Aricent and its Subsidiaries

Consolidated Financial Statements as of March 31, 2017 and 2016 and for each of the Three Years in the Period Ended March 31, 2017, and Independent Auditors' Report

Deloitte Haskins & Sells

Chartered Accountants
7th Floor, Building 10, Tower B
DLF Cyber City Complex
DLF City Phase - II
Gurgaon – 122 002
Haryana, India

Tel: +91 (124) 679 2000
Fax: +91 (124) 679 2012

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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, 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 21 , 2017

Deloitte Haskins & Sells
Chartered Accountants

ARICENT AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2017 AND 2016
(In thousands, except share and per share amounts)

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 44,865	$ 88,857
Short-term investments	-	3,019
Accounts receivable — less allowance for doubtful accounts of $2,298 and $2,201 in 2017 and 2016, respectively	118,905	117,926
Unbilled revenue	53,298	38,158
Other current assets	21,633	21,594
Total current assets	238,701	269,554
PROPERTY AND EQUIPMENT — Net	53,944	55,471
GOODWILL	383,325	382,427
INTANGIBLE ASSETS — Net	384,752	89,507
OTHER ASSETS	44,857	32,080
TOTAL ASSETS	**$ 1,105,579**	**$ 829,039**
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Bank borrowings and current portion of long-term debt	$ 32,340	$ 7,340
Accounts payable	105,097	30,673
Accrued payroll and benefits	33,842	26,603
Deferred revenue	7,853	9,940
Other current liabilities	29,385	36,655
Total current liabilities	208,517	111,211
LONG-TERM DEBT — net of current portion and unamortized discount and debt issuance cost	894,318	898,469
DEFERRED INCOME TAX LIABILITIES	70,897	68,058
OTHER LONG-TERM LIABILITIES	228,646	59,902
Total liabilities	1,402,378	1,137,640
COMMITMENTS AND CONTINGENCIES (NOTE 12)		
SHAREHOLDERS' DEFICIT:		
Ordinary shares, $0.001 par value - 550,000,000 shares authorized: 461,197,639 shares and 459,744,972 shares issued and outstanding as of March 31, 2017 and 2016, respectively	$ 461	$ 460
Additional paid-in capital	389,416	386,830
Accumulated other comprehensive loss	(154,882)	(165,635)
Accumulated deficit	(536,712)	(534,401)
Total Aricent shareholders' deficit	(301,717)	(312,746)
Non-controlling interest	4,918	4,145
Total shareholders' deficit	(296,799)	(308,601)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	**$ 1,105,579**	**$ 829,039**

See notes to consolidated financial statements.

ARICENT AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME/(LOSS)
FOR THE YEARS ENDED MARCH 31, 2017, 2016 AND 2015
(In thousands)

	2017	2016	2015
TOTAL REVENUES	$ 620,576	$ 590,011	$ 595,304
COST OF REVENUES:			
Services and products	404,611	375,847	357,913
Total cost of revenues	404,611	375,847	357,913
GROSS PROFIT	215,965	214,164	237,391
OPERATING EXPENSES:			
Selling, general, and administrative	104,299	105,325	97,055
Research and development expenses	21,240	22,909	23,870
Amortization of intangible assets	13,420	11,869	10,036
OPERATING INCOME	77,006	74,061	106,430
OTHER EXPENSE/(INCOME):			
Interest expense — net	69,709	60,110	52,800
Foreign exchange gain	(10,720)	(879)	(20,306)
Other (income)/expense — net	(551)	(419)	1,942
Loss on extinguishment of debt	-	-	6,890
INCOME BEFORE INCOME TAXES	18,568	15,249	65,104
PROVISION FOR INCOME TAXES	20,225	15,851	22,321
NET (LOSS)/INCOME	(1,657)	(602)	42,783
LESS: NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST	654	580	674
NET (LOSS)/INCOME ATTRIBUTABLE TO ARICENT	$ (2,311)	$ (1,182)	$ 42,109
COMPREHENSIVE INCOME/(LOSS):			
Net (loss)/income	(1,657)	(602)	42,783
Other comprehensive income/(loss), net of taxes:			
Actuarial (loss)/gain on pension plan, net of taxes	(697)	769	(2,366)
Unrealized gain/(loss) on derivative instruments	3,424	(6,901)	(5,637)
Unrealized (loss)/gain on available for sale investments, net of taxes	(2)	(172)	174
Foreign currency translation adjustment	8,147	(21,245)	(19,797)
Other comprehensive income/(loss), total, net of taxes:	10,872	(27,549)	(27,626)
COMPREHENSIVE INCOME/(LOSS)	9,215	(28,151)	15,157
LESS: COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST	773	357	524
COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO ARICENT	$ 8,442	$ (28,508)	$ 14,633

See notes to consolidated financial statements.

ARICENT AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT)/EQUITY
FOR THE YEARS ENDED MARCH 31, 2017, 2016 AND 2015
(In thousands, except share and per share amounts)

	Ordinary Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non-controlling Interest	Total
BALANCE — March 31, 2016	459,744,972	$ 460	$ 386,830	$ (534,401)	$ (165,635)	$ 4,145	$ (308,601)
Net (loss)/income				(2,311)		654	(1,657)
Net change in accumulated other comprehensive loss (Note 7)					10,753	119	10,872
Issuance of ordinary shares upon exercise of options	1,296,108	1	462				463
Issuance of ordinary shares	158,785		257				257
Repurchase of ordinary shares (including withholding taxes of $ 0.5 million of employees shares withheld by the Company)	(2,226)		(512)				(512)
Reclassification adjustment related to modification of awards from equity to liability			(467)				(467)
Share-based compensation	-	-	2,846	-	-	-	2,846
BALANCE — March 31, 2017	461,197,639	$ 461	$ 389,416	$ (536,712)	$ (154,882)	$ 4,918	$ (296,799)

(Continued)

ARICENT AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT)/EQUITY
FOR THE YEARS ENDED MARCH 31, 2017, 2016 AND 2015
(In thousands, except share and per share amounts)

	Ordinary Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non-controlling Interest	Total
BALANCE — March 31, 2015	452,088,241	$ 452	$ 382,049	$ (533,219)	$ (138,309)	$ 3,788	$ (285,239)
Net (loss)/income				(1,182)		580	(602)
Net change in accumulated other comprehensive loss (Note 7)					(27,326)	(223)	(27,549)
Issuance of ordinary shares upon exercise of options/restricted stock units	9,543,527	10	7,071				7,081
Issuance of ordinary shares	175,000	-	305				305
Repurchase of ordinary shares	(2,061,796)	(2)	(3,692)				(3,694)
Reclassification adjustment related to modification of awards from equity to liability			(4,914)				(4,914)
Share-based compensation	-	-	6,011	-	-	-	6,011
BALANCE — March 31, 2016	459,744,972	$ 460	$ 386,830	$ (534,401)	$ (165,635)	$ 4,145	$ (308,601)

(Continued)

ARICENT AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT)/EQUITY
FOR THE YEARS ENDED MARCH 31, 2017, 2016 AND 2015
(In thousands, except share and per share amounts)

	Ordinary Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive 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 7)					(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 4)			(95,000)				(95,000)
Related-party debt transaction (Note 11)	-	-	(6,649)	-	-	-	(6,649)
BALANCE — March 31, 2015	452,088,241	$ 452	$ 382,049	$ (533,219)	$ (138,309)	$ 3,788	$ (285,239)

See notes to consolidated financial statements

(Concluded)

ARICENT AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2017, 2016 AND 2015
(In thousands)

