vedanta

FOCUSED ON
DELIVERY
LONG TERM VALUE
PEOPLE
A SUSTAINABLE FUTURE

VEDANTA RESOURCES ANNUAL REPORT 2010

Company Overview

02 Highlights
04 Vedanta at a Glance
06 Six Years of Achievement
08 Chairman's Statement
10 Our Strategy and Performance
12 Board of Directors
14 Executive Committee

Business Review

16 Market Overview
18 Focused on Delivery
20 Operations Review
22 Zinc-Lead-Silver
24 Iron Ore
26 Copper
30 Aluminium
32 Commercial Energy
33 Other Businesses
33 Outlook
34 Focused on Long-term Value
36 Financial Review
40 Risks and Uncertainties

Sustainability

48 Focused on People
A Sustainable Future
50 Sustainable Development
Health, Safety and Environment
56 Sustainable Development – Nurturing People
58 Sustainable Development Community – Continued Commitment
60 Sustainability Performance
64 Sustainability Accreditations

Corporate Governance

65 Corporate Governance Report
73 Remuneration Report
80 Directors' Report
85 Statement of Directors' Responsibilities

Financial Statements

86 Independent Auditor's Report to the Members of Vedanta Resources plc
87 Consolidated Income Statement
88 Consolidated Statement of Comprehensive Income
89 Consolidated Balance Sheet
90 Consolidated Cash Flow Statement
91 Consolidated Statement of Changes in Equity
92 Notes to the Consolidated Financial Statements
139 Independent Auditor's Report to the Members of Vedanta Resources plc
140 Five Year Summary
143 Production and Reserves Summary
146 Glossary and Definitions
151 Shareholder Information

www.vedantaresources.com

Highlights

Financial Highlights

- Revenue of US$7.9 billion, up 21%
- EBITDA of US$2.3 billion, up 42%
- Attributable EPS of US$2.20, up 187%
- Final dividend proposed at 27.5 US cents per share, up 10%, bringing the full year dividend to 45.0 US cents per share
- Strong balance sheet, with over US$7.2 billion of liquidity
- Invested US$3.5 billion in organic growth programme during the year

Business Highlights

- Strong production growth across all metals
- Jharsuguda first 250 ktpa smelter operating at full capacity
- Commenced 50 mtpa Sesa Goa expansion programme; investment of US$500 million approved for Goa and Karnataka expansions
- Dempo iron ore assets acquired and integrated. Plan to grow from 4 to 10 mtpa.
- Achieved 1 mtpa capacity in Zinc-Lead; commissioned 210 ktpa smelter and 1 mtpa concentrator three months ahead of schedule
- Commissioned mid-shaft loading station at Konkola Deeps Copper Mine in Zambia
- Coal linkages secured for all power plants
- Revived 1,980 MW Merchant Power Plant at Talwandi in Punjab state
- Successful exploration results during the year – added 34 mt at Zinc, 64 mt at Iron Ore and 14 mt at Copper-Zambia

Consolidated Group Results (in US$ million, except as stated)

	FY 2010	FY 2009	% change
Revenue	**7,930.5**	6,578.9	20.5%
EBITDA	**2,295.9**	1,612.2	42.4%
EBITDA margin (%)	**29.0%**	24.5%	–
Operating profit	**1,665.6**	1,107.0	50.5%
Attributable profit	**602.3**	219.4	174.5%
Basic earnings per share (US cents)	**219.6**	76.4	187.4%
Earnings per share on underlying profit (US cents)	**199.2**	108.0	84.4%
ROCE (excluding project capital work in progress)	**19.9%**	24.4%	
Final dividend (US cents per share)	**27.5**	25.0	10.0%
Total dividend (US cents per share)	**45.0**	41.5	8.4%

US$7,931 million
Revenue

US$2,296 million
EBITDA

US$1,666 million
Operating profit

220 US cents
Basic earnings per share

45 US cents
Full year dividend per share

533 kt
Aluminium production

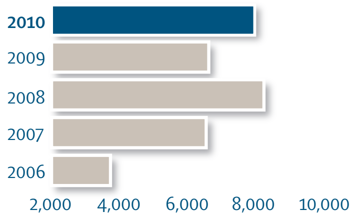
507 kt
Copper production

642 kt
Zinc and lead production

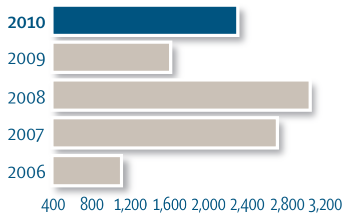
21.4 mt
Iron ore production

394 MW
Energy sales

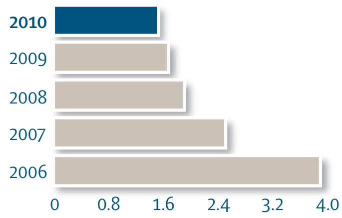
Revenues ($ million)



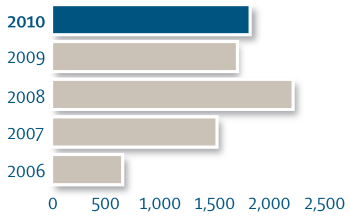
EBITDA ($ million)



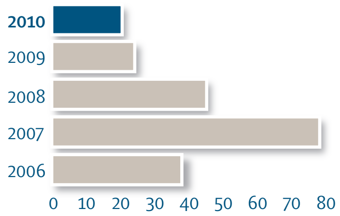
LTIFR



Free Cash Flow ($ million)

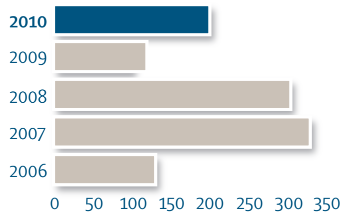


ROCE (%)

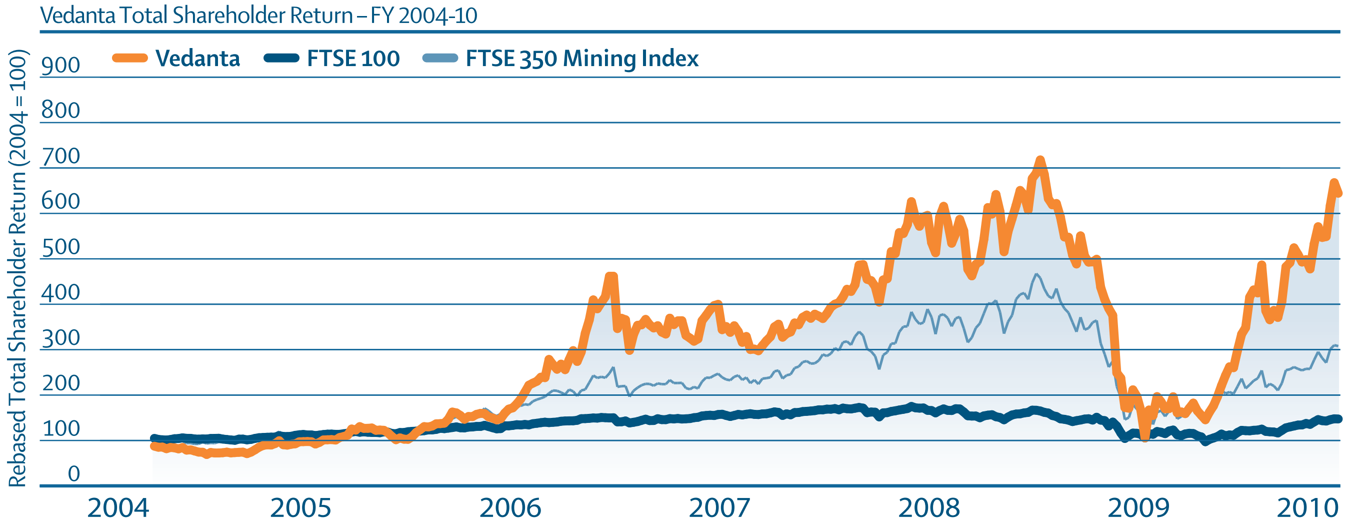


Excludes capital work in progress

Underlying EPS (US cents)

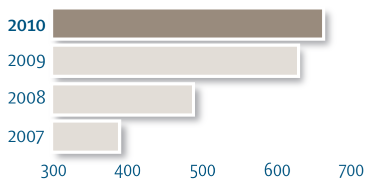


Vedanta Total Shareholder Return – FY 2004-10

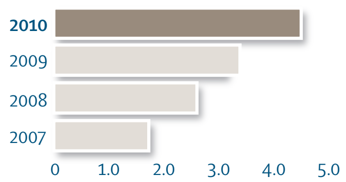


Production

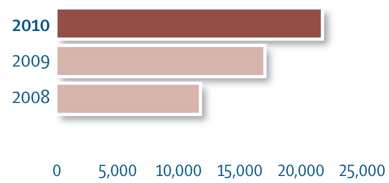
Zinc-Lead (kt)



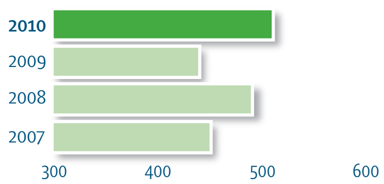
Silver (moz)



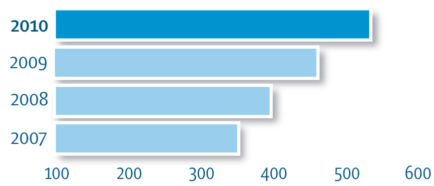
Iron Ore (kt)



Copper (kt)



Aluminium (kt)

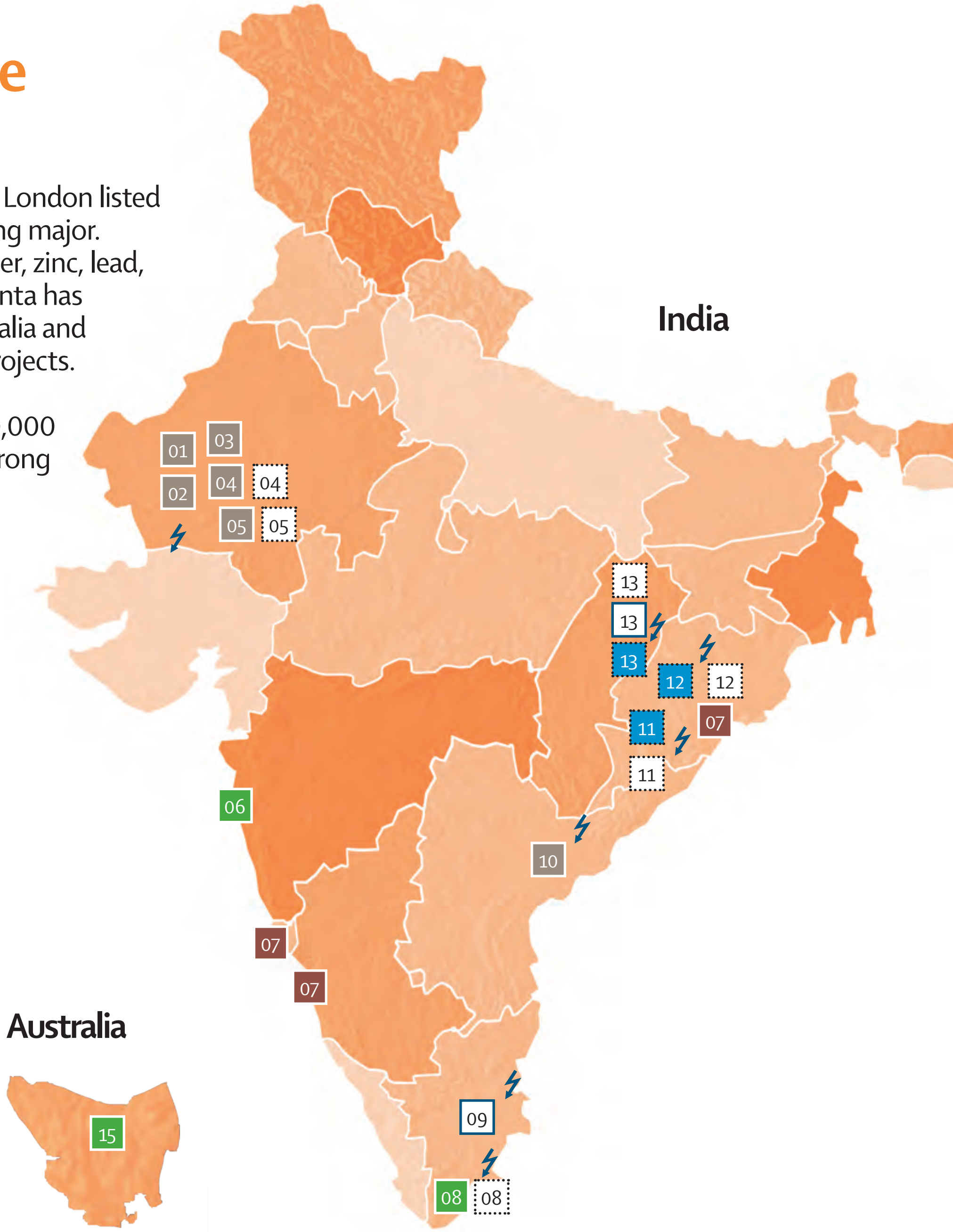


Vedanta at a Glance

Vedanta Resources plc ('Vedanta') is a London listed FTSE 100 diversified metals and mining major. The Group produces aluminium, copper, zinc, lead, iron ore and commercial energy. Vedanta has operations in India, Zambia and Australia and a strong organic growth pipeline of projects.

With an empowered talent pool of 30,000 employees globally, Vedanta places strong emphasis on partnering with all its stakeholders based on the core values of entrepreneurship, excellence, trust, sustainability and growth.

For more information visit
www.vedantaresources.com



Zambia

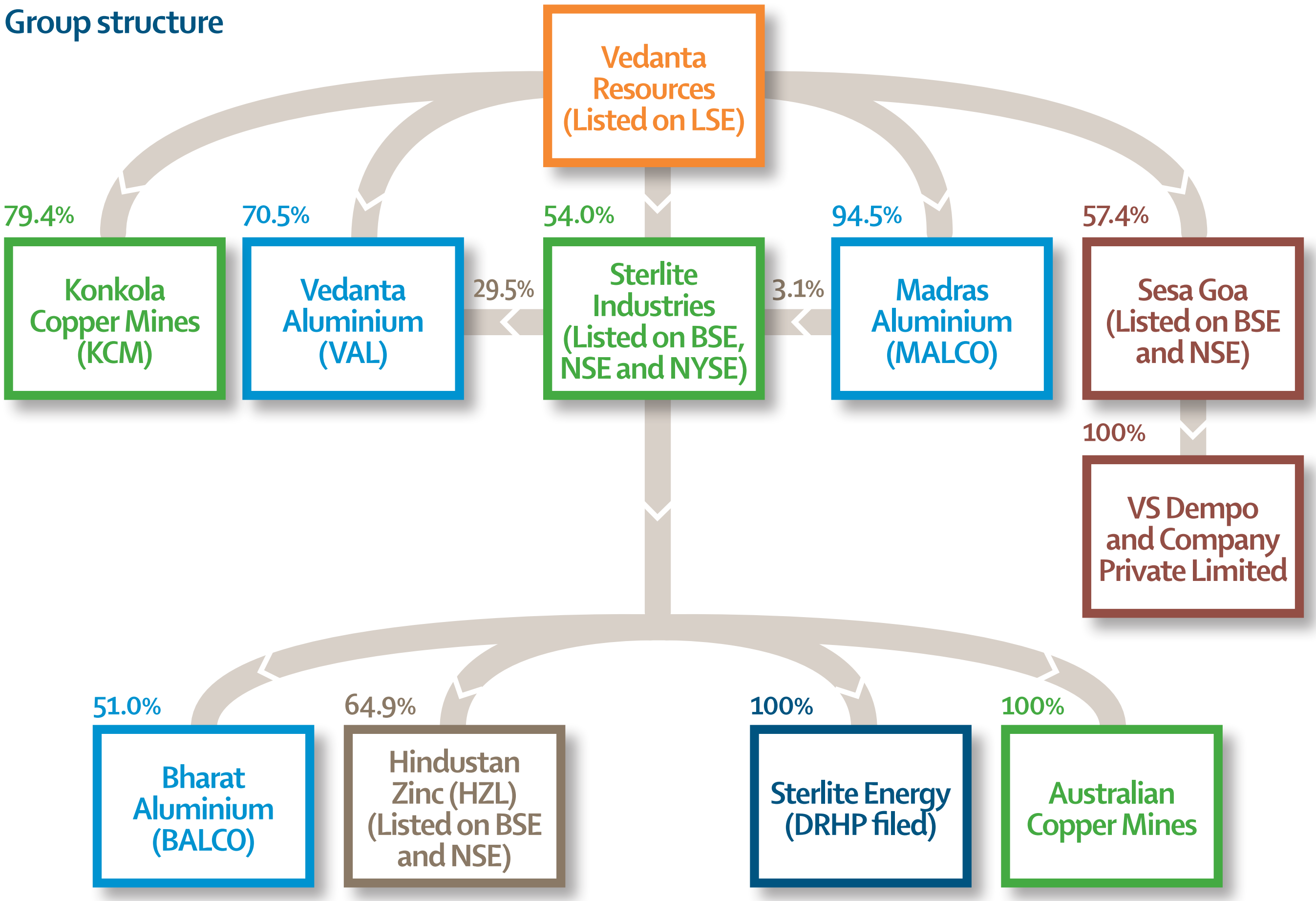
Australia

01 Debari smelter
02 Chanderiya smelters
03 Rampura-Agucha mine
04 Rajpura Dariba mine and smelter and Zawar mine
05 Sindesar Khurd mine
06 Silvassa copper refinery
07 Sesa Goa iron ore operations
08 Tuticorin copper smelter
09 MALCO power plant
10 Vizag zinc smelter
11 Lanjigarh mine and alumina refinery
12 Jharsuguda Aluminium smelter and Commercial Power project
13 Korba smelter and power plant
14 Konkola copper mines and smelter
15 Mt Lyell mine

- Aluminium
- Copper
- Iron ore
- Zinc
- Power
- Projects under development
- Captive power plant

Note: Maps not to scale

Group structure



Structure as of 31 March 2010

Our Commodities

Zinc and Lead

- Current Zinc-Lead capacity of 964 kt in Debari, Chanderiya , Dariba and Vizag
- Reserves and Resources of 299 mt
- Silver production growing substantially

Iron Ore

- Iron operations at Goa, Karnataka and Orissa
- Reserves and Resources of 353 mt
- Expanding to 50 mtpa capacity

Copper

Copper-India

- Custom smelting capacity to grow from 400 ktpa to 800 ktpa
- Copper mining operations in Australia
- Structurally competitive low cost, port-based operations

Copper-Zambia

- World class resources in Africa
- Reserves and Resources of 707 mt
- Growing from 275 ktpa to 400+ ktpa
- KDMP bottom shaft completion under progress

Aluminium

- Refining and smelting operations in Chattisgarh and Orissa
- Mining operations in Chattisgarh
- Reserves and Resources of 119 mt
- BALCO – current capacity of 245 ktpa with associated 540 MW CPP; additional 325 ktpa with associated 1,200 MW CPP under construction
- VAL – current Alumina Refining capacity of 1.4 mtpa, to expand to 5 mtpa
- VAL – current Aluminium smelting capacity of 250 ktpa with associated 1,215 MW CPP, to expand to 1,750 ktpa

Commercial Energy

- Strategically located plants
- Current capacity 493 MW (BALCO 270 MW, MALCO 100 MW and Wind Energy 123 MW)
- Projects under development – 2,400 MW at Jharsuguda in Orissa and 1,980 MW Talwandi Sabo Project in Punjab

Six years of achievement

FY 2004

Listing of Vedanta Resources plc on the London Stock Exchange

FY 2006

Completed expansion of Tuticorin copper smelter to 300 ktpa

Commissioned 170 ktpa zinc smelter at Chanderiya and 154 MW captive power plant. Completed expansion of Rampura Agucha mine

Commissioned the new 50 ktpa lead smelter at Chanderiya

FY 2007

BALCO expansion project commissioned comprising 250 ktpa aluminium smelter and 540 MW captive power plant

Completed expansion of Tuticorin copper smelter to 400 ktpa

FY 2008

Exploration success at HZL

Vedanta entered the ferrous business – acquires a controlling stake in Sesa Goa Limited

Sterlite Industries ADR listed on NYSE

Commissioned new 170 ktpa zinc smelter at Chanderiya

FY 2009

Commissioned Nchanga copper smelter at Zambia operations

Exploration success at HZL and Sesa Goa

Increased stake in KCM to 79.4%

FY 2010

Sesa Goa acquires Dempo iron ore assets in Goa

Exploration success at HZL, Sesa and KCM

Sterlite follow on ADR

Commissioned 210 kt Zinc Smelter at Dariba

KDMP mid shaft loading commissioned

Chairman's Statement

'We delivered strong results in 2010, which once again benefited from our low cost position, diversified revenues and record production growth across all our businesses'.

I am delighted to report another excellent set of results in a challenging year for our industry and the global economy. The 2010 financial year began with developed markets in recession and commodity prices and industrial demand at multi-year lows. Emerging markets – especially India and China – proved more resilient to the economic downturn, with continued economic and metals consumption growth.

The large and coordinated stimulus from governments globally has secured greater stability in financial markets and a return to economic growth. Commodity prices and industrial demand have recovered and we enter the 2011 financial year with much greater optimism to when we entered 2010.

Our structurally low cost position across commodities, excellent liquidity and strong cash flow has positioned us well to deliver in these unprecedented markets. This has enabled us to continue to grow production and invest in our industry-leading growth programme. With this background, I am delighted that Vedanta is once again proposing an increase in its final dividend to 27.5 US cents per share, a 10% increase compared to FY 2009.

Financial Performance

We delivered strong results in 2010, which once again benefited from our low cost position, diversified revenues and record production growth across all our businesses. Revenues rose by 21% to US$7.9 billion and EBITDA rose by 42% to US$2.3 billion during the year. Basic earnings per share increased 187% to US$2.20.

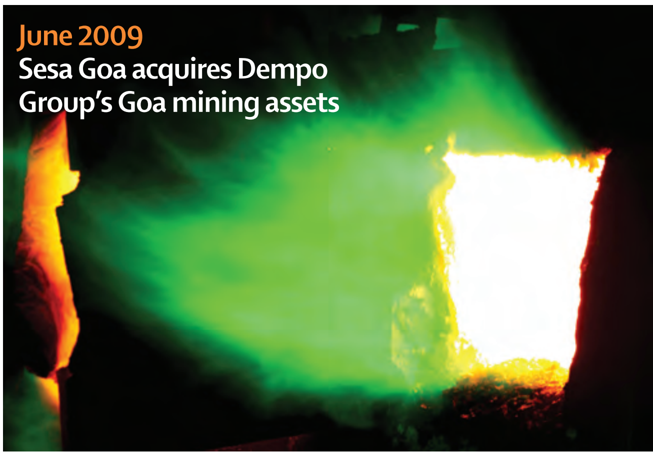
We generated a healthy US$1.8 billion of free cash flow, representing 79% of EBITDA. Our balance sheet and liquidity remains strong. During the year we raised US$4.2 billion of long-term capital through a mix of debt and equity to refinance debt maturities and for general corporate purposes. Gearing as at 31 March 2010 was 7.5%, net debt was US$0.9 billion and our Group cash position, including liquid investments, was US$7.2 billion. We remain committed to retaining investment grade credit metrics.

Organic Growth and Operational Performance

FY 2010 was an outstanding year. Production grew across all commodities, costs were kept under control, and we made excellent progress with our organic growth programme.

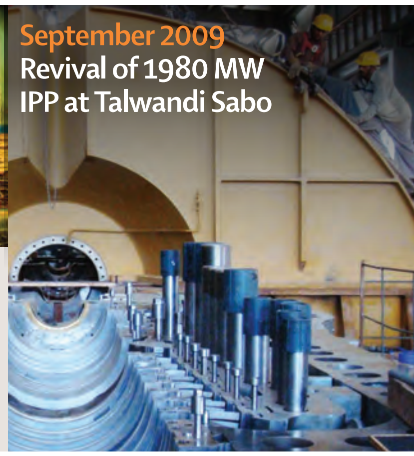
During the year we spent US$3.5 billion on our organic expansion programme. In Q4 Hindustan Zinc commissioned the 1 mtpa zinc concentrator and 210 ktpa zinc smelter, becoming the largest integrated producer of zinc in the world with capacity of 1.064

Our Year in Review



June 2009
Sesa Goa acquires Dempo Group's Goa mining assets

July 2009
Sterlite follow on ADR – raised US$1.1 billion



September 2009
Revival of 1980 MW IPP at Talwandi Sabo

mtpa. KCM achieved a significant milestone by commissioning the mid-shaft loading station ('MSL') in March 2010. The MSL commissioning is a significant milestone towards KDMP expansion and will result in an increase in the hoisting capacity of the mine. At Jharsuguda, production ramp up and commissioning of the balance pots of the 500 ktpa aluminium smelter is progressing well. We are also making good progress at our other aluminium projects.

We also announced a number of additional projects to increase capacity across our businesses. A doubling of our copper custom smelting capacity at Tuticorin to 800 ktpa with associated 160 MW power plant will further reduce our costs and put us amongst the lowest quartile cost custom smelters in the world. We revived the 1,980 MW thermal power plant project at Talwandi Sabo in the state of Punjab to take advantage of the exciting opportunities offered by the power sector in India. Earlier in the year we also announced iron ore mine production expansion to 50 mtpa, placing us on course to become one of the top five iron ore producers in the world. We are on track to increase production progressively over next two to three years through a combination of increased mining and logistics capacity enhancement initiatives. Additionally we initiated our 375 ktpa pig iron expansion project.

The tragic collapse of a power plant chimney that was under construction at BALCO through our subcontractor SEPCO was an unfortunate incident and investigations have revealed this was caused by severe thunderstorms and lightning. We have taken immediate steps to compensate and support the affected families, and strengthened monitoring and systems at our project sites to ensure this does not happen in the future.

