Aricent and its Subsidiaries

Consolidated Financial Statements as of March 31, 2015 and 2014, and for each of the Three Years in the Period Ended March 31, 2015, and Independent Auditors' Report

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INDEPENDENT AUDITORS'S REPORT

To the Board of Directors and Shareholders of
Aricent

We have audited the accompanying consolidated financial statements of Aricent and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of March 31, 2015 and 2014, and the related consolidated statements of operations and comprehensive income/(loss), shareholders' (deficit)/ equity, and cash flows for each of the three years in the period ended March 31, 2015, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated 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 Company'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Aricent and its subsidiaries as of March 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte Haskins & Sells

June 23, 2015

ARICENT AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2015 AND 2014
(In thousands, except share and per share amounts)

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 126,895	$ 79,290
Restricted cash	78,684	-
Short-term investments	16,229	-
Accounts receivable — less allowance for doubtful accounts of $3,073 and $4,030 in 2015 and 2014, respectively	110,308	122,255
Unbilled revenue	23,991	18,949
Other current assets	33,527	32,123
Total current assets	389,634	252,617
PROPERTY AND EQUIPMENT — Net	56,082	59,105
GOODWILL	284,582	295,100
INTANGIBLE ASSETS — Net	73,299	86,518
OTHER ASSETS	32,016	26,057
TOTAL ASSETS	**$ 835,613**	**$ 719,397**
LIABILITIES AND SHAREHOLDER'S DEFICIT		
CURRENT LIABILITIES:		
Bank borrowings and current portion of long-term debt	$ 6,590	$ 3,675
Accounts payable	26,325	23,120
Accrued payroll and benefits	29,716	33,458
Deferred revenue	14,680	21,174
Distribution payable	78,533	-
Other current liabilities	24,113	24,229
Total current liabilities	179,957	105,656
LONG-TERM DEBT — net of current portion and unamortized discount and debt issuance cost	829,435	715,717
DEFERRED INCOME TAX LIABILITIES	59,073	56,875
OTHER LONG-TERM LIABILITIES	52,387	43,545
COMMITMENTS AND CONTINGENCIES (NOTE 11)		
SHAREHOLDER'S DEFICIT:		
Ordinary shares, $0.001 par value - 550,000,000 shares authorized: 452,088,241 shares and 451,187,550 shares issued and outstanding as of March 31, 2015 and 2014, respectively	$ 452	$ 451
Additional paid-in capital	382,049	480,050
Accumulated other comprehensive loss	(138,309)	(110,833)
Accumulated deficit	(533,219)	(575,328)
Total Aricent shareholder's deficit	(289,027)	(205,660)
Non-controlling interest	3,788	3,264
Total shareholder's deficit	(285,239)	(202,396)
TOTAL LIABILITIES AND SHAREHOLDER'S DEFICIT	**$ 835,613**	**$ 719,397**

See notes to consolidated financial statements.

ARICENT AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME/(LOSS)
FOR THE YEARS ENDED MARCH 31, 2015, 2014, AND 2013
(In thousands)

	2015	2014	2013
TOTAL REVENUES	$ 595,304	$ 588,653	$ 599,010
COST OF REVENUES:			
Services and products	357,913	359,633	410,713
Amortization of intangible assets	-	-	2,278
Total cost of revenues	357,913	359,633	412,991
GROSS PROFIT	237,391	229,020	186,019
OPERATING EXPENSES:			
Selling, general, and administrative	97,055	105,752	106,264
Research and development expenses	23,870	19,864	19,548
Amortization of intangible assets	10,036	10,200	13,793
Impairment charge	-	6,639	97,927
OPERATING INCOME/(LOSS)	106,430	86,565	(51,513)
OTHER EXPENSE/(INCOME):			
Interest expense — net	52,800	66,747	65,472
Foreign exchange (gain)/loss	(20,306)	10,147	(5,600)
Other expense/(income) — net	1,942	1,646	(1,601)
Loss on extinguishment of debt	6,890	-	-
INCOME/(LOSS) BEFORE INCOME TAXES	65,104	8,025	(109,784)
PROVISION FOR INCOME TAXES	22,321	14,447	57,313
NET INCOME/(LOSS)	42,783	(6,422)	(167,097)
LESS: NET INCOME/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTEREST	674	490	(1,554)
NET INCOME/(LOSS) ATTRIBUTABLE TO ARICENT	$ 42,109	$ (6,912)	$ (165,543)
COMPREHENSIVE INCOME/(LOSS):			
Net income/(loss)	42,783	(6,422)	(167,097)
Other comprehensive loss, net of tax:			
Actuarial (loss)/gain on pension plan, net of taxes	(2,440)	1,560	(572)
Unrealized (loss)/gain on derivative instrument, net of taxes	(5,637)	2,264	(2,236)
Unrealized gain on available for sale investments, net of taxes	174	-	-
Foreign currency translation adjustment	(19,723)	(32,358)	(30,885)
Other comprehensive loss, total, net of tax:	(27,626)	(28,534)	(33,693)
COMPREHENSIVE INCOME/(LOSS)	15,157	(34,956)	(200,790)
LESS: COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTEREST	524	227	(1,827)
COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO ARICENT	$ 14,633	$ (35,183)	$ (198,963)

See notes to consolidated financial statements.

ARICENT AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT)/EQUITY
FOR THE YEARS ENDED MARCH 31, 2015, 2014, AND 2013
(In thousands, except share and per share amounts)

	Ordinary Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Non-controlling Interest	Total
BALANCE — March 31, 2012	444,874,467	$ 445	$ 469,889	$ (402,873)	$ (49,142)	$ 4,864	$ 23,183
Net loss				(165,543)		(1,554)	(167,097)
Net change in accumulated other comprehensive loss (Note 6)					(33,420)	(273)	(33,693)
Issuance of ordinary shares upon exercise of options/restricted stock units	337,659	-					-
Issuance of ordinary shares	107,527	-	98				98
Repurchase of ordinary shares	(143,634)	-	(267)				(267)
Share-based compensation			1,989				1,989
BALANCE — March 31, 2013	445,176,019	$ 445	$ 471,709	$ (568,416)	$ (82,562)	$ 3,037	$ (175,787)

(Continued)

ARICENT AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT)//EQUITY
FOR THE YEARS ENDED MARCH 31, 2015, 2014, AND 2013
(In thousands, except share and per share amounts)

	Ordinary Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Non-controlling Interest	Total
BALANCE — March 31, 2013	445,176,019	$ 445	$ 471,709	$ (568,416)	$ (82,562)	$ 3,037	$ (175,787)
Net Loss				(6,912)		490	(6,422)
Net change in accumulated other comprehensive loss (Note 6)					(28,271)	(263)	(28,534)
Issuance of ordinary shares upon exercise of options/restricted stock units	1,645,802	2					2
Issuance of ordinary shares	5,769,482	5	4,438				4,443
Repurchase of ordinary shares	(1,403,753)	(1)	(1,542)				(1,543)
Share-based compensation			5,445				5,445
BALANCE — March 31, 2014	451,187,550	$ 451	$ 480,050	$ (575,328)	$ (110,833)	$ 3,264	$ (202,396)

(Continued)

ARICENT AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT)/EQUITY
FOR THE YEARS ENDED MARCH 31, 2015, 2014, AND 2013
(In thousands, except share and per share amounts)

	Ordinary Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Non-controlling Interest	Total
BALANCE — March 31, 2014	451,187,550	$ 451	$ 480,050	$ (575,328)	$ (110,833)	$ 3,264	$ (202,396)
Net income				42,109		674	42,783
Net change in accumulated other comprehensive loss (Note 6)					(27,476)	(150)	(27,626)
Issuance of ordinary shares upon exercise of options/restricted stock units	1,158,962	1					1
Issuance of ordinary shares	803,945	1	791				792
Repurchase of ordinary shares	(1,062,216)	(1)	(1,100)				(1,101)
Reclassification adjustment related to modification of awards from equity to liability			(4,630)				(4,630)
Share-based compensation			8,314				8,314
Excess tax benefit on share-based compensation plans			273				273
Distribution (Note 3)			(95,000)				(95,000)
Related-party debt transaction (Note 10)			(6,649)				(6,649)
BALANCE — March 31, 2015	452,088,241	$ 452	$ 382,049	$ (533,219)	$ (138,309)	$ 3,788	$ (285,239)

(Concluded)

See notes to consolidated financial statements.

ARICENT AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2015, 2014 AND 2013
(In thousands)

	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income/(loss)	$ 42,783	$ (6,422)	$ (167,097)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:			
Depreciation and amortization charges	30,120	29,367	33,450
(Gain)/loss on sale of property and equipment	(127)	1,162	37
Impairment charge	-	6,639	97,927
(Write back of bad debt)/bad debt	(776)	2,167	2,943
Share-based compensation	8,314	5,445	1,989
Deferred income taxes	2,401	(2,414)	28,647
Non-cash interest expense	8,191	56,594	50,952
Loss on extinguishment of debt	6,890	-	-
Unrealized (gain)/loss on derivatives	(4,079)	322	(6,832)
Excess tax benefit on share-based compensation plans	(273)	-	-
Changes in operating assets and liabilities:			
Accounts receivable	11,091	390	(7,286)
Unbilled revenue	(5,599)	6,197	10,310
Other assets	(6,762)	(3,222)	14,887
Accounts payable and other liabilities	7,927	11,221	2,633
Accrued payroll and benefits	(2,289)	3,423	3,838
Deferred revenue	(5,201)	(945)	5,308
Net cash provided by operating activities	92,611	109,924	71,706
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(17,773)	(38,239)	(20,308)
Proceeds from sale of property and equipment	224	734	58
Purchase of short-term investments	(15,965)	-	-
Net cash used in investing activities	(33,514)	(37,505)	(20,250)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of ordinary shares	792	4,443	98
Repurchase of ordinary shares	(1,101)	(1,543)	(267)
Issuance of ordinary shares upon exercise of options/restricted stock units	1	2	-
Payments of awards classified from equity to liability	(1,510)	-	-
Distribution to common shareholders and vested option holders (Note 3)	(16,467)	-	-
Changes in restricted cash	(78,684)	-	-
Excess tax benefit on share-based compensation plans	273	-	-
Payments of capital lease obligations	(1,169)	(501)	(416)
Payments of Paid-In-Kind note from debt issuance	(444,845)	-	-
Payments related to extinguishment of debt	(670)	-	-
Payments of deferred financing fees on debt	(1,823)	-	(94)
Proceeds from bank borrowings and long-term debt	839,493	44,500	29,000
Repayment of bank borrowings and long-term debt	(300,522)	(81,075)	(71,345)
Net cash used in financing activities	(6,232)	(34,174)	(43,024)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(5,260)	(5,699)	(3,921)
NET INCREASE IN CASH AND CASH EQUIVALENTS	47,605	32,546	4,511
CASH AND CASH EQUIVALENTS — Beginning of period	79,290	46,744	42,233
CASH AND CASH EQUIVALENTS — End of period	$ 126,895	$ 79,290	$ 46,744

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ARICENT AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2015, 2014, AND 2013
(In thousands)

	2015	2014	2013
SUPPLEMENTAL CASH FLOW DISCLOSURES:			
Net cash paid for:			
Interest	$ 46,634	$ 11,449	$ 15,457
Income taxes	$ 18,739	$ 11,771	$ 13,827
Noncash investing and financing activities:			
Purchases of property and equipment not yet paid at year-end	$ 5,515	$ 3,960	$ 16,323

(Concluded)

See notes to consolidated financial statements.

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1. OVERVIEW

Aricent and its subsidiaries (the "Company") is a global innovation company that provides consulting, design and software engineering services and solutions to help its clients create, commercialize and evolve their products and services in the connected world. The Company provides a unique and comprehensive portfolio of innovation capabilities that combine customer insights, strategy, design, software engineering and systems integration that enables its clients to develop highly differentiated user experiences while at the same time accelerating time-to-market and optimizing service operations. The Company's principal line of business has been, and its focus and core capability continue to be, software engineering services and solutions for the communications industry. The Company also has a long history in design, branded globally as frog that focuses on the user interface with a product. Over the past several years, the Company has combined and expanded its core capabilities to include innovative strategy, consulting and project management services to create a seamless, end-to-end service offering addressing the communications industry and the connected world.