	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss)/income	$ (1,657)	$ (602)	$ 42,783
Adjustments to reconcile net (loss)/income to net cash provided by operating activities:			
Depreciation and amortization charges	41,037	32,220	30,120
Loss/(gain) on sale of property and equipment	1,491	(253)	(127)
Gain on sale of short-term investments	(285)	(587)	-
Bad debt/(write back of bad debt)	576	1,510	(776)
Share-based compensation	2,846	6,011	8,314
Deferred income taxes	464	5,587	2,401
Non-cash interest expense	6,674	3,631	8,191
Loss on extinguishment of debt	-	-	6,890
Unrealized (gain)/loss on derivatives	(3,378)	6,450	(4,079)
Excess tax benefit on share-based compensation plans	-	-	(273)
Changes in operating assets and liabilities:			
Accounts receivable	(1,288)	(1,844)	11,091
Unbilled revenue	(15,261)	(13,137)	(5,599)
Other assets	(3,323)	(831)	(6,762)
Accounts payable and other liabilities	(3,634)	16,011	7,927
Accrued payroll and benefits	6,743	(7,202)	(2,289)
Deferred revenue	(2,165)	(4,938)	(5,201)
Net cash provided by operating activities	28,840	42,026	92,611
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(18,026)	(23,713)	(17,773)
Proceeds from sale of property and equipment	99	372	224
Purchase of intangible assets	(76,440)	-	-
Proceeds from sale of short-term investments	9,268	27,039	-
Purchase of short-term investments	(6,088)	(13,948)	(15,965)
Payment for business acquisitions, net of cash acquired of $12 million	-	(128,029)	-
Net cash used in investing activities	(91,187)	(138,279)	(33,514)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of ordinary shares	257	305	792
Repurchase of ordinary shares*	(512)	(3,694)	(1,101)
Issuance of ordinary shares upon exercise of options/restricted stock units	463	7,081	1
Payments of awards classified from equity to liability	(1,153)	(7,352)	(1,510)
Distribution to common shareholders and vested option holders (Note 4)	(121)	(78,391)	(16,467)
Changes in restricted cash	-	78,684	(78,684)
Excess tax benefit on share-based compensation plans	-	-	273
Payments of capital lease obligations	(1,290)	(1,296)	(1,169)
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	-	(365)	(1,823)
Proceeds from bank borrowings and long-term debt	52,000	138,931	839,493
Repayment of bank borrowings and long-term debt	(34,340)	(72,153)	(300,522)
Net cash provided by/(used in) financing activities	15,304	61,750	(6,232)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	3,051	(3,535)	(5,260)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(43,992)	(38,038)	47,605
CASH AND CASH EQUIVALENTS — Beginning of period	88,857	126,895	79,290
CASH AND CASH EQUIVALENTS — End of period	$ 44,865	$ 88,857	$ 126,895

*including withholding taxes of $0.5 million of employees shares withheld by the Company in year ended March 31, 2017.

(Continued)

ARICENT AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2017, 2016 AND 2015
(In thousands)

	2017	2016	2015
SUPPLEMENTAL CASH FLOW DISCLOSURES:			
Net cash paid for:			
Interest	$ 72,551	$ 48,272	$ 46,634
Income taxes	$ 15,927	$ 17,892	$ 18,739
Non-cash investing and financing activities:			
Purchases of property and equipment not yet paid at year-end	$ 3,037	$ 3,635	$ 5,515
Purchases of intangible assets not yet paid at year-end	$ 240,246	$ -	$ -

(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. During the year ended March 31, 2016 the Company acquired SmartPlay Global PCC, Mauritius a company having presence in India, US, Singapore and Canada. See Note 3 below for details.

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 37 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. 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 certificates of deposit.

Cash and cash equivalents as of March 31, 2017 and 2016, consisted of the following:

	2017	2016
Cash and bank balances	$ 44,865	$ 88,857
Total	$ 44,865	$ 88,857

Restricted Cash — Restricted cash represents cash balances held by banks as collateral for certain guarantees and performance bonds of overseas subsidiaries. The Company had restricted cash of $0.3 million recorded in other assets as of March 31, 2017 and March 31, 2016.

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 collectability of all receivables. Reserve is created for specific 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 estimated useful life or the lease term. Repairs and maintenance costs are expensed as incurred. See Note 6.

Intangible Assets — Intangible assets acquired through business combinations are recognized as assets, separate from goodwill, if they represent either a contractual legal right or have separable value. Intangible assets arising from the acquisition of subsidiaries or acquired individually are recognized and measured at fair value upon acquisition.

Intangible assets are carried at cost less accumulated amortization and are amortized on a straight-line basis or the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product, over their estimated useful lives as follows:

Contractual agreements	1.5 - 3 years
Trademarks	3 - 15 years
Developed technologies	4 - 6 years
Customer relationships	8 - 18 years
Software licenses	5.8 - 10 years
Non-compete	5 years
Assembled workforce	5 years

We evaluate the remaining useful lives of intangible assets at reporting date to determine whether events and circumstances warrants a change. See Note 8.

Goodwill — Goodwill represents the excess purchase price paid over the fair value of the net assets of an acquired entity on the acquisition date. Goodwill is tested for impairment on an annual basis as of December 31 and between annual tests, if indicators of potential impairment exist.

The Company performs an assessment of qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Based on the assessment of qualitative factors the Company performs a quantitative assessment, if required. 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 8.

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 6.

Business Combination — The Company accounts for its business combinations using the acquisition method of accounting in accordance with ASC 805, Business Combinations, by recognizing the identifiable tangible and intangible assets acquired and liabilities assumed and any non-controlling interest in the acquired business, measured at their acquisition date fair values. Goodwill represents the excess of the purchase price over the fair value of net assets acquired, including the amount assigned to identifiable intangible assets. Acquisition-related costs are expensed in the periods in which the costs are incurred. The results of operations of acquired businesses are included in the consolidated financial statements from the acquisition date.

Contingent consideration is included within the acquisition cost and is recognized at its fair value on the acquisition date. A liability resulting from contingent consideration is remeasured to fair value as of each reporting date until the contingency is resolved. Changes in fair value are recognized in consolidated statement of operations and comprehensive income/ (loss).

During the measurement period, which is one year from the acquisition date, adjustments to the fair value of assets acquired and liabilities assumed can be recorded with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to consolidated statement of operations and comprehensive income/ (loss). See Note 3.

Debt Issuance — Deferred financing costs and original issue discount are presented as a reduction of the carrying value of debt and amortized over the term of the related debt issuance using the effective interest method. See Note 11.

Revenue Recognition — The Company derives 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, 2017, 2016 and 2015.

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 sales information of the related products to the third party is provided 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 $15.2 million, $14.2 million and $18.5 million for the years ended March 31, 2017, 2016 and 2015, 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 certain 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 as 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 increase in the fair value over the original award on the date of modification has been recorded as incremental 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 15.

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 17.

Warranties — The Company provides warranties for its software products and services. Wherever, the warranty is in the nature of implied post contract support, revenues are deferred in accordance with the fair values of such post contract support services. In other cases, the Company provides for an estimated amount for warranty claims at the time related revenue is recognized based on specific warranties and claims history. Accrued warranty is recorded in other current liabilities and amounted to approximately $1.1 million and $0.9 million as of March 31, 2017 and 2016, respectively.

Advertising Costs — Advertising costs are expensed as incurred and were $1.9 million, $2.2 million and $1.5 million for the years ended March 31, 2017, 2016 and 2015, 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 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 earnings 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 13.

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 a derivative instrument is designated under ASC 815 as a cash flow hedge, effectiveness is measured between derivative instruments and hedged item for 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) on maturity when the hedged item affects earnings. Ineffective portions of changes in the fair value of the derivative instruments are recognized in earnings.

If a 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 9.

