capital	96,000,000			0	0
Revaluation reserves – Legislative Decree 185/2008	0			-8,578,800	
Legal reserve	611,647	B		0	0
Other reserves	10,000,000	A,B	10,000,000	0	0
Retained earnings (accum. losses) carried forward	-40,584,300		0	0	0
Total	**66,027,347**		**10,000,000**	**-8,578,800**	
Non-distributable portion			**10,000,000**		
Remaining non-distributable portion			**0**		

(*) A = for capital increase; B = for loss coverage; C = for distribution to shareholders

Below is provided the information required by Art. 2427, point 17 of the Italian Civil Code relating to the data on the shares making up the Company's share capital, the number and the nominal value of the shares subscribed in the year:

Description	Nominal value	Number of shares at the beginning of financial year	Value of shares at the end of financial year
Ordinary shares	1,000	60,000	1,000
Preferred shares	1,000	36,000	1,000
Total	**1,000**	**96,000**	**1,000**

With deed of 14 May 2013, the shareholders Novelis Deutschland GmbH and Novelis Europe Holdings Limited gave as pledge the Company's shares in favour of third parties lenders, for a value of € 96,000,000.

Provisions for risks and charges

The provisions for risks and charges are recorded under liabilities for € 869,823 (€ 1,786,509 in the previous financial year).

The break-down and changes in individual items are shown below:

Description	Opening balance	Charge for the year	Utilisation	Closing balance
Retirement benefit obligations	409,357	9,570	1,197	417,730
Others	1,377,152	1,015,980	1,941,039	452,093
Total	**1,786,509**	**1,025,550**	**1,942,236**	**869,823**

The item "Retirement benefit obligations" is made up by provisions to cover the indemnities in case of termination of agency relationships.

The movement of "Others" occurred in the financial year is detailed in the following table:

Description	Opening balance	Charge for the year	Decreases	Closing balance
Provision for sales returns	159,735	510,755	226,008	444,482
Provision for restructuring and risks	1,217,417	505,225	1,715,031	7,611
Total	**1,377,152**	**1,015,980**	**1,941,039**	**452,093**

The "Provision for sales returns" reflects the estimate of the liabilities deriving from the credit notes that the Company shall issue against the return goods for sundry complaints.

The "Provision for restructuring and risks" includes € 505,225 for the new mobility provision reordered in the Income Statement under "Other extraordinary charges" and concluded in December 2015. There were no restructuring procedures for mobility under way as at 31 March 2016.

Staff leaving indemnity (TFR)

The staff leaving indemnity is recognised under liabilities for a total amount of € 3,310,928 (€ 3,735,641 in the previous financial year).

The break-down and changes in individual items are shown below:

Description	Opening balance	Charge for the year	Utilisation	Transfers to pension funds	Closing balance
Staff leaving indemnity	3,735,641	1,355,508	474,497	1,305,724	3,310,928
Total	**3,735,641**	**1,355,508**	**474,497**	**1,305,724**	**3,310,928**

The transfer to the pension funds took place in compliance with the regulations in force (Law no. 296 of 27 December 2007).

Payables

Payables are recorded under liabilities for a total of € 55,152,792 (€ 55,597,704 in the previous financial year).
Payable are valued at their nominal value.

The break-down of the individual items is shown as follows:

Description	Opening balance	Closing balance	Change
Bank borrowings	0	1,082	1,082
Trade payables	36,188,503	36,778,405	589,902
Due to parent companies	180,551	114,604	-65,947
Tax payable	614,623	334,701	-279,922
Due to insurance and pension institutes	1,843,724	1,772,684	-71,040
Other payables	16,770,303	16,151,316	-618,987
Total	**55,597,704**	**55,152,792**	**-444,912**

“Trade payables” are stated net of trade discounts; cash discounts are instead recorded upon payment. The nominal value of these payables has been adjusted, on the occasion of returns or rebates (invoicing adjustments), to the amount set with the counterpart.

The item “Tax payable” within 12 months includes payables to Tax authorities for source withheld taxes.

The item “Other payables” is made up by:

Description	Opening balance	Closing balance	Change
Cash pooling payable	9,979,535	9,852,826	-126,709
Payables to related concerns	2,386,268	1,687,090	-699,178
Payables to employees for vacations accrued, year-end bonus, fourteenth-month pay, bonuses	2,669,946	2,439,047	-230,899
Payables to factoring companies/ collections to be transferred	1,236,223	1,341,792	105,569
Others	406,716	712,709	305,993
Payables towards Statutory Auditors for emoluments	91,616	117,852	26,236
Total	**16,770,303**	**16,151,316**	**-618,987**

As mentioned in the Directors’ Report, since October 2011 the Company has adhered to the group cash-pooling managed by the related concern Novelis AG.
The related credits and debits are remunerated at market rates and governed by a specific contract.

“Payables to related concerns” are detailed in the Directors’ Report.

Payables – break-down by maturity dates

Description	Within 12 months	After 12 months	Total
Bank borrowings	1,082	0	1,082
Trade payables	36,778,405	0	36,778,405
Due to parent companies	114,604	0	114,604
Tax payable	334,701	0	334,701
Due to insurance and pension institutes	1,772,684	0	1,772,684
Other payables	16,151,316	0	16,151,316
Total	**55,152,792**	**0**	**55,152,792**

Payables – break-down by geographical area

Description	Italy	Other EU countries	Rest of Europe	Africa and Middle East	Other	Total
Bank borrowings	1,082	0	0	0	0	1,082
Trade payables	25,748,505	6,976,835	111,365	3,327	3,938,373	36,778,405
Due to parent companies	0	0	0	0	114,604	114,604
Tax payable	334,701	0	0	0	0	334,701
Due to insurance and pension institutes	1,772,684	0	0	0	0	1,772,684
Other payables	3,939,124	2,658,284	9,553,908	0	0	16,151,316
Total	**31,796,096**	**9,635,119**	**9,665,273**	**3,327**	**4,052,977**	**55,152,792**

Accrued liability and deferred income

There were no accrued expenses and deferred income at 31 March 2016.

Memorandum accounts

Description	Opening balance	Closing balance	Change
Hedging transactions (forward contracts)	17,272,619	22,603,944	5,331,325
Guarantees issued in favour of third parties (securities)	733,614	733,614	0
Metal hedging transactions	7,369,322	12,664,032	5,294,710
Total	**25,375,555**	**36,001,590**	**10,626,035**

Securities mainly refer to the Customs Authorities for temporary import.

Information on the fair value of derivative financial instruments

Pursuant to Art. 2427-bis, para. 1, point 1) of the Italian Civil Code, below are provided the fair value and the information on the entity and nature of the outstanding transactions related to the exchange rate risk management:

Underlying Type of transaction	Nominal value in USD	Contract value in €	Fair value Positive	Fair value Negative
Unlisted derivatives				
financial derivatives				
forward contracts				
- purchases	32,221,969	28,779,544	69,993	-639,093
Total commitments	32,221,969	28,779,544		

Underlying Type of transaction	Nominal value in GBP	Contract value in €	Fair value Positive	Fair value Negative
Unlisted derivatives				
financial derivatives				
forward contracts				
- sales	-813,159	-1,046,776	24,287	-288

Underlying Type of transaction	Nominal value in USD	Contract value in €	Fair value Positive	Fair value Negative
Unlisted derivatives				
financial derivatives				
forward contracts				
- sales	-5,686,954	-5,128,824	151,403	-1,956
Total commitments	-6,500,113	-6,175,600		
Total hedging transactions		22,603,944		

The counterpart of the above-mentioned transactions is the company Novelis AG, which is part of the Novelis Group.

Positive and negative differentials related to the forward contracts outstanding at 31 March 2016 and valued as hedging instruments have been recorded respectively in the Balance Sheet under "Due from others" and "Other payables" in the Income Statement under "Exchange gains and losses" (item C17-bis) for a total of € 219,949 (losses).

Below are provided the fair value and the information on the entity and nature of the outstanding transactions related to the management of the metal price risk (Fixed Forward Price).

Tons	Nominal value in USD	Nominal value in Euro	Positive FV	Negative FV	Net FV in USD	Net FV in Euro
9,000	14,418,000	12,664,032	8,398	-403,794	-395,396	-347,295

The counterpart of the above-mentioned transactions is the company Novelis AG.

Income Statement

For the comments on the trend of operating income and expenses, please refer to the Directors' Report.

A) Value of production

Description	Prior period	Current period	Change
Revenues from sales and rendering of services	180,098,638	184,978,352	4,879,714
Change in inventories	2,257,198	754,298	-1,502,900
Other revenues and Income	5,284,153	7,055,737	1,771,584
Total	**187,639,989**	**192,788,387**	**5,148,398**

Revenues from sales and rendering of services

Break-down of sales and services by type of activities:

Description	Prior period	Current period	Change
Sale of goods	6,666,294	7,721,575	1,055,281
Sale of products	170,763,736	174,831,624	4,067,888
Sale of ancillary materials	995	1,570	575
Rendering of services	2,667,613	2,423,583	-244,030
Total	**180,098,638**	**184,978,352**	**4,879,714**

Revenues from sales and rendering of services showed an increase of 3% correlated with greater volumes and productivity improvements.

Break-down of sales and services by geographical area:

Description	Prior period	Current period	Change
Italy	63,387,113	58,478,403	-4,908,710
Other EU countries	98,780,998	104,548,386	5,767,388
Rest of Europe	11,969,097	13,332,674	1,363,577
Africa and Middle East	500,925	2,037,025	1,536,100
Asia	838,025	297,414	-540,611
North America and Canada	4,622,480	6,284,450	1,661,970
Total	**180,098,638**	**184,978,352**	**4,879,714**

Intra-group sales are outlined in the Directors' Report.

Other revenues and income

Other revenues and income are recorded under Value of production in the Income Statement for a total of € 7,055,737 (€ 5,284,153 in the previous financial year).

The break-down of the individual items is shown below:

Description	Prior period	Current period	Change
Services to Group companies	4,998,860	6,765,480	1,766,620
Reimbursement of expenses	97,788	95,219	-2,569
Prior-.year over-accruals	139,293	159,593	20,300
Sundry revenues and income	48,212	35,445	-12,767
Total	5,284,153	7,055,737	1,771,584

Services to Group companies include USD 6.1 million for Market assistance fees, equal to € 5,491,632, this year acknowledged by Novelis Inc..

B) Production costs

Description	Prior period	Current period	Change
Raw, ancillary and consumable materials	120,694,378	121,575,192	880,814
Costs of services	34,639,248	32,937,116	-1,702,132
Leases and rentals	747,739	983,260	235,521
Wages and salaries	17,084,482	16,321,403	-763,079
Social security contributions	5,782,855	6,666,630	883,775
Staff leaving indemnity	1,129,668	1,355,508	225,840
Other personnel costs	26,581	68,365	41,784
Amortisation of intangible assets	48,942	53,051	4,109
Depreciation of property, plant and equipment	6,544,613	6,364,212	-180,401
Write-downs of receivables included under current assets	303,031	142,453	-160,578
Change in inventories of raw materials	417,894	-10,459	-428,353
Provisions for risks	7,176	0	-7,176
Other accruals	1,416,686	1,195,250	-221,436
Total	**188,843,293**	**187,651,981**	**-1,191,312**

Raw, ancillary and consumable materials

The item "Raw, ancillary and consumable materials" includes the purchases with the Group companies (Novelis Deutschland GMBH, Novelis Switzerland SA and Novelis PAE), as reported in the Directors' Report.

Costs of services

Costs of services are recognised under Production costs in the Income Statement for a total of € 32,937,116 (€ 34,639,248 in the previous financial year).

The break-down of the item is as follows:

Description	Prior period	Current period	Change
Purchases of services	4,617,429	3,759,590	-857,839
Transport	4,777,706	4,865,055	87,349
External processes	1,277,528	1,101,785	-175,743
Electric power	6,931,833	7,271,755	339,922
Gas	4,301,400	4,836,001	534,601
Water	117,750	129,193	11,443
Maintenance and repair costs	2,601,874	2,672,482	70,608
Technical counselling and services	134,124	108,088	-26,036
Emoluments to Statutory Auditors and Independent Auditors	145,591	176,076	30,485
Commission expense	472,245	485,852	13,607
Advertising	43,068	6,757	-36,311
Legal expenses and advice	75,083	79,703	4,620
Tax, administrative and commercial advice	71,174	64,174	-7,000
Telephone expenses	19,264	14,647	-4,617
Insurance	728,925	515,891	-213,034
Entertainment expenses	97	412	315
Travelling expenses	378,882	312,124	-66,758
Refresher and training expenses	70,089	26,294	-43,795
Other	7,875,186	6,511,237	-1,363,949
Total	**34,639,248**	**32,937,116**	**-1,702,132**

The decreases in "Purchases of services" benefit from the change to the new contract type adopted for workers recruited on a fixed-term basis, in place of the contracts with temp agencies.
The item "Other" includes the services supplied by the Group companies, as outlined in the Directors' Report. The related decrease is due to the reduction in intercompany costs.

Leases and rentals

Leases and rentals are recognised under Production costs in the Income Statement for a total of € 983,260 (€ 747,739 in the previous financial year).

The break-down of the items is shown below:

Description	Prior period	Current period	Change
Rents and leases	228,971	243,031	14,060
Leasing	518,768	740,229	221,461
Total	**747,739**	**983,260**	**235,521**

Personnel costs

Personnel costs are recognised under Production costs in the Income Statement for a total of € 24,411,906 (€ 24,023,586 in the previous financial year).

This item includes all subordinate employee costs, including merit payments, promotions, cost-of-living increases, cost of untaken holidays and provisions allocated as required by law and collective agreements.

Amortisation and depreciation

Amortisation of intangible assets and depreciation of property, plant and equipment are recorded under Production costs in the Income Statement for a total of € 6,417,263 (€ 6,593,555 in the previous financial year).
As to depreciation, take note that it has been calculated based on the asset's useful life and its use in the production phase.

Other operating expenses

Other operating expenses are recognised under Production costs in the Income Statement for € 1,195,250 (€ 1,416,686 in the previous financial year).

The break-down of the item is shown below:

Description	Prior period	Current period	Change
Stamp duties	3,172	2,846	-326
IMU (Municipal property tax)	370,711	421,525	50,814
Registration tax	2,348	4,064	1,716
Chamber of Commerce dues	6,201	3,902	-2,299
Losses on receivables	55,122	4,556	-50,566
Prior-year charges and losses	878,671	669,747	-208,924
Miscellaneous	100,461	88,610	-11,851
Total	**1,416,686**	**1,195,250**	**-221,436**

C) Financial income and charges

Other financial income

Description	Prior period	Current period	Change
Bank and postal interest	2	0	-2
Other income	3,820	182	-3,638
Total	**3,822**	**182**	**-3,640**

The item "Other income" refers to interest on trade receivables.

Interest and other financial charges

Description	Prior period	Current period	Change
Related to bank borrowings	112	166	54
Others	2,524,026	2,951,002	426,976
Total	**2,524,138**	**2,951,168**	**427,030**

The item "Others" mainly includes the cash discounts granted to customers in the amount of some € 2.3 million, € 263 thousand for interest relating to the cash-pooling payable and € 346 thousand for interest and fees related to factoring.

Exchange gains and losses

Description	Prior period	Current period	Change
Exchange gains	2,762,207	1,226,421	-1,535,786
Exchange losses	1,882,841	1,739,243	-143,598
Total	**879,366**	**-512,822**	**-1,679,384**

Below is given the information regarding the break-down of exchange gains and losses deriving from valuation at year-end and those actually realised:

Description	Realised	Unrealised	Total Current period
Exchange gains	1,181,426	44,995	1,226,421
Exchange losses	1,474,299	264,944	1,739,243
Total			**-512,822**

E) Extraordinary income and charges

Extraordinary income

Description	Prior period	Current period	Change
Capital gains from disposals	0	75,798	75,798
Other	3	93,896	93,893
Total	**3**	**169,694**	**169,691**

The item "Other" refers to the over-accrual made in respect of the prior year's taxes classified according to the principle OIC no. 25.

Extraordinary charges

Description	Prior period	Current period	Change
Capital losses from disposals	0	109,877	109,877
Other extraordinary charges for corporate restructuring	1,393,471	505,225	-888,246
Total	**1,393,471**	**615,102**	**-778,369**

Current and deferred income taxes for the year

The composition of the individual items is tabled below:

Description	Prior period	Current period	Change
Current taxes:	**674,549**	**254,740**	**-419,809**
IRES	0	0	0
IRAP	674,549	254,740	-419,809
Deferred taxes (assets)	**0**	**83,220**	**83,220**
IRES – tax rate change effect		83,220	83,220
IRAP		0	0
Total	**674,549**	**337,960**	**-336,589**

Deferred taxation

It is known that Law no. 208 of 28 December 2015 (the so-called Stability Law) provides for the reduction in the Ires tax rate from 27.5% to 24%, with effect for the taxable periods subsequent to the current year as of 31 December 2016 (i.e. for the Company, as from the taxable period starting on April 1, 2017).

Consequently, as shown in the table below, the Company has adjusted the deferred taxes recognised in the previous periods to the income temporary differences reversing from the taxable period starting on April 1, 2017 onwards.

Description	Prior period		Current period		Effect of the IRES tax rate adjustment (from 27.5% to 24%)
	Temporary differences	**Tax effect IRES (27.5%) + IRAP**	**Temporary differences**	**Tax effect IRES (24%) + IRAP**	**Net effect**
Net deferred tax assets:					
Deferred tax assets – Tax losses	14,438,612	3,970,612	14,438,612	3,465,267	-505,351
Deferred tax liabilities – Land revaluation ex Leg. Decree 2008	12,060,894	- 3,787,121	12,060,894	-3,364,989	422,131
Total	**2,377,717**	**183,498**	**2,377,717**	**100,277**	**-83,220**

For the sake of providing complete information, below are tabled deferred tax assets and liabilities recognised in the accounts (shown above) and the theoretical deferred tax assets and liabilities (i.e. not recognised in the financial statements) according to the schedule proposed by OIC.

Theoretical deferred tax assets and liabilities and related effects:

Description	Temporary differences at beginning of the year	Tax decreases	Tax increases	Temporary differences at end of the year		Theoretical fiscal effect on final temporary differences	
					IRES 24%	IRES 27.5%	IRAP 3.90%
Deferred tax assets:							
Provisions for risks and charges and other temporary changes	1,377,152	-2,224,044	1,311,485	464,593		124,326	17,335
Costs fiscally deductible in future financial years	91,000	-67,000	70,760	94,760		29,496	4,183
Provision for doubtful accounts	969,387	-241,591	69,591	797,387		219,281	0
TOTAL DEFERRED TAX ASSETS	**2,437,539**	**-2,532,635**	**1,451,836**	**1,356,740**		**373,103**	**21,518**
Deferred tax liabilities:							
Revaluation	12,060,894	0	0	12,060,894	-2,894,615	0	-470,375
TOTAL DEFERRED TAX LIABILITIES	**12,060,894**	**0**	**0**	**12,060,894**	**-2,894,615**	**0**	**-470,375**
TOTAL NET				**-10,704,154**	**-2,894,615**	**373,103**	**-448,857**
Tax losses carried forward:							
Tax losses available to a limited extent	40,207,293	0	2,103,774	42,311,067	10,154,656	0	0
Tax losses available to a full extent	10,827,009	0	0	10,827,009	2,598,482	0	0
Total tax losses carried forward	**51,034,302**	**0**	**2,103,774 (1)**	**53,138,076**	**12,753,138**	**0**	**0**
TOTAL DEFERRED TAX ASSETS					**9,782,770**	**0**	**0**

(1) The increase of € 2,103,774 is composed of the following items:
- tax losses of the closing period (€ 20,842);
- adjustment made in the tax-return (Unico 2015) on the prior fiscal year's tax losses (€ 2,082,932)

Deferred tax assets

Deferred tax assets were not recognised in the amount of € 394,918 (made up of € 373,103 and € 21,815) for prudential reasons.

With regard to the total tax losses reported in the schedule (€ 51,138,076), it should be noted that:
- deferred tax assets were accounted for on € 14,438,612 (as shown above);
- deferred tax assets were not recognised on the remaining part (€ 38,699,464) for prudential reasons, though they can be carried forward without timing limitation.

Deferred tax liabilities

The item includes deferred tax liabilities on the revaluation of land pursuant to Legislative Decree 185/2008.

Tax charge reconciliation

In order to allow a reconciliation between the tax charge from the accounts and the theoretical tax charge, in accordance with the appropriate accounting principles (OIC document no. 25) below are reported the differences relevant to IRES and IRAP purposes.

RECONCILIATION BETWEEN TAX CHARGE FROM THE ACCOUNTS AND THEORETICAL TAX CHARGE (IRES)			
Pre-tax result (loss)		**1,227,187**	
Theoretical tax charge (27.5% tax rate)			**337,476**
Temporary differences:			
- Deductible in subsequent years:			
Charge to the provision for risks and charges	1,298,985		
Charge to the provision for doubtful accounts	69,591		
Other costs	83,260		
		1,451,836	
- Taxable in subsequent years:			
Tot.		-	
Reversal from previous years:			
Release from provision for risks and charges	(2,233,980)		
Release from provision for doubtful accounts	(241,591)		
Other costs	(43,000)		
Tot.		(2,518,571)	
Permanent differences:			
- For the year :			
non-deductible amortisation/depreciation	472,298		
Telephone expenses	18,732		
Travelling expenses	46,819		
Non-deductible tax and duties	383,028		
Prior-year operating costs	212,003		
Staff Indemnity leaving (TFR)	(44,071)		
Prior-year taxes	(93,895)		
10% Irap deduction	(25,474)		
Deductible Irap related to personnel costs	(17,121)		
20% recovery related to IMU (*Municipal property tax*)	(76,606)		
expenses and other items not deducted in prior years	(1,057,005)		
Tot.		(181,294)	
Gross taxable income (tax loss)		**(20,842)**	
Current IRES income tax for the year			-

RECONCILIATION BETWEEN TAX CHARGE FROM THE ACCOUNTS AND THEORETICAL TAX CHARGE (IRAP)				
Difference between production value and cost			**5,136,406**	
Costs not relevant to Irap purposes		24,554,359		
	Total		**29,690,765**	
Theoretical tax charge (3.9% tax rate)				1,157,940
Temporary differences:				
- Deductible in subsequent years:				
Charge to the provision for risks and charges		510,755		
Other costs		83,260		
	Tot.		594,015	
- Taxable in subsequent years:				
	Tot.		-	
Reversal from previous years:				
Release from provision for risks and charges		(513,703)		
Release from other provisions		(43,000)		
	Tot.		(556,703)	
Permanent differences:				
- for the year :				
Losses on receivables		292,252		
IMU (Municipal property tax)		383,028		
Other non-deductible items		724,219		
Other decreases		(183,859)		
	Tot.		1,215,639	
Gross taxable income (tax loss)			**30,943,716**	
Tax wedge		(24,411,906)		
Net taxable income			**6,531,810**	
Current IRAP tax for the period				**254,740**

Other information

Remuneration to the Corporate bodies

The compensation given to the Board of Statutory Auditors, equal to € 64,750, remained unchanged from the previous financial year.

Directors are not entitled to any compensation, since they are all employees of the Novelis Group.

Fees to the auditing firm

Below is reported the information concerning the fees due to the legal auditors, i.e. the auditing firm, pursuant to Art. 2427, point 16-bis of the Italian Civil Code:

Description	Prior period	Current period
Legal audit of the accounts	76,000	76,000
Services other than the legal audit	15,000	15,000
Total	**91,000**	**91,000**

Contingent liabilities

With regard to the main tax assessments received during the financial year and the pending litigation relating to direct and indirect taxes, it should be noted the following.

<u>2005 taxable period</u>

As already outlined in the Notes to the Financial Statements of the previous financial year, in the course of 2013 the Company was unsuccessful in the appeal – filed by the Revenue Authorities before the Milan Provincial Tax Commission – in relation to the notice of assessment for VAT pertaining to the 2005 taxable period (€ 263,853 plus interest and penalties).

Against this judgment of second instance, the Company filed:

- an appeal to the Court of Cassation;
- an appeal for partial revocation to the Milan Provincial Tax Commission.

The Milan Provincial Tax Commission upheld the appeal for revocation of the judgment of second instance filed by the Company, thereby cancelling the notice of assessment in the amount € 167,804 for taxes (plus any related interest and penalties).
The judgment of the Commission was declared, on the basis of the opinion expressed by an expert, voidable for vices which may be brought before the Court of Cassation.
Consequently, the Company – which in any case is waiting for a hearing before the Court of Cassation – has not set aside any provisions for risks.

<u>2007 taxable period</u>

A notice of assessment for the 2007 taxable year was served in relation to the IRES tax (€ 841,043), IRAP tax (€ 108,626), VAT (€ 509,722), withholdings on interest (€ 17,825), as well as penalties and interest for € 2,440,370.
With regard to this assessment, the Company filed an appeal to the Milan Provincial Tax Commission, which was upheld in full.

Against this favourable judgement, the Revenue Authorities appealed to the Milan Provincial Tax Commission. The Company thus appeared before the judge by presenting its counter-deductions to the Milan Provincial Tax Commission on 11 April 2014.
The judgement of second instance, unfavourable to the Company, was challenged before the Court of Cassation.
With regard to these proceedings, the Company has not set aside any provisions since there are valid defensive arguments.

However, on 22 April 2015, the Company received a notice from Equitalia (Italian State owned tax collection agency) requiring a payment of € 2,227,601.
The Company filed an appeal to suspend the collection, subsequently rejected by the Milan Provincial Tax Commission.
Consequently, the Company has been paying by instalments the requested amounts, while waiting for the judgment before the Court of Cassation.

2011 and 2012 taxable periods

On 19 December 2014 an Ascertainment Report was notified upon the conclusion of a tax inspection started on 29 May 2014, concerning the taxable period ended 31 March 2011 and 31 March 2012.
With regard to the taxable period ended 31 March 2011, the following amounts were subjected to taxation: € 795,328 (IRES), € 2,532,294 (IRAP) and € 129,398 (withholding taxes).
As for the taxable period ended 31 March 2012, the following amounts were subjected to taxation: €1,005,057 (IRES), € 2,983,944 (IRAP) and € 171,479 (withholding taxes).

With regard to the taxable period ended 31 March 2011, the Regional Head Office of the Lombardy Region – Large Taxpayers Office (*Direzione regionale della Lombardia – Ufficio Grandi Contribuenti*), on 2 December 2015, served three notices of assessment on the Company in relation to: IRES (€ 224,996 plus interest and penalties), IRAP (€ 99,848 plus interest and penalties) and withholding taxes (€ 129,398 plus interest and penalties) in addition to an ascertainment report for the imposition of penalties relating to the non-payment of withholding taxes and the incomplete filing of Instrastat forms. It should be pointed out that the National Documentation on intra-group transactions, which had been submitted by the Company, was deemed appropriate, and no penalties were thus applied with reference to the disallowed items related to these transactions. On 20 January 2016, the Company filed an application for the assessment with acceptance in relation to the notices of assessment and defensive deductions in respect of the ascertainment report for penalties.
As far as the ascertainment report for penalties is concerned, the Regional Head Office of the Lombardy Region – Large Taxpayers Office, following the defensive deductions submitted by the Company, recalculated the amount of penalties from an initial € 40,883 to € 667.

It is also noted that, as a consequence of the unsuccessful outcome of the acceptance procedure, completed on 30 April 2016, relating to the assessment notices for IRAP and withholding taxes, the Company appealed to the Milan Provincial Tax Commission.
As regards the assessment notice for IRES, the Company submitted the IPEA form in order to deduct prior-year tax losses and is waiting for a reply from the Revenue Authorities.

With regard to the taxable period ended 31 March 2012, the Company has been waiting to receive the notices of assessment.

According to the Company, there are no grounds to set aside any provisions in relation to the subjects being disputed on the 2011 and 2012 taxable years.

For the sake of completing the section "Other information" of these Notes to the Financial Statements, the following should be specified:

Cash Flow Statement

The Cash Flow Statement has been prepared on the basis of the provisions set forth in the new principle OIC no. 10.

CASH FLOW STATEMENT – INDIRECT METHOD -	Current period	Prior period
A. CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Income (loss) for the year	889,230	-4,912,271
Income taxes	337,960	674,549
Interest expense/(interest income)	611,345	453,214
(Capital gains)/capital losses from disposals of assets	34,079	0
1. Income / (loss) for the year before income taxes, interest, dividends and capital gains and losses	*1,872,614*	*-3,784,508*
Adjustments for non-monetary items, which do not have counterpart in net working capital		
Charge to the provisions for risks and charges	1,075,334	1,597,623
Amortisation/depreciation	6,417,263	6,593,555
2. Cash flows before changes in net working capital	*9,365,211*	*4,406,671*
Changes in net working capital		
Decrease/(increase) in inventories	-764,757	-1,839,304
Decrease/(increase) in trade receivables	1,390,364	1,824,324
Increase/(decrease) in trade payables	589,902	-719,501
Decrease/(increase) in accrued income and prepaid expenses	73,597	148,380
Other changes in net working capital	-3,390,336	-8,285,096
3. Cash flows after changes in net working capital	*7,263,981*	*-4,464,526*
Other adjustments		
Interest received/(paid)	-611,345	-453,214
Income taxes (paid)/cashed	-260,000	-846,000
Utilisation of provisions	-2,416,733	-3,853,114
Cash flows from (used in) operating activities (A)	**3,975,903**	**-9,616,855**
B. CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Investments in intangible assets and property, plant and equipment	-4,112,583	-4,027,993
Increase/(decrease) in trade payables for property, plant and equipment	-34,361	
Proceeds from disposals	267,398	
Changes in trade payables for intangible assets		-88,400
Change in non-current receivables	23	772
Cash flows from (used in) investing activities (B)	**-3,879,523**	**-4,115,621**
C. CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Changes in financial activities with third parties		
Increase/(decrease) in bank borrowings within 12 months	1,082	-10,262
Changes in financial activities with group companies		
Change in cash pooling position towards NOVELIS AG	*-126,709*	13,757,370
Cash flows from (used in) financing activities (C)	**-125,627**	**13,747,108**
Net cash flows for the period (A+B+C)	**-29,247**	**14,632**
Cash and cash equivalents at the beginning of the year	30,323	15,691
Cash and cash equivalents at the end of the year	25,434	30,323
Increase (decrease) in cash and cash equivalents	**-4,889**	**14,632**

These Financial Statements, comprising the Balance Sheet, the Income Statement and the Notes to the Financial Statements, give a true and fair view of the financial position and results of operations for the year ended 31 March 2016, and are in agreement with the accounting records.

Steven Kenneth Clarke
Member of the Board of Directors
Bresso, 18 May 2016

Novelis Aluminium Holding Company

Directors' Report and Financial Statements

For the financial year ended 31 March 2016

Registered Number: 316911

CONTENTS

DIRECTORS AND OTHER INFORMATION

Board of Directors at 12 May 2016

Eric Tonkowski	(German)
Jeremy Quick	(British)
Sabine Trautwein	(German)

Secretary

Goodbody Secretarial Limited
25/28 North Wall Quay
IFSC
Dublin 1

Registered Office

Novelis Aluminium Holding Company
c/o Goodbody Secretarial Limited
25/28 North Wall Quay
IFSC
Dublin 1

Registered Number: 316911

Solicitor

A & L Goodbody Solicitors
25/28 North Wall Quay
IFSC
Dublin 1

Auditors

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

NOTES TO THE FINANCIAL STATEMENTS

The directors submit their report together with the audited financial statements for the year ended 31 March 2016.

Statement of directors' responsibilities
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with Irish law.

Irish law requires the directors to prepare financial statements for each financial year giving a true and fair view of the company's assets, liabilities and financial position at the end of the financial year and the profit or loss of the company for the financial year. Under that law the directors have prepared the financial statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and promulgated by the Institute of Chartered Accountants in Ireland and Irish law).

Under Irish law, the directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the company's assets, liabilities and financial position as at the end of the financial year and the profit or loss of the company for the financial year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain the transactions of the company;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy; and
- enable the directors to ensure that the financial statements comply with the Companies Act 2014 and enable those financial statements to be audited.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Accounting records
The measures taken by the directors to secure compliance with the company's obligation to keep adequate accounting records are the use of appropriate systems and procedures and employment of competent persons. The accounting records are kept at Hannoversche Str. 1, 37075 Göttingen, Germany.

Principal activities
The principal activity of the company is that of an investment company. The company owns 100% share capital of Novelis Deutschland GmbH, a significant German industrial company. The company is expected to continue its current activities going forward.

Details of its subsidiary undertakings are disclosed in Note 18.

Events since the end of the financial year
No events of note have taken place since the end of the financial year.

DIRECTORS' REPORT - continued

Business review	€
The loss for the financial year amounted to:	41,262,072

The results for current fiscal year are driven by the losses of the 100% subsidiary Novelis Deutschland GmbH. The reason for these losses were mainly that Novelis Deutschland GmbH did not meet its expected earnings. Main reasons were a strong decline in ECDP (European Community Duty Paid) which could not be hedged and therefore caused losses in the metal price transfer to our customers, as well as non-effective hedges. In addition, the result for Novelis Deutschland GmbH was negatively impacted by a loss transfer from its 100% subsidiary Novelis Sheet Ingot GmbH which did not meet its expected production volume and quality levels. The guaranteed quality could only be met by using superior input material leading to extra costs. Low output and production problems, in particular at the second production line (Flexline) caused a loss of the Novelis Sheet Ingot GmbH.

The directors do not propose the payment of a dividend.

Political contributions
There were no political contributions which require disclosure under the Electoral Act, 1997.

Future plans and developments
For the coming fiscal year the results from Novelis Deutschland GmbH are expected to continue to improve, as the sales volume continues to increase and the expected higher utilization of the manufacturing plants increase compared to the past year. Expected improvement in the operating EBITDA is a low 3-digit million figure. This increase is based, above all, on an expected improvement in the metal result, in addition to an improvement in hedging activities, lower supply costs, higher revenues and general cost control.

This improvement is also supported by the Focused 5 guidelines, the global short-term strategy of Novelis. The five themes - safety, customer centricity, quality, operational excellence and return on capital employed are expected to be the key levers that will help to improve the Company's results.

Principal risks and uncertainties
The risks of the company are closely aligned with those of its subsidiary, Novelis Deutschland GmbH, from which it derives its main operating results.

The risks of Novelis Deutschland GmbH primarily result from the procurement markets' trends, foreign currency fluctuations and specific customer risks. Increases in raw material price should be passed onto customers via the sales prices of our products. The startup issues for Novelis Sheet Ingot Gmbh with regards to the process from scrap recycling to the finished ingot have been reduced during the year, however this continues to be a focus for the coming fiscal year.

Directors
The names of the persons who were directors at any time during the year ended 31 March 2016 are set out below. Except where indicated, they served for the entire year.

Eric Tonkowski	(German)	
Jeremy Quick	(British)	
Sabine Trautwein	(German)	(appointed 30 March 2016)
Fortunato Llamido Lucido	(American)	(resigned 30 March 2016)

Statutory auditors
The statutory auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

DIRECTORS' REPORT - continued

Directors' and secretary's interests

The directors and secretary in office at 31 March 2016 had no beneficial interests, including family interests, in the share capital of Novelis Europe Holding Limited, Novelis Aluminium Holding Company or any group undertaking at 31 March 2015 and at 31 March 2016.

No director or secretary had at any time during the year a material interest in any contract of significance in relation to the company business.

Jeremy Quick
Director

Sabine Trautwein

Sabine Trautwein
Director

12 May 2016
Date of board meeting

pwc

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOVELIS ALUMINIUM HOLDING COMPANY

Report on the financial statements

Our opinion

In our opinion, Novelis Aluminium Holding Company's financial statements (the "financial statements"):

- give a true and fair view of the company's assets, liabilities and financial position as at 31 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

What we have audited

The financial statements comprise:

- the balance sheet as at 31 March 2016;
- the profit and loss account for the year then ended;
- the statement of other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland), including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Matters on which we are required to report by the Companies Act 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the Directors' Report is consistent with the financial statements.

Matters on which we are required to report by exception

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers, One Spencer Dock, North Wall Quay, Dublin 1, Ireland, I.D.E. Box No. 137
T: +353 (0) 1 792 6000, F: +353 (0) 1 792 6200, www.pwc.com/ie

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOVELIS ALUMINIUM HOLDING COMPANY - continued

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Brian Neilan
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
12 May 2016

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2016

	Notes	Year ended 31 March 2016 €	Year ended 31 March 2015 €
Administrative expenses	4	(1,608,232)	(1,401,958)
Other operating expenses		(119,221)	(124,381)
Other operating (loss)/income	5	500,991	(123,644,892)
Operating profit	6	(1,226,462)	(125,171,231)
Interest income	7	7,320,000	6,026,697
Interest expense	8	(45,562,189)	(43,661,112)
Loss on ordinary activities before taxation		(39,468,651)	(162,805,646)
Taxation	9	(1,793,421)	17,195,698
Loss on ordinary activities for the period		(41,262,072)	(145,609,948)

(Loss)/Profit before taxation arose solely from continuing operations.

There is no difference between the (loss)/profit on ordinary activities for the period above, and their historical cost equivalents.

The notes on pages 12 to 28 form part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 March 2016 €	Year ended 31 March 2015 €
Loss for the year		(41,262,072)	(145,609,948)
Actuarial gain/(loss) in respect of pension scheme	16	838,953	(1,630,630)
Deferred tax on actuarial (gain)/loss	13	(241,445)	500,096
Total comprehensive income		(40,664,564)	(146,740,482)

BALANCE SHEET
31 March 2016

	Notes	31 March 2016 €	31 March 2015 €
Fixed assets			
Tangible assets	10	1,167	2,094
Financial assets	11	711,540,449	711,540,449
		711,541,616	711,542,543
Current assets			
Debtors and prepayments	12	148,946,059	189,722,773
Cash at bank and in hand		-	-
Deferred tax asset	13	28,293,482	24,705,750
		177,239,541	214,428,523
Creditors - amounts falling due within one year	14	(156,878,506)	(151,417,808)
Net current assets		20,361,035	63,010,715
Total assets less current liabilities		731,902,651	774,553,258
Creditors - amounts falling due after more than one year	15	(557,451,464)	(558,582,957)
Pension liability	16	(6,279,000)	(7,133,550)
Net assets		168,172,187	208,836,751
Shareholders' funds			
Called up share capital – presented as equity	17	3,000,000	3,000,000
Profit and loss account		165,172,187	205,836,751
		168,172,187	208,836,751

The notes on pages 12 to 28 form part of these financial statements.

On behalf of the Board

Jeremy Quick
Director

Sabine Trautwein

Sabine Trautwein
Director

STATEMENT OF CHANGES IN EQUITY
31 March 2016

	Note	Called up share capital	Profit and loss account	Total
Balance at 1st April 2014	17	**3,000,000**	**352,577,233**	**355,577,233**
Loss for the year		-	(145,609,948)	(145,609,948)
Other comprehensive income for the year		-	(1,130,534)	(1,130,534)
Total comprehensive income for the year		-	(146,740,482)	(146,740,482)
Balance as at 31st March 2015	17	**3,000,000**	**205,836,751**	**208,836,751**
Balance at 1st April 2015		**3,000,000**	**205,836,751**	**208,836,751**
Loss for the year		-	(41,262,072)	(41,262,072)
Other comprehensive income		-	597,508	597,508
Total comprehensive income for the year		-	(40,664,564)	(40,664,564)
Balance as at 31st March 2016		**3,000,000**	**165,172,187**	**168,172,187**

NOTES TO THE FINANCIAL STATEMENTS

1 General information

The principal activity of Novelis Aluminium Holding Company ('the company') is that of an investment company. The company owns 100% share capital of Novelis Deutschland GmbH, a significant German industrial company.

Novelis Aluminium Holding Company is incorporated as a company limited by shares in the Republic of Ireland. The address of its registered office is Goodwill Secretarial Limited, 25/28 North Wall Quay, IFSC, Dublin 1.

Novelis Aluminium Holding Company has a subsidiary, Novelis Deutschland GmbH, of which it owns 100% of the equity share capital. As Novelis Aluminium Holding Company is included in consolidated accounts of Hindalco Industries Inc it is exempt, by virtue of Section 299 of the Companies Act 2014, from the requirement to prepare group financial statements.

These financial statements are the company's separate financial statements.

2 Significant accounting policies

The significant accounting policies adopted by the company are as follows:

Basis of preparation

These financial statements have been prepared on the going concern basis and in accordance with the Companies Act, 2014, and Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland), including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland".

The entity financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date. It also requires the directors to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or areas where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 3.

Statement of compliance

The entity financial statements have been prepared on a going concern basis and in accordance with Irish GAAP (accounting standards issued by the Financial Reporting Council of the UK and promulgated by the Institute of Chartered Accountants in Ireland and the Companies Act 2014). The entity financial statements comply with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Companies Act 2014.

Going concern

The directors of Novelis Aluminium Holding Company, having made appropriate enquiries, consider that adequate resources exist to continue in operational existence in the foreseeable future and, therefore, consider it appropriate to adopt the going concern basis for the year ended 31 March 2016.

Disclosure exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The company is a qualifying entity and has taken advantage of the following available exemptions:

- Exemption from the requirements of Section 7 of FRS 102 and FRS 102 paragraph 3.17(d) to present a statement of cash flows.
- Exemption from the financial instrument disclosure requirements of Section 11 paragraphs 11.39 to 11.48A and Section 12 paragraphs 12.26 to 12.29A of FRS 102.
- Exemption from the requirement of FRS 102 paragraph 33.7 to disclose key management personnel compensation in total.

NOTES TO THE FINANCIAL STATEMENTS- continued

The company is exempt from the requirement to prepare group financial statements because it is relying on the consolidated accounts of a higher parent in accordance with Section 299 or Section 300 of the Companies Act 2014 or an exemption from consolidation in IFRS, and the subsidiary is consolidated or included by equity accounting in the consolidated accounts of a higher parent.

The ultimate parent undertaking and controlling party of Novelis Aluminium Holding Company, which is the parent undertaking of the largest group to prepare consolidated financial statements, is Hindalco Industries Ltd, a company incorporated in India. The company is also consolidated into the financial statements of Novelis Inc. (smallest group). Copies of group financial statements for Hindalco Industries Ltd. can be obtained from the Company Secretary, Century Bhavan, Worli, Mumbai 400 030, India.

Tangible assets

Tangible fixed assets are carried at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to the location and condition necessary for its intended use, applicable dismantling, removal and restoration costs and borrowing costs capitalised.

(i) Office Equipment

Office equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Depreciation and residual values

Depreciation on other assets is calculated, using the straight-line method over their estimated useful lives, as follows:

Office equipment	5-10 years
Software	3 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each financial year. The effect of any change in either residual values or useful lives is accounted for prospectively.

(iii) Subsequent additions and major components

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as separate assets where they have significantly different patterns of consumption of economic benefits and are depreciated separately over their useful lives.

Repairs, maintenance and minor inspection costs are expensed as incurred.

(iv) Derecognition

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss'.

Financial assets

Financial assets are recorded at cost less provision for impairment in value, if any. Income from financial assets relates to profits from the German subsidiary, which are recognised as the Company becomes entitled to them under the profit and loss transfer agreement.

Trade and other debtors

Trade and other debtors are measured at amortised cost are assessed for objective evidence of impairment. If there is objective evidence that a debtor measured at amortised cost is impaired an impairment loss is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within

NOTES TO THE FINANCIAL STATEMENTS- continued

borrowings in current liabilities. Cash and cash equivalents are initially measured at transaction price and subsequently measured at amortised cost.

Bank deposits which have original maturities of more than three months are not cash and cash equivalents and are presented as current asset investments.

Foreign currency

(i) Functional and presentation currency

The company's functional and presentation currency is the euro, denominated by the symbol "€".

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At the end of each financial year foreign currency monetary items are translated to Euro using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at exchange rates at the end of the financial year of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'interest receivable' or 'interest payable' as appropriate. All other foreign exchange gains and losses are presented in the profit and loss account within 'other expensing expenses'.

Income tax

Income tax expense for the financial year comprises current and deferred tax recognised in the financial year. Income tax expense is presented in the same component of total comprehensive income (profit and loss account or other comprehensive income) or equity as the transaction or other event that resulted in the income tax expense.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the financial year or past financial years. Current tax is measured at the amount of current tax that is expected to be paid using tax rates and laws that have been enacted or substantively enacted by the end of the financial year. German corporate tax, trade tax and surcharge tax are provided based on the results for the year.

The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. A current tax liability is recognised where appropriate and measured on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax is recognised in respect of timing differences, which are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in financial years different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the end of each financial year with certain exceptions. Unrelieved tax losses and other deferred tax assets are recognised only when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the end of each financial year end and that are expected to apply to the reversal of the timing difference.

NOTES TO THE FINANCIAL STATEMENTS- continued

Employee benefits

The company provides a range of benefits to employees, including short term employee benefits such as annual bonus arrangements and paid holiday arrangements and post-employment benefits (in the form of defined benefit pension plan).

(i) Short term employee benefits

Short term employee benefits, including paid holiday arrangements and other similar non-monetary benefits, are recognised as an expense in the financial year in which employees render the related service. The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a present legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

(ii) Defined benefit plan

The company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a post-employment benefit other than a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of each financial year less the fair value of the plan assets at the same date.

The defined benefit obligation is calculated annually by an external actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in Euro and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets out of which the obligations are to be settled is measured in accordance with the company's accounting policy for financial assets. For most plan assets this is the quoted price in an active market. Where quoted prices are not available appropriate valuation techniques are used to estimate the fair value.