The Company provides its services via an integrated global sourcing model that combines design, consulting and engineering technical and account management teams located on-site at the customer location and at near-shore and off-shore design studios and development centers located in the United States ("US"), Europe, Asia and elsewhere around the globe. The Company employs consultants, designers and engineers at 31 locations worldwide.

Aricent was incorporated in the Cayman Islands on April 6, 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation — The consolidated financial statements are presented in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"), and reflect the consolidated financial position, results of operations and cash flows of consolidated subsidiaries for all periods presented. All intercompany accounts and transactions have been eliminated in consolidation. For consolidated majority-owned subsidiaries in which the Company owns less than 100%, the Company recognizes a non-controlling interest for the ownership of the minority owners.

Cash and Cash Equivalents — Cash and cash equivalents are highly liquid investments with maturities of three months or less from original dates of purchase and consist of cash deposited in checking accounts, money market accounts and certificates of deposit.

Cash and cash equivalents as of March 31, 2015 and 2014, consisted of the following:

	2015	2014
Cash and bank balances	$ 71,659	$ 68,597
Certificates of deposit	55,236	10,693
Total	$ 126,895	$ 79,290

Restricted Cash — Restricted cash represents funds held in escrow account and cash balances held by banks as collateral for certain guarantees and performance bonds of overseas subsidiaries. Restricted cash classified as current corresponds to funds held in escrow account that will be used by the Company to make payments related to the distribution payable to the common stock holders and vested option holders (Refer Note 3). The Company also has restricted cash of $0.8 million recorded in other assets as of March 31, 2015 and $1 million recorded in other current assets as of March 31, 2014.

Short- term investments — All liquid investments with an original maturity greater than 90 days but less than one year are considered to be short-term investments. Marketable short-term investments are classified and accounted for as available-for-sale investments. Available-for-sale investments are reported at fair value with changes in unrealized gains and losses recorded as a separate component of other comprehensive income/(loss) until realized. Realized gains and losses on investments are determined based on the specific identification method and are included in "Other income/(expense), net." The Company does not hold these investments for speculative or trading purposes.

Allowance for Doubtful Accounts — The Company maintains an allowance for doubtful accounts to reserve for potentially uncollectable receivables. The allowance for doubtful accounts is based on the Company's analysis of trends in overall receivables aging, historical collection experience, specific identification of certain receivables that are at risk of not being paid. Recoveries of losses from accounts receivable written off in prior years are presented within income from operations on the consolidated statements of operations and comprehensive income/(loss).

Property and Equipment — Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the related assets. Leasehold improvements made by the Company, are recorded as leasehold improvement assets and are amortized over the shorter of the economic life or the lease term. Repairs and maintenance costs are expensed as incurred. See Note 5.

Intangible Assets — Intangible assets are amortized on a straight-line or accelerated basis over their estimated useful lives. See Note 7.

Goodwill — Goodwill represents the excess purchase price paid over the fair value of the net assets acquired primarily for the acquisition of the Company on September 1, 2006. Goodwill is tested for impairment on an annual basis and between annual tests if indicators of potential impairment exist. Effective January 2014, the Company changed the date from November 30 to January 31 and as of December 31, 2014 the Company moved its annual impairment testing date by one month to December 31. The Company's financial and strategic planning process, including the preparation of long-term cash flow projections, commences in November. These long-term cash flow projections are a key component in performing annual impairment test of goodwill. To align these projections with the Company's budgeting and strategic planning cycle, the Company first changed its goodwill impairment test dates from November 30 to January 31, however, after completing one cycle, it determined that the January 31 test date did not align with the Company's review and approval process and as such moved it annual test date

to December 31. The Company believes that the changes in the annual impairment testing dates did not delay, accelerate, or avoid an impairment charge.

A two-step impairment test is required to identify potential goodwill impairment and measure the amount of the goodwill impairment loss to be recognized. In the first step, the fair value of each reporting unit is compared to its carrying value to determine if the goodwill may be impaired. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, then no further testing is required. If the carrying value of the net assets assigned to the reporting unit exceeds its fair value, then the second step is performed in order to determine the implied fair value of the reporting unit's goodwill and an impairment loss is recorded for an amount equal to the difference between the implied fair value and the carrying value of the goodwill. See Note 7.

Long-Lived Assets and Intangibles — The Company reviews long-lived assets and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying amount of long-lived assets and intangible assets is not recoverable when the sum of undiscounted future cash flows is less than the carrying amount of such assets. The impairment loss would equal the amount by which the carrying amount of the assets exceeds the fair value of the assets. When an impairment loss is recognized, the carrying amount of the asset is reduced to its estimated fair value. Loss is recorded when asset is no longer in use or is not usable. See Note 5.

Debt Issuance — Deferred financing costs and original issue discount are netted off from debt and amortized over the term of the related debt issuance using the effective interest method. See Note 10.

Revenue Recognition — The Company derives the majority of revenues from the sale of software engineering, design and strategy services. The Company also licenses its software products, however revenue recognized from software products accounted for less than 10% of total revenues for the years ended March 31, 2015, 2014, and 2013.

Contracts for services are entered into primarily on either a time-and-materials or fixed-price basis. Revenues related to time-and-material contracts are recognized as the service is performed. Revenues from fixed-price contracts for software engineering services which require significant production, modification or customization of software are recognized using the percentage-of-completion method. The Company uses the input (efforts expended) method to measure progress towards completion as there is a direct relationship between input and progress. Revenues from fixed price contracts for strategy and design services are recognized using the proportional performance method. The Company uses the input (efforts expended) method to measure progress towards completion as there is a direct relationship between input and progress. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on current estimates of costs to the completion of the contract. Revenue relating to revenue sharing agreements, where revenue is a percentage of the sales made by customer to third parties, is recognized when the ultimate sales of the related products to the third party is confirmed by the customer. Costs and earnings in excess of billings are classified as unbilled revenue, while billings in excess of costs and earnings are classified as deferred revenue.

For all services, revenue is recognized when, and if, evidence of an arrangement is obtained, the price is fixed or determinable, services have been rendered and collectability is reasonably assured. Revenues related to services performed, without a signed agreement or work order, are not recognized until there is evidence of an arrangement.

Revenues from the licensing of software products are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the license fee is fixed and determinable, and the collection of the fee is probable. Arrangements to deliver software products generally include the software license and maintenance. Maintenance provides the customer with software updates on a when-and-if-available basis and telephone support. Vendor specific objective evidence of fair value ("VSOE") has been established for

the maintenance, based on renewal rates, and is the price charged when the element is sold separately. Revenue from such contracts is recognized using the residual method, whereby revenue is deferred for the undelivered maintenance services based on VSOE and the residual amount is recognized as revenue for the delivered elements. If there are undelivered software elements, no revenue is recognized until such elements are delivered. Maintenance revenue is recognized ratably over the period in which the services are rendered.

Contingent or incentive revenues are recognized when the contingency is satisfied and amounts are earned.

Reimbursement of out-of-pocket expenses is accounted for as revenues. The related expense is recorded as cost of revenues. Reimbursed out-of-pocket expenses were $18.5 million, $13.7 million, and $15.7 million for the years ended March 31, 2015, 2014, and 2013, respectively.

Cost of Revenues — The primary component of cost of revenues is personnel cost (salaries and benefits). Cost of revenues also includes the cost of facilities, including those facilities dedicated to specific customers, as well as amortization of developed technology intangible assets which are associated with specific products.

Research and Development Expenses — Research and development costs are expensed as incurred. Software product development costs are expensed as incurred until technological feasibility is achieved for a product. Technological feasibility is established upon completion of a detailed program design. Research and development costs and software development costs incurred under contractual arrangements with customers are accounted for as cost of revenues.

Accounting for Share-Based Compensation — The Company measures employee share-based compensation awards using a fair value method and recognizes compensation expense for all share-based compensation awards on a straight-line basis over the requisite service periods of the awards. For share-based awards where vesting is contingent upon both a service and a performance condition, compensation expense is recognized over the requisite service period of the award when achievement of the performance condition is considered probable. For stock awards that have been modified, any incremental increase in the fair value over the original award has been recorded as compensation expense on the date of the modification for vested awards or over the remaining service (vesting) period for unvested awards. The incremental compensation cost is the excess of the fair value of the modified award on the date of modification over the fair value of the original award on the date of modification. See Note 14.

Restructuring Charges — The Company recognizes restructuring charges related to its plans to close or consolidate excess engineering and administrative facilities. In connection with these activities, the Company records restructuring charges for employee termination costs, long-lived asset abandonment and other exit-related costs.

The recognition of restructuring charges requires the Company to make certain judgments and estimates regarding the nature, timing and amount of costs associated with the planned exit activity. To the extent the Company's actual results differ from its estimates and assumptions, the Company may be required to revise the estimates of future liabilities, requiring the recognition of additional restructuring charges or the reduction of liabilities already recognized. Such changes to previously estimated amounts may be material to the consolidated financial statements. At the end of each reporting period, the Company evaluates the remaining accrued balances to ensure that no excess accruals are retained and the utilization of the provisions are for their intended purpose in accordance with developed exit plans. See Note 16.

Warranties — The Company warrants that its software products will perform in all material respects in accordance with the published specifications in effect at the time of delivery of products or services to customers. Accordingly, the Company provides an estimate for warranty claims based on specific warranties and claims history. Accrued warranty is recorded in other current liabilities and amounted to approximately $1.3 million and $1.5 million as of March 31, 2015 and 2014, respectively.

Advertising Costs — Advertising costs are expensed as incurred and were $1.5 million, $1.5 million, and $1.3 million for the years ended March 31, 2015, 2014, and 2013, respectively.

Foreign Currency — The assets and liabilities of foreign subsidiaries whose functional currency is other than U.S. dollar are translated into U.S. dollars from local currencies at current exchange rates and revenues and expenses are translated from local currencies at average monthly exchange rates. The translation adjustments are recorded in accumulated other comprehensive loss ("AOCL") on the accompanying consolidated balance sheets. The U.S. dollar is the functional currency for certain foreign subsidiaries who conduct business predominantly in U.S. dollars. For these foreign subsidiaries, where transactions are recorded in currencies other than U.S. dollars, non-monetary assets and liabilities are re-measured at historical exchange rates, while monetary assets and liabilities are re-measured at current exchange rates. Foreign currency transaction gains or losses are included in the consolidated statements of operations and comprehensive income/(loss) under foreign exchange (gain)/loss.

Use of Estimates — The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The actual amounts may vary from the estimates used in the preparation of the accompanying consolidated financial statements.

Concentration of Credit Risk — Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable, cash and cash equivalents, and derivative instruments. The Company maintains cash and cash equivalents with various financial institutions that management believes to be of high credit quality. These financial institutions are located in several different countries and, at times, may exceed the amount of insurance provided on such balances. The amount subject to credit risk related to derivative instruments is generally limited to the amount, if any, by which counterparty's obligations exceed the obligations of the Company with that counterparty. As a matter of practice, the Company executes derivative contracts with major banks worldwide having good credit ratings by Standard & Poor's and Moody's.

Income Taxes — The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company records net deferred tax assets to the extent the Company believes these assets will more likely than not be realized. If it is determined that it is more likely than not that future tax benefits associated with a deferred income tax asset will not be realized, a valuation allowance is provided. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations.

The Company records uncertain tax positions in accordance with Accounting Standards Codification ("ASC") 740 – Income Taxes on the basis of a two-step process whereby (1) the Company determine whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (2) those tax positions that meet the more-likely-than-not recognition threshold, the Company recognize the largest amount of tax benefit that is greater than 50% likely to be realized upon ultimate settlement with the related tax authority. See Note 12.

Derivative Instruments and Hedging Activities — The Company enters into derivatives to mitigate the risk resulting from changes in foreign exchange rates and interest rates. All derivative instruments are recorded on the balance sheet at fair value. If the derivative instrument is designated as a cash flow hedge, effectiveness is measured based on a regression of the forward rate on the derivative instrument against the forward rate for the furthest time period the hedged item can be recognized and still be within the documented hedge period. The effective portion of changes in the fair value of the derivative instrument is recognized in shareholders' equity as a separate component of accumulated other comprehensive loss, and recognized in the consolidated statement of operations and comprehensive income/(loss) when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. If the derivative instrument is designated as a fair value hedge, the changes in the fair value of the derivative instrument and of the hedged item attributable to the hedged risk are recognized in earnings in the current period. Changes in fair values of foreign currency derivatives not designated as hedging instruments are recognized in foreign exchange (gain)/loss. See Note 8.