Recent Accounting Pronouncements —

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customer (Topic 606): the 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 and improved disclosure requirements. The effective date for this ASU has been deferred by ASU No. 2015-14 issued by the FASB during August 2015. As per ASU No. 2015-14, the guidance in ASU No. 2014-09 shall apply to the Company for annual reporting periods beginning after December 15, 2018 and interim reporting periods within annual reporting periods beginning after December 15, 2019. Early adoption is permitted with some period choice. The FASB also issued ASU 2016-10 - to further clarify performance obligations and licensing implementation guidance; ASU 2016-12 and ASU 2016-20 to further clarify other general topics; and ASU 2017-05 on other income—Gains and Losses from the Derecognition of Nonfinancial Assets. These amendments have the same effective date as the new revenue standard. The Company is currently assessing the impacts of this new standard on its financial conditions, results of operations and cash flows.

In September 2015, the FASB issued ASU No. 2015-16: Simplifying the Accounting for Measurement-Period Adjustments. The ASU require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. This new guidance is effective for fiscal years beginning after December 15, 2016 and for interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02: Leases, a comprehensive standard related to lease accounting to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Most significantly, the new guidance requires lessees to recognize operating leases with a term of more than 12 months as lease assets and lease liabilities. The adoption will require a modified retrospective approach at the beginning of the earliest period presented. The new standard is effective for the Company for the fiscal year beginning after December 15, 2019, with early adoption permitted. The Company is evaluating the impact of this standard on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”). ASU 2016-09 simplifies several aspects of accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, statutory tax withholding requirements, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The changes in the new standard eliminate the accounting for excess tax benefits to be recognized in additional paid-in capital and tax deficiencies recognized either in the income tax provision or in additional paid-in capital. The Company has elected to early adopt ASU 2016-09 effective as if adopted the first day of the fiscal year, or April 1, 2016.

As of April 1, 2016, there were $1.9 million of unrecognized deferred tax assets attributable to excess tax benefits that were not previously recognized as they did not reduce income taxes payable. There was no cumulative-effect adjustment required to retained earnings as of the beginning of the year because the incremental deferred tax assets were fully offset by a corresponding increase in the deferred tax asset valuation allowance. For the year ended March 31, 2017, the Company recognized all excess tax benefits and tax deficiencies as income tax expense. An income tax benefit of approximately $12,000 was recognized in the year ended March 31, 2017 as a result of the adoption of ASU 2016-09. The treatment of forfeitures has not changed as the Company is electing to continue the current policy of estimating the number of forfeitures. With the early adoption of ASU 2016-09, the Company has elected to present the cash flow statement on a prospective transition method and no prior periods have been adjusted.

In June 2016, the FASB issued ASU No. 2016-13: Measurement of Credit Losses on Financial Instruments which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. ASU 2016-13 is effective for annual reporting periods, beginning after December 15, 2020. The Company is currently in the process of evaluating the impact of the adoption of this standard on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15: Classification of certain cash receipts and cash payments, which clarifies the presentation and classification of certain cash receipts and cash payments. The update addresses specific cash flow issues, including debt prepayment or debt extinguishment costs, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims and distributions received from equity method investees. The update is effective for the Company for fiscal years beginning on or after December 15, 2018. Early adoption is permitted. Upon adoption, entities will be required to use a retrospective transition approach. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16: Intra-Entity Transfers of Assets Other Than Inventory, which requires the recognition of current and deferred income taxes when an intra-entity transfer of assets other than inventory occurs. This new guidance will be effective for the Company for the fiscal year beginning after December 15, 2018. Early adoption is permitted. Upon adoption, the entities will be required to use a modified retrospective transition approach. The Company is currently in the process of evaluating the impact of the adoption of this standard on its consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which requires companies to include amounts generally described as restricted cash and restricted cash equivalents in cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This ASU is effective for annual reporting periods, beginning after December 15, 2018 and early adoption is permitted. The Company is currently in the process of evaluating the impact of the adoption of this standard on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01: Clarifying the Definition of a Business. The new guidance revises the definition of a business. The definition of a business affects many areas of accounting (e.g., acquisitions, disposals, goodwill impairment, consolidation). This ASU is effective for annual reporting periods, beginning after December 15, 2018 and early adoption is permitted. The Company is currently in the process of evaluating the impact of the adoption of this standard on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04: Simplifying the Test for Goodwill Impairment, which removes step two from the goodwill impairment test. As a result, under the ASU, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value, however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Also, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. This ASU is effective for annual reporting periods, beginning after December 15, 2021 with early adoption permitted. The Company is currently in the process of evaluating the impact of the adoption of this standard on its consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The amendments in this update require that an employer report the service cost component as part of operating income. The other components of net benefit cost are required to be presented separately from the service cost component and outside a subtotal of income from operations, if one is presented. This ASU is effective for annual reporting periods, beginning after December 15, 2018 with early adaption permitted. The amendments should be applied retrospectively for the presentation of the components of net benefit cost in the income statement and prospectively for the capitalization of the service cost component. The adoption of this guidance will affect financial statement presentation only and will have no effect on our financial position or results of operations. The Company is currently in the process of evaluating the impact of the adoption of this standard on its consolidated financial statements.

In May 2017, the FASB has issued ASU No. 2017-09: Scope of Modification Accounting. The FASB is issuing this update to provide more clarity when applying the guidance under 718. This update provides guidance about what changes to the terms or conditions of the share-based payment award require an entity to apply modification accounting. This new guidance will be effective for the Company for the fiscal year beginning after December 15, 2017. The Company is evaluating the impact of this standard on its consolidated financial statements.

Reclassifications — Certain reclassifications have been made in the consolidated financial statements of prior years to conform to the classification used in the current year. The impact of such reclassifications on the consolidated financial statements is not material.

3. ACQUISITIONS

On July 27, 2015, the Company entered into a 'Share Purchase Agreement' (SPA) with SmartPlay Global PCC, Mauritius (SmartPlay) which along with its four subsidiaries in India, US, Singapore and Canada, was engaged in the business of chip design services. The acquisition was done primarily to expand service offerings and customer base of the Company. The Company completed the acquisition of all the outstanding shares and ownership interests by making a payment of $140 million in cash on August 7, 2015 ("Closing date"). The Company was also obligated to pay an additional consideration to the former owners of up to $39 million, in a combination of stock and cash, over a three year period contingent upon the achievement of agreed revenue parameters.

The Company recorded the estimated fair values of net tangible and intangible assets ("net assets") acquired and the excess of the consideration transferred over the aggregate of such fair values was recorded as goodwill. The estimated fair values of net assets acquired were based upon valuations prepared by the Company.

The purchase consideration for the acquisition is set forth below:

	Amount
Cash consideration	$ 140,000
Fair value of contingent consideration	3,800
Total purchase consideration	$ 143,800

The fair value of the contingent consideration as of the acquisition date was determined to be $3.8 million and was included within the purchase consideration with a corresponding liability established. The Company remeasured the fair value of the consideration as at March 31, 2017 and estimated that the revenue numbers were below the targets as defined under the SPA. Accordingly, the Company reversed the liability for contingent consideration and recorded a non-cash income of $3.8 million in selling, general and administrative expenses.

The following table summarizes the allocation of the purchase price based on the fair value of the assets acquired and the liabilities assumed as of the date of acquisition, including measurement period adjustments:

	Amount
Assets acquired, net of liabilities	$ 11,628
Property and equipment	929
Intangible assets	
Trade name	1,800
Customer relationships	26,800
Non-compete	1,300
Customer contract	2,800
Deferred tax	(8,682)
Net assets acquired	36,575
Purchase consideration	143,800
Goodwill	$ 107,225

During the year ended March 31, 2017, the Company recorded a measurement period adjustment decreasing its goodwill by $4.3 million. These measurement period adjustments did not have a significant impact on the Company's consolidated financial statements.

4. 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 (See Note 15 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.

5. SHORT-TERM INVESTMENTS

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

	2017	**2016**
Available-for-sale investment securities:		
Mutual funds	$ -	$ 3,019
Total short-term investments	$ -	$ 3,019

The Company does not hold any short-term investments as on March 31, 2017. The Company's short-term investments as of March 31, 2016 consisted of investments in available-for-sale INR denominated mutual funds.