Acquisitions

During the year we expanded and consolidated our Iron Ore business by acquiring VS Dempo ('VSD'), one of the largest exporters of iron ore in Goa. VSD's Goa mining assets include processing plants, barges, jetties, transhippers and loading capacities at Mormugoa port. Our results have benefited in terms of record iron ore production and I am pleased to report that we are also benefiting from synergies at Sesa Goa.

Dividend and Share Buyback

We remain committed to our progressive dividend policy. The Board has recommended a final dividend of 27.5 US cents per share, an increase of 10% which will be paid on 4 August 2010 to shareholders on the register at 9 July 2010. This takes the total dividend for the year to 45 US cents per share, an increase of 8.4%.

We continue to look for opportunities to enhance shareholder value by buying back shares and increasing our stake in key subsidiaries at attractive prices. We spent US$549 million in buying back shares of Vedanta and our subsidiaries, invested a further US$111 million in preference shares of a subsidiary and increased Vedanta's buyback programme from US$350 million to US$825 million during the year.

Sustainability

Vedanta has a long standing commitment to sustainable development, and we believe that business today has greater responsibility than ever before to enhance society's overall well being. We continue to proactively foresee social and environmental factors that will be influencing our businesses in the long-term and prepare for those changes now, so that we can emerge as a more effective and stronger company.

We have a track record of exceeding our own performance year on year in energy and water usage, recycling and reuse of waste innovatively, and engaging and working with communities towards building a sustainable business. Ensuring the safety of all our employees is a key priority for us, and the Board remains focused on improving the performance in this crucial area. We have also remained focused on actively engaging with our key stakeholders, enhancing our reporting and increasing transparency. As we expand our footprint globally, we will continue to build on our strong legacy in the sustainability space.

Outlook

The recovery in demand and commodity prices appears well-founded and the medium- and long-term outlook for our commodities remains strong. We are well placed to benefit from a sustained recovery given our structurally low cost position, presence in growing economies and the organic growth programme. Our priorities are focused on delivering a significant increase in capacity across our businesses and strengthening our low cost position. We are both optimistic and well placed for the future.

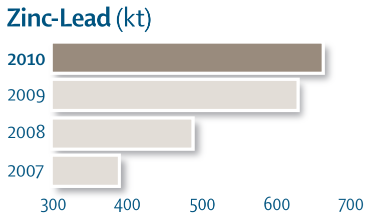
Finally on behalf of the Board I would like to thank our over 30,000 employees who have contributed to the excellent performance during the year. Our unrivalled growth and delivery at benchmark standards will help us maintain sustainable growth and maximise shareholder value.

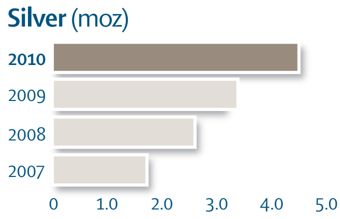
Anil Agarwal
Chairman
5 May 2010

November 2009
Announced Iron Ore expansion to 50 mtpa

Our Strategy and Performance

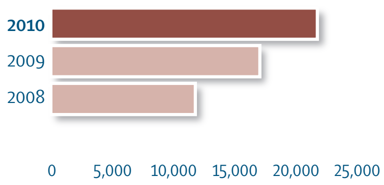
Our vision is to be a world- class metals and mining company and to generate strong returns for our shareholders. Our strategy is based on the following four pillars:



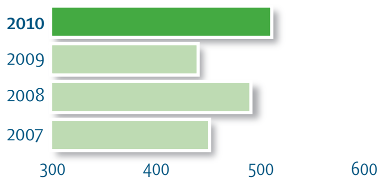


Strategy	Priorities
Organic Growth	We continue to deliver on our industry-leading growth programme, and look for further opportunities to capitalise on our strategic location advantage, particularly with India's vast mineral resources and growing domestic market. Our exploration efforts are enabling us to successfully grow reserves and resources.
Optimise Returns	We have a culture of continuous improvement, and are focused on maintaining a low cost position in all our businesses. We are leveraging the Dempo iron ore acquisition to realise synergies, and are ramping up silver production at our zinc operations.
Group Structure	Our priority is to create value for all our shareholders, and we seek to unlock value at our subsidiaries. We continue to buyback Vedanta stock, as well as purchase shares of our subsidiaries.
Additional Investment Opportunities	Our successful acquisitions of HZL, BALCO, KCM and Sesa Goa have contributed substantially to our growth. We continue to selectively pursue value-enhancing opportunities where we can leverage our skills and experience.

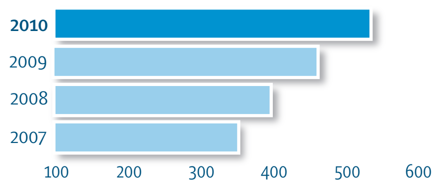
Iron Ore (kt)



Copper (kt)



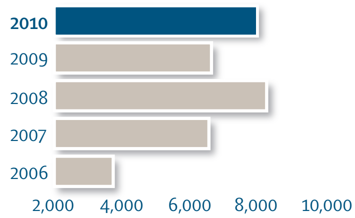
Aluminium (kt)



Description / 2009–10 performance

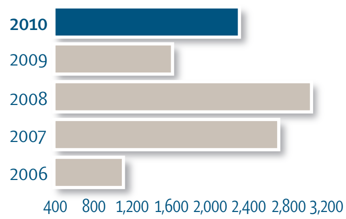
Revenue (US$ million)

Revenue represents the value of goods and services provided to third parties during the year.



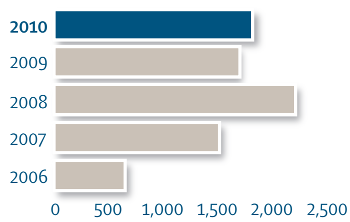
EBITDA (US$ million)

Earnings Before Interest, Taxes, Depreciation and Amortization is a factor of volumes, prices and cost of production. This measure is calculated by adjusting operating profit for special items, and adding depreciation and amortisation.



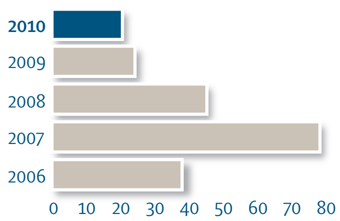
Free Cash Flow (US$ million)

This represents net cash flows before financing activities, investing activities in expansion projects and dividends paid out by Vedanta. This measure ensures that the profit generated by our assets is reflected by cash flow in order to fund future growth.



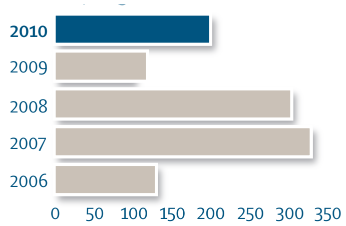
ROCE (%)

This is calculated on the basis of operating profit before special items and net of tax as a ratio of capital invested in operations as at the balance sheet date, and excludes investment in project capital work in progress. The objective is to consistently earn a post-tax return above the weighted average cost of capital and this indicator measures the efficiency of our productive capital.



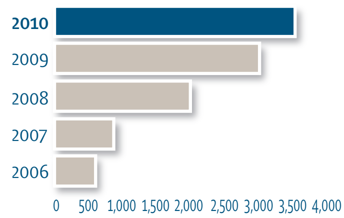
Underlying EPS (US cents)

This represents net profit attributable to equity shareholders and is stated before special items and their attributable tax and minority interest impacts. By producing a stream of profits and EPS we will be able to pay a progressive dividend to our shareholders. EPS growth also demonstrates the management of our capital structure.



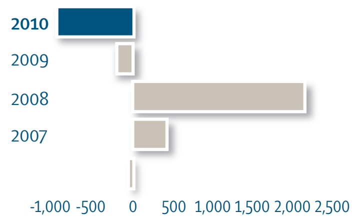
Capex Spent (US$ million)

This represents the amount invested in our organic growth programme during the year. A summary of the group's projects are listed on page 39.



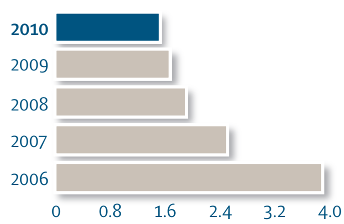
Net (debt)/cash (US$ million)

This represents total debt, including debt related derivatives, as reduced by cash and cash equivalents and liquid investments.



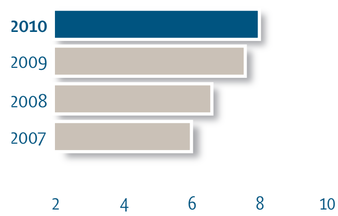
LTIFR

Number of hours of lost time due to injury per million man-hours worked.



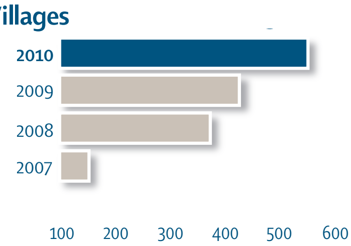
Women Workforce (%)

Percentage of women in the total permanent employee workforce.



CSR Footprint – Number of Villages

This represents the geographical reach of our community engagement.



Board of Directors

Left to right: Euan Macdonald, Navin Agarwal, Aman Mehta, Naresh Chandra, Anil Agarwal and MS Mehta.

Anil Agarwal, aged 56
Executive Chairman
Mr Agarwal, who founded the Group in 1976, is also Chairman of Sterlite and is a Director at BALCO, HZL and Vedanta Aluminium Ltd. Since 1976 the Group has grown under his leadership, vision and strategy. Mr Agarwal has over 30 years' experience as an industrialist.

Navin Agarwal, aged 49
Deputy Executive Chairman
Mr Agarwal is responsible for directing the Group's business strategy as well as managing its overall growth. He also chairs the Group's Executive Committee. In this role, he oversees the planning and completion of the pipeline of strategic growth projects. Mr Agarwal also oversees the inorganic growth, strategic treasury and capital raising initiatives including long-term debt and global investor relations, as well as augmenting and managing the top talent of the Group.

MS Mehta, aged 54
Chief Executive Officer
Mr. Mehta joined the Board as the Chief Executive Officer in October 2008 and is also a member of the Executive Committee and the Health, Safety and Environment (HSE) Committee. Prior to becoming the CEO of Vedanta Resources, he was the CEO of Hindustan Zinc Limited. Since joining the group in 2000, he has held various positions including the Head of Copper Business and as Group Commercial Director (Base Metals). Prior to joining the group, he has worked for about 20 years in the steel sector. Mr. Mehta has a BE (Mech.) and an MBA from the Indian Institute of Management, Ahmedabad.

Naresh Chandra, aged 75
Non-Executive Director
Mr. Chandra joined the board in May 2004. Mr. Chandra was Home Secretary in India in 1990, Cabinet Secretary from 1990 to 1992, Senior Adviser to the Prime Minister of India from 1992 to 1995 and the Indian Ambassador to United States of America from 1996 to 2001. He was Chairman of the Indian Government Committee on Corporate Governance from 2002 to 2003. He is chairman of National Security Advisory Board. He was given the prestigious civilian award of Padma Vibhushan by the President of India. Mr. Chandra has a Master's degree in Mathematics from Allahabad University.

Aman Mehta, aged 63
Non-Executive Director
Mr. Mehta, a senior banker, joined the board in November 2004, following his retirement from HSBC where he had a career spanning 36 years. He held numerous positions, including that of Chairman and Chief Executive Officer of HSBC USA Inc. (the New York based arm of HSBC Holdings plc), and as Deputy Chairman of HSBC Bank Middle East, based in Dubai with responsibility for the HSBC Group's operations in the Middle East. In 1999, Mr. Mehta was appointed the Chief Executive Officer of the Hong Kong and Shanghai Banking Corporation, a position he held until his retirement. Mr. Mehta has a Bachelor's degree in Economics from Delhi University. He now resides in Delhi and is a member of a number of Corporate and Institutional Boards in India as well as overseas.

Euan Macdonald, aged 70
Non-Executive Director
Mr. Macdonald spent over 20 years with S.G. Warburg, specialising in emerging market finance. From 1995 to 1999, Mr. Macdonald was the Chairman of SBC Warburg India, responsible for all the bank's activities in India, and then from 1999 to 2001, he was the Executive Vice Chairman of HSBC Securities and Capital Markets, India. Mr. Macdonald has a Bachelor's degree in economics from the Cambridge University and a Masters degree in finance and international business from Columbia Business School.

Executive Committee

The Executive committee supports the Board and essentially supervises the opeartional performance of the Group. The Executive committee is chaired by Mr. Navin Agarwal and comprises Mr. Anil Agarwal, Mr. M. S. Mehta and the following members :

Tarun Jain
Director of Finance, Sterlite
Mr Jain is also a Director of Bharat Aluminium Co Ltd, Vedanta Aluminium Ltd, Sterlite Infra Ltd, Sterlite Shipping & Ventures Pvt Ltd Sterlite (USA) Inc, Twinstar Holdings Ltd. He is responsible for the strategic financial matters at the Group level. Mr Jain has been with Sterlite since 1984 and is a graduate of the Institute of Cost and Works Accountants of India, a member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India.

DD Jalan
Chief Financial Officer
Mr Dindayal Jalan joined Sterlite in 2001 as President – Australian Operations, responsible for the mines in Australia and moved to the position of CFO of Vedanta Resources plc in 2005. He has over 31 years of experience with companies in the engineering, mining and non-ferrous metal sectors. He is a member of the Institute of Chartered Accountants of India.

Akhilesh Joshi
Chief Operating Officer and Whole Time Director, Hindustan Zinc Limited
Mr Joshi is responsible for the Zinc business operations at HZL. He joined the company in 1976. Prior to moving as COO of HZL, he was Senior VP (Mines), responsible for the overall operations of all mining units of HZL. Mr Joshi has a Mining Engineering degree from MBM Engineering College, Jodhpur and also acquired a first class Mine Manager's Certificate of Competency. He is recipient of the National Mineral Award (GOI) in 2006 for his outstanding contribution in the field of Mining Technology.

M Siddiqi
Chief Executive Officer and Whole Time Director, Vedanta Aluminium Ltd
Mr Siddiqi manages the Aluminium business of Vedanta. He joined Vedanta in 1991, responsible for the copper rod plant. He moved to the copper smelter and refinery at Tuticorin and subsequently to the Aluminium business at Korba where he was responsible for the overall commissioning of the Korba plant as Project Director. Prior to joining the Group, Mr Siddiqi held senior positions in Hindustan Copper Limited. He has over 32 years of industry experience, including more than 15 years in senior level project management positions within Vedanta. Mr Siddiqi received his Bachelors degree in Mechanical Engineering from the Indian Institute of Technology, New Delhi.

Pramod Suri
Director, BALCO and Whole Time Director, SEL
Mr Suri is a Director at Balco and the Whole time Director at Sterlite Energy. Mr Suri has been responsible for Vedanta's Aluminum business at BALCO since December 2006. Prior to that, Mr Suri was the Senior Vice President – Operations and Head of the new Korba smelter from September 2004 to December 2006. Mr Suri has held positions in Indian Aluminum Company Limited, CEAT Ltd and Goodyear South Asia Tyres Pvt Ltd. He has a Masters of Science from the India Institute of Technology, Delhi.

PK Mukherjee
Managing Director, Iron Ore Business
Mr Mukherjee is the Managing Director of our Iron Ore business since April 2006. Mr Mukherjee holds a Bachelor of Commerce (Hons) from Calcutta University and has around 30 years of experience in finance, accounts, costing, taxation, legal and general management. Mr Mukherjee joined Sesa Goa in April 1987 and held various positions before taking up the position of Director Finance from July 2000. He was elevated to the position of Managing Director in April, 2006. Mr Mukherjee is a fellow member of the Institute of Chartered Accountants of India and an associate member of the Institute of Cost and Works Accountants of India. Mr Mukherjee has been rated as one of India's Best Chief Financial Officers (CFOs) in the year 2005 by Business Today magazine and Business World magazine declared Mr Mukherjee as India's most 'Valuable CEO' in year 2009.

Rajagopal Kishore Kumar
Chief Executive Officer, Copper and Zinc business

Mr Kumar joined the Group in April 2003 as Vice President – Marketing for Hindustan Zinc Limited. He was Senior Vice President – Marketing for our Copper-India division from June 2004 to December 2006. He has 24 years of experience and expertise in accountancy, commercial, marketing, supply chain management, mergers and acquisitions and human capital development. Prior to joining the Group, Mr Kumar was employed by Hindustan Lever Ltd for 12 years. Mr Kumar is a member of the Institute of Chartered Accountants of India.

Jeyakumar Janakaraj
Director (Operations) KCM, CMT and Head of Projects, Copper and Zinc business

Mr Janakaraj joined the Group in September 1995 in Sterlite Copper and moved to Hindustan Zinc in July 2002 to head the expansion projects. He has a Mechanical Engineering degree from PSG college of Technology, Coimbatore. He has expertise in operations, maintenance and projects. Mr Janakaraj was with ESSAR steel between 1992 and 1995. Mr Janakaraj is a Gold medallist from the Indian Institute of Metals in 2006 and 2008 for his contribution and leadership in the Indian non-ferrous space. He is also distinguished and listed by the International Who's Professionals in 2009.

Dilip Golani
President, Management Assurance Function

Management Assurance function in the Group is currently headed by Dilip Golani. He headed Management Assurance function of the Group earlier as well during the period April 2000 to July 2004. Dilip headed Sales & Marketing for Hindustan Zinc Limited and Group Performance Management function during the period August 2004 to November 2005.

Prior to joining the Group in April 2000, Dilip was working with Unilever. He was a member of the Unilever Corporate Audit Team responsible for auditing the Unilever Group companies in Central Asia, Middle East and Africa Regions. In his earlier stint there, Dilip was responsible for managing Operations & Marketing functions for one of the exports businesses of Unilever India (Hindustan Unilever Limited). Dilip has over 20 years' experience and has earlier worked with organisations like Ranbaxy Laboratories Limited and Union Carbide India Limited.

Dilip is a Mechanical Engineering graduate and has done his post-graduation from NITIE, Mumbai in Industrial Engineering & Management.

Market Overview

India's GDP in FY 2010 was 7.2% and is forecasted to grow between 7.5–8.5% in FY 2011. The acceleration of growth will be driven by favourable domestic structural factors coupled with foreign capital inflows.

Delivering Growth

Diversified, near-term capacity

1,064 ktpa (2010–11)
Zinc and Lead

1,200+ ktpa (2011–12)
Copper

2,500 ktpa (2012–13)
Aluminium

50 mtpa (2012–13)
Iron Ore

16 moz (2012–13)
Silver

5,500 MW (2013–14)
Commercial Energy

India

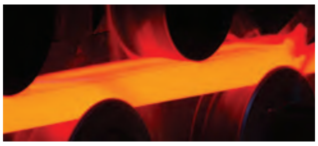
India's GDP expanded 7.2% in FY 2010 and is forecasted to grow between 7.5–8.5% in FY 2011. The acceleration of growth will be driven by favourable domestic structural factors coupled with strong foreign capital inflows and global cyclical uplift. The structural foundation of India's economic growth remains intact. The acceleration in infrastructure spending will be a key driver of elevated GDP growth.

While India has become more integrated with the rest of the world, its export-to-GDP ratio remains lower than those of other Asian countries. India's total exports account for around 20–22% of GDP compared with anywhere between 40–60% for other Asian economies including China, Korea and Taiwan. India is therefore less exposed to a slump in external demand. The Eleventh Five Year Plan (2007–12) and Twelfth Five Year Plan (2012–17) of the Government of India provides for a total infrastructure spend from the government and the private sector of nearly US$500 billion and US$1,000 billion respectively in several areas including power, roads, railways and telecom. India's per capita metal consumption is comparatively much lower than that in developed countries and coupled with a huge infrastructure spend plan indicates a strong growth potential.

We believe these positive factors will enable us to continue to sell a majority of our metal production in India ,where we realise a premium over the LME.

Source: AME, India's Five Year Plans, India Infrastructure Report and Economic Survey of India

Fulfilling local and global demand



Zinc
Refined zinc demand fell 6.2% in CY 2009 to 10.9 mt but is forecasted to increase by 5.2% in CY 2010 and 7.6% in CY 2011 with demand for end use products driving growth.

Supply was well disciplined in CY 2009 falling 5.2%. Refined supply is expected to increase as smelters that cut production in 2008 and early 2009 re-commence production. Supply is expected to increase 5.7% in 2010 to 11.9 mt.

Iron Ore
In CY 2009 it is estimated that global steel production fell 8% but is expected to grow 4.9% in CY 2010. Production will surpass 2007 levels in 2012 driven by China and India off-setting falls in North America, the EU and the CIS.

There has been a significant increase in the negotiated iron ore prices in 2010 from the previous year as renewed demand from steel producers in China is causing domestic supply shortages.

Copper
Global refined copper demand was 16.8 mt in CY 2009, down 6.5% from the previous year. Demand is expected to increase by 5.6% in CY 2010 and in CY 2011. The increase in demand in 2010–11 is expected to be driven by increased construction activities and investment globally. The growth in construction spending in China helped offset demand elsewhere in the world, with Asian demand expected to drive growth in demand over the coming years.

On the supply side, global refined copper production was 17.9 mt in CY 2009 and it is expected that the production capability will reach 18.4 mt in CY 2010, up 2.6%.

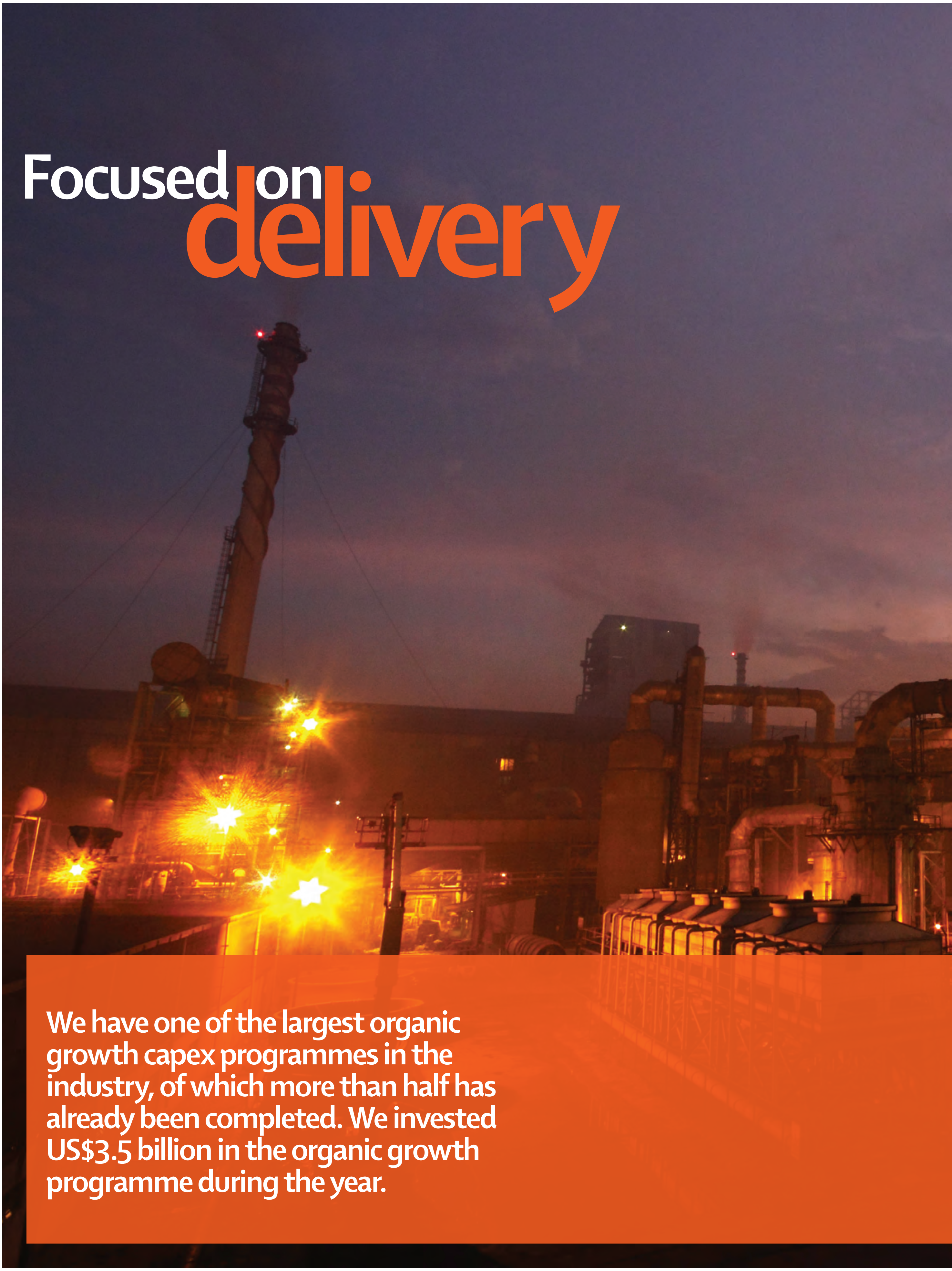
There exists a positive outlook for copper price as supply/demand dynamics remain favourable.

Aluminium
Following a severe flattening of growth in global demand in CY 2008, aluminium demand is estimated to have dropped by around 10% in CY 2009.

Global aluminium consumption was 34.6 mt in CY 2009 and is expected to increase 5.9% to 36.6 mt in CY 2010 and 5.5% to 38.7 mt in CY 2011 as the global economy recovers. Chinese aluminium consumption is estimated to have grown by 5% in CY 2009 driven by an accelerating recovery, with fiscal stimulus and increased bank lending spurring growth.

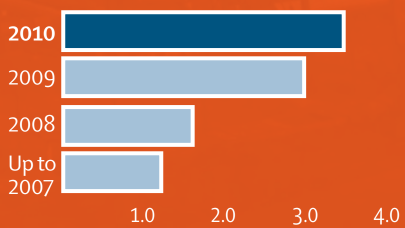
Prices are expected to rise steadily over the following years with the ability to switch smelting capacities. Production restarts are also expected not to overshoot demand growth.