Recent Accounting Pronouncements —

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss carry forward, a Similar Tax Loss, or a Tax credit Carry forward Exists." ASU 2013-11 is a new accounting standard on the financial statement presentation of unrecognized tax benefits. The new standard provides that a liability related to an unrecognized tax benefit would be presented as a reduction of a deferred tax asset for a net operating loss carry forward, a similar tax loss or a tax credit carry forward if such settlement is required or expected in the event the uncertain tax position is disallowed. The new standard becomes effective for fiscal years, and interim periods within those years, beginning after 15 December 2014 for non-public entities and it should be applied prospectively to unrecognized tax benefits that exist at the effective date with retrospective application permitted. The pronouncement is not applicable to the company for the fiscal year ended March 31, 2015. However, the Company is currently assessing the impacts of this new standard on its financial conditions, results of operating and cash flows.

In January 2014, the FASB issued ASU No. 2014-03, Accounting for Certain Receive-Variable, Pay-Fixed Interest Rate Swaps—Simplified Hedge Accounting Approach. This amendment provides entities within the scope of this Update with a practical expedient to qualify for cash flow hedge accounting under Topic 815. Under this approach, an entity may assume no ineffectiveness for qualifying swaps designated in a hedging relationship under Topic 815. This guidance is effective prospectively for annual reporting periods beginning after December 15, 2014 and interim periods within annual periods beginning after December 15, 2015, with early adoption permitted. The Company has elected not to apply the optional accounting treatment provided under this ASU and continue to test the cash flow hedges for their effectiveness as provided under the Topic 815.

In January 2014, the FASB issued ASU No. 2014-02, Accounting for Goodwill. Under ASU No. 2014-02, the Company is able to elect an alternative for goodwill under which the Company can amortize goodwill. If the Company elects to amortize goodwill, the Company is required to make an additional election to test goodwill for impairment at either the entity level or reporting unit level. An impairment assessment is required only when a triggering event occurs and the impairment assessment methodology has been

simplified as compared to current U.S. GAAP. ASU No. 2014-02 is effective for periods beginning after December 15, 2014, with early adoption permitted. The Company has elected not to apply the accounting alternative provided under this ASU and continue with existing practice of testing goodwill for impairment.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customer (Topic 606): FASB and the International Accounting Standards Board (IASB) initiated a joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and IFRS that would remove inconsistencies and weaknesses in revenue requirements, Provide a more robust framework for addressing revenue issues, improve comparability, improved disclosure requirements. The new ASU will be effective for non-public entities for annual periods beginning on or after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted with some period choice. The Company is currently assessing the impacts of this new standard on its financial conditions, results of operations and cash flows.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The amendments in this update provide guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. These amendments aim to reduce diversity in the timing and content of footnote disclosures. The amendments in this update are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter, with early adoption permitted. The implementation of this standard is not expected to have a material effect on the Company's consolidated financial statements.

In November 2014, the FASB issued ASU No. 2014-17 — "Business Combination — Pushdown Accounting" which provides an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity as compared to current GAAP which offers limited guidance for determining whether and at what threshold pushdown accounting should be established in an acquired entity's separate financial statements. The ASU applies to the separate financial statements of an acquired entity and its subsidiaries that are a business or non-profit activity (either public or non-public) upon the occurrence of an event in which an acquirer obtains control of the acquired entity and is effective on November 18, 2014. The ASU does not have an impact on the Company.

In December 2014, the FASB has issued ASU No. 2014-18: Accounting for Identifiable Intangible Assets in a Business Combination. Under the alternative in ASU 2014-18, which applies to assets acquired in a business combination, to investments accounted for under the equity method, and upon fresh-start accounting, a private company would be required to separately recognize customer related intangible assets only if they are capable of being sold or licensed independently from the other assets of the business. In addition, a private company that elects to adopt this alternative will no longer separately recognize non-compete agreements that arise within the scope of the ASU. Accordingly, it would potentially recognize fewer intangible assets and, correspondingly, recognize more goodwill. In addition, if an entity elects the alternative, it is also required to adopt the alternative accounting in ASU 2014-02 for goodwill. ASU No. 2014-18 is effective for fiscal years beginning after December 15, 2015. The Company has elected not to apply the option provided under ASU 2014-02 and hence shall not be able to apply alternative provided under this ASU.

In January 2015, the FASB has issued ASU No. 2015-01: Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items. The ASU simplifies income statement presentation by eliminating the need to determine whether to classify an item as an extraordinary item. This new guidance

will be effective for us beginning April 01, 2016. The Company has early adopted the standard and the ASU has no impact on the disclosure of financial statements as there are no transactions that qualifies to be reported as extraordinary items.

In April 2015, the FASB issued ASU No. 2015-03, “Simplifying the Presentation of Debt Issuance Costs”. ASU 2015-03 requires that debt issuance costs be presented as a direct deduction from the carrying amount of the related debt liability, consistent with the presentation of debt discounts. Prior to the issuance of ASU 2015-03, debt issuance costs were required to be presented as deferred charge assets, separate from the related debt liability. ASU 2015-03 does not change the recognition and measurement requirements for debt issuance costs. The Company early-adopted ASU 2015-03 as of the end of its reporting period ended March 31 2015, and applied its provisions retrospectively. The adoption of ASU 2015-03 resulted in the reclassification of $1.8 million of unamortized debt issuance costs related to the Company's Senior secured term loans (see Note 10) from other assets to long-term debt within its consolidated balance sheets as of March 31, 2015 and $3.4 million as of March 31, 2014. Other than this reclassification, the adoption of ASU 2015-03 did not have a significant impact on the Company's consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-05: Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement. The ASU requires a customer to determine whether a cloud computing arrangement contains a software license. If the arrangement contains a software license, the customer would account for the fees related to the software license element in a manner consistent with how the acquisition of other software licenses is accounted for under ASC 350-40; if the arrangement does not contain a software license, the customer would account for the arrangement as a service contract. The ASU does not prescribe how to account for cloud computing arrangements deemed to be service contracts. This new guidance is effective for fiscal years beginning after December 15, 2015, and for interim periods within fiscal years beginning after December 15, 2016. Early adoption is permitted. The implementation of this standard is not expected to have a material effect on the Company’s consolidated financial statements.

3. DISTRIBUTION

On March 16, 2015, the Company's Board of Directors declared a one-time special distribution (the “Distribution”) of $0.2011 per share payable on each share of common stock to the stockholders of record and for each vested option payable to the option holders of record from the options granted pursuant to the Company’s 2006 Share Incentive Plan (Refer Note 14 for additional information on the Share Incentive Plan) of record at the close of business on March 16, 2015. Based on the 451,726,189 shares of common stock and 20,770,058 vested options outstanding on the distribution record date, the distribution totaled $95 million. The distribution reduced additional paid-in capital as the Company did not have retained earnings.

The Distribution was funded from the proceeds of an incremental term loan facility under the first lien term loan credit arrangement. Refer Note 10, "Bank borrowing" for additional information about the Company's additional incremental term loan facility.

At March 31, 2015, approximately $79 million of the $95 million was outstanding and the entire outstanding amount was assigned and held in an escrow account. The cash held in the escrow account has been reflected under restricted cash in the consolidated balance sheet and is classified as a financing activity in the consolidated statement of cash flows.

Pursuant to the Company’s share incentive plan, which requires an equitable adjustment, the strike price of unvested options was decreased by $0.2011 per option and the restricted stock holders received a

proportional grant. The aforementioned adjustments are based upon existing anti-dilution provisions that require adjustments in the event of equity restructuring and are structured to preserve the value of the award upon completion of the equity restructuring and as such the stock-based compensation expense was not affected by these adjustments, refer Note 14.

4. SHORT-TERM INVESTMENTS

The short-term investments were as follows as of March 31,

	2015	2014
Available-for-sale investment securities:		
Mutual funds	$ 8,247	$ -
Total available-for-sale investment securities	8,247	-
Certificates of deposit	7,982	-
Total short-term investments	$ 16,229	$ -

The Company's short-term investments consist of investments in available-for-sale INR denominated mutual funds and certificates of deposit. The carrying value of the certificates of deposit approximated fair value as of the balance sheet date.

The amortized cost, gross unrealized gains and losses and fair value of available-for-sale investment securities were as follows at March 31:

	2015			
	Amortized Cost	Unrealized Gains	Unrealized Loss	Fair Value
Mutual funds	$ 7,983	$ 264	$ -	$ 8,247
Total available-for-sale investment securities	$ 7,983	$ 264	$ -	$ 8,247

There are no available-for-sale investment securities in a continuous unrealized loss position for less than 12 months and for 12 months or longer.

5. PROPERTY AND EQUIPMENT — NET

Property and equipment as of March 31, 2015 and 2014 are as follows:

	Useful Life (In Years)	2015	2014
Machinery and equipment	7	$ 24,074	$ 27,494
Buildings	30	2,095	2,036
Leasehold improvements	up to 10	21,337	17,897
Furniture and fixtures	3–5	5,624	4,770
Computer equipment and software	3–5	83,079	75,734
Land		7,503	7,822
Property and equipment under capital leases	3–9	8,253	9,084
Total property and equipment		151,965	144,837
Accumulated depreciation		(95,883)	(85,732)
Property and equipment — net		$ 56,082	$ 59,105

Accumulated amortization of capital lease assets was $3.2 million and $1.7 million as on March 31, 2015 and 2014, respectively. Depreciation and amortization expense associated with property and equipment was $20.1 million, $19.2 million, and $17.4 million for the years ended March 31, 2015, 2014, and 2013, respectively.

No impairment of property and equipment was identified during the years ended March 31, 2015, 2014 and 2013.

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6. ACCUMULATED OTHER COMPREHENSIVE LOSS

Changes in accumulated other comprehensive loss by component were as follows for the year ended March 31, 2015:

	2015		
	Before Tax Amount	Tax Effect	Net of Tax Amount
Foreign currency translation adjustments:			
Beginning balance	$ (108,325)	$ -	$ (108,325)
Add: loss arising during the year	(19,573)	-	(19,573)
Ending balance	$ (127,898)	$ -	$ (127,898)
Unrealized loss on derivative instrument:			
Beginning balance	$ (770)	$ -	$ (770)
Less: reclassification of loss to interest expense	770	-	770
Add: unrealized loss arising during the year	(6,407)	-	(6,407)
Ending balance	$ (6,407)	$ -	$ (6,407)
Actuarial loss on pension plan:			
Beginning balance	$ (2,813)	$ 1,075	$ (1,738)
Add: actuarial loss for the year	(2,819)	297	(2,522)
Less: amount amortized as net periodic pension cost	143	(61)	82
Ending balance	$ (5,489)	$ 1,311	$ (4,178)
Net unrealized gain on available-for-sale investment:			
Beginning balance	$ -	$ -	$ -
Add: unrealized gains arising during the year	264	(90)	174
Ending balance	$ 264	$ (90)	$ 174

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Changes in AOCL by component for the years ended March 31, 2014 and March 31, 2013 were as follows:

	2014			2013		
	Before Tax Amount	Tax Effect	Net of Tax Amount	Before Tax Amount	Tax Effect	Net of Tax Amount
Foreign currency translation adjustments:						
Beginning balance	$ (76,230)	$ -	$ (76,230)	$ (45,618)	$ -	$ (45,618)
Less: reclassification on disposal of component to:						
Other (income)/expense - net	908	-	908	-	-	-
Add: loss arising during the year	(33,003)	-	(33,003)	(30,612)	-	(30,612)
Ending balance	$ (108,325)	$ -	$ (108,325)	$ (76,230)	$ -	$ (76,230)
Unrealized loss on derivative instrument:						
Beginning balance	$ (3,687)	$ 653	$ (3,034)	$ (798)	$ -	$ (798)
Less: reclassifications of loss to:						
Interest expense - net	776	-	776	-	-	-
Foreign exchange (gain)/loss	2,141	(653)	1,488	-	-	-
Add: Unrealized loss arising during the year	-	-	-	(2,889)	653	(2,236)
Ending balance	$ (770)	$ -	$ (770)	$ (3,687)	$ 653	$ (3,034)
Actuarial loss on pension plan:						
Beginning balance	$ (4,682)	$ 1,384	$ (3,298)	$ (3,949)	$ 1,223	$ (2,726)
Add: gain/(loss) for the year	1,540	(201)	1,339	(1,061)	273	(788)
Less: amount amortized as net periodic pension cost	329	(108)	221	328	(112)	216
Ending balance	$ (2,813)	$ 1,075	$ (1,738)	$ (4,682)	$ 1,384	$ (3,298)

7. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company currently operates in two reporting units, Aricent Engineering and frog design. Prior to January 1, 2014, the Company operated in three reporting units, frog design, Carrier Service Solutions (“CSS”) and Product Engineering Services (“PES”). In line with the Company’s long term strategy to become the premier engineering services and software leader, effective January 1, 2014 the Company combined CSS and PES into the integrated unit (Aricent Engineering). Aricent Engineering enables the Company to deliver to its customers a full array of industry and technology competencies by leveraging business experience, knowledge, and resources more effectively.