The cost of the defined benefit plan, recognised in profit or loss, except where included in the cost of an asset, comprises:

(a) the increase in net defined benefit liability arising from employee service during the financial year; and
(b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost on the net defined benefit liability is determined by multiplying the net defined benefit liability by the discount rate (both as determined at the start of the financial year, taking account of any changes in the net defined benefit liability during the financial year as a result of contribution and benefit payments). This net interest cost is recognised in profit or loss as 'finance expense' and presented within 'interest payable'.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income. These amounts together with the return on plan assets less the interest income on plan assets included in the net interest cost, are presented as 'actuarial loss in respect of pension scheme' in other comprehensive income.

Share capital presented as equity

Equity shares issued are recognised at the proceeds received. Incremental costs directly attributable to the issue of new equity shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Distributions to equity shareholders

Dividends on equity shares are recognised in the financial statements when they have been appropriately approved or authorised by the shareholders and are no longer at the discretion of the company. Interim dividends declared by the directors are recognised when paid.

NOTES TO THE FINANCIAL STATEMENTS- continued

3 Critical accounting judgements and estimation uncertainty

Estimates and judgements made in the process of preparing the entity financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgement in applying the entity's accounting policies

There are no judgements, apart from those involving estimates, that have been made by the directors which have had significant effect on the amounts recognised in the financial statements.

(b) Critical accounting estimates and assumptions

The directors make estimates and assumptions concerning the future in the process of preparing the entity financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Impairment of debtors

The directors make an assessment at the end of each financial year of whether there is objective evidence that a trade or other debtor is impaired. When assessing impairment of trade and other debtors, the directors consider factors including the current credit rating of the debtor, the age profile of outstanding invoices, recent correspondence and trading activity, and historical experience of cash collections from the debtor. See note 12 for the net carrying amount of the debtors and the impairment loss recognised in the financial year.

(ii) Impairment of Financial Assets

Investments are recorded at costs. If business conditions or changes circumstances indicate that asset values may be impaired,
an impairment review is undertaken and impairment charges are recorded if the carrying value of the investment exceeds the higher of its realisable value and its value in use.
There was no impairment of financial assets in the current year (2015: NIL)

(iii) Defined benefit pension scheme

Certain employees participate in a defined benefit pension plan. The calculation of the cost of these pension benefits and the present value of the defined benefit obligation incorporate a number of estimates and assumptions, including; life expectancy, salary increases, inflation and the discount rate on corporate bonds. The pension plan assets are measured at fair value at the end of each financial year. The assumptions and estimates used in calculating the cost for the financial year, the defined benefit obligation and the fair value of the plan assets at the end of each financial year reflect historical experience and current trends. See note 16 for the disclosures relating to the defined benefit pension plan.

4 Administrative expenses

	Year ended 31 March 2016 €	Year ended 31 March 2015 €
Wages and salaries	837,871	736,165
Social insurance costs	171,096	147,580
Other retirement benefit costs	(46,288)	75,664
Staff costs	962,679	959,409
Other administrative expenses	645,553	442,549
	1,608,232	1,401,958

Average number of persons employed by the company during the year was 10 (31 March 2015: 9).

Novelis Aluminium Holding Company participates in the Novelis Inc. stock appreciations rights (SARs). The details, assumptions and calculation method are disclosed in the Novelis Inc. group financial statements. Copies of the financial statements of Novelis Inc. can be obtained from the Company Secretary, Two Alliance Center, 3560 Lenox Road, Suite 2000, Atlanta, GA 30326, USA.

NOTES TO THE FINANCIAL STATEMENTS- continued

5 Other operating income

	Year ended 31 March 2016 €	Year ended 31 March 2015 €
Loss from financial assets (Note 11)	(1,450,817)	(125,086,107)
Service fee income	1,887,708	1,440,414
Other income/(expense)	64,100	801
	500,991	(123,644,892)

6 Operating profit

	Year ended 31 March 2016 €	Year ended 31 March 2015 €
Operating profit is stated after charging:		
Depreciation	927	8,238
Foreign exchange (gain)/loss	(176)	0

Auditors' remuneration

Remuneration (including expenses and excluding VAT) for the statutory audit and other services carried out for the company by the company's auditors is as follows:

	2016 €'000	2015 €'000
Audit of entity financial statements	40	39
Other assurance services	-	-
Tax advisory services	-	-
Other non-audit services	-	-
	40	39

7 Interest income

	Year ended 31 March 2016 €	Year ended 31 March 2015 €
Interest income on loans to group undertakings	7,320,000	6,026,697
Total interest income	7,320,000	6,026,697

8 Interest expense

	Year ended 31 March 2016 €	Year ended 31 March 2015 €
Interest expense on loans from group undertakings	44,421,170	43,080,466
Net interest expense on defined benefit pension plan	160,953	197,508
Interest paid and accrued on taxation	980,066	383,138
Total interest expense	45,562,189	43,661,112

The group loans are falling due on 31 March 2019.

NOTES TO THE FINANCIAL STATEMENTS- continued

9 Tax on profit on ordinary activities

	Year ended 31 March 2016 €	Year ended 31 March 2015 €
(a) Analysis of charge in year		
Current tax:		
Irish corporation tax		-
German Income Tax on (loss)/profit for the period	(5,622,678)	(3,438,338)
Current tax charge for the financial year	(5,622,678)	(3,438,338)
Deferred tax:		
Origination and reversal of timing differences	3,829,257	20,634,036
Deferred tax charge for the financial year	3,829,257	20,634,036
	(1,793,421)	17,195,698

	Year ended 31 March 2016 €	Year ended 31 March 2015 €
The deferred tax credit arises from:		
Pension	66,220	22,571
Other	(3,895,477)	(20,656,607)
	(3,829,257)	(20,634,036)

Novelis Aluminium Holding Co., Novelis Deutschland GmbH and the Sheet Ingot GmbH established a German fiscal unity. The stated German income tax is the tax of the fiscal unity.

(b) Tax expense/(income) relating to items recognised in other comprehensive income

Current tax	-	-
Deferred tax		
- Deferred tax on remeasurement of net defined benefit liability	(241,445)	500,096
	(241,445)	500,096

NOTES TO THE FINANCIAL STATEMENTS- continued

9 Tax on profit on ordinary activities- continued

(c) Reconciliation of tax expense

Tax assessed for the financial year is higher (2015: higher) than the standard rate of corporation tax in the Republic of Ireland for the financial year ended 31 March 2016 of 12.5% (2015: 12.5%). The differences are explained below:

	Year ended 31 March 2016 €	Year ended 31 March 2015 €
(Loss)/Profit on ordinary activities before tax	(39,468,651)	(162,805,646)
	(39,468,651)	(162,805,646)
(Loss)/Profit on ordinary activities multiplied by the standard rate of corporation tax in the Republic of Ireland of 12.5% (2015: 12.5%)	4,933,582	20,350,706
Effects of:		
Not subject to Irish taxation	(1,104,325)	283,330
Subject to German taxation	(5,622,678)	(3,437,438)
Other	0	(900)
Total charge/credit for the financial year	(1,793,421)	17,195,698

NOTES TO THE FINANCIAL STATEMENTS- continued

10 Tangible assets

	Total
	€
Cost	
At 1 April 2014	134,663
At 31 March 2015	134,663
Accumulated depreciation	
At 1 April 2014	124,331
Charge for the period	8,238
At 31 March 2015	132,569
Net book amount	
At 31 March 2014	10,332
At 31 March 2015	2,094
Cost	
At 1 April 2015	134,663
At 31 March 2016	133,496
Accumulated depreciation	
At 1 April 2015	132,569
Charge for the period	927
At 31 March 2016	133,496
Net book amount	
At 31 March 2015	2,094
At 31 March 2016	1,167

The tangible assets are completely related to office equipment.

11 Financial assets (Shares in group undertakings)

	31 March 2016	31 March 2015
	€	€
Balance at 1 April	711,540,449	711,540,449
Balance at 31 March	711,540,449	711,540,449
Novelis Deutschland GmbH	711,540,449	711,540,449

For further information in relation to financial asset investment see disclosures in note 18.

In 2012, the company entered into a profit and loss transfer agreement ("Ergebnisabführungsvertrag") with Novelis Deutschland GmbH, under which all profits or losses of Novelis Deutschland GmbH are transferred to the company at the end of each financial year. The loss absorbed under this agreement for the year ended 31 March 2016 was €1,450,817 (31 March 2015: loss of €125,086,107).

NOTES TO THE FINANCIAL STATEMENTS- continued

12 Debtors and prepayments

	31 March 2016 €	31 March 2015 €
Amounts owed by group companies	134,655,723	152,674,848
Corporation tax receivable	2,763,678	11,690,881
Trade tax receivable	3,042,112	10,343,815
Prepaid expenses	16,098	10,879
Other debtors	8,468,448	15,002,350
	148,946,059	189,722,773

Included in other debtors are amounts receivable in respect of VAT of €8,467,775 (31 March 2015: € 14,799,738).

Amounts owed by group companies includes loans to group undertakings of €120 million (2015: €120 million) which have a maturity date of 1 October 2023 and carry a fixed interest rate of 6%. All other amounts owed by group undertakings are unsecured, interest free and repayable on demand.

13 Deferred tax asset

	31 March 2016 €	31 March 2015 €
Property and equipment	499	297
Retirement benefits	641,124	1,250,431
Other	27,651,859	23,455,022
	28,293,482	24,705,750

Included in other deferred tax asset are amounts for loss carry forward of € 25,640,083 (2015: € 23,537,297).

A deferred tax asset of € 24,293,710 (2015: € 14,812,210) has not been recognised as the company has deemed that it is not probable that this will be realised in the foreseeable future.

Movement in deferred taxes

	31 March 2016 €	31 March 2015 €
Deferred tax asset at 1 April	24,705,570	3,570,867
Charge to profit and loss account	3,829,257	20,634,607
Charge to other comprehensive income (Note 16)	(241,445)	500,096
Deferred tax asset at 31 March	28,293,482	24,705,570

NOTES TO THE FINANCIAL STATEMENTS- continued

14 Creditors – amounts falling due within one year

	31 March 2016 €	31 March 2015 €
Amounts owed to group companies	151,291,226	145,841,230
Accruals	307,847	264,589
Trade creditors	286,309	146,612
Trade tax on income	2,252,124	2,404,962
Corporation tax	2,584,056	2,606,332
Other creditors	156,944	154,083
	156,878,506	151,417,808

Amounts owed to group companies include intergroup borrowings of €40million (2015: NIL) which fall due on 18 March 2017 and carry a fixed interest rate of 6%. All other amounts owed to group companies are unsecured, interest free and repayable on demand

Trade and other creditors are payable at various dates in the next three months in accordance with the suppliers' usual and customary credit terms.

Tax and social insurance are repayable at various dates over the coming months in accordance with the applicable statutory provisions.

15 Creditors – amounts falling due after more than one year

	31 March 2016 €	31 March 2015 €
Amounts owed to group companies	531,126,441	531,126,400
Other creditors	26,325,023	27,456,557
	557,451,464	558,582,957

Amounts owed to group companies have a maturity date of 31 March 2019 and carry a fixed interest rate of 8%.

Included in other creditors are amounts payable in respect of tax of €26,311,619 (31 March 2015: €27,443,885).

16 Retirement benefits

The company operates a defined benefit pension scheme with assets held in a separately administered fund. Pension liabilities are met out of the company's total resources. The contributions are determined by a qualified actuary on the basis of annual valuations using the projected unit credit method. The most recent valuation for funding purposes was carried out by a qualified independent actuary as at 31 March 2016 and is available for inspection by the scheme members but not for public inspection. The company has entered into reinsurance contracts to fund part of their pension liabilities. The value of these contracts at 31 March 2016 was € 1,364,792 (31 March 2015: €1,550,716).

NOTES TO THE FINANCIAL STATEMENTS- continued

16 Retirement benefits - continued

	31 March 2016 €	31 March 2015 €
The amounts recognised in the balance sheet are as follows:		
Present value of scheme liabilities	(7,643,792)	(8,684,266)
Fair value of scheme assets	1,364,792	1,550,716
Pension liability	(6,279,000)	(7,133,550)

The amounts recognised in the profit and loss account are as follows:		
Interest cost	190,417	218,593
Interest on scheme assets	(29,464)	(21,085)
Current service cost	14,450	26,942
	175,403	224,450

The amounts recognised in other comprehensive income are as follows:		
Experience gains/(losses) on liabilities	72,000	10,000
Actual return on assets less interest income	62,953	50,840
Change in assumptions underlying the present value of scheme liabilities	704,000	(1,691,470)
Actuarial losses recognised in other comprehensive income	838,953	(1,630,630)
Related deferred tax	(241,445)	500,096
	597,508	(1,130,534)

The cumulative actuarial loss recognised in the statement of total recognised gains and losses up to and including the financial year ended 31 March 2016 is €2,440,072 (31 March 2015: loss of €3,279,025). The related deferred tax asset is €746,258 (31 March 2015: asset of €987,703).

The actual return on plan assets was:

	2016 €	2015 €
Actual return on plan assets	92,417	71,925

Expected contributions for the financial year ending 31 March 2017 are € 259,000.

NOTES TO THE FINANCIAL STATEMENTS- continued

16 Retirement benefits - continued

Movement in scheme assets and liabilities:

	Scheme assets	Scheme liabilities	Pension liability
	€	€	€
At 1 April 2014	**1,506,089**	**(6,945,559)**	**(5,439,470)**
Transfer in / (out)	-	-	-
Current Service Cost	-	(26,942)	(26,942)
Interest on scheme liability	-	(218,593)	(218,593)
Interest on scheme assets	21,085	-	21,085
Experience losses on assets	50,840		50,840
Experience losses on liabilities		10,000	10,000
Change in assumptions	-	(1,691,470)	(1,691,470)
Benefits paid	(27,298)	188,298	161,000
Employer Contributions paid	-	-	-
At 31 March 2015	**1,550,716**	**(8,684,266)**	**(7,133,550)**
At 1 April 2015	**1,550,716**	**(8,684,266)**	**(7,133,550)**
Transfer in / (out)	-	-	
Current Service Cost	-	(14,450)	(14,450)
Interest on scheme liability	-	(190,417)	(190,417)
Interest on scheme assets	29,464	-	29,464
Experience losses on assets	62,953	-	62,953
Experience losses on liabilities	-	72,000	72,000
Change in assumptions	-	704,000	704,000
Benefits paid	(278,341)	469,341	191,000
Employer Contributions paid	-	-	-
At 31 March 2016	**1,364,792**	**(7,643,792)**	**(6,279,000)**

All of the scheme liabilities above arise from schemes that are wholly or partly funded.

Amounts for the current and previous two periods:

	31 March 2016	31 March 2015	31 March 2014
	€	€	€
Scheme`s liabilities	(7,643,792)	(8,684,266)	(6,945,559)
Scheme`s assets	1,364,792	1,550,716	1,506,089
Surplus/ (deficit)	(6,279,000)	(7,133,550)	(5,439,470)
Experience adjustment on liabilities	72,000	10,000	(318,000)
% of liabilities	0,94%	0,12%	4,58%
Experience adjustment on assets	2	0	0
% of liabilities	-	-	-

NOTES TO THE FINANCIAL STATEMENTS- continued

16 Retirement benefits - continued

The principal actuarial assumptions at the balance sheet date:	31 March 2016 %	31 March 2015 %
Discount rate	1.90	1.40
Future salary increases	2.75	2.75
Future pension increases	1.75	2.00
Future inflation rate	2.00	2.00

Assumptions regarding future mortality are set based on advice from published statistics and experience.

The mortality assumptions are based on standard mortality tables which allow for improvements in future mortality assumptions.

Longevity at 65 for current pensioners:	31 March 2016 Years	31 March 2015 Years
Male	19,1	19,0
Female	23,1	23,1
Longevity at 65 for members retiring in 2037:		
Male	21,9	19,0
Female	25,8	23,1

17 Share capital

	31 March 2016 €	31 March 2015 €
Authorised:		
889,947,424 ordinary shares of €0.2362605946 each	210,259,508	210,259,508
Issued and fully paid:		
647,590,007 ordinary shares of €0.0046325607 each	3,000,000	3,000,000

NOTES TO THE FINANCIAL STATEMENTS- continued

18 Subsidiaries

Name	Principal activity	Group share	Registered office	Loss	Shareholder funds
				€'000	€'000
Novelis Deutschland GmbH	Aluminium and packaging trading company	100%	Göttingen, Germany	1,451	1,451

The financial information for Novelis Deutschland GmbH presented above is for the year ended 31 March 2016.

Novelis Deutschland GmbH profit and loss and balance sheet are included in the consolidated accounts of Novelis Inc. which are publicly available (Note 4).

19 Guarantees and contingent liabilities

Novelis Aluminium Holding Co. has entered into various Guarantee and Security Agreements pursuant to which the Company will guarantee secured obligations and create fixed and floating charges over all of its present and future assets, to serve as collateral for two unsecured Senior Notes of USD 2,500 million, a term credit agreement of USD 1,800 million and an ABL credit agreement for USD 1,200 million. In this context the company has pledged any and all shares it holds in Novelis Deutschland GmbH.

20 Events after the balance sheet date

No events of note have taken place since the end of the financial year.

21 Directors remuneration

The following table details the aggregate remuneration for the Directors of this company:

	Year ended 31 March 2016 €	Year ended 31 March 2015 €
For services as directors	14,000	6,000
For other services		-
	14,000	6,000

22 Parent undertaking

In the opinion of the directors, the immediate, ultimate parent company and controlling party at the balance sheet date was Hindalco Industries Ltd, a company incorporated in India. Hindalco Industries Ltd was also the parent company of the smallest group in which Novelis Aluminium Holding Company is included. Copies of the financial statements of Hindalco Industries Ltd can be obtained from its head office at Century Bhavan, 3rd floor, Dr. Annie Besant Road, Worli, Mumbai 400 030, India.

NOTES TO THE FINANCIAL STATEMENTS- continued

23 Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under Irish GAAP were for the year ended 31 March 2015. The date of transition to FRS 102 was 1 April 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 March 2015 and the total equity as at 1 April 2014 and 31 March 2015 between Irish GAAP as previously reported and FRS 102.

Profit for the financial year		**2015**	
	Note	**€'000**	**€'000**
Irish GAAP as previously reported			**(145,565)**
Defined benefit pension scheme	[A]	(51)	
Total adjustment to profit before tax for the financial year			(51)
Deferred tax impact of adjustments			
Defined benefit pension scheme	[B(i)]	6	
Total adjustment to tax expense			6
Total adjustment to profit for the financial year			(45)
FRS 102			**(145,610)**

Other comprehensive income		**2015**	
			€'000
Irish GAAP as previously reported			**(1,175)**
Defined benefit pension scheme	[A]		51
Deferred tax impact of adjustments			
- Defined benefit pension scheme	[B(i)]		(6)
FRS 102			**(1,130)**

Total equity	**01-Apr-14**	**31-Mar-15**
	€'000	€'000
Irish GAAP as previously reported	352,577	205,837
FRS 102	**352,577**	**205,837**

[A]- Defined benefit pension scheme

Under previous Irish GAAP the company recognised an expected return on defined benefit plan assets in the profit and loss account. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in the profit and loss account. There has been no change in the defined benefit liability at either 1 April 2014 or 31 March 2015. The effect of the change has been to increase the charge to the profit and loss account in the year to 31 March 2015 by €50,840 and to reduce the charge in other comprehensive income by an equivalent amount.

The interest on the service accruing during the year was reflected in current service cost and presented within administrative costs under FRS 17. This cost is reflected fully within interest costs under FRS 102.

NOTES TO THE FINANCIAL STATEMENTS- continued

[B]- Deferred taxation

The company has accounted for deferred taxation on transition as follows:

(i) Defined benefit pension scheme – A deferred tax credit relating to the return on plan assets of €6,355 was previously recognised in other comprehensive income under Irish GAAP. This credit is now recognised in profit or loss, consistent with the treatment of return on plan assets in FRS 102, as noted in [A] above. This had no net impact on the deferred tax balance at either 1 April 2014 or 31 March 2015.

(ii) Deferred tax asset- Under FRS 102 the deferred tax asset at 1 April 2014 of €772,726, arising on the post-employment benefit liability, is now included within deferred tax on the balance sheet. Under the previous Irish GAAP, and applying FRSs 17 and 19, the deferred tax asset arising on the post-employment liability was offset against the liability. This has no effect on the company's equity or profit for the year.

[C]- Interest expense on defined benefit pension plan

Under previous Irish GAAP accounts the net interest expense on the defined benefit pension plan was classified within 'Administrative expense' line. Under FRS 102 this has been re-classed to 'interest payable', and included within note 8 to the financial statements. This has no effect on the company's equity or profit for the year.

24 Approval of financial statements

The directors approved the financial statements on 12 May 2016.

ADITYA BIRLA
NOVELIS

CERTIFICATION

I, Stephanie Rauls, have reviewed the attached unaudited standalone financial statements for Novelis Global Employment Organization Inc. and certify that the information included therein accurately reflects the financial position of Novelis Global Employment Organization Inc. as of 31 March 2016 and the results of its operations for the year then ended.

Signature

Stephanie Rauls

Print Name

Vice President

Title

August 17, 2016

Date

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

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

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

Novelis Global Employment Organization
Financial Statements as of
March 31, 2016
Unaudited

Novelis Global Employment Organization

BALANCE SHEET

(In thousands, except number of shares)

	March 31, 2016	March 31, 2015
ASSETS		
Novelis Global Employment Organization		
March 31, 2016	$ 299	$ 299
Total assets	$ 299	$ 299
LIABILITIES AND SHAREHOLDER'S EQUITY		
Total liabilities	-	-
Shareholder's equity		
Common stock, no par value; 100 number of shares authorized; 10 shares issued and outstanding as of March 31, 2016 and 2015	-	-
Additional paid–in capital	325	325
Accumulated deficit	(26)	(26)
Total shareholder's equity	299	299
Total liabilities and shareholder's equity	$ 299	$ 299

See accompanying notes to the financial statements.

Novelis Global Employment Organization
STATEMENT OF OPERATIONS
(In thousands)

	Year Ended March 31,	
	2016	**2015**
Income before income taxes	$ -	$ -
Income tax provision	-	-
Net income	$ -	$ -

See accompanying notes to the financial statements

Novelis Global Employment Organization
STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Year Ended March 31,	
	2016	**2015**
Net income	$ -	$ -
Comprehensive income	$ -	$ -

See accompanying notes to the financial statements.

Novelis Global Employment Organization
STATEMENT OF CASH FLOWS
(In thousands)

	Year Ended March 31,	
	2016	**2015**
OPERATING ACTIVITIES		
Net income	$ -	$ -
Other, net	-	-
Changes in assets and liabilities including assets and liabilities held for sale (net of effects from divestitures):		
Accounts receivable	-	-
Inventories	-	-
Accounts payable	-	-
Other current assets	-	-
Other current liabilities	-	-
Other noncurrent assets	-	-
Other noncurrent liabilities	-	-
Net cash provided by operating activities	-	-
INVESTING ACTIVITIES		
Net cash provided by investing activities	-	-
FINANCING ACTIVITIES		
Net cash provided by financing activities	-	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents — beginning of period	-	-
Cash and cash equivalents — end of period	$ -	$ -

See accompanying notes to the financial statements

Novelis Global Employment Organization
STATEMENT OF SHAREHOLDER'S EQUITY
(In thousands, except number of shares)

	Common Shares		Additional Paid-in	(Accumulated	Total
	Shares	Amount	Capital	Deficit)	Equity
Balance as of March 31, 2014	10	$ -	$ 325	$ (26)	$ 299
Net income	-	-	-	-	-
Balance as of March 31, 2015	10	-	325	(26)	299
Net income	-	-	-	-	-
Balance as of March 31, 2016	10	$ -	$ 325	$ (26)	$ 299

See accompanying notes to the financial statements

Novelis Global Employment Organization
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 Global Employment Organization (GEO) unless the context specifically indicates otherwise.

Organization of Business

Novelis Novelis GEO was formed in the United States of America on December 15, 2015 as a result of repurposing a dormant entity, Novelis PAE. Novelis PAE Corporation was formed in the United States of America on November 19, 1998. Novelis GEO was formed for the main purpose of employing certain globally mobile employees.

All of Novelis GEO's common shares are directly held by Novelis Holdings Inc, an indirect parent. All of Novelis Holdings Inc.'s common shares are directly held by Novelis Inc. (Canada). The Company's functional and reporting currency is United States Dollar (USD).

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 reported amounts of revenues and expenses during the reporting periods. 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 Presentation

These financial statements have been prepared solely to satisfy the reporting requirements of the ultimate parent company, Hindalco Industries Limited, to present separate subsidiary financial statements in accordance with Sections 136 and 137 of the Companies Act, 2013 in India (2013 Act). The results of the Company's separate financial statements are also included in the consolidated financial statements of our direct parent, Novelis Inc., and of our ultimate parent, Hindalco Industries Limited, and those consolidated financial statements are publicly available. These statements have not been audited, as there is no local jurisdictional requirement to present audited stand alone legal entity financial statements.

The 2013 Act, as interpreted, states the format of accounts of foreign subsidiaries should be, as far as possible, in accordance with the requirements under the Companies Act, 2013. The books and records of Novelis Inc. are prepared and recorded under U.S. GAAP. These standalone unconsolidated financial statements are prepared for the sole purpose of complying with the 2013 Act and it is not feasibly possible to present these statements in another basis of accounting other than books and records of the subsidiary.

Operating Guarantees

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

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 (Indirect Parent and Issuer) 2017 Notes and 2020 Notes. This guarantee is full and unconditional as well as joint and several. As of March 31, 2016, no contingent loss has been recorded related to the guarantee of debt.

The Notes contain customary covenants and events of default that will limit Novelis Inc.'s ability and, in certain instances, the ability of certain of Novelis Inc.'s 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 Novelis Inc.'s subsidiaries to pay dividends or make other distributions to Novelis Inc., (7) engage in certain transactions with affiliates, (8) enter into sale and leaseback transactions, (9) designate Novelis Inc.'s subsidiaries as unrestricted subsidiaries and (10) consolidate, merge or transfer all or substantially all of Novelis Inc.'s assets and the assets of certain of Novelis Inc.'s 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, 2016, Novelis Inc. was in compliance with the covenants in the Notes.

Related Party Transactions

Included in the accompanying financial statements are transactions and balances arising from business we conduct with our indirect parent, Novelis Inc., or with subsidiaries of Novelis Inc., which we classify as related party transactions and balances. As of March 31, 2016 and 2015, we had an outstanding long-term accounts receivable due from Novelis Corporation of $299 thousand, which is shown as "Long-term accounts receivable — related party" in the accompanying balance sheet.

NOVELIS PAE SAS

Statutory auditor's report on the financial statements

(Year ended March 31, 2016)

pwc

This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Novelis PAE SAS
VOREPPE

Statutory auditor's report on the financial statements
For the year ended March 31, 2016

In compliance with the assignment entrusted to us by your President,we hereby report to you, for the year ended March 31, 2016, on:

- the audit of the accompanying financial statements of Novelis PAE SAS
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the chairman. Our role is to express an opinion on these financial statements based on our audit.

I - Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sample techniques or other methodes of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as 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.

PricewaterhouseCoopers Audit SA, 2 square Roger Genin B.P. 1121 38022 Grenoble Cedex 1
Téléphone: +33 (0)4 76 84 33 50, Fax: +33 (0)4 76 84 33 51, www.pwc.fr

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at March 31, 2016 and of the results of its operations for the year then ended in accordance with French accounting principles.

II - Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we inform you that the assessments we made contributed to the unqualified opinion on the financial statements expressed in the first part of our report and do not give rise to any comment.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Grenoble, May 13, 2016

The statutory auditor
PricewaterhouseCoopers Audit

Frédéric Charcosset

Balance sheet - Assets

NOVELIS PAE SASU

Summary statement at 31/03/2016

BALANCE SHEET	Gross	Amortization Provisions	**Net book value at 31/03/2016**	**Net at 31/03/2015**
ASSETS				
Intangible assets				
Franchises, patents and other similar rights	13 373	13 373	0	165
Softwares	446 598	422 540	24 057	44 646
Goodwill	13 000 000		13 000 000	13 000 000
Fixed assets in progress/payments on accounts				
Tangible assets				
Plant, machinery and equipments	193 511	112 458	81 053	73 906
Other fixed assets	117 419	91 821	25 598	18 480
Fixed assets in progress/payments in advance	0		0	0
Financial assets				
Loans				
Other financial assets	50 974		50 974	51 476
CAPITAL ASSETS	**13 821 874**	**640 192**	**13 181 682**	**13 188 673**
Inventories				
Raw materials and supplies	1 321 068	0	1 321 068	1 131 420
Work in progress - goods	4 406 585	7 910	4 398 675	6 186 574
Work in progress - services	1 414 246	0	1 414 246	1 900 585
Receivables				
Accounts receivables and related accounts	7 913 216	198 812	7 714 404	11 505 284
Suppliers debit balances				
Income tax - receivables	347 794		347 794	93 220
VAT - receivables	262 457		262 457	604 101
Other receivables	12 031 574		12 031 574	10 280 520
Sundry				
Advance payments paid on orders	13 234		13 234	74 428
Investment securities				
Cash	569		569	992
Prepaid expenses	49 511		49 511	53 269
CURRENT ASSETS	**27 760 255**	**206 722**	**27 553 533**	**31 830 394**
Conversion rate adjustments - assets	1 869		1 869	2 824
ADJUSTMENT ACCOUNTS	**1 869**		**1 869**	**2 824**
TOTAL ASSETS	**41 583 998**	**846 915**	**40 737 084**	**45 021 891**

Balance sheet - Liabilities

NOVELIS PAE SASU

Summary statement at 31/03/2016

BALANCE SHEET	Net book value at 31/03/2016	Net at 31/03/2015
LIABILITIES		
Individual share capital	4 040 000	4 040 000
Legal reserve	404 000	404 000
Retained earnings	11 537 863	9 875 840
Net income or loss of the period	1 145 582	1 662 023
Regulated provisions	0	24 399
SHAREHOLDER EQUITY	**17 127 446**	**16 006 262**
OTHER SHAREHOLDER EQUITY		
Provisions for contingencies	312 662	329 610
Provisions for losses	1 872 763	1 915 884
PROVISIONS FOR CONTINGENCIES AND LOSSES	**2 185 425**	**2 245 493**
Financial debts and borrowings from credit institutions	360	
Other financial debts and borrowings		
Other financial debts and borrowings - shareholder		
Advance payments received on orders	2 391 424	558 631
Accounts payables and related accounts	1 932 883	3 863 005
Tax and social liabilities	1 310 956	1 893 432
Accounts payables related to fixed assets suppliers		
Other liabilities	508 003	447 913
Prepaid income	15 280 398	20 006 350
CURRENT LIABILITIES	**21 424 024**	**26 769 331**
Conversion rate adjustments - liabilities	189	804
ACCRUED EXPENSES	**189**	**804**
TOTAL LIABILITIES	**40 737 084**	**45 021 891**

PROFIT AND LOSS ACCOUNT

NOVELIS PAE SASU

Summary statement at 31/03/2016

	31/03/16 France	31/03/16 Exportations	31/03/16 Total	31/03/15
Sales of goods				
Production sold goods				
Production sold services	2 521 772	12 119 444	14 641 216	23 786 986
NET TURNOVER	**2 521 772**	**12 119 444**	**14 641 216**	**23 786 986**
Production taken into inventory			-2 524 742	-5 835 666
Capitalised production				
Operating subsidies			0	0
Provision and depreciation reversals and expenses transferred			397 809	1 750 255
Other income			87 376	64 954
Total operating income			**12 601 659**	**19 766 530**
Purchases of goods held for resale				
Inventory change - goods held for resale				
Purchases of raw materials and supplies			5 123 997	8 913 643
Inventory change - raw materials and supplies			-387 825	-213 974
Other purchases and external expenses			2 082 152	2 812 091
Taxes and other levies			185 308	253 796
Wages and salaries			2 419 405	2 911 055
Payroll benefits			1 334 118	1 550 175
Allocation to depreciation of fixed assets			58 276	61 354
Allocation to provisions for fixed assets				
Allocation to provisions for current assets			50 856	82 008
Allocation to provisions for contingency and expenses			279 626	468 899
Other expenses			244 072	537 872
Total operating expenses			**11 389 985**	**17 376 919**
OPERATING INCOME OR LOSS			**1 211 674**	**2 389 611**
Profit appropriated or loss transferred				
Loss appropriated and profit transferred				
Financial income from participating interests				
Other investment income and amount owed			0	0
Other interests and similar income			0	16
Provisions reversals and expenses transferred			954	0
Foreign exchange gains			15 365	16 886
Net gains on realisation of investments held as current assets			0	0
Total financial income			**16 319**	**16 902**
Allocation to financial assets and provisions			0	2 824
Interests and similar charges			2	0
Foreign exchange losses			41 394	0
Net losses on realisation of investments held as current assets			0	0
Total financial expenses			**41 396**	**2 824**
FINANCIAL PROFIT OR LOSS			**-25 077**	**14 079**
CURRENT INCOME OR LOSS BEFORE TAX			**1 186 597**	**2 403 689**
Extraordinary income from operating transactions			4 829	0
Extraordinary income from capital transactions			0	0
Provisions reversals and expenses transferred			24 399	25 106
Total extraordinary income			**29 227**	**25 106**
Extraordinary expenses from operating transactions			3 945	0
Extraordinary expenses on capital transactions			0	0
Extraordinary allocation to depreciation and provisions			0	0
Total extraordinary expenses			**3 945**	**0**
EXTRAORDINARY INCOME OR LOSS			**25 282**	**25 106**
Employee profit share			0	131 243
Income tax			66 297	635 529
TOTAL INCOME			**12 647 205**	**19 808 538**
TOTAL CHARGES			**11 501 623**	**18 146 515**
PROFIT OR LOSS (Total income - Total charges)			**1 145 582**	**1 662 023**

NOVELIS PAE SAS

NOTES TO THE FINANCIAL STATEMENTS
Fiscal year ended March 31, 2016

I - PRESENTATION OF THE COMPANY AND OVERVIEW OF THE YEAR

1.1 Presentation of the company

Novelis PAE SAS is a company specialized in engineering, conception and selling of equipment for aluminium funderies.

1.2 Overview of the year

A reassessment of the future costs has been evaluated on a long term contract in Venezuela further to the transfer of the project on an industrial site. According to the method of percentage of completion, a 1.9 million euros operating margin was recognized this fiscal year.

II - ACCOUNTING PRINCIPLES AND VALUATION METHODS

2.1 Accounting principles

The account for the year ended March 31, 2016 have been prepared in accordance with accounting principles generally accepted in France and with French regulations :

- Principle of prudence
- Going concern assumption
- Consistent accounting methods
- Cut-off principle

Assets and liabilities are stated at historical cost.

2.2 Intangible assets

Intangibles assets are valued at cost.

Softwares are depreciated using the straight line method over 60 months.

Purchased goodwill is not amortized. Nevertheless, if there was any supposed loss of value, an impairment test would be performed. The net accounting value of the business is compared with the fair value estimated .An impairment is booked, in case of the net accounting value is above the fair value.

Research and development costs are expensed when incurred.

2.3 Tangible assets

Tangibles assets are stated at cost (purchase price plus implementation costs).

Tangible assets are amortized over the estimated useful lives of the assets, using the straight line method. Useful lives are as follows:

2.4 Financial assets

Financial assets are valued at their acquisition cost. A depreciation is recorded when the fair value is lower than the carrying value.

2.5 Inventories

Raw materials and supplies are stated at the weighted average price.
Work-in-progress are valued on purchasing price and associated costs and such as sub-contracting costs, if any.
The value of equipment contracts work in progress also includes any direct or indirect, internal or external, costs associated with the contract, as well as a portion of general and administrative expenses.

Depreciation of inventories is calculated on a case by case basis. When the gross book value calculated as described above is higher than net realizable value, a depreciation is recorded for the difference.

2.6 Receivables

Receivables are stated at the face value.

Provision for doubtful debts is recorded when the recoverable value estimated on a case by case basis is lower than the face value.

2.7 Regulated reserves

Regulated reserves could be funded or reversed in compliance with applicable tax rules (provision for price increases, derogatory depreciation, investment provision,…).

2.8 Provisions

The status of any pending litigation or open dispute is reviewed by management at year end, in liaison with external lawyers and advisors. Provisions for contingency are set up, when deemed necessary, for the amount of the estimated liability.

Major provisions are estimated as follows :

2.8.1 Warranty provision

Warranty claims, which could result from contracts completed during the year but have not been raised by the clients, are estimated on the basis of historical statistical data. The corresponding provision is calculated according to contractual rules and usual business practices.

2.8.2 Pension commitments

The liability recognized in the balance sheet in respect of pension commitments is the present value of the defined obligation.

The defined obligation is calculated by an independent actuarial expert using the projected unit credit method. Actuarial gains or losses arising from changes in actuarial assumptions, which are greater than 10% of the present value of the obligation, are amortized over the average remaining years of service of employees.

Pension expenses are recorded in operating results.

2.8.3 Jubilees awards

The liability recognized in the balance sheet in respect of jubilee awards is the present value of the obligation.

The obligation is calculated by an independent actuarial expert using the projected unit credit method.

2.9 Revenue recognition

Sales of spares parts and consumables are booked in revenue at delivery, according to the specific conditions of each contract/order.

Services are booked in revenue as soon as the services are performed or at percentage of completion for long-term contracts. In this last case, the revenue and the corresponding margin are recognized by application of the percentage of completion on revenue and forecast margin at completion. This percentage of completion is based on the ratio between direct labor costs at the closing and the forecast direct labor costs at achievement (percentage at the value added). Neither revenue nor margin is recognized before delivery of equipment to the customer depending on the Incoterm. For delivery, must be understood main delivery. The main can be defined as follows :
- the shipment (according to the corresponding incoterm) of 100% of the equipment without considering any spare parts and consumables.
- or the delivery of the equivalent of at least 90% of the material cost estimated for the contract, excluding spare parts and consumables. if at least 75% of the payment was received at the end of month (75% of the contract total turnover).

For contracts with high level of technical risks, the method at achievement is applied.

The variance between the invoicing revenue at the closing and the revenue at percentage of completion is booked either in revenue to be invoiced or in deferred revenue.

A long term contract loss at completion is booked if necessary, when the forecast costs of a contract are higher than the forecast revenue. If a work-in-progress is booked on the contract at year-end, depreciation is booked on the work-in-progress. Where applicable, the additional amount of estimated loss is recognized as a provision for liabilities and charges.

2.10 Operations in foreign currencies

Transactions in foreign currencies are translated based on the exchange rate prevailing at the date of the operation. Receivables and payables in foreign currencies are translated at the year-end exchange rate or at the hedging rate, if any. The difference arising from the translation at year-end of receivables and payables denominated in foreign currencies are included in the 'Translation differences' heading (assets or liabilities).of the balance sheet. Unrealized foreign-exchange losses are provided for.

2.11 Tax credit for competitiveness and employment CICE

In application of Article 244 C quarter of French General Tax Code, a tax credit CICE is booked in the financial statements as of March, 31 2016 in respect of eligible wages paid during the year. The gain is booked as a reduction of personnel costs and the offset is deducted of the Income Tax debt. This tax credit participates in the financing of innovation in the company.

III - NOTES CONCERNING CERTAIN BALANCE SHEET ITEMS

3.1 Intangible assets

Intangible assets mainly consist of the value of the purchased goodwill of K€ 13 000. This business was acquired from Pechiney Rhenalu in 2004 and was booked in accordance with the sale agreement.

No impairment loss has been recorded in respect of this business at March 31, 2016 as there is no indication that its value could be impaired.

The net book value of other intangible assets amounts to K€ 24 as at March, 31 2016, compared to K€ 45 at March, 31 2015.

3.2 Tangible assets

Tangible assets stand at K€ 107 in net accounting value at March, 31 2016 compared to K€ 92 at March, 31 2015.

3.3 Financial assets

Financial assets are made up of a deposit for K€ 51.

3.4 Inventories

At March, 31 2016, inventories stand at K€ 7 142 compared to K€ 9 219 at March, 31 2015.

As at March, 31 2016, an inventory depreciation is booked in Work In Prorgress-good for K€ - 8 compared to K€ 0 at March, 31 2015.

3.5 Maturity of account receivables

All receivables are due within twelve months. A provision for bad debt of K€ 43 has been booked during the fiscal year.

3.6 Shareholders' equity

The share capital amounts to € 4 040 000 and is made up of 8 000 shares with a face value of € 505 each, hold at 100 % by the company Novelis Inc.

3.7 Net equity reconciliation

	K€
Shareholders' equity at March, 31 2015	**16 006**
Profit for the year	1 146
Change in investment provision	(25)
Shareholders' equity at March, 31 2016	**17 127**

3.8 Provisions

(K€)	March, 31 2015	Increase	Decrease Used	Decrease Not used	March, 31 2016
Warranty provision	104	98	24	10	168
Provision for risk	0	0	0	0	0
Provision for foreign exchange losses	3	0	1	0	2
Provision loss at completion	223	0	80	0	143
Jubilees awards reserve	191	11	15	0	187
Pension reserve	1 724	174	213	0	1 685
Total	**2 245**	**283**	**333**	**10**	**2 185**

<u>Including Pension reserve :</u>

	K€
Pension reserve at 3/31/2015	**1 724**
Service cost	136
Interest cost	28
Amortization	10
Benefits paid by employer	-213
Pension reserve at 3/31/2016	**1 685**

	K€
PBO at 3/31/2015 at 1,20%	**2 272**
Service cost	136
Interest cost	28
Net Actuarial Loss or Gain	-184
due to Plan Experience	*-85*
due to Rate Changes	*-99*
Benefits paid by employer	-213
PBO at 3/31/2016 at 1,60%	**2 039**

3.9 Maturity of accounts payable

All payables are due within one year.

At March, 31 2016, other payables are mainly made up of accruals for K€ 476.

3.10 Deferred revenues

Deferred revenues are linked with long term contracts. At March, 31 2015, they stand at K€ 20 006. The amount at March, 31 2016 is K€ 15 280.

3.11 Tax and social liabilities

(in K€)	March, 31 2016	March, 31 2015
Payroll	750	1 060
Employees' benefits	509	720
Income tax - payables	0	0
Other tax and social liabilities	52	113
Tax and social liabilities	**1 311**	**1 893**

3.12 Related companies

Balances resulting from transactions with related companies are the following:

(in K€)	March, 31 2016	March, 31 2015
Trade accounts receivable	127	79
Other receivable	11 942	10 219
Trade accounts payable	(14)	(57)
Paid down payment	0	0
Net balance	**10 241**	**10 241**

Other receivables are mainly related to intercompany short-term loan under a cash-pooling agreement.

IV - NOTES RELATING TO CERTAIN PROFIT AND LOSS ITEMS

4.1 Net revenue by destination

(in K€)	March, 31 2016	March, 31 2015	Variance
France	2 522	5 667	(3 145)
Other countries	12 119	18 120	(6 001)
Total	**14 641**	**23 787**	**(9 146)**

4.2 Gains and charges with related companies

(in K€)	March, 31 2016	March, 31 2015
Sales	1 023	776
Financial gains	0	0
Financial charges	(0)	(0)

4.3 CICE tax credit

The amount of CICE tax credit for 2016 is K€ 32. It is deducted from wages and salaries of the fiscal year.

4.4 Financial gains and losses

(in K€)	March, 31 2016	March, 31 2015
Gain on sales of securities	0	0
Net interests on intercompany financing	0	0
Exchange gain/(loss)	(26)	17
Other financial gain/(loss)	1	(3)
Net gain / (loss)	**(25)**	**14**

4.5 Extraordinary profit and losses

(in K€)	March, 31 2016	March, 31 2015
Variation of investment provision	24	25
Other	1	0
Net gain (charge)	**25**	**25**

4.6 Deferred tax position

The impact of tax timing differences at March 31, 2016 is to decrease future income tax charge by K€ 164. Potential deferred tax asset has been calculated at the standard income tax rate of 33,33 %.

4.7 Post-closing events

No post-closing events would modify the financial statement of the fiscal year at the date of writing of this appendix.

V – OTHER INFORMATION

5.1 Identity of consolidating company

The individual accounts of the company are included, according to the global integration method, in the consolidated accounts of the company Novelis Inc, based 231 Church Street, Mississauga, Ontario L5M 1N1 Canada.

5.2 Financial commitments

The company is committed for issued bank guarantees in favor of customers for an amount of K€ 2 618.

Moreover, as a result of the Credit Agreement signed by the Novelis Group with UBS and ABN Amro banks, the company has been a guarantor for the loan contract since 2008. The guarantee has started in September 2008 and the following guarantees have been granted :

- Pledge of the business
- Pledge of trade receivables
- Pledge of bank accounts
- Pledge of inventories.

However, the commitment is limited to the amounts of financing received from the Group. As the loan from Novelis Inc to Novelis PAE SAS was reimbursed in July 2009, the balance of Group loan is nil at March 31, 2016.

5.3 Breakdown of average workforce

	2015-2016	2014-2015
- Managers	18	20
- Employees	19	22
Total	**37**	**42**

ADITYA BIRLA

NOVELIS

NOVELIS EUROPE HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

CONTENTS

Novelis Europe Holdings Limited

Registered office:
Latchford Locks Works
Thelwall Lane
Warrington
Cheshire
United Kingdom
WA4 1NN

Telephone : +44 (0) 1925 784 137
Facsimile : +44 (0) 1925 784 102

Registered in England Number 5308334

ADITYA BIRLA
NOVELIS

Strategic report

Activity, review of the business and future development

The Company is an investment holding company. It does not trade and its principal objective is to facilitate the efficient management and funding of Novelis' operations in Germany, the United Kingdom, Italy and Switzerland.

The statement of financial position can be seen on page 9 of these financial statements.

Key Performance Indicators

The directors consider the Company's key performance indicators to be financial, specifically profit on ordinary activities before taxation. This is disclosed in the financial statements.

Financial risk management / principal risks and uncertainties

The Company's operations expose it periodically to financial risks associated with the effects of changes in foreign currency exchange rates.