Focused on delivery



We have one of the largest organic growth capex programmes in the industry, of which more than half has already been completed. We invested US$3.5 billion in the organic growth programme during the year.

Capex (US$bn)



Production (kt) 2005–10

	2005	2010	+%
Aluminium	136	533	292
Zinc-Lead	228	642	182
Copper	240	507	111
Iron Ore	–	21,412	
Silver	–	4.5moz	
Energy	–	3,279mu	

Operations Review

Summary

In a challenging year for the global economy and our industry, we are pleased to report strong results across our businesses. We have remained focused on our core strengths of low cost production, operational efficiency and successfully developing high value accretive projects for our shareholders. We have increased volumes across all businesses whilst keeping costs under control and are well placed to benefit from the sustained recovery in our industry.

We delivered a strong EBITDA performance of US$2,296 million in 2010, a 42% increase as compared to US$1,612 million achieved in 2009. During the year all our businesses delivered volume growth, with record iron ore, aluminium and mined metal production of zinc and lead. Our ongoing cost reduction measures have helped to contain the impact of higher input prices while higher volumes have also benefited unit operating costs. Stronger commodity prices for copper and zinc have also contributed to the increase in EBITDA.

An analysis of the movement in EBITDA between FY 2010 and FY 2009 is set out below.

- Higher sales volumes (including power sales) resulted in higher EBITDA of US$421 million.
- Lower operating costs improved EBITDA by US$99 million, whilst higher rates of royalties reduced EBITDA by US$82 million.
- Despite lower average prices of iron ore and aluminium, higher average LME prices of copper, zinc and lead increased EBITDA by US$221 million.
- Favourable foreign exchange movements contributed US$56 million.

- EBITDA reduced by US$83 million in allied businesses ie phosphoric acid, silver, metcoke and pig iron.

We have made excellent progress during the year in executing our industry leading organic growth programme. We delivered both significant production growth this year and put in place plans to substantially increase capacity in all our businesses for 2011. During the year we spent a total of US$3.5 billion on our expansion projects, which are all progressing well. Highlights this year include:

- At Hindustan Zinc Limited ('HZL'), commissioning of the zinc concentrator at Rampura Agucha and the 210 ktpa zinc smelter at Dariba, three months ahead of schedule.
- At Konkola Copper Mines ('KCM'), commissioning of the KDMP mid-shaft loading station, which will increase hoisting capacity and speed up mine development work.
- At Vedanta Aluminium Limited ('VAL'), excellent progress at the 500 ktpa Jharsuguda aluminium smelter, 250 ktpa operating at near capacity. All nine units of the associated 1,215 MW captive power plant have been commissioned.

On 11 June 2009, we acquired VS Dempo's iron ore assets based at Goa. The acquisition offered significant growth opportunity and has brought operational synergies through the sharing of infrastructure with Sesa Goa.

To ensure we can deliver sustainable growth going forward, we continue to add new resources in excess of annual production. Exploration continues to be a major focus and has yielded excellent results during the year.

- Addition of 64 mt to reserves and resources in the Iron Ore business, extending the mine life to 17 years at current production capacity. Active exploration will continue at our iron ore operations in support of our plans to become a 50 mtpa producer in the next three years.
- Added 33.7 mt to reserves and resources in the Zinc business, extending the mine life to 42 years at current production capacity.
- Added 14 mt of reserves and resources in our Zambian Copper business, extending mine life to over 50 years.

During the year we repaid US$1.2 billion of debt and raised long-term funds totalling to US$4.2 billion. US$2.1 billion was raised through the issue of convertible bonds, US$1.1 billion by issue of equity by our subsidiary Sterlite and US$1.0 billion through issue of convertible bonds by our subsidiaries Sterlite and Sesa Goa.

In response to improved market conditions, we reactivated work on the US$2.15 billion 1,980 MW power plant project at Talwandi in Punjab, North India. We also announced the following expansion projects:

- In anticipation of rapidly growing copper consumption in India, and in order to significantly reduce the power cost at existing smelting operations, we announced a 400 ktpa expansion of copper smelting capacity at Tuticorin, along with a captive power plant of 160 MW for an estimated capex of US$500 million.
- We are expanding our pig iron production capacity by 0.375 mt and met coke capacity by 0.280 mt with an estimated capex of US$150 million.
- We are expanding our iron ore mining capacities at Goa and Orissa to 40 mt, with an estimated capex of US$500 million.
- We entered the growing port and infrastructure sector in India, winning a tender from the Government of India's Vizag Port Company to construct a coal berth on a revenue sharing basis in a joint venture with Leighton Contractors (India) Pvt. Ltd. This will require an estimated capex of US$150 million.

We believe all these project expansion initiatives will add significant value for all stakeholders.

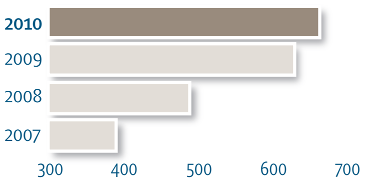
EBITDA recorded by the individual businesses is set out below.

(in US$ million, except otherwise stated)	FY 2010	FY 2009	% change
Aluminium	154.9	177.4	–12.7%
Copper	317.7	222.9	42.5%
Zinc	982.8	603.3	62.9%
Iron Ore	673.0	557.1	20.8%
Energy[1]	170.7	53.3	220.3%
Others	(3.2)	(1.8)	–
Total	2,295.9	1,612.2	42.4%

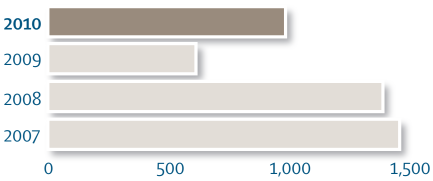
1 Reclassified to include temporary surplus power sales from various captive power plants in addition to the sales from power plants of 100 MW at MALCO, 270 MW at BALCO-1, and 123 MW wind power plant at HZL.

Operations Review Zinc-Lead-Silver

Production (kt)

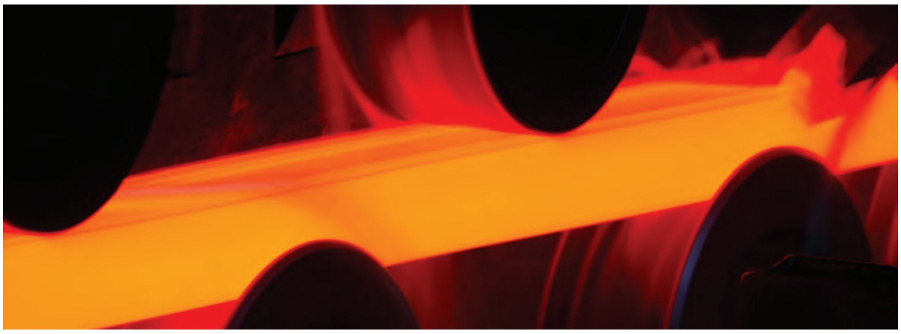


EBITDA (US$ million)



(in US$ millions, except as stated)	FY 2010	FY 2009	% change
Production – zinc (kt)			
Mined metal content	683	651	4.9
Refined metal	578	552	4.7
Production – lead (kt)			
Mined metal content	86	84	2.4
Saleable metal	64	60	6.7
Production – saleable silver (moz)	4.46	3.38	32.0
Average LME zinc cash settlement prices (US$ per tonne)	1,936	1,563	23.9
Average LME lead cash settlement prices (US$ per tonne)	1,990	1,660	19.9
Unit costs			
Zinc (US$ per tonne)	850	710	19.7
Zinc (other than royalty) (US$ per tonne)	698	609	14.6
Revenue[1]	1,651.7	1,209.1	36.6
EBITDA	982.8	603.3	62.9
EBITDA margin	59.5%	50.2%	–
Operating profit	918.4	546.2	67.5

1 FY 2009 revenue includes US$6.4 million for sale of surplus power. EBITDA and EBITDA margin is on revenue excluding surplus power.



US$918.4 million
Operating profit

578 kt
Zinc production

150 kt
Lead production

4.46 moz
Silver production

Production Performance

Mined metal production for zinc and lead from all our mines was 769 kt in FY 2010, up 5% over FY 2009, primarily due to improved operational performance in the mines.

Refined zinc and lead production in FY 2010 was 578 kt and 64 kt respectively, an increase of 5% and 7% respectively, over the previous year due to improved operational efficiencies. The new 210 ktpa zinc smelter at Rajpura Dariba and the new 1 mtpa concentrator at Rampura Agucha were commissioned at the end of Q4, three months ahead of schedule.

Production of silver in FY 2010 was a record 4.46 million troy ounces, up 32% compared with FY 2009. This increase was primarily due to increased mine production and improvement in silver recovery.

Unit Costs

Unit cost of production in FY 2010 excluding royalties was 15% higher at US$698 per tonne compared with US$609 per tonne in FY 2009, primarily due to lower sulphuric acid credit which fell by US$123 per tonne and wage increases arising out of a long-term wage settlement agreement. Royalties were higher at US$152 per tonne in FY 2010 on account of increased LME prices and higher royalty rates. The royalty rate, which is linked to LME, was increased from 6.6% to 8.4% for zinc and from 5.0% to 12.7% for lead, with effect from 13 August 2009.

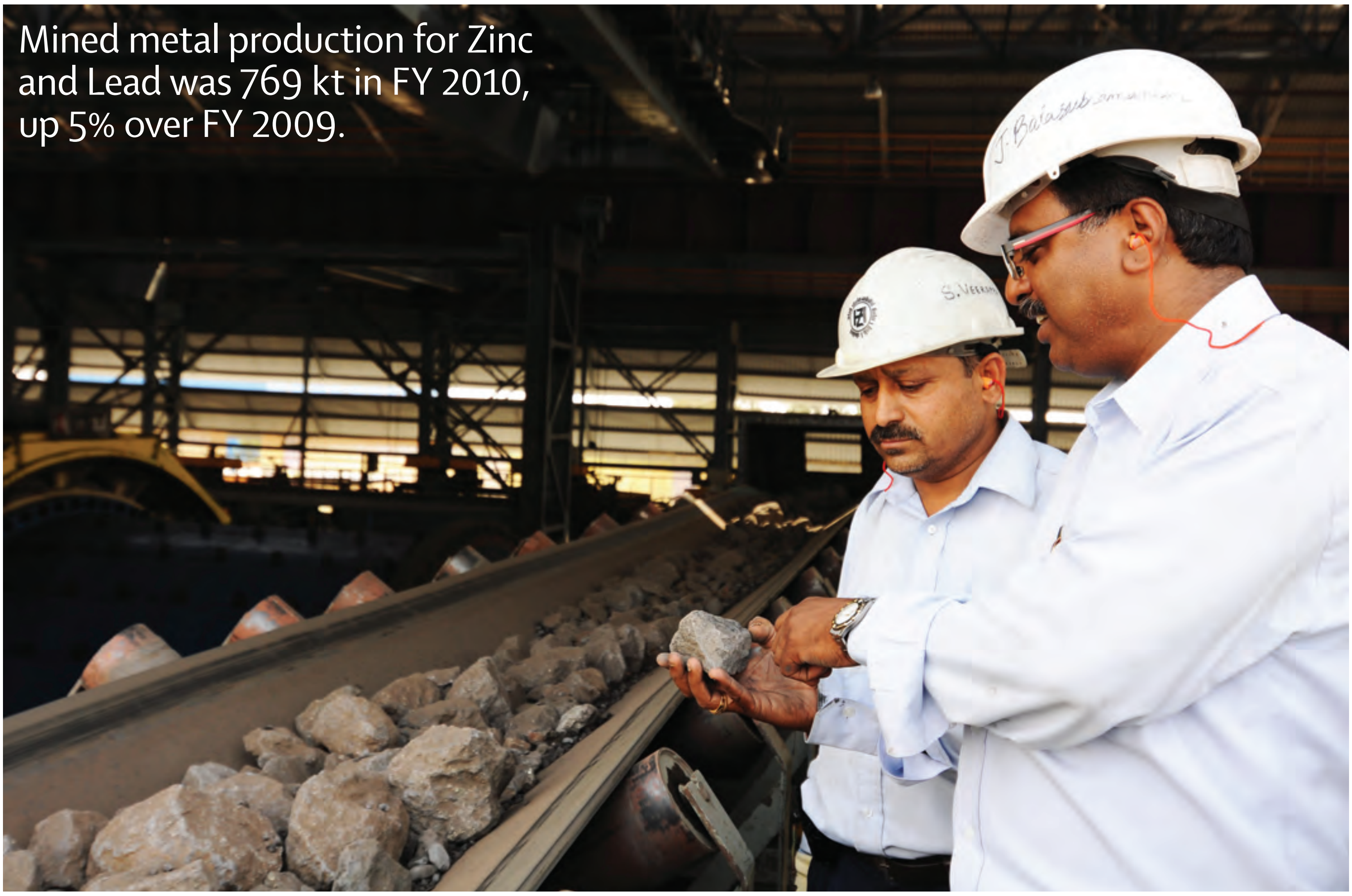
Sales

Our domestic sales of Zinc metal at 386 kt in FY 2010 were up 16% compared with FY 2009, benefitting from a 25% growth in zinc consumption in India, on the back of sustained robust growth in the infrastructure sector. We also sold 223,000 dry metric tonnes of zinc concentrate and 31,000 dry metric tonnes of lead concentrate, in FY 2010.

Refined zinc and lead production in FY 2010 was 578 kt and 64 kt respectively, an increase of 5% and 7% respectively.

Financial Performance

EBITDA for FY 2010 was US$982.8 million, up 63% compared with FY 2009, primarily due to higher volumes contributing approximately US$100 million and an increase in LME zinc and lead prices by 24% and 23% respectively contributing approximately US$300 million. This increase was partially off-set by increased net operating costs and royalties.



Mined metal production for Zinc and Lead was 769 kt in FY 2010, up 5% over FY 2009.

Projects

Rajpura Dariba Lead Smelter
Construction activities at the 100 ktpa lead smelter at Rajpura Dariba and 160 MW captive power plant is progressing well and on schedule for completion by Q2 FY 2011.

Sindesar Khurd Mine
Work at the mining projects at Sindesar Khurd from 0.3 mtpa to 1.5 mtpa is progressing on schedule for progressive commissioning from Q1 FY 2011.

Exploration

Ongoing exploration activities at HZL have yielded significant success with an increase of 33.7 mt to gross reserves and resources, prior to production of 7.1 mt in FY 2010. Contained zinc-lead metal has increased by 3.4 mt, prior to production of 0.8 mt during the same period. Total reserves and resources at 31 March 2010 were 298.6 mt containing 34.1 mt of zinc-lead metal and 832.7 moz of silver.

A highlight of our exploration success has been additions at Rajpura Dariba belt (covering Sindesar Khurd, Rajpura Dariba) where we have now established a reserve and resource base of 103.03 mt (83.4 mt in FY 2009).

Case Study Zinc Sector

Mixing pug mill to improve throughput

The Challenge

Our roasters are designed to handle a certain size range of concentrate feed. Fine-grinding techniques developed for mines to improve metal recoveries, reduces the compatibility of the feed with our roasters. To overcome this and to improve the throughput rate, we decided to premix the concentrate with water or a slightly acidic solution.

The solution

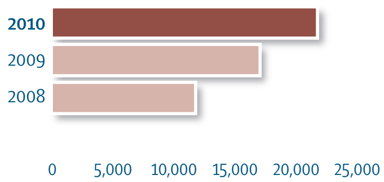
Following extensive research by the team, we installed a mixer (pug mill) in the feed preparation stage to ensure significant improvement in the consistency of the feed in terms of size and moisture content, thereby improving our ability to mix dross and secondaries with concentrate. These were placed directly on-site during March 2010 at both the Hydro smelters at Chanderiya Smelting Complex, where other retro fittings had already been completed to accommodate the mixer.

The result

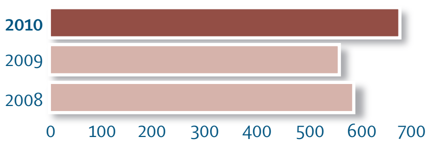
This has resulted in more consistent bed temperatures, a reduction in fly-over and the adverse affect of high Sulphide/Sulphur on Calcine. We are anticipating that this initiative will increase throughput by c. 0.3 – 1 tonne per hour.

Operations Review Iron Ore

Production (kt)



EBITDA (US$ million)



During the year we acquired Dempo Group's iron ore mining assets in Goa. Dempo owns or has the rights to mineable reserves and resources estimated at 70 mt of iron ore in Goa. Dempo's Goa mining assets includes processing plants, barges, jetties, transshippers and loading capacities at Mormugoa port.

The performance of our Iron Ore business in FY 2010 is set out in the table below.

(in US$ millions, except as stated)	FY 2010	FY 2009	% change
Production (kt)			
Saleable ore	21,412	15,986	34.0
Pig iron	280	217	29.0
Sales (kt)			
Iron ore	20,523	15,103	35.9
Pig iron	279	224	24.6
Revenue	1,221.7	1,070.4	14.1
EBITDA	673.0	557.1	20.8
EBITDA margin	55.1%	52.1%	
Operating profit	453.0	348.0	30.2

Production Performance

Saleable iron ore produced in FY 2010 was 21.41 mt, a record for Sesa Goa and an increase of 34% over full year production of 15.99 mt in FY 2009. The higher volumes were a result of 3.6 mt contributed by Dempo's operations acquired in June 2009 and increased throughput from Sesa's existing operations.

Production of pig iron was a record 280 kt during FY 2010, 29% higher compared with FY 2009. The pig iron plant will be shut down for planned maintenance next year for approximately 60 days.

Sales

Iron ore shipments during FY 2010 were a record 20.5 mt, of which 82% of sales volume was in the form of fines and the rest in the form of lumps, consistent with the higher production. In Q4 FY 2010, we had the highest ever quarterly shipment of 7.4 mt of iron ore. During FY 2010, a majority of the production was sold in the spot market.

We sell globally with exports to China, Japan, Pakistan and other Asian and European countries. Exports accounted for nearly 94% of total sales with the remainder being sold in the domestic market. China accounted for 84% of our total exports. We sold 279 kt of pig iron in FY 2010, consistent with production volumes.

Financial Performance

EBITDA in FY 2010 was US$673.0 million, 20.8% higher compared to the prior year. EBITDA was higher on account of higher volumes contributing approximately US$170 million and lower operating costs which were partially off-set by lower average prices, and increased royalties. During the year the Government of India increased the royalty from approximately Rs 30 per tonne to 10% of ex-mine Net Sales Realisation ('NSR') while the export duty was also raised from 0% to 5% on fines and from 5% to 10% on lumps.

The operating profit was US$453.0 million in FY 2010 as compared with US$348.0 million in FY 2009, in line with the increase in EBITDA.

Projects

Iron Ore Mining Expansion

Consistent with our mission to reach 50 mt over the next two to three years, we have pursued a number of initiatives to expand mining capacity and logistics at Goa and Karnataka to increase their capacity to 30 mt and 10 mt, respectively. These comprise of additional investments in mining equipment, processing plants, barges, and infrastructure such as loading facilities at railway sidings at an estimated capex cost of US$500 million to be spent over next two to three years.

Pig Iron Expansion

Work on the expansion of the pig iron plant capacity to 625 ktpa and associated expansion of the metallurgical coke plant capacity to 560 ktpa is progressing well with engineering activities completed, ground activities started. The project is on schedule for commissioning by Q1 FY 2012.

Exploration

We had significant success in exploration at Sesa Goa and Dempo, and added 64.3 mt reserves and resources, prior to production of 21.4 mt in FY 2010. Total reserves and resources at 31 March 2010 were 352.7 mt.

US$453.0 million
Operating profit

21.4 mt
Saleable ore

280 kt
Pig iron production

20.5 mt
Sales

Iron ore shipments during FY 2010 were a record 20.5 mt, up 36% due to the Dempo acquisition and increased throughput from Sesa's existing operations.

Case Study Iron Ore Sector

Removal of Transhipper Vessel bottleneck

The challenge

T V Orissa Transhipper loads cargo from barges to the mother vessel. It has two loaders, mounted on a gantry and two mobile cranes for each loader via a feed hopper. Crane Number 1 and 2 feed the front loader and Crane Number 3 and 4 feed the aft loader. Crane Number 1 is fixed, whereas the other cranes are mobile. We noticed that Crane Number 1 was idle for 60 hours per month, while the rest were working continuously.

The solution

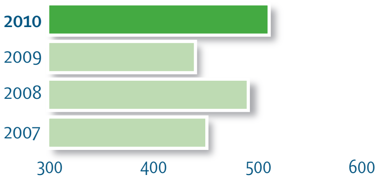
As a part of our Business Excellence initiative, the in-house Sesa team initiated a project to reduce Crane 1's idle time. After detailed discussions we took the decision to extend the conveyor belt structure by a further 4 metres, considerably reducing the bending moment on the arm, making it safer and ensuring the hopper was more accessible.

The result

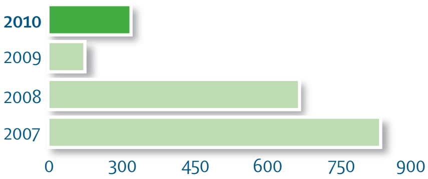
This has reduced the idle time at a cost of less than US$1 million, in-turn enhancing capacity of the transhipper by 0.2 mt pa. It has also helped in ensuring optimum utilization of resources, improving Overall Equipment Effectiveness (OEE) along with substantial cost savings.

Operations Review Copper

Production (kt) – India and Zambia



EBITDA (US$ million) – India and Zambia



US$98.4 million
Operating profit
(Australia, India and Zambia)

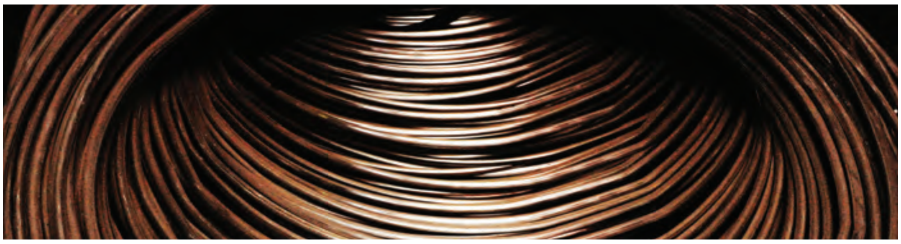
24 kt
Mined metal production – Australia

334 kt
Copper production – India

173 kt
Copper production – Zambia

The performance of our Copper-India/Australia business in FY 2010 is set out below.

(in US$ millions, except as stated)	FY 2010	FY 2009	% change
Production (kt)			
Australia – mined metal content	**24**	27	(11.1)
India – cathode	**334**	313	6.7
Average LME cash settlement prices (US$ per tonne)	**6,112**	5,885	3.9
Unit conversion costs (US cents per lb)	**10.4**	3.1	235.5
Realised TC/RCs (US cents per lb)	**13.6**	11.7	16.2
Revenue	**2,741.4**	2,537.9	8.0
EBITDA	**165.9**	293.7	(43.5)
EBITDA margin	**6.1%**	11.5%	–
Operating profit	**65.9**	242.9	(72.9)



Production Performance

Production of cathodes at our Copper-India business was 334 kt in FY 2010, up 6.7% year on year reflecting both the impact of planned maintenance undertaken and the effect of lower copper grades in concentrate on production volumes during FY 2009. The Tuticorin plant will be shut down for its biannual maintenance during June–July 2010 for around 20 days.

Mined metal production at our Australian mines was 11% lower at 24 kt in FY 2010 due to the impact of a mud rush in Q2. The mine has now resumed normal production.

> Copper sales in the domestic market were 206 kt in FY 2010. 78% of these were value added copper rods, supplied largely to the rapidly growing power sector.

Unit Costs

Operationally, Copper-India performed well delivering a reduction in gross conversion cost from 17.8 US cents per lb to 16.6 US cents per lb. However during the period we experienced a sharp fall in sulphuric acid realisation which reduced the by-product credit from 10.4 US cents per lb to 2.7 US cents per lb, generating an increase in net conversion cost from 3.1 US cents per lb to 10.4 US cents per lb. Currently, sulphuric acid realisation is rising on the back of a recent increase in sulphur prices, which should show a positive impact on cost.

Unit CoP at our Australian operations, excluding Tc/RCs, in FY 2010 was 143 US cents per lb up from 121 US cents per lb in FY 2009, mainly due to costs incurred for mud rush recovery resulting in lower production volumes, and an increase in royalties.

Sales

Copper sales in the domestic market were 206 kt in FY 2010. 78% of these were value added copper rods, supplied largely to the rapidly growing power sector. The Indian copper market continues to demonstrate a robust growth rate of 4% growth in FY 2010.

Financial Performance

EBITDA for FY 2010 was US$165.9 million, 43.5% lower than the EBITDA of US$293.7 million for FY 2009. This was primarily due to higher operating costs, a fall in phosphoric acid prices to US$551 per tonne, and lower by-product realisations resulting in a decrease of US$135 million. These were partially off-set by improved TC/RC (15%) and higher realisations from our Australian mining operations.

Operating profit was US$65.9 million in FY 2010 as compared with US$242.9 million in FY 2009, mainly due to lower EBITDA, which was further impacted by non-recurring write offs of abortive acquisition related expenses of US$58 million.

Projects

400 ktpa Copper Smelter

The 400 ktpa copper smelter project and associated 160 MW captive power project at Tuticorin are progressing well, with detailed engineering and procurement activities under way for scheduled commissioning by mid 2011.

Production of cathodes at our Copper-India business was 334 kt in FY 2010, up 6.7% year on year.