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

	2016			
	Amortized Cost	**Unrealized Gains**	**Unrealized Loss**	**Fair Value**
Mutual funds	$ 3,016	$ 3	$ -	$ 3,019
Total available-for-sale investment securities	$ 3,016	$ 3	$ -	$ 3,019

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.

6. PROPERTY AND EQUIPMENT — NET

Property and equipment as of March 31, 2017 and 2016 are as follows:

	Useful Life (In Years)	**2017**	**2016**
Machinery and equipment	5–7	$ 19,567	$ 24,221
Buildings	30	2,025	1,979
Leasehold improvements	up to 10	28,816	24,251
Furniture and fixtures	3–5	7,009	6,913
Computer equipment and software	3–5	89,310	83,975
Land		7,252	7,088
Property and equipment under capital leases	3–9	4,633	7,576
Total property and equipment		158,612	156,003
Accumulated depreciation		(104,668)	(100,532)
Property and equipment — net		$ 53,944	$ 55,471

Accumulated amortization of capital lease assets was $3.6 million and $4.3 million as on March 31, 2017 and 2016, respectively. Depreciation and amortization expense associated with property and equipment was $18.2 million, $20.4 million and $20.1 million for the years ended March 31, 2017, 2016 and 2015, respectively.

No impairment of property and equipment was identified during the years ended March 31, 2017, 2016 and 2015.

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7. ACCUMULATED OTHER COMPREHENSIVE LOSS

Changes in accumulated other comprehensive loss by component were as follows for the year ended March 31, 2017:

	2017		
	Before Tax Amount	**Tax Effect**	**Net of Tax Amount**
Foreign currency translation adjustments:			
Beginning balance	$ (150,011)	$ -	$ (150,011)
Less: gain arising during the year	8,028	-	8,028
Ending balance	$ (141,983)	$ -	$ (141,983)
Unrealized loss on derivative instrument:			
Beginning balance	$ (13,308)	$ -	$ (13,308)
Less: reclassification of loss to interest expense	3,072	-	3,072
Less: unrealized gain arising during the year	352	-	352
Ending balance	$ (9,884)	$ -	$ (9,884)
Actuarial loss on pension plan:			
Beginning balance	$ (3,337)	$ 1,019	$ (2,318)
Less: amount amortized as net periodic pension cost	257	(83)	174
Add: loss for the year	(1,189)	371	(818)
Add: effect of exchange rate changes	(77)	24	(53)
Ending balance	$ (4,346)	$ 1,331	$ (3,015)
Net unrealized gain on available-for-sale investment:			
Beginning balance	$ 3	$ (1)	$ 2
Less: reclassification of net gains to Other (income)/expense - net	(3)	1	(2)
Ending balance	$ -	$ -	$ -

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Changes in AOCL by component for the years ended March 31, 2016 and March 31, 2015 were as follows:

	2016			2015		
	Before Tax Amount	Tax Effect	Net of Tax Amount	Before Tax Amount	Tax Effect	Net of Tax Amount
Foreign currency translation adjustments:						
Beginning balance	$ (128,989)	$ -	$ (128,989)	$ (109,342)	$ -	$ (109,342)
Add: loss arising during the year	(21,022)	-	(21,022)	(19,647)	-	(19,647)
Ending balance	$ (150,011)	$ -	$ (150,011)	$ (128,989)	$ -	$ (128,989)
Unrealized loss on derivative instrument:						
Beginning balance	$ (6,407)	$ -	$ (6,407)	$ (770)	$ -	$ (770)
Less: reclassifications of loss to:						
Interest expense - net	-	-	-	770	-	770
Add: Unrealized loss arising during the year	(6,901)	-	(6,901)	(6,407)	-	(6,407)
Ending balance	$ (13,308)	$ -	$ (13,308)	$ (6,407)	$ -	$ (6,407)
Actuarial loss on pension plan:						
Beginning balance	$ (4,398)	$ 1,311	$ (3,087)	$ (1,796)	$ 1,075	$ (721)
Add: gain/(loss) for the year	450	(108)	342	(2,819)	341	(2,478)
Less: amount amortized as net periodic pension cost	374	(112)	262	143	(61)	82
Less: effect of exchange rate changes	237	(72)	165	74	(44)	30
Ending balance	$ (3,337)	$ 1,019	$ (2,318)	$ (4,398)	$ 1,311	$ (3,087)
Net unrealized gain on available-for-sale investment:						
Beginning balance	$ 264	$ (90)	$ 174	$ -	$ -	$ -
Less: reclassification of net gains to Other (income)/expense - net	(264)	90	(174)	-	-	-
Add: unrealized gains arising during the year	3	(1)	2	264	(90)	174
Ending balance	$ 3	$ (1)	$ 2	$ 264	$ (90)	$ 174

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8. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company currently operates in two reporting units, Aricent Engineering and frog design.

As of December 31 2016, which is the Company's annual impairment testing date, the Company performed an assessment of qualitative factors for its Aricent Engineering reporting unit and step one of goodwill impairment test for its frog reporting unit.

Based on such assessment of qualitative factors, the Company concluded that it is not more likely than not that the fair value of the Company's Aricent Engineering reporting unit is less than its carrying amount and based on step one of goodwill impairment test, the Company concluded that no impairment is warranted for its frog reporting unit for the year ended March 31, 2017.

As of December 31, 2015, 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 December 31, 2015, the fair values of the reporting units exceeded their book values.

The following table summarizes the changes in goodwill, for the years ended March 31, 2017 and 2016:

Balance — March 31, 2015	$	284,582
Acquisition		111,588
Foreign currency translation adjustments		(13,406)
Deferred tax adjustments		(337)
Balance — March 31, 2016	$	382,427
Impact of measurement period adjustments		(4,363)
Foreign currency translation adjustments		5,520
Deferred tax adjustments		(259)
Balance — March 31, 2017	$	383,325

During 2013, the Indian Supreme Court ruled that amortization of goodwill is tax deductible in India. As a result, during 2017 and 2016 goodwill has been reduced by $0.3 million and $0.3 million, respectively 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 year ended March 31, 2017 includes acquisition of software licenses of $316 million, assembled workforce $1.0 million and translation adjustments of $3.5 million. Undiscounted value of the payments of acquired intangibles is $347.8 million. Since the payment term is spread over a period of upto five years, the Company has discounted the long term payables using an incremental borrowing rate and recorded acquired intangibles at $316.7 million.

In the current year the Company has made a payment of $76.8 million and the expected future payments as of March 31, 2017 are as follows:

Years Ending March 31	**Amount**
2018	$ 77,588
2019	86,250
2020	54,885
2021 onwards	52,240
Total	$ 270,963

During the year ended March 31, 2016, changes in gross carrying amounts of intangible assets were related to intangible assets acquired on acquisition of SmartPlay and translation adjustments. No residual value is estimated for the intangible assets.