Risk Management Policies are set by the Novelis Group, and are adopted in full by the Company. Specifically Novelis has policies and procedures manuals that set out specific guidelines to manage foreign currency risk and circumstances where it would be appropriate to use financial instruments to manage this.

The Company is occasionally exposed to currency risk on foreign currency capital receipts and payments and dividends. In-line with Novelis Group policy all foreign currency commitments are covered by forward currency contracts, at the time they arise, so as to fix the functional currency value of the Company's future cash flows.

On behalf of the Board

F Lucido
Director

13 May 2016

Registered office:
Latchford Locks Works
Thelwall Lane
Warrington
Cheshire
WA4 1NN

Directors' report

The directors present their report together with the audited financial statements of the Company for the year ended 31 March 2016.

1. Directors and their interests

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

S. Clarke
P. Labat
F. Lucido
J. Quick
V. Nguyen (resigned 27 Aug 2015)

There are no disclosable directors' interests in the Company's shares. No director during or at the end of the year had any material interest in any significant contract with the Group or Company.

2. Future development of the Company

The directors expect the Company to continue to operate in its current role in the future.

3. Results and dividends

The result for the year is set out on page 8. No dividends were paid during the year (2015: nil).

The Directors do not propose the payment of a final dividend (2015: nil).

4. Investments

The directors have reviewed the carrying value of the Company's Investments in subsidiaries based on forward financial projections and have impaired its investment in Novelis Italia by $7.6 million (2015: $7.8 million impairment)

5. Statement of directors' responsibilities

The directors are responsible for preparing the strategic report and the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

6. Provision of information to auditors

As far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Each director has taken appropriate steps to ensure that they are aware of such relevant audit information and that the auditors are aware of that information.

7. Independent Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office. Resolutions concerning their re-appointment and the authorisation of the directors to determine their remuneration will be submitted to the forthcoming Annual General Meeting of the Company.

On behalf of the Board

F Lucido
Director

13 May 2016

Registered office:
Latchford Locks Works
Thelwall Lane
Warrington
Cheshire
WA4 1NN

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOVELIS EUROPE HOLDINGS LIMITED

Report on the financial statements

Our opinion

In our opinion, Novelis Europe Holdings Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the statement of financial position as at 31 March 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements; and
- a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NOVELIS EUROPE HOLDINGS LTD (CONTINUED)

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Stuart Couch

Stuart Couch (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Swansea

13 May 2016

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the year presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared on the going concern basis, in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS102") and the Companies Act 2006.

The preparation of financial statements in conformity with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Exemptions

The Company's results are consolidated in the consolidated financial statements of Novelis Inc. that are publicly available. Consequently the Company has taken advantage of the exemptions granted by FRS 102 and has not provided a cash flow statement.

Under FRS 102, the Company is exempt from the requirement to disclose related party transactions with Novelis Inc. and its subsidiaries on the grounds that it is a wholly owned subsidiary undertaking.

Consolidation

The results of the Company and its subsidiaries are consolidated in the consolidated financial statements of its immediate parent, Novelis Inc. These financial statements have been prepared in a manner consistent with consolidated financial statements prepared under the European Commission's 7th Company Law Directive and so the Company has taken advantage of the exemption allowed under section 401(2) (d) of the Companies Act 2006 and has not prepared group financial statements.

Foreign currency

(i) Functional and presentation currency
The company's functional and presentation currency is US $.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within "finance (expense)/income". All other foreign exchange gains and losses are presented in the profit and loss account within "Other operating (losses)/gains".

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax
Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Taxation (continued)

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Investments

Investments are recorded at cost. If business conditions or changes in circumstances indicate that asset values may be impaired, an impairment review is undertaken and impairment charges are recorded if the carrying value of the investment exceeds the higher of its realisable value and its value in use.

Novelis Europe Holdings Limited

Statement of comprehensive income for the year ended 31 March 2016

Registered in England
Number 5308334

	Note	2016 $'000	2015 $'000
Other Operating Income / (Expense)		**680**	(2,420)
Operating profit / (loss)		**680**	(2,420)
Net amounts written off investments	8	**(7,620)**	(7,810)
(Loss)/profit on ordinary activities before interest and taxation		**(6,940)**	(10,230)
Interest receivable and similar income	5	**525**	596
Interest payable and similar charges	5	**(12,817)**	(13,299)
Loss on ordinary activities before taxation	6	**(19,232)**	(22,933)
Tax on loss on ordinary activities	7	**-**	-
Loss for the financial year		**(19,232)**	(22,933)
Total comprehensive expense for the year		**(19,232)**	(22,933)

The statement of accounting policies on pages 6 and 7 and the notes on pages 11 to 15 form part of these financial statements.

Novelis Europe Holdings Limited

Statement of financial position as at 31 March 2016

	Note	2016 $'000	2015 $'000
Fixed Assets:			
Investments	8	**562,422**	570,042
Current assets:			
Debtors (including $10,668,000 (2015: $10,070,000) due after one year)	9	**10,805**	10,228
Cash at bank and in hand		**3**	3
		10,808	10,231
Creditors: amounts falling due within one year	10	**(12,393)**	(8,386)
Net current (liabilities)/ assets		**(1,585)**	1,845
Total assets less current liabilities		**560,837**	571,887
Creditors: amounts falling due after more than one year	11	**(225,451)**	(217,269)
Net assets		**335,386**	354,618
Equity			
Called up share capital	12	**49,097**	309,373
Retained earnings		**286,289**	45,245
Total equity		**335,386**	354,618

The financial statements on pages 6 to 15 were authorised by issue of the board of directors on 13 May 2016 and were signed on its behalf by:

F Lucido
Director

The statement of accounting policies on pages 6 to 7 and the notes on pages 11 to 15 form part of these financial statements.

Novelis Europe Holdings Limited

Statement of change in equity

	Called up share capital	Retained earnings	Total equity
	$000	$000	$000
Balance as at 1 April 2014	309,373	68,178	377,551
Loss for the financial year and total comprehensive income for the year	-	(22,933)	(22,933)
Balance as at 31 March 2015	**309,373**	**45,245**	**354,618**
Balance as at 1 April 2015	309,373	45,245	354,618
Reduction of share capital	(260,276)	260,276	-
Loss for the financial year and total comprehensive expense for the year	-	(19,232)	(19,232)
Balance as at 31 March 2016	**49,097**	**286,289**	**335,386**

Notes to the accounts

1. General information

Novelis Europe Holdings Limited ('the company') is an investment holding company.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Latchford Lock Works, Warrington.

2. Statement of compliance

The individual financial statements of Novelis Europe Holdings Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to the assumptions made in the impairment assessment referred to in note 8.

4. Staff costs and directors' emoluments

The Company does not employ any staff. During the year no director (2015: none) received any emoluments for qualifying services to the Company. No pension contributions were made on behalf of any director nor at the year end was any director accruing retirement benefits in relation the qualifying services.

5. Interest

Interest: interest receivable and similar income

	2016 $'000	2015 $'000
Interest receivable on intercompany loans	**525**	596

Interest: interest payable and similar charges

	2016 $'000	2015 $'000
Interest payable on intercompany loans	**12,817**	13,299

6. Loss on ordinary activities before taxation

	2016 $'000	2015 $'000
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
- for audit services	**30**	30

The Company's audit fee has been recharged to its subsidiary Novelis UK Ltd.

Notes to the accounts (continued)

7. Tax on loss on ordinary activities

	2016 $'000	2015 $'000
Tax credit on loss on ordinary activities	-	-

UK corporation tax has been provided where applicable at a rate of 20% (2015: 21%).

The tax assessed for the year is higher (2015: higher) than the standard rate of corporation tax in the UK (20%). The differences are explained below:

	2016 $'000	2015 $'000
Loss on ordinary activities before tax	(19,422)	(22,933)
Loss on ordinary activities multiplied by standard rate in the UK 20% / 21%	(3,884)	(4,816)
Effects of:		
Non taxable income	-	-
Expenses not deductible for tax purposes	1,562	1,640
Group relief surrendered without charge	2,339	2,832
Unrecognised tax losses carried forward	(17)	344
Current tax credit	-	-

There are no significant current factors that will affect future tax charges.

Deferred taxation assets of $1,158,000 (2015: $1,304,000) have not been recognised on the grounds that their recovery is uncertain.

8. Investments

	$'000
Cost	
At 1 April 2015	577,852
Additions	-
At 31 March 2016	577,852
Accumulated impairment	
At 1 April 2015	7,810
Impairment	7,620
At 31 March 2016	15,430
Net book value	
At 31 March 2016	**562,422**
At 31 March 2015	570,042

Notes to the accounts (continued)

8. Investments (continued)

The Company's fixed asset investment value represents the purchase cost of its wholly owned subsidiaries. The Company is exempt from preparing group financial statements because the results of both it and its subsidiaries are included in the consolidated financial statements of its immediate parent Novelis Inc. The table below shows the shareholders' funds reported by these subsidiaries as at 31 March 2016 and their reported profit or loss for the year ended on that date. Other than as indicated, the numbers are prepared under US GAAP as reported to Novelis Inc.

	Shareholders' Funds / (Deficit) $'000	Profit / (loss) for the year $'000
Novelis Aluminium Holding Company	220,832	(33,858)
Novelis Italia Srl	59,209	(2,397)
Novelis AG	(28,691)	(9,253)
The following are extracted from the "relevant companies" UK GAAP statutory accounts:		
Novelis UK Ltd	305,277	8,000

In 2016, an impairment exercise was completed and resulted in an amount of $7,620k being written off to the value of the Company's investment in Novelis Italia Srl.

The key assumptions in the calculation to assess value in use are the future revenues and the ability to generate future cash flows. The most recent financial results and initial budgets approved by management for the year were used and forecasts for a further four years, followed by an extrapolation of expected cash flows at a constant growth rate for each unit and the calculation of a terminal value based upon the longer term growth rates set out below. The projected results were discounted at a rate which is a prudent evaluation of the pre-tax rate that reflects current market assessments of the time value of the money and the risks specific to the cash-generating units.

The key assumptions used for value in use calculations are as follows:

	Italy
	%
Longer-term growth rate	1.75
Discount rate	9.0

The key assumptions that have been made relate to the timing of new products being launched, the growth rate of revenue once launched and the costs associated with the manufacture and sale of the new products. The key sensitivity is the restriction of revenue growth, the directors have assessed the level of revenue forecast and are satisfied that the carrying value appropriately covers these risks.

The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A list of the principal subsidiaries is given in note 15.

The directors believe that the carrying value of the investments is supported by their underlying net assets or their future expected performance.

9. Debtors

	2016 $'000	2015 $'000
Amount owed by group undertakings	10,668	10,070
Other debtors	137	158
	10,805	10,228

The loan of $10,668k (2015 : $10,070k), bears interest at a rate of 5.0% and does not have a specific repayment date, but is not due within one year of the balance sheet date. The amount owed by group undertakings is unsecured.

10. Creditors: amounts falling due within one year

	2016 $'000	2015 $'000
Amounts owed to group undertakings	**12,393**	8,386
Other creditors	-	-
	12,393	8,386

The amount owed to group undertakings is unsecured.

11. Creditors: amounts falling due after more than one year

	2016 $'000	2015 $'000
Amounts owed to group undertakings	**225,451**	217,269

At the balance sheet date, 2 loans were outstanding. A loan of $132,014k (2015 : $72,150k), bearing interest at a rate of 4.5%, is repayable by 17 December 2018. A loan of $93,438k (2015 : 145,120k), bearing interest at a rate of 6.8%, is repayable by 30 September 2020. The amounts due to group undertakings are unsecured.

12. Called up share capital

	2016 $'000	2015 $'000
Allotted, called up and fully paid: 341,138,496 ordinary shares of $0.14392 (2015: 341,138,496 ordinary shares of $0.906883)	**49,097**	309,373

During the year, the Company reduced the nominal amount of each of the issued and fully paid ordinary shares in the capital of the Company. The reserve created by the reduction was treated as a realised profit.

13. Contingent liabilities

As of March 31, 2016, the senior secured credit facilities consisted of (i) a $1.8 billion seven-year secured term loan credit facility (Term Loan Facility) due June 2022, (ii) a $1.2 billion five-year asset based loan facility (ABL Revolver) due October 2019 and (iii) a $200 million 15-month subordinated secured lien revolving facility (Subordinated Lien Revolver) due September 2016. All the assets of the Company, along with those of certain other companies in the Novelis Inc. group, have been pledged as security for these facilities. As of 31 March 2016, there was $394M outstanding on the ABL facility. (2015: $609m).

Notes to the accounts (continued)

14. Ultimate parent company

In the opinion of the directors, the immediate, ultimate parent company and controlling party at the balance sheet date was Hindalco Industries Ltd, a company incorporated in India. Hindalco Industries Ltd was also the parent company of the largest group in which Novelis Europe Holdings Limited is included. Novelis Inc is the parent company of the smallest group within which the Company's results are consolidated. Copies of this company's financial statements can be obtained from its head office at Century Bhavan, 3rd floor, Dr. Annie Besant Road, Worli, Mumbai 400 030.

15. Principal subsidiaries

A list of the principal subsidiaries is given below together with their country of incorporation (in brackets) if outside the UK and principal activities. All companies are 100% owned unless otherwise stated and operate in the aluminium industry.

Owned directly by the Company (all ordinary shares):
Novelis Aluminium Holding Company (Ireland) – Investment holding company.

Novelis UK Ltd – Operates a foil rolling mill and a recycling plant.
Novelis AG (Switzerland) – Investment holding company and provider of management services.

Majority shareholding owned by the Company (ordinary share capital):
Novelis Italia Srl (Italy) – Operates a sheet rolling mill (62.5%).

Owned by Novelis Aluminium Holding Company:
Novelis Deutschland GmbH (Germany) – Operates sheet and foil rolling mills.
Aluminium Norf GmbH (Germany) – 50% joint venture – Operates a sheet rolling mill.

Owned by Novelis Deutschland GmbH (Germany):
Novelis Sheet Ingot GmbH – Operates a recycling plant (completion in FY14/FY15)

Owned by Novelis AG:
Novelis Switzerland SA (Switzerland) – Operates a sheet rolling mill.

Owned by Novelis UK Ltd:
Novelis Services Limited – Holds license to the Novelis Brand and charges associated branding, technology and service fees.

pwc

Novelis AG
Kuesnacht, ZH

Report of the statutory auditor to the General Meeting on the financial statements 2016

Report of the statutory auditor
to the General Meeting of
Novelis AG
Kuesnacht, ZH

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Novelis AG, which comprise the balance sheet, income statement and notes, for the year ended 31 March 2016.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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 Swiss law and Swiss Auditing Standards. Those standards require that we 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 the internal control system 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, 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.

Opinion

In our opinion, the financial statements for the year ended 31 March 2016 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Patrick Balkanyi

Audit expert
Auditor in charge

Mei Ling Ow

Zürich, 13 May 2016

Enclosures:

- Financial statements (balance sheet, income statement and notes)
- Proposed appropriation of the available earnings

Balance sheet

	Note	March 31, 2016 EUR	March 31, 2015 EUR	March 31, 2016 CHF	March 31, 2015 CHF
Assets					
Current assets					
Cash and cash equivalents		10 940 150	102 351 441	11 964 294	106 906 583
Trade receivables -					
Third parties		183 232 643	299 447 752	200 385 655	312 774 647
Group companies		41 431 871	68 250 881	45 310 446	71 288 380
Other receivables -					
Third parties	2.4	22 813 106	39 261 365	24 948 716	41 008 688
Group companies	2.4	25 276 886	18 840 625	27 643 138	19 679 125
Cash pooling with group companies	2.1	114 104 357	29 026 591	124 786 042	30 318 417
Cash pooling with shareholder	2.1	3 542 295	4 262 651	3 873 901	4 452 359
Inventories		7 257 674	11 126 451	7 937 089	11 621 633
Prepayments and accrued income -					
Third parties		849 826	679 625	929 381	709 872
		409 448 808	**573 247 382**	**447 778 662**	**598 759 704**
Fixed assets					
Financial assets -					
Loans to group companies		0	39 248 519	0	40 995 272
Other financial assets, third parties	2.4	53 365	28 325	58 361	29 585
Other financial assets, group companies	2.4	110 484	3 688	120 827	3 852
Investment in subsidiary		159 078 968	159 078 967	240 161 518	240 161 518
Tangible assets		1 133 031	1 372 829	1 239 097	1 433 926
Intangible assets		20 723 133	30 672 323	22 663 094	32 037 392
		181 098 981	**230 404 651**	**264 242 897**	**314 661 545**
Total assets		**590 547 789**	**803 652 033**	**712 021 559**	**913 421 249**

Balance sheet

	Note	March 31, 2016 EUR	March 31, 2015 EUR	March 31, 2016 CHF	March 31, 2015 CHF
Liabilities and shareholders' equity					
Current liabilities					
Trade payables -					
Third parties		77 708 273	82 411 595	84 982 801	86 079 315
Group companies		12 780 837	22 910 273	13 977 293	23 929 892
Other current liabilities -					
Third parties	2.4	33 649 178	27 008 509	36 799 188	28 210 520
Group companies	2.4	15 631 626	39 532 883	17 094 954	41 292 291
Cash pooling with group companies	2.1	292 036 913	341 627 049	319 375 451	356 831 129
Accrued liabilities -					
Third parties		13 179 398	5 460 333	17 093 265	9 708 427
Group companies		7 808 918	0	8 539 936	0
Shareholder		118 402	117 101	129 486	122 313
Short term debts (interest-bearing) -					
Third parties		0	130 000 000	0	135 785 638
Short-term provisions -					
Third parties		5 129 790	6 674 221	5 610 005	6 971 255
		458 043 335	**655 741 964**	**503 602 379**	**688 930 780**
Non-current liabilities					
Long-term loans (interest-bearing) -					
Shareholder		9 368 075	9 368 076	10 245 052	9 785 001
Long-term provisions		452 373	745 200	494 721	778 366
Other non-current liabilities -					
Third parties	2.4	119 829	5 216	131 046	5 448
Group companies	2.4	7 098	19 550	7 762	20 420
		9 947 375	**10 138 042**	**10 878 581**	**10 589 235**
Shareholders' equity					
Share capital		662 383	662 383	1 000 000	1 000 000
Legal reserve		249 387	249 387	376 500	376 500
Retained earnings		136 860 257	130 214 680	212 524 734	204 742 252
Net income/(loss) for the year		(15 214 948)	6 645 577	(16 360 635)	7 782 482
		122 557 079	**137 772 027**	**197 540 599**	**213 901 234**
Total liabilities and shareholders' equity		**590 547 789**	**803 652 033**	**712 021 559**	**913 421 249**

Statement of income for the financial year

	April 1, 2015 to March 31, 2016	April 1, 2014 March 31, 2015	April 1, 2015 to March 31, 2016	April 1, 2014 to March 31, 2015
	EUR	**EUR**	**CHF**	**CHF**
	12 months	**12 months**	**12 months**	**12 months**
Net revenue from sales of goods	529 620 429	224 743 566	569 500 847	263 191 924
Income from services	45 756 939	40 678 393	49 202 437	47 637 513
Changes in inventories (finished goods & work-in-progress	(159 037)	(512 063)	(171 013)	(599 665)
Costs of material	(478 160 840)	(189 029 244)	(514 166 351)	(221 367 718)
Operating expense	(69 525 730)	(30 283 413)	(74 761 018)	(35 464 195)
Administrative expense	(19 732 949)	(22 553 704)	(21 218 840)	(26 412 114)
Personnel costs	(25 416 569)	(37 287 218)	(27 330 436)	(43 666 187)
Depreciation and amortisation	(2 975 658)	(2 225 198)	(3 199 725)	(2 605 878)
Impairment of intangible assets	(3'465'829)	0	(3 726 806)	0
Operating profit/(loss) before financial items	**(24 059 244)**	**(16 468 881)**	**(25 870 905)**	**(19 286 320)**
Financial income (operating incl. ABL)	42 041 014	54 134 243	45 206 702	63 395 343
Financial income FX	179 041 050	110 569 963	192 522 841	129 485 893
Financial income metal	345 228 883	223 027 827	371 224 618	261 182 662
Financial expense (operating incl. ABL)	(42 719 156)	(20 471 840)	(45 935 909)	(23 974 092)
Financial expense FX	(186 747 194)	(129 654 033)	(200 809 258)	(151 834 799)
Financial expense metal	(329 357 514)	(223 845 342)	(354 158 135)	(262 140 034)
Interest income	6 150 125	7 709 220	6 613 229	9 028 087
Interest expense	(4 521 658)	(3 801 007)	(4 862 139)	(4 451 270)
Income/(loss) before tax	**(14 943 694)**	**1 200 150**	**(16 068 956)**	**1 405 470**
Tax	(271 254)	5 445 427	(291 679)	6 377 012
Net income/(loss) for the period	**(15 214 948)**	**6 645 577**	**(16 360 635)**	**7 782 482**

Notes to the financial statements for the year ended March 31, 2016

Principal activities

The principle activities of Novelis AG (the “Company”), as a headquarter entity, are to provide management services and undertake forex and metal trading/hedging activities for and on behalf of the Novelis European entities. The Company also operates as cash pool leader in the European cash pool system.

During the financial year ended March 31, 2015, the Company began a tolling arrangement with Novelis Sheet Ingot GmbH ("Novelis SIG") as the principal that owns the metal tolled by Novelis SIG and recognises the revenues from the related product sales to other Novelis entities.

1. Accounting principles applied in the preparation of the financial statements

These financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (Art. 957 to 963b CO effective January 1, 2013).

Novelis AG, as a subsidiary of Novelis Inc., Canada is included in the consolidated financial statement of the group company. Novelis Inc. prepares and publishes consolidated financial statements in accordance with generally accepted accounting procedures in the United States of America, which is a recognised financial reporting standard per Art. 962a CO. As a result, per Art. 961d CO, the Company is exempt from disclosing additional information in the notes to the annual accounts, and from preparing the cash flow statement and the management report.

Significant financial statement items are accounted as follows:

1.1 Trade receivables and other short-term receivables

Trade receivables and other short-term receivables are carried at their nominal value less allowance on an individual basis for specific foreseeable risks.

1.2 Inventories

Inventories are valued at the lower of cost (acquisition and production cost) and net realisable value. Production cost comprises all direct cost as well as appropriate portions of indirect cost and general administrative cost. The cost is determined using the weighted average method. Net realisable value is defined as the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

1.3 Recognition of revenue

Net revenue from sales of goods represents product sales to other Novelis entities in relation with the Novelis SIG tolling arrangement. Income from services comprises charges for service provided to Novelis entities. These revenues are recognized if delivery has occurred or service has been provided and collectability of the fixed or determinable sales price/service charge is reasonably assured.

1.4 Non-current assets

Acquired intangible asset and property plant and equipment are valued at acquisition or development cost less ordinary accumulated amortization or depreciation.

Depreciation is calculated on the basis of the following useful lives and in accordance with the following methods:

Property, plant and equipment	Useful life	Method
Fixtures and fittings	10 years	10%,linear
Enterprise resource planning system	10 years	10%,linear
Software License	5 years	20%, linear

Investments in affiliates and in associated companies are stated at acquisition cost or lower recoverable amounts as of balance sheet date. Loans to associated companies are stated at acquisition cost less redemptions.

1.5. Assets with observable market price

Derivative financial instruments are measured at their observable market price as of the balance sheet date. The Company applies the prudence principle and records a provision for net unrealized gains.

1.6. Leases

Operating lease expenses are recognized in the statement of income on a straight-line basis over the term of the relevant lease agreements.

Notes to the financial statements for the year ended March 31, 2016

1.7 Foreign currencies

The Company's functional currency is Euro (EUR) due to the primary economic environment in which the Company carries out business operations. Balance sheet items in foreign currency are translated into EUR at rates prevailing on March 31. The exchange rates used for transactions conducted during the course of the year and for items in the statement of income are the rates prevailing at the dates of the transactions.

For statutory accounts purposes, the exchange rates applied for translating the values into the financial report currency Swiss Francs (CHF) are:

Rate	Income Statement	Balance Sheet	Balance Sheet (historical rate) [1]
CHF/EUR	1.075	1.094	1.510

1) The historical CHF/EUR rate is applied for share capital and general reserve

The Company has chosen the option to translate the investment in a subsidiary at the historical rate (CHF/EUR rate 1.510) into the financial reporting currency (CHF) to reflect the accurate nominal value.

Translation gains and losses resulting from conversion of functional currency (EUR) to financial reporting currency (CHF) are presented in the statement of income account "Translation from functional currency" for a translation loss or recorded part of accrued liabilities on the balances sheet for a translation gain.

2. Details, analyses and explanations to the financial statements

2.1 Cash Pooling

In 2007, Novelis AG set up a Cash Pooling System for some European subsidiaries.
Resulting balances are shown as follows:

	March 31, 2016 EUR	**March 31, 2015** EUR	**March 31, 2016** CHF	**March 31, 2015** CHF
Other receivables				
From cash pooling with group companies	114 104 357	29 026 591	124 786 042	30 318 417
From cash pooling with shareholder	3 542 295	4 262 651	3 873 901	4 452 359
Other current liabilities				
From cash pooling with group companies	292 036 913	341 627 049	319 375 451	356 831 129

For the purposes of the balance sheet presentation, the cash pooling balances are presented net by counterparty in line with the right of offset that exists in the cash pooling agreement.

2.2 Guarantees and assets pledged in favour of third parties

Pledged assets

	March 31, 2016 EUR	**March 31, 2015** EUR	**March 31, 2016** CHF	**March 31, 2015** CHF
All assets pledged	590 547 789	803 652 033	712 021 559	913 421 249
	590 547 789	803 652 033	712 021 559	913 421 249

At the balance sheet date Novelis Inc's senior secured facilities consisted of:
(1) a $1.8 billion seven-year secured term loan credit facility ("Term Loan Agreement"), and
(2) a $1.2 billion five-year asset based loan facility ("ABL Agreement"), and
(3) a $0.2 billion 12-month subordinated secured lien revolving facility ("Subordinated Lien Revolver")
All the assets of the Company, along with those of certain other companies in the Novelis Inc. Group, have been pledged as security for these facilities.

As of March 31, 2016, the outstanding borrowing under the ABL facility is $394 million (2015: $609 million) for the Novelis Inc. Group.

Notes to the financial statements for the year ended March 31, 2016

The ABL Agreement and the Term Loan Agreement require Novelis AG and Novelis Switzerland SA, to enter into:
(i) a First Ranking Account Pledge Agreement related to the ABL Agreement, and
(ii) a Second Ranking Account Pledge Agreement related to the Term Loan Agreement (together, the "Pledge Agreements"). The Pledge Agreements provide collateral rights over certain assets of Novelis AG and Novelis Switzerland SA to the lending syndicates of the ABL Agreement and the Term Loan Agreement.

In addition to the Pledge Agreements, there are also non-recourse receivables purchase agreements in place between Novelis Deutschland GmbH and Novelis AG and, since 31 August 2012, between Novelis Switzerland SA and Novelis AG. Pursuant to these agreements, Novelis Deutschland GmbH and Novelis Switzerland SA, respectively, agreed to sell their receivables in arm's length transactions to Novelis AG. In June 2015 Novelis Inc. entered into an amended Agreement on the Term Loan Facility allowing Novelis Switzerland SA to factor their trade receivables to a third party. The existing non-recourse receivable purchase agreement between Novelis AG and Novelis Switzerland SA has been terminated in June 2015 based on the amended Term Loan Agreement.
As at 31 March 2016, the balance outstanding under the non-recourse receivables purchase agreement is approximately EUR 172.0 million/CHF 188.2 million (2015: EUR 285.4 million/CHF 298.3 million).

Total amount given in guarantee

	March 31, 2016 EUR	March 31, 2015 EUR	March 31, 2016 CHF	March 31, 2015 CHF
Guarantees given	3 982 056	3 685 204	4 354 830	3 849 181
	3 982 056	3 685 204	4 354 830	3 849 181

2.3 Inventories

	March 31, 2016 EUR	March 31, 2015 EUR	March 31, 2016 CHF	March 31, 2015 CHF
Raw materials, consumables and supplies	7 046 590	10 614 375	7 706 245	11 086 767
Work in progress	159 037	134 445	173 925	140 428
Finished goods	52 047	377 631	56 919	394 438
Total inventory	7 257 674	11'126'451	7 937 089	11'621'633

2.4 Assets and Liabilities with observable market price

Other receivables and other current liabilities contain short term unrealized forex and metal derivatives which are measured at their observable market price.

Short Term Derivatives	March 31, 2016 EUR	March 31, 2015 EUR	March 31, 2016 CHF	March 31, 2015 CHF
Metal/forex derivatives receivables - third parties	22 536 231	38 140 168	24 645 922	39 837 593
Metal/forex derivatives receivables - group companies	24 862 373	16 503 747	27 189 821	17 238 245
Metal/forex derivatives payables - third parties	(31 189 177)	(20 949 885)	(34 108 898)	(21 882 258)
Metal/forex derivatives payables - group companies	(14 771 193)	(32 916 092)	(16 153 973)	(34 381 019)

Other financial assets and other non-current liabilities contain long term unrealized forex and metal derivatives which are measured at their observable market price.

Long term Derivatives	March 31, 2016 EUR	March 31, 2015 EUR	March 31, 2016 CHF	March 31, 2015 CHF
Metal/forex derivatives receivables - third parties	53 365	28 325	58 361	29 585
Metal/forex derivatives receivables - group companies	110 484	3 688	120 827	3 852
Metal/forex derivatives payables - third parties	(119 829)	(5 216)	(131 046)	(5 448)
Metal/forex derivatives payables - group companies	(7 098)	(19 550)	(7 762)	(20 420)

Notes to the financial statements for the year ended March 31, 2016

2.5 Amounts payable to pension funds

	March 31, 2016 EUR	March 31, 2015 EUR	March 31, 2016 CHF	March 31, 2015 CHF
Amounts payable to pension funds	222 072	268 581	243 243	284 081
	222 072	268 581	243 243	284 081

2.6 Significant investments

Company	Business	Share capital	Quote
Novelis Switzerland SA, Sierre	B, C, D, E	CHF 5'000'000	100%

Business	
A	Dormant
B	Production
C	Sales
D	IT Applications
E	Research R&D

2.7 Lease obligations

Total amount of operating lease obligations not recorded in the balance sheet are as follows:

	March 31, 2016 EUR	March 31, 2015 EUR	March 31, 2016 CHF	March 31, 2015 CHF
Future lease obligations				
Within one to five years	5 099 720	6 402 818	5 577 054	6 687 744
Over five years	0	451 282	0	471 364
Total	5 099 720	6 854 101	5 577 054	7 159 108

2.8 Full-time equivalents

The number of full-time equivalents did not exceed 250 on an annual average basis.

2.9 Deviations from the principle of consistency in presentation

For the balance sheet as at March 31, 2015, the intercompany balances and loans with group companies and shareholders were reclassified to be presented net by counterparty and by nature of balance in order to conform with the current year presentation.

Retained earnings carried forward and proposal of the Board of Directors for appropriation of retained earnings

	March 31, 2016 Proposal of the board of directors EUR	March 31, 2015 Proposal of the board of directors EUR	March 31, 2016 Proposal of the board of directors CHF	March 31, 2015 Proposal of the board of directors CHF
Retained earnings at the beginning of the year	136 860 257	130 214 680	212 524 734	204 742 252
Net income/(loss) for the year	(15 214 948)	6 645 577	(16 360 635)	7 782 482
Retained earnings at the disposal of the annual general meeting	121 645 309	136 860 257	196 164 099	212 524 734
Retained earnings to be carried forward	121 645 309	136 860 257	196 164 099	212 524 734
	121 645 309	136 860 257	196 164 099	212 524 734

Logan Aluminum Inc.

Independent Auditor's Report
and Financial Statements

March 31, 2016 and 2015

BKD LLP
CPAs & Advisors

Logan Aluminum Inc.
March 31, 2016 and 2015

Contents

BKD LLP
CPAs & Advisors

360 E. 8th Avenue, Suite 201 // P.O. Box 1196 // Bowling Green, KY 42102-1196
270.781.0111 // fax 270.843.0359 // bkd.com

Independent Auditor's Report

Board of Directors
Logan Aluminum Inc.
Russellville, Kentucky

We have audited the accompanying financial statements of Logan Aluminum Inc. (Company), which comprise the balance sheets as of March 31, 2016 and 2015, and the related statements of income and comprehensive loss, changes in stockholders' deficit and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require 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 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Bowling Green, Kentucky
April 15, 2016

Logan Aluminum Inc.
Balance Sheets
March 31, 2016 and 2015

Assets

	2016	2015
Assets		
Cash and cash equivalents	$ 2,286,268	$ 1,653,563
Receivables	4,337,980	4,895,352
Receivable from Associates	17,018,488	16,865,260
Income taxes receivable	3,421,310	6,890,402
Inventory	29,659,245	22,918,692
Spare parts	23,611,642	22,119,039
Supplies	7,779,367	6,607,657
Construction in progress	56,848,321	34,864,361
Other assets	2,622,441	1,950,184
Deferred taxes	83,252,001	65,383,350
	$ 230,837,063	$ 184,147,860

Liabilities and Stockholders' Deficit

	2016	2015
Liabilities		
Accounts payable	$ 28,865,653	$ 32,562,286
Payable to Associates	17,482,598	-
Accrued employee benefits	233,187,565	178,942,446
Other accrued liabilities	1,290,685	1,380,077
Total liabilities	280,826,501	212,884,809
Stockholders' Deficit		
Capital stock, $0.01 par value – authorized and issued, 100 shares	1	1
Additional paid-in capital in excess of par	99	99
Accumulated other comprehensive loss	(50,028,443)	(29,156,528)
Retained earnings	38,905	419,479
Total stockholders' deficit	(49,989,438)	(28,736,949)
	$ 230,837,063	$ 184,147,860

See *Notes* to Financial Statements

Logan Aluminum Inc.

Statements of Income and Comprehensive Loss

Years Ended March 31, 2016 and 2015

	2016	2015
Revenues		
Processing costs and expenses reimbursed by Associates	$ 404,201,546	$ 390,897,978
Management fee	500,000	500,000
Total Revenues	404,701,546	391,397,978
Processing Costs and Expenses		
Variable	320,535,490	318,380,440
Fixed	83,724,873	72,577,072
Interest expense	-	260
Interest income	(58,817)	(59,535)
Total Processing Costs and Expenses	404,201,546	390,898,237
Income Before Income Taxes	500,000	499,741
Provision for Income Taxes	461,095	80,262
Net Income	38,905	419,479
Other Loss	(20,871,915)	(6,881,994)
Comprehensive Loss	$ (20,833,010)	$ (6,462,515)

See Notes to Financial Statements

Logan Aluminum Inc.
Statements of Stockholders' Deficit
Years Ended March 31, 2016 and 2015

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance, April 1, 2014	$ 1	$ 99	$ (22,274,534)	$ 166,815	$ (22,107,619)
Net income	-	-	-	419,479	419,479
Dividends paid	-	-	-	(166,815)	(166,815)
Retirement benefit obligation, net of tax benefit of $4,291,674	-	-	(6,881,994)	-	(6,881,994)
Balance, March 31, 2015	1	99	(29,156,528)	419,479	(28,736,949)
Net income	-	-	-	38,905	38,905
Dividends paid	-	-	-	(419,479)	(419,479)
Retirement benefit obligation, net of tax benefit of $13,024,820	-	-	(20,871,915)	-	(20,871,915)
Balance, March 31, 2016	$ 1	$ 99	$ (50,028,443)	$ 38,905	$ (49,989,438)

See Notes to Financial Statements

Logan Aluminum Inc.
Statements of Cash Flows
Years Ended March 31, 2016 and 2015

	2016	2015
Operating Activities		
Net income	$ 38,905	$ 419,479
Items not providing cash		
Deferred income taxes (benefit)	(4,843,831)	1,488,913
Changes in receivable from/payable to Associates		
Cash advances from Associates	453,246,942	418,280,105
Costs charged to Associates		
Processing costs and expenses	(404,201,542)	(390,897,978)
Capital costs, net	(33,131,467)	(23,135,246)
Other miscellaneous credits, net	1,415,437	1,908,029
Net change in receivable from/payable to Associates	17,329,370	6,154,910
Changes in		
Receivables	557,372	1,101,789
Income tax receivable	3,469,092	(5,926,755)
Inventories	(6,740,553)	(5,924,799)
Spare parts	(1,492,603)	(2,913,538)
Supplies	(1,171,710)	(850,830)
Construction in progress	(21,983,960)	(9,433,965)
Other assets	(672,257)	(818,312)
Accounts payable	(3,696,633)	5,864,399
Accrued employee benefits	20,348,384	11,700,807
Other accrued liabilities	(89,392)	144,006
	(11,472,260)	(7,057,198)
Net cash provided by operating activities	1,052,184	1,006,104
Financing Activities		
Distributions to Associates	(419,479)	(166,815)
Net cash used in financing activities	(419,479)	(166,815)
Increase in Cash and Cash Equivalents	632,705	839,289
Cash and Cash Equivalents, Beginning of Year	1,653,563	814,274
Cash and Cash Equivalents, End of Year	$ 2,286,268	$ 1,653,563
Supplemental Cash Flows Information		
Income taxes paid	$ 3,317,000	$ 4,534,000
Pension and OPEB liability change recognized in other comprehensive loss	$ 33,896,735	$ 11,173,668
Deferrred tax asset change recognized in other comprehensive loss	$ 13,024,820	$ 4,291,674

See Notes to Financial Statements

Logan Aluminum Inc.

Notes to Financial Statements

March 31, 2016 and 2015

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Logan Aluminum Inc. (Logan or Company) is a corporation established to manage a joint venture aluminum rolling mill. The joint venture owners, collectively referred to as the Associates, are Tri-Arrows Aluminum Inc. (TAA) and Novelis, Inc. (Novelis), a subsidiary of Hindalco Industries Limited. TAA owns 60% and Novelis owns 40% of the capital stock of Logan.

Under the joint venture agreements, the Associates pay Logan a fee for managing the mill and reimburse it for capital and processing costs incurred. Variable costs are reimbursed based on usage. Production center fixed costs are reimbursed based on ownership and administrative fixed costs are based on plant usage. Annual capital costs, which are necessary to maintain and operate the facility at its current capacity levels, achieve acceptable quality levels and meet regulatory requirements, are funded based on ownership of the assets. Capital improvements are reimbursed based on the Associates' elective participation in each project.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At March 31, 2015, cash equivalents consisted of a money market account. At March 31, 2016, the Company's cash accounts exceeded federally insured limits by approximately $2,705,000.

Assets Owned by Associates

Certain assets in the possession of Logan are owned by the Associates. Such assets (tolled metals, certain spare parts inventory and property, plant and equipment) and the related costs and expenses are not included in Logan's financial statements.

Inventory Pricing

Inventories primarily represent variable processing costs consisting of unbilled direct labor and other manufacturing costs applied to materials furnished by the Associates. Hardener inventories owned by Logan are recorded at moving average cost. As these hardener inventories are used, the costs are reimbursed by the Associates.

Spare Parts

Spare parts consist of component parts for machinery and equipment and are recorded at moving average cost. As these spare parts are used, the costs are charged to the Associates.

Supplies

Supplies consist of consumable materials used in the manufacturing process and are recorded at moving average cost. As these supplies are used, the costs are charged to the Associates.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability, or balance sheet method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not some portion or all of a deferred tax asset will not be realized.

Tax positions are recognized if it is more likely than not, based on the technical merits, the tax position will be realized or sustained upon examination. The term “more likely than not” means a likelihood of more than 50%; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management’s judgment.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

Comprehensive Loss

Comprehensive loss consists of net income and other comprehensive loss, net of applicable income taxes. Other comprehensive loss includes changes in the funded status of defined benefit pension plans.

Self-Insurance

The Company has elected to self-insure certain costs related to employee health and workers' compensation benefit programs. Costs resulting from noninsured losses are charged to expense when incurred. The Company has purchased insurance that limits its exposure for individual workers' compensation claims up to $500,000. The Company has no limit on exposure for employee health claims, either individually or in the aggregate.

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

Note 2: Inventories

The major components of inventory at March 31, 2016 and 2015, were as follows:

	2016	2015
Meltables, hardeners and Logan inventory	$ 11,563,216	$ 9,075,942
Cost to cast ingot	6,630,380	5,144,335
Ingot/work-in-process	1,964,442	1,405,598
Finished goods	9,501,207	7,292,817
Logan metals inventory	$ 29,659,245	$ 22,918,692

Note 3: Property, Plant and Equipment

The property, plant and equipment used by Logan is owned by the Associates and is not included in Logan's financial statements. Logan's construction in progress represents property, plant and equipment acquired by Logan that has not yet been charged to the Associates. As the projects are completed, the costs are charged to the Associates based on the Associates' respective participation in each project.

Note 4: Income Taxes

The provision for income taxes includes these components:

	2016	2015
Taxes currently payable (receivable)	$ 5,304,926	$ (1,408,651)
Deferred income taxes	(4,843,831)	1,488,913
Income tax expense	$ 461,095	$ 80,262

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below:

	2016	2015
Computed at the statutory rate (34%)	$ 170,000	$ 169,912
Increase (decrease) resulting from		
Permanent differences	63,203	56,200
State income taxes and other	246,412	(29,100)
Federal tax credits	(18,520)	(116,750)
Actual tax expense	$ 461,095	$ 80,262

The tax effects of temporary differences related to deferred taxes shown on the balance sheets were:

	2016	2015
Deferred tax assets		
Accrued compensated absences and other	$ 1,110,196	$ 1,274,326
Health and dental claims	-	118,581
Accrued finance charges	729,699	597,684
Inventory obsolescence	4,085,792	4,115,538
Accrued workers' compensation claims	11,685	349,316
Accrued pension and postretirement benefits	83,984,519	65,242,040
Net operating loss carryforwards	-	268,218
Tax credit carryforwards	-	93,100
Unamortized software expenses	332,387	290,416
	90,254,278	72,349,219
Deferred tax liabilities		
Depreciation of spare parts	(6,376,385)	(6,633,949)
Prepaid expenses	(625,892)	(331,920)
	(7,002,277)	(6,965,869)
Net deferred tax asset	$ 83,252,001	$ 65,383,350

Note 5: Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss (AOCL), included in stockholders' deficit, are as follows:

	2016	2015
Net defined benefit pension and OPEB plan deferred amounts	$ (81,158,372)	$ (47,305,419)
Tax effect	31,129,929	18,148,891
Net-of-tax amount	$ (50,028,443)	$ (29,156,528)

Note 6: Changes in Accumulated Other Comprehensive Loss by Component

Amounts reclassified from AOCL and the affected line items in the statements of income and comprehensive loss during the years ended March 31, 2016 and 2015, were as follows:

	Amounts Reclassified From AOCL 2016	Amounts Reclassified From AOCL 2015	Affected Line Item in the Statements of Income and Comprehensive Loss
Amortization of defined benefit pension items			
Prior service cost	$ 28,208	$ 28,208	Components are included in the computation of net periodic
Actuarial loss	4,636,579	2,579,229	pension cost and presented in Note 7
Amortization of OPEB items			
Prior service credit	(391,308)	(391,308)	Components are included in the computation of net periodic
Actuarial loss	685,944	1,290,308	OPEB cost and presented in Note 7
	4,959,423	3,506,437	Total reclassified amount before tax
	(1,906,253)	(1,346,781)	Tax benefit
Total reclassifications out of AOCL	$ 3,053,170	$ 2,159,656	

Note 7: Pension, Postretirement and Profit-Sharing Plans

Pension and Other Postretirement Benefit Plans

The Company has a noncontributory defined benefit pension plan, which covers all employees hired before January 1, 2006. Defined pension plan benefits are based on years of service, the employee's highest average earnings during any three consecutive calendar year periods and the plan's benefit formula in effect at the time of termination or retirement. The Company's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Company may determine to be appropriate from time to time. The Company does not expect to make a contribution to the plan in fiscal year 2017.

The Company has noncontributory defined benefit postretirement health care and death benefit plans. Employees who retire either: (1) after age 55 with at least 10 years of service or (2) for employees hired before January 1, 2006, at any age with combined age and service of at least 75, are eligible for postretirement health care benefits up to age 65 and postretirement death benefits. For these two unfunded plans, the Company pays incurred benefit payments for the self-insured health care plan and monthly premiums for the insured death benefit plan. The Company expects to pay approximately $2,463,000 to these plans in fiscal year 2017.

The Company uses a March 31 measurement date for the plans. Information about the plans' funded status follows:

	Pension Benefits		Other Postretirement Benefits	
	March 31, 2016	**March 31, 2015**	**March 31, 2016**	**March 31, 2015**
Benefit obligation	$ 310,005,312	$ 292,066,552	$ 98,321,772	$ 78,763,183
Fair value of plan assets	193,005,571	203,753,004	-	-
Funded status	$(116,999,741)	$ (88,313,548)	$ (98,321,772)	$ (78,763,183)

Liabilities recognized in the balance sheets:

	Pension Benefits		Other Postretirement Benefits	
	March 31, 2016	**March 31, 2015**	**March 31, 2016**	**March 31, 2015**
Accrued employee benefits	$ 116,999,741	$ 88,313,548	$ 98,321,772	$ 78,763,183

Amounts recognized in ACOL not yet recognized as components of net periodic benefit cost consist of:

	Pension Benefits		Other Post-Retirement Benefits	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Net actuarial loss	$ 59,581,277	$ 41,729,117	$ 23,150,815	$ 7,513,122
Prior service cost (credit)	56,979	85,187	(1,630,699)	(2,022,007)
	$ 59,638,256	$ 41,814,304	$ 21,520,116	$ 5,491,115

The accumulated benefit obligation for the defined benefit pension plan was $269,093,626 and $257,261,268 at March 31, 2016 and 2015, respectively.