Case Study Copper - India

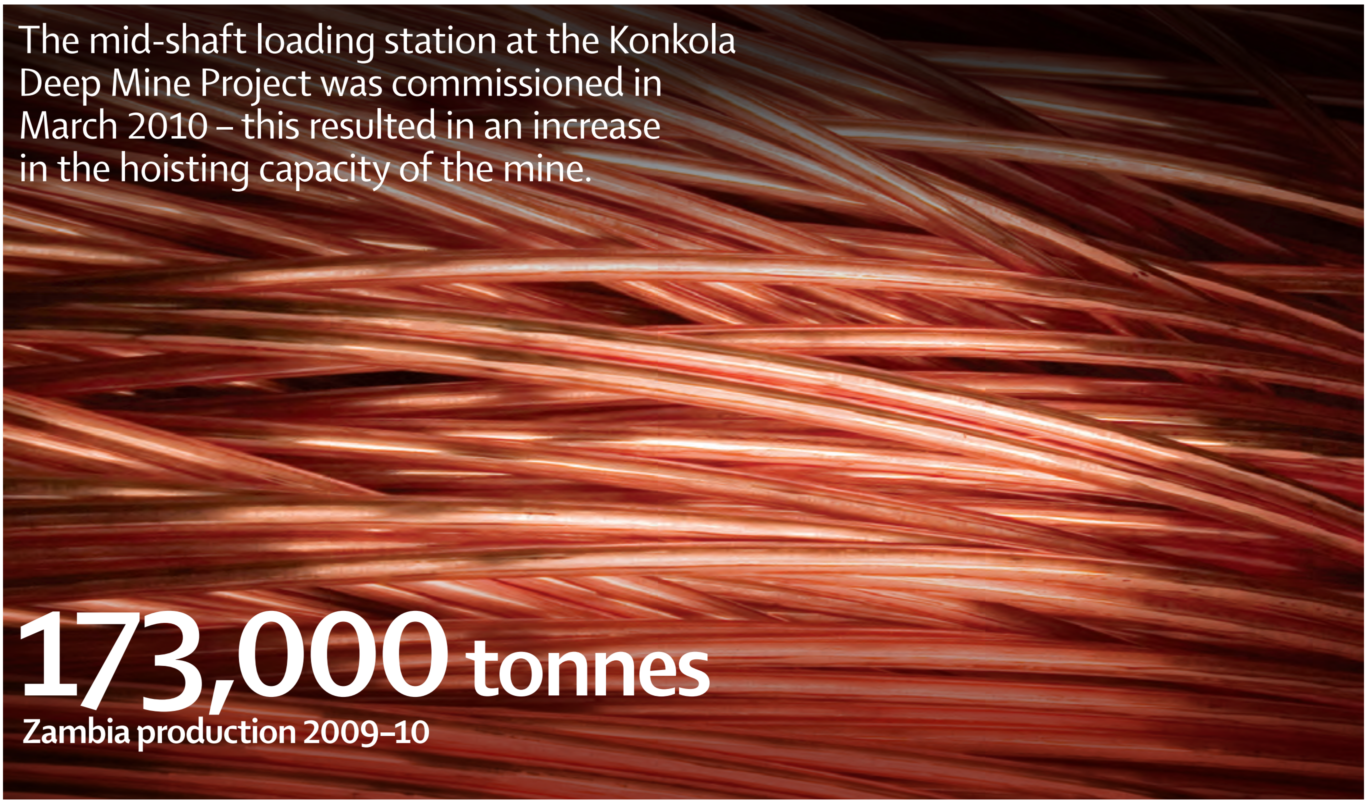
Reducing Furnace Oil (FO) Consumption

The challenge
Furnace Oil is one of the major consumables at the ISA Smelter at Tuticorin. It is not only used to initiate the smelting and to keep the reaction temperature at the required level, but also to maintain the metal temperature. Typically, FO consumption was 100 Kg per hour.

The solution
After a detailed study and analysis, a fine tuned valve was installed to lower the FO flow rate, the standard operating practice for the converter was modified, atomisation of Burner System was undertaken and the FO heaters were revamped to maintain high FO temperature.

The result
These initiatives halved FO consumption from 100 Kg per hour to 50 Kg per hour. FO consumption in the converter reduced from 4.8 Kg per tonne in FY 2009 to 3.7 Kg per tonne in FY 2010.

Operations Review Copper continued



The performance of our Copper-Zambia business in FY 2010 is set out below.

(in US$ millions, except as stated)	FY 2010	FY 2009	% change
Production (kt)	173	133	30.1
Integrated	126	108	16.7
Custom	47	25	88.0
Average LME cash settlement prices (US$ per tonne)	6,112	5,885	3.9
Unit costs (US cents per lb)	184.4	258.3	(28.6)
Revenue	1,070.8	773.1	38.5
EBITDA	151.8	(70.8)	–
EBITDA margin	14.2%	(9.2%)	–
Operating (loss)/profit	32.5	(165.9)	–

We had significant success with the ongoing exploration at our Zambian copper business, increasing gross reserves and resources by 14 million tonnes.

Production Performance

Integrated production was 126 kt in FY 2010 as compared with 108 kt in FY 2009, due to better mine management and performance. This will improve further with augmented production from the new mid-shaft loading station at Konkola. Tail Leaching Plant ('TLP') production was lower at 46 kt in FY 2010 as compared with 50 kt in FY 2009, largely due to falling ore grades. This will improve with the opening of COP A and Fitwaola mines from Q1 FY 2011.

Cathode production at our Zambian operations was 173 kt in FY 2010 compared with 133 kt in FY 2009. The 30% increase in production was primarily due to the progressive ramp-up of the new Nchanga smelter.

Unit Costs

Unit CoP was 184.4 US cents per lb in FY 2010, down 29% compared with FY 2009, primarily as a result of the reduction in sulphur consumption, better specific consumption of various inputs, lower maintenance cost, outsourcing of mining activities at some of our mines, increased mine production and depreciation of the Kwacha.

Financial Performance

The EBITDA in FY 2010 was US$151.8 million compared to an EBITDA loss of US$70.8 million in FY 2009, mainly due to

increased production, lower operating costs and a higher average LME copper price. Also, in 2009 a sharp fall in copper prices resulted in an inventory write-down of around US$100 million. The operating profit was US$32.5 million in FY 2010 compared with an operating loss of US$165.9 million in 2009, due to increase in EBITDA, partially off-set by higher amortisation and depreciation on the new Nchanga smelter.

Projects

Konkola Deep Mine

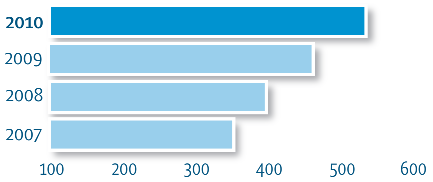
The mid-shaft loading station at the Konkola Deep Mine Project was commissioned in March 2010 as scheduled. This resulted in an increase in the hoisting capacity of the mine, which has allowed the mining of ore to commence while simultaneously allowing the continued development of the shaft to an ultimate depth of 1,500 metres. Construction work on the bottom shaft sinking is progressing well for completion by end 2011. The cost of the KDM Project has been revised upward from US$674 million to US$973 million due to the weak ground conditions, increase in scope post detail engineering and consequent extra time required, and commodity price increase.

Exploration

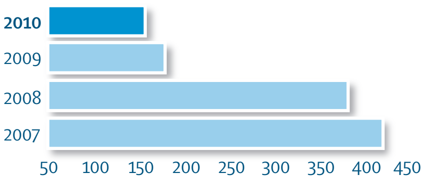
We had significant success with the ongoing exploration at our Zambian Copper business, increasing gross reserves and resources by 14 million tonnes, prior to production of 8.4 million tonnes. Total reserves and resources at 31 March 2010 were 707 mt at an average copper grade of 1.96%, including Konkola mine reserves and resources at 226 mt with 3.55% copper.

Operations Review Aluminium

Production (kt)



EBITDA (US$ million)



The performance of our Aluminium business in FY 2010 is set out in the table below.

(in US$ million, except as stated)	FY 2010	FY 2009	% change
Production (kt)			
Alumina – Lanjigarh	**762**	586	30.0
Alumina – Korba I and Mettur[1]	**43**	241	–
Total alumina	**805**	827	
Aluminium – Jharsuguda[2]	**264**	82	222.0
Aluminium – Korba II	**250**	251	–
Aluminium – Korba I and Mettur[1]	**19**	129	–
Total aluminium	**533**	462	15.4
Average LME cash settlement prices (US$ per tonne)	**1,868**	2,234	(16.4)
Unit costs			
Jharsuguda (production cost)[3] (US$ per tonne)	**1,645**	–	–
Jharsuguda (smelting cost[4])[3] (US$ per tonne)	**925**	–	–
BALCO Plant 2 (production cost) (US$ per tonne)	**1,534**	1,623	(5.5)
BALCO Plant 2 (smelting cost[4]) (US$ per tonne)	**862**	859	–
Revenue[5]	**914.2**	937.1	(2.4)
EBITDA	**154.9**	177.4	(12.7)
EBITDA margin	**16.9%**	19.6%	–
Operating profit	**50.3**	113.2	(55.6)

1 Plants no longer operational.
2 Include aluminium production of 174 kt under trial run in FY 2010.
3 Cost of production for 250 ktpa smelter post commencement of commercial production in December 2009.
4 Smelting cost comprises production cost excluding alumina cost.
5 FY 2009 revenue includes US$30.5 million for sale of surplus power. EBITDA and EBITDA margin is on revenue excluding surplus power.

Production Performance

Aluminium production in FY 2010 was a record 533 kt, an increase of 15%. This increase is primarily due to the increase in production from the new 250 ktpa Jharsuguda aluminium smelter, although partially offset by the shut-down of Korba I smelter in Q1. The Korba II smelter continues to operate above its full capacity.

The 250 ktpa smelter at Jharsuguda is operating close to its full capacity. Progressive commissioning of balance pots to achieve 500 ktpa smelter capacity is under way. During the second half of April 2010, the production at smelter was disrupted as a result of a power failure. Necessary remedial measures are being taken.

All nine units of the 1,215 MW CPP are now operational. Surplus power is currently being sold in the wholesale market on spot basis. The 1.4 mtpa Alumina refinery at Lanjigarh has been fully commissioned and produced 762 kt in FY 2010. Currently, bauxite feed for this refinery is being sourced internally from BALCO's mines and externally from bauxite mines in central and eastern India.

Unit Costs

Unit cost of production at our BALCO Plant II was US$1,534 per tonne for FY 2010, 5.5% lower than the unit cost of US$1,623 per tonne in FY 2009. Smelting costs at BALCO Plant II were marginally higher at US$862 per tonne in FY 2010 compared to US$859 per tonne in FY 2009. Operational efficiencies and savings in procurement costs of carbon and other raw materials being more than off-set by the fixed costs of BALCO I of around US$77 per tonne, being absorbed in the BALCO II smelter costs.

Sales

Our domestic aluminium sales at 410 kt in FY 2010 were up 16% year on year benefitting from a 10% growth in aluminium consumption in India. Profitability was also improved due to higher premiums charged and a 9% increase in sales of value added products such as rods and rolled products driven by sustained robust growth in the power sector.

Financial Performance

EBITDA for FY 2010 was US$154.9 million, 13% lower than FY 2009. This was primarily due to a 16% decrease in LME prices, which was partially off-set by lower operating costs and higher volumes and premium. Operating profit was lower at US$50.3 million, primarily as a result of higher depreciation for the Jharsuguda smelter following the commencement of commercial production during the year.

Projects

Jharsuguda Aluminium Smelter

All nine units of 135 MW have been commissioned. The commissioning of the remaining 76 pots of 500 ktpa Jharsuguda smelter I is scheduled for Q1 FY 2011. The project cost of the Jharsuguda 500 ktpa smelter project increased from US$2.1 billion to US$2.3 billion, mainly due to foreign exchange variations.

US$50.3 million
Operating profit

805 kt
Alumina production

533 kt
Aluminium production

410 kt
Aluminium domestic sales

Business Review

Our domestic aluminium sales at 410 kt in FY 2010 were up 16% year on year benefitting from a 10% growth in aluminium consumption in India.

The 1.25 mtpa Jharsuguda aluminium smelter project is on schedule for final completion by Q2 FY 2013 with the first metal tapping now scheduled for Q2 FY11.

Lanjigarh Alumina Refinery and Bauxite Mining Project

As scheduled, the second stream of the 1.4 mt Lanjigarh Alumina refinery has been commissioned. The 0.6 mt debottlenecking project will be commissioned in Q1 FY 2011, which will be dependent on bauxite availability. Further 3 mtpa expansion of capacity, in three lines of 1 mt each, is now scheduled for commissioning progressively from Q4 FY 2011.

The State of Orissa is rich in bauxite, and mining such materials has been identified by the Indian authorities as an important opportunity for socio-economic development in the region. The estimated reserves of Bauxite in India are 2.9 billion tonnes and Orissa itself has about 60% of India's Bauxite Reserves[1]. The Lanjigarh mining development project, a joint venture undertaken by our subsidiary company (SIIL) in conjunction with the Orissa Mining Corporation, was approved by the Supreme Court of India in August 2008. The refinery is already operational. Commencement of mining operations awaits final clearance from the forestry authorities and has received all other clearances. We expect to receive the outstanding clearance in the near term; some complaints have been received from external third parties in relation to this project. However, Vedanta has and continues to operate within the legal framework and the jurisdictional control of the Government of India and vigorously defends its record in this regard.

BALCO Aluminium Smelter

Work on the new 325,000 tpa aluminium smelter at BALCO is progressing well. The first metal tapping is expected in Q4 FY 2011. Construction of the 1,200 MW captive power plant was disrupted in September 2009 due to the collapse of a chimney under-construction. Work had resumed in January 2010 and is now in full swing. Despite disruption for about four months, we are working toward synchronisation of the first unit of 300 MW in Q3 FY 2011 and remaining three units progressively by Q2 FY 2012.

1 Source: National Portal of India (website: http://india.gov.in)

Case Study | Aluminium Sector

Increasing amperage and production at Balco 2 Smelter

The challenge

Our team at Balco 2 Smelter undertook a technological challenge to increase the amperage of the potline from 325.5 KA to 340 KA, aiming to raise production from 2.4 tonnes to 2.6 tonnes per pot per day. When the project was initiated at the begininng of March 2010, average potline amperage was 331.3 KA, delivering production levels of 2.4 tonnes per pot per day.

The solution

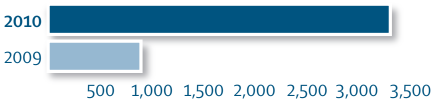
Several actions were undertaken to achieve this, including changes in the pot controller settings, implementation of a Process Assessment Model, and improved anode settings.

The result

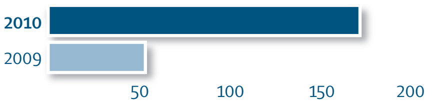
By the end of March, the increase in amperage through these measures resulted in an additional 1000 tonnes of production during the month.

Operations Review Commercial Energy

Production (MU)



EBITDA (US$ million)



Commercial Energy identified as a separate segment from FY 2009.

US$147.5 million
Operating profit

2,187 MU
Power sales – BALCO, MALCO and wind energy

1092 MU
Power sales – surplus from CPPs

3,279 MU
Total sales

The performance of our Energy business in FY 2010 is set out in the table below.

(in US$ millions, except as stated)	FY 2010	FY 2009	% change
Power Sales (MU)	3,279	882	271.8
BALCO, MALCO, Wind Energy	2,187	376	481.6
Surplus from CPPs	1,092	506	115.6
Revenue[1]	330.7	88.2	274.9
EBITDA	170.7	53.3	220.3
EBITDA margin	51.6%	60.4%	–
Operating profit	147.5	23.7	522.4

1 FY 2009 figure reclassified for comparative purposes.

Production Performance

In addition to the sales from power plants of 100 MW at MALCO, 270 MW at BALCO-1, and 123 MW wind power plant at HZL, the energy segment includes temporary surplus power sales from various captive power plants.

We sold 3,279 million units of power during FY 2010 compared to 882 million units sold in FY 2009. This growth in volume was mainly on account of surplus power sales due to the shut-down of high cost aluminium operations at MALCO and BALCO 1 and surplus power from the Jharsuguda CPP.

> We sold 3,279 million units of power during FY 2010 compared to 882 million units sold in 2009.

Financial Performance

EBITDA in FY 2010 was US$170.7 million, significantly higher than EBITDA of US$53.3 million in FY 2009. EBITDA was higher primarily on account of higher volumes and realisation rate, partially offset by higher operating costs.

Projects

Jharsuguda IPP

Work on the 2,400 MW (600 MW x 4) coal based commercial power plant at Jharsuguda, Orissa is progressing well. The first unit is scheduled to be commissioned by Q1 FY 2011 with the remaining three units expected to be progressively commissioned by the end of FY 2011.

Talwandi Sabo IPP

The EPC contract has been finalised for the 1,980 MW supercritical IPP project at Talwandi Sabo. The EPC contractor has appointed subcontractors to carry out pre-construction activities at the site and orders have also been placed for turbines, generators and power houses. Project completion is expected by Q2 FY 2014.

Operations Review Other Business

Vizag Coal Berth

In order to make an entry into the growing port and infrastructure sector in India we have participated and won a tender from the Government of India's Vizag Port Company to construct a coal berth on a revenue sharing basis in a joint venture with Leighton Contractors (India) Pvt. Ltd. The estimated cost of the project is US$150 million to be completed by mid 2012.

Operations Review Outlook

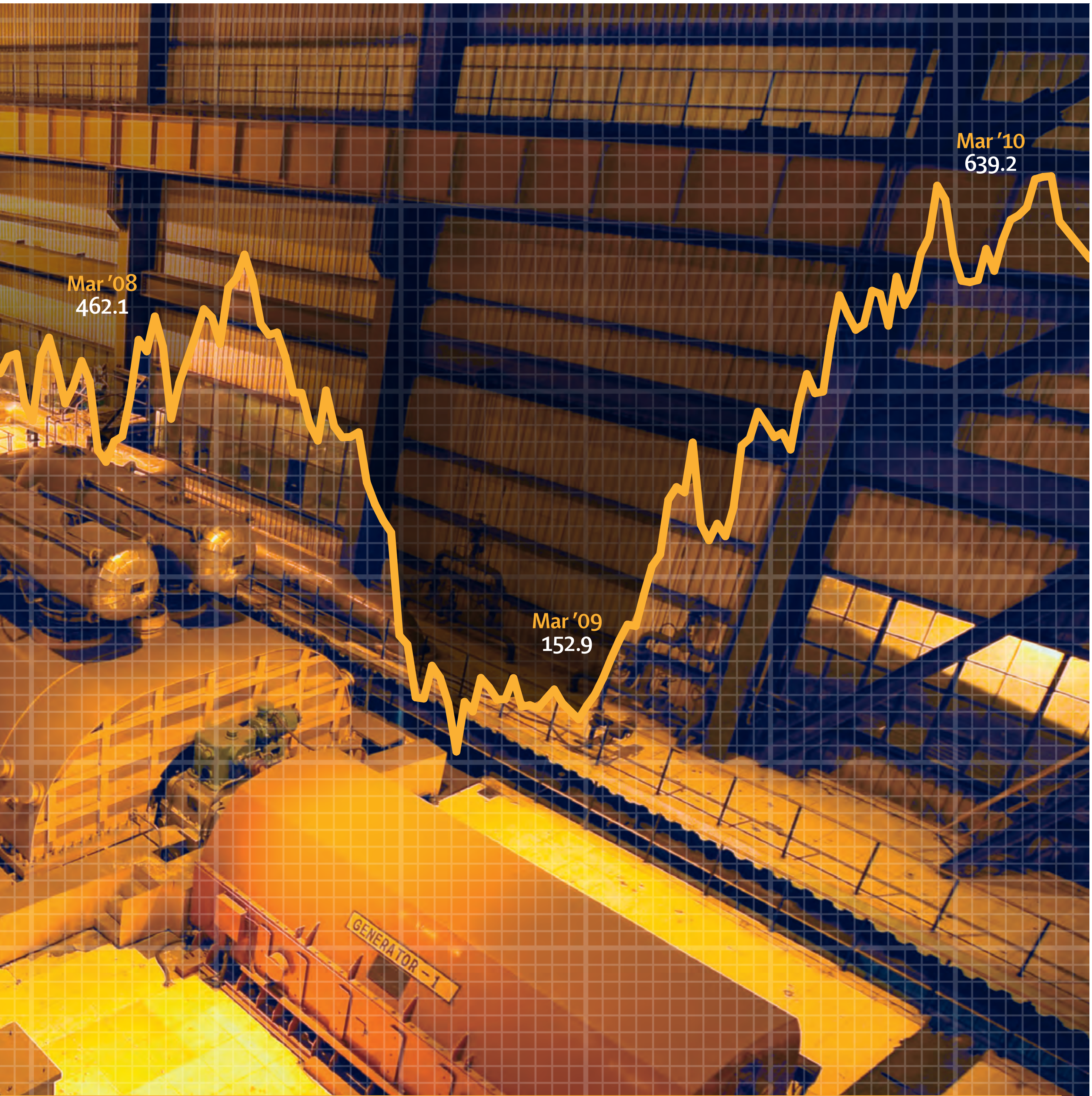
The recovery in demand and commodity prices backed by growth momentum in China, Brazil and India appears well founded. The medium- and long-term outlook for the resource sector remains positive. We are well positioned to benefit from the upswing, benefitted by our structurally low cost position. We have a well laid out growth pipeline and all our expansion projects are on track to deliver industry leading organic growth.

Focused on long-term value

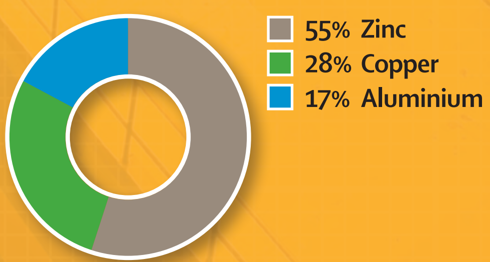
Our goal is to invest in opportunities that are aligned with our strategic drivers and that achieve returns in excess of the cost of capital over the long-term.

We have consistently delivered superior shareholder returns through organic growth and selective acquisitions. Since listing in FY 2004, we have diversified our business and grown EBITDA seven times, and delivered Total Shareholder Return of over 500%.

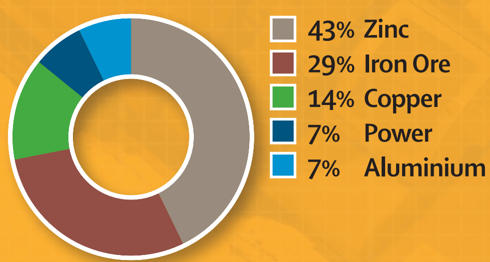
Vedanta Indexed Total Shareholder Return for FY2005–10 (FY2005 = 100)



EBITDA: FY 2004 US$322.7 million



EBITDA: FY 2010 US$2.3 billion



Financial Review

Financial Highlights

- Revenues up 21% to US$7.9 billion
- EBITDA up 42% to US$2.3 billion
- Free cash flow of US$1.8 billion, 79% EBITDA conversion
- Investment of US$3.5 billion in growth projects
- Strong balance sheet
  - Net debt of US$0.9 billion
  - Cash and liquid investments of US$7.2 billion
- Dempo iron ore acquisition completed during the year
- Purchased US$894 million of Vedanta equity and convertible bonds; and also bought US$311 million of subsidiaries' shares
- S&P outlook revised to Stable, Crisil upgraded Sterlite rating to AA+ from AA

(in US$ million, except as stated)	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
EBITDA	**2,295.9**	1,612.2	3,010.4	2,703.0	1,105.5
Underlying EPS (US cents per share)	**199.2**	108.0	303.9	327.0	130.2
Free cash flow	**1,814.3**	1,733.8	2,216.9	1,504.2	634.8
ROCE (excluding project capital WIP) (%)	**19.9**	24.4	45.6	78.5	37.9
Net (cash)/debt	**947.2**	200.8	(2,142.7)	(432.7)	11.9

We have delivered strong financial results in this challenging year for the global economy and our industry, delivering higher volume across all of our metals, improved operational efficiency, implementing cost reduction measures and improved commodity prices. We continue to benefit from a strong balance sheet with modest net debt of US$0.9 billion and liquidity of US$7.2 billion. Strong free cash flow was generated of US$1.8 billion and US$3.5 billion was spent on expansion projects in the year. Total shareholders' funds at 31 March 2010 were US$11.4 billion, up from US$7.6 billion at 31 March 2009.

Group Operating Results

Group operating results for FY 2010 are set out below.

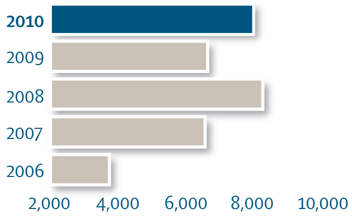
(in US$ million, except as stated)	FY 2010	FY 2009	% change
Revenue	**7,930.5**	6,578.9	20.5%
EBITDA	**2,295.9**	1,612.2	42.4%
EBITDA margin (%)	**29.0%**	24.5%	–
Special items	**(67.3)**	(31.9)	–
Depreciation and amortisation	**(563.0)**	(473.3)	19.0%
Operating Profit	**1,665.6**	1,107.0	50.5%
Net interest income	**176.0**	74.0	138.2%
Profit before taxation	**1,841.6**	1,181.0	55.9%
Income tax expense	**(330.4)**	(280.5)	17.8%
Effective tax rate (%)	**17.9%**	23.8%	–
Minority interest	**908.9**	681.1	33.4%
Minority interest (%)	**60.1%**	75.6%	–
Attributable profit	**602.3**	219.4	174.5%
Basic earnings per share (US cents per share)	**219.6**	76.4	187.4%
Underlying earning per share (US cents per share)	**199.2**	108.0	84.4%

Revenues were US$7.9 billion in FY 2010, up 21% from US$6.6 billion in FY 2009, and EBITDA was US$2.3 billion up 42% from EBITDA of US$1.6 billion in FY 2009. This excellent operating performance was the result of higher volumes across all our businesses, the acquisition of Dempo, improved efficiencies in our operations and effective cost management – all of which countered the adverse economic conditions including inflationary pressures on certain key inputs. Profit after tax increased 68% to US$1.5 billion. Our ROCE (excluding capital work-in-progress) in FY 2010 was 19.9% in FY 2010, compared to 24% in FY 2009.