In January 2014, the Company changed the annual impairment testing date from November 30 to January 31 and effective December 31, 2014 the Company moved its annual impairment testing date by one month to December 31. The Company’s financial and strategic planning process, including the preparation of long-term cash flow projections, commences in November. These long-term cash flow projections are a key component in performing annual impairment test of goodwill. To align these projections with the Company’s budgeting and strategic planning cycle, the Company first changed its goodwill impairment test dates from November 30 to January 31, however, after completing one cycle, it determined that the January 31 test date did not align with the Company’s review and approval process and as such moved it annual test date to December 31. The Company believes that the changes in the annual impairment testing dates did not delay, accelerate, or avoid an impairment charge.

In accordance with the guidance in ASC 350, a Company is required to test for goodwill impairment at least annually. As such, the Company performed a test for goodwill impairment for the reporting units effective at that time. The fair value of the reporting units was calculated using a discounted cash flow model.

As of January 31, 2014 and December 31, 2014, the Company conducted step one of its annual goodwill impairment test for its two reporting units Aricent Engineering and frog design which incorporated existing market-based considerations and operating information based on current results and projections. The results of the evaluation showed that as of January 31, 2014 and as of December 31, 2014, the fair values of the reporting units exceeded their book values. Accordingly, there is no impairment charge in either fiscal year 2015 or 2014.

In fiscal year 2013, the fair value of one of its reporting units, CSS, was below its respective carrying value. As such, step two of the impairment test was initiated. This second step includes estimating the value of the tangible and intangible assets and liabilities of CSS as if it had been acquired in a business combination to determine the implied fair value of goodwill. The result of this assessment indicated that the implied fair value of goodwill was lower than the carrying value. As a result, the Company recognized a non-cash impairment charge for CSS of approximately $97.9 million during the year ended March 31, 2013 to reduce the carrying value of its goodwill. The goodwill balance was reduced by cumulative impairment losses of $185.6 million.

The following table summarizes the changes in goodwill, for the years ended March 31, 2015 and 2014:

Balance — March 31, 2013	$ 317,032
Foreign currency translation adjustments	(21,236)
Deferred Tax Adjustments	(696)
Balance — March 31, 2014	295,100
Foreign currency translation adjustments	(10,055)
Deferred Tax Adjustments	(463)
Balance — March 31, 2015	$ 284,582

During 2013, the Indian Supreme Court ruled that amortization of goodwill is tax deductible in India. As a result, during 2014 goodwill has been reduced by $0.7 million to reflect the tax benefits related to the excess of tax-deductible goodwill over financial reporting goodwill. During 2015, goodwill has been reduced by $0.5 million to reflect the tax benefits related to the excess of tax-deductible goodwill over financial reporting goodwill.

Intangible Assets — Changes in gross carrying amounts of intangible assets during the years ended March 31, 2015 and 2014, are related to translation adjustments, which are recorded to AOCL.

Trademarks are amortized on a straight-line basis over 15 years. Developed technologies were amortized on an accelerated and straight-line basis over four to six years. Customer relationships are amortized on a straight-line basis over 13 years to 18 years. Contractual agreements were amortized on a straight-line basis over three years. No residual value is estimated for the intangible assets. Amortization expense related to developed technologies is recorded as cost of revenues. Amortization expense related to the other intangible assets is recorded as an operating expense.

The components of intangible assets, including foreign currency translation adjustments of $3.2 million and $9.5 million, as of March 31, 2015 and 2014 respectively, are as follows:

	Gross Carrying Amount	Accumulated Amortization	Impairment	Net Carrying Amount
Intangible assets as of March 31, 2015:				
Contractual agreements	$ 3,213	$ (3,213)	$ -	$ -
Trademarks	3,909	(2,237)	-	1,672
Developed technologies	45,310	(45,310)	-	-
Customer relationships	182,600	(110,973)	-	71,627
Total	$ 235,032	$ (161,733)	$ -	$ 73,299
Intangible assets as of March 31, 2014:				
Contractual agreements	$ 3,608	$ (3,608)	$ -	$ -
Trademarks	4,042	(2,044)	-	1,998
Developed technologies	45,310	(45,310)	-	-
Customer relationships	196,625	(105,466)	(6,639)	84,520
Total	$ 249,585	$ (156,428)	$ (6,639)	$ 86,518

Amortization of intangible assets included in operations was $10 million, $10.2 million, and $16.1 million for the years ended March 31, 2015, 2014, and 2013, respectively. Expected future estimated annual amortization expense, as of March 31, 2015, is as follows:

Years Ending March 31	Amount
2016	$ 8,343
2017	8,343
2018	8,343
2019	8,343
2020	7,933
Thereafter	31,994
Total amortization expense	$ 73,299

In 2014 the Company's board of directors decided to cease its operations in its subsidiaries in South Africa and Ukraine. Upon that decision, the Company recorded an impairment expense of $6.6 million on its intangible assets related to customer relationships associated with the Ukraine operation in the year ended March 31, 2014. The Company did not have any intangible assets associated with its subsidiary in South Africa.

The weighted-average remaining amortization periods for intangible assets as of March 31, 2015, were as follows (in years):

Trademarks	6.42
Customer relationships	9.01

8. FINANCIAL INSTRUMENTS

In the normal course of business, the Company is exposed to market risk arising from changes in currency exchange rates and interest rates. The Company uses derivative financial instruments to manage exposures to foreign currency and interest rate risks. The Company's objective for utilizing derivative financial instruments is to mitigate the impacts of these exposures.

Foreign Currency Exposures — The Company manages foreign currency exchange rate risk through the use of derivative financial instruments comprised principally of forwards contracts. All such derivative financial instruments are reported in the consolidated balance sheets at fair value (see Note 9) with the changes in fair value of the derivative financial instrument recognized in earnings. The Company does not use derivative financial instruments for trading or speculative purposes.

During the year ended March 31, 2015, the Company did not apply hedge accounting for its foreign currency forward contracts and use mark-to-market accounting to account for them. Any gains or losses on such contracts are recognized as foreign exchange (gain)/loss in the consolidated statements of operations and comprehensive income/(loss) in the period incurred.

The objective of those derivative instruments is to minimize net monetary asset fluctuations of Indian Rupee "INR", Euros "EUR", British Pound "GBP", Australian Dollar "AUD" and US Dollar "USD" exposures as well as potential variability in cash flows from EUR/USD revenue and INR expense. The total gross notional amount by type of derivative financial instruments as of March 31, 2015, is as follows:

	Balance Sheet Forward Contracts Outstanding		
	Local Currency	**Notional Coverage**	**US Dollars**
US dollar (contracts to sell USD/buy INR)	INR	12,327,896	$ 191,410
Australian dollar (contract to sell AUD/buy USD)	AUD	1,090	828
British pound (contracts to sell GBP/buy USD)	GBP	8,900	13,145
Euros (contracts to sell EUR/buy USD)	EUR	51,203	61,698
Total			$ 267,081

The total gross notional amount by type of derivative financial instruments as of March 31, 2014, is as follows:

	Balance Sheet Forward Contracts Outstanding		
	Local Currency	**Notional Coverage**	**US Dollars**
US dollar (contracts to sell USD/buy INR)	INR	8,238,489	$ 132,170
Euros (contract to sell INR/buy EUR)	INR	145,215	2,406
British pound (contracts to sell GBP/buy USD)	GBP	6,700	11,131
Euros (contracts to sell EUR/buy USD)	EUR	48,467	66,427
Total			$ 212,134

The Effect of Derivative Instruments on the Consolidated Statements of Operations and Comprehensive Income/(Loss) — The following table summarizes the amount of foreign exchange (gain)/loss recognized in the consolidated statements of operations and comprehensive income/(loss) for the years ended March 31, 2015, 2014 and 2013. The following (gain)/loss result from derivative financial instruments that are not designated as hedging instruments.

	2015	2014	2013
Foreign exchange (gain)/loss	$ (26,511)	$ 16,732	$ (3,994)

Interest Rate Exposure — In August 2011, the Company entered into forward starting interest rate swap transactions, converting $240 million of the $385 million outstanding balance under the new senior secured term loans from variable interest rate to fixed rate debt. The forward starting interest rate swaps had an effective date of February 2012, matching the first interest payment due date on the underlying debt. The transaction was allocated to two counterparties, $80 million executed through Bank of America Merrill Lynch ("BAML") and $160 million through Deutsche Bank at a fixed rate of 0.68%. The Company receives a floating rate of one-month LIBOR (approximately 0.155% as of March 31, 2014) from both counterparties. In April of 2014, the Company refinanced its outstanding term loans and the swap was no longer eligible for Accounting Standards Codification (ASC) 815 – Derivatives and Hedging treatment due to the extinguishment of the original debt agreement. Related to this interest rate swap the Company recognized an interest expense in the consolidated statement of operations for the years ended March 31, 2015, 2014 and 2013, were approximately $0.8 million, $1.2 million, and $1.1 million, respectively. The amount which has been classified from AOCL to interest expense during the year ended March 31, 2015 is $0.8 million.

In April 2014, the Company entered into a forward starting interest rate swap transactions, for $300 million secured term loans from variable interest rate to fixed rate debt. The forward starting interest rate swaps have an effective date of October 2016. The transaction was allocated to two counterparties, $150 million each executed through Bank of America Merrill Lynch ("BAML") and Citibank N.A. at a fixed rate of 3.033%. The Company accounted for these swaps under mark-to-market accounting as these were not designated as cash flow hedges for hedge accounting purposes till June 18, 2014. On June 19, 2014 the Company designated the trades as cash flow hedges and began to apply hedge accounting. After this point the change in fair value attributable to the effective portion of the hedge is recorded in accumulated other comprehensive income/(loss) and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. Accordingly all changes in fair value till hedge accounting was followed totaling to $1.7 million were charged to income statement.

In November 2014, the Company entered into an additional forward starting interest rate swap transaction of $50 million executed through BAML against the incremental first lien secured term loan of $72 million availed in August 2014. The forward starting interest rate swaps have an effective date of October 2016 at a fixed interest rate of 2.6435% and are accounted for as a cash flow hedge under ASC 815 – Derivatives and Hedging.

The Company recorded $8.1 and $0.8 million as of March 31, 2015 and 2014 in other long-term liabilities and other current liabilities respectively to reflect the fair value of the interest rate swaps.

The interest rate swaps outstanding as of March 31, 2015 is effective from October 2016, and therefore no amounts will be reclassified from other AOCL to the interest expense within the next 12 months related to these instruments.