The components of intangible assets, including foreign currency translation adjustments of $1.4 million and $4.6 million, as of March 31, 2017 and 2016 respectively, are as follows:

	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Amount**
Intangible assets as of March 31, 2017:			
Contractual agreements	$ 5,795	$ (5,795)	$ -
Trademarks	5,676	(3,729)	1,947
Developed technologies	45,310	(45,310)	-
Software licenses	315,742	(9,375)	306,367
Customer relationships	204,253	(129,572)	74,681
Non-compete	1,286	(424)	862
Assembled workforce	952	(57)	895
Total	$ 579,014	$ (194,262)	$ 384,752
Intangible assets as of March 31, 2016:			
Contractual agreements	$ 5,798	$ (4,252)	$ 1,546
Trademarks	5,665	(2,888)	2,777
Developed technologies	45,310	(45,310)	-
Customer relationships	200,834	(116,752)	84,082
Non-compete	1,267	(165)	1,102
Total	$ 258,874	$ (169,367)	$ 89,507

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Amortization of intangible assets included in operating income was $22.9 million, $11.9 million and $10 million for the years ended March 31, 2017, 2016 and 2015, respectively. Future estimated annual amortization expense, as of March 31, 2017, is as follows:

Years Ending March 31	Amount
2018	$ 45,070
2019	44,882
2020	44,031
2021	43,481
2022	42,645
Thereafter	164,643
Total amortization expense	$ 384,752

The weighted-average remaining amortization periods for intangible assets as of March 31, 2017, were as follows (in years):

Trademarks	3.46
Software licenses	9.74
Customer relationships	6.92
Non-compete	3.33
Assembled workforce	4.71

9. 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 risks from these exposures.

Foreign Currency Exposures — The Company manages foreign currency exchange rate risk through the use of derivative financial instruments comprised of forwards contracts and option contracts. All such derivative financial instruments are reported in the consolidated balance sheets at fair value (see Note 10) 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, 2017, the Company did not apply hedge accounting for its foreign currency forward contracts.

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The total gross notional amount by type of derivative financial instruments as of March 31, 2017, is as follows:

	Forward Contracts Outstanding		
	Currency to Sell	Notional Coverage	US Dollars
US dollar (contracts to sell USD/buy INR)	USD	INR 10,852,006	$ 161,200
Australian dollar (contract to sell AUD/buy USD)	AUD	AUD 3,990	3,038
British pound (contracts to sell GBP/buy USD)	GBP	GBP 11,600	14,490
Euros (contracts to sell EUR/buy USD)	EUR	EUR 38,780	$ 41,991

	Option/Range Forward Contracts Outstanding		
	Currency to Sell	Notional Coverage	US Dollars
Euros (contracts to sell EUR/buy USD)	EUR	EUR 1,800	$ 1,922
US Dollars (contracts to sell USD/buy INR)	USD	INR 622,176	9,600

The total gross notional amount by type of derivative financial instruments as of March 31, 2016, is as follows:

	Forward Contracts Outstanding		
	Currency to Sell	Notional Coverage	US Dollars
US dollar (contracts to sell USD/buy INR)	USD	INR 9,467,165	$ 138,240
Australian dollar (contract to sell AUD/buy USD)	AUD	AUD 3,310	2,543
British pound (contracts to sell GBP/buy USD)	GBP	GBP 9,600	13,820
Euros (contracts to sell EUR/buy USD)	EUR	EUR 38,710	$ 43,509

	Option/Range Forward Contracts Outstanding		
	Currency to Sell	Notional Coverage	US Dollars
Euros (contracts to sell EUR/buy USD)	EUR	EUR 4,200	$ 4,752

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, 2017, 2016 and 2015. The following (gain)/loss result from derivative financial instruments that are.

	2017	2016	2015
Foreign exchange (gain)/loss	$ (16,351)	$ 2,096	$ (26,511)

Interest Rate Exposure —

In April 2014, the Company entered into a forward starting interest rate swap transactions executed through Bank of America Merrill Lynch ("BAML") and Citi bank of $150 million each against $300 million secured term loans from variable interest rate to fixed rate, effective October 2016 fixing the Libor at 3.033%.

In November 2014, the Company entered into an additional forward starting interest rate swap transaction of $50 million executed through BAML against the first lien secured term loan. The forward starting interest rate swaps have an effective date of October 2016 at a fixed Libor of 2.6435%

In December 2016, the Company entered into an additional forward starting interest rate swap transaction of $100 million executed through BAML against first lien secured term loan. The forward starting interest rate swaps have an effective date of January 2017 at a fixed Libor of 1.4775%

All the above interest rate swaps are accounted for as a cash flow hedge under ASC 815 – Derivatives and Hedging.

The Company recorded expense of nil, $0.03 and $0.03 million as ineffective portion of changes in fair value of these derivatives, in other (income)/expense – net, for each of the years ended March 31, 2017, 2016 and 2015.

The Company recorded $5.8 million and $2.7 million under current liabilities, $5.7 million and $12.4 million under other long-term liabilities and $0.2 million and nil in other assets as of March 31, 2017 and 2016, respectively to reflect the fair value of the interest rate swaps.

The amount reclassified from AOCL to the interest expense during the year ended March 31, 2017 and 2016 is $3.1 million and nil, respectively. Based on current assumptions regarding the interest rate environment as of March 31, 2017, the estimated amount from AOCL that is expected to be reclassified into interest expense within the next 12 months is $5.7 million.

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.

10. 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, 2017 and 2016 were as follows:

	Level	Balance Sheet Classification	2017 Carrying Amount	2017 Fair Value	2016 Carrying Amount	2016 Fair Value
Assets:						
Mutual funds	Level 1	Short-term investments	-	-	3,019	3,019
Interest rate swap	Level 2	Other assets	190	190	-	-
Foreign currency forward & option contracts	Level 2	Other current	4,743	4,743	1,920	1,920
Total			$ 4,933	$ 4,933	$ 4,939	$ 4,939
Liabilities:						
Foreign currency forward & option contracts	Level 2	Other current	$ (145)	$ (145)	$ (753)	$ (753)
Interest rate swap	Level 2	Other current/ other long-term	(11,557)	(11,557)	(15,070)	(15,070)
Senior secured term loans	Level 1	Current/long term	(915,050)	(915,350)	-	-
	Level 2	Current/long term	-	-	(922,390)	(917,886)
Contingent consideration	Level 3	Current/long term	-	-	(3,800)	(3,800)
Total			$ (926,752)	$ (927,052)	$ (942,013)	$ (937,509)

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

As of March 31, 2017, secured term loans are fair valued based on the available quoted price. The Company classifies the fair value under Level 1 as the quoted price of secured loan available on measurement date. As of March 31, 2016 the Company performed a discounted cash flow analysis based on estimated cash flows since the quoted price were not available and therefore classified it under Level 2.

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 contracts and option contracts in Level 2 as quoted prices can be corroborated based on observable market transactions of spot currency rate and 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.

The valuation for the contingent consideration in relation to acquisitions is determined based on unobservable inputs, such as historical financial results and assumptions about future growth rates, which require significant judgment to determine the future outcome and as such are in Level 3.

A reconciliation of contingent consideration from the opening to the closing balances is as follows –

	Amount
Balance as at March 31, 2015	$ -
Additons	3,800
Change in fair value	-
Balance as at March 31, 2016	$ 3,800
Change in fair value	(3,800)
Balance as at March 31, 2017	$ -

11. BANK BORROWINGS AND LONG TERM DEBT

The Company completed a refinancing of its outstanding debt obligations by entering into new debt facilities during the year ended March 31, 2015. The Company obtained $659 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 and pre-pay its senior subordinated Paid-In-Kind ("PIK") note amounting to $444.8 million, including accrued interest of $9.1 million. The Company further used the proceeds to distribute $95 million to its common shareholders and vested option holders of record on March 16, 2015. The Company accounted for the transactions as extinguishment of debt and issuance of new debt and accordingly recorded a loss on extinguishment of debt of $6.9 million and a total of $6.6 million was recorded in additional paid-in capital related to this extinguishment during the year ending March 31, 2015.

The secured term loans were issued at discount of $19.5 million and the Company also paid financing costs of $2.1 million. The discount and financing costs are recorded on the balance sheet as a reduction to the carrying value of the debt and are recognized as interest expense using the effective interest method over the term of the loans.

On August 14, 2015, the Company availed itself of a provision included in the First Lien Credit Agreement dated April 14, 2014, to increase its borrowings under the First Lien. The Company borrowed an additional $75 million under the First Lien Agreement and used the funds to repay revolver credit facility drawn in connection with acquisition of SmartPlay. This borrowing was issued at a discount of $1.1 million and other legal and consulting fee of $ 0.1 million.