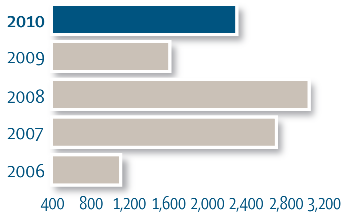
In December 2009, the US$50 million letter of credit ('LoC') provided to acquire Asarco as part of our agreement was encashed by them. We have expensed the amount through our income statement along with US$7.7 million of other expenses incurred to date on the unsuccessful acquisition. We believe we did not breach the terms of the agreement and Asarco were not entitled to encash the LoC. Hence we are pursuing legal recovery of this amount. Further, Asarco has filed a complaint in the US Bankruptcy Court against Sterlite and Sterlite USA alleging a breach of the agreement, and our subsequent request to renegotiate the US$2.6 billion purchase price in the 30 May 2008 agreement. We believe there is no merit in this claim because Asarco did not suffer any loss as the amount ultimately paid by Grupo Mexico was higher than that specified in our 30 May 2008 agreement. Asarco itself has not quantified any damages in its application.

During the year we spent US$6.9 million on restructuring of our operations, principally to cover voluntary redundancy. Impairment losses recognised in the income statement of FY 2010 are US$2.7 million, reflecting the full write down of a small mine in Sesa impaired due to the non-renewal of its mining lease. All these expenses (including the write off for Asarco), are shown as part of Special Items.

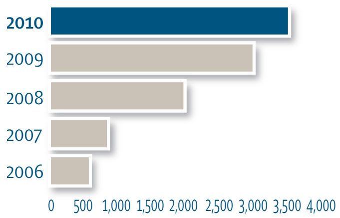
Revenues ($ million)



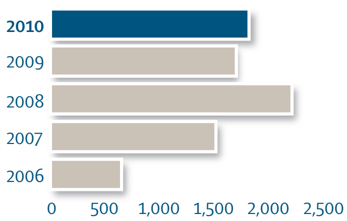
EBITDA ($ million)



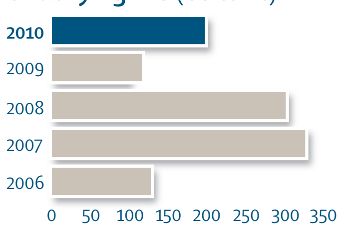
Capex spent ($ million)



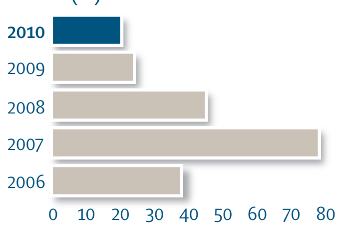
Free Cash Flow ($ million)



Underlying EPS (US cents)



ROCE (%)



Excludes capital work in progress

We have delivered strong financial results in this challenging year.

During the year depreciation has increased to US$563 million, 19% higher from US$473 million during FY 2009 reflecting the higher amortisation of mining reserves at iron ore operations in line with higher production, together with the commencement of commercial production at our Alumina refinery, aluminium plant, and zinc smelter. Net interest income in FY 2010 was US$176.0 million compared with US$74.0 million in FY 2009. Investment income was lower at US$272.8 million in FY 2010 from US$456.2 million in FY 2009 as a result of lower yield on investments and conversion losses on dollar deposits kept at our Australian entity.

Gross finance costs have increased to US$537.9 million in FY 2010, up from US$400.1 million in FY 2009. Costs increased as a result of higher average debt at US$7,253 million in FY 2010, up from US$4,370 million in FY 2009 and the effective interest rate charged on our new convertible bonds, which was partially off-set by lower interest rates. Of the total interest cost, US$301.3 million relating to capital expansion projects was capitalised, as against US$112.0 million in FY 2009 reflecting increased expenditure on capital expansion programme. The net interest cost in the income statement was US$236.6 million in FY 2010 as compared with US$288.1 million in FY 2009.

The tax charge increased to US$330.4 million in FY 2010 from US$280.5 million in FY 2009 mainly due to increased profitability. The effective tax rate for FY 2010 was 17.9% compared with 23.8% in FY 2009 primarily because the Group has benefitted from lower effective tax rates in two of our major operating subsidiaries, HZL and Sesa, triggered by efficient use of various tax holidays.

The cash tax rate has decreased to 23.3% in FY 2010, down from 32.1% in FY 2009 as a result of a change in the profit mix, turnaround of KCM from loss to profit and higher tax exemptions in line with increased profitability.

Basic EPS in FY 2010 was 219.6 US cents per share as against 76.4 US cents per share in FY 2009, which on a fully diluted basis is 203.2 US cents per share in FY 2010 as compared with 75.8 US cents per share.

Balance Sheet and Cash Flows

We continue to maintain a strong balance sheet with capital employed of US$11.4 billion and net debt of US$0.9 billion. Net debt comprises US$7,239.4 million of cash and liquid investments offset by debt of US$8,186.5 million.

During the year we raised equity of US$1.1 billion in our subsidiary Sterlite. We also raised debt of around US$3.8 billion including US$3.1 billion of convertible bonds, of which US$2.1 billion was raised by the parent company and the rest by its subsidiaries. The parent company issued two tranches of seven year convertible bonds totalling US$2.1 billion. At 31 March 2010, our balance sheet gearing was 7.5%.

Cash and liquid investments at 31 March 2010 were US$7.2 billion, the majority of which are denominated in Indian rupees. Of this, US$390.0 million was cash and cash equivalents and US$6,849.4 million was liquid investments. Cash and cash equivalents include cash and bank balances, short-term deposits with banks and short-term highly liquid investments. Liquid investments consist of investments in mutual funds and bank deposits with maturity of more than 90 days. Our investments are consistent with our policy of investing in funds and banks with a low credit risk and high credit ratings.

Financial Review continued

The movement in net (debt)/cash in FY 2010 is set out below

(in US$ million, except as stated)	FY 2010	FY 2009
EBITDA	2,295.9	1,612.2
Operating exceptional items	(67.3)	(31.9)
Working capital movements	(27.9)	620.6
Changes in long-term creditors and non-cash items	59.7	104.7
Sustaining capital expenditure	(184.4)	(282.1)
Sale of tangible fixed assets	12.1	7.9
Net interest paid and dividend received	134.0	33.2
Tax paid	(407.8)	(330.8)
Free cash flow	1,814.3	1,733.8
Expansion capital expenditure[1]	(3,543.4)	(3,021.3)
Semi expansion capital expenditure	(136.2)	(24.2)
Sale/(purchase) of fixed assets investments	17.9	(85.4)
Acquisition of minorities	(189.7)	(316.8)
Acquisitions, net of cash and liquid investments acquired	(300.4)	–
Buyback of shares of Vedanta Resources plc	(348.6)	(80.3)
ADR Sterlite	1,090.1	–
Dividends paid to equity shareholders	(117.9)	(118.8)
Dividends paid to minority shareholders	(68.4)	(56.1)
Capital creditors	401.2	207.0
Other movement[2]	634.4	(581.4)
Movement in net (debt)/cash	(746.7)	(2,343.5)

1 On an accrual basis.
2 Includes foreign exchange movements.

With the objective of conserving the current cash and liquid investments of US$7.24 billion as at 31 March 2010, we are focusing on ongoing improvements to operational cash flows by streamlining operational costs and a critical review of sustaining capital expenditure, to make each of our businesses largely self-sustaining at the operational level whilst at the same time converting a significant part of the EBITDA into cash. The conversion of EBITDA to Free cash was 79% in FY 2010 as compared to 106% in FY 2009. The Free cash flow ('FCF') to EBITDA in FY 2010 was lower than in the previous year due to additional working capital requirements at our newly commissioned plants and our copper custom smelting operations. Last year there was a reduction in working capital primarily as a result of the fall in LME of copper. Gross working capital, represented by inventory and receivables, increased from US$1,644.3 million at 31 March 2009 to US$2,184.2 million at 31 March 2010. Specific actions are being taken to reduce the gross working capital.

Sustaining capital expenditure of US$184.4 million in FY 2010 is lower than the previous year's expenditure of US$282.1 million, mainly due to the lower costs at KCM and tight control on sustaining capital expenditures.

We invested a record US$3.5 billion in expansion projects with the firm belief that our growth pipeline will create significant value for our shareholders. We remain committed to completing our expansion projects at or under budget and within the estimated timelines. A large part of the expansion capital expenditure was spent in our Aluminium and Energy businesses. We have spent US$1,129 million on the 1.25 mtpa Jharsuguda smelter expansion project and US$404 million in the 2,400 MW commercial energy project at the same location. There is a marginal increase in the cost of the 500 ktpa smelter project from US$2.1 billion to US$2.3 billion. At Copper-Zambia, we invested US$198.3 million during the year. The cost of the KDM Project has been revised upward from US$670 million to US$973 million for the reasons mentioned earlier.

The Board has approved capex spending of US$500 million at our iron ore operations. The debottlenecking and logistics initiatives are in progress to achieve a capacity of 50 mtpa by FY 2013. During H2, our subsidiary won a contract to build a coal berth at Vizag port in south India, at an estimated capex of US$150 million.

We invested a record US$3.5 billion in expansion projects with the firm belief that our growth pipeline will create significant value for our shareholders.

Return on Capital Employed ('ROCE') in FY 2010 was 19.9%, lower than 24.4% in FY 2009 despite higher operating profits, primarily due to significant capital expenditure on major projects during the later part of the year which we expect will start generating returns from FY 2011. ROCE is an important KPI in our businesses. We accord high priority to capital productivity and we enhance the ratio by optimising asset performance and capital investment. We have also demonstrated a track record of completing our expansion projects on or ahead of schedule. A good example of capital productivity is the significantly higher output of iron ore in FY 2010 over FY 2009 without incurring any major capital expenditure and, the commissioning of the zinc smelter at Dariba and concentrator at Agucha, three months ahead of schedule demonstrates our successful track record in completing our expansion projects.

Project Capex

Sector	Project	Production volume	Country	Completion date	Revised cost US$ million	Spent to 31 March 10 US$ million	Unspent commitment on 31 March 10 US$ million
Alumina	Lanjigarh I Alumina refinery	1.4 mtpa	India	Completed	1,015.3	942.3	31.7
	Debottlenecking Lanjigarh I	0.6 mtpa	India	Q1 FY 2011	150.0	60.6	13.1
	Lanjigarh II Alumina refinery	3.0 mtpa	India	Q3 FY 2012	1,570.0	671.3	283.6
Aluminium	Korba III smelter	325 KT & 1200 MW CPP	India	September 2011	1,820.0	626.4	513.3
	Jharsuguda I smelter	0.5 mtpa & 1215 MW CPP	India	Q1 FY 2011	2,310.0	2,230.0	71.1
	Jharsuguda II smelter	1.25 mtpa	India	September 2012	2,920.0	1,504.4	546.8
Zinc	Smelting	2.1 ltpa Zinc	India	Completed	720.0	607.8	85.1
		1.0 ltpa Lead	India	Mid 2010			
		160 MW CPP	India	Mid 2010			
	Mining	RA 5 to 6 mtpa	India	Completed			
				Progressive from			
		SK – 1.5 mtpa	India	mid 2010			
		Kayar – 1 mtpa	India	End 2013			
Copper	KCM KDMP project	7.5 mtpa	Zambia	End 2011	973.0	669.8	176.2
	KCM Nchanga smelter	2.5 ltpa	Zambia	Completed	470.0	451.0	12.4
	SIIL Expansion project	4.0 ltpa	India	Mid 2011	500.0	51.9	375.7
Power	Talwandi Saboo power project	1,980 MW	India	Q2 FY 2014	2,150.0	216.0	1,478.8
	SEL IPP	2,400 MW	India	Q4 FY 2011	1,900.0	1,286.6	218.8
Iron Ore	Pig iron expansion	375 ktpa	India	Mid 2011	150.0	6.3	86.6
	Sesa iron ore mine expansion	50 mt	India	FY 2013	500.0	–	–
	Vizag coal berth		India	Mid 2012	150.0	–	–
	Total				17,298.3	9,324.4	3,893.2

Based on the expansion projects currently under way, the funds required to complete these projects over the next three years are approximately US$6.9 billion.

Our debt maturity now averages four years as at 31 March 2010, as compared with 3.5 years as at 31 March 2009 In the next two years, US$1,772.3 million of debt falls due for repayment. Our cash and liquid investments, free cash generation and tied up funds are sufficient to meet our capital and debt commitments. We have cash and liquid investments of US$7,239.4 million as at 31 March 2010 along with undrawn funding facilities of US$3,204.8 million. Our strong balance sheet provides us sufficient headroom for raising further debt.

Share Buyback and acquisition of Subsidiary Shares

We continue to look for opportunities to enhance shareholder value by buying back shares and increasing our stake in key subsidiaries at attractive prices. We spent US$548.3 million in buying back shares of Vedanta and purchase of shares of our subsidiaries – MALCO, Sesa Goa and Sterlite.

During the year we have invested US$348.6 million buying back 11.5 million equity shares in Vedanta, representing c. 4% of the outstanding share capital at an average price of £19.28 per share. We recently increased our buyback programme from US$500 million to US$825 million.

It is planned that, as part of the Company's buyback programme, purchases of Vedanta shares will also be made by Gorey Investments Limited, a Jersey-registered entity, owned by a trust and independent of the Vedanta Group. The purchases would be funded by Vedanta Jersey Investment Limited, a wholly-owned subsidiary of Vedanta. Shares purchased by Gorey will be treated in the consolidated accounts of Vedanta as treasury shares, and the shares will be available for purchase by Vedanta itself (subject to compliance with Companies Act and other requirements) or for other purposes.

We also increased our equity stake in some of our subsidiaries in India under the Securities and Exchange Board of India ('SEBI') scheme. In Sterlite Industries (India) Limited, due to the follow-on equity issue our equity stake had reduced from 60.9% to 56.7%. Subsequent to the issue we have increased our equity stake from 56.7% to 56.9% as at 31 March 2010. In Sesa Goa Limited, we have increased our equity stake from 52.7% as at 31 March 2009 to 58.1% as at 31 March 2010 after taking into account the issue of equity shares to convertible bond holders, this has reduced our effective holding to 57.4%. In The Madras Aluminium Company Limited our equity stake has been increased from 93.2% as at 31 March 2009 to 94.5% as at 31 March 2010.

In respect of our options to acquire the minority stake held by the Government of India in BALCO, the arbitration process is currently under way. In the case of HZL, we have exercised our call option, but the Government has responded by stating that it does not believe the exercising the option under company law is valid. The Company has therefore started the arbitration process.

Risks and Uncertainties

The risks set out below represent some of the principal uncertainties and trends which may have an impact on our ability to execute our strategy effectively in future. These risks have been assessed according to materiality, likelihood and residual risk after controls.

Risks and Risk Management Practices

Our businesses and operations are subject to a variety of risks and uncertainties which are no different from any other company in general and our competitors in particular. Such risks are the result of not only the business environment within which we operate but also of other factors over which we have little or no control. These risks may be categorised between operational, financial, environmental, health and safety, political, market-related and strategic risks. We have well documented and practised risk management policies that act as an effective tool in minimising various risks to which our businesses are exposed to during the course of their day-to-day operations as well as in their strategic actions.

Risks are identified through a formal risk management programme with the active involvement of business managers and senior management personnel at both the subsidiary level as well as at the corporate level. Each significant risk has an 'owner' within the Group at a senior level, and the impact to the Group if a risk materialises and its likelihood of crystallisation is regularly reviewed. A risk register and matrix is maintained, which is regularly updated in consultation with business managers. The risk management process is coordinated by our management assurance function and is regularly reviewed by our Audit Committee. Key business decisions are discussed at the monthly meetings of the Executive Committee and senior managers address risk management issues when presenting initiatives to the Executive Committee. The overall internal control environment and risk management programme is reviewed by our Audit Committee on behalf of the Board.

A strong internal control culture is pervasive throughout the Group. Regular management assurance visits to our operations and holding companies are undertaken to ensure that the Group's high standards of internal control are maintained. The strength of a business's internal control environment forms a component of senior managers' performance appraisals. Further details on the Group's internal control environment are provided in the annual Corporate Governance Report.

The risks that we regard as the most relevant to our business are identified below. We have also commented on certain mitigating actions that we believe help us manage such risks.

Risk	Mitigation
Political, Legal, Economic and Regulatory Risks	
Our mining and smelting operations are located in India, Zambia and Australia and our holding and investment companies are located in jurisdictions including the United Kingdom, Mauritius and Cyprus. The political, legal, fiscal and other regulatory regimes in these countries may result in higher operating cost or restrictions such as the imposition or increase in royalties, mining rights, taxation rates, legislation pertaining to repatriation of money and so on. Changes to government policies such as changes in royalty rates, reduction in import tariffs in India, reduction in assistance given by the Government of India for exports and reduction or curtailment of income tax benefits available to some of our operations in India and Zambia are some of the examples of risks under this category. Majority of our Group revenues and profits are derived from commodities sold to customers in India. Any downturn in the overall health of the Indian economy, any political instability and/ or regional may impact revenue margins arising out of import tariffs prevailing in India. We may also be affected by the omissions and commissions of political acts of governments in these countries over which we have no control.	We strive to maintain harmonious relationships with the governments in host countries and actively monitor developments in political, regulatory, fiscal and other areas which may have a bearing on our businesses. We perform thorough risk assessment on a country by country basis to review the risks and to ensure that risks have been properly identified and managed.

Risk

Commodity Risks

Of the Group's principal commodities, aluminium, copper, zinc and lead are priced with reference to LME prices. LME prices are influenced by global demand and supply for these metals which in turn is influenced by global economic scenarios, regional growth, infrastructure spending by governments and also by hedge fund activities.

In the case of iron ore, prices are not linked to any exchange but are generally influenced by all other factors outlined above. Recently industry price structures are becoming aligned to the 'iron ore price index' reported by some agencies based on average of several current transactions. We sell a large part of our output on spot and price index linked price formula and the rest at fixed benchmark price levels. Price fluctuations can affect our operational and financial performance.

While the Group aims to achieve average LME prices for the year, average realised prices may not necessarily reflect the exact LME price movements because of a variety of reasons including uneven sales during the year. Any fluctuation in the prices of the metals that we produce and sell will have a direct impact upon the profitability of our businesses.

TC/RCs are a major source of income for the copper smelting operations in India and therefore are susceptible to fluctuations which are influenced by factors such as demand and supply conditions prevailing in the market.

Set out below are the key commodity price sensitivities on EBITDA resulting from a change of US$100 per tonne in LME prices.

	Average market as price in FY 2010 US$ per tonne	Effect on EBITDA of US$100 per tonne change in LME US$ million
Copper	6,112	15.5
Aluminium	1,868	55.3
Zinc	1,936	66.4
Lead	1,990	7.8

The above sensitivities are based on FY 2010 volumes, costs and exchange rates and provide the estimated impact on EBITDA of changes in prices assuming that all other variables remain constant.

Mitigation

As a general policy, we aim to sell our products at prevailing market prices. Hedging activity in commodities is undertaken on a strategic basis to a limited degree and is subject to both strict limits laid down by our Board and strictly defined internal controls and monitoring mechanisms. Decisions relating to hedging of commodities are approved by the Exco with clearly laid down guidelines for their implementation by the subsidiaries.

Our custom smelting operations of copper at Tuticorin enjoy a natural hedge except to the extent of a possible mismatch in quotational periods between the purchase of copper in concentrate and the sale of finished copper. The Group's policy on custom smelting is to generate its margins mainly from TC/RCs, premiums and sale of by-products. Hence quotational period mismatches are actively managed to ensure that the gains or losses are minimised. The copper smelting business actively reviews its procurement strategy to strike a judicious balance between copper concentrate procured at spot TC/RCs and those which are sourced at long-term contractual TC/RCs.

KCM is largely an integrated copper producer and hence our Group strategy to protect it from copper price fluctuations is to focus on controlling its costs. Custom smelter at KCM like smelting at Tuticorin is managed through a combination

Risk

Reserves and Resources

The ore reserves stated in this report are estimates and represent the quantities of copper, zinc, iron ore, lead and bauxite that we believe could be mined, processed, recovered and sold at prices sufficient to cover the estimated future total costs of production, remaining investment and anticipated additional capital expenditures. Our future profitability and operating margins depend upon our ability to access mineral reserves that have geological characteristics enabling mining at competitive costs. Replacement reserves may not be available when required, or, if available, may not be of a quality capable of being mined at costs comparable to the existing or exhausting mines.

Moreover, these estimates are subject to numerous uncertainties inherent in estimating quantities of reserves and could vary in the future as a result of actual exploration and production results, depletion, new information on geology and fluctuations in production, operating and other costs and economic parameters such as metal prices, smelter treatment charges and exchange rates, many of which are beyond our control.

Mitigation

We continue to access our mineable reserves and resources using the latest available techniques and also get them periodically verified by independent experts. Our technical team continuously keep monitoring the mineralogy of our future mineable resources and back it up with required technological inputs to address any adverse changes in mineralogy.

Risks and Uncertainties continued

Risk	Mitigation
Delivery of Expansion Projects on Time and Within Budget	
We have a strong pipeline of green field and brown field expansions projects and we have committed funds for these projects. These projects have achieved various stages of completion. Our plans to generate sufficient cash flows from these projects to repay our long-term debt and our ability to raise further debt are dependent upon the successful completion of these projects on time and under budgeted cost and a faster production ramp up. Our current and future projects may be significantly delayed by failures to receive regulatory approvals or renewal of approvals in a timely manner, failure to obtain sufficient funding, technical difficulties, human resources constraints, technological or other resource constraints or for other unforeseen reasons, events or circumstances. As a result, these projects may incur significant cost overruns and may not be completed on time, or at all.	We continue to invest in ensuring having best in class human resources to maintain our track record of completing large projects on time and in budgeted cost. We also have in place rigorous monitoring systems to track the projects progress and over time developed skills to overcome challenges.

Risk	Mitigation
Assets use Continuity and Insurance	
Productive assets in use in mining and smelting operations and the associated power plants may face break downs in the normal course of operations or due to abnormal events such as fire, explosion, environmental hazards or other natural calamities. Our insurance policies may not cover all forms of risks due to certain exclusions and limitations. It may also not be commercially feasible to cover all such risks. Consequently, our insurance coverage may not cover all the claims including for environmental or industrial accidents or pollution.	We regularly carry out extensive review on the adequacy of our insurance coverage by engaging consultants and specialists and decide on the optimal levels of insurance coverage typical of our industry in India, Zambia and Australia.

Risk	Mitigation
Safety, Health and Environment Risks	
We are engaged in mining activities which are inherently hazardous and any accident or explosion may cause personal injury or death, property damage or environmental damage at or to its mines, smelters, refineries or related facilities and also to communities that live near the mines and plants. Such incidents may not only result in expensive litigation, damage claims and penalties but also cause loss of reputation. We also operate in Zambia which has a high incidence of HIV/AIDS – a threat to economic development.	We accord very high priority to safety, health and environment matters and these are regularly monitored and reviewed by the senior management team. Simultaneously we continue to invest in training our people on these matters besides time to time interventions for improvements by the experts.

Risk	Mitigation
Operational Risks	
Our operations are subject to conditions and events beyond our control that could, among other matters, increase our mining, transportation or production costs, disrupt or halt operations at our mines, smelters and power plants and production facilities for varying lengths of time or even permanently. These conditions and events include disruptions in mining and production due to equipment failures, unexpected maintenance problems and other interruptions, non-availability of raw materials of appropriate quantity and quality for our energy requirements, disruptions to or increased cost of transport services or strikes and industrial actions or disputes. While many of these risks are beyond our control, we have adequate and competent experience in these areas and have consistently demonstrated our ability to actively manage these problems proactively. It is our policy to realise market prices for our commodities and therefore the profitability of our operations is dependent upon our ability to produce metals at a low cost which in turn is a factor of our commercial and operational efficiencies and higher through put. Prices of many of our input materials are influenced by a variety of factors including demand and supply as well as inflation. Increase in the cost of such input materials would adversely impact our competitiveness.	We have consistently demonstrated our ability to manage our costs and most of our operations are situated in the lowest quartile of the cost curve. We have a strong commercial function and we identify the best opportunities for cost reduction and quickly implement them. We are highly focused on costs and volumes. All operational and cost efficiencies are discussed regularly at the business review meetings as well as at the Group Executive Committee meetings.

Risk	Mitigation
Financial Risks and Sensitivities	
Within the areas of financial risk, our Board has approved policies which embrace liquidity, currency, interest rate, counterparty and commodity risks and is strictly monitored at our Executive Committee meetings. Our core philosophy in treasury management revolves around three main pillars, namely (a) capital protection, (b) liquidity maintenance, and (c) yield maximisation. Day-to-day treasury operations of our Group subsidiaries are managed by the respective subsidiary finance teams within the framework of the overall Group treasury policies. Long-term fund raising including strategic treasury initiatives are handled by a central team while short-term funding for routine working capital requirements is delegated to subsidiary companies. Each of our subsidiaries has a strong internal control system including segregation of front office and back office functions with a separate reporting structure. We have a strong system of internal control which enables effective monitoring of adherence to Group policies. The internal control measures are effectively supplemented by regular management assurance audits. We do not purchase or issue derivative financial instruments for trading or speculative purposes and neither do we enter into complex derivative transactions to manage our treasury and commodity risks. Derivative transactions in both treasury and commodities are normally in the form of forward contracts and interest rate swaps and currency swaps, which are subject to strict guidelines and policies.	The conservative financial policies have enabled us to minimise, where possible, the negative impact of the recent global recession.

Risks and Uncertainties continued

Risk	Mitigation

Liquidity Risks

We require funds both for short-term operational needs as well as for long-term investment programmes mainly in growth projects. The recent global financial crisis has significantly restricted the supply of credit. Banks and financial institutions have tightened lending norms.

We aim to minimise these risks by generating sufficient cash flows from our current operations which in addition to available cash and cash equivalents and liquid financial asset investments and sufficient committed funding facilities will provide liquidity both in the short term as well as in the long term. At 31 March 2010, we had cash and liquid investments of US$7.2 billion as well as US$3.2 billion of committed funding facilities from our lenders. Long-term borrowings are supplemented by short- to medium-term finance wherever required.