Counterparty Credit Risk — The use of derivative financial instruments exposes the Company to counterparty credit risk. If the counterparty fails to perform, the Company is exposed to losses if the derivative is in an asset position. When the fair value of a derivative instrument is an asset, the counterparty has to pay the Company to settle the contract. This exposes the Company to credit risk. However, when the fair value of a derivative instrument is a liability, the Company has to pay the counterparty to settle the contract and therefore there is no counterparty credit risk. The Company has established policies and procedures to limit the potential for counterparty credit risk, including establishing credit limits for credit exposure and continually assessing the creditworthiness of counterparties. As a matter of practice, the Company executes derivative contracts with major banks worldwide having good Standard & Poor's and Moody's credit ratings. To further reduce the risk of loss, the Company generally enters into International Swaps and Derivative Association master agreements with substantially all of its counterparties. Master netting agreements provide protection in bankruptcy in certain circumstances and, in some cases, enable receivables and payables with the same counterparty to be offset in the consolidated balance sheets, providing for a more meaningful balance sheet presentation of credit exposure. The Company's derivative contracts do not contain any credit risk related contingent factors and do not require collateral or other security to be furnished by the Company or the counterparties.

9. FAIR VALUE

The fair value of the Company's cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities approximates carrying amount because of the short-term nature of these instruments. The Company's cash equivalents are comprised of cash deposited in certificates of deposit with short term maturities.

US GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under US GAAP are described below:

Level 1 — inputs are based upon quoted prices (unadjusted) in active markets for identical assets or liabilities which are accessible as of the measurement date.

Level 2 — inputs are based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model derived valuations for the asset or liability that are derived principally from or corroborated by market data for which the primary inputs are observable, including forward interest rates, yield curves, credit risk and exchange rates.

Level 3 — inputs for the valuations are unobservable and are based on management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques such as option pricing models and discounted cash flow models.

The carrying amounts and fair values of the Company's financial assets and liabilities as of March 31, 2015 and 2014, were as follows:

	Level	Balance Sheet Classification	2015 Carrying Amount	2015 Fair Value	2014 Carrying Amount	2014 Fair Value
Assets:						
Certificates of deposit	Level 2	Cash and cash equivalent	$ 55,236	$ 55,236	$ 10,693	$ 10,693
Mutual funds	Level 1	Short-term investments	8,247	8,247	-	-
Certificates of deposit	Level 2	Short-term investments	7,982	7,982	-	-
Foreign currency forward contracts	Level 2	Other current	7,936	7,936	2,851	2,851
Total			$ 79,401	$ 79,401	$ 13,544	$ 13,544
Liabilities:						
Foreign currency forward contracts	Level 2	Other current	$ (286)	$ (286)	$ (839)	$ (839)
Interest rate swap	Level 2	Other current	(8,139)	(8,139)	(837)	(837)
Senior secured term loans	Level 2	Current/long term	(854,543)	(851,052)	(296,065)	(292,889)
Senior subordinate Paid-In-Kind ("PIK") note	Level 2	Long term	-	-	(426,730)	(451,989)
Total			$(862,968)	$(859,477)	$(724,471)	$(746,554)

The following methods and assumptions were used by the Company in estimating the fair value of its financial assets and liabilities:

For the Term Loans, in 2015 the Company performed a discounted cash flow analysis based on estimated cash flows at a borrowing rate of 5.6% for the first lien term loan and 8.8% for the second lien term loan. The borrowing cost in 2014 was LIBOR+3.01%. These estimates of market credit spreads were provided by the agent to the term loans.

During the year, Paid-In-Kind (PIK) note has been paid in full. The borrowing costs of such notes were at 11.8% in 2014.

The Company's interest rate swap agreements are treated as qualified hedges. Fair value is determined in a model valuation based on quoted LIBOR swap rates adjusted for time value of money, credit and non-performance risk. The Company classifies interest rate swap in Level 2, as quoted LIBOR swaps can be corroborated based on observable benchmark market rates at commonly quoted intervals over the full term of the swaps.

The Company classifies all forward currency forward contracts in Level 2 as quoted prices can be corroborated based on observable market transactions primarily using forward currency prices.

Short-term investments in mutual funds are fair valued based on the Net Asset Values (NAVs). The Company classifies the fair value under Level 1 as the NAVs of mutual fund are quoted on a daily basis.

10. BANK BORROWINGS AND LONG TERM DEBT

Refinancing

On April 14, 2014, the Company completed a refinancing of its outstanding debt obligations by entering into new debt facilities. The Company obtained a new $490 million first lien term loan facility (the "First Lien term loan") due April 14, 2021 and another new $200 million term loan facility (the "Second Lien term loan") due April 14, 2022". The proceeds were used to repay all of its obligations under its August 2011 senior credit facility agreements which amounted to $296.8 million. A partial pre-payment was also made on its senior subordinated PIK note amounting to $375 million, including accrued interest of $6.3 million, dated September 1, 2006 (as amended by the amendment dated August 2011). As a result of the refinancing, all of the outstanding debt obligations except $67 million of the PIK note debt were paid and the terms of the PIK note agreement was amended by extending the maturity date from September 2015 to September 2022 and increasing the interest rate from 14.05% to 15.00% on September 15, 2015.

In August, 2014, the outstanding balance on the PIK note aggregating to $69.8 million (including accrued interest of $2.8 million) was also paid in full with the proceeds from an incremental $72 million term loan arrangement entered with the Company's borrowers under the First Lien term loan credit agreement.

The Company describes the above transactions collectively as "2014 Financing Transactions". Table below summarizes the cash flow activity for the 2014 Financing Transactions:-

Sources of Funds (in "000")		Uses of Funds (in "000")	
First lien term loan	$ 562,000	Repayment of senior credit facility (includes accrued interest of $0.7 million)	$ 296,767
Second lien term loan	200,000		
		Partial repayment of PIK note (April 2014 includes accrued interest of $6.3 million)	375,019
		Full repayment of PIK note (in August 2014 includes accrued interest of $2.8 million)	69,826
		Fees and Discount	18,014
		Remaining cash to the balance sheet	2,374
Total Sources	**$ 762,000**	**Total Uses**	**$ 762,000**

The Company accounted for the above transactions as extinguishment of debt and issuance of new debt. The Company recorded a loss on extinguishment of debt of $6.9 million associated with this transaction during the year ended March 31, 2015. Included in the loss on extinguishment were unamortized deferred financing fees of $3.9 million related to the Senior Credit Facilities and the net discount and fee of $3 million associated with the non-KKR (―Kohlberg Kravis Roberts) owned portion of the PIK note. The extinguishment of the KKR portion of the PIK note was recorded as a capital transaction due to the related party nature of the relationship between the Company and the KKR. A total of $6.6 million was recorded in additional paid-in capital related to this extinguishment.

Incremental Borrowing under First Lien

On March 18, 2015 the Company borrowed an additional $97 million under the first lien credit agreement. The Company used the proceeds to distribute $95 million to its common shareholders and vested option holders of record on March 16, 2015, (refer Note 3).

The Company's bank borrowings and long-term debt as of March 31, 2015 consists of the following:

	2015
Senior revolving credit facility	$ -
Secured term loan	
- First lien term loan	654,543
- Second lien term loan	200,000
Total debt	854,543
Less: Current portion	6,590
Non – Current portion	847,953
Less: Unamortized discount on debt ($16.7 million) and debt issuance cost ($1.8 million)	18,518
Net non – current portion of debt	$ 829,435

The Company has set forth a brief description of its credit facilities in place at March 31, 2015 below.

$659 million First Lien Term Loan credit agreement —

- *Maturity and Amortization:* The Term Loan matures on April 14, 2021. The Term Loan will be repaid in equal quarterly installments of 0.25% of the original outstanding principal beginning from September 30, 2014, to March 31, 2021 and the balance to be paid on maturity.

- *Interest:* The Term Loan has an interest rate of LIBOR plus 4.50% margin with a LIBOR floor of 1%. The Company is currently paying interest payments on a monthly basis; however, the Company has the ability to elect longer tenors. The Company has the option to change its interest rate to the Alternative Base Rate ("ABR") or prime rate plus a 3.5% margin with a floor of 2%.

- *Guarantors*: The obligations of the borrower under the Term Loan are unconditionally guaranteed by certain wholly owned domestic restricted subsidiaries of the Company (the "Term Guarantors").

- *Collateral*: The Term Loan is secured by all outstanding equity interests of each borrower and restricted Subsidiary owned by the credit party (Aricent Technologies).

- *Mandatory Prepayments:* The Company may also be required to make annual mandatory prepayments of up to 50% of its excess cash flow, as defined in the credit agreement. It may also be required to make a mandatory prepayment under certain prepayment events unless the planned mandatory prepayment amount is reinvested, or contracted to be reinvested, within 180 days of the Event.

- *Covenants:* The Term Loan is governed by the credit agreement which imposes certain restrictions including, but not limited to, the payment of dividends or other equity distributions and the incurrence of debt or liens upon the assets of the Company or its subsidiaries. The credit agreement also calls for the Company to maintain a total leverage ratio of less than 7:1, and subsequently stepping down on a annual basis, until it reaches 5:1 in September 2017 and thereafter until the expiration date.

$200 million Second Lien Term Loan credit agreement —

- *Maturity and Amortization:* The Term Loan matures on April 14, 2022.

- *Interest*: The Term Loan has an interest rate LIBOR plus 8.50% margin with a LIBOR floor of 1%. The Company has the option to change its interest rate to the Alternative Base Rate ("ABR") or prime rate plus a 7.5% margin with a floor of 2%.

- *Guarantors:* The obligations of the borrower under the Term Loan are unconditionally guaranteed by certain wholly owned domestic restricted subsidiaries of the Company (the "Term Guarantors").

- *Collateral*: The Term Loan is secured by all outstanding equity interests of each borrower and restricted subsidiary owned by the credit party (Aricent Technologies).

- *Mandatory Prepayments:* Mandatory prepayments are not applicable unless the First Lien Term Loan has been repaid in full. At this time, mandatory prepayments on the Second Lien will be required following the same methodology described under the First Lien mandatory prepayments. As of March 31, 2015 the Company was not required to make mandatory prepayments on either First or Second Lien Term Loans.

- *Covenants:* The Term Loan is governed by the credit agreement which imposes certain restrictions including, but not limited to, the payment of dividends or other equity distributions and the incurrence of debt or liens upon the assets of the Company or its subsidiaries. The credit agreement also calls for the Company to maintain a total leverage ratio of less than 7.5:1, and subsequently stepping down on a annual basis, until it reaches 5.5:1 in September 2017 and thereafter until the expiration date.

$75 million Revolving Credit Facility — The Company has the ability to borrow up to $75 million under a senior secured revolving credit facility. Interest accrues on the revolving credit facility at LIBOR plus a 4.5% margin with a LIBOR floor of 1%. The Company has the option to change its interest rate to the Alternative Base Rate ("ABR") plus a 3.5% margin with a floor of 2%. Non-fund based letters of credit were outstanding under the revolving credit facility aggregating to $3.3 million as of March 31, 2015. Availability under the revolving credit facility after deducting outstanding letters of credit was $71.7 million at March 31, 2015.

In connection with the issuance of the secured term loan, the Company incurred discount of $19.5 million and debt financing costs of $2.1 million which is deferred and is netted off from debt. The Company is amortizing these fees to interest expense over the term of the loans using the effective interest method.

During the year ended March 31, 2015, the Company incurred $47.9 million and $4.7 million as interest expense on term loan and PIK note, respectively.

The Company's net weighted-average borrowing cost for all outstanding borrowings was 6.44% and 8.15% for fiscal 2015 and 2014, respectively.

As of March 31, 2015, the annual scheduled maturities for the Company's bank borrowings and long term debt were as follows:

Years Ending March 31	**Amount**
2016	$ 6,590
2017	6,590
2018	6,590
2019	6,590
2020	6,590
Thereafter	821,593
Total	$ 854,543

Extinguished debt obligations:

Long-term debt as of March 31, 2014 consisted of:

	2014
Senior revolving credit facility	$ -
Senior secured term loans	296,065
Senior subordinated Paid-In-Kind note	435,748
Total debt	731,813
Less: Current portion (1)	3,675
Non – Current portion	728,138
Less: Unamortized discount on debt ($9 million) and debt issuance cost ($3.4 million)	12,421
Net non – current portion of debt	$ 715,717

(1) As of March 31, 2014, in accounting for classification of its current maturities arising from its existing long-term debt, the Company considered the guidance in ASC 470-10-45-14. Accordingly the current portion under the new debt refinancing program which was payable during the current financial year had been classified and presented as current liabilities in the previous years consolidated balance sheet.