The Company's bank borrowings and long-term debt as of March 31, 2017 and 2016 consists of the following:

	2017	2016
Secured term loan		
- First lien term loan	$ 715,050	$ 722,390
- Second lien term loan	200,000	200,000
Revolving credit facility	25,000	-
Total debt	940,050	922,390
Less: Current portion	32,340	7,340
Non – current portion	907,710	915,050
Less: Unamortized discount and debt issuance cost	13,392	16,581
Net non – current portion of debt	$ 894,318	$ 898,469

The Company has set forth a brief description of its credit facilities in place as of March 31, 2017 below.

$734 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 Floor of 1%. The Company is currently making interest payments on a monthly basis however the Company has ability to elect longer tenure.

- *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 an 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 Floor at 1%. The Company is currently making interest payments on a monthly basis however the Company has ability to elect longer tenure.

- *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, 2017 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. As on March 31, 2017, the Company has borrowed $25 million from this credit facility. Proceeds from the borrowing were used by the Company to manage its working capital requirements. Non-fund based letters of credit outstanding under the revolving credit facility aggregated to $4 million and $3.6 million as of March 31, 2017 and 2016, respectively. The outstanding balance of the Credit Facility carried an effective interest rate of 5.48% per annum as at March 31, 2017. Availability under the revolving credit facility after deducting outstanding letters of credit was $46 million and $71.4 million at March 31, 2017 and 2016, respectively.

During the year ended March 31, 2017 and 2016 the Company incurred $63.5 million and $61.7 million as interest expense respectively on its borrowings.

The Company’s net weighted-average borrowing cost for all outstanding borrowings was 6.37% for both the fiscal 2017 and 2016.

As of March 31, 2017, the annual scheduled maturities for the Company's bank borrowings and long term debt were as follows:

Years Ending March 31	Amount
2018	$ 32,340
2019	7,340
2020	7,340
2021	7,340
2022 onwards	885,690
Total	$ 940,050

12. COMMITMENTS AND CONTINGENCIES

Lease Obligations — The Company leases certain facilities under non-cancelable operating leases. The Company also has commitments under capital leases related to leasehold improvement. The operating and capital leases expire in various years through December 2026 and require the following minimum lease payments:

Years Ending March 31	Operating Leases Amount	Capital Leases Amount
2018	$ 11,696	$ 443
2019	5,624	443
2020	4,762	443
2021	2,757	184
2022	2,176	-
Thereafter	9,199	-
	$ 36,214	$ 1,513
Less: Amount representing interest		233
Total of minimum lease payments		$ 1,280
Less: Current portion		331
Long-term capital lease obligation		$ 949

Total rent expense for the years ended March 31, 2017, 2016 and 2015, amounted to $18.0 million, $20.9 million and $21.2 million, respectively.

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The Company has entered into sublease contract of its lease offices which is non-cancelable in nature. Future minimum sublease payments expected to be received under non-cancellable subleases as at March 31, 2017 are, as follows:

Years Ending March 31	**Operating Leases Amount**
2018	$ 566
2019	472
2020	242
Total	$ 1,280

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 $4 million and $2.1 million as of March 31, 2017 and 2016, respectively. As of March 31, 2017 and 2016, the estimated amount of non-cancellable purchase commitments under contracts was $0.6 million and $2.8 million, respectively.

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 in March 2011, but ATHL challenged the order with the Karnataka High Court, Bangalore (the "High Court") and obtained a stay in the matter. Finally, in September, 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 $3.6 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 sale deed in favor of ATHL pursuant to the Company's contractual purchase option under the Agreement.

In September 2010, the developer filed another lawsuit against ATHL in the City Civil Court of Bangalore, India seeking recovery of damages 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 sought eviction based on its ownership of this portion. The Company had opposed the claims.

All three lawsuits described above have been consolidated for trial, which commenced in November 2011 and completed in February, 2016. The judgements were pronounced by the Court in April 2016 wherein the 2 cases filed against the Company by the developer for eviction has been allowed by the Court and the Company's case of Specific Performance was dismissed with no costs. These judgements were appealable before the Hon'ble High Court of Karnataka. The Company has already filed appeals in both the eviction suits and also in a suit for Specific Performance before the High Court of Karnataka and the same have been admitted by the Court. The Court granted a stay on the order of eviction subject to payment of the ordered amount. Amount of $5.1 million has been duly paid by ATHL to developer. The matter is now pending before the Hon'ble High Court of Karnataka.

Based on expert advice, the Company believes that it has a good case and possibility of resolution of the matter against the Company is remote. Further, 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.

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, rent and to other vendors located outside of India for visa and insurance services for ATHL employees traveling abroad from fiscal year 2007 through 2010. Additionally, in the above notices the service tax authorities have included all amounts incurred in the foreign currency by ATHL, on which service tax applicable on import services has not been paid as chargeable to service tax. Since July 22, 2012, ATHL has received similar notices covering fiscal years 2011 to 2015. The total tax demanded for such year's stands at $35.7 million. This amount does not include interest which is $44.6 million upto 31st March 2017.

For years upto 2014 ATHL has also received orders from Commissioner of Service Tax confirming above tax demand and also imposing interest and a penalty equivalent to 100% of service tax demanded. ATHL has filled Appeal with the tribunal (CESTAT) against the above order from Commissioner of Service Tax. For 2015, the Service tax authorities have only issued show cause notice and ATHL has during the year filed response before the Commissioner of Service Tax against the same. The proposed tax demand in such notice is for $2.2 million which is included in total tax demand mentioned above. In April 2017, the CESTAT has issued order granting stay of demand for the fiscal years 2007 to 2012 till disposal of appeal. In respect of demand determined for FY13 and FY14, pursuant to amendment in law the Company made a mandatory pre-deposit of $0.8 million before filing appeal before the CESTAT. The recovery of balance amount is stayed till disposal of appeal.

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. The Company believes that Section 66A/66B is not applicable and accordingly no service tax and consequently no interest is due on these particular services. Since the Company has not suppressed any facts, it is the Company's position based on legal advice that tax authorities case for penalty would not sustain and it is remote that the service tax demand will materialize. Based on legal advice, judicial precedents and reply being filed by legal counsel which supports the Company's position, the Company is of the view that outcome of this matter will not have a material adverse effect on the 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.

13. 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, 2017, 2016 and 2015, were comprised of the following:

	2017	2016	2015
Domestic	$ (40,123)	$ (53,998)	$ (62,505)
Foreign	58,691	69,247	127,609
Total	$ 18,568	$ 15,249	$ 65,104

The provision/(benefit) for income taxes for the years ended March 31, 2017, 2016 and 2015, consisted of the following:

	2017	2016	2015
Current:			
Domestic	$ -	$ -	$ -
Foreign	19,761	10,264	19,920
Total Current	19,761	10,264	19,920
Deferred:			
Domestic	-	-	-
Foreign	464	5,587	2,401
Total Deferred	464	5,587	2,401
Total	$ 20,225	$ 15,851	$ 22,321

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.