Our balance sheet is strong and gives us sufficient headroom for raising further debt should the need arise. We generally maintain a healthy debt-equity ratio as well as retain the flexibility in our financing structure to alter this ratio when the need arises.

Our credit is strong. We have raised US$4.2 billion of long-term funds from the global financial market, at an attractive terms in the year 2009–10.

Our contractual cash obligations excluding convertible bonds (on an undiscounted basis) by remaining maturity of our financial liabilities arising in the ordinary course of business at 31 March 2010 are set out below.

At 31 March 2010, we had access to funding facilities of US$11,378.4 million of which US$3,204.8 million was yet to be drawn as set out below.

Remaining maturities (in US$ million)	< 1 year	1–2 years	2–5 years	> 5 years	Total
Bank and other borrowings	1,012.6	759.7	2,669.9	953.6	5,395.8
Capital commitments	2,218.1	1,847.3	–	–	4,065.4
Convertible bonds			924.5	2,133.0	3,057.5
Total	**3,230.70**	**2,607.00**	**3,594.40**	**3,086.60**	**12,518.70**

Funding facilities (in US$ million)	Total facility	Drawn	Yet to be drawn
Less than 1 year	2,843.9	996.2	1,847.7
1–2 years	516.9	516.9	–
2–5 years and above	8.017.6	6,660.4	1,357.2
Total	**11,378.4**	**8,173.5**	**3,204.8**

Risk

Currency Risks

Our presentation currency is the US dollar. A majority of our assets are located in India where the Indian rupee is the functional currency for our subsidiaries. Operating costs are influenced by the currencies of host countries where our Group's mines and plants are located. Currency exposures also exist in the nature of capital expenditure and services denominated in currencies other than the Indian rupee. KCM's functional currency is the US dollar with its cost base having a mix of the Zambian kwacha and the US dollar.

Our Group borrowings are predominantly denominated in US dollars while a large portion of cash and liquid investments are held in other currencies, mainly in the Indian rupee. Some financial assets and liabilities are not held in the functional currency of the respective subsidiary.

We also hold some intra-Group balances in currencies which are not the functional currency of the respective subsidiary and hence the Group is exposed to movements in the functional currency of those entities and the currencies in which these balances are held.

Consequently, currency fluctuations may have a large impact on our Group financial results. We are subject to currency risks affecting the underlying cost base in the operating subsidiary companies and also the translation of unit cash costs, income statement and the balance sheet (including non-US dollar denominated borrowings) in the consolidated financial statements, where the functional currency is not the US dollar.

Mitigation

Foreign currency exposures are managed through a Group-wide hedging policy. The policy is reviewed periodically to ensure that the risk from fluctuating currency exchange rates is appropriately managed.

Foreign exchange exposures on imports, net of natural hedges in place, are hedged based on their maturity. Short-term foreign exchange exposures relating to capital expenditure are hedged, whilst medium to long-term exposures are unhedged.

Key foreign currency sensitivities on EBITDA resulting from a 10.0% movement in exchange rates are set out in the table below.

(in US$ million)	Closing US dollar exchange rate as at 31 March 2010	Average US dollar exchange rate in FY 2010	Impact of a 10% movement in currency on EBITDA
Currency			
Indian rupee	45.14	47.42	332
Australian dollar	1.092	1.174	8
Zambian kwacha	4,820	4,938	42

The above sensitivities are based on FY 2010 volumes, costs and prices and give the estimated impact on EBITDA of changes in exchange rates assuming that all other variables remain constant.

Risks and Uncertainties continued

Risk

Interest Risks

At 31 March 2010, our net debt of approximately US$947.2 million comprised cash and liquid investments of US$7.2 billion offset by debt of US$8.2 billion.

We are exposed to the interest rate risk on short-term and long-term floating rate instruments and also on the refinancing of fixed rate debt. Our policy is to maintain a balance of fixed and floating interest rate borrowings. The proportion of fixed and floating rate debt is determined by current market interest rates. As at 31 March 2010, US$4.9 billion of our total debt was at a fixed rate and the balance was at a floating rate.

Considering our net debt position at 31 March 2010 and our investments in bank deposits and debt mutual funds, any decrease in interest rates would result in a net gain and any increase in interest rates would result in a net loss. Based on our gross debt as at 31 March 2010, with all other variables remaining constant, a one percentage point increase in the US dollar LIBOR would impact our profit before tax by US$21.7 million.

	Interest paid fixed %	Investment income average yield %
Currency		
Indian rupee	9.8%	6.7%
US dollar	6.1%	0.4%

The above sensitivities are based on FY 2010 volumes, costs and exchange rates and provide the estimated impact on EBITDA of changes in prices assuming that all other variables remain constant.

Mitigation

Our deposits are in mutual funds with floating interest rate. Most of the floating rate deposits are in INR.

We have borrowings with a blend of fixed and floating rates in US dollar.

Risk

Counterparty Risks

We are exposed to counterparty credit risks on our investments and receivables.

Mitigation

We have clearly defined policies to mitigate counterparty risks. Cash and high quality liquid investments are held primarily in debt mutual funds and banks with high credit ratings. Emphasis is given to the security of investments. Limits are defined for exposure to individual counterparties in the case of mutual fund houses and banks. Most of the surplus cash is invested in banks and mutual funds in India where there is a well developed financial market. We also review the underlying investment portfolio of mutual fund houses to ensure that indirect exposures or latent exposures are minimised. The investment portfolio is monthly being reviewed by external agency ie CRISIL (subsidiary of S&P).

A large majority of receivables due from third parties are secured either as advance receipt of money or by use of trade financial instruments such as letters of credit.

Moreover, given the diverse nature of our businesses, trade receivables are spread over a number of customers with no significant concentration of credit risk. Our history of the collection of trade receivables shows a negligible provision for bad and doubtful debts. Therefore we do not expect any material risk on account of non-performance by any of the counterparties.

Risk	Mitigation
Employees Risks	
People are one of our key assets and we derive our strengths to maintain our competitive position from our people. Therefore, people in general and key personnel in particular leaving the organisation is a risk. Additionally, our inability to recruit and retain good talent would adversely affect us.	Our vision is to build a fast, flexible and flat organisation with world class capabilities and a high performance culture across all of our businesses. We believe in nurturing leaders from within and providing opportunities for growth across all levels and geographies. We have robust processes and systems in place for leadership development, training and growth to deliver value to the organisation and society. We provide superior rewards for outstanding performance and have a long-term incentive plan which covers a large number of employees in the Group. A large proportion of our workforce are members of a trade union. We actively communicate and enter into dialogue with our workforce and believe in maintaining a positive atmosphere by being proactive with respect to resolution of labour issues. We have long-term settlement with the trade unions, except KCM where it is more frequent, being concluded amicably.

Key Relationships
The Group has several significant relationships which are critical to its business. These include, but are not limited to, the Group's relationship with its majority shareholders, customers, lenders, employees and governments in the jurisdiction in which it operates.

Majority Shareholder
Majority shareholder of the Group is Volcan Investments Ltd. As at 31 March 2010 Volcan held 60% of the Company's total ordinary share capital.

Employees
People are one of our key assets and we derive our strengths to maintain our competitive position from our people. Further details described above in Risks and Uncertainties section.

Customers
The majority of the metal production from our Indian operations is sold in the Indian market and the rest is exported to growing countries in proximity to our operations. We produce globally required common commodities and with effective optimisation of freight and supply chain ensure that we meet customers' need at competitive price and create value by providing best in class service.

Vendors
Most of the supplies needed to operate the Group's mines and smelters are secured through expression of interest ('EOI'), a transparent procurement process giving ample opportunity to new participants and the Group is not materially dependent on any single vendor.

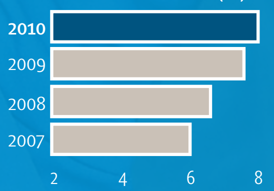
Lenders
The Group has entered into several loan arrangements. The principal loans held by Group companies are given in Note 22 of the Notes to the Consolidated Financial Statements.

Focused on people a sustainable

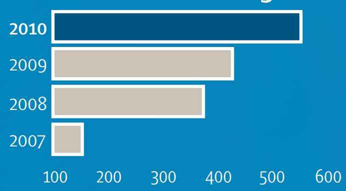
Our people are the foundation of our business and a key ingredient for our success. Our people strategy is founded on the recruitment, development and retention of the talented men and women who run our businesses around the world. We embrace the responsibility that comes with operating globally and remain committed to respecting our environment and the communities in which we operate.

future

Women Workforce (%)



Reach – Number of Villages



Growing Talent from Within

- Vedanta talent pool – 30,000 employees with 9,000 professionals including engineers, chartered accountants, geologists, PhDs and MBAs
- Hiring at entry level – 1,500 professionals recruited each year from premier institutes
- Selective lateral hiring of subject matter experts from across the globe

Sustainable Development: 2009–10

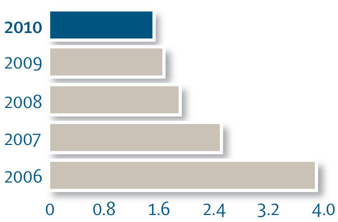
Sustainable Development is a key element for our business. We stay committed to continuous improvement in our sustainability performance in line with our policies and commitments.

2.7 million people
Our outreach

552 villages
Vedanta's engagement

156,000 man-days
Training

LTIFR



Sustainable Development is an integral part of our business. We are committed to continuous improvement in our sustainability performance, as outlined in our policies, as we recognise that the well-being of our communities and a healthy planet are key to the sustainable development of our business.

We are committed to managing and minimizing the environmental, social and occupational risks and impact of our activities. We encourage use of energy- and water-efficient technologies, conduct environmental impact assessments to understand potential and actual impact and plan for managing the environmental, social and economic aspects in our expansions and new projects.

Vedanta recognises the importance of being open, transparent and accountable. Having an open dialogue and working closely with our local communities is an important element of our social license to operate.

As a part of our Sustainable Development communication and reporting systems, over the years, we have developed a dedicated Sustainability Microsite, www.vedantaresources.com/sustainability and enhanced our reporting to GRI A+ level.

The information within this section of the Annual Report is an outline of our sustainable development policies, systems and performance.

Governance for Sustainability

We have a well defined sustainability framework that comprises governance structures and policies. Our Sustainable Development processes are overseen by a Board-appointed Health, Safety and Environment (HSE) committee, chaired by Mr. Naresh Chandra, Senior Independent Director. Other members include senior executives across our various businesses.

The committee has its own well defined terms of reference and reports directly to the Board. The committee meets quarterly and guides our sustainable development strategy, sets annual targets and monitors progress in line with our HSE and social policies with a clear focus on integrating sustainability into our decision making process. The committee's agenda is then taken forward by senior management at each site. They are supported by sustainability professionals who are responsible for implementing this agenda.

Safety

Safety continues to be a focus area and we remain committed to continuously improving our standards and performance. All our major operations are certified for OHSAS 18001. We have well established training systems at each location. Safety training is compulsory for all employees and contract workers at entry level. These programs are conducted in-house with input from external institutes and industry experts. Regular internal and external audits are performed to assess HSE performance.

A key metric for safety performance is Lost Time Injury Frequency Rate (LTIFR), defined as the number of hours of lost time due to injury per million man-hours worked. Our results this year show that we continue to improve – LTIFR at our operations in 2009–10 was 1.52, an improvement of 9% over the previous year and 72% compared to five years ago.

A number of initiatives across our operations have contributed to this improvement, including -

- Management focus on driving safety culture across the Group by implementing a stringent review mechanism with active involvement of all personnel on site to make the workplace safer.
- Strengthening of safety organisation across operating sites.
- Well established safety training systems in place across our operations have delivered over 156,000 man-days of training to employees and contract employees across our locations. 46 employees from Copper-Zambia were sent on a three year international Occupational Health and Safety course run by the British Safety Council. All 20,000 contract employees at Jharsuguda project site underwent a specialized training program spread over three months in collaboration with the National Safety Council. Special modules on behavioral safety training were implemented across all operating sites.
- Engaging safety consultants for safety assessment as well as working closely with us to deliver onsite improvement.
- Safety workshops and conference calls were undertaken to share best practices and brainstorm future safety action plans.
- Regular inter-company safety audits. Three rounds of inter-company safety audits were conducted during this year. Audit findings were then discussed in business review meetings every month at all the sites.

Regretably, there were 27 fatalities this year. 13 were in operations with the remainder in projects. In addition, on 23 September 2009, a 248 meter high chimney under construction in BALCO's 1200 MW power plant project by an established EPC contractor collapsed during an aberrant weather condition, resulting in the loss of life of 40 contract employees. BALCO put its infrastructure and manpower resources behind the relief operations including providing logistic support to the family members of the deceased and contributing an immediate, ex-gratia of Rs. 10 lacs, along with the contractors, to the families of the deceased, augmenting the statutory compensation.

Investigations have been instigated by the Company, its Contractors and independently by the Investigating agency of the Government. These have involved leading experts from specialised scientific and technical institutions such as the Indian Institutes of Technology at Delhi and Roorkee, the National Council of Cement & Building Materials and the National Institute of Technology to ascertain the cause(s) of the unfortunate collapse of the chimney under construction and the quality of material being used. These reports, prima facie indicate the following:

- Analysis and design of the chimney, which was based on the relevant prevailing IS codes, has been found to be safe.
- Materials used for the construction of the chimney were found to conform to and meet the relevant standards.
- The probable cause of accident appears to be a severe lightning strike as a blast in the upper section of the chimney has been reported.

Sustainable Development: 2009–10 continued

At Vedanta we aim to identify, assess and control occupational health hazards. We encourage and support our people and the communities associated with our operations.

Identifying health issues

The conclusions from the experts' technical reports are being used to develop improvement measures at all project sites of the Group. The findings above are preliminary as investigations by Government agencies are still in process and further actions on any additional findings will be taken as required.

The entire Vedanta Group regrets the loss of precious lives due to this unfortunate accident and the other incidents that occurred during the year. We remain dedicated to observing and implementing the highest standards of safety at all our projects and operational sites and continue to strive to make the working environment as safe as possible for our employees and contractors.

We focus on providing a workplace that is free from occupational health risk and hygiene hazards; proactively working with employees and contractors to contribute towards a healthy work culture.

Occupational Health

At Vedanta we aim to identify, assess and control occupational health hazards. We encourage and support our people and our local communities to participate in programmes which enhance their health and well-being. Our health programmes encompass occupational health, the well-being of our employees and community health issues.

We focus on providing a workplace that is free from occupational health risk and hygiene hazards; proactively working with employees and contractors to contribute towards a healthy work culture. This enables us to increase our productivity and reduce absenteeism.

At each location, we identify the main health issues affecting our workforce, including global epidemics such as HIV/AIDS, malaria and tuberculosis, and implement healthcare programmes in partnership with local health authorities and NGOs.

Occupational health experts attend all mines and smelters to undertake regular health examination of employees and contractors in the workplace. Specific examinations for blood lead, audiometric tests, spriometry test, ECGs and chest x-rays are carried out. During the year, more than over 73,000 employees and contractors have undergone medical examinations. No significant case of

occupational disease was reported during the year.

Environment

The environment continues to be a key focus area and we work proactively to minimize the impact of our operations on the environment. All our major operations are certified for ISO 14001. During metal production, we consume natural resources such as energy and water. We aim to conserve these resources and improve consumption per tonne of metal production. In addition, we are also focused on climate change, waste management and increasing green cover through plantation efforts.

Energy

We believe in energy efficiency and optimisation, as these both reduces our operating costs and our environmental by reducing direct and indirect greenhouse gas emissions. We use energy in many different forms including coal, coke breeze, pet coke, fuel oil, LPG, diesel, and electricity. Part of our energy requirement is met by recovering waste heat from our processes.

Over the years, through our continuous efforts to conserve, we have been successful in reducing our specific energy consumption – defined as energy consumed per tonne of metal produced – at most of our operations. Against a 5% energy reduction target for the year, we achieved reductions at KCM, BALCO and SIIL of 36%, 11% and 2% respectively. We generate power through captive power plants which operate at industry benchmark efficiency levels. This approach also reduces transmission losses thereby conserving energy. We also generate green energy through windmills.

Climate change

We utilize coal to generate power from captive power plants for all our major operations and also import electricity which contributes to direct and indirect carbon dioxide emissions. Over the years we have focused on identifying opportunities that take advantage of carbon credits and more recently we have registered several projects with UNFCCC in the zinc and steel sector. This year, our 11.2 MW waste heat recovery based boiler at Copper India has been registered as a CDM [Clean Development Mechanism] project under UNFCCC with CER [Certified Emission Reduction] potential of 18,000 per annum. We now have a total of five CDM projects registered under UNFCCC, with combined potential of over 400,000 CERs per annum as listed below:

- 9.4 MW Waste heat recovery based power plant at HZL- Chanderiya
- 88.8 MW Wind power project of HZL at Gujarat
- 34.4 MW Wind power project of HZL at Karnataka
- 30 MW Waste heat recovery based power plant at Sesa Goa
- 11.8 MW Waste heat recovery based power plant at SIIL

During this year we sold around 28,500 CERs and 264,000 VERs from the earlier registered CDM projects.

Sustainable Development: 2009–10 continued

Water is a crucial resource in our operations and we are focused on reducing fresh water consumption across all sites by increasing the recycling and reuse of treated waste water.

Water
Water is a crucial resource in our operations and we are focused on reducing fresh water consumption across all sites by increasing the recycling and reuse of treated waste water. At most of our smelting operations, we have integrated Effluent Treatment Plants (ETP) with Reverse Osmosis (RO) plants. The combined capacities of RO plants at our operations are around 9000 cum/day for the treatment of ETP outlet water. This means we can reuse the waste water generated to reduce our reliance on fresh water. Our many initiatives across our operations, included the installation of a Sewage Treatment Plant at Balco, Reverse Osmosis plants at HZL, Malco CPP & SIIL, mist water cooling systems at VAL Jharsuguda and a comprehensive water balance exercise at KCM followed by implementation of various water conservation projects. This has resulted in the reduction of up to 22% in specific water consumption defined as water consumption per tonne of metal produced at all our Indian and Zambian operations.

Waste Management
As an oeperator in the mining & metals industry, Vedanta generates both non-hazardous as well as hazardous waste. This includes mine, beneficiation tailings, slag, red-mud, jarosite/jarofix, fly-ash, and other process residues.

Some of the mineoverburden is used to raise tailing dam heights and mine backfilling, with the remainder disposed in waste dumps in a systematic manner. Similarly, some of the tailings are used for mine back filling and the remainder is disposed in tailing dams constructed specially for this purpose. These tailing dams are designed by responsible agencies and are made of rock, sealed with an impervious lining to avoid any seepage into groundwater. The safety and stability of tailing dams are checked periodically.

At smelters, the major hazardous wastes like Jarosite and Red mud are disposed in specially constructed disposal sites for the purpose. The other types of waste is treated and stabilized before disposal in an environmentally friendly manner in secured landfill sites, designed with state-of-art technologies and quality assured at various stages of construction. Garland drains are constructed all around the disposal facility to collect run-off water during the monsoon for further treatment.

We focus on both minimising waste and finding practical uses for it. Process slag generated from our Zinc, Copper and Iron operations are used for cement manufacturing, road construction and land reclamation. Gypsum generated from our Copper operation and a percentage of the fly ash generated from our power plants is also used for cement manufacturing.

This year more than 1.85 million MT of Flyash and about 0.485 million MT of slag have been used for cement manufacturing and road construction. This has helped us reduce our waste inventories and also contribute to conserve natural resources by replacing the virgin material.

Gainful Utilization of Slag

Extensive R&D has been carried out to find ways of gainfully using the slag generated by the pyro smelter at Chanderiya Smelting Complex.

The R&D studies with leading institutions such as the National Council for Cement and Building Materials ('NCCBM'), the Central Road Research Institute ('CRRI'), and the Malviya National Institute of Technology ('MNIT') confirmed its safe and beneficial utilization in cement manufacturing and for road construction. Based on this, we have approached a number of local cement manufacturers.

Following the required approval from the statutory bodies, we have successfully incorporated the slag in cement manufacturing. Our old stockpile, accumulated over previous years, has been reduced considerably.

This had resulted in benefits to stakeholders:
- Advantages for cement industries as raw material is available in close proximity.
- Conservation of natural resources, avoiding cement industries consuming low grade iron ore.
- 40 hectares of land has become free and is available for other use.

Sustainable Development: 2009–10 continued

People are the foundation of our business and the key ingredient for our success. Our people strategy is founded on the recruitment, development and retention of talented professionals who run our businesses.

Extensive R&D has also been undertaken to find gainful ways of using Jarosite, a waste product produced from the hydro smelters of Zinc for road construction and cement manufacturing in association with leading research institutes such as the National Council for Cement and Building Materials (NCB), the Central Road Research Institution (CRRI) and the National Environment Engineering Research Institute (NEERI). The initial results are positive and we are hopeful that in near future, we will be able to re-use Jarosite profitability instead of stockpiling it after converting to Jarofix.

We remain committed to building a flat, diverse and inclusive organisation. Our focus has always been on nurturing and mentoring leaders from within and providing opportunities for growth. We practice progressive human resource policies which ensure a high degree of employee engagement and empowerment for sustaining a high performance work culture

We strive to create a rewarding work environment where all individuals realize their potential, regardless of their differences. We believe that the wide array of perspectives that results from such diversity promotes innovation and business success.

Recruitment Practices

In the last few years, we have grown significantly, leading to increased demand for talented resources for our business operations and upcoming projects. We hire science graduates, engineers, and finance and management professionals from the top universities and provide them with accelerated global career opportunities. Our campus recruitment programme also includes deserving candidates from minority institutes and colleges from remote locations. We have also initiated special recruitment drives to hire subject matter functional and technical specialists drawn from best practice companies across the globe.

We hire science graduates, engineers, finance and management professionals from campuses and provide them with accelerated global career opportunities.

Growth and Development

Every individual who joins us has the "right to grow". This is the fundamental principle that drives the Talent Engagement Process at Vedanta

We continue to place a strong emphasis on a defined process of leadership development, where challenging assignments with commensurate responsibilities are given to deserving young talents. Hiring and developing our own graduates predominantly to take leadership roles is key to our people philosophy. 'Stars of Business', an accelerated competency tracking and promotion programme is a platform to identify high potential employees early in their careers and put them on a fast track career growth program.

Employees exhibiting exemplary performance are given accelerated growth opportunities with specialized technical and general management development programs, periodic job rotations and leadership guidance.

Systems & Processes – Benchmarking with the Best

All our Group companies have online systems which enable us to build an integrated and process oriented organisation. It also facilitates transparency across all levels in the organisation.

We also regularly benchmark our Human Resources (HR) processes and practices by participating in national and international level studies & surveys to keep abreast of global trends in people development. Our unique HR Score Card system measures and evaluates various HR verticals such as Talent Management, Performance Management Resourcing, Productivity, Learning & Development and Continuous Improvement providing us with a holistic picture of our progress, making our processes and systems robust.

Rewards & Recognitions

We provide best in class compensation & benefits with performance linked incentives for our employees. Our unique Long Term Incentive Plan which covers professionals at all levels provides wealth creation opportunities for employees, building a sense of pride to be associated with the organisation. At Vedanta, we have a robust, performance driven reward system for employee motivation and recognition at all levels

Case Study

Recruiting Ex-Armed Forces Officers

In line with our goal of hiring passionate people to head various leadership roles and functions, we had initiated a special drive to recruit Ex-Armed Forces officers. This initiative was founded on the belief that they would bring the unique experience of combat zones into the business with their excellent management and leadership qualities, ability to multitask, high level of energy, focused approach and above all 'can do' attitude with a high degree of discipline.

We ran an all-India recruitment campaign inviting applications from Ex-Armed Forces Officers. The response was overwhelming, and we hired about 25 Ex-Armed Forces professionals.

This unique initiative was appreciated by the external world and awarded as 'most innovative recruitment program' by the World HRD (Human Resource Development) Congress.

Case Study

Global Leadership Programme

Our Global Leadership Program (GLP) provides opportunities for high potential employees to work in an overseas environment for a period of six to twelve months. The idea behind this program is to provide an ideal opportunity for employees to develop mutual appreciation of the best practices across the Group companies and leverage synergies.

In the year 2009-10 GLP Wave II successfully placed 17 high potential employees from KCM in various functions across businesses in India. GLP Wave III is being launched from next month where a total of 19 employees from KCM will benefit from training in the Copper & Zinc business in India.

250,000 children
Covered by Mid-Day meal programme

US$38 million
Community investment

Sustainable Development
Community – Continued Commitment

Quality of Life

Vedanta has significantly invested in acquiring, modernising and expanding manufacturing assets located in geographically dispersed industrial locations. These manufacturing locations have full-fledged lively townships with modern amenities including schools, hospitals, and recreational centres and working facilities built around the core manufacturing or mining units. We not only believe in providing a contemporary life style and amenities for our employees and their families but also the community at large. In order to ensure a healthy work life balance, we encourage socio-cultural activities like get-togethers, birthday celebrations, picnics, yoga, meditation, sports competitions and involvement in community programmes.

> Being well knit in the social fabric of our communities has enabled us to nurture our social license to operate and to work hand in hand with the local communities and the environment.