In August 2011 the Company had entered into credit facilities consisting of a $75 million senior revolving credit facility with a five-year maturity and a $385 million senior secured term loan facility with a five-year maturity, the proceeds were used to repay all amounts outstanding under the then existing Senior secured term loans and towards partial payment of the PIK note issued in 2006.

As of March 31, 2014, there was $71 million available under the $75 million revolving facility after taking into account letters of credit issued totaling $4 million. The prior senior secured term loan carried interest at the rate of one-month LIBOR (0.155% at March 31, 2014) plus an applicable margin rate subject to adjustment based on the existing Debt to EBITDA (Earnings Before Interest Tax Depreciation and Amortization) ratio, as defined in the Credit Agreement, which ranges from 2.375% to 3.625% and was 2.375% at March 31, 2014. The term loan facility requires principal payments to be made on February 12th and August 12th through the year 2016 based on percentages (of initial principal) set forth in the Credit Agreement.

As of March 31, 2014, the Company's senior subordinated notes consisted of a PIK note aggregating to $426.73 million (net of unamortized discount of $9 million), due in 2015 at a stated coupon rate of 12.05% till September 2014 and thereafter 14.05% till maturity in September 2015, compounded semiannually (resulting in an effective yield of 14.89%) with the discount being accreted to interest expense using the effective interest method over the term of the debt. The Company was not required to pay accrued interest on the PIK note in cash until maturity.

11. COMMITMENTS AND CONTINGENCIES

Lease Obligations — The Company leases certain facilities and equipment under non-cancelable operating leases. The Company also has commitments under capital leases related to leasehold improvement and equipment. The operating and capital leases expire in various years through March 2023 and require the following minimum lease payments:

Years Ending March 31	Operating Leases Amount	Capital Leases Amount
2016	$ 15,332	$ 2,017
2017	13,713	2,017
2018	10,190	970
2019	4,058	970
2020	3,445	970
Thereafter	1,604	627
	$ 48,342	$ 7,571
Less: Amount representing interest		1,553
Total of minimum lease payments		$ 6,018
Less: current portion		1,467
Long-term capital lease obligation		$ 4,551

Total rent expense for the years ended March 31, 2015, 2014, and 2013, amounted to $21.2 million, $19.9 million, and $22.6 million, respectively.

The Company has entered a sublease contract for one of its lease office which is non-cancelable in nature. Future minimum sublease payments expected to be received under non-cancellable subleases as at March 31, 2015 are, as follows:

Years Ending March 31	Operating Leases Amount
2016	$ 321
2017	321
2018	107
Total	$ 749

Guarantee Arrangements — The Company enters into guarantee arrangements in the ordinary course of business with certain third-party banking institutions on behalf of its subsidiaries. The estimated outstanding balance for guarantees issued on behalf of the subsidiaries was approximately $1.9 million and $2.2 million as of March 31, 2015 and 2014, respectively. As of March 31, 2015 and 2014, the

estimated amount of non-cancellable purchase commitments under contracts was $15.5 million and $2.5 million, respectively.

Revenue Sharing Arrangement —In February 2010 along with subsequent amendments, the Company entered into a six years agreement to jointly develop and market existing technology owned by one of the Company's customer. This agreement establishes certain targets for revenue sharing to be generated over an initial contract period of six years (i.e., 2010 to 2015) with penalties of up to $9.7 million charged to the Company if the targeted revenue levels for the customer are not met. As of March 31, 2015, the Company has achieved a substantial portion of the revenue target and the maximum penalty payable now stands reduced to $2.4 million. Based on the current future sales projections provided by the customer, the Company does not expect to pay any penalties associated with this agreement.

Legal Matters —

Bangalore Campus Matter — On May 19, 2003, the Company's principal subsidiary in India, Aricent Technologies Holdings Ltd. ("ATHL"), entered into an agreement (the "Agreement") with a purchase option with the land owner and the developer for the development, lease and potential sale of a Bangalore land facility in India (the "Company's Bangalore Campus"). In July 2005, the developer of the Company's Bangalore Campus filed a lawsuit against ATHL in the City Civil Court of Bangalore, India seeking recovery of rent and interest aggregating to $0.7 million. The developer also claimed wrongful possession and sought to have ATHL vacate the premises and pay damages. ATHL deposited $0.4 million with the court representing the amount it determined was contractually owed to the developer pursuant to the Agreement from the date of occupancy through January 2007, the date ATHL exercised its right to purchase the Company's Bangalore Campus pursuant to the Agreement. The court permitted the developer to encash this amount in February 2008. ATHL has also attempted to remit to the land owner the rental amount it determined to be contractually due to the land owner, but the land owner has refused to accept such rental cheques. In December 2008, the developer responded by filing a motion for damages equivalent to the amount of rent. The trial court allowed the motion on March 3, 2011, but ATHL challenged the order with the Karnataka High Court, Bangalore (the "High Court") and obtained a stay in the matter. Finally, on September 24, 2013, the High Court set aside the impugned order of trial court and directed the trial court to dispose of all the lawsuits expeditiously.

In January 2007, ATHL sent both the developer and land owner notice of its exercise of its option to purchase the Company's Bangalore Campus for $3.9 million pursuant to the Agreement. In February 2007, ATHL filed a lawsuit in the City Civil Court of Bangalore, India against both the developer and owner of the Company's Bangalore Campus directing them to execute a registered sale deed in favor of ATHL pursuant to the Company's contractual purchase option under the Agreement. The Company intends to pursue its right to ownership of the Company's Bangalore Campus.

In September 2010, the developer filed another lawsuit against ATHL in the City Civil Court of Bangalore, India seeking recovery of rent and interest representing the portion of the land and building previously owned by the landowner of the property. The developer claims to have purchased the owners' interest in April 2010, and is now seeking eviction based on its ownership of this portion of the Company's Bangalore Campus. The Company has opposed the claims and intends to vigorously defend this litigation.

All three lawsuits described above have been consolidated for trial, which commenced in November 2011. As a result of various procedural issues and the replacement of presiding judges, the hearings have been substantially delayed. Since the High Court has asked for a speedy resolution, and with a new presiding judge, the Company expects a decision in the 2016 financial year.

Although the outcome is not determinable, other than the minimum payment of the purchase price of $3.9 million for the Company's Bangalore Campus, the Company does not believe that the resolution of these matters will have a material adverse effect on its consolidated balance sheets or consolidated statements of operations and comprehensive income/(loss), or consolidated cash flows. As of March 31, 2015, the Company has accrued $0.9 million related to this matter.

License Fee — On June 24, 2010, the Company was notified by the New York Department of taxation and Finance (the "Department") of a potential tax liability for unpaid license fees for the New York operations of its frog design subsidiary based on an audit of the period December 2000 to March 2008. The Department has taken the position that the calculation of the license fee liability should be based on stock with no par value rather than a deemed par value of $1 per share, as is provided by California law. The Company was assessed on February 10, 2011 for the license fee, interest and penalties.

The Company filed a petition for a tax appeals hearing with the Division of Tax Appeals on May 9, 2011. On August 3, 2011, the Department, in its answer, rejected all of the Company's arguments made in its petition and on August 22, 2011, the Company filed its reply. On December 5, 2012, an administrative law judge commenced hearings in the New York Division of Tax Appeals. On November 27, 2013, the administrative law judge issued the formal determination and denied the Company's petition, finding the license fee was properly assessed. However, all penalties were abated.

On December 20, 2013, the Company appealed this determination by filing a notice of exception with the Tax Appeals Tribunal (the "Tribunal"). On April 15, 2015, the Tribunal entered a favorable decision for frog design and directed the Department to modify its notice of deficiency, dated February 10, 2011, by re-computing the license fee assessed against the Company at the rate applicable for capital stock with a par value of $1. The Department does not have a right to appeal the Tribunal's decision.

Service Tax Matter — On October 20, 2011, the Company's subsidiary, Aricent Technologies Holdings Ltd. ("ATHL") received a show cause notice from the service tax department of India demanding service tax on reimbursements made by ATHL to its various branches for salaries and rent and to other vendors located outside of India for visa and insurance services for ATHL employee's traveling abroad from fiscal year 2006 through 2010. Since July 22, 2012, ATHL had received similar notices covering fiscal years 2011 and 2012. The total tax demanded for such years stand at $24.2 million. During the fiscal year 2014, ATHL received order from Commissioner of service tax confirming above tax demand and also imposing interest and a penalty of 100% of service tax demanded. ATHL has filled Appeal with tribunal (CESTAT) against the above order from Commissioner of Service Tax.

In addition to above, the Service tax authorities have issued show cause notices for fiscal year 2013 and fiscal year 2014 as well. The main issues raised in this notice are same as in notices for earlier years. Additionally in above notices the service tax authorities have included all amounts incurred in foreign currency by ATHL, on which service tax applicable to import services has not been paid, as chargeable to service tax. The additional proposed tax demand in above notices is as follows:

Fiscal year 2013 $5.87 million

Fiscal year 2014 $4.64 million

During the year, ATHL has filed reply against notice for fiscal year 2013 and the matter is pending before the Commissioner of Service Tax. Notice for fiscal year 2014 has been received recently in April 2015 and ATHL is in the process of preparing response for the same.

The service tax department claims these services in above mentioned years qualify as an import of service and that under Section 66A/ 66B of the Finance Act of India, a service tax is due and owing. Company believes that Section 66A/ 66B is not applicable and accordingly no service tax is due on these particular services. Further since the Company is net exporter of services, any service tax even if deemed payable then such service tax excluding interest would be refundable or alternatively available for set-off against future domestic service tax liability. Since the Company has not suppressed any facts, it is Company's position based on legal advice that tax authorities case for penalty would not sustain. Based on legal advice, judicial precedents and reply being filed by legal counsel which supports Company's position, the Company is of the view that outcome of this matter will not have a material adverse effect on Company's consolidated balance sheets, consolidated statements of operations and comprehensive income/(loss) or consolidated cash flows.

Other Matters - The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the outcome of such claims and legal actions, if decided adversely, is not expected to have a material adverse effect on the Company's consolidated balance sheets, consolidated statements of operations and comprehensive income/(loss) or consolidated cash flows.

12. INCOME TAXES

The Company consolidates its entities under Aricent, a Cayman Islands entity. Accordingly, the Company has presented the domestic portion of the disclosures below with the country of domicile as the Cayman Islands.

The domestic and foreign components of income/(loss) before income taxes, net of non-controlling interest, for the years ended March 31, 2015, 2014, and 2013, were comprised of the following:

	2015	2014	2013
Domestic	$ (62,505)	$ (76,329)	$ (58,226)
Foreign	126,935	83,864	(50,004)
Total	$ 64,430	$ 7,535	$ (108,230)

The provision/(benefit) for income taxes for the years ended March 31, 2015, 2014, and 2013, consisted of the following:

	2015	2014	2013
Current:			
Domestic	$ -	$ -	$ -
Foreign	19,920	16,861	28,666
Total Current	19,920	16,861	28,666
Deferred:			
Domestic	-	-	-
Foreign	2,401	(2,414)	28,647
Total Deferred	2,401	(2,414)	28,647
Total	$ 22,321	$ 14,447	$ 57,313

As a Cayman Islands corporation, the Company's domestic statutory income tax rate is 0.0%. The primary difference between the Company's domestic statutory income tax rate and its effective tax rate is due to the effect of the tax rate differential between the Cayman Islands and other jurisdictions in which the Company operates.