Information for the pension plan with an accumulated benefit obligation in excess of plan assets follows:

	March 31, 2016	March 31, 2015
Projected benefit obligation	$ 310,005,312	$ 292,066,552
Accumulated benefit obligation	$ 269,093,626	$ 257,261,268
Fair value of plan assets	$ 193,005,571	$ 203,753,004

Other significant balances and costs are:

	Pension Benefits		Other Postretirement Benefits	
	March 31, 2016	**March 31, 2015**	**March 31, 2016**	**March 31, 2015**
Employer contributions	$ -	$ -	$ 3,238,679	$ 2,175,000
Benefits paid	$ 6,748,469	$ 5,923,773	$ 3,283,911	$ 2,229,321
Components of net periodic benefit cost				
Service cost	$ 8,032,590	$ 7,150,308	$ 3,312,216	$ 3,222,392
Interest cost	12,198,838	11,676,079	3,161,415	3,495,332
Expected return on assets	(14,033,974)	(13,867,549)	-	-
Amortization of				
Prior service cost (credit)	28,208	28,208	(391,308)	(391,308)
Actuarial loss	4,636,579	2,579,229	685,944	1,290,308
Net periodic benefit cost	$ 10,862,241	$ 7,566,275	$ 6,768,267	$ 7,616,724

Other changes in plan assets and benefit obligations recognized in other comprehensive loss:

	Pension Benefits		Other Postretirement Benefits	
	March 31, 2016	**March 31, 2015**	**March 31, 2016**	**March 31, 2015**
Amounts arising during the period				
Actuarial (gain)/loss	$ 22,488,739	$ 20,448,494	$ 16,323,637	$ (5,768,391)
Amounts reclassified as components of net periodic cost of the period				
Actuarial loss	$ 4,636,579	$ 2,579,229	$ 685,944	$ 1,290,308
Net prior service cost (credit)	$ 28,208	$ 28,208	$ (391,308)	$ (391,308)

The estimated net loss and prior service cost for the defined benefit pension plan that will be amortized from AOCL into net periodic benefit cost over the next fiscal year are $6,858,482 and $28,208, respectively.

The estimated net loss and prior service cost (credit) for the postretirement plans that will be amortized from AOCL into net periodic benefit cost over the next fiscal year are $1,880,530 and ($391,308), respectively.

Significant assumptions include:

	Pension Benefits		Other Postretirement Benefits	
	March 31, 2016	**March 31, 2015**	**March 31, 2016**	**March 31, 2015**
Weighted-average assumptions used to determine benefit obligations:				
Discount rate	4.27%	4.11%	4.06%	3.90%
Rate of compensation increase	3.50%	3.50%	n/a	n/a
Weighted-average assumptions used to determine benefit costs:				
Discount rate	4.11%	4.58%	3.90%	4.25%
Expected return on plan assets	7.00%	7.50%	n/a	n/a
Rate of compensation increase	3.50%	3.50%	n/a	n/a

The Company has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets and recent changes in long-term interest rates based on publicly available information.

For measurement purposes, a 7% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2016 and 2015, respectively. The rate was assumed to decrease 0.25% per year starting in 2019 to 5.00% by the year 2026 and remain at that level thereafter.

The investment policy of the plan is to invest the plan's assets with the objective of being able to meet current and future benefit payment needs while maximizing total investment returns within the constraints of a prudent level of portfolio risk and diversification. In accordance with the plan's investment policy, the plan's assets were 100% invested in master trust investment accounts. As of March 31, 2016, the master trust holdings include various collective trusts, which were invested approximately 36% in U.S. stocks, 15% in foreign stocks and 49% in fixed income instruments (U.S. government securities, corporate bonds, etc.).

Pension Plan Assets

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. Level 2 plan assets include investments in collective trust funds.

The fair values of the Company's pension plan assets at March 31, 2016 and 2015, by asset class are as follows:

		Fair Value Measurements Using		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2016				
Equity securities				
U.S. large cap	$ 55,319,713	$ -	$ 55,319,713	$ -
U.S. small/mid cap	14,777,136	-	14,777,136	-
International	28,189,035	-	28,189,035	-
Fixed income	94,719,687	-	94,719,687	-
Total	$ 193,005,571	$ -	$ 193,005,571	$ -

		Fair Value Measurements Using		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2015				
Equity securities				
U.S. large cap	$ 60,347,971	$ -	$ 60,347,971	$ -
U.S. small/mid cap	15,991,935	-	15,991,935	-
International	29,994,540	-	29,994,540	-
Fixed income	97,418,558	-	97,418,558	-
Total	$ 203,753,004	$ -	$ 203,753,004	$ -

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of March 31, 2016:

	Pension Benefits	Other Postretirement Benefits
2017	$ 7,551,547	$ 2,463,497
2018	8,646,812	3,097,781
2019	9,775,515	3,738,768
2020	10,910,406	4,366,128
2021	12,049,082	5,130,882
2022 through 2026	77,988,727	35,439,547
Total	$ 126,922,089	$ 54,236,603

Savings and Retirement Plan

Logan participates in the Novelis Savings & Retirement plan, an affiliated company's plan, which is a defined contribution plan covering all employees meeting eligibility requirements. Logan makes bi-weekly contributions to the defined contribution plan, not to exceed Internal Revenue Code limitations. Contributions to the defined contribution plan for the years ended March 31, 2016 and 2015, were approximately $4,952,000 and $4,458,000, respectively.

Note 8: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

General Litigation

The Company is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, results of operations and cash flows of the Company.

Self-Insurance

Under the Company's insurance programs, coverage is obtained for catastrophic exposures, as well as those risks required to be insured by law or contract. The Company retains a significant portion of certain expected losses related primarily to workers' compensation and employee health liability. Provisions for losses expected under these programs are recorded based upon the Company's estimates of the aggregate liability for claims incurred and totaled approximately $1,075,000 as of March 31, 2016. The amount of actual losses incurred could differ materially from the estimates reflected in these financial statements.

Pension and Other Postretirement Benefit Obligations

The Company has noncontributory defined benefit pension, postretirement health care and death benefits plans whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date. It is reasonably possible events could occur that would change the estimated amount of this liability materially in the near term.

Investments (Pension Plan)

The Company invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the accompanying balance sheets.

Tennessee Valley Authority Agreement

Effective June 24, 2010, the Company entered into a five-year agreement with the Tennessee Valley Authority (TVA), which allows the Company to receive credits toward electricity purchases. The amount of the credit is determined annually and is based upon performance measures determined by TVA. The maximum amount of credits available to the Company over the original five-year period was approximately $12,450,000. Effective November 25, 2013, the Company entered into a revised agreement with the TVA that increased the total potential credits to approximately $24,400,000 over a new five-year period.

The estimated amount of each annual award is being recognized into income straight line over the 12-month period in which the award is earned. During the years ended March 31, 2016 and 2015, the Company earned credits of approximately $4,698,000 and $5,177,000, respectively. At March 31, 2016 and 2015, the Company accrued a receivable of approximately $2,740,000 and $2,738,000, respectively.

Receivables

The Company's Associates comprise approximately 80% and 78% of total receivables at March 31, 2016 and 2015, respectively.

Note 9: Commitments

Logan has an agreement with a supplier, which requires the supplier to provide electricity through September 11, 2018. The agreement may be terminated by either party with 29 months' notice. Under the terms of the agreement, Logan is to pay the variable monthly minimum payments between approximately $355,000 and $386,000 regardless of the quantities supplied. Electricity expense under such agreement for the years ended March 31, 2016 and 2015, was approximately $22,509,000 and $21,323,000, respectively.

Logan leases various equipment (primarily computer hardware and software) under operating leases. Rent expense for the years ended March 31, 2016 and 2015, was approximately $443,000 and $423,000, respectively.

The future minimum payments due under these commitments are:

	Leases	Electricity	Total
2017	$ 442,531	$ 4,385,831	$ 4,828,362
2018	137,743	4,385,831	4,523,574
2019	14,400	1,867,776	1,882,176
2020	14,400	-	14,400
2021	14,400	-	14,400
Later years	43,200		43,200
Total	$ 666,674	$ 10,639,438	$ 11,306,112

BKD LLP
CPAs & Advisors

360 E. 8th Avenue, Suite 201 // P.O. Box 1196 // Bowling Green, KY 42102-1196
270.781.0111 // fax 270.843.0359 // bkd.com

Independent Auditor's Report on Supplementary Information

Board of Directors
Logan Aluminum Inc.
Russellville, Kentucky

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of changes in receivable from Associates listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Bowling Green, Kentucky
April 15, 2016

Supplementary Information

Logan Aluminum Inc.

Schedule of Changes in Receivable From (Liability To) Associates

Years Ended March 31, 2016 and 2015

	Tri-Arrow Aluminum Inc.	Novelis Inc.	Total
Receivable from Associates – April 1, 2014	$ 6,536,932	$ 16,483,238	$ 23,020,170
Cash advances from Associates	(200,969,001)	(217,311,104)	(418,280,105)
Processing costs and expenses charged to Associates	185,413,603	205,484,375	390,897,978
Capital costs charged to Associates, net	10,642,218	12,493,028	23,135,246
Other miscellaneous costs credited to Associates, net	(773,618)	(1,134,411)	(1,908,029)
Receivable from Associates – March 31, 2015	850,134	16,015,126	16,865,260
Cash advances from Associates	(225,185,907)	(228,061,035)	(453,246,942)
Processing costs and expenses charged to Associates	193,079,983	211,121,559	404,201,542
Capital costs charged to Associates, net	14,739,325	18,392,142	33,131,467
Other miscellaneous costs credited to Associates, net	(966,133)	(449,304)	(1,415,437)
Receivable from (liability to) Associates – March 31, 2016	$ (17,482,598)	$ 17,018,488	$ (464,110)

NOVELIS HOLDINGS INC.

ADITYA BIRLA NOVELIS

CERTIFICATION

I, Stephanie Rauls, have reviewed the attached unaudited standalone financial statements for Novelis Holdings Inc. and certify that the information included therein accurately reflects the financial position of Novelis Holdings Inc. as of 31 March 2016 and the results of its operations for the year then ended.

Signature

Stephanie Rauls

Print Name

Vice President

Title

August 17, 2016

Date

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

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

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

Novelis Holdings Inc
Financial Statements as of March 31, 2016
Unaudited

Novelis Holdings Inc.
BALANCE SHEET
(In thousands, except par value and number of shares)

	March 31, 2016	March 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 1	$ -
Accounts receivable		
— third parties	0	-
— related parties	29,523	-
Deferred income tax assets	-	41,598
Total current assets	29,524	41,598
Investments in subsidiaries	325	191,361
Deferred income tax assets	93,139	-
Other long-term assets		
— related parties	167,590	-
Total assets	$ 290,579	$ 232,959
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable		
— related parties	$ 3	$ 2
Total current liabilities	3	2
Total liabilities	$ 3	2
Shareholder's equity		
Common stock, $0.01 par value; 10,000 number of shares authorized; 2,000 shares issued and outstanding as of March 31, 2016 and 2015	-	-
Retained Earnings	290,576	232,957
Total shareholder's equity	290,576	232,957
Total liabilities and shareholder's equity	$ 290,579	$ 232,959

See accompanying notes to the financial statements.

Novelis Holdings Inc.
STATEMENT OF OPERATIONS
(In thousands)

	Year Ended March 31,	
	2016	2015
Net sales	$ -	$ -
Selling, general and administrative expenses	$ (1)	$ 1
Dividend Income	$ 325	
Interest Income	$ 3,271	$ -
	3,597	(1)
Income (Loss) before income taxes	3,597	(1)
Income tax benefit	(54,022)	(53,606)
Net income	$ 57,619	$ 53,605

See accompanying notes to the financial statements

Novelis Holdings Inc.

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

	Year Ended March 31,	
	2016	**2015**
Net income	$ 57,294	$ 53,605
Comprehensive income	$ 57,294	$ 53,605

See accompanying notes to the financial statements.

Novelis Holdings Inc.
STATEMENT OF CASH FLOWS
(In thousands)

	Year Ended March 31, 2016	Year Ended March 31, 2015
OPERATING ACTIVITIES		
Net income	$ 57,619	$ 53,605
Adjustments to determine net cash provided by operating activities:		
Depreciation and amortization	-	-
(Gain) Loss on change in fair value of derivative instruments, net	-	-
(Gain) Loss on assets held for sale	-	-
Loss on extinguishment of debt	-	-
Deferred income taxes	(2,663)	(1,995)
Amortization of fair value adjustments, net	-	-
Equity in net loss of non–consolidated affiliates	-	-
Gain (loss) on foreign exchange remeasurement of debt	-	-
Gain (Loss) on sale of assets	-	-
Impairment charges	-	-
Amortization of debt issuance costs and carrying value adjustments	-	-
Other, net	-	-
Changes in assets and liabilities:		
Accounts receivable	(29,849)	-
Inventories	-	-
Accounts payable - related party	1	1
Investment in subsidiaries	-	-
Other current liabilities	-	-
Other noncurrent assets	(25,107)	(51,611)
Other noncurrent liabilities	-	-
Net cash provided by operating activities	1	-
INVESTING ACTIVITIES		
Net cash provided by investing activities	-	-
FINANCING ACTIVITIES		
Net cash provided by financing activities	-	-
Net increase in cash and cash equivalents	1	-
Cash and cash equivalents — beginning of period	-	-
Cash and cash equivalents — end of period	$ 1	$ -

See accompanying notes to the financial statements

Novelis Holdings Inc.
STATEMENT OF SHAREHOLDER'S EQUITY
(In thousands, except par value and number of shares)

	Common Shares		Retained	Total
	Shares	Amount	Earnings	Equity
Balance as of March 31, 2014	2,000	$ -	$ 179,352	$ 179,352
Net income	-	-	53,605	53,605
Balance as of March 31, 2015	2,000	-	232,957	232,957
Net income	-	-	57,619	57,619
Balance as of March 31, 2016	2,000	$ -	$ 290,576	$ 290,576

See accompanying notes to the financial statements

Novelis Holdings Inc.
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 Holdings Inc. unless the context specifically indicates otherwise.

Organization of Business

Novelis Holdings Inc. was incorporated in Delaware on November 29, 2010 as a holding company. The Company is a wholly owned subsidiary of Novelis Inc. (Canada). The Company's functional and reporting currency is United States Dollar (USD).

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 tax uncertainties and valuation allowances. Future events and their effects cannot be predicted with certainty, and accordingly, our accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of our financial statements may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. We evaluate and update our assumptions and estimates on an ongoing basis and may employ outside experts to assist in our evaluations. Actual results could differ from the estimates we have used.

Basis of Presentation

These financial statements have been prepared solely to satisfy the reporting requirements of the ultimate parent company, Hindalco Industries Limited, to present separate subsidiary financial statements in accordance with Sections 136 and 137 of the Companies Act, 2013 in India (2013 Act). The results of the Company's separate financial statements are also included in the consolidated financial statements of our direct parent, Novelis Inc., and of our ultimate parent, Hindalco Industries Limited, and those consolidated financial statements are publicly available. These statements have not been audited, as there is no local jurisdictional requirement to present audited stand alone legal entity financial statements.

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.

The 2013 Act, as interpreted, states the format of accounts of foreign subsidiaries should be, as far as possible, in accordance with the requirements under the Companies Act, 2013. The books and records of Novelis Inc. are prepared and recorded under U.S. GAAP. These stand alone unconsolidated financial statements are prepared for the sole purpose of complying with the 2013 Act and it is not feasibly possible to present these statements in another basis of accounting other than books and records of the subsidiary.

Risks and Uncertainties

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

Selling, General and Administrative Expenses

"Selling, general and administrative expenses" include fees charged by banking institutions for banking products and services.

Investments in Subsidiaries

For purposes of these standalone financial statements, we account for our investments in subsidiaries using the cost method. See Note 2 - Investments in Subsidiaries and Related Party Transactions for further discussion.

Income Taxes

We account for income taxes using the asset and liability method. This approach recognizes the amount of income taxes payable or refundable for the current year, as well as deferred tax assets and liabilities for the future tax consequence of events recognized in the financial statements and income tax returns. Deferred income tax assets and liabilities are adjusted to recognize the effects of changes in tax laws or enacted tax rates. Under ASC 740, *Income Taxes* (ASC 740), a valuation allowance is required when it is more likely than not that some portion of the deferred tax assets will not be realized. Realization is dependent on generating sufficient taxable income through various sources. 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 Holdings Inc. when those tax attributes are realized (or realizable) by the consolidated group of Novelis Inc. even if Novelis Holdings Inc. would not otherwise have realized the attributes on a stand-alone basis. Thus, when the benefit of the net operating loss (or other tax attribute) is recognized in the consolidated financial statements of Novelis Inc., Novelis Holdings Inc. would generally reflect a benefit in its separate financial statements. See Note 3 — Income Taxes for further discussion.

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. As of March 31, 2016, no contingent loss has been recorded related to the guarantee of debt.

The Notes contain customary covenants and events of default that will limit Novelis Inc.'s ability and, in certain instances, the ability of certain of Novelis Inc.'s 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 Novelis Inc.'s subsidiaries to pay dividends or make other distributions to Novelis Inc., (7) engage in certain transactions with affiliates, (8) enter into sale and leaseback transactions, (9) designate Novelis Inc.'s subsidiaries as unrestricted subsidiaries and (10) consolidate, merge or transfer all or substantially all of Novelis Inc.'s assets and the assets of certain of Novelis Inc.'s 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, 2016, Novelis Inc. was in compliance with the covenants in the Notes. The Notes also contain customary call protection provisions for our bond holders that extend through December 2016 for the 2017 Notes and through December 2018 for the 2020 Notes.

Recently Adopted Accounting Standards

We elected to early adopt, ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, which requires all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. We applied the new standard prospectively to the Consolidated Balance Sheet as of March 31, 2016. The Consolidated Balance Sheet as of March 31, 2015 was not retrospectively adjusted. See Note 3 — Income Taxes for further discussion.

Recently Issued Accounting Standards

In February 2015, the FASB issued ASU No. 2015-02, Consolidations (Topic 810): Amendments to the Consolidations Analysis, which when effective, will (i) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities, (ii) eliminate the presumption that a general partner should consolidate a limited partnership, (iii) affect the consolidation analysis of reporting entities that are involved with variable interest entities, particularly those that have fee arrangements and related party relationships, and (iv) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The guidance is effective for annual periods beginning after December 15, 2015 and interim periods within that year. Early adoption is permitted. We will adopt this standard in our first quarter ending June 30, 2016. Adoption of this standard is not expected to have any impact on our consolidated financial position and results of operations.

2. INVESTMENTS AND RELATED PARTY TRANSACTIONS

The following table summarizes our ownership percentage of our subsidiaries in which we have an investment as of March 31, 2016 and March 31, 2015 (in thousands) using the cost method.

	March 31, 2016	March 31, 2015	Participation
Shareholdings - Common Stock			
Novelis Corporation	$ -	$ 191,361	100.00%
Novelis Global Employment Organization	325	$ -	100.00%
Novelis Acquisitions, LLC	-	-	100.00%
	$ 325	$ 191,361	

Included in the accompanying financial statements are transactions and balances arising from business we conduct with our wholly-owned subsidiaries, with our direct parent Novelis Inc., or with certain other subsidiaries of Novelis Inc., 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 thousands).

	March 31, 2016	March 31, 2015
Accounts payable - related party	$ 3	$ 2
Other long-term assets - related party	$ 167,590	$ -
Accounts receivable - related party	$ 29,524	$ 26,251

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, for available net operating loses. During the year ended March 31, 2015, $51,611 thousand of federal and state income taxes were settled through a non-cash contribution of capital from Novelis Holding Inc. to Novelis Corporation. During the year ended March 31, 2016, the cumulative non-cash contribution of capital was recharacterized as a loan payable receivable from Novelis Corporation. The loan payable is recorded within “Other long-term assets – related parties.” Additionally, certain net operating loss carryfowards that were previously part of the non-cash contribution of capital have been reclassified from Novelis Corporation back to Novelis Holdings Inc.

3. INCOME TAXES

The benefits-for-loss method of tax allocation is used to characterize net operating losses as realized (or realizable).

We are subject to United States federal and state income taxes. The domestic components of our "Loss before income taxes" are as follows (in thousands).

	Year Ended March 31,	
	2016	**2015**
Domestic (US)	$ 3,272	$ (1)
Pre-tax loss	$ 3,272	$ (1)

The components of the "Income tax (benefit)" are as follows (in thousands).

	Year Ended March 31,	
	2016	**2015**
Current benefit:		
Federal	$ (50,455)	$ (50,170)
State	(904)	(1,441)
Total current	(51,359)	(51,611)
Deferred benefit:		
Federal	161	245
State	(2,824)	(2,240)
Total deferred	(2,663)	(1,995)
Income tax benefit	$ (54,022)	$ (53,606)

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, 2016 the Company had total deferred tax assets of approximately $93,139 thousand primarily arising from book reserves not deductible for tax and net operating loss carryforwards. At March 31, 2015 the Company had total deferred tax assets of approximately $41,598 thousand primarily arising from book reserves not deductible for tax and net operating loss carryforwards.

It is reasonably possible that our estimates of future taxable income may change within the next 12 months, resulting in a change to the valuation allowance in one or more jurisdictions.

As of March 31, 2016, the Company had net operating loss carryforwards of approximately $69,495 thousand (tax effected) and tax credit carryforwards of $4,017 thousand, which will be available to offset future taxable income. The carryforwards begin expiring in fiscal 2032. As of March 31, 2016, valuation allowances of $26,633 thousand and $4,017 thousand had been recorded against net operating loss 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 federal and state related.

As of March 31, 2015, the Company had net operating loss carryforwards of approximately $20,974 thousand (tax effected), which will be available to offset future taxable income. The carryforwards begin expiring in fiscal 2032. As of March 31, 2015, valuation allowances of $20,974 thousand and $4,035 thousand had been recorded against net operating loss 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 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.

8018227 CANADA INC.

ADITYA BIRLA
NOVELIS

CERTIFICATION

I, Nichole Robinson, have reviewed the attached unaudited standalone financial statements for 8018227 Canada Inc. and certify that the information included therein accurately reflects the financial position of 8018227 Canada Inc. as of 31 March 2016 and the results of its operations for the year then ended.

Signature

Nichole A. Robinson

Print Name

Vice President

Title

8/18/16

Date

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

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

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

8018227 Canada Inc
Financial Statements as of March 31, 2016
Unaudited

8018227 Canada Inc.
BALANCE SHEET
(In thousands, except number of shares)

	March 31, 2016		March 31, 2015	
ASSETS				
Current assets				
Cash and cash equivalents	$	4	$	4
Total current assets		4		4
Investment in subsidiary		351,748		351,748
Total assets	$	351,752	$	351,752
LIABILITIES AND SHAREHOLDER'S DEFICIT				
Current liabilities				
Accounts payable				
— third parties	$	-	$	-
Accrued expenses and other current liabilities				
— third parties		765		338
— related party		30,246		14,827
Total current liabilities		31,011		15,165
Long–term debt, net of current portion				
— related party		357,263		357,263
Total liabilities		388,274		372,428
Shareholder's deficit				
Common stock, no par value; unlimited number of shares authorized; 1 share issued and outstanding as of March 31, 2016 and 2015		-		-
Accumulated deficit		(36,522)		(20,676)
Total shareholder's deficit		(36,522)		(20,676)
Total liabilities and shareholder's deficit	$	351,752	$	351,752

See accompanying notes to the financial statements.

8018227 Canada Inc.
STATEMENT OF OPERATIONS
(In thousands)

	Year Ended March 31, 2016	Year Ended March 31, 2015
Interest expense — related party	$ 15,419	$ 14,827
Other income	-	(100)
	15,419	14,727
(Loss) income before income taxes	(15,419)	(14,727)
Income tax provision	427	338
Net (loss) income	$ (15,846)	$ (15,065)

See accompanying notes to the financial statements

8018227 Canada Inc.
STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Year Ended March 31,	
	2016	**2015**
Net (loss) income	$ (15,846)	$ (15,065)
Comprehensive (loss) income	$ (15,846)	$ (15,065)

See accompanying notes to the financial statements.

8018227 Canada Inc.
STATEMENT OF CASH FLOWS
(In thousands)

	Year Ended March 31,	
	2016	**2015**
OPERATING ACTIVITIES		
Net (loss) income	$ (15,846)	$ (15,065)
Adjustments to determine net cash provided by operating activities:		
Other, net	-	-
Changes in assets and liabilities:	-	
Accounts receivable	-	-
Inventories	-	-
Accounts payable	-	(100)
Other current assets	-	-
Other current liabilities	15,846	15,165
Other noncurrent assets	-	-
Other noncurrent liabilities	-	-
Net cash provided by operating activities	-	-
INVESTING ACTIVITIES		
Net cash provided by investing activities	-	-
FINANCING ACTIVITIES		
Proceeds from issuance of debt	-	-
Principal payments	-	-
Short–term borrowings, net	-	-
Dividends paid	-	-
Dividends, noncontrolling interest	-	-
Acquisition of noncontrolling interest in Novelis Korea Ltd.	-	-
Debt issuance costs	-	-
Net cash (used in) financing activities	-	-
Net increase in cash and cash equivalents	-	-
Effect of exchange rate changes on cash	-	-
Cash and cash equivalents — beginning of period	4	4
Cash and cash equivalents — end of period	$ 4	$ 4

See accompanying notes to the financial statements

8018227 Canada Inc.
STATEMENT OF SHAREHOLDER'S DEFICIT
(In thousands, except number of shares)

	Common Shares		Retained Earnings/ (Accumulated	Total
	Shares	Amount	Deficit)	Deficit
Balance as of March 31, 2014	1	$ -	$ (5,611)	$ (5,611)
Net loss	-	-	(15,065)	(15,065)
Balance as of March 31, 2015	1	-	(20,676)	(20,676)
Net loss	-	-	(15,846)	(15,846)
Balance as of March 31, 2016	1	$ -	$ (36,522)	$ (36,522)

See accompanying notes to the financial statements

8018227 Canada Inc.
NOTES TO THE FINANCIAL STATEMENTS

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

References herein to the “Company,” “we,” “our,” or “us” refer to 8018227 Canada Inc. unless the context specifically indicates otherwise.

Organization of Business

8018227 Canada Inc. was formed in Canada on November 30, 2011. All of 8018227 Canada Inc.'s common shares are directly held by Novelis Inc. (Canada). The Company's functional and reporting currency is United States Dollar (USD).

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 tax uncertainties and valuation allowances. Future events and their effects cannot be predicted with certainty, and accordingly, our accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of our financial statements may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. We evaluate and update our assumptions and estimates on an ongoing basis and may employ outside experts to assist in our evaluations. Actual results could differ from the estimates we have used.

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 subsidiary financial statements in accordance with Sections 136 and 137 of the Companies Act, 2013 in India (2013 Act). The results of the Company's separate financial statements are also included in the consolidated financial statements of our direct parent, Novelis Inc., and of our ultimate parent, Hindalco Industries Limited, and those consolidated financial statements are publicly available. These statements have not been audited, as there is no local jurisdictional requirement to present audited stand alone legal entity financial statements.

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.

The 2013 Act, as interpreted, states the format of accounts of foreign subsidiaries should be, as far as possible, in accordance with the requirements under the Companies Act, 2013. The books and records of Novelis Inc. are prepared and recorded under U.S. GAAP. These standalone unconsolidated financial statements are prepared for the sole purpose of complying with the 2013 Act and it is not feasibly possible to present these statements in another basis of accounting other than books and records of the subsidiary.

Selling, General and Administrative Expenses

“Selling, general and administrative expenses” include legal and professional fees.

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.

Investment in Subsidiary

For purposes of these standalone financial statements, we account for our investment in our subsidiary using the cost method. See Note 2 — Investments in Subsidiary for further discussion.

Financing Costs

We have related party debt with our direct parent, Novelis Inc. We amortize financing costs over the remaining life of the related debt using the straight-line method. The expense is included in "Interest expense — related party" in our statement of operations. See Note 4 — Debt for additional discussion.

Income Taxes

We account for income taxes using the asset and liability method. This approach recognizes the amount of income taxes payable or refundable for the current year, as well as deferred tax assets and liabilities for the future tax consequence of events recognized in the financial statements and income tax returns. Deferred income tax assets and liabilities are adjusted to recognize the effects of changes in tax laws or enacted tax rates. Under ASC 740, *Income Taxes* (ASC 740), a valuation allowance is required when it is more likely than not that some portion of the deferred tax assets will not be realized. Realization is dependent on generating sufficient taxable income through various sources. 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 8018227 Canada Inc. when those tax attributes are realized (or realizable) by the consolidated group of Novelis Inc. even if 8018227 Canada Inc. would not otherwise have realized the attributes on a stand-alone basis. Thus, when the benefit of the net operating loss (or other tax attribute) is recognized in the consolidated financial statements of Novelis Inc., 8018227 Canada Inc. would generally reflect a benefit in its separate financial statements.

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

Income Taxes

We elected to early adopt, ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, which requires all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. We applied the new standard prospectively to the Consolidated Balance Sheet as of March 31, 2016. The Consolidated Balance Sheet as of March 31, 2015 was not retrospectively adjusted. See Note 5 — Income Taxes applicable for 2016.

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.

2. INVESTMENTS AND RELATED PARTY TRANSACTIONS

The following table summarizes our ownership percentage of our subsidiary in which we have an investment as of March 31, 2016 and March 31, 2015 (in thousands) using the cost method.

	March 31, 2016	March 31, 2015	Participation
Shareholdings - Common Stock			
Novelis Korea Limited	$ 351,748	$ 351,748	31.947%

Included in the accompanying financial statements are transactions and balances arising from business we conduct with our subsidiary, with our direct parent Novelis Inc., or with certain other subsidiaries of Novelis Inc., 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 thousands).

	March 31, 2016	March 31, 2015
Accrued expenses and other current liabilities — related party	$ 30,246	$ 14,827

Below is interest expense related to the long term loans we have with Novelis Inc., which is shown as related party in the accompanying statement of operations (in thousands). See Note 4 — Debt for additional discussion.

	March 31, 2016	March 31, 2015
Interest expense — related party	$ 15,419	$ 14,827

3. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

	March 31, 2016	March 31, 2015
Accrued withholding tax	$ 765	$ 338
Accrued expenses and other current liabilities — third parties	$ 765	$ 338
Accrued interest payable - related party (A)	$ 30,246	$ 14,827
Accrued expenses and other current liabilities — related party	$ 30,246	$ 14,827

(A) This represents interest on related party debt with our direct parent, Novelis Inc. See Note 4 —Debt for additional information on related party debt with our direct parent, Novelis Inc..

4. DEBT

Debt consists of the following (in thousands).

	March 31, 2016						
	Interest Rates (A)	Principal	Unamortized Carrying Value Adjustments	Carrying Value	Principal	Unamortized Carrying Value Adjustments	Carrying Value
Related party debt:							-
6-mo LIBOR + 3.75%, due March 17, 2022 (Novelis Inc)	4.258%	$ 346,679	$ -	$ 346,679	$ 346,679	$ -	$ 346,679
6-mo LIBOR + 3.75%, due March 17, 2022 (Novelis Inc)	4.258%	92	-	92	92	-	92
6-mo LIBOR + 3.75%, due March 17, 2022 (Novelis Inc)	4.258%	1,351	-	1,351	1,351	-	1,351
6-mo LIBOR + 3.75%, due March 17, 2022 (Novelis Inc)	4.258%	110	-	110	110	-	110
6-mo LIBOR + 3.75%, due March 17, 2022 (Novelis Inc)	4.258%	1,513	-	1,513	1,513	-	1,513
6-mo LIBOR + 3.75%, due March 17, 2022 (Novelis Inc)	4.258%	7,487	-	7,487	7,487	-	7,487
6-mo LIBOR + 3.75%, due March 17, 2022 (Novelis Inc)	4.234%	31	-	31	31	-	31
Total debt —related party (B)		357,263	-	357,263	357,263	-	357,263
Current portion of long term debt		-	-	-	-	-	-
Long-term debt, net of current portion — related party:		$ 357,263	$ -	$ 357,263	$ 357,263	$ -	$ 357,263

(A) Interest rates are the stated rates of interest on the debt instrument as of March 31, 2016. We present stated rates of interest because they reflect the rate at which cash will be paid for future debt service.

(B) This represents related party debt with our direct parent, Novelis Inc.

Principal repayment requirements for our total debt over the next five years and thereafter are as follows (in thousands).

As of March 31, 2016	Amount
Short-term borrowings and Current portion of long term debt due within one year	$ -
2 years	-
3 years	-
4 years	-
5 years	-
Thereafter	357,262,916
Total	$ 357,262,916

4. DEBT - (Continued)

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. As of March 31, 2016, no contingent loss has been recorded related to the guarantee of debt.

The Notes contain customary covenants and events of default that will limit Novelis Inc.'s ability and, in certain instances, the ability of certain of Novelis Inc.'s 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 Novelis Inc.'s subsidiaries to pay dividends or make other distributions to Novelis Inc., (7) engage in certain transactions with affiliates, (8) enter into sale and leaseback transactions, (9) designate Novelis Inc.'s subsidiaries as unrestricted subsidiaries and (10) consolidate, merge or transfer all or substantially all of Novelis Inc.'s assets and the assets of certain of Novelis Inc.'s 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, 2016, Novelis Inc. was in compliance with the covenants in the Notes.

5. INCOME TAXES

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

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

	Year Ended March 31,	
	2016	2015
Domestic (Canada)	$ (15,419)	$ (14,727)
Pre-tax (loss) income	$ (15,419)	$ (14,727)

The components of the "Income tax provision" are as follows (in thousands), which are related to withholding taxes.

	Year Ended March 31,	
	2016	2015
Current provision:		
Domestic (Canada)	$ 427	$ 338
Total current	427	338
Deferred provision:		
Domestic (Canada)	-	-
Total deferred	-	-
Income tax provision	$ 427	$ 338

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, 2016 the Company had total deferred tax assets of approximately $18,361 thousand arising from net operating losses. At March 31, 2015 the Company had total deferred tax assets of approximately $14,203 thousand arising from net operating losses.

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 $18,361 thousand and $14,203 thousand were necessary as of March 31, 2016 and 2015, respectively.

It is reasonably possible that our estimates of future taxable income may change within the next 12 months, resulting in a change to the valuation allowance.

As of March 31, 2016, we had net operating loss carryforwards of approximately $18,361 thousand (tax effected), which will be available to offset future taxable income. The carryforwards begin expiring in fiscal 2032. As of March 31, 2016, a valuation allowance of $18,361 thousand had been recorded against the net operating loss carryforwards, where it appeared more likely than not that such benefits will not be realized. The net operating loss carryforwards are located in Canada.

As of March 31, 2015, we had net operating loss carryforwards of approximately $14,203 thousand (tax effected), which will be available to offset future taxable income. The carryforwards begin expiring in fiscal 2032. As of March 31, 2015, a valuation allowance of $14,203 thousand had been recorded against the net operating loss carryforwards, where it appeared more likely than not that such benefits will not be realized. The net operating loss carryforwards are located in Canada.

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

6. SUPPLEMENTAL INFORMATION

Supplemental cash flow information (in thousands).

	Year Ended March 31,	
	2016	2015
Supplemental disclosures of cash flow information:		
Income taxes paid	$ -	$ 1,470

NOVELIS ACQUISITIONS LLC

ADITYA BIRLA
NOVELIS

CERTIFICATION

I, Stephanie Rauls, have reviewed the attached unaudited standalone financial statements for Novelis Acquisitions LLC and certify that the information included therein accurately reflects the financial position of Novelis Acquisitions LLC as of 31 March 2016 and the results of its operations for the year then ended.

____

Signature

Stephanie Rauls

Print Name

Vice President

Title

August 17, 2016

Date

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

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

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

Novelis Acquisitions LLC
Financial Statements as of
March 31, 2016
Unaudited

Novelis Acquisitions LLC

BALANCE SHEET

(In thousands, except number of shares)

	March 31, 2016	March 31, 2015
ASSETS		
Long-term accounts receivable		
— related parties	$ -	$ -
Total assets	$ -	$ -
LIABILITIES AND SHAREHOLDER'S EQUITY		
Total liabilities	-	-
Shareholder's equity		
Common stock, no par value; unlimited number of shares authorized; 1,000 shares issued and outstanding as of March 31, 2016 and 2015	-	-
Additional paid–in capital	-	-
Retained Earnings	-	-
Accumulated other comprehensive loss	-	-
Total shareholder's equity	-	-
Total liabilities and shareholder's equity	$ -	$ -

See accompanying notes to the financial statements.

Novelis Acquisitions LLC
STATEMENT OF OPERATIONS
(In thousands)

	For the Year Ended March 31,	
	2016	**2015**
Income before income taxes	-	-
Income tax provision	-	-
Net income	$ -	$ -

See accompanying notes to the financial statements

Novelis Acquisitions LLC
STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	For the Year Ended March 31,	
	2016	**2015**
Net income	$ -	$ -
Comprehensive income	$ -	$ -

See accompanying notes to the financial statements.

Novelis Acquisitions LLC
STATEMENT OF CASH FLOWS
(In thousands)

	Year Ended March 31,	
	2016	2015
OPERATING ACTIVITIES		
Net income	$ -	$ -
Adjustments to determine net cash provided by operating activities:		
Depreciation and amortization	-	-
(Gain) loss on change in fair value of derivative instruments, net	-	-
(Gain) loss on assets held for sale	-	-
Loss on extinguishment of debt	-	-
Deferred income taxes	-	-
Amortization of fair value adjustments, net	-	-
Equity in net loss of non–consolidated affiliates	-	-
Gain (loss) on foreign exchange remeasurement of debt	-	-
Gain (Loss) on sale of assets	-	-
Non-cash impairment charges	-	-
Amortization of debt issuance costs and carrying value adjustments	-	-
Other, net	-	-
Changes in assets and liabilities including assets and liabilities held for sale (net of effects from acquisitions and divestitures):	-	-
Accounts receivable	-	-
Inventories	-	-
Accounts payable	-	-
Other current assets	-	-
Other current liabilities	-	-
Other noncurrent assets	-	-
Other noncurrent liabilities	-	-
Net cash provided by operating activities	-	-
Capital expenditures	-	-
Proceeds from sales of assets, third party, net	-	-
Proceeds from the sale of assets, related party	-	-
Proceeds (outflows) from investment in and advances to related parties, net	-	-
Proceeds (outflows) from settlement of other undesignated derivative instruments, net	-	-
Net cash provided by investing activities	-	-
FINANCING ACTIVITIES		
Proceeds from issuance of debt	-	-
Principal payments	-	-
Short–term borrowings, net	-	-
Dividends Paid	-	-
Acquisition of noncontrolling interest in Novelis Korea Ltd.	-	-
Debt issuance costs	-	-
Net cash provided by financing activities	-	-
Net increase in cash and cash equivalents	-	-
Effect of exchange rate changes on cash	-	-
Cash and cash equivalents — beginning of period	-	-
Cash and cash equivalents — end of period	$ -	$ -

See accompanying notes to the financial statements

Novelis Acquisitions LLC
STATEMENT OF SHAREHOLDER'S EQUITY
(In thousands, except number of shares)

	Common Shares		Additional Paid-in	Retained Earnings/ (Accumulated	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Capital	Deficit)	(AOCI)	Equity
Balance as of March 31, 2014	1,000	$ -	$ -	$ -	$ -	$ -
Net income	-	-	-	-	-	-
Balance as of March 31, 2015	1,000	-	-	-	- -	-
Net income	-	-	-	-	-	-
Balance as of March 31, 2016	1,000	$ -	$ -	$ -	$ -	$ -

See accompanying notes to the financial statements

Novelis Acquisitions LLC
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 Acquisitions LLC unless the context specifically indicates otherwise.

Organization of Business

Novelis Acquisitions LLC was formed in the United States of America on November 29, 2010 as part of a financing transaction. All of Novelis Acquisitions LLC's common shares are directly held by Novelis Holdings Inc. All of Novelis Holdings Inc.'s common shares are directly held by Novelis Inc. (Canada). The Company's functional and reporting currency is United States Dollar (USD).

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. 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 Presentation

These financial statements have been prepared solely to satisfy the reporting requirements of the ultimate parent company, Hindalco Industries Limited, to present separate subsidiary financial statements in accordance with Sections 136 and 137 of the Companies Act, 2013 in India (2013 Act). The results of the Company's separate financial statements are also included in the consolidated financial statements of our direct parent, Novelis Inc., and of our ultimate parent, Hindalco Industries Limited, and those consolidated financial statements are publicly available. These statements have not been audited, as there is no local jurisdictional requirement to present audited standalone legal entity financial statements.

The 2013 Act, as interpreted, states the format of accounts of foreign subsidiaries should be, as far as possible, in accordance with the requirements under the Companies Act, 2013. The books and records of Novelis Inc. are prepared and recorded under U.S. GAAP. These standalone unconsolidated financial statements are prepared for the sole purpose of complying with the 2013 Act and it is not feasibly possible to present these statements in another basis of accounting other than books and records of the subsidiary.

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. As of March 31, 2016, no contingent loss has been recorded related to the guarantee of debt.

The Notes contain customary covenants and events of default that will limit Novelis Inc.'s ability and, in certain instances, the ability of certain of Novelis Inc.'s 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 Novelis Inc.'s subsidiaries to pay dividends or make other distributions to Novelis Inc., (7) engage in certain transactions with affiliates, (8) enter into sale and leaseback transactions, (9) designate Novelis Inc.'s subsidiaries as unrestricted subsidiaries and (10) consolidate, merge or transfer all or substantially all of Novelis Inc.'s assets and the assets of certain of Novelis Inc.'s subsidiaries. During any future period in which either Standard & Poor's Ratings Group, Inc. or Moody's Investors Service, Inc. have assigned an investment grade credit rating to the Notes and no default or event of default under the Indenture has occurred and is continuing, most of the covenants will be suspended. The Notes include a cross-acceleration event of default triggered if (1) any other indebtedness with an aggregate principal amount of more than $100 million is (1) accelerated prior to its maturity or (2) not repaid at its maturity. As of March 31, 2016, Novelis Inc. was in compliance with the covenants in the Notes. The Notes also contain customary call protection provisions for our bond holders that extend through December 2016 for the 2017 Notes and through December 2018 for the 2020 Notes.

As of March 31, 2016, the senior secured credit facilities consisted of (i) a $1.8 billion seven-year secured term loan credit facility (Term Loan Facility), (ii) a $1.2 billion five-year asset based loan facility (ABL Revolver) and (iii) a $200 million 15-month subordinated secured lien revolving facility (Subordinated Lien Revolver). As of March 31, 2016, $18 million of the Term Loan Facility is due within one year.

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.

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

In June 2015, we entered into the Subordinated Lien Revolver with a maturity date of September 10, 2016. The interest rate for a loan under the Subordinated Lien Revolver is either equal to (i) a prime rate plus a spread of 2.5% or 2.25 depending on the total net leverage ratio then in effect or (ii) the higher of LIBOR and 0.75% plus a spread of 3.50% or 3.25% depending on the total net leverage ratio then in effect. The Subordinated Lien Revolver requires us to maintain a secured net leverage ratio of 4 to 1. Pursuant to the terms of the Term Loan Facility, such secured net leverage maintenance covenant will automatically apply to the Term Loan Facility as well for so long as the Subordinated Lien Revolver is in effect.

In June 2015, we entered into a Refinancing Amendment Agreement with respect to our Term Loan Facility. The Amendment increases the principal amount of the Term Loan Facility from $1.7 billion to $1.8 billion and extends the final maturity from December 17, 2017 to June 2, 2022; provided that, in the event that any series of our senior unsecured notes remain outstanding 92 days prior to its maturity date, then the Term Loan Facility will mature on such date, subject to limited exceptions. The loans under the Term Loan Facility accrue interest at the higher of LIBOR and 0.75% plus a 3.25% spread. The Amendment eliminates the senior secured net leverage covenant that requires us to maintain a minimum senior secured net leverage ratio (subject to the terms disclosed in the preceding paragraph). In addition, certain negative covenants were amended to increase the Company’s operational flexibility, including increasing flexibility to enter into working capital management programs and incur other debt.

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 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 condensed consolidated financial position.

Recently Issued Accounting Standards

In March 2013, the FASB issued ASU No. 2013-05, *Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity* . The amendments in this update provide clarification regarding the release of a cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets within a foreign entity. The guidance will be effective for annual reporting periods beginning after December 15, 2014, and interim periods within those annual periods. We will adopt this standard prospectively in our first quarter ending June 30, 2015 and our current accounting policies comply with this guidance. Therefore, this will not have an impact to our historical financial statements.

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 consolidated financial position and results of operations.

In April 2015, the FASB issued *ASU 2015-03, Interest - Imputation of Interest (ASC 835-30)* , which, when effective, will require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. The guidance is effective for annual periods beginning after December 15, 2015 and interim periods within that year. An entity should apply the new guidance on a retrospective basis, wherein the balance sheet or each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Early adoption is permitted. We will adopt this standard in our first quarter ending June 30, 2016. Adoption of this standard will impact the presentation of debt issuance costs on our consolidated financial position.

2. FORWARD SALE SHARE AGREEMENT

As of March 31, 2016, Novelis Corporation (a subsidiary of our direct parent, Novelis Holdings Inc.) has outstanding redeemable preferred shares ("Preferred Shares") of $1,681 million. Novelis Inc., our indirect parent, is the current holder of the Preferred Shares. The Preferred Shares entitles the holder to receive a cash dividend at a rate of 9.5% per annum of the original issuance price of $1,681 million for seven years from the original issuance date of December 2010. The dividends are cumulative and are payable annually. At the end of each seven year period in which the Preferred Shares remains outstanding, the dividend rate will reset to a new annual rate to be determined by the Board of Directors of Novelis Inc., with the advice of a third party valuation firm. The holders of the Preferred Shares are entitled to receive on liquidation an amount equal to the issuance price of $1,681 million, plus any accrued and unpaid dividends thereon, whether declared or not declared. The holder of the Preferred Shares is not entitled to any voting powers. The Preferred Shares shall not be convertible into shares of any other class or classes or series of any class or classes of capital stock of Novelis Corporation.