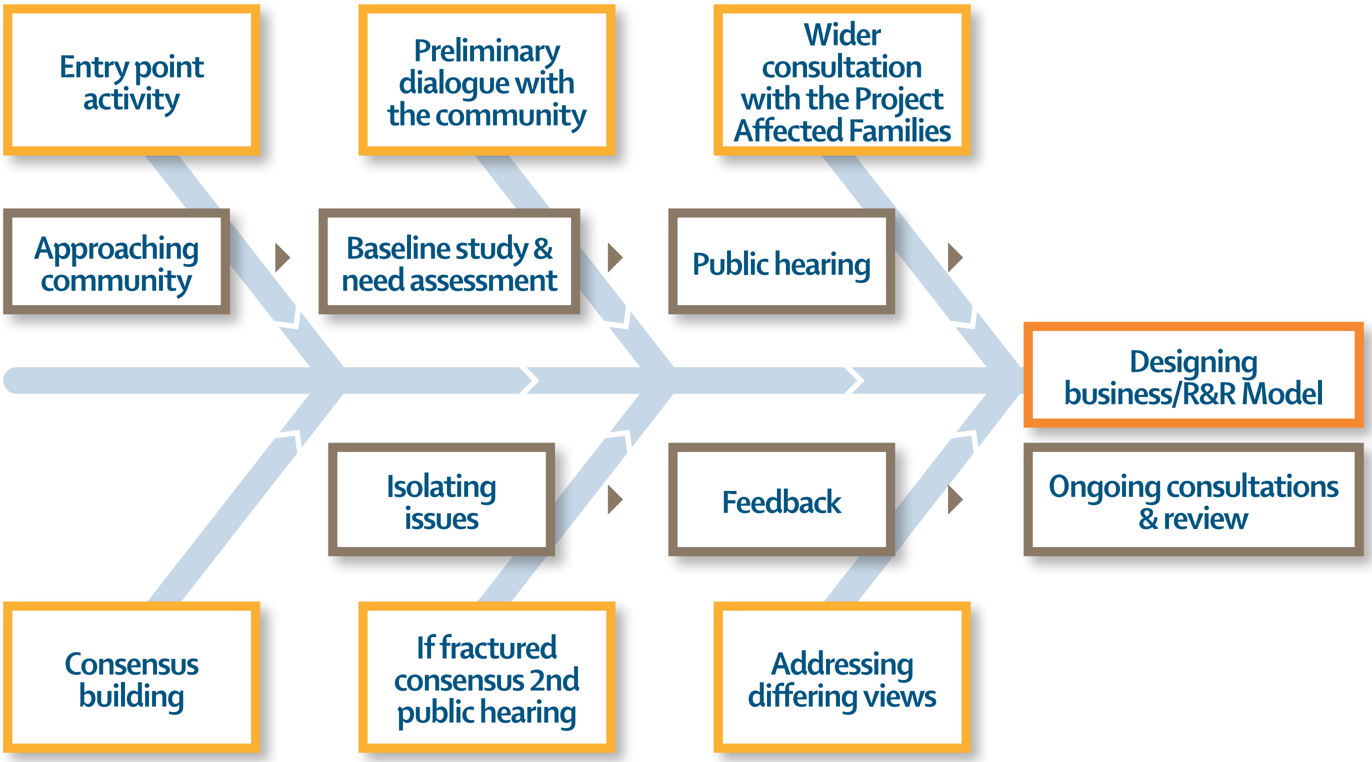
Community – Continued Commitment

In 2010, we enhanced value for the communities by expanding our activities and increasing our reach around all of our operations. Being well knit into the social fabric of our communities has enabled us to nurture our social license to operate, and to work hand in hand with the local communities and the environment.

Social mobilisation and the 4P model (public-people-private-partnership) are the two key pillars of our community program.

Stakeholder inclusiveness is an ongoing and systematic exercise for us and not a one off activity with a start and end point. Our commitment to human rights and promotion of local heritage is well ingrained in our stakeholder consultation process. Consistent, open dialogue through various platforms, and building and nurturing relationships with communities near our operations to understand their concerns and recommendations, is an important aspect of the role played by our on teams on the ground. Given the diversity within India, utmost care is taken to respect and adhere to the cultures and traditions of each community we work with. Purpose based engagement with concentrated efforts towards mutuality, maturity, transparency, problem solving and consistency is what defines our stakeholder engagement approach.

Consultation Module



Communities in which we operate value our citizenship and license to operate for us means win-win relationships and partnerships. We engage with our stakeholders in a two way dialogue incorporating their feedback into the way we operate and our plans for the future.

Partnerships and collaborations are a strategic tool for us in our engagement with communities. Our 4P Model has helped us impart a greater degree of sustainability to our programs. Joining hands with the government's robust social schemes, seeking partnerships with NGOs in the sectors and ensuring community participation and ownership combine to create a holistic approach in the villages. We partner with more than 100 NGO's and government departments across all our locations and have collaborations across the whole portfolio of our activities.

While we have a standard approach to our community initiatives, the programs are customised based on the needs of the community and the local milieu. At Vedanta Aluminium Limited (VAL), the CSR Advisory Board, a consortium of eminent personalities from Orissa, has helped us in identifying the right mix of opportunity by blending the local culture with business needs. At Kawardha, we engaged with the community and key stakeholders from the initial project planning stage, with formalised feedback mechanisms ensuring community ownership and support for the initiatives and operations. We developed new projects in proactive consultation with communities and other stakeholders ensuring broad based input for our activities. We will build upon these cross company experiences in other projects and geographies.

'Our association with BALCO has brought perceptible change in the area of Natural Resource Management, harnessing an untapped potential befitting of the area', Mr. R Ratnu, General Manager, NABARD, Raipur.

Units	Baseline and need assessment	Partner NGO	Resources		Contribution of time from senior management	Employees volunteering time for CSR	Conducting periodic awareness within the Company about CSR	Inclusion of stakeholders in the decision making and implementation of CSR programmes	Networking with external agencies	Internal reporting of CSR	External reporting	Leveraging from Government/other	Social audits	CSR aligned to business
			Financials	People										
Group average	2	2	3	2	2	2	2	2	2	3	2	2	2	3

Rating scale: 1 = More attention; 2 = Focused; 3 = Delivering results

Sustainability Performance

This year, our outreach has covered 2.7 million lives in 552 villages in 20 districts of India and Zambia. Our community investment for the year was INR 1,791 million (USD 38 million).

Community Matrix
The Community Matrix, a scenario review tool, has been developed internally for planning and self-assessing our performance on the key elements of community development. It acts as a compass in defining the direction of our work with communities, in line with the social philosophy of the group and provides uniformity and alignment within the company.

A multi-pronged approach has been adopted to deliver preventive and curative Health services in villages supported by a well-knit strategy addressing issues from the household to the community. We reached out to more than 730,000 people through our 18 company-run hospitals, health centres, health posts, mobile health units and health and hygiene camps coupled with programs towards inculcation of positive health seeking behaviour.

Work is in progress both at the Vedanta Cancer Hospital and Research Centre at Raipur and the Vedanta Heart Care Centre (VHCC) at Udaipur. The two mobile cancer detection vans run as an outreach of the Vedanta Cancer Hospital and Research Centre to screen suspected patients in remote villages. In the 26 camps conducted in 423 villages covering 23,589 people, 2,319 suspected patients were registered, of which 129 were diagnosed as positive and were treated at BALCO Hospital and the Raipur Government Medical Hospital.

Our 360 degree approach to Education aspires to nurture talent. From 83 preschool centres, to 36 bridge schools, to six formal company-run schools, to 37 adult education centres and skills-based training, we worked with over 1,40,000 children, youths and adults. Improving enrollment and retention, our involvement in 2,546 Anganwadi Centres under the Vedanta Bal Chetna Project augmented nutritional levels of 132,000 children through supplementary feeding and health care initiatives. Eight Midday Meal kitchens served hygienic and nutritious food to 250,000 children in 2,952 schools bringing uniformity in their health conditions. For the company run formal schools, we have a technical tie-up with Dayanand Anglo-Vedic (DAV) and Kendriya Vidyalaya, apex national level educational bodies.

Our businesses create employment opportunities for the community, both direct and indirect in our operations and expansion projects. At VAL, Lanjigarh last year, 45% of the employee base was from Orissa, of which 15% were from the Kalahandi district alone. Our approach to livelihood is based on a three-pronged household strategy, with income levels per month now enhanced from INR 5,000 to 10,000:
- Empowerment of women through Self Help Groups (SHG). 27, 100 women enrolled in 2,050 Self Help Groups, with approximately 40% of these SHG's linked to enterprise.
- 4.2 million vocational training hours generated for the unemployed rural

youth and SHG members. To date 2,000 youths have trained with a 90% placement rate in jobs or as entrepreneurs.

- Reviving the traditional vocations through innovations in farm-based sustainability, with over 4,900 acres of land brought under cultivation & watershed with 3,100 farmers. 375,000 cattle were catered too as part of our animal husbandry drive.

Our businesses create employment opportunities for the community both direct and indirect in both our operations and expansion projects.

At VAL, Lanjigarh, we have engaged with tribal women through Project Jeebika, a leaf plate making project; with the men folk through commercial vegetable cultivation and with youths through Pisciculture. 318 tribal women in 53 Joint Livelihood Groups from ten villages are engaged in leaf plate making, supplementing their family income by INR 25,000 per annum. With agriculture being the main occupation of the region, over 150 farmers have been given technical and agricultural inputs to encourage multiple cropping in over 100 acres of land – upping their income levels to INR 35,000 per annum. Over 100 youths engaged in Pisciculture (fish farming) in ten ponds in eight villages have supplemented their incomes by INR 12,000 per annum.

Under the Tribal Development Project – WADI, a partnership between BALCO and NABARD, orchards are being developed on 500 acres of fallow land ensuring a consistent source of livelihood for 500 tribal families in Kawardha. Complementing the agrarian economy is our intensive livestock development project at HZL, Sterlite Copper and VAL, Lanjigarh & Jharsuguda, in association with the State Animal Husbandry Department, where this year we treated over 93,000 cattle.

At VAL, Jharsuguda 23,000 saplings were planted as part of the 'Green Jharsuguda Drive'. On the other hand, BALCO constructed 50 Bio Gas plants in association with the Chhattisgarh Renewable Energy Development Authority (CREDA) recycling cattle waste to generate fuel for cooking and electrification. At HZL, the endeavour to involve more than 560 rural women in environment conservation through plantations created a sense of responsibility and realisation among villagers on the importance of social forestry, particularly, in the semi-arid region of Rajasthan.

Upgrading and constructing common property resource such as community centres, water tanks, roads, repair of schools building, others in partnership with the community and the local administration has also been one of the major activity this year. At BALCO this year we constructed Kamleshwarpur and Baijalpur Rural Haats (trading centres) at Mainpat and Kabirdham Districts respectively as our captive mine locations. A joint venture with the National Bank for Agriculture and Rural Development (NABARD), the haats have given all season trading infrastructure to small and marginal traders to sell and buy in the heart of their village.

All our programmes have had a significant impact at three levels of empowerment. At the power within level, a key impact is that communities have realised their own potential. They are confident, sensitive and informed. At the power to level, the projects have expanded the communities' hold over their labour, resources and decision-making processes. In case of women, access to their own savings, access to networks of women outside their family and access to leadership positions have empowered them. At the power with level, communities have intervened collectively in many institutions: family, market (labour and financial), community and local self-governance institutions.

Way Forward

We understand that in the mid and long term, we will be challenged by the changing expectations from the community, the pace of change in the socio-political landscape globally and issues which were once pertinent or local having a global impact. We believe the corner stone to delivering on these challenges would be to build capacities and life chances of the communities where we operate. 2011 will continue to see focus on outreach to communities and creating local prosperity. We will also continue to strengthen:

- convergence and inclusiveness as an approach to community development
- primary education and health as delicate needs of the community
- rural skills as a heritage of hidden arts and skills

Sustainability

Sharing the benefits

Lanjigarh Project Area Development Foundation

We see the SPV model proposed by the Supreme Court a first in the country, as an opportunity for creating prosperity in the region by sharing the economic benefits of the project with the community on a continuous basis. We are completely committed to the cause. As mandated by the Supreme Court of India, the State of Orissa floated a special purpose vehicle (SPV), as the 'Lanjigarh Project Area Development Foundation' with four Directors each from the Government of Orissa, representing the Government and the community and from Sterlite Industries (I) Ltd, besides one from the Orissa Mining Corporation for peripheral development of the region in a 50 kilometer radius. As prescribed, the company will have to give INR 100 million per year or 5% of the profit before tax – whichever is more for area development with clear focus on health, education, livelihood, communication and cultural heritage. The company has already deposited INR 200 million for a two year band from 2007-2009 with the SPV. Besides, INR 122 million has already been submitted for tribal development with CAMPA (Compensatory Afforestation Fund Management and Planning Authority), which in due course would be transferred to the SPV. Projects worth INR 170 million have already been identified and approved by the SPV in the first Board meeting held in October 2009. Additionally INR 505.3 million towards wildlife management, INR 550 million towards NPV, INR 122 million towards tribal development and INR 23.8 million towards Compensatory Afforestation as per the District Forest Officer has been deposited with CAMPA. Additionally, mutation and transfer of non-forest land for compensatory afforestation, demarcation of the leased area, completion of the scheme for fencing a safety zone and soil conservation have also been finalised. Going forward, a tribal development plan and an employment plan for the community are being put together with a national level institute.

Case Study

Phuldumer Decides to Change

Phuldumer is a village of 22 households of the Dongria Kondh Community, in the Lanjigarh block of Kalahandi district. Until May 2009, Phuldumer was deprived of mainstream facilities. Chanchala Majhi, Phuldumer's Naib Sarpanch of Trilochanpur Panchayat, says "Other than the government who visited us for the census survey, listing us for the Public Distribution System and health check ups, nobody came to Phuldumer for our benefit. Until Vedanta came and spoke to us for us".

No drinking water, no protective shelter, and no opportunity for schooling coupled with high incidence of malnutrition were commonly found issues. The people of Phuldumer were seeking change.

The Company responded and formulated a holistic development plan for the village. The first initiative was to connect the village through approach roads. Subsequently, VAL opened a Child Care Centre for the tribal children providing a day crèche, pre-school education and nutrition supplements. Solar lights replaced kerosene lamps bringing a new ray of hope in the village.

Picking Siali leaves for producing leaf plates and selling in the market is the traditional livelihood activity of the tribal women. The middle men paid a sub zero price of 25 paise for 100 leaves collected by these women. Availability of skill, abundance of raw materials and assured market impelled the CSR team to enhance this traditional vocation into a leaf plate making business. Shakti, a local NGO, was roped in to implement Project Jeebika. Equipped with eight sewing machines, the tribal women were trained in stitching leaf plates. From 25 paise for 100 leaves and a monthly income of INR 200, the women now earn on an average INR 2,200 per month. Strengthening forward linkages, a leaf plate Collection Centre has been established where the finished product is stored until collection by the traders on cash payment.

In due course, it was realised that women waste substantial time in fetching drinking water from the hills. VAL along with Shakti decided to harvest the perennial spring water and constructed treatment points with charcoal, sands and alum with storage facilities. Through gravitation, the treated potable water was brought to the door steps of Phuldumer. The villagers christened the project as 'Tripti' (satisfaction). Watershed changes also took place not only in Phuldemer but also in the nearby tribal predominant villages of Khemti Padar, Palberi, Kunakadu, Tadijhola and Harida Guda. Today these villages have potable water, mobile health units and varied livelihood projects.

Ratu Majhi of Phuldumer today imparts training to his community on health and hygiene practices. Consumption of fermented meat, homemade country liquor, unsafe water, and unhygienic way of living are stories of the past for him. He proudly says, "this year there has been no infant and child mortality in our area. Vedanta's mobile health unit and health consultation centre have given us a new lease of life" Jagdish Chandra Benia, Vice Chairman of Lanjigarh Block says, "It is ground-breaking, Phuldemer and Palberi are now accessible. Konakadu, Tadijhola, Dangamati were out of sight and out of mind. From Vedanta the villagers get water, medical aid and education. They are now counting currency notes and negotiating rates with the traders for their produce. Seeing our children sing nursery rhymes and Bande Utkal Janani is a great experience. We did it together!"

Sustainability Accreditations

Various efforts on sustainable development of the Group have also been recognised by national and international organisations and awarded our units. Some of them are:

- International Safety Award 2009 by British Safety Council – HZL; BALCO; Sterlite Copper; Sesa Goa and KCM.
- Safety Gold Award 2010 by Royal Society for the Prevention of Accidents – HZL.
- International Green Apple Silver Award for Best Environmental Practices & Sustainable Development – BALCO.
- 3 stars in the 5 Star Best Practice rating by British Safety Council – KCM.
- Performance Excellence Trophy of IMC Ramakrishna Bajaj National Quality Award 2009 – HZL.
- Outstanding Achievement Trophy of IMC Ramakrishna Bajaj National Quality Award 2009 – Sterlite Copper.
- CII-ITC Sustainability Award 2009 (Commendation for Strong Commitment towards sustainability) – HZL.
- CII-National Award for Excellence in water Management 2009 – HZL.
- CII-Leadership & Excellence Award in EHS 2009 – HZL.
- CII HSE Award 2009 – Certificate of Appreciation for Plantation Management for Reclaimed Sanquelim Mine – Sesa Goa.
- Safety Innovation Award 2009 by Institution of Engineering – HZL and BALCO.
- Srishti G3 Good Green Governance Award 2009 runners up – Sesa Goa; BALCO and Sterlite Copper.
- Bhageeratha Award 2009 for best water conservation efforts by Institution of Chemical Engineers – Sterlite Copper.
- Various prizes under different categories at Indian Bureau of Mines – Mines Environment & Mineral Conservation Week (MEMCW) 2009–10 – BALCO.
- National Virtual Academy Fellowship Award, 2009 from M.S.Swaminathan Research Foundation to Dhanalaxmi and Maria Ponnammal, members of the Sterlite Women Empowerment Project at Sterlite Copper, Tuticorin.
- Green Triangle Award for CSR for the year 2009–10 for Sesa Goa.
- Bhamashah Award in the Area of Education 2009, HZL.

Corporate Governance Report

Purpose

As a company with a premium listing on the London Stock Exchange the Company is subject to the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 (the 'Combined Code'). The Combined Code is available from the Financial Reporting Council's website, www.frc.org.uk. The objective of this Corporate Governance Report is to provide details of the Group's governance policies, processes and structures and how the Company has complied with the main principles of the Combined Code.

The Board believes that sound corporate governance practices are essential to achieving the vision of creating a world class metals and mining Group. The Directors are especially aware of the need for a strong corporate governance framework in the current economic climate in order to manage risks facing global businesses. The Board is also following closely corporate governance developments in respect of proposed revisions to the Combined Code. Once the new UK Corporate Governance Code has been finalised the Directors will use the opportunity to review and challenge its existing corporate governance practices to ensure they remain robust and will introduce changes as recommended by the new code as soon as possible.

Statement of Compliance with the Combined Code

With the exception of the following matters, the Company has throughout the year ended 31 March 2010, fully complied with the principles set out in Section 1 of the Combined Code:

Code Provisions A.2.2 and A.3.1

Mr Anil Agarwal was the founder of the businesses of Vedanta Resources and steered the phenomenal growth of the Group since its inception in 1976 including the flotation of Vedanta Resources plc on the London Stock Exchange and development into a FTSE 100 company. Mr Agarwal was appointed as Executive Chairman in 2005. This meant that Mr Agarwal did not meet the strict independence criteria on his appointment because he was previously the Chief Executive and, through Volcan Investments Ltd ('Volcan') members of his family have a controlling interest in the Company.

Mr Agarwal's record since his appointment as Executive Chairman in seeking out new opportunities into value-creating projects whilst heading up a dynamic Board has shown his continuing commitment to developing the Group for the benefit of its shareholders. For this reason the Board is unanimously of the opinion that his continued involvement in an executive capacity is vitally important to the success of the Group.

Code Provision A.4.1

Under the Relationship Agreement put in place at the time of Listing, Volcan will be consulted on all appointments to the Board. The Nominations Committee therefore works collaboratively with Volcan when making appointments to the Board and, to this extent, differs from the process set out in Code Provision A.4.1 which stipulates that the Nominations Committee should lead the process for Board appointments.

Applying the principles of the Combined Code

The Directors

Main Principle

Every company should be headed by an effective board, which is collectively responsible for the success of the company.

The Board

The role of the Board is to provide leadership to the Group in a manner which maximises opportunities to develop its portfolio of businesses profitability whilst assessing and managing the associated risks. The Board does this by assessing the strategic objectives of each business and monitoring their performance. It ensures that the financial, management and other resources required to meet its objectives are in place. The Directors also review controls and risks to ensure that the interests of investors, minority shareholders and other stakeholders are protected. Importantly the Board ensures that Group standards of conduct are set and incorporated within its businesses. For example, during the year a new Code of Conduct and Ethics was approved to provide over arching standards for the Group's subsidiaries. The Code of Conduct and Ethics is available on the Group's website at www.vedantaresources.com.

The Board has a formal schedule of matters reserved for its attention which are summarised below. The schedule of matters was reviewed and updated during the year. The Board meets on a regular basis and met 12 times during the year. The Chairman also meets with the Non-Executive Directors without the Executive Directors present on several occasions throughout the year. Certain of its responsibilities are delegated to Board Committees, which operate within defined terms of reference. The Board Committees are the Executive, Remuneration, Audit, Nominations, and Health, Safety and Environment Committees. Details of these committees and attendance at meetings are shown below.

All of the Committees are authorised to obtain legal or other professional advice as necessary, to secure the attendance of external advisers at their meetings and to seek information from any employee of the Company in order to perform their duties. Under the terms of reference of the Committees only the members of each Committee has the right to attend Committee meetings. However, other Directors or management together with other expert persons may attend meetings at the invitation of the Committee Chairman. The full terms of reference of the Committees are available from the Company Secretary on request.

The Board of Directors

Membership and Attendance at Meetings

AK Agarwal Executive Chairman	10/12
N Agarwal Deputy Executive Chairman	12/12
MS Mehta Chief Executive	12/12
N Chandra Non-Executive Director and Senior Independent Director	12/12
A Mehta Non-Executive Director	12/12
ER Macdonald Non-Executive Director	12/12

Secretary
D Kumar

Summary Schedule of Matters Reserved for the Board's Attention
The Board is responsible for the review and approval of Group strategy and policies, major business acquisitions or disposals, major capital projects, Group budgets, significant changes to capital structure and dividend policy.

Corporate Governance Report continued

Audit Committee
Membership and Attendance at Meetings

A Mehta Chairman	4/4
N Chandra	4/4
ER Macdonald	4/4

Secretary
D Kumar

Summary Terms of Reference
The Audit Committee is responsible for making recommendations to the Board concerning the appointment of the external auditor and for reviewing the independence of the external auditor and approving their fees. The Committee develops policy in relation to the provision of non-audit services by the auditor, and discusses the nature and scope of the audit. The Committee also monitors the integrity of the financial statements, reviews the Group's internal controls, risk management systems and the activities of the internal audit function.

Remuneration Committee
Membership and Attendance at Meetings

N Chandra Chairman	3/3
ER Macdonald	3/3
A Mehta	3/3

Secretary
D Kumar

Summary Terms of Reference
The Committee is responsible for setting broad policy for the remuneration of the Chairman, Executive Directors and the Senior Management Group. The Committee determines the remuneration packages for individual Executive Directors, including basic salary, bonus, long-term incentives, pensions and other benefits. It also reviews and approves the provisions of the service agreements of the Executive Directors. The Committee considers the design and operation of the Company's share incentive schemes.

Nominations Committee
Membership and Attendance at Meetings

A Agarwal Chairman	3/3
N Chandra	3/3
ER Macdonald	3/3

Secretary
D Kumar

Summary Terms of Reference
The Nominations Committee is responsible for succession planning for the Board and making recommendations concerning candidates as Executive or Non-Executive Directors of the Company. In addition the Committee makes recommendations concerning the structure, size and composition of the Board. The Committee assesses the Directors to retire and stand for re-election at the AGM.

Health, Safety and Environment Committee
Membership and Attendance at Meetings

N Chandra Chairman	3/3
MS Mehta	3/3
R Nair	3/3
CSR Mehta	3/3
G Gupta	3/3
J Janakaraj	3/3
A Joshi	3/3
P Khanna	3/3
M Patil	3/3

Secretary
CSR Mehta

Summary Terms of Reference
The Health, Safety and Environment ('HSE') Committee supports and advises the Board on meeting its HSE responsibilities. It recommends to the Board HSE policy, advises on law and expected standards of governance, outlines initiatives required to embed HSE culture at all levels, reports to the Board the HSE performance of the Group, reviews the HSE management system designed to ensure that HSE risks are being assessed, controlled and managed effectively and reviews HSE targets and assessment of progress against these targets. Further details of the HSE Committee are given in the Sustainability Report on pages 50 to 64 of this Annual Report and in the separate Sustainable Development Report.

Executive Committee
Membership

N Agarwal Chairman
A Agarwal
MS Mehta
Tarun Jain
DD Jalan
M Siddiqi
Pramod Suri
Rajagopal Kishore Kumar
Jeyakumar Janakaraj
Akhilesh Joshi
PK Mukherjee
Dilip Golani

Summary Terms of Reference
The Executive Committee supports the Board and essentially supervises the operational performance of the Group. The Committee implements strategic plans formulated by the Board, monitors operational and financial performance, allocates resources, develops and reviews budgets of subsidiary companies and approves capital expenditure and other strategic item not reviewed by the Board.

Main Principle

There should be a clear division of responsibilities at the head of the company between the running of the Board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision.

The Chairman and Chief Executive

There is a clear division of responsibility between functioning of the Board and the executive responsibility for running the business. The Board has an established policy which sets out the key responsibilities of the Executive Chairman and Chief Executive. A clear demarcation is made between the responsibility of the Chairman and the Chief Executive, as detailed below:

Chairman's Responsibilities

– providing leadership to the Board and ensuring its effective functioning;
– setting a vision for the Group, formulating its strategy, creating profitable business opportunities and reviewing merger and acquisition opportunities;
– ensuring that there is effective communication with shareholders;
– facilitating the effective contribution of the Non-Executive Directors; and
– overseeing corporate governance arrangements and in particular compliance with the Combined Code.

As Executive Chairman, the Chairman devotes the majority of his time for the Company's business. The Chairman's other current responsibilities are set out in the biographies on page 12. There have been no changes to the Chairman's other commitments during the year.

Chief Executive's Responsibilities

– developing and managing the executive team in the operations;
– delivery of operating budgets;
– supporting the Executive Chairman in the delivery and implementation of strategy;
– optimising the Group's assets and management and allocation of resources;
– supporting the Executive Chairman in effective communication with various stakeholders; and
– creating and maintaining a sound control environment.

Main Principle

The Board should include a balance of Executive and Non-Executive Directors such that no individual can dominate the Board's decision taking.