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The components of the net deferred income tax liability as of March 31, 2017 and 2016, are as follows:

	2017	2016
Deferred tax assets:		
Share-based compensation	$ 2,375	$ 1,554
Accruals and reserves	9,275	7,624
Tax credits	292	5,578
Net operating loss and other carryforwards	5,897	6,386
Fixed assets and land	4,373	1,761
Total deferred tax assets	22,212	22,903
Valuation allowances	(10,149)	(7,248)
Net deferred tax assets	12,063	15,655
Deferred tax liabilities:		
Goodwill	(53,904)	(50,915)
Intangible assets	(25,432)	(30,620)
Other	(1,129)	(448)
Total deferred tax liability	(80,465)	(81,983)
Net deferred tax liability	$ (68,402)	$ (66,328)
The net deferred tax liability is classified as follows:		
Other assets	2,495	1,730
Long-term liability	(70,897)	(68,058)
Total	$ (68,402)	$ (66,328)

The Company has income tax net operating loss carry-forwards related to its foreign operations of approximately $28.8 million. The foreign net operating loss carry-forwards of $28.8 million primarily are relating to the Company's subsidiaries in the US, United Kingdom (UK), India, Netherlands and Germany. The UK and Germany net operating losses carry-forward indefinitely. The Netherlands, US and India net operating losses carry-forward expire between 2018 through 2036. The Company has recorded a deferred tax asset reflecting the benefit of $5.9 million in loss carry-forward. Such deferred tax assets expire as follows:

2018-2028	$ 2,315
2029-2036	1,298
Indefinite carryover	2,284
Total	$ 5,897

The Company has deferred tax assets related to India Minimum Alternate Tax (MAT) credit amounting to $3.9 million. These credits will expire between 2022 to 2024. In accordance with ASU 2013-11, these deferred taxes amounting to $3.9 million ($3.6 million as of March 2016) have been offset against liability related to unrecognized tax benefits.

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, 2017. 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, 2017 a valuation allowance of $10.1 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.

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 $136.6 million (other than the Company's subsidiary in India) as of March 31, 2017. Out of above retained earnings, $95.4 million are in countries where there is no dividend tax applicable and balance $41.27 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 $2.1 million have not been provided for on such foreign subsidiary earnings. The above amount of approximately $2.1 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 $1.1 million during the year ended March 31, 2017 and in total, as of March 31, 2017, has recognized a liability for penalties and interest of $5.8 million. During the year ended March 31, 2016, the Company accrued penalties and interest of $0.4 million and in total, as of March 31, 2016, has recognized a liability for penalties and interest of $4.7 million. During 2015, the Company accrued penalties and interest of $0.7 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 2017 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. The Company is not under income tax examination in any other jurisdiction as of March 31, 2017. The Company does not expect any significant increase or decrease in its unrecognized tax positions over the next 12 months.

The Company has adopted the provisions of ASU 2016-09 as of the beginning of the year ended March 31, 2017. This requires recognition through opening retained earnings of any pre-adoption date net operating loss carryforwards from nonqualified stock options and other employee share-based payments, as well as recognition of all income tax effects arising on or after April 1, 2016 (the adoption date) in income tax expense. There were approximately $5.4 million of pre-adoption date net operating loss carryforwards attributable to excess tax benefits that were not previously recognized as they did not reduce income taxes payable. There was no cumulative-effect adjustment required to retained earnings as of the beginning of the year because the incremental deferred tax assets of $1.9 million were fully offset by a corresponding increase in the deferred tax asset valuation allowance. In addition, the Company realized windfall tax benefits in the period of adoption of approximately $12,000.

14. EQUITY

During the year ended March 31, 2017, 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 158,785 shares at $1.62 per share, the fair market value on the date of issuance of shares.

During the year ended March 31, 2016, the Company has issued 175,000 shares with a par value of $0.001 and at fair market value of $1.74 per share.

During the year 2015, the Company has issued 318,745 shares to its eligible employees to purchase shares at $1.23 per share, the fair market value on the date of issuance of shares

Further, during the 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.

15. 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.

Effective August 4, 2016, the Company has amended and restated its 2006 Share Incentive Plan, the 2016 Share Incentive Plan (the "2016 Plan"), for key employees of Aricent and its Subsidiaries. The number of shares available for issuance under grant made pursuant to this plan is 75,000,000 shares.

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

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 the Company granted in 2012-2014 vested ratably over three years. During FY17, the Company granted certain restricted stock units with a three year vesting schedule and others which vest 50% at December 31, 2017 and 50% at December 31, 2018. 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. For the year ended March 31, 2016, employment was terminated and the stock was repurchased at $0.77 per share.

SmartPlay Contingent Consideration Restricted Stock Units

In connection with the acquisition of SmartPlay, during the year ended March 31, 2017 the Company granted 500,000 restricted stock units to certain former employees of SmartPlay. If an employee terminates his shares are reallocated to the remaining former SmartPlay employees. Vesting of the restricted stock units are contingent on meeting performance targets for the years ended July 26, 2016, 2017 and 2018. Performance target was not met for the year ended July 26, 2016 and the Company does not deem it probable that targets will be met for the years ended July 26, 2017 or 2018 and as such has not recorded any stock-based compensation for these awards. As of March 31, 2017, 500,000 performance contingent restricted stock units remain outstanding.

frog Cash Settled Stock Appreciation Right Plan

Effective June 2, 2016 the Company adopted a cash settled share appreciation rights to provide an equity based incentive to employees, directors and consultant of Frog Design Inc. and its affiliates “Frog Appreciation Rights (fARs)”, authorizing the grant of up to 3,000,000 stock appreciation rights. Under the terms of the fAR plan, during a 3-year measurement period, annual EBITDA performance goals will be set and achievement of the annual goal will determine the number of fARs earned. Subject to continued employment, 1/3rd of the number of earned fARs will vest and be settled on each of the 4th, 5th and 6th anniversaries of grant; provided, that, if a change in control (CIC) or IPO occurs (of frog), earned fARs will vest and be settled on the first to occur of the applicable 4th-6th anniversaries of grant or the 1st anniversary of the CIC or IPO (of frog); and if the vesting date is a CIC or IPO (of frog) that occurs during the 3-year measurement period, all current and future fARs will be deemed earned and will vest on the 1st anniversary of the CIC or IPO (of frog), even if performance metrics for future years haven’t been met (however, fARs that were not earned in the past because performance targets were not satisfied will not vest).

The Company granted 2,050,000 fARs on June 6, 2016, which if performance targets are met would be earned 33% as of March 31, 2017, 2018 and 2019 and then vest ratably over 3 years. The performance target for the year ended March 31, 2017 was not met and as such 783,331 fARs were forfeited. As of March 31, 2017, 1,266,669 fARs remain outstanding. The Company did not record any share based compensation for these awards as targets have not been set for the future years and vesting is not deemed probable.

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 years. 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, 2017 and 2016, were as follows:

	2017	**2016**
Expected term (years)	5.1-9.65	6.35
Expected volatility	34.64% - 43.25%	35.30% - 38.68%
Fair value of share	$1.62	$1.74 - $2.05
Risk-free interest rate	1.04 - 2.37 %	1.70 - 1.76 %
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.

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The following table summarizes the stock option activity under Aricent's 2006 Plan as of March 31, 2017, 2016 and 2015:

	Number of Options	Weighted-Average Exercise Price *	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
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
Granted (weighted average fair value of $0.75 per share)	12,241,724	1.88		
Exercised	(9,403,340)	0.76		
Forfeited	(11,273,345)	1.05		
Expired	(5,848,696)	0.74		
Outstanding — March 31, 2016	42,966,385	$ 1.03	6.3	$ 43,670
Granted (weighted average fair value of $0.60 per share)	10,724,177	1.62		
Exercised	(3,330,304)	0.97		
Forfeited	(1,756,236)	1.28		
Expired	(3,780,259)	0.91		
Outstanding — March 31, 2017	44,823,763	1.18	6.9	$ 22,102
Options exercisable — March 31, 2017	15,574,362	$ 0.98	5.8	$ 10,325
Options exercisable — March 31, 2016	17,426,657	$ 0.91	4.4	$ 19,818
Options vested and expected to vest — March 31, 2017	20,426,421	$ 1.16	6.7	$ 10,281
Options vested and expected to vest — March 31, 2016	19,524,986	$ 1.05	6.2	$ 19,559

*Reflects reduction in exercise price for unvested options as on March 16, 2015 pursuant to the Distribution (See Note 4).