In December 2010, we entered into a forward sale share agreement (the "Forward Sale Share Agreement") with Novelis Inc. Under the terms of the Forward Sale Share Agreement, Novelis Inc. will be required to sell, assign, transfer and convey the Preferred Shares to Novelis Acquisitions LLC on December 17, 2017 for the forward price, as specified in the agreement. We were granted a non-assignable right (the "Early Purchase Right") to purchase, in whole or in part, the Preferred Shares at the forward price, as specified in the agreement, at any time commencing in December 2010 and ending immediately prior to December 17, 2017. If we fail to complete the purchase of the Preferred Shares by December 17, 2017, then Novelis Inc. is entitled to sell the shares to a third party on terms and conditions acceptable to Novelis Inc. In the event that the proceeds received by Novelis Inc. from such sale exceed the forward price by 10% or more, then Novelis Inc. is required pay us such excess amount less reasonable costs and expenses associated with the sale to the third party. In the event that the proceeds received by Novelis Inc. from such sale are less than the forward price, than we are required pay Novelis Inc. an amount equal to the deficiency plus interest on the unpaid portion of the forward price at the rate of 11% per annum. As of March 31, 2016, no amounts have been recorded related to the Forward Sale Share Agreement that we have with Novelis Inc.

At any time on or after the December 17, 2018, the Preferred Shares may be redeemed by the issuer or caused to be redeemed by the holder at the liquidation value plus all accrued and unpaid dividends. As of March 31, 2016, no amounts have been recorded related to the redemption.

Novelis Sheet Ingot GmbH

Goettingen

Annual Financial Statements as of March 31, 2016
and Management Report for Financial Year 2015/2016

Auditor's Report

(Translation - the German text is authoritative)

Contents **Page**

NOVELIS SHEET INGOT GMBH, GOETTINGEN

MANAGEMENT REPORT for the financial year April 1, 2015 to March 31, 2016

BASIS of the COMPANY

Novelis Sheet Ingot GmbH (‚SIG'), Goettingen, has a production site in Nachterstedt.

The company produces castings on a recycling basis exclusively for Novelis AG. The costs of the day-to-day business are invoiced on a monthly basis. Therefore, the **result of the company** is primarily determined by the output quantity and by risk-markups on the recycling costs.

SIG is via the employer association "Verband der Metall- und Elektroindustrie Sachsen-Anhalt" bound to the **collective wage agreement** "Metall Sachsen-Anhalt" (ERA Wage and Wage Framework Agreement). A management by objective system is established for managing directors, executive employees and employees who are not subject to a collective wage agreement. The variable remuneration components are based on business objectives as well as personnel objectives.

In May 2015 SIG fulfilled again the requirements of the **Energy Management System** ISO 50001:2011 and was certified. The audit of the management systems quality, safety and work safety are in preparation for the upcoming financial year.

Research and development are pursued only in close cooperation with the Novelis research facilities. Own activities serve the further optimization of the process remelting as well as the systems engineering.

BUSINESS REPORT

Economic and industry specific conditions

In the financial year 2015/2016 the global economic growth stabilized and was 3.1% for the calendar year 2015. However within the individual regions different developments occurred, with Asia (excl. Japan) at 6.1% and China at 7.0 % realizing the largest increase, despite that the economy slowed down.

The biggest challenges and uncertainties in the future are the changes in China and the low commodity prices. Therefore, we see the growth prognosis rather moderate and at the level of 2015. The economy in the Eurozone will recover slightly due to, in particular, the favorable oil price, the European Central Bank's monetary policy of quantitative easing and the strong depreciation of the € against the $. Furthermore, the Italy, Spain and France seem to find a way out of the crisis.

Financial and non-financial key performance indicators

In the financial year 2015/2016 244.2 kt aluminum was recycled to aluminum ingots. Unfortunately, we could not meet the projected market demand of 325 kt due to technical problems in the first half financial year, which could not be compensated in the remaining period. The recycling revenue per aluminum ingot (invoiced average recycling cost per piece) was 3,297 € and decreased compared to the prior year by 1,233 €. Unaffected by non-recurring startup costs in the prior year the expected slight decline in recycling cost was significantly higher.

To gauge the safety standards at our plants, we regularly give an account of key figures pertaining to “Total Recordable Incidents (TRI Rate)” - accidents to be reported - and also “Days Away From Work (DAFW Rate)” - absence time due to injury and illness. Our TRI Rate was 2.74 and DAFW Rate was 0.55 in the financial year 2015/2016. Due to the incidents, we took measures to prevent accidents and to achieve our goal “zero accidents”. Environmental incidents comprised mostly harmless leaks and internal smoke incidents.

Business development

In the financial year 2015/2016 focus was on increasing output, stabilizing processes, increasing plant availability and constant high quality. The monthly production increases disclosed technical weaknesses on production machinery which impacted our production capacity. A major project was the reconstruction of the heated conveyors on both production lines, which enable now improved scrap processing and cover further capacity increases.

Huge efforts were made at the site Nachterstedt to optimize the internal scrap cycle between the rolling plant of Novelis Deutschland GmbH, plant Nachterstedt, and Sheet Ingot GmbH. Due to improvements of the technical processes between both Novelis plants, currently 80% of the scrap of the rolling plant is recycled at SIG.

An extraordinary development was the improvement of the fully automatic casting process. Due to the modern casting technology, SIG is capable of a highly efficient and secure casting process. Complaint rate with regard to end-customers was 160ppm in the financial year 2015/2016.
Further qualifications of aluminum ingots expanded the production portfolio. SIG qualified, among others, qualitative demanding CAN End Stock material. Therefore, Novelis expands its production range for can material, which is one of the largest sales markets of Novelis in Europe.

Earnings, net assets and financial position

Sales increased by 32.9 million € to 57.4 million € in the reporting period due to increased output. Opposite to sales, expenses from the revision of machinery components and securing the operational readiness incurred. The absence of non-recurring startup costs in the prior year in a two digit amount had a positive impact compared to the prior year. The increased cost of sales by 15.7 million € compared to prior year resulted from higher production. Thus, the energy, raw material, maintenance and repair and personnel costs increased. Due to new additions to property, plant and equipment, depreciation increased by 13.3 million €. Due to the profit and loss transfer agreement, the loss in the amount of 44.9 million € was absorbed by the shareholder Novelis Deutschland GmbH.

Total assets decreased from 248.3 million € to 224.8 million € due to amortization and depreciation in the amount of 22.7 million €. Unplanned depreciation on conveying machinery in the amount of 3.5 million € was recorded due to a reduction of expected useful life from 14 years to 6 month. Compared to prior year, provisions and accruals for services and deliveries declined due to lower investing activities. Caused by measures to eliminate technical weaknesses, additions to fixed assets were significantly higher than the planned amount of 2 million €. Capital expenditures were 12.6 million €. Major investments were made into heated conveyors on both production lines. Current assets decreased primarily due to a reduced loss transfer receivable from Novelis Deutschland GmbH (15.4 million € lower than prior year). Cash inflow provided by the payment of the receivable from the loss absorption for the financial year 2014/2015 in the amount of 44.9 million € was offset by cash outflows for investing activities in the amount of 12.6 million € and for operating activities in the amount of 15.0 million €. Equity remained at 20 million €. The equity ratio increased from is 8.1 % to 8.9 %.

SUBSEQUENT EVENTS REPORT

No significant events occurred after the balance sheet date.

FORECAST, OPPORTUNITIES AND RISK REPORT

“Zero accidents” is still the ultimate objective in the area of work safety in all Novelis plants worldwide. Thus, huge efforts with regard to work safety and prevention of accidents should have a very positive influence on TRI rate and DAFW rate.

For the financial year 2016/2017 capital expenditures of 5.1 million € are planned. Main objectives are the installation of a new crane, purchase of critical spare parts as well as general programs with regard to smaller spare parts and rationalization measures.

In preparation are the audits of the management systems for quality and energy as well as the integration of the Novelis business management systems: EHS-management system (Environment, Health & Safety).

In coordination with Novelis AG an increase in output volumes to 329 kt is planned. Therefore, productivity and efficiency increases as well as improvements in all areas of operational performance are pursued. Primarily this encompasses increasing production yield, achieving the plan output and extending the scrap cycle within the German Novelis plants. These improvements should have a direct significant positive influence on recycling cost.

Opportunities and risks lie in the efficiency of the production processes, in particular in input of resources and optimization of processing time. Facility availability and unlimited availability of resources are particular challenges.

As SIG is exclusively a recycler and invoices in Euro, no risks from market price developments of aluminum and exchange rates exist.

Opportunities and risks from the development and selling of products as well as the aluminum supply are at the level of Novelis AG. It was agreed on a contractual basis that SIG will exclusively work for Novelis AG. Therefore, risks of SIG could be insufficient non-cost-covering recycling volumes and lack of recycling orders. Due to the Novelis strategy and long term supply contracts, this risk should be rather low. The results of SIG are transferred to Novelis Deutschland GmbH due to a profit and loss transfer agreement.

The own **risk identification and prevention** focuses on the improvement of the management systems with regard to quality assurance, security, work safety, reliability of production capacities and optimization of all processes at the plant as well as continuous training and qualification of employees. Further key aspects of opportunity and risk management are production planning including early discussions of developments in energy and environmental politics with the political decision-makers.

Comprehensive all-risk insurance provides coverage with regard to significant property and breakdown losses. Beside this, we currently expect no material risks.

Goettingen, May 6, 2015

Novelis Sheet Ingot GmbH
Managing directors

Serge Gaudin Fortunato Llamido Lucido

Annual Financial Statements
from April 1, 2015
to March 31, 2016

Novelis Sheet Ingot GmbH, Göttingen

Balance Sheet as of March 31, 2016

Assets

	2016	2015
	K€	K€
A. Non-current assets		
I. Intangible assets		
1. Purchased Software and Licences	357	0
2. Prepayments	3	255
	360	255
II. Property, plant and equipment		
1. Property, buildings and similar property rights	82.691	80.497
2. Technical equipment and machinery	96.511	108.109
3. Other plant, furniture and office equipment	798	1.961
4. Prepayments and construction in progress	5.206	4.779
	185.206	195.346
	185.566	**195.601**
B. Current assets		
I. Inventories		
Raw material	1.597	24
II. Receivables and other assets		
1. Trade receivables	380	0
2. Receivables from affiliated companies	29.233	48.132
3. Other assets	7.981	4.175
	39.191	52.331
III. Cash and cash equivalents	0	1
	39.191	**52.332**
C. Prepaid expenses	**17**	**381**
	224.774	**248.314**

Equity and Liabilities

	2016	2015
	K€	K€
A. Equity		
Share capital	20.000	20.000
	20.000	**20.000**
B. Provisions and accruals		
1. Pensions and similar obligations	213	211
2. Other provisions and accruals	4.677	12.661
	4.890	**12.872**
C. Liabilities		
1. Trade payables	15.097	12.030
2. Other liabilities	170	0
3. Liabilities to affiliated companies	184.617	203.412
	199.884	**215.442**
	224.774	**248.314**

Novelis Sheet Ingot GmbH, Göttingen

Income Statement for Financial Year April 1, 2015 to March 31, 2016

		2015/16	2014/15
		K€	K€
1.	Sales	57.389	24.496
2.	Cost of sales	-75.898	-60.150
3.	**Gross profit**	**-18.509**	**-35.654**
4.	General and administrative expenses	-254	-247
5.	Other operating income	513	370
6.	Other operating expenses	-190	-653
	Operating profit	**-18.440**	**-36.184**
7.	Interest and similar expenses	-9.980	-8.694
	Financial result	**-9.980**	**-8.694**
8.	**Profit from ordinary activities**	**-28.420**	**-44.878**
9.	Loss transferred due to profit and loss transfer agreement	28.420	44.878
10.	**Profit for the year**	**0**	**0**

Novelis Sheet Ingot GmbH, Goettingen

Notes to the Financial Statements for Financial Year 2015/2016

(1) GENERAL BASIS OF PRESENTATION

In accordance with § 267 German Commercial Code (HGB) Novelis Sheet Ingot GmbH is accounting for a medium-size corporation as of the balance sheet date March 31, 2016. The annual financial statements for the period April 1, 2015 to March 31, 2016, are prepared in compliance with the provisions of the Commercial Law (HGB) for large corporations and the Limited Liability Company Law (GmbHG).

The sole shareholder of Novelis Sheet Ingot GmbH is Novelis Deutschland GmbH, Goettingen.

In accordance with § 271 Section 2 HGB, affiliated companies of Novelis Sheet Ingot GmbH are the ultimate parent company Hindalco Industries Ltd., Mumbai, India and all subsidiaries of this parent company.

Novelis Sheet Ingot GmbH is included in the consolidated financial statements of Hindalco Industries Ltd., Mumbai, India (largest group of consolidated companies), as well as Novelis Inc., Toronto, Canada (smallest group of consolidated companies). The consolidated financial statements are available at the registered seat of the companies.

(2) ACCOUNTINIG POLICIES

Assets

Acquired intangible and fixed assets are valued at acquisition or production cost less ordinary accumulated amortization or depreciation. Grants received are recognized as a reduction of acquisition cost.

Buildings are depreciated straight-line over 10 to 33 years. Technical equipment and machinery as well as other plant, furniture and office equipment are depreciated straight-line over 3 to 33 years. Unplanned depreciation is recognized if necessary. In the financial year an unplanned depreciation on conveying machinery was recorded as the expected useful life was reduced from 14 years to 6 month. Intangible assets are amortized over 3 years.

Low-value items up to € 150 excluding VAT are fully expensed in the year of addition.

Inventory is measured at average acquisition cost. Risks due to slow-moving items or limited usability are considered by appropriate allowances.

Receivables and other assets are measured at nominal values less allowances for specific and general foreseeable risks. Receivables from and payables to affiliated companies are netted to the extent the requirements of § 387 German Civil Law (BGB) are met.

Cash is stated at nominal value.

Equity and Liabilities

Equity is stated at nominal value.

Pension obligations are measured using the projected unit credit method at their discounted settlement amount. In course of the law to implement the residential real estate loan directive also the rules of the German Commercial Code with regard to discounting of pension obligations were modified. The amendment extents the time period over which the German Federal Reserve Bank determines the average market interest rate. For financial years ending after December 31, 2015 the time period is 10 years (previously: 7 years). An interest rate of 4.37 % was applied to calculate the pension provision as of March 31, 2016. The interest rate is a projected interest rate as of the balance sheet date (average interest rate for the last 10 years).The average market interest rate published by the German Federal Reserve Bank for the last 10 years assuming a remaining term of 15 years for the obligation as of March 31, 2016 is 4.24 %.

The average market interest rate published by the German Federal Reserve Bank for the last 7 years assuming a remaining term of 15 years for the obligation as of March 31, 2016 is 3.70 % (prior years: 4.37 %). The difference in the pension provision due to the application of the average market interest rate of the last 10 years instead of the last 7 years is recognized in the financial result or the operating result in accordance with IDW RS HFA 30.

Assumed annual salary increase was 2.75 % and annual pension increase was 1.75 %. Life expectancy statistics 2005G of Prof. Dr. K. Heubeck are applied.

Actuarial assumptions to measure jubilee benefit obligations are the average market interest rate of the last 7 years and assuming a remaining term of 15 years.

Other provisions and accruals are measured taking into account all identifiable risks. They are recognized at the amount reasonably necessary to settle the obligation. Other provisions and accruals with a remaining term of more than a year are discounted with the average market interest rate of the last 7 years equivalent to the remaining term of the obligation.

Liabilities are stated at their settlement amount.

Foreign currency

Long-term foreign currency receivables are converted with the spot exchange rate at the transaction date or the lower spot exchange rate as of balance sheet date (principle of prudence). Short-term foreign currency receivables (due within a year) as well as cash, cash equivalents and other short-term assets denominated in foreign currencies are converted with the spot exchange rate as of balance sheet date.

Long term foreign currency liabilities are measured with the spot exchange rate of the transaction date or the higher spot exchange rate as of balance sheet date (principle of prudence). Short-term foreign currency liabilities (due within a year) are converted with the spot exchange rate as of balance sheet date.

(3) BALANCE SHEET

(3.1) Non-current assets movement schedule

The development of non-current assets is on page 13 to 15

(3.2) Receivables and other assets

Receivables other assets are due within a year. As of March 31, 2016, receivables from the sole shareholder Novelis Deutschland GmbH were K€ 27,874 (prior year K€ 43,880), which resulted from loss transfer due to the profit and loss transfer agreement in the amount of K€ 28,420 (prior year K€ 44,878) and are netted with trade payables in the amount of K€ 546 (prior year K€ 1,498). The remaining receivables from affiliated companies resulted from the sale of goods and services in the amount of K€ 15 (prior year K€ 4,752).

(3.3) Provisions and accruals

Provisions for pension obligations are K€ 213 as of March 31, 2016 (prior year K€ 205). The difference in the pension provision in the amount of K€ 35 due to the application of the average market interest rate of the last 10 years instead of the last 7 years was recognized in the financial result.

Other provisions and accruals comprise primarily accruals for goods and services received but not invoiced (K€ 3,874; prior year K€ 11,754) and personnel provisions and accruals (K€ 803; prior year K€ 913).

(3.4) Liabilities

	2016 K€	Due within a year K€	Due after more than 5 years K€	2015 K€	Due within a year K€	Due after more than 5 years K€
Trade payables	15,097	15,097	-	12,030	12,030	-
Liabilities to affiliated companies 1), 2), 3)	184,617	24,617	160,000	203,412	43,412	160,000
Other liabilities 4)	170	170	-	-	-	-
	199,884	**39,884**	**160,000**	**215,442**	**55,442**	**160,000**
1) Thereof from purchase of goods and services	1,510			13,055		
2) Thereof from financing	183,108			190,357		
3) Thereof to shareholder	45,880			43,440		
4) Thereof from taxes	167			0		

As at the balance sheet date liabilities to the sole shareholder Novelis Deutschland GmbH in the amount of K€ 45,880 (prior year K€ 43,440) result from financing.

(4) INCOME STATEMENT

(4.1) Prior period income/expenses

In the reporting period the following prior period income /expenses have been recorded:

Unplanned depreciation on conveying machinery was recorded in the amount of K€ 3,522.

Income in the amount of K€ 35 from the application of the average market interest rate of the last 10 years instead of the last 7 years on pension obligations.

(4.2) Income/Expenses from exchange rate differences

Other operating income includes income from exchange rate differences in the amount of K€ 379 (prior year K€ 39). Other operating expenses include expenses from exchange rate differences in the amount of K€ 187 (prior year K€ 556).

(4.3) Interest and similar expenses

Interest and similar expenses include interest payable to affiliated companies in the amount of K€ 9,980 (prior year K€ 8,694).

(4.4) Material expenses

	2015/16 K€	2014/15 K€
Raw material	11,120	4,137
Services received	16,276	12,030
	27,396	**16,167**

(4.5) Personnel expenses

	2015/16 K€	2014/15 K€
Salaries and wages	12,335	9,351
Social security	2,055	2,016
Thereof pension costs	976	724
	14,390	**11,367**

(5) Managing directors

Fortunato Llamido, managing director finance

Michael Hermann Stecher, managing director operation (until July 16, 2015)

Serge Gaudin, managing director operation (since July 16, 2015)

The managing director did not receive any remuneration from the company.

(6) EMPLOYEES (average number of employees)

	2015/16	2014/15
Production	205	173
Administration and sales	27	19
	232	**192**

(7) CONTINGENCIES

The latest comprehensive refinancing of the group took place on December 17, 2010 and since that was amended several times. Afterwards, the Novelis group had a financial capital in the amount of US$ 5,700 million available to them. Novelis Inc. issued two Unsecured Senior Notes in the amount of US$ 2,500 and obtained a Term Loan Facility in the amount of US$ 1,800 million. In June 2015 Novelis extended the financing and adapted certain credit agreement clauses. In addition an Asset Based Revolving Credit Facility in the amount of US$ 1,200 million is available. Furthermore, in June 2015 Novelis obtained a Subordinated Lien Revolver in the amount of US$ 200 million

The latest comprehensive refinancing of the group took place on December 17, 2010. Afterwards, the Novelis group had a financial capital in the amount of US$ 5,500 million available to them. Novelis Inc. issued two Unsecured Senior Notes in the amount of US$ 2,500 and obtained a Term Loan Facility in the amount of US$ 1,800 million.

The company assigned all moveable assets which are legal property of Novelis Sheet Ingot GmbH by way of security to the secured party.

The company assigned all receivables way of security to the secured party (global assignment). The profit and loss transfer agreement between Novelis Deutschland GmbH and Novelis Sheet Ingot GmbH must stay in place. Receivables must be free of claims of third parties. Any claims have to be reported immediately to the secured party.

The company pledged all German bank accounts in favor of the secured party.

The company is obliged not to create mortgages on land and similar property rights. Mortgages in favor of the secured party have not been created.

The company assigned all intellectual property rights by way of security to the secured party.

In the ordinary course of business the security provider has extensive disposition rights.

Due to the guarantees and securities given, Novelis Sheet Ingot GmbH is exposed to potential claims. However at the date of the preparation of the financial statements, no claims have been made and management does not expect claims in the future given that the relevant company's expected liquidity has a high likelihood to provide sufficient funds to fulfill the agreement in time.

(8) OTHER FINANCIAL COMMITMENTS AND OFF-BALANCE-SHEET TRANSACTIONS

As of March 31, 2016, purchasing commitments for investing activities in the amount of K€ 2,461 (prior year K€ 10,385) exist.

Lease commitments exist in the amount of K€ 1,440.

Goettingen, May 6, 2016

Novelis Sheet Ingot GmbH

Fortunado Llamido Lucido   Serge Gaudin

Movement in Fixed Assets

Novelis Sheet Ingot GmbH, Goettingen

Movement in Fixed Assets

	Historical cost				
	April 1, 2015	Additions	Reclassi-fications	Disposals	March 31, 2016
	K€	K€	K€	K€	K€
I. Intangible assets					
1. Purchased Software and Licences	**0**	367	255	0	**622**
2. Prepayments	**255**	0	-252	0	**3**
	255	367	3	0	**625**
II. Property, plant and equipment					
1. Property, buildings and similar property rights	**83.237**	0	5.587	0	**88.824**
2. Technical equipment and machinery	**118.317**	0	7.307	0	**125.624**
3. Other plant, furniture and office equipment	**2.221**	0	-1.073	0	**1.148**
4. Prepayments and construction in progress	**4.779**	12.251	-11.824	0	**5.206**
	208.554	12.251	-3	0	**220.802**
	208.809	**12.618**	**0**	**0**	**221.427**

Amortization and depreciation				Book value	
April 1, 2015	Additions	Disposals	March 31, 2016	March 31, 2016	March 31, 2015
K€	K€	K€	K€	K€	K€
0	265	0	**265**	**357**	**0**
0	0	0	**0**	**3**	**255**
0	265	0	**265**	**360**	**255**
2.740	3.393	0	**6.133**	**82.691**	**80.497**
10.208	18.905	0	**29.113**	**96.511**	**108.109**
260	90	0	**350**	**798**	**1.961**
0	0	0	**0**	**5.206**	**4.779**
13.208	22.388	0	**35.596**	**185.206**	**195.346**
13.208	**22.653**	**0**	**35.861**	**185.566**	**195.601**

Auditors' Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Novelis Sheet Ingot GmbH, Goettingen, for the business year from April 1, 2015 to March 31, 2016. The maintenance of the books and records and the preparation of the annual financial statements and the management report in accordance with German commercial law are the responsibility of the Company's Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 HGB [Handelsgesetzbuch - German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany - IDW]. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Managing Directors, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, May 6, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(sgd.) Nadia Brieder-Markl	(sgd.) ppa. Georg Rogowski
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

ADITYA BIRLA
NOVELIS

Novelis MEA Ltd.

Directors' report and financial statements for the year ended 31 March 2016

Novelis MEA Ltd.

Directors' report and financial statements for the year ended 31 March 2016

Novelis MEA Ltd.

Directors' report

The directors submit their report together with the audited financial statements of Novelis MEA Ltd. (the "Company") for the year ended 31 March 2016.

Incorporation and registered office

The Company was incorporated on 16 October 2012 as a limited liability company under the Companies Law - DIFC Law No. 2 of 2009, as amended, of the Dubai International Financial Centre ("DIFC"), bearing registration number 1278. The registered address of the Company is Office No. 902, Level 9, Al Fattan Currency House, Tower 2, Dubai International Financial Centre, P.O. Box 506780, Dubai, United Arab Emirates.

The Company is a wholly owned subsidiary of Novelis Inc. ("immediate parent company"), a company registered under tax number 980 393 167 with head office at 191 Evans Avenue, Toronto, Ontario M8Z 1J5, Canada. The ultimate parent company is Hindalco Industries Limited.

Principal activities

The principal activity of the Company is to import and export aluminium.

Results

The results of the Company for the year ended 31 March 2016 are set out on page 5 of the financial statements.

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for reappointment.

On behalf of the Board

....
Director

pwc

Independent auditor's report to the shareholder of Novelis MEA Ltd.

Report on the financial statements

We have audited the accompanying financial statements of Novelis MEA Ltd. ("the Company") which comprise the balance sheet as at 31 March 2016 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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 International Standards on Auditing. Those standards require that we comply with ethical requirements and 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 the auditor's judgement, 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 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. 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.

PricewaterhouseCoopers Limited, License no. CL0215
Al Fattan Currency House, Tower 1, Level 8, Unit 801, DIFC, PO Box 11987, Dubai - United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, www.pwc.com/me

pwc

Independent auditor's report to the shareholder of Novelis MEA Ltd. (continued)

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Further, we report that the Company's financial statements have been properly prepared in accordance with the applicable provisions of the Companies Law - DIFC Law No. 2 of 2009, as amended.

PricewaterhouseCoopers
18 May 2016

Paul Suddaby

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

Novelis MEA Ltd.

Balance sheet

	Note	As at 31 March 2016 USD	2015 USD
ASSETS			
Non-current asset			
Property and equipment	5	**65**	218,008
Current assets			
Trade and other receivables	6	**92,338,141**	124,185,130
Advances to suppliers	7	**44,687**	35,839
Due from related parties	15	**43,176,337**	1,699,890
Derivate financial instruments	14	**31,614**	-
Cash and cash equivalents	8	**6,857,665**	42,907,448
		142,448,444	168,828,307
Total assets		**142,448,509**	169,046,315
EQUITY AND LIABILITIES			
EQUITY			
Share capital	9	**50,000**	50,000
Contributed capital	9	**862,286**	862,286
Retained earnings		**18,809,894**	7,292,148
Total equity		**19,722,180**	8,204,434
LIABILITIES			
Non-current liabilities			
Provision for employees' end of service benefits	16	**85,994**	51,737
Current liabilities			
Trade and other payables	10	**8,378,594**	5,436,961
Advances from customers	11	**10,894**	3,710
Due to related parties	15	**102,248,395**	155,262,933
Borrowings	13	**12,000,000**	-
Derivate financial instruments	14	**2,452**	86,540
		122,640,335	160,790,144
Total liabilities		**122,726,329**	160,841,881
Total equity and liabilities		**142,448,509**	169,046,315

These financial statements were approved by the Board of Directors on 18 May 2016 and signed on its behalf by:

....

Director

MARCUS BECKER

The notes set out on pages 8 to 24 form an integral part of these financial statements.

Novelis MEA Ltd.

Statement of comprehensive income

	Note	Year ended 31 March 2016 USD	2015 USD
Revenue	17	**430,800,478**	386,655,721
Cost of sales	18	**(410,015,445)**	(370,106,142)
Gross profit		**20,785,033**	16,549,579
Administrative expenses	19	**(10,196,110)**	(10,518,162)
Derivative financial instruments: gains / (losses) - net	14	**29,162**	(86,540)
Other income		**715,729**	212,188
Operating profit		**11,333,814**	6,157,065
Finance income	20	**875,698**	-
Finance costs	21	**(691,766)**	-
Finance income - net		**183,932**	-
Profit for the year		**11,517,746**	6,157,065
Other comprehensive income		-	-
Total comprehensive income for the year		**11,517,746**	6,157,065

The notes set out on pages 8 to 24 form an integral part of these financial statements.

Novelis MEA Ltd.

Statement of changes in equity

	Share capital	Contributed capital	Retained earnings	Total
	USD	USD	USD	USD
As at 1 April 2014	50,000	862,286	1,135,083	2,047,369
Comprehensive income				
Profit and total comprehensive income for the year	-	-	6,157,065	6,157,065
As at 31 March 2015	50,000	862,286	7,292,148	8,204,434
As at 1 April 2015	**50,000**	**862,286**	**7,292,148**	**8,204,434**
Comprehensive income				
Profit and total comprehensive income for the year	**-**	**-**	**11,517,746**	**11,517,746**
As at 31 March 2016	**50,000**	**862,286**	**18,809,894**	**19,722,180**

The notes set out on pages 8 to 24 form an integral part of these financial statements.

Novelis MEA Ltd.

Statement of cash flows

	Note	Year ended 31 March 2016 USD	2015 USD
Cash flows from operating activities			
Profit for the year		**11,517,746**	6,157,065
Adjustments for:			
Depreciation	5	**217,943**	218,271
Provision for employees' end of service benefits	16	**39,215**	26,392
Fair value (gains) / losses on derivative financial instruments	14	**(29,162)**	86,540
Interest income	20	**(875,698)**	-
Interest and other financing expenses	21	**691,766**	-
Operating cash flows before payment of employees' end of service benefits and changes in working capital		**11,561,810**	6,488,268
Payment of employees' end of service benefits	5	**(4,958)**	(2,995)
Operating cash flows before changes in working capital		**11,556,852**	6,485,273
Changes in working capital:			
Trade and other receivables		**31,846,989**	(76,302,775)
Advances to suppliers		**(8,848)**	(35,839)
Trade and other payables		**2,938,880**	3,500,833
Advances from customers		**7,184**	3,710
Due from related parties		**(41,145,670)**	390,351
Due to related parties		**(53,014,538)**	103,079,315
Interest received		**544,921**	-
Financial assets at fair value through profit or loss		**(86,540)**	-
Net cash (used in) / generated from operating activities		**(47,360,770)**	37,120,868
Cash flows from financing activities			
Proceeds from borrowings		**237,000,000**	-
Repayment of borrowings		**(225,000,000)**	-
Interest paid		**(318,640)**	-
Financing expenses paid		**(370,373)**	-
Net cash generated from financing activities		**11,310,987**	-
Net (decrease) / increase in cash and cash equivalents		**(36,049,783)**	37,120,868
Cash and cash equivalents at beginning of the year		**42,907,448**	5,786,580
Cash and cash equivalents at end of the year	8	**6,857,665**	42,907,448

The notes set out on pages 8 to 24 form an integral part of these financial statements.

Novelis MEA Ltd.

Notes to the financial statements for the year ended 31 March 2016

1 Legal status and activities

Novelis MEA Ltd. (the "Company") was incorporated on 16 October 2012 as a limited liability company under the Companies Law - DIFC Law No. 2 of 2009, as amended, of the Dubai International Financial Centre ("DIFC"), bearing registration number 1278. The registered address of the Company is Office No. 902, Level 9, Al Fattan Currency House, Tower 2, Dubai International Financial Centre, P.O. Box 506780, Dubai, United Arab Emirates.

The principal activity of the Company is to import and export aluminium. The Company commenced its trading operations from 1 April 2013.

The Company is a wholly owned subsidiary of Novelis Inc. ("immediate parent company"), a company registered under tax number 980 393 167 with head office at 191 Evans Avenue, Toronto, Ontario M8Z 1J5, Canada. The ultimate parent company is Hindalco Industries Limited, a company incorporated in Worli, Mumbai 400 030, India.

2 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations applicable to companies reporting under IFRS. The financial statements have been prepared on a going concern basis under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

Changes in accounting policy and disclosures

(a) New and amended standards, amendments and interpretations adopted by the Company

The following standards, amendments and interpretations have been adopted by the Company for the first time for the financial year beginning on 1 April 2015:

- Annual Improvements to IFRSs 2010 - 2012 Cycle and 2011 - 2013 Cycle.

The adoption of the new standards, amendments or interpretations did not have a significant impact on the financial statements.

There are no other IFRS or IFRS IC interpretations that are effective for the first time for the financial year beginning on 1 April 2015 that would be expected to have a material impact on the Company.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) New standards, amendments and interpretations not yet adopted by the Company

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2015, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

- IFRS 9 'Financial instruments' (effective 1 January 2018);
- IFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018); and
- IFRS 16 'Leases' (effective 1 January 2019).

There are no other IFRS or IFRS IC interpretations that not yet are effective that would be expected to have a material impact on the Company.

2.2 Foreign currency

The financial statements are presented in US Dollars ("USD") which is the Company's functional and presentation currency. Functional currency is the currency of the primary economic environment in which the Company operates.

Transactions in a foreign currency are initially recorded in the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the rate of exchange as at the dates of the initial transactions.

2.3 Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

	Years
Leasehold improvements	3
Office and other equipment	3

2 Summary of significant accounting policies (continued)

2.3 Property and equipment (continued)

The residual values and useful lives of items of property and equipment are reviewed at the reporting date and adjusted if appropriate, at the end of the reporting period.

2.4 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Non-financial assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.5 Financial assets

2.5.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

The Company's loans and receivables comprise 'trade and other receivables', 'due from related parties' and 'cash and cash equivalents' in the balance sheet.

Notes to the financial statements for the year ended 31 March 2016
(continued)

2 Summary of significant accounting policies (continued)

2.5 Financial assets (continued)

2.5.2 Recognition and measurement

Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Such financial assets are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income.

Loans and receivables are initially measured at fair value and subsequently carried at amortised cost less provision for impairment. The amortised cost is computed using the effective interest method.

Financial assets are derecognised when the right to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.7 Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measureable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

Notes to the financial statements for the year ended 31 March 2016
(continued)

2 Summary of significant accounting policies (continued)

2.8 Trade and other receivables

Trade and other receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.9 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.10 Share capital

Ordinary shares are classified as equity.

2.11 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.12 End of service benefits

Provision is made, using actuarial techniques, for the end of service benefits due to employees in accordance with the UAE Labour Law for their periods of service up to the balance sheet date. The provision relating to employees' end of service benefits is disclosed as a non-current liability.

2.13 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that the Company will be required to settle the obligation and the amount can be reliably estimated. Provisions are recorded at management's best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions are not recognised for future operating losses.

2 Summary of significant accounting policies (continued)

2.14 Revenue recognition

Revenue is the fair value of the consideration received or receivable for selling goods in the normal course of the Company's activities. Revenue is recorded net of any taxes, trade discounts and financial discounts.

Revenue from the sale of goods is recognised when: i) the amount of revenue can be reliably measured; ii) it is probable that future economic benefits will flow to the Company; and iii) a significant proportion of the risks and rewards have been transferred to the buyer.

2.15 Leases

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowing costs are recognised in the profit or loss in the period in which they are incurred.

2.17 Interest income

Interest income is recognised using the effective interest method.

3 Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, fair value interest rate risk and cash flow interest rate 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.

Risk management is carried out by the Company under policies approved by management.

Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Market risk (continued)

Foreign exchange risk

The Company is not significantly exposed to currency risk as a majority of its transactions are primarily denominated in USD.

Fair value interest rate risk and cash flow interest rate risk

The Company is exposed to cash flow interest rate risk on its short-term bank borrowings which carry a variable interest rate (Note 13) and is exposed to fair value interest rate risk on the amount due from Novelis Corporation which carries a fixed interest rate (Note 15).

At 31 March 2016, if interest rates on short-term bank borrowings were higher/ lower by 1%, the interest expense during the year would have been higher/ lower and the profit for the year would have been lower/ higher by USD 0.2 million (2015: Nil)

Given the short term nature of the amount due from Novelis Corporation, the fair value interest rate risk (sensitivity) is not considered material.

Price risk

The price of aluminum commodities is subject to fluctuations due to changes in global market prices. To mitigate such risks, the Company enters into derivative instruments to minimise such risks.

Credit risk

Credit risk measurement

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk in mainly attributable to trade and other receivables, balances due from related parties, derivative financial assets and cash at bank. The Company has no significant concentrations of credit risk. The Company assesses the credit quality of customers by considering their financial position, past experience and other factors. The Company has established credit limits for customers and monitors their balances. In addition, the Company has no significant risk arising on balances with financial institutions since cash is placed with reputable financial institutions.

The maximum exposure to credit risk is the carrying amount of assets at the reporting date.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding from related parties. This includes capital contributions from the shareholder or extended payment terms on due to related parties.

Notes to the financial statements for the year ended 31 March 2016
(continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities (including future interest payable, if any):

	Carrying amount USD	Contractual cash flows USD	Less than 1 year USD
31 March 2016			
Trade and other payables	**8,375,061**	**8,375,061**	**8,375,061**
Due to related parties	**102,248,395**	**102,248,395**	**102,248,395**
Borrowings	**12,000,000**	**12,013,639**	**12,013,639**
Derivative financial instruments	**2,452**	**2,452**	**2,452**
	122,625,908	**122,639,547**	**122,639,547**
31 March 2015			
Trade and other payables	5,436,961	5,436,961	5,436,961
Due to related parties	155,262,933	155,262,933	155,262,933
Derivative financial instruments	86,540	86,540	86,540
	160,786,434	160,786,434	160,786,434

3.2 Capital management

The Company's objectives when managing capital are 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 or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt (borrowings less cash and cash equivalents) divided by total capital (total equity plus net debt). The gearing ratio as at 31 March 2016 was:

	2016 USD
Borrowings	**12,000,000**
Less: Cash and cash equivalents	**(6,857,665)**
Net debt	**5,142,335**
Total equity	**19,722,180**
Total capital	**24,864,515**
Gearing ratio	**21%**

The Company had no borrowings as at 31 March 2015 and was, therefore, ungeared.

Notes to the financial statements for the year ended 31 March 2016
(continued)

3 Financial risk management (continued)

3.3 Fair value estimation

Fair value is determined by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- 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 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial assets and financial liabilities approximates their carrying value except derivative financial instruments as disclosed in note 14.

4 Financial instruments by category

	2016 USD	2015 USD
Assets as per the balance sheet		
Loans and receivables		
Cash and cash equivalents	**6,857,665**	42,907,448
Trade and other receivables (excluding VAT receivable)	**92,215,891**	124,185,130
Due from related parties	**43,176,337**	1,699,890
Assets - at fair value through profit or loss		
Derivative financial instruments	**31,614**	-
	142,281,507	168,792,468
Liabilities as per the balance sheet		
Liabilities - at amortised cost		
Trade and other payables	**8,375,061**	5,436,961
Due to related parties	**102,248,395**	155,262,933
Borrowings	**12,000,000**	-
Liabilities - at fair value through profit or loss		
Derivative financial instruments	**2,452**	86,540
	122,625,908	160,786,434

Notes to the financial statements for the year ended 31 March 2016
(continued)

4 Financial instruments by category (continued)

The credit quality of financial assets that are not impaired can be assessed by reference to external credit ratings as follows:

	2016 USD	2015 USD
Cash at bank		
Externally rated financial assets (Moody's)		
A1	**210,205**	-
A2	**2,161,589**	32,135,365
Aa2	**4,469,955**	10,766,001
	6,841,749	42,901,366
Without external rating		
Trade and other receivables (excluding VAT receivable)	**92,215,891**	124,185,130
Cash on hand	**15,916**	6,082
Due from related parties	**43,176,337**	1,699,890
	135,408,144	125,891,102

5 Property and equipment

	Leasehold improvements USD	Office equipment USD	Other office equipment USD	Total USD
Cost				
Balance at 1 April 2014 and 31 March 2015	468,526	183,721	1,942	654,189
Additions during the year	-	-	-	-
Balance at 31 March 2016	468,526	183,721	1,942	654,189
Depreciation				
At 1 April 2014	156,160	61,103	647	217,910
Charge for the year	156,159	61,464	648	218,271
At 31 March 2015	312,319	122,567	1,295	436,181
Charge for the year	156,160	61,136	647	217,943
At 31 March 2016	468,479	183,703	1,942	654,124
Net book amount				
At 31 March 2016	**47**	**18**	**-**	**65**
At 31 March 2015	156,207	61,154	647	218,008

Notes to the financial statements for the year ended 31 March 2016
(continued)

6 Trade and other receivables

	2016 USD	2015 USD
Trade receivables	**92,021,093**	124,013,337
VAT receivable	**122,250**	-
Deposits	**46,620**	46,620
Other receivables	**148,178**	125,173
	92,338,141	124,185,130

Trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above which approximates their fair value at the reporting date. The Company does not hold any collateral as security. Trade and other receivables are all denominated in USD.

Trade receivables are normally due within 60 days from the date an invoice is raised. Trade receivables are considered past due based on their respective credit period. The ageing analysis of trade receivables is as follows:

	2016 USD	2015 USD
Less than 60 days (Not past due, fully performing)	**84,817,735**	119,967,571
More than 60 days (Past due but not impaired)	**7,203,358**	4,045,766
	92,021,093	124,013,337

As at 31 March 2016, trade receivables of USD 7,203,358 (2015: USD 4,045,766) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2016 USD	2015 USD
Up to 6 moths	**3,300,389**	4,042,343
6 to 12 month	**3,902,969**	3,423
	7,203,358	4,045,766

As at 31 March 2016, the Company had a concentration of credit risk with six (2015: five) of the largest customers accounting for 64% (31 March 2015: 73%) of gross trade receivables. Management is confident that this concentration of credit risk will not result in a loss to the Company as the customers have an established track record of meeting their financial obligations to the Company.

Notes to the financial statements for the year ended 31 March 2016
(continued)

7 Advances to suppliers

	2016 **USD**	2015 USD
Advances to suppliers	**44,687**	35,839

8 Cash and cash equivalents

	2016 **USD**	2015 USD
Cash on hand	**15,916**	6,082
Cash at bank	**6,841,749**	42,901,366
	6,857,665	42,907,448

Balances are held with a local branch of an international bank and with other international banks.

The maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents mentioned above.

The carrying value of cash and cash equivalents approximates their fair value.

9 Share capital

	2016 **USD**	2015 USD
Authorised, issued and fully paid-up capital		
50 shares (2015: 50 shares) of USD 1,000 each	**50,000**	50,000
Contributed capital	**862,286**	862,286
	912,286	912,286

During the period from 16 October 2012 to 31 March 2013, the immediate parent company contributed additional capital as follows: the first on 4 February 2013 of USD 163,336, the second on 13 March 2013 of USD 298,950 and the last on 15 March 2013 of USD 400,000. These amounts have been accounted for as contributed capital.

Notes to the financial statements for the year ended 31 March 2016
(continued)

10 Trade and other payables

	2016 USD	2015 USD
Trade payables	**4,503,060**	3,437,517
Other payables	**350,520**	97,079
Accruals	**3,521,481**	1,902,365
Tax and social security (Note 12)	**3,533**	-
	8,378,594	5,436,961

The carrying value of trade and other payables approximates their fair value.

11 Advance from customers

	2016 USD	2015 USD
Advances from customers	**10,894**	3,710

12 Tax and social security

	2016 USD	2015 USD
Withholding tax payable	**1,729**	-
Contributions for social security payable	**1,804**	-
	3,533	-

13 Borrowings

	2016 USD	2015 USD
At 1 April	**-**	
Proceeds from borrowings	**237,000,000**	-
Repayment of borrowings	**(225,000,000)**	-
At 31 March	**12,000,000**	-

During the year, the Company obtained loans from 2 banks. The balance outstanding as at 31 March 2016 was with Woori Bank (USD 10,000,000) and with Korea Exchange Bank (USD 2,000,000).

The loan from Woori Bank had an average interest rate of 2.03% per annum during the year and had repayment dates of 13 and 17 April 2016. The loan from Korea Exchange Bank had an average interest rate of 2.43% per annum during the year and had a repayment date of 24 April 2016.

14 Derivative financial instruments

The Company enters into financial instruments (swaps) with Novelis AG (a related party) to fix the purchase price of aluminium, in order to reduce the risk of adverse price movements, which do not meet the requirements set out in IFRS to be accounted for as hedges. These instruments have therefore been recorded at fair value through profit or loss. Swaps falls under level 2 of the fair value hierarchy. The notional amount of the derivatives at 31 March 2016 was USD 2,684,700 (2015: USD 1,803,000). The Company's derivatives as at 31 March 2016 and 2015 were:

	2016 USD		2015 USD	
	Assets	**Liabilities**	Assets	Liabilities
Swaps	**31,614**	**2,452**	-	86,540

15 Related party transactions and balances

Related parties include companies under common control, common management and key management personnel. During the period, the Company entered into the following significant transactions with related parties at prices and on terms agreed between the related parties:

	2016 USD	2015 USD
Product sales	**13,227,483**	12,415,047
Product purchases	**397,139,588**	359,009,591
Other income	**170,795**	156,863
Professional charges	**6,794,805**	6,312,917

Related party balances

	2016 USD	2015 USD
Due from related parties		
Immediate parent company	**103,891**	193,687
Companies under the common control of the ultimate parent company		
Novelis Korea	**2,723,767**	1,505,446
Novelis Deutschland GmbH	**-**	757
Novelis Brasil Ltda (Pindamonhangaba)	**130**	-
Novelis AG	**17,771**	-
Novelis Corporation	**40,330,778**	-
	43,176,337	1,699,890

Notes to the financial statements for the year ended 31 March 2016
(continued)

15 Related party transactions and balances (continued)

Related party balances (continued)

	2016 USD	2015 USD
Due to related parties		
Immediate parent company	**122,958**	1,289,855
Companies under the common control of the ultimate parent Company		
Novelis Deutschland GmbH	**25,201,833**	34,053,198
Novelis Korea	**58,636,488**	91,585,290
Novelis Brasil Ltda (Pindamonhangaba)	**18,017,084**	27,863,270
Novelis Services	**150,490**	-
Novelis Corporation	**119,542**	471,320
	102,248,395	155,262,933

Amounts due to and due from related parties are unsecured and repayable on demand other than the amount due from Novelis Corporation which has repayment dates of 6 July 2016 and 28 March 2017. Amounts due from related parties do not contain any impaired assets.