The components of the net deferred income tax liability as of March 31, 2015 and 2014, are as follows:

	2015	2014
Deferred tax assets:		
Share-based compensation	$ 3,387	$ 1,989
Accruals and reserves	8,081	9,589
Tax credits	15,389	20,394
Net operating loss and other carryforwards	4,533	4,432
Fixed assets and land	1,358	692
Other	-	621
Total deferred tax assets	32,748	37,717
Valuation allowances	(8,428)	(9,415)
Net deferred tax assets	24,320	28,302
Deferred tax liabilities:		
Goodwill	(50,473)	(49,195)
Intangible assets	(24,470)	(29,263)
Other	(696)	-
Total deferred tax liability	(75,639)	(78,458)
Net deferred tax liability	$ (51,319)	$ (50,156)
The net deferred tax liability is classified as follows:		
Current (classified as other current assets)	$ 6,074	$ 6,726
Other assets	1,927	145
Current liability	(247)	(152)
Long-term liability	(59,073)	(56,875)
Total	$ (51,319)	$ (50,156)

The Company has income tax net operating loss carry-forwards related to its foreign operations of approximately $25.5 million. The foreign net operating loss carry-forwards of $25.5 million primarily are relating to the Company's subsidiaries in the UK, Israel, China, Netherlands, Germany and Japan. The UK, Germany and Israel net operating losses carry-forward indefinitely. The China, Netherlands and Japan net operating losses carry-forward expire between 2016 through 2035.The Company has recorded a deferred tax asset reflecting the benefit of $4.5 million in loss carry-forward. Such deferred tax assets expire as follows:

2016-2026	$ 1,648
2027-2035	212
Indefinite carryover	2,673
Total	$ 4,533

The Company has deferred tax assets related to India Minimum Alternate Tax (MAT) credit amounting to $15.1 million. These credits will expire between 2020 to 2024.

The utilization of the net operating loss carry-forwards is limited to the Company's future operations in those tax jurisdictions in which such carry-forward arose. Utilization of certain loss carry-forwards may be subject to annual limitations pursuant to specific country ownership change rules. Any such annual limitation may result in the expiration of net operating losses before utilization.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended March 31, 2015. Such objective evidence limits the ability to consider other subjective evidence such as our projections for future growth.

On the basis of this evaluation, as of March 31, 2015 a valuation allowance of $8.4 million has been recorded to record only the portion of the deferred tax asset that more likely than not will be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carry-forward period are reduced or increased, or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as our projections for growth. During the year, the Company has also released valuation allowance of $1.7 million in UK subsidiary as the entity has cumulative profit position in past 3-years and also has profit forecast for next 3-years.

In general, it is the practice and intention of the Company to reinvest the earnings of its foreign subsidiaries in those operations. The Company has subsidiaries in different jurisdictions which have positive retained earnings of approximately $222.3 million (other than the Company's subsidiary in India) as of March 31, 2015. Out of above retained earnings, $180 million are in countries where there is no dividend tax applicable and balance $42 million are in countries where law provides for dividend tax. It is management's position that such earnings will be indefinitely reinvested in respective jurisdictions. Accordingly, deferred income taxes of approximately $2.3 million have not been provided for on such foreign subsidiary earnings. The above amount of approximately $2.3 million does not include the impact of distributing the earnings of the Company's subsidiary in India, as the Company has implemented a strategy to repatriate partial earnings from its Indian subsidiary in a tax free manner and balance earnings will be indefinitely reinvested.

The Company recognizes interest and penalties related to unrecognized tax benefits within the provision for income taxes line in the accompanying consolidated statement of operations and comprehensive income/(loss). Accrued interest and penalties are included within the related tax liability line in the consolidated balance sheets. Related to the unrecognized tax benefits, the Company accrued penalties and interest of $0.7 million during the year ended March 31, 2015 and in total, as of March 31, 2015, has recognized a liability for penalties and interest of $3.9 million. During the year ended March 31, 2014, the Company accrued penalties and interest of $0.9 million and in total, as of March 31, 2014, has recognized a liability for penalties and interest of $3.2 million. During 2013, the Company accrued penalties and interest of $0.2 million.

The Company files income tax returns in the U.S. (federal and various states), India, UK, Luxembourg, Mauritius and various other foreign jurisdictions. The 2004 through 2015 tax years are open and may be subject to potential examination in one or more jurisdictions. The Company is also under income tax examination in India and Vietnam. The Company is not under income tax examination in any other jurisdiction as of March 31, 2015. The Company does not expect any significant increase or decrease in its unrecognized tax positions over the next 12 months.

13. EQUITY

During the year ended March 31, 2015, the Company has provided an opportunity to its eligible employees to purchase common shares of the Company for consideration in cash and the Company has issued 318,745 shares at $1.23 per share, the fair market value on the date of issuance of shares.

During the previous year ended March 31, 2014, the Company has issued 5,769,482 shares with a par value of $0.001 and at fair market value of $0.77 per share.

Further, during the previous year ended March 31, 2012, the Company increased its authorized shares from 500,000,000 with a par value of $0.001 to 550,000,000 with a par value of $0.001 and increased its shares available for grant under the 2006 Share Incentive Plan from 65,000,000 to 75,000,000, as approved by the Board of Directors. No changes were made to the plan during the year ended March 31, 2015.

14. SHARE-BASED COMPENSATION PLANS

Effective August 28, 2006, the Company adopted an equity-based compensation plan, the 2006 Share Incentive Plan (the "2006 Plan"), authorizing the grant of up to 65,000,000 options to its management, employees and non-employee directors to purchase the Company's ordinary shares at their fair value on the date of grant, and other long-term incentive compensation awards such as restricted stock units. During the year ended March 31, 2012, the number of shares available for grant was increased to 75,000,000.

Stock Options

Options granted to employees and officers consist of a combination of time-based and performance-based options which generally vest over a five-year period (though some vest over three years) and have a ten-year contractual term. The Company recognizes compensation expense for time-based options on a straight-line basis over the requisite service periods of the awards. For performance-based options where vesting is contingent upon both a service and a performance condition, compensation expense is recognized over the respective requisite service period of the award when achievement of the performance condition is considered probable. Vesting may be accelerated upon certain events such as a change of control.

Restricted Stock Units

Under the 2006 Plan, the Company may grant restricted stock units to officers and other key employees. These stock awards are subject to risk of forfeiture if employment is terminated before vesting. Upon vesting distributions are made in shares of common stock. The restricted stock units granted in 2012, 2013 and 2014 vest ratably over three years. Vesting may be accelerated upon certain events such as change of control. During 2014, the Company also granted a restricted stock award which immediately vested, under the terms of the award if employment is terminated within the first six months the award will be forfeited and if employment is terminated after six months but prior to the third anniversary, then the Company will buy-back the stock awarded at $0.77.

Stock-Based Compensation

The Company accounts for its share based compensation plans as equity awards at the time of grant. The fair value of option grants is estimated on the date of grant or for performance based options at the later of the date of grant or date the performance target is set using the Black-Scholes option-pricing model which uses the assumptions noted in the following table. Expected volatility is based on the historical volatility

of an index composed of the common stock of comparable publicly traded companies. The Company's expected term represents the period that the Company's stock options are expected to be outstanding and is determined based on giving consideration to the contractual terms of the stock options and vesting schedules which is calculated by using the simplified method. The Company has never paid dividends on its ordinary shares and currently does not intend to do so. Accordingly, the dividend yield percentage is zero for all periods. The risk-free interest rate for the expected term of the option is based on the average implied yield curve on U.S. Treasury instruments with a remaining term equivalent to the expected term of the option.

The assumptions used to value stock options issued during the years ended March 31, 2015 and 2014, were as follows:

	2015	2014
Expected term (years)	5.00 - 6.40	5.83 - 6.30
Expected volatility	36.00% - 48.00%	41.15% - 43.38%
Fair value of share	$1.23 - $1.74	$0.77
Risk-free interest rate	1.28 - 2.04 %	1.38 - 2.21 %
Dividend yield	0%	0%

Modification Accounting

The Company's option and related agreements, contain a call right, whereby, the Company has the right to repurchase an employee's outstanding common stock or options. When it is deemed probable by the Company that it will exercise its call right and preclude an employee from bearing the risks and rewards of share ownership for less than six months, the Company reclassifies the award from equity to liability and considers it to be a modification. The Company recognizes stock based compensation expense for the equity award to be at least equal to the grant date fair value of the award and records incremental expense equal to the fair value of the award on the date the classification changes from equity to liability which is considered to be a modification. Any changes in the fair value of the award between the date of modification through the date of settlement are also recorded as stock based compensation.

Distribution

The 2006 Plan contains anti-dilution provisions which require the Company to make an equitable adjustment to all option and restricted stock unit holders either through a cash payout or exercise price adjustment (or any combination thereof) upon an equity restructuring event including any special distribution and dividend. Since the adjustments were required pursuant to the 2006 Plan, the cash distribution and reduction in strike price are not considered modifications and as such no incremental stock based compensation expense was recognized.

The following table summarizes the stock option activity under Aricent's 2006 Plan as of March 31, 2015, 2014, and 2013:

	Number of Options	Weighted-Average Exercise Price *	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding — March 31, 2012	54,477,322	$ 1.09	7.2	$ 541
Granted (weighted average fair value of $0.34 per share)	28,150,000	0.82		
Exercised	-	-		
Forfeited	(11,669,039)	1.11		
Expired	(5,278,864)	1.05		
Outstanding — March 31, 2013	65,679,419	$ 0.97	7.2	$ 403
Granted (weighted average fair value of $0.34 per share)	16,815,116	0.77		
Exercised	(345,760)	0.25		
Forfeited	(14,143,867)	0.99		
Expired	(6,940,647)	1.14		
Outstanding — March 31, 2014	61,064,261	$ 0.86	7.3	$ 195
Granted (weighted average fair value of $0.56 per share)	6,829,374	1.15		
Exercised	(796,910)	0.75		
Forfeited	(4,303,874)	0.86		
Expired	(5,542,809)	0.97		
Outstanding — March 31, 2015	57,250,042	$ 0.78	7.0	$ 55,057
Options exercisable — March 31, 2015	25,899,161	$ 0.85	6.4	$ 23,099
Options exercisable — March 31, 2014	21,479,481	$ 0.93	5.6	$ 195
Options vested and expected to vest — March 31, 2015	49,816,453	$ 0.79	7.0	$ 47,204
Options vested and expected to vest — March 31, 2014	51,361,193	$ 0.87	7.2	$ 195

*Reflects reduction in exercise price for unvested options pursuant to the Distribution (refer Note 3).

The following table summarizes the share-based compensation expense from stock options included in operating expenses in the consolidated statements of operations and comprehensive income/(loss) for the years ended March 31, 2015, 2014, and 2013:

	2015	2014	2013
Cost of revenues	$ 737	$ 638	$ 567
Selling, general, and administrative	7,097	3,337	1,027
Total	$ 7,834	$ 3,975	$ 1,594

As of March 31, 2015, the unamortized share-based compensation expense from outstanding options was $5.5 million. The weighted-average period over which the unamortized share-based compensation expense will be recognized is 3.03 years.

The above expense includes $3.5 million and $1.8 million of stock based compensation expense for performance-based options which vested in the years ended March 31, 2015 and 2014, respectively upon the achievement of the performance target in the respective years. The Company did not recognize compensation expense for performance-based options for the year ended March 31, 2013, as the performance criteria was not met for vesting of the performance-based options.

During the year ended March 31, 2015, the Company modified options held by certain terminated employees. The Company also reclassified certain options from equity to liability awards when it was considered probable that the Company would exercise its call right or make payments to cancel outstanding options, which are also considered a modification. As a result of these modifications, the Company recorded incremental share-based compensation expense for the year ended March 31, 2015 of $2.2 million.

During the fiscal years 2014 and 2013, the Company modified certain awards held by certain terminated employees and as a result of these modifications, compensation expense for the years ended March 31, 2014 and 2013, decreased by a deminimus amount.

During fiscal year 2014, the Board authorized the cancellation and regrant of 2.7 million shares to executives of the Company. The cancelled shares had been issued at prices between $0.94 and $1.25 and were regranted at a price of $0.77. This modification resulted in approximately $0.25 million of incremental compensation expense.

Restricted Stock Units

Changes in restricted stock units for the year ended March 31, 2015, 2014 and 2013 are summarized as follows:

	Number of Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Awarded on March 12, 2013	3,500,000	$ 0.79		
Vested	500,003	0.79		
Non vested as of March 31, 2013	2,999,997	$ 0.79	3.0	$ 2,370
Awarded	1,000,000	$ 0.77		
Vested	(1,057,142)	0.77		
Forfeited	(1,571,427)	0.77		
Non vested as of March 31, 2014	1,371,428	$ 0.77	1.5	$ 1,056
Awarded *	92,460	$ 1.74		
Vested	(362,052)	0.89		
Forfeited	(655,606)	0.77		
Non vested as of March 31, 2015	446,230	$ 1.74	1.0	$ 776

* Restricted stock unit granted pursuant to distribution (refer Note 3)

During the fiscal year ended March 31, 2014, the Company granted a restricted stock award of 830,104, which immediately vested. There were no restricted stock awards granted in 2015.