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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, 2017, 2016 and 2015:

	2017	2016	2015
Cost of revenues	$ 255	$ 550	$ 737
Selling, general, and administrative	2,314	5,307	7,097
Total	$ 2,569	$ 5,857	$ 7,834

As of March 31, 2017, the unamortized share-based compensation expense from outstanding options is $5.7 million. The weighted-average period over which the unamortized share-based compensation expense will be recognized is 3.98 years.

The above expense includes $3.5 million of stock based compensation expense for performance-based options which vested in the years ended March 31, 2015 upon the achievement of the performance target for those respective years. The Company did not recognize compensation expense for performance-based options which would have vested upon achievement of the performance target for the year ended March 31, 2017 and March 31, 2016, as the performance criteria was not met.

During the years ended March 31, 2017, 2016 and 2015, the Company modified options held by certain terminated employees and members of the Company's board of directors. 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, 2017, 2016 and 2015 of $0.11 million, $3.8 million and $2.2 million respectively.

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Restricted Stock Units

Changes in restricted stock units for the year ended March 31, 2017, 2016 and 2015 are summarized as follows:

	Number of Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
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
Awarded	-			
Vested	(223,115)	0.77		
Forfeited	(223,115)	0.77		
Non vested as of March 31, 2016	-			
Awarded	1,340,000	$ 1.62		
Vested	-			
Forfeited	-			
Non vested as of March 31, 2017	1,340,000	$ 1.62	2.5	$ 2,171

* Restricted stock unit granted pursuant to distribution (refer Note 4)

During the year ended March 31, 2016, restricted stock award holder employment was terminated and as per the term of agreement the Company repurchased the stock awarded at $0.77 per share.

The total intrinsic value of restricted stock units vested during the year ended March 31, 2016 and 2015 was $0.5 million and $0.6 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, 2017, 2016 and 2015:

	2017	2016	2015
Cost of revenues	$ 22	$ -	$ -
Selling, general, and administrative	255	154	480
Total	$ 277	$ 154	$ 480

During the previous 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 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. 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, 2017, 2016 and 2015, is presented below:

	Units	Fair Value
Outstanding — March 31, 2014	648,719	$ 0.88
Cancelled	(26,020)	
Released	(485,200)	
Outstanding — March 31, 2015	137,499	$ 1.12
Cancelled	-	
Released	-	
Outstanding — March 31, 2016	137,499	$ 1.12
Cancelled	-	
Released	-	
Outstanding — March 31, 2017	137,499	$ 1.62

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 option grants which is included in operating expenses in the statements of operations for each of the year ended March 31, 2016 and 2015 respectively. During the year ended March 31, 2017, the Company has recorded an expense of $0.07 million.

16. 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, 2017 and 2016, the Company had accrued $0.8 million and $0.5 million, respectively, for contribution to the 401(k) plan. The Company made matching contributions of approximately $1.7 million, $1.2 million and $1.9 million, respectively, for the years ended March 31, 2017, 2016 and 2015, 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, 2017, 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, 2017, 2016 and 2015. The Company recognizes its contribution as an expense in the year incurred which totaled $5.4 million, $5.1 million and $5.1 million for the years ended March 31, 2017, 2016 and 2015, 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.

As part of acquisition of SmartPlay, the Company has assumed liabilities of SmartPlay’s India subsidiary (“ATPL”) for its employee benefits. The Company in its consolidated balance sheet has recorded a liability for gratuity plan based on the actuarial valuation. The gratuity liability of ATPL is unfunded. The employees of ATPL are not covered by the gratuity fund set up by ATHL for its employees.

ATPL is registered with Regional Provident Fund Commissioner for employee provident fund scheme, which is a defined contribution scheme. Contribution made by employees under this scheme is matched by an equal contribution made by ATPL.

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The components of the Gratuity Plan and the Pension Plan benefit obligations as of March 31, 2017 and 2016 are shown below:

	2017	2016
Change in benefit obligations:		
Projected benefit obligation — beginning of year	$ 17,460	$ 16,736
Interest cost	1,192	1,099
Service cost	2,226	2,192
Benefit paid	(2,078)	(2,198)
Actuarial loss/(gain)	1,172	(450)
Acquisition/Divestiture	29	718
Exchange rate changes	200	(637)
Projected benefit obligation — end of year	$ 20,201	$ 17,460
Change in plan assets:		
Fair value of plan assets — beginning of the year	$ 987	$ 1,847
Actual return on plan assets	66	155
Employer contributions	1,938	1,222
Benefits paid	(1,842)	(2,145)
Acquisition/Divestiture	29	-
Exchange rate changes	21	(92)
Fair value of plan assets — end of the year	$ 1,199	$ 987
Funded status	$ (19,002)	$ (16,473)
The accrued liability for benefits is classified as follows:		
Accrued payroll and benefits - "Current liability"	$ 956	$ 885
Other liabilities - "Non-current liability"	18,046	15,588
Total accrued liability	$ 19,002	$ 16,473

The net gratuity and pension cost for the years ended March 31, 2017, 2016 and 2015, is as follows:

	2017	2016	2015
Net cost:			
Service cost	$ 2,226	$ 2,192	$ 1,795
Interest cost	1,192	1,099	1,112
Expected return on planned assets	(83)	(155)	(123)
Amortization of actuarial loss	257	374	143
Net cost for the year	$ 3,592	$ 3,510	$ 2,927

The actuarial loss of $1.2 million and gain of $0.5 million were recognized in other comprehensive income/(loss) for the years ended March 31, 2017 and 2016 respectively.

The following are the assumptions utilized as of March 31, 2017 and 2016:

	2017	2016
Discount rate	1.40% - 8.00%	1.90% - 8.60%
Rate of increase in compensation levels	2.50% - 8.00%	2.50% - 8.00%
Cost of living adjustments	1.75%	1.75%
Rate of return on plan assets	8.50%	8.50%

The accumulated benefit obligation for all plans as of March 31, 2017 and 2016, was $13.8 million and $12.3 million, respectively.

Gratuity and pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of March 31, 2017, are as follows:

Years Ending March 31	Amount
2018	$ 2,387
2019	2,452
2020	2,655
2021	2,953
2022	3,062
2023–2026	$ 16,451

The expected benefits are based on the same assumptions used to measure the Company's benefit obligations as of March 31, 2017.

The Company's gratuity plan asset allocations at March 31, 2017 and 2016, are as follows:

	2017	2016
Government securities and other approved securities	$ 462	$ 394
Corporate bonds	561	411
Cash, money market instruments, and deposits	176	182
Total	$ 1,199	$ 987

The Company expects to contribute $2.1 million to its gratuity plan in 2018. The amount of gratuity and pension expense expected during the year ended March 31, 2018 is $4 million.

17. 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.

18. RELATED-PARTY INFORMATION

Transactions with Kohlberg Kravis Roberts (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, 2017 and March 31, 2016, affiliates of KKR indirectly owned approximately 75.8% and 76.1% 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 $1.6 million, $1.6 million and $1.5 million for the years ended March 31, 2017, 2016 and 2015, 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 nil, nil and $0.07 million to KKR during the year ended March 31, 2017, 2016 and 2015 for reimbursement of expenses, respectively.

During the year ended March 31, 2016, the Company also paid $1 million to KKR as fee for borrowings taken during the year. 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.

The amounts payable to KKR as of March 31, 2017 and 2016 are as follows:

	2017	**2016**
Management fee	$ 814	$ 776
Total	$ 814	$ 776

19. 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, 2017, 2016 and 2015, are summarized below:

Revenue	2017	2016	2015
Customer A	10%	12%	12%
Customer B	*	*	11
Accounts Receivable			
Customer A	*	*	12%

* Represents an amount of less than 10%.

20. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 21, 2017 the date on which the consolidated financial statements were to be issued.

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