The amount due from Novelis Corporation carries an interest rate of 4.25% per annum as at 31 March 2016 (2015: Nil). All other due to and due from related parties are interest free.

Compensation of key management personnel including directors is as follows:

	For the year ended 31 March 2016 USD	For the year ended 31 March 2015 USD
Salaries	**179,864**	166,988
Provision for employees' end of service benefits	**16,514**	8,766
Allowances and other benefits	**72,831**	5,438
	269,209	181,192

The derivative financial instruments held by the Company as at 31 March 2016 and 2015 were with a related party (Note 14).

16 Provision for employees' end of service benefits

	2016 USD	2015 USD
At 1 April	**51,737**	28,340
Charge for the year (Note 22)	**39,215**	26,392
Payments during the year	**(4,958)**	(2,995)
At 31 March	**85,994**	51,737

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at 31 March 2016, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. Under this method, an assessment has been made of an employee's expected service life with the Company and the expected basic salary at the date of leaving the service. Management has assumed average increment/promotion cost of Nil (2015: Nil). The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 4.16% (2015: 4.48%) per annum. The present value of the obligation as at 31 March 2016 was not materially different from the provision computed in accordance with the UAE Labour Law.

17 Revenue

	For the year ended 31 March 2016 USD	For the year ended 31 March 2015 USD
Product sales	**430,800,478**	386,655,721

18 Cost of sales

Cost of sales	**410,015,445**	370,106,142

Notes to the financial statements for the year ended 31 March 2016
(continued)

19 Administrative expenses

	For the year ended 31 March 2016 USD	For the year ended 31 March 2015 USD
Professional charges	**7,092,659**	8,463,855
Staff costs (Note 22)	**829,867**	654,717
Travel and accommodation	**246,299**	217,445
Rent and leases	**222,533**	196,910
Depreciation (Note 5)	**217,943**	218,271
Others	**1,586,809**	766,964
	10,196,110	10,518,162

20 Finance income

Interest income	**875,698**	-

21 Finance costs

Interest on borrowings	**321,393**	-
Financing expenses	**370,373**	-
	691,766	-

22 Staff costs

Salaries	**403,523**	412,872
Provision for employees' end of service benefits	**39,215**	26,392
Allowances and other benefits	**387,129**	215,453
	829,867	654,717

23 Operating lease commitments

The approximate minimum rental commitments of the Company under the existing lease agreements are as follows:

	2016 USD	2015 USD
Within one year	**210,075**	197,114
Between one and three years	**179,741**	389,816
	389,816	586,930

NOVELIS (SHANGHAI) ALUMINUM TRADING CO., LTD.

FINANCIAL STATEMENTS AND
REPORT OF THE AUDITOR
FOR THE YEAR ENDED 31 DECEMBER 2015

[English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.]

NOVELIS (SHANGHAI) ALUMINUM TRADING CO., LTD.

FINANCIAL STATEMENTS AND REPORT OF THE AUDITOR FOR THE YEAR ENDED 31 DECEMBER 2015

[English translation for reference only]

Contents	Page

[English translation for reference only]

Auditor's Report

PwC ZT Shen Zi (2016) No. 24089

(Page 1 of 2)

To the Board of Directors of Novelis (Shanghai) Aluminum Trading Co., Ltd.:

We have audited the accompanying financial statements of Novelis (Shanghai) Aluminum Trading Co., Ltd. (the "Company") which comprise the balance sheet as at 31 December 2015, the income statement, the statement of changes in owner's equity and the cash flow statement for the year ended 31 December 2015, 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)

PwC ZT Shen Zi (2016) No. 24089
(Page 2 of 2)

To the Board of Directors of Novelis (Shanghai) Aluminum Trading 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 2015, and its financial performance and cash flows for the the year ended 31 December 2015 in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China

27 May 2016

NOVELIS (SHANGHAI) ALUMINUM TRADING CO., LTD.

BALANCE SHEET
AS AT 31 DECEMBER 2015
(All amounts in Rmb Yuan unless otherwise stated)
[English translation for reference only]

ASSETS	Notes	31 December 2015	31 December 2014
Current assets			
Cash at bank and on hand	6(1)	43,801,925.42	34,443,896.27
Accounts receivable	6(2)(a)	40,757,368.51	26,647,324.21
Advances to suppliers	6(3)	1,951,087.16	1,388,397.50
Other receivables	6(2)(b)	17,360,449.35	5,684,715.85
Inventories	6(4)	78,169,928.82	99,285,798.21
Total current assets		182,040,759.26	167,450,132.04
Non-current assets			
Fixed assets	6(5)	130,038.77	165,552.70
Construction in progress	6(6)	-	-
Intangible assets	6(7)	55,691.65	106,320.42
Long-term prepaid expenses	6(8)	638,565.02	969,820.50
Deferred tax assets	6(12)	1,564,894.65	1,500,357.84
Total non-current assets		2,389,190.09	2,742,051.46
TOTAL ASSETS		184,429,949.35	170,192,183.50
LIABILITIES AND OWNER'S EQUITY			
Current liabilities			
Accounts payable	7(4)	66,051,813.90	79,787,654.48
Employee benefits payable	6(9)	2,527,481.11	2,293,472.65
Taxes payable	6(10)	6,505,844.58	11,371,018.77
Other payables	6(11)	7,550,542.37	3,707,958.72
Total current liabilities		82,635,681.96	97,160,104.62
Total liabilities		82,635,681.96	97,160,104.62
Owner's equity			
Paid-in capital (USD 3,500,000)		22,143,725.48	22,143,725.48
Surplus reserve	6(13)	7,965,054.19	5,088,835.34
Undistributed profits		71,685,487.72	45,799,518.06
Total owner's equity		101,794,267.39	73,032,078.88
TOTAL LIABILITIES AND OWNER'S EQUITY		184,429,949.35	170,192,183.50

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

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

NOVELIS (SHANGHAI) ALUMINUM TRADING CO., LTD.

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts in Rmb Yuan unless otherwise stated)
[English translation for reference only]

	Notes	2015	2014
Revenue	6(14)	381,627,806.46	335,703,570.98
Less: Cost of sales	6(14)	(315,209,165.64)	(268,134,310.34)
Taxes and surcharges	6(15)	(1,814,620.70)	(397,169.37)
Selling and distribution expenses	6(17)	(15,774,564.89)	(14,642,882.38)
General and administrative expenses	6(17)	(22,263,622.49)	(18,729,966.24)
Finance expenses - net	6(16)	10,250,557.43	13,288,250.07
Loss arising from changes in fair value	6(18)	-	(118,027.14)
Investment loss		-	(1,709,503.12)
Operating profit		36,816,390.17	45,259,962.46
Add: Non-operating income	6(19)	5,758,444.88	1,230,000.00
Less：Non-operating expenses	6(19)	(4,225,250.37)	-
Total profit		38,349,584.68	46,489,962.46
Less: Income tax	6(20)	(9,587,396.17)	(11,622,490.62)
Net profit		28,762,188.51	34,867,471.84
Other comprehensive income, net of tax		-	-
Total comprehensive income		28,762,188.51	34,867,471.84

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	Tom Ferro

NOVELIS (SHANGHAI) ALUMINUM TRADING CO., LTD.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts in Rmb Yuan unless otherwise stated)
[English translation for reference only]

	Notes	2015	2014
1. Cash flows used in operating activities			
Cash received from sales of goods or rendering of services		432,866,940.22	393,842,940.74
Cash received relating to other operating activities		5,375,849.53	3,951,730.04
Sub-total of cash inflows		438,242,789.75	397,794,670.78
Cash paid for goods and services		(336,970,813.54)	(319,842,576.10)
Cash paid to and on behalf of employees		(18,874,633.56)	(15,417,918.35)
Payments of taxes and surcharges		(31,658,603.07)	(17,339,164.59)
Cash paid relating to other operating activities	6(21)(c)	(32,010,357.10)	(25,009,597.00)
Sub-total of cash outflows		(419,514,407.27)	(377,609,256.04)
Net cash flows generated used in operating activities	6(21)(a)	18,728,382.48	20,185,414.74
2. Cash flows used in investing activities			
Cash received relating to other investing activities		297,125.00	69,556.90
Sub-total of cash inflows		297,125.00	69,556.90
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(167,815.38)	(1,478,569.76)
Cash paid relating to other investing activities		(9,500,000.00)	(1,900,000.00)
Sub-total of cash outflows		(9,667,815.38)	(3,378,569.76)
Net cash flows used in investing activities		(9,370,690.38)	(3,309,012.86)
3. Net cash flows from financing activities		-	-
4. Effect of foreign exchange rate changes on cash		337.05	938.86
5. Net increase in cash	6(21)(b)	9,358,029.15	16,877,340.74
Add: Cash at beginning of the year		34,443,896.27	17,566,555.53
6. Cash at end of the year		43,801,925.42	34,443,896.27

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	Tom Ferro

NOVELIS (SHANGHAI) ALUMINUM TRADING CO., LTD.

STATEMENT OF CHANGES IN OWNER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts in Rmb Yuan unless otherwise stated)
[English translation for reference only]

Items	Paid-in capital	Surplus reserve	Undistributed profits	Total owner'sequity
Balance at 1 January 2014	22,143,725.48	1,602,088.16	14,418,793.40	38,164,607.04
Movement for the year ended 31 December 2014				
Net profit	-	-	34,867,471.84	34,867,471.84
Appropriation to surplus reserves	-	3,486,747.18	(3,486,747.18)	-
Balance at 31 December 2014	22,143,725.48	5,088,835.34	45,799,518.06	73,032,078.88
Balance at 1 January 2015	22,143,725.48	5,088,835.34	45,799,518.06	73,032,078.88
Movements for the year ended 31 December 2015				
Net profit	-	-	28,762,188.51	28,762,188.51
Appropriation to surplus reserves	-	2,876,218.85	(2,876,218.85)	-
Balance at 31 December 2015	22,143,725.48	7,965,054.19	71,685,487.72	101,794,267.39

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

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

1 General information

Novelis (Shanghai) Aluminum Trading Co., Ltd. (the "Company") is a limited liability company incorporated in Shanghai of the People's Republic of China on 31 May 2012 by Novelis Inc.. The Company has an approved operating period of 30 years. The registered capital is US$3,500,000.

The approved scope of business of the Company includes wholesale, commissioned agency (excluding auction), import, export of aluminum flat rolled products, metal materials (excluding rare metals, precious metals and steel), metal products, machinery and equipment, provision of ancillary services and related technical consulting and technical service (not involving any goods subject to state-run trade; if the business involves any goods subject to quota or license administration, application shall be filed in accordance with relevant national regulations); provision of trade-related information consulting (excluding financial information), and enterprise management consulting (subject to licensing where a license is required). For the year ended 31 December 2015, the actual principal activities of the Company were the same as above.

These financial statements were authorised for issue by the Company's responsible persons on 27 May 2016.

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 2015 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 2015 and of its financial performance, cash flows and other information for the year ended 31 December 2015.

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.

4 Summary of significant accounting policies (continued)

(3) Foreign currency translation (continued)

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 as at 31 December 2015 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)).

(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.

Receivables are measured at amortised cost using the effective interest method.

4 Summary of significant accounting policies (continued)

(5) Financial assets (continued)

(c) Impairment of financial assets

The Comany 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.

(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 years	10%	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.

4 Summary of significant accounting policies (continued)

(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 softwares measured at cost.

(a) Softwares

Sofwares are amortised on the straight-line basis over their approved use period of 3 years.

(b) 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) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(12) 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.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

4 Summary of significant accounting policies (continued)

(13) 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.

(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.

(14) 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.

4 Summary of significant accounting policies (continued)

(14) Deferred tax assets and deferred tax liabilities (continued)

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same tax payer within the Company and the same taxation authority; and,
- that tax payer within the Company has a legally enforceable right to offset current tax assets against current tax liabilities.

(15) Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, rebates, discounts and returns.

Revenue from the sales of goods is recognized when significant risks and rewards of owenership of the goods are transferred to the buyer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and it is probable that the economic benefit associated with the transaction will flow to the Company and the relevant revenue and costs can be measured reliably.

(16) Government grant

Government grants refer to the monetary or non-monetary assets obtained freely by an enterprise from the government, but excluding the capital invested by the government as the owner of the enterprise.

Government grant should be recognised when the Company meets all the conditions and makes sure that the government grant could be received. Government grants refer to the monetary should be recognised as the received or should receive amount. Government grants refer to the non-monetary assets should be recognised as the fair value or the nominal amount when the fair value can't be obtained. Government grant should be recognised when the Company meets all the conditions and makes sure that the government grant could be received. Government grants refer to the monetary should be recognised as the received or should receive amount. Government grants refer to the non-monetary assets should be recognised as the fair value or the nominal amount when the fair value can't be obtained.

The government grants related to income refer to the government grants other than those related to assets. The income related government grants used for compensating the relevant future expenses or losses of the enterprise shall be deferred and recognised in the income statement when the relevant expenses or losses are recognised. For those used for compensating the relevant expenses or losses that have incurred by the enterprise, the income related government grants shall be recognised in the income statement immediately.

4 Summary of significant accounting policies (continued)

(17) Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

(a) Operating leases

Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

(18) Profit distribution

Proposed profit distribution is recognised as a liability in the period in which it is approved by the Board of Directors.

(19) 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) Critical accounting estimates and judgments

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(i) 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.

(ii) 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.

(iii) Income taxes

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.

4 Summary of significant accounting policies (continued)

(19) Critical accounting estimates and judgments (continued)

(a) Critical accounting estimates and judgments (continued)

(iii) Income taxes (continued)

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 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”) (a)	17% and 6%	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less deductible VAT input of current period)
City maintenance and construction tax	7%	VAT payable
Education surcharges	5%	VAT payable

(a) Pursuant to the Circular on the Pilot Plan for Levying VAT in Place of Business Tax (Caishui No.110, 2011) and the Circular on the Pilot Practice of Levying VAT in Place of Business Tax for the Transportation Industry and Some Modern Service Industries in Shanghai (Caishui No.37, 2013) jointly issued by the Ministry of Finance and the State Administration of Taxation, payments made by the Company on behalf of related parties offshore was subject to VAT since 1 August 2013, and the applicable tax rate is 6%. Before 1 August 2013, the business mentioned above was subject to business tax and the applicable tax rate was 6%.

6 Notes to the Company's financial statements

(1) Cash at bank and on hand

	31 December 2015	31 December 2014
Cash at bank	43,801,925.42	34,443,896.27

(2) Accounts receivable and other receivables

(a) Accounts receivable

	31 December 2014	Increase in current year	Decrease in current year	31 December 2015
Accounts receivable	26,647,324.21			40,757,368.51
Less: provision for bad debts	-	-	-	-
	26,647,324.21			40,757,368.51

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

	31 December 2015			31 December 2014		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	40,757,368.51	100%	-	26,647,324.21	100%	-

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

(2) Accounts receivable and other receivables (continued)

(b) Other receivables

	31 December 2014	Increase in current year	Decrease in current year	31 December 2015
Receivables from related parties (Note7(4)(b))	4,129,603.00			16,025,498.00
Prepayments of custom duty and VAT	1,247,120.53			836,562.75
Rental deposits	307,992.32			239,312.17
Others	-			259,076.43
	5,684,715.85			17,360,449.35
Less: provision for bad debts	-	-	-	-
	5,684,715.85			17,360,449.35

Other receivables and related provision for bad debts are analysed below:

	31 December 2015			31 December 2014		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	15,221,137.18	88%	-	5,376,723.53	95%	-
1 to 2 years	2,139,312.17	12%	-	307,992.32	5%	-
	17,360,449.35	100%	-	5,684,715.85	100%	-

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

(3) Advances to suppliers

The aging of advances to suppliers is analysed below:

Aging	31 December 2015		31 December 2014	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	1,951,087.16	100%	1,388,397.50	100%

(4) Inventories

	31 December 2014	Increase in current year	Decrease in current year	31 December 2015
Cost -				
Goods held for trading	99,285,798.21			78,169,928.82
Less: Provision for declines in the value of inventories				
Goods held for trading	-	-	-	-
	99,285,798.21			78,169,928.82

(5) Fixed assets

	Computer and electronic equipment
Cost	
31 December 2014	226,042.02
Transfer from construction in progress (Note 6(6))	28,772.81
31 December 2015	254,814.83
Accumulated depreciation	
31 December 2014	(60,489.32)
Depreciation charged in current year	(64,286.74)
31 December 2015	(124,776.06)
Carrying amount	
31 December 2015	130,038.77
31 December 2014	165,552.70

In 2015, depreciation expenses of 64,286.74 (2014：46,558.37) were recorded in general and administrative expenses.

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

(6) Construction in progress

	Computer and electronic equipment	Improvements to fixed assets held under operating leases	Total
31 December 2014	-	-	-
Additions in current year	28,772.81	139,042.57	167,815.38
Transfer to fixed assets (Note 6(5))	(28,772.81)	-	(28,772.81)
Transfer to long-term prepaid expenses (Note 6(8))	-	(139,042.57)	(139,042.57)
31 December 2015	-	-	-

(7) Intangible assets

	Cost	31 December 2014	Amortization in current year	31 December 2015	Accumulated amortization
Software model	151,886.32	106,320.42	(50,628.77)	55,691.65	(96,194.67)

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

(8) Long-term prepaid expenses

	Improvements to fixed assets held under operating leases
31 December 2014	969,820.50
Transfer from construction in progress (Note 6(6))	139,042.57
Amortisation charged in current year	(470,298.05)
31 December 2015	638,565.02

(9) Employee benefits payable

	31 December 2015	31 December 2014
Short-term employee benefits payable(a)	2,527,481.11	2,293,472.65
Defined contribution plans payable(b)	-	-
	2,527,481.11	2,293,472.65

(a) Short-term employee benefits

	31 December 2014	Increase in current year	Decrease in current year	31 December 2015
Wages and salaries, bonuses, allowances and subsidies	2,293,472.65	17,491,369.32	(17,257,360.86)	2,527,481.11
Social security contributions	-	481,331.16	(481,331.16)	-
Including: Medical insurance	-	423,571.42	(423,571.42)	-
Work injury insurance	-	19,253.25	(19,253.25)	-
Maternity insurance	-	38,506.49	(38,506.49)	-
Housing funds	-	269,545.45	(269,545.45)	-
	2,293,472.65	18,242,245.93	(18,008,237.47)	2,527,481.11

(b) Defined contribution plans

	31 December 2014	Increase in current year	Decrease in current year	31 December 2015
Basic pensions	-	808,636.35	(808,636.35)	-
Unemployment insurance	-	57,759.74	(57,759.74)	-
	-	866,396.09	(866,396.09)	-

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

(10) Taxes payable

	31 December 2015	31 December 2014
Enterprise income tax payable	3,447,080.75	10,021,360.91
VAT payable	3,058,763.83	1,349,657.86
	6,505,844.58	11,371,018.77

(11) Other payables

	31 December 2015	31 December 2014
Accrued personnel expenditures	2,511,235.73	3,211,893.00
Compensation payables	4,225,250.37	-
Service charge	644,346.36	276,065.72
Freight	169,709.91	-
Rental	-	220,000.00
	7,550,542.37	3,707,958.72

(12) Deferred tax assets

	31 December 2015		31 December 2014	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Accrued expenses	933,024.37	3,732,097.49	926,989.68	3,707,958.72
Accrued payroll	631,870.28	2,527,481.11	573,368.16	2,293,472.65
	1,564,894.65	6,259,578.60	1,500,357.84	6,001,431.37
Including:				
Amount to be recovered within 1 year (including 1 year)	1,564,894.65		1,500,357.84	

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

(13) Surplus reserve

	31 December 2014	Increase in current year	Decrease in current year	31 December 2015
Reserve fund	5,088,835.34	2,876,218.85	-	7,965,054.19

	31 December 2013	Increase in current year	Decrease in current year	31 December 2014
Reserve fund	1,602,088.16	3,486,747.18	-	5,088,835.34

In accordance with the Law of the People's Republic of China on Enterprises Operated Exclusively with Foreign Capital and the Company's Articles of Association, appropriations from net profit are to be made to the reserve fund after offsetting accumulated losses from prior years, and before profit distributions to the investors. The reserve fund accounts for no less than 10% of net profit, and the Company can cease appropriation when the reserve fund accumulated to more than 50% of the registered capital.

The Company appropriated 10% of net profit for the year ended 31 December 2015 to the reserve fund with the amount to RMB 2,876,218.85 (2014: RMB 3,486,747.18).

(14) Revenue and cost of sales

	2015		2014	
	Revenue	Cost of sales	Revenue	Cost of sales
Main operations - sale of aluminum flat rolled products	381,627,806.46	(315,209,165.64)	335,703,570.98	(268,134,310.34)

(15) Tax and surcharges

	2015	2014
City maintenance and construction tax	994,140.66	226,953.93
Educational surcharge	710,100.45	162,109.95
River management fee	110,379.59	8,105.49
	1,814,620.70	397,169.37

(16) Finance income - net

	2015	2014
Exchange gains	9,916,477.34	13,187,192.34
Interest income	361,104.38	123,262.26
Commission charges	(27,024.29)	(22,204.53)
	10,250,557.43	13,288,250.07

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

(17) Expense by nature

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

	2015	2014
Cost of goods sold	305,421,545.89	260,541,480.98
Employee benefits	19,108,642.02	15,930,005.07
Freight	9,787,619.75	7,592,829.36
Travelling expenses	4,334,512.34	4,313,154.03
Resettlement fees	4,126,533.52	3,672,693.00
Rental expenses	2,845,437.30	1,943,233.87
IT service charge	1,758,140.50	1,295,472.76
Brand fees	1,245,149.77	924,502.11
Professional Service fees	1,124,944.45	1,708,937.28
Marketing expenses	1,071,348.73	790,145.89
Communication expenses	655,584.95	386,576.40
Depreciation and amortization	585,213.56	474,728.26
Scrapping expenses	473,300.77	-
Recruiting cost	50,316.15	1,401,010.60
Others	659,063.32	532,389.35
	353,247,353.02	301,507,158.96

(18) Profit arising from changes in fair value

	2015	2014
Forward contracts	-	(118,027.14)

(19) Non-operating income and expenses

(a) Non-operating income

	2015	2014
Compensation income	3,818,445.00	-
Government grant	1,940,000.00	1,230,000.00
	5,758,445.00	1,230,000.00

(b) Non-operating expenses

	2015	2014
Compensation loss	4,225,250.37	-

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

(20) Income tax

	2015	2014
Current income tax	9,651,932.98	12,602,744.07
Deferred income tax	(64,536.81)	(980,253.45)
	9,587,396.17	11,622,490.62

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

	2015	2014
Total profit	38,349,584.68	46,489,962.46
Income tax rate	25%	25%
Income tax calculated at applicable tax rates	9,587,396.17	11,622,490.62

(21) Notes to cash flow statement

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

	2015	2014
Net profit	28,762,188.51	34,867,471.84
Add: Depreciation of fixed assets	64,286.74	46,558.37
Amortization of intangible assets	50,628.77	45,565.90
Amortisation of long-term prepaid expenses	470,298.05	382,603.99
Losses on changes in fair value	-	118,027.14
Financial income	(297,462.05)	(70,495.76)
Increase in deferred tax assets	(64,536.81)	(980,253.45)
Decrease/(Increase) in inventories	21,115,869.39	(35,898,127.78)
Increase in operating receivables	(16,848,467.46)	(77,040.79)
(Decrease)/Increase in operating payables	(14,524,422.66)	21,751,105.28
Net cash flows from operating activities	18,728,382.48	20,185,414.74

(b) Net increase in cash

	2015	2014
Cash at end of year	43,801,925.42	34,443,896.27
Less: cash at beginning of year	(34,443,896.27)	(17,566,555.53)
Net increase in cash	9,358,029.15	16,877,340.74

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

(21) Notes to cash flow statement(continued)

(c) Cash paid relating to other operating activities

In the cash flow statement, cash paid relating to other operating activities comprises:

	2015	2014
Freight	9,617,909.84	7,592,829.36
Resettlement fees	4,827,190.79	460,800.00
Travelling expenses	4,334,512.34	4,313,154.03
Prepaid for others	3,839,365.00	3,754,038.00
Rental expenses	3,065,437.30	1,723,233.87
IT service charge	1,758,140.50	1,295,472.76
Brand fees	1,245,149.77	924,502.11
Marketing expenses	1,071,348.73	790,145.89
Professional service fees	756,663.81	1,912,930.33
Communication expenses	655,584.95	386,576.40
Recruiting cost	50,316.15	1,401,010.60
Others	788,737.92	454,903.65
	32,010,357.10	25,009,597.00

7 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 2014	Current year additions	Current year decreases	31 December 2015
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 2015		31 December 2014	
	% 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 Services Limited (UK)	Controlled by the same ultimate parent company
Novelis Switzerland SA	Controlled by the same ultimate parent company
Novelis Deutshland GmbH	Controlled by the same ultimate parent company
Novelis Korea Ulsan	Controlled by the same ultimate parent company
Novelis (China) Aluminum Products 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.

7 Related parties and related party transactions (continued)

(3) Related party transactions (continued)

(b) Purchases of goods

	2015	2014
Novelis Deutshland GmbH	128,014,903.23	132,189,007.08
Novelis Switzerland SA	104,829,897.67	138,687,364.58
Novelis (China) Aluminum Products Co., Ltd.	22,796,183.79	24,732.88
Novelis Inc.	3,491,753.71	221,568.97
Novelis Korea Ulsan	-	77,987.45
	259,132,738.40	271,200,660.96

(c) Sales of goods

	2015	2014
Novelis (China) Aluminum Products Co., Ltd.	9,381,130.70	-

(d) Expenses paid on behalf of related parties

	2015	2014
Novelis Inc.	3,839,365.00	3,754,038.00

(e) Expenses paid by related parties

	2015	2014
Novelis Inc.	5,878,060.22	1,366,501.43
Novelis Service Limited(UK)	945,860.09	907,496.54
	6,823,920.31	2,273,997.97

(f) Cashpool – loan funds

	2015	2014
Novelis (China) Aluminum Products Co., Ltd.	9,500,000.00	1,900,000.00

Since 2014, the Company, Novelis (China) Aluminum Products 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 2015 is 3% (2014: 3%).

7 Related parties and related party transactions (continued)

(4) Receivables and payables from and payables to related parties

(a) Accounts receivables

	31 December 2015	31 December 2014
Novelis (China) Aluminum Products Co., Ltd.	4,922,302.74	-

(b) Other receivables

	31 December 2015	31 December 2014
Novelis (China) Aluminum Products Co., Ltd.	11,400,000.00	1,900,000.00
Novelis Inc	2,765,778.00	2,229,603.00
Novelis Switzerland SA	978,704.00	-
Novelis Deutshland GmbH	881,016.00	-
	16,025,498.00	4,129,603.00

(c) Accounts payable

	31 December 2015	31 December 2014
Novelis (China) Aluminum Products Co., Ltd.	23,598,407.10	14,489.99
Novelis Switzerland SA	23,304,111.14	35,701,064.56
Novelis Deutshland GmbH	17,364,619.24	42,830,822.68
Novelis Inc.	1,514,077.34	1,241,277.25
Novelis Service Limited(UK)	270,599.08	-
	66,051,813.90	79,787,654.48

8 Commitments

(1) Operating lease commitments

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

	31 December 2015	31 December 2014
Within 1 year	3,155,519.40	3,715,519.40
Between 1 and 2 years	1,924,514.55	2,566,019.40
Between 2 and 3 years	-	1,924,514.55
	5,080,033.95	8,206,053.35

9 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

Foreign exchange risk

The Company's major operational activities are carried out in Mainland China. Sales of products are mainly denominated in RMB, and purchases of products are mainly denominated in 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 2015 and 31 December 2014, the carrying amounts in RMB equivalent of the Company's assets and liabilities denominated in foreign currencies are summarized below:

	31 December 2015		
	USD	EUR	Total
Financial assets denominated in foreign currency -			
Cash at bank and on hand	5,843.37	-	5,843.37
Financial liabilities denominated in foreign currency -			
Payables	3,287,532.10	40,952,286.47	44,239,818.57

	31 December 2014		
	USD	EUR	Total
Financial assets denominated in foreign currency -			
Cash at bank and on hand	5,504.57	-	5,504.57
Financial liabilities denominated in foreign currency -			
Payables	1,271,005.76	79,131,661.76	80,402,667.53

As at 31 December 2015, if RMB had strengthened/weakened by 10 % against the foreign currencies while all other variables had been held constant, the Company's net profit for the year would have been approximately RMB 3,317,548.14 higher/lower for various financial assets and liabilities denominated in USD (2014: net profit would have been approximately RMB 6,029,787.22higher/lower)

9 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, accounts receivable 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.

In addition, the Company has policies to limit the credit exposure on accounts receivable. The Company assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Company. In respect of customers with a poor credit history, the Company will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Company is limited to a controllable extent.

(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 assets and liabilities of the Company at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2015	31 December 2014
	Within 1 year	Within 1 year
Payables	73,602,356.27	83,495,613.20

10 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) Assets measured at fair value on a recurring basis

As at 31 December 2015 and 31 December 2014, no assets measured at fair value on a recurring basis are held by the Company.

10 Fair value(continued)

(b) Assets measured at fair value on a non-recurring basis

As at 31 December 2015 and 31 December 2014, no assets measured at fair value on a non-recurring basis are held by the Company.

(c) Assets and liabilities not measured at fair value but for which the fair value is disclosed

Financial assets and liabilities measured at amortised cost mainly include receivables and payables.

As at 31 December 2015 and 31 December 2014, the carrying amount of the financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

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 shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Company's total capital is calculated as 'shareholder's equity' as shown in the consolidated balance sheet. The Company is not subject to external mandatory capital requirements, and monitors capital on the basis of gearing ratio.

As at 31 December 2015 and 31 December 2014, the Company's gearing ratio is as follows:

	31 December 2015	31 December 2014
Gearing ratio	45%	57%

NOVELIS (CHINA) ALUMINUM PRODUCTS CO., LTD.

FINANCIAL STATEMENTS AND
REPORT OF THE AUDITOR
FOR THE YEAR ENDED 31 DECEMBER 2015

[English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.]

NOVELIS (CHINA) ALUMINUM PRODUCTS CO., LTD.

Financial Statements and Auditor's Report
For the year ended 31 December 2015
[English translation for reference only]

Contents	**Page**

[English translation for reference only]

Auditor's Report

PwC ZT Shen Zi (2016) No. 24473

(Page 1 of 2)

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. (the "Company") which comprise the balance sheet as at 31 December 2015, the income statement, the statement of changes in owner's equity and the cash flow statement for the year ended 31 December 2015, 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 (Cont'd)

PwC ZT Shen Zi (2016) No. 24473
(Page 2 of 2)

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 2015, and its financial performance and cash flows for the the year ended 31 December 2015 in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China

27 May 2016

NOVELIS (CHINA) ALUMINUM PRODUCTS CO., LTD.

BALANCE SHEET
AS AT 31 DECEMBER 2015
(All amounts in Rmb Yuan unless otherwise stated)
[English translation for reference only]

ASSETS	Notes	31 December 2015	31 December 2014
Current assets			
Cash at bank and on hand	6(1)	61,587,908.06	5,746,927.48
Accounts receivable	6(2)(a)	155,837,829.30	9,634,119.66
Advances to suppliers	6(3)	15,947,440.96	6,384,221.19
Other receivables	6(2)(b)	749,155.38	2,804,722.08
Inventory	6(4)	174,995,427.80	53,628,143.94
Other current assets	6(5)	100,176,412.68	69,814,310.08
Total current assets		509,294,174.18	148,012,444.43
Non-current assets			
Fixed assets	6(6)	676,735,965.56	589,112.73
Construction in progress	6(7)	18,074,414.12	603,232,260.43
Intangible assets	6(8)	22,709,174.55	21,570,367.54
Deferred tax assets	6(15)	27,321,996.01	12,002,479.75
Total non-current assets		744,841,550.24	637,394,220.45
TOTAL ASSETS		1,254,135,724.42	785,406,664.88
LIABILITIES AND OWNER'S EOUITY			
Current liabilities			
Short-term borrowings	6(9)	291,801,421.16	1,900,000.00
Financial liabilities at fair value through profit or loss	6(10)	535,285.96	-
Accounts payable		258,783,134.27	51,456,614.22
Employee benefits payable	6(11)	1,838,312.89	1,857,822.90
Taxes payable	6(12)	28,074.56	28,074.56
Interest payable		4,653,434.91	-
Advances from customers		1,569,990.41	2,708,424.42
Other payables	6(13)	16,372,207.89	19,914,084.00
Total current liabilities		575,581,862.05	77,865,020.10
Non-current liabilities			
Long-term borrowings	6(14)	410,969,724.82	388,340,707.48
Other long-term liabilities		281,380.17	102,336.00
Total non-current liabilities		411,251,104.99	388,443,043.48
Total liabilities		986,832,967.04	466,308,063.58
Owner's equity			
Paid-in capital (USD 56,700,000)		355,106,040.54	355,106,040.54
Accmulated losses		(87,803,283.16)	(36,007,439.24)
Total owner's equity		267,302,757.38	319,098,601.30
TOTAL LIABILITIES AND OWNER'S EQUITY		1,254,135,724.42	785,406,664.88

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

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

NOVELIS (CHINA) ALUMINUM PRODUCTS CO., LTD.

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts in Rmb Yuan unless otherwise stated)
[English translation for reference only]

	Notes	2015	2014
Revenues	6(16)	193,356,111.76	-
Less: Cost of sales	6(16)	(224,175,975.11)	-
Taxes and surcharges		(15,946.25)	-
Selling and distribution expenses		(46,273.33)	-
General and administrative expenses		(23,286,503.77)	(28,363,722.03)
Financial expenses - net	6(17)	(13,817,157.52)	(1,866,558.98)
Losses arising from changes in fair value	6(19)	(535,285.96)	-
Add: Investment income	6(20)	1,661,200.00	-
Operating losses		(66,859,830.18)	(30,230,281.01)
Less: Non-operating expenses		(255,530.00)	-
Total losses		(67,115,360.18)	(30,230,281.01)
Add: Income tax expenses	6(21)	15,319,516.26	7,557,570.25
Net losses		(51,795,843.92)	(22,672,710.76)
Other comprehensive income, net of tax		-	-
Total comprehensive losses		(51,795,843.92)	(22,672,710.76)

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

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

NOVELIS (CHINA) ALUMINUM PRODUCTS CO., LTD.

CASH FLOW STATEMENT
FOR FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts in Rmb Yuan unless otherwise stated)
[English translation for reference only]

	Notes	2015	2014
1. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		250,426,487.43	25,432,830.98
Cash received relating to other operating activities		5,157,983.56	139,799.01
Sub-total of cash inflows		255,584,470.99	25,572,629.99
Cash paid for goods and services		(366,253,431.02)	(47,650,871.10)
Cash paid to and on behalf of employees		(27,425,762.25)	(24,255,205.87)
Payments of taxes and surcharges		(1,541,472.08)	(723,487.28)
Cash paid relating to other operating activities		(29,207,913.72)	(10,471,476.05)
Sub-total of cash outflows		(424,428,579.07)	(83,101,040.30)
Net cash flows from operating activities	6(22)(a)	(168,844,108.08)	(57,528,410.31)
2. Cash flows from investing activities			
Cash received relating to other investing activities		1,661,200.00	-
Sub-total of cash inflows		1,661,200.00	-
Cash paid to acquire fixed assets and other long-term assets		(64,014,936.37)	(184,241,439.75)
Sub-total of cash outflows		(64,014,936.37)	(184,241,439.75)
Net cash flows from investing activities		(62,353,736.37)	(184,241,439.75)
3. Cash flows from financing activities			
Cash received from capital contributions		-	82,343,461.48
Cash received from borrowings		336,330,556.65	51,738,384.00
Cash received relating to other financing activities		-	1,900,000.00
Sub-total of cash inflows		336,330,556.65	135,981,845.48
Cash repayments of borrowings		(46,429,135.49)	-
Cash payments for interest expenses		(4,265,996.72)	-
Sub-total of cash outflows		(50,695,132.21)	-
Net cash flows from financing activities		285,635,424.44	135,981,845.48
4. Effect of foreign exchange rate changes on cash		1,403,400.59	26,138.66
5. Net increase/(decrease) in cash	6(22)(b)	55,840,980.58	(105,761,865.92)
Add: Cash at beginning of the year		5,746,927.48	111,508,793.40
6. Cash at end of the year		61,587,908.06	5,746,927.48

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	Tom Ferro

NOVELIS (CHINA) ALUMINUM PRODUCTS CO., LTD.

STATEMENT OF CHANGES IN OWNER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015
(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 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
Balance at 1 January 2015	355,106,040.54	(36,007,439.24)	319,098,601.30
Movements for the year ended 31 December 2015			
Net losses	-	(51,795,843.92)	(51,795,843.92)
Balance at 31 December 2015	355,106,040.54	(87,803,283.16)	(267,302,757.38)

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	Tom Ferro

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 was USD 40,000,000. Following 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 by USD 16,700,000. And the paid-in capital is therefore raised to USD 56,700,000.

The Company’s approved scope of business operations and the principal activities for the year ended 31 December 2015 includes research, 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 only run by branches).

These financial statements were authorised for issue by the Company’s legal representative on 27 May 2016.

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”).

As at 31 December 2015, the accumulated losses of the Company were RMB 87,803,283.16, and the current liabilities excessed the current assets by RMB 66,287,687.87. The net loss of the Company for year ended 31 December 2015 is RMB 51,795,843.92. The continuation of the business of the Company largely depends on continuing financial support from the investor. The Company’s parent company, Novelis Inc. has confirmed its intention to provide continuing financial support to the Company so as to enable the Company to meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations for the foreseeable future. The directors believe that the operations of the Company will continue as a going concern and therefore these financial statements are prepared on the 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 2015 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 2015 and of its financial performance, cash flows and other information for the year ended 31 December 2015.

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

Cash comprises cash on hand and deposits that can be readily drawn on demand.

(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 major financial assets held by the Company are financial assets at fair value through profit or loss and receivables.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are forward contracts, which may be recognized as financial liabilities at fair value through profit or loss when losses arise from changes in fair value.

(b) 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 (Cont'd)

(5) Financial assets (Cont'd)

(c) 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 acquisition of the financial assets are included in their initially recognised amounts. A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset have expired, or all the substantial risks and rewards of ownership of the financial asset have been transferred.

Financial assets at fair value through profit or loss 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 are subsequently measured at amortised cost using the effective interest method.

(d) Impairment of financial assets

The Company assesses the carrying amounts of financial assets 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 amortized 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 recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in profit or loss.

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

4 Summary of significant accounting policies (Cont'd)

(7) Inventories

Inventories include raw materials, work in progress, finished goods and turnover materials, and are measured at the lower of cost and net realisable value.

Cost is determined using the weighted average method. The cost of finished goods and work in progress comprise raw materials, direct labour and systematically allocated production overhead based on the normal production capacity. Turnover materials include low value consumables and packaging materials. Low value consumables are amortised into expenses based upon numbers of usage, and the packaging materials are expensed when issued.

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realizable value. Net realizable 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.

(8) Fixed assets

Fixed assets comprise buildings, machinery and equipment, tools, motor vehicles and computer 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 derecognized. All the other subsequent expenditures are recognized 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
Buildings	20-40 years	5%	2%-5%
Machinery and equipment	10-25 years	5%	4%-10%
Tools	5 years	5%	19%
Motor vehicles	4-5 years	5%	19%-24%
Computer and electronic equipment	3-5 years	5%-10%	19%-32%

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.

4 Summary of significant accounting policies (Cont'd)

(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.

(b) Softwares

Softwares are amortised on the straight-line basis over their estimated useful lives, generally 5 to 10 years. In March 2015, the remaining useful life of certain software was estimated to be reduced to 1 year due to early replacement.

(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; intangible assets that are not yet avaialbe for their intended use are tested for impairment at least annually, irrespective of whether there is any indication of impairment.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.

Once the above asset impairment loss is recognized, it will not be reversed for the value recovered in the subsequent periods.

4 Summary of significant accounting policies (Cont'd)

(12) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of an 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.

(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.

4 Summary of significant accounting policies (Cont'd)

(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.

Deferred tax assets and liabilities are offset when:
- the deferred taxes are related to the same tax payer within the Group and the same taxation authority; and,
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(16) Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, rebates, discounts and returns.

Revenue is recognised when the economic benefits associated with the transaction will flow to the Company, the relevant revenue can be reliably measured and specific revenue recognition criteria have been met for each of the Company's activities as described below:

(a) Sales of goods

Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and it is probable that the economic benefit associated with the transaction will flow to the Company and the relevant revenue and costs can be measured reliably.

(b) Rendering of processing services

The Company provides processing sevices to related parties. The related revenue is recognised according to the processing fees agreed upon the contract.

(c) Transfer of asset use rights

Interest income is recognised on a time-proportion basis using the effective interest method.

4 Summary of significant accounting policies (Cont'd)

(17) Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

(a) Operating leases

Lease payments under an operating lease are recognized on a straight-line basis over the period of the lease, and are either capitalized as part of the cost of related assets, or charged as an expense for the current period.

Lease revenues under an operating lease are recognised on a straight-line basis.

(18) 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.

(19) 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 customer's preference and the changes adopted by competitors in the different stage of business cycle. The management assesses the reasonableness of this estimate on each financial statements date.

4 Summary of significant accounting policies (Cont'd)

(19) Critical accounting estimates and judgments (Cont'd)

(c) Useful lives and residual values of fixed assets

The management of the Company determines the estimated useful lives and estimated residual values of fixed assets. This estimate is based on the historical experience of the actual useful lives and residul value of fixed assets of similar nature and functions. It could change significantly as a result of changes in the actual usage and renovation conditions, technical innovations, industry cycles and other conditions. Where the actual useful lives and residual values are different from the estimates, the management will adjust them accordingly.

(d) 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 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")(a)	17% and 6%	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate.)

(a) Pursuant to the *Circular on the Pilot Plan for Levying VAT in Place of Business Tax* (Caishui No.110, 2011) and the *Circular on the Pilot Practice of Levying VAT in Place of Business Tax for the Transportation Industry and Some Modern Service Industries in China* (Caishui No.37, 2013) jointly issued by the Ministry of Finance and the State Administration of Taxation, expenses paid on behalf of overseas related parties is subject to VAT since 1 August 2013, and the applicable tax rate is 6%.

6 Notes to the financial statements

(1) Cash at bank and at hand

	31 December 2015	31 December 2014
Cash at bank	61,587,908.06	5,746,927.48

(2) Accounts receivable and other receivables

(a) Accounts receivable

	31 December 2014	Increase in current year	Decrease in current year	31 December 2015
Accounts receivable	9,634,119.66			155,837,829.30
Less: provision for bad debts	-	-	-	-
	9,634,119.66			155,837,829.30

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

Ageing	31 December 2015 Amount	% of total balance	Provision for bad debts	31 December 2014 Amount	% of total balance	Provision for bad debts
Within 1 year	155,837,829.30	100.00%	-	9,634,119.66	100.00%	-

Accounts receivable are analysed by customers categories as follows:

	31 December 2015 Amount	% of total balance	Provision for bad debts	31 December 2014 Amount	% of total balance	Provision for bad debts
Receivables from related parties(Note 7(4))	136,123,241.05	87.35%	-	7,544,938.66	78.31%	-
Receivables from third parties	19,714,588.25	12.65%	-	2,089,181.00	21.69%	-
	155,837,829.30	100.00%	-	9,634,119.66	100.00%	-

6 Notes to the financial statements (Cont'd)

(2) Accounts receivable and other receivables (Cont'd)

(b) Other receivables

	31 December 2014	Increase in current year	Decrease in current year	31 December 2015
Customs deposit	2,222,400.00			-
Prepaid gas expenses	300,000.00			300,000.00
Compensation	166,362.00			-
Rental deposit	76,000.00			108,000.00
Staff advance	12,637.00			106,989.39
Others	27,323.08			234,165.99
Less: provision for bad debts	-	-	-	-
	2,804,722.08			749,155.38

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

Ageing	31 December 2015			31 December 2014		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	333,195.30	44.48%	-	2,804,722.08	100.00%	-
1 to 2 years	415,960.08	55.52%	-	-	-	-
	749,155.38	100.00%	-	2,804,722.08	100.00%	-

(3) Advances to suppliers

The ageing of advances to suppliers is analysed below:

Ageing	31 December 2015		31 December 2014	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	15,947,440.96	100.00%	6,384,221.19	100%

6 Notes to the Company's financial statements (Cont'd)

(4) Inventories

	31 December 2014	Increase in current year	Decrease in current year	31 December 2015
Cost -				
Raw materials	43,004,499.44			75,052,435.97
Work in progress	468,808.65			37,128,221.66
Finished goods	495,239.99			38,849,204.00
Turnover materials	9,659,595.86			23,965,566.17
	53,628,143.94			174,995,427.80
Less: Provision for declines in the value of inventories	-	-	-	-
	53,628,143.94			174,995,427.80

(5) Other current assets

	31 December 2015	31 December 2014
Value-added tax to be offset	100,176,412.68	69,814,310.08

6 Notes to the financial statements (Cont'd)

(6) Fixed assets

	Buildings	Machinery and equipment	Tools	Motor Vehicles	Computer and electronic equipment	Total
Cost						
31 December 2014	-	-	264,263.25	-	824,708.81	1,088,972.06
Transfers from contruction in progress (Note 6(7))	151,398,574.18	523,158,695.02	-	4,764,392.83	1,590,697.12	680,912,359.15
Other increase in current year	-	-	3,414,129.81	1,299,145.30	298,581.91	5,011,857.02
31 December 2015	151,398,574.18	523,158,695.02	3,678,393.06	6,063,538.13	2,713,987.84	687,013,188.23
Accumulated depreciation						
31 December 2014	-	-	(87,206.88)	-	(412,652.45)	(499,859.33)
Increase in current year	(1,170,829.25)	(7,503,703.96)	(601,607.51)	(400,534.01)	(100,688.61)	(9,777,363.34)
31 December 2015	(1,170,829.25)	(7,503,703.96)	(688,814.39)	(400,534.01)	(513,341.06)	(10,277,222.67)
Net book value						
31 December 2015	150,227,744.93	515,654,991.06	2,989,578.67	5,663,004.12	2,200,646.78	676,735,965.56
31 December 2014	-	-	177,056.37	-	412,056.36	589,112.73

In 2015, the amounts of depreciation expense charged to cost of sales and general and administrative expenses were RMB 9,474,362.28 (2014: Nil) and RMB 303,001.06 (2014: RMB 282,211.81) respectively.