The total intrinsic value of restricted stock units vested during the year ended March 31, 2015 and 2014 was $0.8 million and $0.8 million respectively.

The following table summarizes the share-based compensation expense from restricted stock units and restricted stock awards included in operating expenses in the statements of operations for the years ended March 31, 2015, 2014, and 2013:

	2015	2014	2013
Cost of revenues	$ -	$ -	$ 56
Selling, general, and administrative	480	1,470	339
Total	$ 480	$ 1,470	$ 395

During the year ended March 31, 2015, the Company modified restricted stock units held by a terminated employee. As a result of this modifications, the Company recorded incremental share-based compensation expense for the year ended March 31, 2015 of $0.2 million.

Aricent's Directors' Deferred Compensation Plan — The Company adopted a Directors' deferred compensation plan ("Directors' Plan") on January 1, 2007, in which the members of the Company's Board of Directors may make an annual election to receive their fees in the form of equity share units in lieu of cash. The number of units received is determined based on the number of shares that could be purchased with the Directors' fees at the current fair value of the shares. Directors will receive additional units for shares that could be purchased with future dividends, if any. Following a Director's departure from the Board of Directors, the Director may receive payment for the balance of the deferred compensation share units. The form of payment, in shares or in cash, equivalent to the fair value of the shares at the time of payment, is at the discretion of the Director. The Company accounts for share units issued under the Directors' Plan as liability awards, recognizing a charge against earnings for the compensation expense associated with the Directors' Plan based on the fair value, as determined by equity valuations, of the shares issuable at each reporting date. The Company recognized compensation expense of $0.1 million associated with the Directors' Plan for each of the years ended March 31, 2014, and 2013. Share units are fully vested upon grant. During the year ended March 31, 2015, the Company adopted a new Directors Compensation plan and discontinued the directors' deferred compensation plan.

A summary of share unit activity under the Directors' Plan as of March 31, 2015 and 2014, is presented below:

	Share Units	Average Grant Date Fair Value
Outstanding — March 31, 2013	816,951	$ 0.91
Granted	104,085	0.77
Released	(272,317)	
Outstanding — March 31, 2014	648,719	$ 0.88
Cancelled	(26,020)	
Released	(485,200)	
Outstanding — March 31, 2015	137,499	$ 1.12

The new Directors' compensation plan ("Directors' Plan") is effective from January 1, 2014, in which the members of the Company's Board of Directors can elect to receive their fees in the form of cash or an annual grant of options to purchase equity share. Two of the directors have opted to receive the compensation in combination of cash and option while the other directors have opted to receive the compensation in options. The Company recognized an expense of $0.1 million paid to directors in cash and compensation expense of $0.3 million associated with the 1,091,841 option granted during the year which is included in operating expenses in the statements of operations for the year ended March 31, 2015.

15. EMPLOYEE BENEFIT PLANS

401(k) Employee Savings Plan — The Company sponsors a 401(k) Employee Savings Plan (the "401(k) Plan") for eligible U.S. employees. Employee contributions to the 401(k) Plan are voluntary, subject to a maximum annual limit provided by the U.S. Internal Revenue Code of 1986, as amended. The Company may make an annual discretionary contribution to the plan with approval by its Board of Directors, which is also subject to the maximum deductible limit provided by the Internal Revenue Code of 1986, as amended. As of March 31, 2015 and 2014, the Company had accrued $0.5 million and $0.7 million, respectively, for contribution to the 401(k) plan. The Company made matching contributions of approximately $1.9 million, $1.5 million, and $0.8 million, respectively, for the years ended March 31, 2015, 2014, and 2013, to the 401(k) Plan.

Defined Contribution and Defined Benefit Plans — In accordance with Indian law, eligible employees of the Company's India subsidiary ("ATHL") are entitled to receive benefits under a provident fund, a defined contribution plan in which both the employee and the Company make monthly contributions equal to a specified percentage of the covered employee's salary, which at March 31, 2015, was 12% of the employee's base salary. These contributions are made to a fund set up by its India subsidiary and administered by a board of trustees. The rate at which the annual interest is payable to the beneficiaries by the trust is administered by the government. The Company has an obligation to fund any shortfall on the yield of the trust's investments over the administered interest rates. There is no shortfall on the yield of the trust's investments over the administered interest rates for the years ended March 31, 2015, 2014, and 2013. The Company recognizes its contribution as an expense in the year incurred which totaled $5.1 million, $4.8 million, and $5.2 million for the years ended March 31, 2015, 2014, and 2013, respectively.

Also, as required by Indian law, the Company provides for gratuity, a defined benefit retirement plan covering eligible employees resident in its India subsidiaries ("Gratuity Plan"). The plan provides a lump-sum payment to vested employees at retirement, death while in service or on termination of employment in an amount equivalent to 15 days salary for each completed year of service. Vesting occurs upon completion of five years of service. The Company contributes all the ascertained liabilities to a fund set up by the Company and administered by a board of trustees.

ATHL maintains an unfunded defined benefit pension plan covering certain German employees. Benefits are based on years of service and compensation earned during a specified period of time before retirement.

The components of the Gratuity Plan and the Pension Plan benefit obligations as of March 31, 2015 and 2014, are shown below:

	2015	2014
Change in benefit obligations:		
Projected benefit obligation — beginning of year	$ 14,172	$ 15,135
Interest cost	1,112	1,003
Service cost	1,795	1,796
Benefit paid	(2,102)	(1,616)
Actuarial loss/(gain)	2,777	(1,600)
Acquisition/Divestiture	-	398
Exchange rate changes	(1,018)	(944)
Projected benefit obligation — end of year	$ 16,736	$ 14,172
Change in plan assets:		
Fair value of plan assets — beginning of the year	$ 1,466	$ 1,337
Actual return on plan assets	81	54
Employer contributions	2,453	1,405
Benefits paid	(2,084)	(1,602)
Acquisition/Divestiture	-	398
Exchange rate changes	(69)	(126)
Fair value of plan assets — end of the year	$ 1,847	$ 1,466
Funded status	$ (14,889)	$ (12,706)
The accrued liability for benefits is classified as follows:		
Accrued payroll and benefits - "Current Liability"	$ -	$ 174
Other liabilities - "Non-current Liability"	14,889	12,532
Total accrued liability	$ 14,889	$ 12,706

The net gratuity and pension cost for the years ended March 31, 2015, 2014, and 2013, is as follows:

	2015	2014	2013
Net cost:			
Service cost	$ 1,795	$ 1,796	$ 1,700
Interest cost	1,112	1,003	984
Expected return on planned assets	(123)	(102)	-
Amortization of actuarial loss	143	329	328
Net cost for the year	$ 2,927	$ 3,026	$ 3,012

The actuarial loss of $2.7 million and actuarial gain of $1.9 million were recognized in other comprehensive income/(loss) for the years ended March 31, 2015 and 2014 respectively.

The following are the assumptions utilized as of March 31, 2015 and 2014:

	2015	2014
Discount rate	1.60% - 8.30%	3.20%–9.70%
Rate of increase in compensation levels	2.50% - 8.00%	2.50%–8.00%
Cost of living adjustments	1.75%	2.00%
Rate of return on plan assets	8.50%	8.50%

The accumulated benefit obligation for all plans as of March 31, 2015 and 2014, was $11.76 million and $10.1 million, respectively.

Gratuity and pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of March 31, 2015, are as follows:

Years Ending March 31	Amount
2016	$ 1,934
2017	2,104
2018	2,371
2019	2,409
2020	2,622
2021–2025	$ 13,875

The expected benefits are based on the same assumptions used to measure the Company's benefit obligations as of March 31, 2015.

The Company's gratuity plan asset allocations at March 31, 2015 and 2014, are as follows:

	2015	2014
Government securities and other approved securities	$ 712	$ 378
Corporate bonds	973	568
Cash, money market instruments, and deposits	162	520
Total	$ 1,847	$ 1,466

The Company expects to contribute $1.9 million to its gratuity plan in 2016. The amount of gratuity and pension expense expected during the year ended March 31, 2016 is $3.5 million.

16. RESTRUCTURING AND OTHER CHARGES

During 2015 the Company took certain actions to improve the efficiency of its operations by ramping down its facilities in China. In connection with these the Company recorded $2.9 million costs associated with termination benefits.

In August 2013, the Company determined that its subsidiaries located in South Africa and Ukraine were no longer aligned with its long term strategy and decided to shut down those operations. The disposals were completed by March 31, 2014. The operations in these subsidiaries had been included under the frog reporting unit. The Company does not consider closures of the entities in South Africa and Ukraine to represent a strategic shift that had a major effect on the Company's operations or financial results and as such they are not reflected as discontinued operations for the periods presented. The combined results of these subsidiaries during the financial year 2011 to financial year 2013 were 3% or less of the consolidated revenue, gross profit and net income. During financial year 2014, South Africa and Ukraine entities represents less than 1% of revenue and gross profit. The net loss from South Africa and Ukraine operations was $3.7 million for the year ending March 31, 2014, primarily due to the charges disclosed below.

As a result of these actions, the Company recorded charges of $9.9 million in 2014, which were composed of severance, impairment of intangible asset, release of cumulative translation adjustment into net income and other exit costs, of $0.8 million, $6.6 million, $0.8 million and $1.7 million, respectively. All severance and other costs were paid and settled as of March 31, 2014.

17. RELATED-PARTY INFORMATION

Transactions with KKR — On September 1, 2006, the Company entered into an advisory agreement with KKR to which KKR may provide management, financial advisory and consulting services to the Company. As of March 31, 2015 and March 31, 2014, affiliates of KKR indirectly owned approximately 77.4% and 77.5% of Aricent's shares respectively. The advisory agreement requires the Company to pay a management fee of $1.0 million per year and is subject to a 5% increase each fiscal year effective March 31, 2007. The Company has expensed $1.5 million, $1.4 million, and $1.3 million for the years ended March 31, 2015, 2014, and 2013, respectively, under the terms of this agreement. The management fees are included in selling, general and administrative expenses in the accompanying consolidated statements of operations and comprehensive income/(loss). In addition to the management fee, the Company incurred $0.07 million, $0.05 million and $1.0 million to KKR during the year ended March 31, 2015, 2014 and 2013 for reimbursement of expenses, respectively.

During the year ended March 31, 2015 the Company paid $0.5 million and $2.9 million to KKR as consent fee for PIK prepayment and arrangement fee for borrowings taken during the year, respectively. Further, the Company paid $305.3 million to KKR affiliates as a repayment of the PIK note (including accrued interest) as part of the Company's refinancing of its debt obligations. (Refer Note 10).

The amounts payable to KKR as of March 31, 2015 and 2014 are as follows:

	2015	2014
Management fee	$ 369	$ 352
Reimbursement of expense	71	-
Distribution (see Note 3)	70,310	-
Total	$ 70,750	$ 352

Transactions with executives — During the year ended March 31, 2015 the Company made distribution amounting to $4.9 million to directors and executive officers out of which $2.1 million is payable as of March 31, 2015 and is included in distribution payable in the consolidated balance sheet (see Note 3). During the previous year ended March 31, 2014, investments totaling $4.3 million were made by certain executives of the Company in equity of the Company. No such investment was made during the year ended March 31, 2015.

18. CONCENTRATIONS

The customers with accounts receivable balances that accounted for 10% or more of total accounts receivable, or with revenues that accounted for 10% or more of the Company's revenues for each of the three years ended March 31, 2015, 2014 and 2013, are summarized below:

Revenue	**2015**	**2014**	**2013**
Customer A	12 %	10 %	7 %
Customer B	11	12	11
Customer C	7	10	11
Accounts Receivable			
Customer A	12 %	12 %	16 %
Customer B	9	11	13

19. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 23, 2015, the date on which the consolidated financial statements were to be issued.

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