6 Notes to the financial statements (Cont'd)

(7) Construction in progress

Name of project	31 December 2014	Increase in current year	Transfer to fixed assets (Note 6(6))	Transfer to intangible assets (Note 6(8))	31 December 2015
Novelis Changzhou construction program	603,232,260.43	101,104,262.97	(680,912,359.15)	(5,349,750.13)	18,074,414.12
Including: capitalised borrowing costs	33,237,347.48	21,222,938.97	(54,460,286.45)	-	-
Less: provision for impairment of construction in progress	-	-	-	-	-
	603,232,260.43				18,074,414.12

(8) Intangible assets

	Cost	31 December 2014	Transfer from construction in progress (Note 6(7))	Other additions in current year	Amortisation charged in current year	31 December 2015	Accumulated amortisation
Land use right	14,106,702.14	13,503,788.34	-	-	(258,621.00)	13,245,167.34	(861,534.80)
Software	14,062,035.10	8,066,579.20	5,349,750.13	69,521.54	(4,021,843.66)	9,464,007.21	(4,598,027.89)
	28,168,737.24	21,570,367.54	5,349,750.13	69,521.54	(4,280,464.66)	22,709,174.55	(5,459,562.69)

6 Notes to the financial statements (Cont'd)

(9) Short-term borrowings

	31 December 2015	31 December 2014
Secured borrowings(a)	280,401,421.16	-
Cash-pool borrowings(b)	11,400,000.00	1,900,000.00
	291,801,421.16	1,900,000.00

(a) As at 31 December 2015, the secured borrowings comprise of

(i) RMB 157,197,098.91 and USD 2,591,777.02 (equivalent to RMB 16,829,704.08) are borrowed from Deutsche Bank (China) Co., Ltd., Shanghai Branch under the short term facilities up to RMB 200,000,000.00 guaranteed by Novelis Inc. (2014: Nil).

(ii) USD 16,381,707.58 (equivalent to RMB 106,374,618.17) are borrowed from Woori Bank (China) Limited Shanghai Branch under the loan facility of RMB 122,000,000.00 guaranteed by Novelis Korea Limited (2014: Nil).

(b) 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. As at 31 December 2015, the Company obtained cash-pool borrowings of RMB 11,400,000.00 (31 December 2014: RMB 1,900,000.00) with interest rate of 3% per annum in 2015(2014: 3%).

As at 31 December 2015, the weighted average interest rate of short -term borrowings is 4.19% per annum (31 December 2014: 3% per annum).

(10) Financial liabilities at fair value through profit or loss

	31 December 2015	31 December 2014
Unrealized Forward contracts	535,285.96	-

The fair value of the unrealized forward contracts is determined at the difference between the buying price of one-month foreign exchange rate of RMB against US dollar published by People's Bank of China as at 31 December 2015 and the forward exchange rate agreed upon in the contract, which is recognized in profit or loss.

(11) Employee benefits payable

	31 December 2015	31 December 2014
Short-term employee benefits payable(a)	1,755,249.02	1,794,069.69
Defined contribution plans payable(b)	83,063.87	63,753.21
	1,838,312.89	1,857,822.90

6 Notes to the financial statements (Cont'd)

(11) Employee benefits payable (Cont'd)

(a) Short-term employee benefits

	31 December 2014	Increase in current year	Decrease in current year	31 December 2015
Wages and salaries, bonuses, allowances and subsidies	1,738,795.72	17,004,781.55	(17,062,170.27)	1,681,407.00
Social security contributions	31,481.07	1,766,804.84	(1,757,520.82)	40,765.09
Including: Medical insurance	28,282.68	1,413,443.87	(1,406,016.65)	35,709.90
Work injury insurance	2,398.80	265,020.73	(263,628.12)	3,791.41
Maternity insurance	799.59	88,340.24	(87,876.04)	1,263.79
Housing funds	23,792.90	1,766,804.84	(1,757,520.82)	33,076.92
	1,794,069.69	20,538,391.23	(20,577,211.90)	1,755,249.02

(b) Defined contribution plans

	31 December 2014	Increase in current year	Decrease in current year	31 December 2015
Basic pensions	59,768.89	3,533,609.67	(3,515,041.73)	78,336.83
Unemployment insurance	3,984.32	141,344.39	(140,601.67)	4,727.04
	63,753.21	3,674,954.06	(3,655,643.40)	83,063.87

(12) Taxes payable

	31 December 2015	31 December 2014
Withholding VAT	28,074.56	28,074.56

(13) Other payables

	31 December 2015	31 December 2014
Payables for purchase of equipment	8,917,411.13	17,384,697.85
Accrued freight costs	2,828,156.79	-
Payables to related parties(Note 7(4)(c))	2,111,955.91	564,405.92
Accrued utilities fees	786,632.53	-
Accrued audit fees	434,144.53	279,000.00
Accrued claim costs	404,557.99	-
Accrued consulting fees	-	1,608,818.95
Others	889,349.01	77,161.28
	16,372,207.89	19,914,084.00

6 Notes to the financial statements (Cont'd)

(14) Long-term borrowings

	31 December 2015	31 December 2014
Unsecured	410,969,724.82	388,340,707.48

As at 31 December 2015, long-term unsecured borrowings were due to the parent company Novelis Inc., and include the RMB principal and interests amounted to RMB 289,800,554.18, the USD principal and interests amounted to USD 7,777,370.41, equivalent to RMB 50,502,452.50 and the EUR principal and interests amounted to EUR 10,022,794.96 equivalent to RMB 70,666,718.14 (As at 31 December 2014 long-term unsecured borrowings were due to the parent company Novelis Inc., and included the RMB principal and interests amounted to RMB 266,507,727.47, the USD principal and interests amounted to USD 7,330,401.71, equivalent to RMB 45,178,962.06 and the EUR principal and interests amounted to EUR 9,434,554.96 equivalent to RMB 76,654,017.95). The principal and interests are due for repayment on 31 March 2023.

As at 31 December 2015, the weighted average interest rate of long-term borrowings is 6.84% per annum (31 December 2014: 6.84% per annum).

(15) Deferred tax assets

	31 December 2015		31 December 2014	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Accumulated losses	25,615,223.34	102,460,893.34	11,066,069.29	44,264,277.14
Accrued expenses	1,113,372.96	4,453,491.84	471,954.74	1,887,818.95
Accrued payroll	459,578.22	1,838,312.89	464,455.72	1,857,822.90
Financial liabilities at fair value through profit or loss	133,821.49	535,285.96	-	-
	27,321,996.01	109,287,984.03	12,002,479.75	48,009,918.99
Including:				
Expected to be recovered within one year (inclusive)	1,706,772.67		936,410.46	
Expected to be recovered after one year	25,615,223.34		11,066,069.29	
	27,321,996.01		12,002,479.75	

6 Notes to the financial statements (Cont'd)

(16) Revenue and cost of sales

	2015		2014	
	Revenues	Cost of sales	Revenues	Cost of sales
Main operations				
- Sales of aluminium products	168,151,673.13	(167,317,779.98)	-	-
Other operations				
- Sales of aluminium scrap	25,204,438.63	(56,858,195.13)	-	-
	193,356,111.76	(224,175,975.11)	-	-

(17) Financial expenses - net

	2015	2014
Interest expenses	11,847,848.61	-
Exchange losses	1,572,224.47	1,892,468.12
Bank charges	415,820.04	113,889.87
Less: interest income	(18,735.60)	(139,799.01)
	13,817,157.52	1,866,558.98

(18) Expenses by nature

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

	2015	2014
Changes in inventories of finished goods and work in progress	(27,685,159.97)	-
Consumed raw materials and low value consumables, etc.	203,299,944.12	-
Employee benefits	25,864,574.04	15,538,268.11
Depreciation and amortization expenses	14,057,828.00	1,140,525.80
Utility fees	6,287,393.04	-
Freight	6,085,016.90	-
Service fees	4,374,440.95	1,098,443.62
Processing fees	3,519,821.88	-
Maintenance costs	2,622,903.14	-
Travelling expenses	2,505,727.83	2,921,652.22
Taxes	1,525,525.83	723,487.28
Rental expenses	1,373,952.39	1,950,149.34
Marketing expenses	475,786.70	1,781,090.23
Office expenses	388,517.32	473,823.12
Recruitment fees	211,155.76	212,799.71
Consulting fees	-	2,486,874.17
Others	2,601,324.28	36,608.43
	247,508,752.21	28,363,722.03

6 Notes to the financial statements (Cont'd)

(19) Losses on changes in fair value

	2015	2014
Unrealized forward contracts	535,285.96	-

(20) Investment income

	2015	2014
Realized forward contracts	1,661,200.00	-

(21) Income tax expenses

	2015	2014
Current income tax	-	-
Deferred income tax	(15,319,516.26)	(7,557,570.25)
	(15,319,516.26)	(7,557,570.25)

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

	2015	2014
Total losses	(67,115,360.18)	(30,230,281.01)
Tax rate	25%	25%
Income tax calculated at applicable tax rates	(16,778,840.05)	(7,557,570.25)
Expenses not deductible for tax purpose	63,882.50	-
Reversal of deferred tax assets recognized in prior years for tax losses	1,395,441.29	-
	(15,319,516.26)	(7,557,570.25)

6 Notes to the financial statements (Cont'd)

(22) Notes to the cash flow statement

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

	2015	2014
Net losses	(51,795,843.92)	(22,672,710.76)
Add: Trial production loss recorded in construction in progress	(46,086,956.46)	(13,519,018.12)
Depreciation of fixed assets	9,777,363.34	282,211.81
Amortisation of intangible assets	4,280,464.66	858,313.99
Losses on changes in fair value	535,285.96	-
Investment income	(1,661,200.00)	-
Financial expenses	9,090,003.89	(26,138.66)
Increase in deferred tax assets	(15,319,516.26)	(7,557,570.25)
Increase in inventories	(121,367,283.86)	(53,628,143.94)
Increase in operating receivables	(166,021,906.25)	(17,599,137.31)
Increase in operating payables	209,725,480.82	56,333,782.93
Net cash flows from operating activities	(168,844,108.08)	(57,528,410.31)

(b) Net increase/(decrease) in cash

	2015	2014
Cash at the end of the year (Note 6(1))	61,587,908.06	5,746,927.48
Less: cash at the beginning of the year (Note 6(1))	(5,746,927.48)	(111,508,793.40)
Net increase/(decrease) in cash	55,840,980.58	(105,761,865.92)

7 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 2014	Increase in current year	Decrease in current year	31 December 2015
Novelis Inc.	1,000 shares	-	-	1,000 shares

(c) The percentages of shareholding and voting rights in the Company held by the parent company

	31 December 2015		31 December 2014	
	Share holding (%)	Voting rights (%)	Share holding (%)	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 Limited	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 Service Limited(UK)	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

	2015	2014
Novelis Inc.	5,801,810.43	8,606,623.85
Novelis Valais SA	2,070,216.63	1,617,838.21
	7,872,027.06	10,224,462.06

7 Related parties and related party transactions (Cont'd)

(3) Related party transactions (Cont'd)

(c) Branding fee

	2015	2014
Novelis Service Limited(UK)	9,246.74	-

(d) Sales of goods

	2015	2014
Novelis Corporation	181,975,530.75	-
Novelis Korea Limited	79,805,735.00	14,756,974.29
Novelis (Shanghai) Aluminum Trading Co., Ltd.	22,796,183.79	24,732.88
Novelis Deutschland GmbH	699,937.48	607,338.40
Novelis Switzerland SA	-	501,785.69
	285,277,387.02	15,890,831.26

(e) Purchases of goods

	2015	2014
Novelis Korea Limited	389,673,699.48	79,681,985.34
Novelis Switzerland SA	21,711,276.89	2,879,120.50
Novelis Deutschland GmbH	14,306,988.42	-
Novelis (Shanghai) Aluminum Trading Co., Ltd.	9,381,130.70	-
Novelis Inc.	577,882.08	-
	435,650,977.57	82,561,105.84

(f) Borrowings

	2015	2014
Novelis Inc.	-	51,738,384.00

(g) Interest expense

	2015	2014
Novelis Inc.	23,983,461.47	22,854,163.19

7 Related parties and related party transactions (Cont'd)

(3) Related party transactions (Cont'd)

(h) Cashpool – borrow funds

	2015	2014
Novelis (Shanghai) Aluminum Trading Co., Ltd.	9,500,000.00	1,900,000.00

(4) Payables from and payables to related parties

(a) Accounts receivable

	31 December 2015	31 December 2014
Novelis Corporation	101,030,374.70	-
Novelis (Shanghai) Aluminum Trading Co., Ltd.	23,598,407.10	14,489.99
Novelis Korea Limited	10,678,756.36	6,638,304.17
Novelis Switzerland SA	-	498,106.86
Novelis Deutschland GmbH	815,702.89	394,037.64
	136,123,241.05	7,544,938.66

(b) Accounts payable

	31 December 2015	31 December 2014
Novelis Korea Limited	222,982,312.02	48,663,484.89
Novelis (Shanghai) Aluminum Trading Co., Ltd.	4,922,302.74	-
Novelis Deutschland GmbH	4,630,713.16	-
Novelis Switzerland SA	1,255,518.61	2,793,129.31
Novelis Inc.	577,882.08	-
	234,368,728.61	51,456,614.20

(c) Other payables

	31 December 2015	31 December 2014
Novelis Inc.	1,679,515.85	444,416.04
Novelis Valais SA	424,117.99	119,989.88
Novelis Service Limited(UK)	8,322.07	-
	2,111,955,91	564,405.92

(d) Short-term borrowings

	31 December 2015	31 December 2014
Novelis (Shanghai) Aluminum Trading Co., Ltd.	11,400,000.00	1,900,000.00

(e) Long-term borrowings

	31 December 2015	31 December 2014
Novelis Inc.	410,969,724.82	388,340,707.48

8 Commitments

(1) Capital commitments

Capital expenditures contracted for by the Company but are not yet necessary to be recognised on the balance sheet as at the balance sheet date are as follows:

	31 December 2015	31 December 2014
Buildings, machinery and equipment	15,000,000.00	66,000,000.00

(2) Operating lease commitments

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

	31 December 2015	31 December 2014
Within 1 year	274,072.00	977,711.00
1 to 2 years	43,956.00	-
	318,028.00	977,711.00

9 Financial risk

The Company's activities expose it to a variety of financial risks: market risk (primarily including currency risk and interest rate 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 China. A majority of the transactions are denominated in USD and EUR, and relevant construction expenditures are mailnly denominated in RMB, USD and EUR. The Company is exposed to foreign exchange risk arising from the recognised 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. Therefore, the Company may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. As at 31 December 2015, the Company entered into unrealised forward exchange contracts with principal of USD 20,000,000.00 (31 December 2014: Nil).

9 Financial risk (Cont'd)

(1) Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

As at 31 December 2015 and 31 December 2014, the carrying amounts in RMB equivalent of the Company's assets and liabilities denominated in foreign currencies are summarized below:

	31 December 2015		
	USD	EUR	Total
Financial assets denominated in foreign currency -			
Cash at bank and on hand	48,159,644.31	-	48,159,644.31
Accounts receivable	112,988,443.91	-	112,988,443.91
	161,148,088.22	-	161,148,088.22
Financial liabilities denominated in foreign currency -			
Accounts payable	223,588,371.22	5,867,114.91	229,455,486.13
Other payables	1,687,837.92	424,117.99	2,111,955.91
Short-term borrowings	123,204,322.25	-	123,204,322.25
Long-term borrowings	50,502,452.50	70,666,718.14	121,169,170.64
	398,982,983.89	76,957,951.04	475,940,934.93

	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 -			
Other 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

As at 31 December 2015, 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 23,609,463.50 lower/higher (2014: approximately RMB 13,004,072.91 lower/higher) for various financial assets and liabilities denominated in foreign currencies.

(b) Interest rate risk

The Company's interest rate risk arises from long-term interest bearing borrowings including long-term borrowings. Financial liabilities issued at floating rates expose the Company to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Company to fair value interest rate risk. The Company determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2015, the Company's long-term interest bearing borrowings were mainly RMB/USD/EUR-denominated with fixed rates, amounting to RMB 410,969,724.82 (31 December 2014: RMB 388,340,707.48) (Note 6(14)).

9 Financial risk (Cont'd)

(1) Market risk (Cont'd)

(b) Interest rate risk (Cont'd)

The Company's finance department continuously monitors the interest rate position of the Company. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Company's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Company's financial performance. The Company makes adjustments timely with reference to the latest market conditions and may enter into interest rate swap agreements to mitigate its exposure to interest rate risk. During 2015 and 2014, the Company did not enter into any interest rate swap agreements.

(2) Credit risk

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

The Company expects that there is no significant credit risk associated with cash at bank since they are deposited at state-controlled banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Company has policies to limit the credit exposure on accounts receivable and other receivables. The Company assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Company. In respect of customers with a poor credit history, the Company will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Company is limited to a controllable extent.

(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, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institutions so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

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

9 Financial instrument and risk (Cont'd)

(3) Liquidity risk (Cont'd)

	31 December 2015		
	Within one year	Over five years	Total
Financial liabilities-			
Short-term borrowings	291,886,921.16	-	291,886,921.16
Accounts payable	258,783,134.27	-	258,783,134.27
Other payables	16,372,207.89	-	16,372,207.89
Interest payables	4,653,434.91	-	4,653,434.91
Financial liabilities at fair value through profit or loss	535,285.96	-	535,285.96
Long-term borrowings	-	586,372,143.77	586,372,143.77
	572,230,984.19	586,372,143.77	1,158,603,127.96

	31 December 2014		
	Within one year	Over five years	Total
Financial liabilities-			
Accounts payable	51,456,614.22	-	51,456,614.22
Other payables	19,914,084.00	-	19,914,084.00
Short-term borrowings	1,914,250.00	-	1,914,250.00
Long-term borrowings	-	588,775,442.58	588,775,442.58
	73,284,948.22	588,775,442.58	662,060,390.80

10 Fair value estimates

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

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 or indirectly.

Level 3: Unobservable inputs for the asset or liability.

(1) Assets or liabilities measured at fair value

As at 31 December 2015, no assets measured at fair value is held by the Company, and the liabilities measured at fair value by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial liabilities at fair value through profit or loss - Unrealised forward contracts	-	535,285.96	-	535,285.96

10 Fair value estimates (Cont'd)

(2) Assets and liabilities not measured at fair value but for which the fair value is disclosed

Financial assets and liabilities measured at amortised cost mainly include receivables, short-term borrowings, payables, long-term borrowings and long-term payables.

As at 31 December 2015 and 31 December 2014, the carrying amount of the financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

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 increase capital 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 2015 and 31 December 2014, the Company's gearing ratio is as bellow:

	31 December 2015	31 December 2014
Gearing ratio	79%	59%

NOVELIS VIETNAM COMPANY LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

NOVELIS VIETNAM COMPANY LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

TABLE OF CONTENTS **PAGE**

NOVELIS VIETNAM COMPANY LIMITED

CORPORATE INFORMATION

Investment Certificate	No. 8703080842 dated 15 December 2015 The Investment Certificate was issued by the Board of Management of Vietnam-Singapore Industrial Zone II-A for a period of 46 years from the date of the initial Investment Certificate dated 6 August 2012.
Legal representative	Mr. Lee EunHyuk — General Manager
Registered office	No. 3 VSIP II-A, Street 19, Vietnam-Singapore Industrial Zone II - A, Tan Uyen Town, Binh Duong Province, Vietnam
Branch office	Vincom Center B , 72 Le Thanh Ton Street and 45A Ly Tu Trong Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam
Auditor	PricewaterhouseCoopers (Vietnam) Limited

NOVELIS VIETNAM COMPANY LIMITED

STATEMENT OF THE RESPONSIBILITY OF GENERAL MANAGER OF THE COMPANY IN RESPECT OF THE FINANCIAL STATEMENTS

The General Manager of Novelis Vietnam Company Limited ("the Company") is responsible for financial statements which give a true and fair view of the financial position of the Company as at 31 March 2016 and the results of its operations and cash flows for the year then ended. In preparing these financial statements, the General Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The General Manager is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and which enable financial statements to be prepared which comply with the basis of accounting set out in Note 2 to the financial statements. The General Manager is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

APPROVAL OF THE FINANCIAL STATEMENTS

I hereby approve the accompanying financial statements as set out on pages 5 to 25 which give a true and fair view of the financial position of the Company as at 31 March 2016 and of the results of its operations and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements.

S.G.C.N: 463043000387-Đ.T.N.G
CÔNG TY
TNHH
NOVELIS
VIỆT NAM
H. TÂN UYÊN - BÌNH DƯƠNG

Lee Eun Hyuk
General Manager

Binh Duong Province, SR Vietnam
16 May 2016

pwc

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOVELIS VIETNAM COMPANY LIMITED

We have audited the accompanying financial statements of Novelis Vietnam Company Limited ("the Company") which were prepared on 31 March 2016 and approved by General Manager on 16 May 2016. The financial statements comprise the balance sheet as at 31 March 2016, the income statement and the cash flow statement for the year then ended, and explanatory notes to the financial statements including significant accounting policies, as set out on pages 5 to 25.

The General Manager's Responsibility to the Financial Statements

The General Manager of the Company is responsible for the preparation and the true and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements and responsible for internal controls which the General Manager determines that it is necessary to enable 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 Vietnamese Standards on Auditing. Those standards require that we comply with ethical standards and requirements, plan and perform the audit in order to obtain reasonable assurance as to 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 an 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 controls relevant to the entity's preparation and true 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the General Manager, 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.

PricewaterhouseCoopers (Vietnam) Ltd.,
8th Floor, Saigon Tower, 29 Le Duan Street, District 1, Ho Chi Minh City, Vietnam
T: +84 (8)38230796, www.pwc.com/vn

Auditor's Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2016, and its financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements.

For and on behalf of PricewaterhouseCoopers (Vietnam) Limited

M.S.D.N: 0100157408 - C.T.T.N.H.H
CÔNG TY
TRÁCH NHIỆM HỮU HẠN
PRICEWATERHOUSECOOPERS
VIỆT NAM
QUẬN 1 - T.P HỒ CHÍ MINH

Ho Ngoc Thang
Audit Practising Licence No.
2262-2013-006-1
Authorised signatory

Thai Van Cuong
Audit Practising Licence No.
3435-2015-006-1

Report reference number: HCM5459
Ho Chi Minh City, 16 May 2016

As indicated in Note 2.1 to the financial statements, the accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than SR Vietnam, and furthermore their utilisation is not designed for those who are not informed about SR Vietnam's accounting principles, procedures and practices.

NOVELIS VIETNAM COMPANY LIMITED

Form B 01 – DN

BALANCE SHEET

Code	ASSETS	Note	As at 31 March 2016 VND	2015 VND
100	**CURRENT ASSETS**		**457,400,765,801**	**285,653,877,138**
110	**Cash and cash equivalents**	3	**3,535,070,152**	**3,963,274,596**
111	Cash		3,535,070,152	3,963,274,596
130	**Short-term receivables**		**323,145,516,033**	**193,730,713,073**
131	Short-term trade accounts receivable	4	322,941,166,033	193,051,571,143
132	Short-term prepayments to suppliers		-	53,555,139
136	Other short-term receivables		204,350,000	625,586,791
140	**Inventories**		**87,708,517,249**	**54,600,164,930**
141	Inventories	5	87,708,517,249	54,600,164,930
150	**Other current assets**		**43,011,662,367**	**33,359,724,539**
151	Short-term prepaid expenses		1,490,020,051	1,404,988,875
152	Value Added Tax to be reclaimed		41,521,642,316	31,954,735,664
200	**LONG-TERM ASSETS**		**81,609,759,430**	**86,830,405,646**
210	**Long-term receivables**		**393,745,590**	**393,745,590**
216	Other long-term receivables		393,745,590	393,745,590
220	**Fixed assets**		**79,555,248,874**	**85,069,484,690**
221	Tangible fixed assets	6(a)	60,218,090,835	65,166,844,424
222	Cost		74,177,149,498	73,341,869,957
223	Accumulated depreciation		(13,959,058,663)	(8,175,025,533)
227	Intangible fixed assets	6(b)	19,337,158,039	19,902,640,266
228	Cost		21,159,785,021	21,159,785,021
229	Accumulated amortisation		(1,822,626,982)	(1,257,144,755)
260	**Other long-term assets**		**1,660,764,966**	**1,367,175,366**
261	Long-term prepaid expenses		1,397,186,680	1,265,417,696
262	Deferred income tax assets	11	263,578,286	101,757,670
270	**TOTAL ASSETS**		**539,010,525,231**	**372,484,282,784**

The notes on pages 9 to 25 are an integral part of these financial statements.

NOVELIS VIETNAM COMPANY LIMITED

Form B 01 – DN

BALANCE SHEET
(continued)

Code	RESOURCES	Note	As at 31 March 2016 VND	As at 31 March 2015 VND
300	**LIABILITIES**		**426,822,215,112**	**322,634,738,282**
310	**Short-term liabilities**		**426,822,215,112**	**322,634,738,282**
311	Short-term trade accounts payable	7	194,539,239,841	48,852,087,463
313	Taxes and other payables to the State Budget	8	368,181,639	2,533,740,257
315	Short-term accrued expenses		2,074,157,311	2,730,277,015
319	Other short-term payables	9	21,738,419,937	19,396,106,216
320	Short-term borrowings	10	208,102,216,384	249,122,527,331
400	**OWNER'S EQUITY**		**112,188,310,119**	**49,849,544,502**
410	**Capital and reserves**		**112,188,310,119**	**49,849,544,502**
411	Owner's capital	12, 13	20,820,000,000	20,820,000,000
421	Undistributed earnings	13	91,368,310,119	29,029,544,502
421a	*Undistributed post-tax profits/(losses) accumulated by the end of the previous year*		*29,029,544,502*	*(16,157,757,359)*
421b	*Undistributed post-tax profits of the current year*		*62,338,765,617*	*45,187,301,861*
440	**TOTAL RESOURCES**		**539,010,525,231**	**372,484,282,784**

Tran Thi My Linh
Chief Accountant/Preparer

CÔNG TY TNHH NOVELIS VIỆT NAM
S.G.C.N: 463043000387 - Đ.T.

Lee EunHyuk
General Manager
16 May 2016

The notes on pages 9 to 25 are an integral part of these financial statements

NOVELIS VIETNAM COMPANY LIMITED

Form B 02 – DN

INCOME STATEMENT

Code		Note	Year ended 31 March 2016 VND	2015 VND
01	**Sales**	15	**1,417,226,981,887**	**789,975,041,356**
02	Less deductions		-	-
10	**Net sales**		**1,417,226,981,887**	**789,975,041,356**
11	**Cost of sales**	16	**(1,289,875,895,119)**	**(673,023,654,500)**
20	**Gross profit**		**127,351,086,768**	**116,951,386,856**
21	Financial income	17	647,811,476	2,444,158,477
22	Financial expenses	18	(29,262,575,419)	(34,358,384,519)
23	*- Including: Interest expenses*		*(16,989,881,302)*	*(24,866,895,656)*
25	Selling expenses	19	(4,353,856,565)	(1,269,784,662)
26	General and administration expenses	20	(14,214,822,612)	(16,925,678,266)
30	**Operating profit**		**80,167,643,648**	**66,841,697,886**
31	Other income		233,175,364	10,000,000
32	Other expenses		(548,680,874)	(4,412,375,389)
40	**Net other expenses**		**(315,505,510)**	**(4,402,375,389)**
50	**Net accounting profit before tax**		**79,852,138,138**	**62,439,322,497**
51	**Business income tax - current**	21	**(17,675,193,137)**	**(12,958,598,797)**
52	**Business income tax - deferred**	11, 21	**161,820,616**	**(4,293,421,839)**
60	**Net profit after tax**		**62,338,765,617**	**45,187,301,861**

S.G.C.N: 463043000387-D.T.N. CÔNG TY TNHH NOVELIS VIỆT NAM H. TÂN UYÊN-T. BÌNH DƯƠNG

Tran Thi My Linh
Chief Accountant/Preparer

Lee EunHyuk
General Manager
16 May 2016

The notes on pages 9 to 25 are an integral part of these financial statements.

NOVELIS VIETNAM COMPANY LIMITED

Form B 03 – DN

CASH FLOW STATEMENT
(Indirect method)

Code		Note	Year ended 31 March 2016 VND	2015 VND
	CASH FLOWS FROM OPERATING ACTIVITIES			
01	**Net profit before tax**		**79,852,138,138**	**62,439,322,497**
	Adjustments for:			
02	Depreciation and amortisation		6,441,448,455	5,941,577,855
04	Unrealised foreign exchange losses/(gains)		636,577,524	(360,357,008)
05	Losses from investing activities		96,048,165	3,068,138,162
06	Interest expense		16,989,881,302	24,866,895,656
08	**Operating profit before changes in working capital**		**104,016,093,584**	**95,955,577,162**
09	(Increase)/decrease in receivables		(138,981,709,612)	32,230,862,389
10	(Increase)/decrease in inventories		(33,108,352,319)	129,635,673,665
11	Increase/(decrease) in payables		147,492,956,029	(59,102,895,749)
12	(Increase)/decrease in prepaid expenses		(216,800,160)	523,094,920
14	Interest paid		(17,752,546,104)	(26,105,594,189)
15	Business income tax paid		(19,860,054,949)	(10,516,490,168)
20	**Net cash inflows from operating activities**		**41,589,586,469**	**162,620,228,030**
	CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchases of fixed assets		(1,176,291,541)	(8,785,921,293)
27	Interest income received		153,030,737	888,549,118
30	**Net cash outflows from investing activities**		**(1,023,260,804)**	**(7,897,372,175)**
	CASH FLOWS FROM FINANCING ACTIVITIES			
33	Proceeds from borrowings		627,027,166,581	396,045,961,341
34	Repayments of borrowings		(668,047,477,528)	(627,243,542,126)
40	**Net cash outflows from financing activities**		**(41,020,310,947)**	**(231,197,580,785)**
50	**Net decrease in cash and cash equivalents**		**(453,985,282)**	**(76,474,724,930)**
60	**Cash and cash equivalents at beginning of year**	3	**3,963,274,596**	**79,707,926,459**
61	Effect of foreign exchange differences		25,780,838	730,073,067
70	**Cash and cash equivalents at end of year**	3	**3,535,070,152**	**3,963,274,596**

S.G.C.N:4630430003 87-D.T.N.N
CÔNG TY TNHH NOVELIS VIỆT NAM
H.TÂN UYÊN-T.

Tran Thi My Linh
Chief Accountant/Preparer

Lee EunHyuk
General Manager
16 May 2016

The notes on pages 9 to 25 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1 GENERAL INFORMATION

Novelis Vietnam Company Limited ("the Company") was established in SR Vietnam pursuant to Investment Certificate No. 8703080842, dated 15 December 2015 which was issued by the Board of Management of Vietnam-Singapore Industrial Zone II-A for a period of 46 years from the date of the initial Investment Certificate.

On 10 January 2013, the Board of Management of Vietnam-Singapore Industrial Zone II-A approved the first amendment to change legal representative Mr. Kawanghun Yu by Mr. Jung Won Lee.

On 26 February 2013, the Board of Management of Vietnam-Singapore Industrial Zone II-A approved the second amendment to increase the investment capital from VND71,085,000,000 to VND102,375,000,000.

On 30 June 2014, the Board of Management of Vietnam-Singapore Industrial Zone II-A approved the third amendment to change the registered office from No. 3 VSIP II-A, Street 19, Vietnam-Singapore Industrial, Zone II - A, Tan Uyen District, Binh Duong Province, Vietnam to No. 3 VSIP II-A, Street 19, Vietnam-Singapore Industrial, Zone II - A, Tan Uyen Town, Binh Duong Province, Vietnam.

On 2 March 2015, the Board of Management of Vietnam-Singapore Industrial Zone II-A approved the fourth amendment to change the legal representative Mr. Jung Won Lee by Mr. Truong Hoang Nguyen.

On 15 December 2015, the Board of Management of Vietnam-Singapore Industrial Zone II-A approved the fifth amendment to increase the project annual capacity from 25,000 tons to 40,000 tons.

As at the date of the financial statements, the Company is in the process to amend the Investment Certificate to change the legal representative Mr. Truong Hoang Nguyen by Mr. Lee EunHyuk.

The principal activities of the Company are:

- Recycling used aluminium beverage cans (the Company is not allowed to establish its facilities to directly collect used beverage cans);
- Implementing the export right of goods having HS code of 7602000000 produced by the Company in Vietnam; and
- Implementing the import right the wholesale distribution right (without establishment of a wholesale location) and the retail distribution right (without establishment of a retail location) of goods having the HS code of 7606121000.

The normal business cycle of the Company is within 12 (twelve) months.

As at 31 March 2016, the Company had 39 employees (2015: 35 employees).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements. The financial statements have been prepared under the historical cost convention.

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam. The accounting principles and practices utilised in Vietnam may differ from those generally accepted in countries and jurisdictions other than Vietnam.

2.2 Significant changes in the Company's accounting policy applied

On 22 December 2014, the Ministry of Finance issued Circular No. 200/2014/TT-BTC ("Circular 200") – Providing guidance on Corporate Accounting System replacing Decision No. 15/2006/QD-BTC dated 20 March 2006 ("Decision 15") and Circular No. 244/2009/TT-BTC dated 31 December 2009. Circular 200 is applicable to fiscal years beginning on or after 1 January 2015.

The Company applied prospectively the changes of Circular 200 in accordance with Article 127 of Circular 200. The significant changes in accounting policies were applied prospectively as follows:

Transactions in foreign currencies and translations of assets and liabilities dominated in foreign currencies - Note 2.4.

Under Decision 15, transactions arising in foreign currencies were translated at the exchange rates ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date were translated at the rates of exchange ruling at the balance sheet date.

According to Circular 200, transactions arising in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are respectively translated at the buying and selling exchange rates at the balance sheet date of the bank where the Company regularly trades. Foreign currencies deposited in bank at the balance sheet date are translated at the buying exchange rate of the bank where the Company opens the foreign currency accounts.

According to Circular No. 53/2016/TT-BTC amending and supplementing some articles of Circular 200, in addition to existing regulations guiding the use of the actual exchange rate for recognising transactions in foreign currencies under Item 1.3, Article 69 of Circular 200, enterprises now can choose to apply approximate exchange rate to record transactions in foreign currencies.

Certain comparative figures have been reclassified to conform with the presentation requirements under Circular 200. The details of such reclassifications were disclosed in Note 25.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Fiscal year

The Company's fiscal year is from 1 April to 31 March.

2.4 Currency

The financial statements are measured and presented using Vietnamese Dong ("VND").

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction dates. Foreign exchange differences arising from these transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are respectively translated at the buying and selling exchange rates at the balance sheet date of the bank where the Company regularly trades. Foreign currencies deposited in bank at the balance sheet date are translated at the buying exchange rate of the bank where the Company opens the foreign currency accounts. Foreign exchange differences arising from these translations are recognised in the income statement.

2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank, cash in transit, demand deposits and other short-term investments with an original maturity of three months or less.

2.6 Trade receivables

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review by the General Manager of all outstanding amounts at the year end. Bad debts are written off when identified.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by weighted average method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on normal levels of operating activity. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses. Provision is made, where necessary, for obsolete, slow-moving and defective inventory items.

2.8 Fixed assets

Tangible and intangible fixed assets

Fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the fixed assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Fixed assets (continued)

Depreciation and amortisation

Fixed assets are depreciated using the straight-line method so as to write off the cost of the assets over their estimated useful lives or over the term of the Investment Certificate. The estimated useful lives range as below:

Building	20 - 40 years
Machinery and equipment	5 - 10 years
Motor vehicles	10 years
Office equipment	7 years
Software	3 years

Land use rights are amortised, using the straight-line method over 46 years in accordance with the terms indicated in the land use right certificate issued by Vietnam Singapore Industrial Park dated 24 October 2012.

Disposals

Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are recognised as income or expense in the income statement.

2.9 Leased assets

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.10 Prepaid expenses

Prepaid expenses include short-term or long-term prepayments on the balance sheet and are mainly prepaid loan guarantee, prepaid office furniture. Prepaid expenses are recorded at historical cost and allocated to expenses using the straight line method over the allocation period.

2.11 Payables

Classifications of payables are based in their natures as follows:

- Trade accounts payable are trade payables arising from purchase of goods and services.
- Intercompany payables: payables between the superior unit and the subordinate unit which has no legal status and in dependent cost-accounting.
- Other payables including non-trade payables, and not relating to purchase of goods and services .

Payables are reclassified on the balance sheet based on remaining period from the balance sheet date to the maturity date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Borrowing costs

Borrowing costs that are directly attributable to the construction or production of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in the income statement when incurred.

2.13 Accrued expenses

Accrued expenses include liabilities for goods and services received in the fiscal year but not yet paid due to pending invoice or sufficient records and documents. Accrued expenses are recorded as expenses in the fiscal year.

2.14 Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provision is not recognised for future operating losses.

Provisions are measured at the expenditures expected to be required to settle the obligation. If the time value of money is material, provision will be measured at the present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expenses.

2.15 Revenue recognition

(a) Sales of goods

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods.

(b) Interest income

Interest income is recognised on an earned basis.

2.16 Cost of sales

Cost of goods sold or cost of services are cost of finished goods, merchandises, materials sold during the period, and recorded on the basis of matching with revenue and on prudent concept.

2.17 Financial expenses

Finance expenses are expenses incurred in the year for financial activities including expenses of borrowings, losses incurred when selling foreign currencies, losses from exchange rates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Selling expenses

Selling expenses represent expenses that are incurred in process of selling products, goods, providing services, which mainly include branding fee.

2.19 General administration expenses

General administration expenses represent expenses for administrative purposes which mainly including salary expenses of administrative staffs (salaries, wages, allowances, etc.); social insurance, medical insurance, labor union fees, unemployment insurance of administrative staff, expenses of office materials, tools and supplies, depreciation of fixed assets used for administration, land rental, licence tax, utilities (electricity, water, telephone, fax, assets warranty, fire and explosive accidents insurance, etc.) other cash expenses (entertainment, etc.).

2.20 Current and deferred income tax

Income taxes include all income taxes which are based on taxable profits including profits generated from production and trading activities in other countries with which the Socialist Republic of Vietnam has not signed any double taxation agreement. Income tax expense comprises current tax expense and deferred tax expense.

Current income tax is the amount of income taxes payable or recoverable in respect of the current year taxable profit and the current tax rates. Current and deferred tax should be recognized as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different period, directly in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of occurrence affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.21 Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

3 CASH AND CASH EQUIVALENTS

	2016 VND	2015 VND
Cash at bank	3,535,070,152	3,963,274,596

4 SHORT-TERM TRADE ACCOUNTS RECEIVABLE

	2016 VND	2015 VND
Third parties:		
Crown Beverage Cans Saigon Limited	128,613,389,810	67,296,983,868
Crown Beverage Cans (Dong Nai) Limited	118,599,934,826	59,030,374,835
Crown Beverage Cans Danang Limited	51,439,315,195	-
Sabeco - Song Lam Packaging Joint Stock Company	24,288,526,202	53,114,200,726
API Vietnam Company Limited	-	13,610,011,714
	322,941,166,033	193,051,571,143

5 INVENTORIES

	2016 VND	2015 VND
Raw materials	146,458,689	606,306,957
Work in progress	76,793,016,295	47,576,102,768
Finished goods	10,769,042,265	6,417,755,205
	87,708,517,249	54,600,164,930

6 FIXED ASSETS

(a) Tangible fixed assets

	Building VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Total VND
Historical cost					
At 1 April 2015	38,426,689,122	26,093,073,789	4,903,630,161	3,918,476,885	**73,341,869,957**
New purchases	67,475,000	553,176,984	241,874,556	313,765,001	**1,176,291,541**
Disposals	-	(341,012,000)	-	-	**(341,012,000)**
At 31 March 2016	38,494,164,122	26,305,238,773	5,145,504,717	4,232,241,886	**74,177,149,498**
Accumulated depreciation					
At 1 April 2015	3,517,117,551	3,034,210,142	830,729,123	792,968,717	**8,175,025,533**
Charge for the year	2,062,112,017	2,719,544,086	519,586,523	574,723,602	**5,875,966,228**
Disposals	-	(91,933,098)	-	-	**(91,933,098)**
At 31 March 2016	5,579,229,568	5,661,821,130	1,350,315,646	1,367,692,319	**13,959,058,663**
Net book value					
At 1 April 2015	34,909,571,571	23,058,863,647	4,072,901,038	3,125,508,168	**65,166,844,424**
At 31 March 2016	32,914,934,554	20,643,417,643	3,795,189,071	2,864,549,567	**60,218,090,835**

Cost of fully depreciated tangible fixed assets but still in use as at 31 March 2016 was nil (2015: nil).

6 FIXED ASSETS (continued)

(b) Intangible fixed assets

	Land use rights VND	Software VND	Total VND
Historical cost			
At 1 April 2015 and 31 March 2016	20,843,966,666	315,818,355	**21,159,785,021**
Accumulated amortisation			
At 1 April 2015	1,110,286,697	146,858,058	**1,257,144,755**
Charge for the year	460,209,438	105,272,789	**565,482,227**
At 31 March 2016	1,570,496,135	252,130,847	**1,822,626,982**
Net book value			
At 1 April 2015	19,733,679,969	168,960,297	**19,902,640,266**
At 31 March 2016	19,273,470,531	63,687,508	**19,337,158,039**

Cost of fully depreciated intangible fixed assets but still in use as at 31 March 2016 was nil (2015: nil).

7 SHORT-TERM TRADE ACCOUNTS PAYABLE

	2016 VND	2015 VND
Related parties (Note 23(b))	189,407,739,345	44,915,088,496
Third parties	5,131,500,496	3,936,998,967
	194,539,239,841	48,852,087,463

8 TAXES AND OTHER PAYABLES TO THE STATE BUDGET

	2016 VND	2015 VND
Business income tax	257,246,817	2,442,108,629
Personal income tax	110,934,822	91,631,628
	368,181,639	2,533,740,257

9 OTHER SHORT-TERM PAYABLES

	2016 VND	2015 VND
Loan guarantee fee - Novelis Korea Limited (Note 23(b))	19,295,227,800	13,645,498,492
Staff relocation recharge - Novelis Corp. (Note 23(b))	1,711,378,269	1,407,367,303
Legal fee - Novelis Korea Limited (Note 23(b))	657,593,895	657,593,895
IT and staff relocation recharge - Novelis Inc., (Note 23(b))	66,155,106	3,431,605,922
Branding fee - Novelis Services (Note 23(b))	-	217,254,930
Others	8,064,867	36,785,674
	21,738,419,937	19,396,106,216

10 SHORT-TERM BORROWINGS

Movement of the bank loans are as below:

	VND
As at 1 April 2015	249,122,527,331
Increase	627,027,166,581
Decrease	(668,047,477,528)
As at 31 March 2016	208,102,216,384

10 SHORT-TERM BORROWINGS (continued)

Details of bank loans are as follows:

Lender	Credit line VND	Interest per annum	Loan balance as at 31 March 2016 VND	2015 VND	Guarantee
Shinhan Bank Vietnam Limited					
Borrowing 1	210,000,000,000	Market Funding Cost 3 months + 1.75% (VND withdraw) Libor 3 months + 2.5% (USD withdrawal)	140,503,450,625	26,219,638,138	Letter of Guarantee (Novelis Korea)
Borrowing 2	168,000,000,000	Market Funding Cost 3 months + 1.6% (VND withdraw) Libor 3 months + 2.5% (USD withdrawal)	37,815,831,259	88,098,344,531	Stand-by LC (Shinhan bank in Korea)
Standard Chartered Bank Vietnam Limited	84,200,000,000	VNIBOR 2 months + 2.2%	29,782,934,500	41,997,068,300	Letter of Guarantee (Novelis Korea)
Korea Exchange Bank, Hanoi branch					
Borrowing 1	50,000,000,000	State Bank of Vietnam's basic rate - 0.725%	-	50,000,000,000	Stand-by LC (KEB Seoul)
Borrowing 2	82,400,000,000	State Bank of Vietnam's basic rate - 2.5%	-	42,807,476,362	Stand-by LC (KEB Seoul)
			208,102,216,384	249,122,527,331	

11 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The offset amounts are as follows:

	2016 VND	2015 VND
Deferred tax assets to be recovered within 12 months	263,578,286	101,757,670

The gross movement in the deferred income tax, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	2016 VND	2015 VND
Beginning of year	101,757,670	4,395,179,509
Income statement credit/(charge)	161,820,616	(4,293,421,839)
End of year	263,578,286	101,757,670

Balance of deferred tax assets is the deductible temporary differences.

The Company uses tax rate of 20% in year 2016 (2015: 22%) for determining deferred tax assets.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

12 OWNER'S CAPITAL

	Charter capital US$	%	Amount contributed US$	Equivalent VND
Novelis Inc.,	1,000,000	100	1,000,000	20,820,000,000

Pursuant to Investment Certificate No. 8703080842 dated 15 December 2015, the charter capital of the Company is US$1,000,000 which has been fully contributed, equivalent to VND20,820,000,000 as translated using the exchange rate at the time of contribution. The investment capital of the project is US$4,875,000, equivalent to VND102,375,000,000.

13 MOVEMENTS IN OWNER'S EQUITY

	Owner's capital VND	(Accumulated losses)/ Undistributed earnings VND	Total VND
As at 1 April 2014	20,820,000,000	(16,157,757,359)	**4,662,242,641**
Profit for the year	-	45,187,301,861	**45,187,301,861**
As at 31 March 2015	20,820,000,000	29,029,544,502	**49,849,544,502**
Profit for the year	-	62,338,765,617	**62,338,765,617**
As at 31 March 2016	20,820,000,000	91,368,310,119	**112,188,310,119**

14 OFF BALANCE SHEET ITEMS

Included in cash and cash equivalents are balances held in foreign currencies of US$25,828 (2015: US$46,122).

15 SALES

	2016 VND	2015 VND
Sales of goods to third parties	1,417,226,981,887	789,975,041,356

16 COST OF SALES

	2016 VND	2015 VND
Cost of finished goods sold	1,288,813,915,911	669,711,662,179
Inventory losses	1,061,979,208	3,311,992,321
	1,289,875,895,119	673,023,654,500

17 FINANCIAL INCOME

	2016 VND	2015 VND
Interest income	153,030,737	888,549,118
Realized foreign exchange gains	494,780,739	1,195,252,351
Net gain from foreign currency translation at year-end	-	360,357,008
	647,811,476	2,444,158,477

18 FINANCIAL EXPENSES

	2016 VND	2015 VND
Interest expense	16,989,881,302	24,866,895,656
Loan guarantee fees	5,461,650,011	7,598,022,637
Realized foreign exchange losses	6,174,466,582	1,893,466,226
Net loss from foreign currency translation at year-end	636,577,524	-
	29,262,575,419	34,358,384,519

19 SELLING EXPENSES

	2016 VND	2015 VND
Branding fee	4,353,856,565	1,169,298,189
Others	-	100,486,473
	4,353,856,565	1,269,784,662

20 GENERAL AND ADMINISTRATION EXPENSES

	2016 VND	2015 VND
Labour costs	8,551,097,954	10,863,266,190
Rental and management fees	1,319,665,466	1,307,250,311
Outsourced services	1,795,209,400	1,221,724,555
Tax, legal and audit fees	1,142,878,631	827,808,859
Depreciation and amortisation of fixed assets	261,402,826	225,091,953
Others	1,144,568,335	2,480,536,398
	14,214,822,612	16,925,678,266

21 BUSINESS INCOME TAX

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate of 22% from 1 April 2015 to 31 December 2015 and 20% since 1 January 2016 as follows:

	2016 VND	2015 VND
Net accounting profit before tax	79,852,138,138	62,439,322,497
Tax calculated at tax rate 22% and 20% (2015: 22%)	17,200,432,420	13,736,650,949
Effect of:		
Expenses not deductible for tax purposes	474,760,717	154,045,653
Utilisation of previously unrecognised tax losses	-	(932,097,805)
(Overprovision)/Underprovision in previous years	(161,820,616)	4,293,421,839
Business income tax charge (*)	17,513,372,521	17,252,020,636
Charged/(credited) to income statement:		
Business income tax – current	17,675,193,137	12,958,598,797
Business income tax – deferred (Note 11)	(161,820,616)	4,293,421,839
	17,513,372,521	17,252,020,636

(*) The business income tax charge for the year is based on estimated taxable income and is subject to review and possible adjustment by the tax authorities.

22 EXPENSES BY FACTOR

	2016 VND	2015 VND
Raw materials	751,030,699,943	269,915,136,838
Tolling fee (Note 23(a))	515,955,207,871	231,303,587,677
Outsourced services	43,719,201,270	28,209,266,178
Labour cost	19,557,751,442	21,605,074,454
Depreciation expense	6,441,448,455	5,941,577,855
Branding fee	4,353,856,565	1,169,298,189
Other cash expenses	-	100,486,473
	1,341,058,165,546	558,244,427,664

23 RELATED PARTY TRANSACTIONS

The Company is controlled by Novelis Inc., which owns 100% of the Company's charter capital. Novelis Inc., is the ultimate parent of the company which is incorporated in Canada.

(a) Related party transactions

During the year, the following transactions were carried out with related parties:

	2016 VND	2015 VND
i) Compensation of key management		
Gross salaries and other benefits	5,744,373,727	7,415,097,455
ii) Expenses charged		
Tolling fee - Novelis Korea Limited	515,955,207,871	231,303,587,677
Loan guarantee fee - Novelis Korea Limited	5,649,729,185	7,374,736,238
Branding fee - Novelis Services	4,594,744,152	1,219,412,241
IT support - Novelis Inc.,	1,705,209,400	2,011,198,840
Staff reallocation recharges - Novelis Corp.	243,923,170	663,767,851
Staff reallocation recharges - Novelis Inc.,	-	518,046,158

(b) Year end balances with related parties

	2016 VND	2015 VND
Short-term trade accounts payable (Note 7)		
Novelis Korea Limited	189,407,739,345	44,915,088,496
Other short-term payables (Note 9)		
Loan guarantee - Novelis Korea Limited	19,295,227,800	13,645,498,492
Staff relocation recharge - Novelis Corp.	1,711,378,269	1,407,367,303
Legal fee - Novelis Korea Limited	657,593,895	657,593,895
IT and staff relocation recharge - Novelis Inc.,	66,155,106	3,431,605,922
Branding fee - Novelis Services	-	217,254,930
	21,730,355,070	19,359,320,542

24 COMMITMENTS UNDER OPERATING LEASES

The future minimum lease payments under non-cancellable operating leases are as follows:

	2016 VND	2015 VND
Within 1 year	2,776,463,686	3,533,098,360
Between 1 and 5 years	2,924,371,720	357,057,855
Total minimum payments	5,700,835,406	3,890,156,215

25 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation following the adoption of Circular 200 in balance sheet as follows:

		As at 31 March 2015		
Code		As previously reported VND	Reclassification VND	As restated VND
136	Other short-term receivable	162,446,791	463,140,000	625,586,791
155	Other current assets	463,140,000	(463,140,000)	-
216	Other long-term receivable	-	393,745,590	393,745,590
268	Other long-term assets	393,745,590	(393,745,590)	-

The financial statements were approved by the General Manager on 16 May 2016.

Tran Thi My Linh
Chief Accountant/Preparer

CÔNG TY TNHH NOVELIS VIỆT NAM

Lee EunHyuk
General Manager

NOVELIS SERVICES (NORTH AMERICA) INC.

ADITYA BIRLA
NOVELIS

CERTIFICATION

I, Derek Keddy, have reviewed the attached unaudited standalone financial statements for Novelis Services (North America) Inc and certify that the information included therein accurately reflects the financial position of Novelis Services (North America) Inc as of 31 March 2016 and the results of its operations for the year then ended.

Signature

DEREK KEDDY

Print Name

VP Finance Novelis North America

Title

8/25/2016

Date

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

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

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

Novelis Services (North America) Inc
Financial Statements as of
March 31, 2016
Unaudited

Novelis Services (North America) Inc.
BALANCE SHEET
(In thousands, except number of shares)

	March 31, 2016	March 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 1	$ -
Accounts receivable, net		
— related parties	-	-
Prepaid expenses and other current assets	$ -	$ 7
Total current assets	1	7
Total assets	$ 1	$ 7
LIABILITIES AND SHAREHOLDER'S EQUITY		
Accounts payable		
— related parties	$ 1	$ 7
Total liabilities	1	7
Shareholder's equity		
Common stock, no par value; 1,000 shares authorized; 1,000 shares issued and outstanding as of March 31, 2016 and 2015	-	-
Additional paid–in capital	-	-
Retained Earnings	-	-
Accumulated other comprehensive loss	-	-
Total shareholder's equity	-	-
Total liabilities and shareholder's equity	$ 1	$ 7

See accompanying notes to the financial statements.

Novelis Services (North America) Inc.
STATEMENT OF OPERATIONS
(In thousands)

	Year Ended March 31,	
	2016	**2015**
Selling, general and administrative expenses	$ -	$ -
Interest Income — related parties	-	-
Other income, net	-	-
	-	-
Income before income taxes	$ -	$ -
Income tax provision	-	-
Net income	$ -	$ -

See accompanying notes to the financial statements

Novelis Services (North America) Inc.
STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Year Ended March 31,	
	2016	**2015**
Net income	$ -	$ -
Comprehensive income	$ -	$ -

See accompanying notes to the financial statements.

Novelis Services (North America) Inc.
STATEMENT OF CASH FLOWS
(In thousands)

	Year Ended March 31,	
	2016	**2015**
OPERATING ACTIVITIES		
Net income	$ -	$ -
Adjustments to determine net cash provided by operating activities:		
Changes in assets and liabilities:		
Accounts payable	(5)	7
Other current assets	(1)	-
Net cash provided by operating activities	(6)	7
INVESTING ACTIVITIES		
Net cash provided by investing activities	-	-
FINANCING ACTIVITIES		
Net cash provided by financing activities	-	-
Net increase in cash and cash equivalents	(6)	7
Cash and cash equivalents — beginning of period	7	-
Cash and cash equivalents — end of period	$ 1	$ 7

See accompanying notes to the financial statements

Novelis Services (North America) Inc.
STATEMENT OF SHAREHOLDER'S EQUITY
(In thousands, except number of shares)

	Common Shares		Total
	Shares	Amount	Equity
Balance as of December 3, 2014	1,000	$ -	$ -
Net income	-	-	-
Balance as of March 31, 2015	1,000	-	-
Net income	-	-	-
Balance as of March 31, 2016	1,000	$ -	$ -

See accompanying notes to the financial statements

Novelis Services (North America) Inc.
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 Services (North America) Inc. unless the context specifically indicates otherwise.

Organization of Business

Novelis Services (North America) Inc. was formed in the United States of America on December 3, 2014. This entity provides cash management services for factoring transactions. All Novelis Services (North America) Inc's common shares are directly held by Novelis Corporation. All of Novelis Corporation's common shares are directly held by Novelis Holdings Inc. All of Novelis Holdings Inc's common shares are directly held by Novelis Inc. (Canada). The Company's functional and reporting currency is United States Dollar (USD).

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 as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. 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 Presentation

These financial statements have been prepared solely to satisfy the reporting requirements of the ultimate parent company, Hindalco Industries Limited, to present separate subsidiary financial statements in accordance with Sections 136 and 137 of the Companies Act, 2013 in India (2013 Act). The results of the Company's separate financial statements are also included in the consolidated financial statements of our direct parent, Novelis Inc., and of our ultimate parent, Hindalco Industries Limited, and those consolidated financial statements are publicly available. These statements have not been audited, as there is no local jurisdictional requirement to present audited stand alone legal entity financial statements.

The 2013 Act, as interpreted, states the format of accounts of foreign subsidiaries should be, as far as possible, in accordance with the requirements under the Companies Act, 2013. The books and records of Novelis Inc. are prepared and recorded under U.S. GAAP. These standalone unconsolidated financial statements are prepared for the sole purpose of complying with the 2013 Act and it is not feasibly possible to present these statements in another basis of accounting other than books and records of the subsidiary.

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.

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.

Related Party Transactions

Included in the accompanying financial statements are transactions and balances arising from business we conduct with our indirect parent, Novelis Inc., or with subsidiaries of Novelis Inc., which we classify as related party transactions and balances. As of March 31, 2016 and March 31, 2015 we had an outstanding accounts payable due to Novelis Corporation of $1 thousand and $7 thousand respectively, which is shown as "Accounts payable — related party" in the accompanying balance sheet.

BRECHA ENERGETICA LTDA.

ADITYA BIRLA
NOVELIS

CERTIFICATION

I, Marcello Schutzer, have reviewed the attached unaudited standalone financial statements for Brecha Energetica Ltda. and certify that the information included therein accurately reflects the financial position of Brecha Energetica Ltda. as of 31 March 2016 and the results of its operations for the year then ended.

Marcello Schutzer

Signature

MARCELLO SCHUTZER

Print Name

DIRECTOR

Title

8/18/16

Novelis
3560 Lenox Rd, Suite 2000
Atlanta, Georgia 30326

Telephone +1 404 760 4000
Fax +1 404 760 0129

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

Brecha Energética Ltda.

Financial statements at
March 31, 2016

Brecha Energética Ltda.

Balance sheet
All amounts in Reais

Assets	**2016**	**2015**	**Equity**	**2016**	**2015**
Current assets			Equity		
Cash and cash equivalents	1.000	1.000	Share capital	1.000	1.000
Total assets	1.000	1.000	Total equity	1.000	1.000

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

Brecha Energética Ltda.

Statement of changes in equity
All amounts in Reais

	Share capital	Retained earnings	Total
Capital subscription (articles of organization of 4/25/14)	1.000	0	1.000
At March 31, 2015	1.000	0	1.000
At March 31, 2016	-	-	-

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

1 General information

Brecha Energética Ltda.

Brecha Energética Ltda. is a limited liability company controlled by Novelis do Brasil Ltda., headquartered in the city of Ponte Nova, in the state of Minas Gerais, primarily engaged in the generation, transmission, distribution and wholesale trade of electric energy upon appropriate authorization from the National Electric Energy Agency (Aneel).

The Company is dormant since its incorporation on April 25, 2014, without any activity carried out until the end of its fiscal year on March 31, 2016.

Novelis Group

The Novelis Group is the world leader in aluminum rolled products and aluminum recycling. Based on the Company's capacity, commitment to innovation and cutting-edge technology, Novelis offers sustainable solutions for the most demanding applications, which include automobiles, beverage cans, civil construction, architectural materials, electronic goods, transportation, among others.

Most of the Company's aluminum products are made from recyclable materials, preserving natural resources and allowing the creation of products with a lower environmental impact.

Novelis, with its headquarters in the city of São Paulo, has two plants located in Pindamonhangaba and Santo André, both in the state of São Paulo, which together carry out aluminum sheet and foil rolling, recycling and toll manufacturing operations.

The main markets served by Novelis are: aluminum cans, specialty products, industrial, foil, packaging and transportation, with the beverage cans segment being the main market.

In response to the increasing demand for aluminum laminates, Novelis expanded the Pindamonhangaba plant in fiscal year 2014, installed a new beverage can painting line, and increased its aluminum recycling capacity in the fiscal year 2015.

Novelis also has eight collection centers distributed across five states (São Paulo, Minas Gerais, Bahia, Recife and Pará) and two small hydroelectric plants in the state of Minas Gerais.

It has a total of around 1,500 employees.

In 2013 Novelis started restructuring its non-strategic businesses, with the sale of the aluminum production assets and the closing of an aluminum production line in Ouro Preto, Minas Gerais.

In December 2014, continuing its global strategy of focusing its businesses on the rolling segment, Novelis sold its mining rights, closed the remaining operations of the production unit in Ouro Preto, Minas Gerais, and sold its stake in Consórcio da Usina Hidroelétrica de Candonga ("Candonga Consortium"). In February 2015 the Company also sold Usina Maynart Energética, which comprised six small hydroelectric plants, all of them in the State of Minas Gerais.

2 Summary of significant accounting policies

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

2.1 New standards that are not yet effective

The following new standards were issued by IASB but are not effective for 2015. The early adoption of standards, even though encouraged by IASB, has not been implemented in Brazil by the Brazilian Accounting Pronouncements Committee (CPC).

. IFRS 9, "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014 and is effective from January 1, 2018. It replaces the guidance included in IAS 39 related to the classification and measurement of financial instruments. The main amendments introduced by IFRS 9 are: (i) new criteria for the classification of financial assets; (ii) new impairment model for financial assets, which is a hybrid of expected and incurred losses, replacing the current model of incurred losses; and (iii) relaxation of the requirements for the adoption of hedge accounting. Management has yet to assess IFRS 9's full impact.

. IFRS 15, "Revenue from Contracts with Customers" introduces the principles to be applied by an entity to determine the measurement and recognition of revenue. The effective date is January 1, 2018 and replaces IAS 11 - "Construction Contracts", IAS 18 - "Revenue" and related interpretations. Management has yet to assess IFRS 15's full impact.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group’s financial statements.

2.2 Cash and cash equivalents

Cash and cash equivalents include deposits with banks.

3 Equity

(a) Share capital

The share capital, subscribed and paid up on April 24, 2014, in the amount of R$ 1.000, is represented by 1.000 quotas with par value of R$ 1.00 each.

ADITYA BIRLA
NOVELIS

CERTIFICATION

I, Marcello Schutzer, have reviewed the attached unaudited standalone financial statements for Brito Energetica Ltda. and certify that the information included therein accurately reflects the financial position of Brito Energetica Ltda. as of 31 March 2016 and the results of its operations for the year then ended.

Marcello Schutzer

Signature

MARCELLO SCHUTZER

Print Name

DIRECTOR

Title

8/18/16

Novelis
3560 Lenox Rd, Suite 2000
Atlanta, Georgia 30326

Telephone +1 404 760 4000
Fax +1 404 760 0129

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

Brito Energética Ltda.
Financial statements at
March 31, 2016

Brito Energética Ltda.

Balance sheet
All amounts in Reais

Assets	2016	2015	Equity	2016	2015
Current assets			Equity		
Cash and cash equivalents	1.000	1.000	Share capital	1.000	1.000
Total assets	1.000	1.000	Total equity	1.000	1.000

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

Brito Energética Ltda.

Statement of changes in equity
All amounts in Reais

	Share capital	Retained earnings	Total
Capital subscription (articles of organization of 4/25/14)	1.000	0	1.000
At March 31, 2015	1.000	0	1.000
At March 31, 2016	-	-	-

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

1 General information

Brito Energética Ltda.

Brito Energética Ltda. is a limited liability company controlled by Novelis do Brasil Ltda., headquartered in the city of Ponte Nova, in the state of Minas Gerais, primarily engaged in the generation, transmission, distribution and wholesale trade of electric energy upon appropriate authorization from the National Electric Energy Agency (Aneel).

The Company is dormant since its incorporation on April 25, 2014, without any activity carried out until the end of its fiscal year on March 31, 2016.

Novelis Group

The Novelis Group is the world leader in aluminum rolled products and aluminum recycling. Based on the Company's capacity, commitment to innovation and cutting-edge technology, Novelis offers sustainable solutions for the most demanding applications, which include automobiles, beverage cans, civil construction, architectural materials, electronic goods, transportation, among others.

Most of the Company's aluminum products are made from recyclable materials, preserving natural resources and allowing the creation of products with a lower environmental impact.

Novelis, with its headquarters in the city of São Paulo, has two plants located in Pindamonhangaba and Santo André, both in the state of São Paulo, which together carry out aluminum sheet and foil rolling, recycling and toll manufacturing operations.

The main markets served by Novelis are: aluminum cans, specialty products, industrial, foil, packaging and transportation, with the beverage cans segment being the main market.

In response to the increasing demand for aluminum laminates, Novelis expanded the Pindamonhangaba plant in fiscal year 2014, installed a new beverage can painting line, and increased its aluminum recycling capacity in the fiscal year 2015.

Novelis also has eight collection centers distributed across five states (São Paulo, Minas Gerais, Bahia, Recife and Pará) and two small hydroelectric plants in the state of Minas Gerais.

It has a total of around 1,500 employees.

In 2013 Novelis started restructuring its non-strategic businesses, with the sale of the aluminum production assets and the closing of an aluminum production line in Ouro Preto, Minas Gerais.

In December 2014, continuing its global strategy of focusing its businesses on the rolling segment, Novelis sold its mining rights, closed the remaining operations of the production unit in Ouro Preto, Minas Gerais, and sold its stake in Consórcio da Usina Hidroelétrica de Candonga ("Candonga Consortium"). In February 2015 the Company also sold Usina Maynart Energética, which comprised six small hydroelectric plants, all of them in the State of Minas Gerais.

2 Summary of significant accounting policies

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

2.1 New standards that are not yet effective

The following new standards were issued by IASB but are not effective for 2015. The early adoption of standards, even though encouraged by IASB, has not been implemented in Brazil by the Brazilian Accounting Pronouncements Committee (CPC).

. IFRS 9, "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014 and is effective from January 1, 2018. It replaces the guidance included in IAS 39 related to the classification and measurement of financial instruments. The main amendments introduced by IFRS 9 are: (i) new criteria for the classification of financial assets; (ii) new impairment model for financial assets, which is a hybrid of expected and incurred losses, replacing the current model of incurred losses; and (iii) relaxation of the requirements for the adoption of hedge accounting. Management has yet to assess IFRS 9's full impact.

. IFRS 15, "Revenue from Contracts with Customers" introduces the principles to be applied by an entity to determine the measurement and recognition of revenue. The effective date is January 1, 2018 and replaces IAS 11 - "Construction Contracts", IAS 18 - "Revenue" and related interpretations. Management has yet to assess IFRS 15's full impact.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group's financial statements.

2.2 Cash and cash equivalents

Cash and cash equivalents include deposits with banks.

3 Equity

(a) Share capital

The share capital, subscribed and paid up on April 24, 2014, in the amount of R$ 1.000, is represented by 1.000 quotas with par value of R$ 1.00 each.

NOVELIS (INDIA) INFOTECH LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NOVELIS (INDIA) INFOTECH LIMITED

Report on the Financial Statements

1. We have audited the accompanying financial statements of Novelis (India) Infotech Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements to give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.

4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.

5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditors' 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Price Waterhouse
Chartered Accountants
FRN 301112E
Mumbai

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2016, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

9. As required by 'the Companies (Auditor's Report) Order, 2016', issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order.

10. As required by Section 143 (3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

(c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

(d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

(e) On the basis of the written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A.

Price Waterhouse
Chartered Accountants
FRN 301112E
Mumbai

(g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:

i. The Company has disclosed the impact, if any, of pending litigations as at March 31, 2016, on its financial position in its standalone financial statements – Refer Note 11.

ii. The Company did not have any long-term contracts including derivative contracts as at March 31, 2016.

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2016.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Arun Ramdas

Arunkumar Ramdas
Partner
Membership Number: 112433

Mumbai
Date: August 26, 2016

Annexure A to Independent Auditors' Report

Referred to in paragraph 10(f) of the Independent Auditors' Report of even date to the members of Novelis (India) Infotech Limited on the financial statements for the year ended March 31, 2016.

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls over financial reporting of Novelis (India) Infotech Limited ("the Company") as of March 31, 2016, in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

6. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are

Price Waterhouse
Chartered Accountants
FRN 301112E
Mumbai

Annexure A to Independent Auditors' Report

Referred to in paragraph 10(f) of the Independent Auditors' Report of even date to the members of Novelis (India) Infotech Limited on the financial statements for the year ended March 31, 2016.

being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Arun Ramdas

Arunkumar Ramdas
Partner
Membership Number: 112433

Mumbai
Date: August 26, 2016

Annexure B to Independent Auditors' Report
Referred to in paragraph 9 of the Independent Auditors' Report of even date to the members of Novelis (India) Infotech Limited on the financial statements as of and for the year ended March 31, 2016.

i. The Company does not hold any fixed assets during the year ended March 31, 2016. Therefore, the provisions of Clause 3(i) of the said Order are not applicable to the Company.

ii. The Company was in the business of rendering services, and consequently, does not hold any inventory. Therefore, the provisions of Clause 3(ii) of the said Order are not applicable to the Company.

iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.

iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.

v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.

vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.

vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of tax deducted at source though there has been a slight delay in a few cases, and is regular in depositing other undisputed statutory dues, as applicable, with the appropriate authorities.

(b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, as at March 31, 2016 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	48,170	A.Y. 2011-12	Income Tax Officer
Income Tax Act, 1961	Tax deducted at source	380,256	A.Y. 2011-12	Income Tax Officer

viii. As the Company does not have any loans or borrowings from any financial institution or bank or Government, nor has it issued any debentures as at the balance sheet date, the provisions of Clause 3(viii) of the Order are not applicable to the Company.

ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.

x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.

xi. The Company has not paid any managerial remuneration during the year. Therefore, the provisions of Clause 3(xi) of the Order are not applicable to the Company.

Price Waterhouse
Chartered Accountants
FRN 301112E
Mumbai

xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.

xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard (AS) 18, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.

xv. The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.

xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Arun Ramdas

Arunkumar Ramdas
Partner
Membership Number: 112433

Mumbai
Date: August 26, 2016

NOVELIS (INDIA) INFOTECH LIMITED
BALANCE SHEET AS AT MARCH 31, 2016

	Note	As at March 31, 2016 Rs.	As at March 31, 2015 Rs.
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	3	10,000,000	10,000,000
Reserves and Surplus	4	13,004,189	12,177,731
		23,004,189	**22,177,731**
Current Liabilities			
Trade Payables	5		
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of Creditors other than micro enterprises and small enterprises		1,268,852	1,854,130
Other Current Liabilities	6	406,803	570,005
Short-Term Provisions	7	239,823	239,823
		1,915,478	**2,663,958**
		24,919,667	**24,841,689**
ASSETS			
Current Assets			
Cash and Bank Balances	8	20,548,402	19,425,776
Short-Term Loans and Advances	9	1,435,760	1,440,623
Other Current Assets	10	2,935,505	3,975,290
		24,919,667	**24,841,689**
		24,919,667	**24,841,689**

The accompanying Notes are integral part of these Financial Statements.

This is the Balance Sheet referred to in our report of even date.

For **Price Waterhouse**
Firm Registration No: 301112E
Chartered Accountants

Arunkumar Ramdas
Partner
Membership No. 112433

Place: Mumbai
Date: August 26, 2016

For and on behalf of the Board of Directors

Anil Malik
Director
DIN No. 00170411

Place: Mumbai
Date: August 26, 2016

Debashish Ray
Director
DIN No. 02532601

Place: Mumbai
Date: August 26, 2016

Debashish Ghosh
Company Secretary

Place: Mumbai
Date: August 26, 2016

NOVELIS (INDIA) INFOTECH LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

	Note	For the year ended March 31, 2016 Rs.	For the year ended March 31, 2015 Rs.
REVENUE			
Other Income	12	1,047,621	1,182,746
Total Revenue		**1;047,621**	**1,182,746**
EXPENSES			
Employee Benefit Expense	13	-	-
Other Expenses (Net)	14	24,993	6,430
Total Expenses		**24,993**	**6,430**
Profit Before Tax		**1,022,628**	**1,176,316**
Tax Expense:			
Current Tax		323,715	398,000
Less: Minimum Alternate Tax Credit Entitlement		(127,545)	(163,000)
Profit for the Year		**826,458**	**941,316**
Earnings per Equity Share [Nominal value per share: Rs.10 (March 31, 2015: Rs. 10] (Refer Note 22)			
- Basic and Diluted		0.83	0.94

The accompanying Notes are integral part of these Financial Statements.

This is the Statement of Profit and Loss referred to in our report of even date.

For **Price Waterhouse**
Firm Registration No: 301112E
Chartered Accountants

Arunkumar Ramdas
Partner
Membership No. 112433

Place: Mumbai
Date: August 26, 2016

For and on behalf of the Board of Directors

Anil Malik
Director
DIN No. 00170411

Place: Mumbai
Date: August 26, 2016

Debashish Ray
Director
DIN No. 02532601

Place: Mumbai
Date: August 26, 2016

Debashish Ghosh
Company Secretary

Place: Mumbai
Date: August 26, 2016

NOVELIS (INDIA) INFOTECH LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

	Rs.	Year ended March 31, 2016 Rs.	Year ended March 31, 2015 Rs.
A - CASH FLOW (USED IN)/ FROM OPERATING ACTIVITIES			
Profit Before Taxation		1,022,628	1,176,316
Adjustments for:			
Interest on Fixed Deposits	(1,047,621)		(1,182,746)
Deposit written off	-		25,000
		(1,047,621)	(1,157,746)
Operating Profit Before Working Capital Changes		(24,993)	18,570
Adjustments for changes in working capital			
Trade Receivables, Short- Term Loans and Advances and Other current assets	894,964		4,228,906
Trade Payables, Current Liabilities and Provisions	(748,480)		1,384,365
		146,484	5,613,271
Cash Flow From Operations		121,491	5,631,841
Income Tax paid		(201,307)	(1,385,220)
Net Cash Flow (Used in)/ From Operating Activities		**(79,816)**	**4,246,621**
B - CASH FLOW FROM/ (USED IN) INVESTING ACTIVITIES			
Deposits with maturity more than 3 Months but less than 12 months (Net)		(594,325)	(5,648,256)
Receipt from sale of fixed assets		-	2,800,000
Interest on Fixed Deposits		1,202,442	989,745
Net Cash From/ (Used in) Investing Activities		**608,117**	**(1,858,511)**
C - CASH FLOW FROM/ (USED IN) FINANCING ACTIVITIES			
		-	-
Net Cash From/ (Used in) Financing Activities		-	-
Net Increase in Cash and Cash Equivalents (A+B+C)		**528,301**	**2,388,110**
Cash and Cash Equivalents at the beginning of the year		5,277,520	2,889,410
Cash and Cash Equivalents at the end of the year		5,805,821	5,277,520
Net Increase in Cash and Cash Equivalents		**528,301**	**2,388,110**
Cash and Cash Equivalents comprise of:			
Balances with a Bank:			
- In Current Account		2,971,862	2,617,624
- In Term Deposits with Initial Maturity of 3 Months or less		2,833,959	2,659,896
Total		**5,805,821**	**5,277,520**

Note:

The Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard (AS) 3 "Cash Flow Statement" as specified in the Companies (Accounting Standard) Rules 2006.

This is the Cash Flow Statement referred to in our report of even date.

For **Price Waterhouse**
Firm Registration No: 301112E
Chartered Accountants

Arunkumar Ramdas
Partner
Membership No. 112433

Place: Mumbai
Date: August 26, 2016

For and on behalf of the Board of Directors

Anil Malik
Director
DIN No. 00170411

Place: Mumbai
Date: August 26, 2016

Debashish Ray
Director
DIN No. 02532601

Place: Mumbai
Date: August 26, 2016

Debashish Ghosh
Company Secretary

Place: Mumbai
Date: August 26, 2016

NOVELIS (INDIA) INFOTECH LIMITED
NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2016
AND THE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

1. Significant Accounting Policies:

(i) Accounting Convention

These financial statements have been prepared in accordance with the generally accepted accounting principles in India under the assumption that the Company will not continue as a going concern. Pursuant to Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules 2014, till the Standards of accounting or any addendum are prescribed by Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards notified under the Companies Act, 1956 shall continue to apply. Consequently, these financial statements have been prepared to comply in all material aspects with the accounting standards notified under Section 211(3C) of the Companies Act, 1956 [(Companies (Accounting Standards) Rules, 2006), as amended], issued by the Institute of Chartered Accountants of India and the other relevant provisions of the Companies Act, 2013.

All assets and liabilities have been classified as current or non-current as per the Company's operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013 (Refer Note 2).

The Ministry of Corporate Affairs (MCA) has notified the Companies (Accounting Standards) Amendment Rules, 2016 vide its notification dated 30 March 2016. The said notification read with Rule 3(2) of the Companies (Accounting Standards) Rules, 2006 is applicable to accounting period commencing on or after the date of notification i.e. 1 April 2016.

(ii) Foreign Currency Transactions

Foreign currency transactions are recorded at the exchange rates prevailing on the date of such transactions. Monetary assets and liabilities as at the Balance Sheet date are translated at the rates of exchange prevailing at the date of the Balance Sheet. Gains and losses arising on account of differences in foreign exchange rates on settlement/ translation of short-term monetary assets and liabilities are recognized in the Statement of Profit and Loss.

(iii) Use of Estimates

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities at the date of the Balance Sheet. Difference between the actual results and estimates are recognised in the period in which the results are known / materialise.

(iv) Accounting for Taxes

Income tax expense comprises current tax and deferred tax charge or credit.

(a) **Current Taxation**

Current tax is determined as the amount of tax payable in respect of taxable income for the year as per the " Income Tax Act, 1961 of India".

NOVELIS (INDIA) INFOTECH LIMITED ★ MUMBAI

Price Waterhouse Chartered Accountants FRN 301112E Mumbai

(b) **Deferred Taxation**

- Deferred tax resulting from timing differences between book and tax profits is accounted for under the liability method, at the enacted/ substantively enacted rate of tax to the extent that the timing differences are expected to crystallise.

- Deferred tax assets arising in situations where there are brought forward losses and unabsorbed depreciation, are recognised only when there is a virtual certainty supported by convincing evidence that such assets will be realised.

(v) Revenue Recognition

All the expenses incurred post discontinuance of business operations i.e. from July 1, 2013 are recovered from the Parent Company on accural basis at cost, as no services are being provided by the Company.

(vi) Other Income

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(vii) Cash and Cash Equivalents

In the cash flow statement, cash and cash equivalents include cash in hand, demand deposits with banks, other short- term highly liquid investments with original maturities of three month or less.

(viii) Provisions and Contingent Liabilities

Provisions: Provisions are recognised when there is a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is a reliable estimate of amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the Balance sheet date and are not discounted to its present value.

Contingent Liabilities: Contingent liabilities are disclosed when there is a possible obligation arising from the past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of amount cannot be made.

2. The Company provided Information Technology (IT) services to its parent and a fellow subsidiary. It has discontinued its business operations on June 30, 2013. Accordingly, these financial statements have been prepared under the assumption that the Company will not continue as a going concern. All current assets have been stated at the value at which they are realisable and all current liabilities have been stated at the value at which they are payable.

NOVELIS (INDIA) INFOTECH LIMITED MUMBAI

Price Waterhouse Chartered Accountants FRN 301112E Mumbai

NOVELIS (INDIA) INFOTECH LIMITED
NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2016
AND THE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

		As at March 31, 2016 Rs.	As at March 31, 2015 Rs.
3	**Share Capital**		
	Authorised:		
	25,000,000 (March 31, 2015: 25,000,000) Equity Shares of Rs.10 each	250,000,000	250,000,000
		250,000,000	**250,000,000**
	Issued, Subscribed and Paid-up:		
	1,000,000 (March 31, 2015: 1,000,000) Equity Shares of Rs. 10 each, fully paid up	10,000,000	10,000,000
	(Of the above, 999,940 (March 31, 2015: 999,940) Equity Shares of Rs.10 each, fully paid up, are held by the holding company, Novelis Inc., Canada.)		
		10,000,000	**10,000,000**

a. **Reconciliation of the Equity Shares Outstanding at the beginning and the end of the reporting period:**

	As at March 31, 2016		As at March 31, 2015	
	Number of shares	Rs.	Number of shares	Rs.
Balance as at the beginning of the year	1,000,000	10,000,000	1,000,000	10,000,000
Add: Additions during the year	-	-	-	-
Balance as at the end of the year	**1,000,000**	**10,000,000**	**1,000,000**	**10,000,000**

b. **Terms / Rights attached to Equity Shares:**
The Company has one class of Equity Shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company, in proportion to their shareholding.

c. **Details of shares held by shareholders holding more than 5% of Equity Shares in the Company:**

Name of shareholder	As at March 31, 2016		As at March 31, 2015	
	Number of Shares held	Percentage of Holding	Number of Shares held	Percentage of Holding
Novelis Inc., Canada, the Holding Company	999,940	99.99	999,940	99.99

		As at March 31, 2016 Rs.	As at March 31, 2015 Rs.
4	**Reserves and Surplus:**		
	Surplus in the Statement of Profit and Loss:		
	Balance at the beginning of the year	12,177,731	11,236,415
	Add: Profit for the year	826,458	941,316
	Balance at the end of the year	**13,004,189**	**12,177,731**

NOVELIS (INDIA) INFOTECH LIMITED ★ MUMBAI

Price Waterhouse Chartered Accountants FRN 301112E Mumbai

NOVELIS (INDIA) INFOTECH LIMITED
NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2016
AND THE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

		As at March 31, 2016 Rs.	As at March 31, 2015 Rs.
5	**Trade Payables**		
	Total outstanding dues of micro enterprises and small enterprises (Refer Note 20)	-	-
	Total outstanding dues of Creditors other than micro enterprises and small enterprises	1,268,852	1,854,130
		1,268,852	**1,854,130**
6	**Other Current Liabilities**		
	Statutory dues including Tax deducted at Source and Indirect Taxes	187,150	570,005
	Employee benefits payable	219,653	-
		406,803	**570,005**
7	**Short Term Provisions**		
	Provision for Income Tax [Net of Advance Taxes and Tax Deducted at Source Rs. 11,784,865 (March 31, 2015: Rs. 11,784,865)]	239,823	239,823
		239,823	**239,823**

NOVELIS (INDIA) INFOTECH LIMITED MUMBAI

Price Waterhouse Chartered Accountants FRN 301112E Mumbai

NOVELIS (INDIA) INFOTECH LIMITED
NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2016 AND THE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

		As at March 31, 2016 Rs.	As at March 31, 2015 Rs.
8	**Cash and Bank Balances**		
	Cash and Cash Equivalents:		
	Balances with a Bank:		
	- In Current Account	2,971,862	2,617,624
	- In Term Deposits with Initial Maturity of 3 Months or less	2,833,959	2,659,896
		5,805,821	5,277,520
	Other Bank Balances:		
	- Deposits with maturity more than 3 Months but less than 12 months	14,742,581	14,148,256
		20,548,402	**19,425,776**
9	**Short-Term Loans and Advances**		
	Unsecured, Considered Good:		
	Security Deposits	50,000	50,000
	Advances recoverable in cash or kind	-	10,000
	Advance Income Tax [(Net of Provision Rs 15,926,170 (March 31, 2015: Rs. 15,730,000)]	1,385,760	1,380,623
		1,435,760	**1,440,623**
10	**Other Current Assets**		
	Unsecured, Considered Good:		
	Interest accrued on Deposits	125,965	280,786
	Receivable from Sales tax Department	355,954	-
	Receivable from Parent Company	2,453,586	3,694,504
		2,935,505	**3,975,290**
11	**Contingent Liabilites**		
	Claims against the Company not acknowledged as debts:		
	Income Tax matters	428,426	561,257

Future cash flows in respect of the above matters are determinable only on receipt of judgment/ decisions pending with various forums/ authorities.

NOVELIS (INDIA) INFOTECH LIMITED MUMBAI

Price Waterhouse Chartered Accountants FRN 301112E Mumbai

NOVELIS (INDIA) INFOTECH LIMITED
NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2016
AND THE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

		For the year ended March 31, 2016 Rs.	For the year ended March 31, 2016 Rs.	For the year ended March 31, 2015 Rs.
12	**Other Income**			
	Interest Income on Fixed Deposit		1,047,621	1,182,746
			1,047,621	**1,182,746**
13	**Employee Benefits Expense**			
	Gratuity (Refer Note Below)		219,653	-
			219,653	-
	Less: Recovery of Expenses from Parent company *		(219,653)	-
			-	-

Note:
Novelis (India) Infotech Limited (the "Company") closed their operations on June 30, 2013. There were no employees on the Company's payroll as at March 31, 2012 and the Company settled dues of all its employees on a full and final basis. However, there were some employees who were absorbed in certain group companies of Hindalco Industries Limited, the ultimate holding company, after their full and final settlement with the Company. As per the current practice of Hindalco Group, for employee transfers within the group, the current employer needs to be reimbursed on cost basis for the portion of gratuity paid/payable, pertaining to service rendered by the employee with the previous employer. Accordingly, based on discussions with the companies to whom these employees were transferred, it was determined that the Company is liable to pay an aggregate amount of Rs. 219,653 towards gratuity. As these expenses have been incurred by the Company post discontinuance of operations, the amount has been recovered from the parent.

		For the year ended March 31, 2016 Rs.	For the year ended March 31, 2016 Rs.	For the year ended March 31, 2015 Rs.
14	**Other Expenses (Net)**			
	Travelling and Conveyance	4,140		28,164
	Rates and Taxes	-		357,166
	Professional Fees	3,140,205		4,077,334
	Rent (Refer Note 18)	180,000		180,000
	Deposit written off	-		25,000
	Auditors' Remuneration (Refer Note 15)	512,000		508,700
	Printing and Stationery	2,210		2,020
	Loss on Foreign Currency Transactions and Translations (Net)	24,993		6,430
	Miscellaneous	14,883		79,075
		3,878,431		5,263,889
	Less: Recovery of Expenses from Parent company *	(3,853,438)		(5,257,459)
			24,993	**6,430**

*Pertains to expenses incurred by the company post discontinuance of operations which have been recovered from the parent.

NOVELIS (INDIA) INFOTECH LIMITED MUMBAI

Price Waterhouse Chartered Accountants FRN 301112E Mumbai

15 Auditors' Remuneration:

	For the Year Ended March 31, 2016 Rs.	For the Year Ended March 31, 2015 Rs.
As Auditors:		
Audit Fee	510,000	500,000
Reimbursement of Expenses	2,000	8,700
	512,000	**508,700**

16 Earnings in Foreign Currency:

	For the Year Ended March 31, 2016 Rs.	For the Year Ended March 31, 2015 Rs.
Recovery of Expenses from Parent company	4,073,091	5,257,459
	4,073,091	**5,257,459**

NOVELIS (INDIA) INFOTECH LIMITED MUMBAI

Price Waterhouse Chartered Accountants FRN 301112E Mumbai

NOVELIS (INDIA) INFOTECH LIMITED
NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2016
AND THE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

17 Related Party Disclosures:

i) Relationship:

Description of relationship	Names of related parties
(a) Ultimate Holding Company	Hindalco Industries Limited
(b) Holding Company	Novelis Inc., Canada

ii) Particulars of transactions with Related Parties

Nature of the Transactions	For the Year Ended March 31, 2016 Rs.	For the Year Ended March 31, 2015 Rs.
a) Novelis Inc., Canada		
i) Transactions		
Recovery of Expenses	4,073,091	5,257,459
ii) Closing Balance		
Other Current Assets	2,453,586	3,694,504

18 Operating Lease Transactions:

The Company has entered into a leasing arrangement for premises that are renewable on a periodic basis and are cancellable in nature. Rental expense for operating leases for the year aggregated Rs. 180,000 (March 31, 2015: Rs. 180,000).

NOVELIS (INDIA) INFOTECH LIMITED MUMBAI

Price Waterhouse Chartered Accountants FRN 301112E Mumbai

NOVELIS (INDIA) INFOTECH LIMITED
NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2016
AND THE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

19 Segment Reporting:

(i) Information about Primary Business Segment:

The Company operated only in Information Technology Services. This, in the context of Accounting Standard 17 on Segment Reporting, is considered to constitute a single primary segment. Thus, the segment revenue, segment results, total carrying amount of segment assets, total carrying amount of segment liabilities, total cost incurred to acquire segment assets, total amount of charge for depreciation during the year are all as reflected in the financial statements for the year ended March 31, 2016 and as on that date.

(ii) Information about Secondary Geographical Segment:

(Amount in Rs.)

Particulars	March 31, 2016			March 31, 2015		
	India	Outside India	Total	India	Outside India	Total
External Revenue	-	-	-	-	-	-
Carrying amount of Segment Assets	22,466,081	2,453,586	24,919,667	21,147,185	3,694,504	24,841,689
Capital Expenditure	-	-	-	-	-	-

(iii) Note:

Segment revenue in the geographical segments considered for disclosure is as follows:
- Revenue within India includes sales to customers located within India and earnings in India
- Revenue outside India includes sales to customers located outside India, earnings outside India

NOVELIS (INDIA) INFOTECH LIMITED MUMBAI

Price Waterhouse Chartered Accountants FRN 301112E Mumbai

NOVELIS (INDIA) INFOTECH LIMITED
NOTES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2016
AND THE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

20 Micro, Small and Medium Enterprises Development Act, 2006:

Under the Micro, Small and Medium Enterprises Development Act, 2006, which came into force on 2nd October, 2006, certain disclosures are required to be made relating to Micro, Small and Medium Enterprises. Based on the information available with the Company, none of its suppliers are covered under the Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2016.

21 Derivative Instruments and Foreign Currency Exposures:

As of the Balance Sheet date, the foreign currency exposure not hedged by a derivative instrument or otherwise is amounting to Rs. 2,453,586 (USD 36,946) [March 31, 2015 : Rs. 3,694,504 (USD 59,026)] for receivables.

22 Earnings Per Equity Share:

	For the year ended March 31, 2016	For the year ended March 31, 2015
Profit after Tax (Rs.)	826,458	941,316
Weighted Average number of Equity Shares outstanding during the year	1,000,000	1,000,000
Basic and Diluted Earnings Per Share (Rs.)	0.83	0.94
Nominal value of an equity share (Rs.)	10	10

23 The previous year figures have been reclassified to conform to current year's classification wherever applicable.

For **Price Waterhouse**
Firm Registration No: 301112E
Chartered Accountants

Arunkumar Ramdas
Partner
Membership No. 112433

Place: Mumbai
Date: August 26, 2016

For and on behalf of the Board of Directors

Anil Malik
Director
DIN No. 00170411

Place: Mumbai
Date: August 26, 2016

Debashish Ray
Director
DIN No. 02532601

Place: Mumbai
Date: August 26, 2016

Debashish Ghosh
Company Secretary

Place: Mumbai
Date: August 26, 2016

Hindalco Industries Limited

Registered Office:
Century Bhavan, 3rd Floor,
Dr. Annie Besant Road, Worli,
Mumbai - 400 030.
Tel: (91-22) 6662 6666
Fax: (91-22) 2422 7586/2436 2516
E-Mail: hilinvestors@adityabirla.com
Website: www.hindalco.com
CIN No. L27020MH1958PLC011238