Board Balance and Independence

The Board, chaired by Mr Anil Agarwal, currently has six Directors comprising the Executive Chairman, two Executive Directors and three independent Non-Executive Directors. Members of the Board are set out on page 12.

Non-Executive Directors

The Non-Executive Directors are of high calibre bringing a range of experience in different fields which include holding senior positions within the Indian Government to banking and emerging market finance. This enables them to bring independent judgement on issues of strategy, performance and resources which are vital to the success of the Group. They play a key part in challenging the performance of management. During the year, the Chairman held regular meetings with the Non-Executive Directors without the Executive Directors being present.

With the exception of the Chairman, who is presumed under the Combined Code not to be independent, the Board considers all the Non-Executive Directors to be independent as assessed against the criteria specified in the Combined Code. In making its assessment, the Board has considered the fact that Mr Aman Mehta and Mr Euan Macdonald have held previous senior management positions within subsidiary companies of HSBC Holdings plc (which acted as the joint global co-ordinator and book runner when the Company listed in 2003). The Board considered that neither Mr Mehta's nor Mr Macdonald's previous employment included the provision of corporate financial services in London by the HSBC Group and they had no involvement with the Group prior to their appointment. The Board therefore remains of the view that these circumstances will not affect the judgement exercised by either Mr Mehta or Mr Macdonald and therefore considers them to be independent.

Senior Independent Director

Mr Naresh Chandra has been appointed as the Senior Independent Director. Given the executive nature of the Chairman's position the Senior Independent Director's position includes the responsibility to lead discussions of meetings of the Non-Executive Directors, to provide a channel of communication between the Chairman and Non-Executive Directors and ensure that the views of the Non-Executive Directors are given due consideration. The Senior Independent Director is also responsible for providing a point of contact for any shareholder who wishes to raise concerns which the normal channels of communication through the Chairman and Chief Executive have failed to resolve, or for which contact is inappropriate.

Relationship Agreement

At the time of Listing, the Company and Volcan, the majority shareholder, entered into a relationship agreement (the 'Relationship Agreement') to regulate the ongoing relationship between them. The principal purpose of the Relationship Agreement is to ensure that the Group is able to carry on business independently of Volcan, the Agarwal family and their associates. Under the terms of the Relationship Agreement, the Board, and Nominations Committee will at all times consist of a majority of Directors who are all independent of Volcan and the Agarwal family, whilst the Remuneration and Audit Committees shall at all times comprise only of Non-Executive Directors. Volcan is entitled to nominate for appointment as Director such number of persons as is one less than the number of Directors who are independent of Volcan, the Agarwal family and their associates. The Board considers these to be adequate safeguards in that Directors who are independent of Volcan make up a majority of the Board and Vedanta's ability to operate independently of Volcan is protected by the Relationship Agreement. In addition, in accordance with Provisions A.3.2 of the Combined Code, at least half of the Board, excluding the Chairman, comprise Non-Executive Directors determined by the Board to be independent.

Conflicts of Interest

The Board has established a procedure for the disclosure of interests and other related matters in line with published guidance and the Companies Act 2006. Each Director must disclose actual or potential conflicts to the Board. Any changes are disclosed and noted at each Board meeting. The Board authorises potential or actual conflicts as appropriate. The Audit Committee is responsible for reviewing matters arising in relation to the Relationship Agreement and related party transactions on behalf of the Board.

Corporate Governance Report continued

Main Principle
There should be a formal, rigorous and transparent procedure for the appointment of new Directors to the Board.

Appointments to the Board
The Nominations Committee is responsible for succession planning and making recommendations concerning candidates for appointments to the Board. Under the terms of the Relationship Agreement entered into with Volcan as the major shareholder, Volcan will be consulted by the Nominations Committee on appointments to the Board. The selection process will entail preparing a job description for the role, benchmarking and interviews with a selection of candidates. External search agencies will be used where this is felt to be appropriate and add value to the process.

In respect of the appointment of Non-Executive Directors to the Board, the candidates will be made aware of the time commitment expected of them which will be reflected in the letter of appointment. Candidates will also be required to disclose their other time commitments to ensure that they have sufficient time to fulfil their role as a Director. The terms and conditions of appointment of the Non-Executive Directors are available on request from the Company's registered office.

There is a policy in place in respect of a full time Executive Director taking on a Non-Executive directorship in a listed company. The approval of the Chairman must be sought before an Executive Director may take on a Non-Executive directorship outside of the Group.

Main Principle
The Board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. All Directors should receive induction on joining the Board and should regularly update and refresh their skills and knowledge.

Information and Professional Development
The Chairman, assisted by the Company Secretary, is responsible for ensuring that the Directors receive accurate, timely and clear information on all relevant matters. The Board routinely receives before each Board meeting detailed information on business and financial performance, ongoing projects, the raising of funds for various initiatives, activities of the Board Committees and investor relation updates. Presentations and verbal updates are also given at Board meetings by the Executive Directors and senior management as appropriate.

Appropriate induction is provided to all Directors on appointment to the Board and programmes of continuing professional development are arranged as required, taking into consideration the individual qualifications and experience of the Director. In addition Directors have access to the Company's professional advisers whom they can consult where they find it necessary in order to better discharge their duties.

During the year, the Directors received briefings on new Companies Act legislation and in particular briefings on shareholder rights regulations. Directors undertake visits to operations and have discussions with management on an ongoing basis. In the current financial year this included visits to the Sesa Goa operations and visit to the mine rehabilitation centre.

The Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed. The Company Secretary is also responsible for advising the Board through the Chairman on governance matters. Under the Company's Articles of Association the appointment and removal of the Company Secretary is a matter for the Board as a whole.

Main Principle
The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors.

Performance Evaluation
During the year, the performance of the Board, its main Committees and the individual Directors were formally and rigorously evaluated under the leadership and direction of the Chairman. The evaluation was carried out by circulation of a detailed questionnaire concerning the Board, its Committees and the individual Director's performance. The responses were collated and summarised. The Chairman spoke individually to all the Directors in respect of the results and the Board also collectively discussed the results. Various actions were put into place as a result.

The evaluation process concluded that the Board as a whole provided strong strategic leadership and sound systems of control were in place. Board processes were well managed. The main committees continued to operate effectively and individuals also performed well. Areas identified for review or improvement were communication with shareholders and other stakeholders. This area will be further strengthened during the year.

As in previous years, the Non-Executive Director, led by the Senior Independent Director, considered as part of the evaluation process, the performance of the Chairman and provided him with feedback.

Main Principle
All Directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance. The Board should ensure planned and progressive refreshing of the Board.

Re-election
In accordance with the Company's Articles of Association all Directors submit themselves for election at the Annual General Meeting following their appointment and thereafter by rotation at least once every three years. In addition, where a Director has a contract or letter of appointment which expires and is renewed during the year, the Director will stand for re-election at the next Annual General Meeting. Non-Executive Directors are only put forward for re-election if, following performance evaluation, the Board believes the Director's performance continues to be effective and demonstrates commitment to the role.

Particular scrutiny will be given to the performance and continued effectiveness of those Non-Executive Directors who have served on the Board for six years or more.

Remuneration

Main Principle

Levels of remuneration should be sufficient to attract, retain and motivate Directors of the quality required to run the company successfully, but should avoid paying more than is necessary for this purpose. A significant proportion of Executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance.

Level and Make-up of Remuneration

The Board is sensitive to the need to achieve a balance between attracting and retaining the quality of Directors required to run and manage a company of Vedanta's size and complexity and to avoid excessive pay awards. In the Remuneration Committee's terms of reference approved by the Board the Remuneration Committee is required to consider and give due regard to the recommendations of the Combined Code and other guidelines published in respect of the remuneration of Directors of listed companies such as that produced by the Association of British Insurers and National Association of Pension Funds.

A significant proportion of the Executive Directors' remuneration is performance related through the annual bonus and long-term incentive schemes. The fees of the Non-Executive Directors are independently reviewed and take into account the time commitments and responsibilities of the role. Additional fees are paid for acting as Chairman or being a member of one of the Board Committees.

Further details of Directors' remuneration, bonus, long-term incentives, benefits, service contracts and share interests may be found in the Remuneration Report on pages 73 to 79.

Main Principle

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual Directors. No Director should be involved in deciding his or her own remuneration.

The Remuneration Committee is responsible for setting the levels of remuneration for the Chairman and Executive Directors and also monitors the level and structure of remuneration for senior management. The remuneration of the Non-Executive Directors is decided by the Board as a whole. No Director is involved in deciding his own remuneration. Details of remuneration policy and the activities of the Remuneration Committee are set out in the Remuneration Report on pages 73 to 79.

Accountability and Audit

Main Principle

The Board should present a balanced and understandable assessment of the company's position and prospects.

Financial Reporting

The Group has a comprehensive financial reporting system, which is reviewed and modified as circumstances require. Financial reporting procedures include:

- preparing operational budgets for the forthcoming year for review and approval by the Board;
- ensuring budgets and forecasts are prepared based on stretched targets and using conservative assumptions;
- monitoring performance against key performance indicators throughout the financial year and updating forecasts with reference to information on key risk areas;
- preparation of monthly management reports both on a divisional and consolidated basis which are presented to the Executive Committee for review; and
- implementing and monitoring of IT controls.

The Audit Committee considers on a regular basis the position of the Company as a going concern by reviewing Group budgets, cash flow forecasts and liquidity. A statement on the Board's position regarding the Group as a going concern is contained in the Directors' Report on page 84 .

The Directors' statement of responsibilities for preparing the accounts may be found on page 85 and the auditor's statement about their reporting responsibilities may be found on page 86.

Main Principle

The Board should maintain a sound system of internal control to safeguard shareholders' investment and the company's assets

Internal Control

The Directors have overall responsibility for ensuring that the Group maintains a robust system of internal control to provide them with reasonable assurance that all information within the business and for external publication is adequate. Because of the limitations inherent in any system of internal control, this system is designed to meet the Group's particular needs and the risks to which it is exposed rather than eliminate risk altogether. Consequently it can only provide reasonable and not absolute assurance against material misstatement or loss.

There is an established process for identifying, evaluating and managing significant risks faced by the Group in accordance with the Turnbull Guidance on Internal Control published by the Financial Reporting Council. This includes financial, operational and compliance control and risk management, to ensure shareholders' interests and the Company's resources are safeguarded. In addition the Audit Committee has discussions with the auditor, without management being present, on the adequacy of controls and on any judgemental areas. In line with best practice, the Board has reviewed the internal control system in place during the year and up to the date of the approval of this report. This review ensures that the internal control system remains effective. Where weaknesses are identified as a result of the review, new procedures are put in place to strengthen controls and these are in turn reviewed at regular intervals. During the course of its review of the system of internal control, the Board has not identified nor been advised of any weaknesses or control failure that is significant.

The Group's internal audit activity is managed through the Management Assurance Services ('MAS') function and is an important element of the overall process by which the Board obtains the assurance it requires to ensure that risks are properly identified, evaluated and managed. The scope of work, authority and resources of MAS are regularly reviewed by the Audit Committee and its work is supported by the services of leading international accountancy firms (but specifically excluding the Group's external auditors). The responsibilities of MAS include recommending improvements in the control environment and ensuring compliance with the Group's philosophy, policies and procedures.

Each of the Group's principal subsidiaries has in place procedures to ensure that sufficient internal controls are maintained. These procedures include a monthly meeting of the relevant management committee and quarterly meeting of the audit committee of that subsidiary. Any adverse findings are reported to the Audit Committee.

Corporate Governance Report continued

The planning of internal audit is approached from a risk perspective. For internal audit purposes, the Group is divided into three auditable groupings, namely: manufacturing/operating entities, projects and other entities. In preparing an internal audit plan, reference is made to the Group's risk matrix, inputs are sought from senior management, project managers and Audit Committee members and reference is made to past audit experience and financial analysis.

Main Principle

The Board should establish formal and transparent arrangements for considering how they should apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors.

The Board has established an Audit Committee in compliance with the requirements of the Combined Code to consider how financial reporting and internal control arrangements are applied and that they are reviewed on a regular basis. The Audit Committee is also responsible for maintaining an appropriate relationship with the Company's auditors. Further details of the Audit Committee and its activities may be found in the Audit Committee Report on page 70.

Relations with Shareholders

Main Principle

There should be a dialogue with shareholders based on the mutual understanding of objectives. The Board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.

Dialogue with Shareholders

As part of the Company's investor relations programme meetings with analysts and shareholders are held on a regular basis. In particular presentations are made to analysts and the press by the Chairman, Deputy Chairman, Chief Executive and Chief Financial Officer following the release of the preliminary and half-year results announcements. During the year a number of meetings were held with the Company's principal institutional shareholders as well as with financial analysts and brokers. These meetings are initiated either by the Company or analysts and investors and are managed at Group level through Ashwin Bajaj, (Vice President, Investor Relations) who also briefs the Board on the Company's relationships with its shareholders. The main channels of communication with the investment community are through the Chairman, Deputy Chairman, Chief Executive, Chief Financial Officer and Vice President, Investor Relations. The Senior Independent Director and other Non-Executive Directors are also available as appropriate.

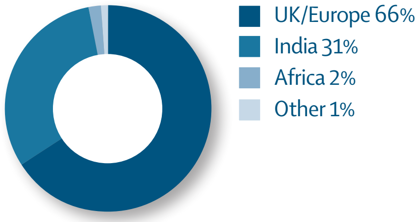
The Company announces its annual and half-year results to the London Stock Exchange and the press in advance of the publication of the annual and half-year reports. Summary reports are also published for the first and third quarter. The Board has adopted a communications policy to ensure that other price-sensitive information is announced to the market in a timely and considered manner.

Following consultation during the year the principal method of communicating with shareholders is by e-communication and the Group's website at www.vedantaresources.com. A wide range of information on the Company and its operations may be found on the website including the Annual Report and Accounts, half-year results, announcements to the market, press releases, share price and links to subsidiary company websites. Shareholders can opt to receive paper copies of shareholder documents if they wish to do so.

An analysis of the Company's shareholder base is shown below:

Category of Shareholder by Type

Category of Shareholder by Country



Main Principle

The Board should use the Annual General Meeting to communicate with investors and to encourage their participation.

Constructive use of the Annual General Meeting ('AGM')

The Board uses the Annual General Meeting to communicate with shareholders and welcomes their participation and questions. This year's Annual General Meeting will be held on 28 July 2010. Further details are stated in a separate circular to Shareholders which sets out the Notice of Meeting and the business to be considered at the meeting. The Notice is sent out at least 20 working days before the AGM. Voting at the Annual General Meeting on all resolutions is by poll on a one share, one vote basis and the results of votes cast for, against and abstentions are available on the Group's website following the meeting. The Board believes that voting by poll allows the views of all shareholders to be taken into account regardless of whether or not they can attend the meeting.

All of the Directors, including the Chairmen of the Audit, Remuneration, Nominations and Health, Safety and Environment Committees, attend the Annual General Meeting in order to answer shareholders' questions.

The Audit Committee Report

Membership of the Audit Committee

The Audit Committee consists solely of independent Non-Executive Directors. It is chaired by Mr Aman Mehta and its other members are Naresh Chandra and Euan Macdonald. Mr Mehta is considered to have recent and relevant financial experience and all members have had extensive management experience either in large international organisations or government.

The Committee meets at least three times a year. The Chairman of the Company, Executive Directors, Chief Financial Officer, Head of Internal Audit and other members of the senior management team (as invited by the Committee) together with the external auditor, regularly attend meetings. Reports are made to the Board of the Committee's activities.

Responsibilities of the Audit Committee

The responsibilities of the Audit Committee are set out in its terms of reference which are available on request from the Company's registered office. The main responsibilities of the Audit Committee are to:

- make recommendations to the Board concerning the appointment of the external auditor;
- review the independence of the external auditor;
- develop policy in relation to the provision of non-audit services by the external auditor;
- discuss with the external auditor the nature and scope of the audit;
- approve the remuneration of the auditor;
- monitor the integrity of the financial statements, including its annual and half-year results;
- review the Group's internal controls and risk management systems and consider the effectiveness of these systems;
- matters arising in respect of the Relationship Agreement and related party transactions
- monitor the activities and effectiveness of the internal audit function and consider their reports;
- review the Group's arrangements for its employees to raise concerns through its whistleblowing policy; and
- review reports from subsidiary company audit committees.

The Group's main subsidiaries, a number of which are listed on stock exchanges in India, have their own audit committees in accordance with local corporate governance requirements. By monitoring their discussions the Audit Committee gains further insights into the quality of financial reporting and internal controls throughout the Group. Furthermore the internal audit function presents issues arising from the subsidiaries to the Audit Committee on a regular basis.

Activities of the Audit Committee During the Year

During the year the Audit Committee's activities included:

- review and confirmation of the appropriateness of adopting the going concern basis in preparing the financial statements and interim financial reporting;
- review of external audit findings;
- significant accounting policy matters arising during the year;
- review of the preliminary announcement and Annual Report;
- evaluation of the performance and effectiveness of the external auditor;
- review of internal audit findings;
- consideration of the management letter from the external auditor;
- review of Group accounting issues arising during the year;
- review of legal and tax issues occurring during the year;
- review of half year report;
- approval of internal audit plan;
- review of management planning for the year end process;
- review of reports on risk management and internal controls and mitigating actions; and
- review and approval of a revised policy on the provision of non-audit services by the external auditor.

Auditor Independence

One of the key tasks of the Audit Committee is to review the external auditor's independence and monitor their continued effectiveness. The Audit Committee and the Board place great emphasis on the objectivity of the external auditor, Deloitte LLP ('Deloitte'). To ensure effective communication of matters relating to the audit the audit partner and senior manager are present at Audit Committee meetings. The rotation of the audit partner's responsibilities within Deloitte is required by their profession's ethical standards and there is also rotation of key members within the audit team.

The overall performance of the auditor is reviewed annually taking into account the views of management. Feedback is provided on the evaluation to senior members of Deloitte who are unrelated to the audit. This activity also forms part of Deloitte's own system of quality control. The performance evaluation was carried out using a detailed questionnaire the results of which were considered by the Audit Committee before making the recommendation to the Board on the re-appointment of Deloitte as the Company's auditors for the year ending 31 March 2011.

Following a consultation by the Auditing Practices Board in 2009 on the provision by auditors of non-audit services, the Audit Committee reviewed the Company's policy for the provision of non-audit services by the external auditor to ensure it is in line with current best practice. A new policy was approved by the Audit Committee as a result. The policy specifies certain services which the external auditor is prohibited from undertaking in order to safeguard their independence. The policy also identifies those services which the external auditor is permitted to deliver to the Group. Of these services any permitted assignment in excess of US$100,000 may only be awarded to the external auditor with prior approval of the Audit Committee. All other permitted non-audit services will be reviewed by the Audit Committee on a biannual basis and the Audit Committee will also receive a report every six months analysing the fees paid for non-audit work. These controls provide the Audit Committee with confidence that the independence of Deloitte in their audit function will be maintained. An analysis of non-audit fees can be found in Note 9 to the financial statements.

Conclusion

The Audit Committee will continue to robustly carry out its duties recognising the importance of sound systems of financial control, risk management and independent assessment by the auditors particularly in light of the continuing uncertainties in global markets. It will also monitor the ongoing debate surrounding risk management review and auditor independence to ensure the Company meets best practice requirements.

On behalf of the Board

A Mehta
Chairman, Audit Committee
5 May 2010

Corporate Governance Report continued

Nominations Committee Report

Membership of the Nomination Committee

Membership of the Nomination Committee is in line with the requirements of the Combined Code. Mr Anil Agarwal, the Chairman of the Company, chairs the Committee and the other two members, Mr Naresh Chandra and Mr Euan Macdonald, are independent Non-Executive Directors.

The Committee meets at least two times a year. Reports are made to the Board of the Committee's activities.

Responsibilities of the Nominations Committee

The responsibilities of the Nominations Committee are set out in its terms of reference which are available on request from the Company's registered office. The main responsibilities of the Nominations Committee are to:

- review the structure, size and composition of the Board (including the skills and experience required of its members) and make recommendations to the Board accordingly of adjustments that are deemed necessary;
- consider candidates for appointment as either Executive or Non-Executive Directors and plan for succession in particular to the positions of the Board Chairman and Chief Executive;
- before an appointment is made prepare a description of the role and capabilities required;
- in identifying suitable candidates consider the use of open advertising or external advisers to facilitate the search, consider candidates from a wide range of backgrounds;
- ensure that Non-Executive Directors receive a letter of appointment setting out what is expected from them in terms of time commitment; and
- recommend to the Board whether to re-appoint a Non-Executive Director either at the end of their term of office or when put forward for re-election, having regard to their performance and ability to continue to contribute to the Board. The Committee will confer with Volcan Investments Limited in this respect under the terms of the Relationship Agreement.

Activities of the Nominations Committee During the Year

During the year the Nominations Committee considered the re-appointment of Mr Naresh Chandra to the Board and as Senior Independent Director on the expiry of his letter of appointment. It considered the re-appointment of Mr Anil Agarwal who retired by rotation and recommended to shareholders both the re-appointment of Mr Chandra and Mr Agarwal. It also reviewed the contributions of Mr Aman Mehta and Mr Euan Macdonald whose letters of appointment expired during the year. It concluded that both Directors continued to provide valuable contributions to the Board during discussions and decision making and the Board relied on their extensive past business experience. The Board evaluation carried out in 2009 confirmed these views and Mr Mehta's and Mr Macdonald's contracts were renewed for a further two years subject to re-appointment at the Annual General Meeting. The Nominations Committee approved the disclosures on the Nominations Committee to be made in the Annual Report and Accounts.

Future Activity

The Nominations Committee is aware of the focus of the review of the Combined Code by the Financial Reporting Council on areas which fall within the remit of the Nominations Committee including Board behaviours, training and development and Board and Committee membership. Therefore, future activity of the Nominations Committee will take these matters into account and consideration of Board and Committee membership and Directors' development and training, amongst other matters, is planned for the forthcoming year.

On behalf of the Board

A Agarwal
Chairman
5 May 2010

Remuneration Report

Purpose of the Remuneration Report

This Remuneration Report provides details of the operation of the Remuneration Committee and gives information about remuneration policies and practices adopted by the Company in respect of members of the Board. The report also reviews general remuneration policy in relation to senior management within the Group. It complies with the requirements of the Listing Rules of the UK Listing Authority, Schedule 8 of the Large and Medium Companies and Groups (Accounts and Reports) Regulations 2008 and the Combined Code on Corporate Governance.

The report has been approved by the Board and signed on its behalf by the Chairman of the Remuneration Committee. A resolution to approve this report will be proposed at the Company's Annual General Meeting to be held on 28 July 2010.

The Companies Act 2006 requires the auditors to report to the Company's members on certain parts of the Directors' Remuneration Report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Accounting Regulations. The report has therefore been divided into separate sections for audited and unaudited information.

Part I (Unaudited)

Remuneration Committee (the 'Committee')

The Board has established a Remuneration Committee in accordance with the provisions of the Combined Code on Corporate Governance to determine on behalf of the Board the Company's policy on the remuneration and terms of engagement of the Executive Directors and certain senior executives.

Members of the Remuneration Committee

The members of the Remuneration Committee who served during the year, all of whom were independent Non-Executive Directors, were:

- Mr Naresh Chandra (Chairman)
- Mr Euan Macdonald
- Mr Aman Mehta

Terms of Reference

The Committee's duties are set out in its terms of reference which are available on request from the Company's registered office.

The Committee's remit is primarily to determine and agree with the Board the framework and policy for the remuneration of the Chairman and Executive Directors. In so doing, the Committee makes recommendations to the Board on:

- the Company's overall policy on executive and senior management remuneration;
- remuneration packages for individual Executive Directors, including basic salary, bonus, performance-based short- and long-term incentives, pensions and other benefits;
- the design and operation of the Company's share incentive schemes; and
- the provisions of the service agreements of the Executive Directors.

In performing its duties the Committee will have regard to published guidelines regarding the remuneration of Directors of listed companies including those published by the Association of British Insurers and National Association of Pensions Funds.

Advisers to the Committee

Mr P Kataria (Head of HR) advises the Committee on the policies and practices being applied. He also provides input into discussions concerning the remuneration and benefits offered to the Executive Directors during the year.

The Chairman and Chief Executive are consulted by the Committee in respect of remuneration packages for senior executives where appropriate (but not in respect of their own remuneration). Other Directors of the Company may attend meetings of the Committee at the invitation of the Chairman. However no Director is present during discussions relating to their own remuneration.

Ernst & Young LLP review and confirm the Company's TSR performance in respect of the long-term and short-term incentive plans. Ernst & Young LLP also provide some tax and internal audit services to the Group.

The Committee engages independent consultants to advise on particular aspects of Directors' remuneration as appropriate. During the year Hewitt New Bridge Street ('HNBS' which forms part of Hewitt Associates) provided ad hoc advice on the Company's remuneration practices as they apply to Executive Directors and carried out a bench marking exercise on Non-Executive Director fees. HNBS provide no other services to the Company.

Given the India-focused approach taken to remuneration policy, it has not been felt necessary to appoint independent compensation and benefit consultants to advise the Committee on remuneration matters during the year save for the ad hoc advice described above.

Activities of the Committee

The Committee met three times during the year and considered the following items of business:

- a report of the President, Human Resources on developments in the human resource area;
- salary and bonus arrangements of the Executive Directors;
- approval of the annual bonus for the Executive Directors for the year ended 31 March 2009;
- approval of the Remuneration Report for the year ended 31 March 2009;
- vesting of long-term incentive plan awards; and
- grant of long-term incentive plan awards to new employees.

Remuneration Policy

The Committee's principal focus continues to be the attraction and retention of high-calibre executives, incentivising them to develop and implement the Group's strategy so as to enhance long-term shareholder value. A consistent approach is used in determining the remuneration of key operational and financial heads within the Group (the 'Senior Management Group'). Both performance and non-performance-related components of the remuneration packages for Executive Directors and the Senior Management Group are therefore set by reference to local market practice in India and are in alignment with the Group's strategy. Against this backdrop, the Board's overall objective is to have in place a remuneration policy that helps facilitate the development of managers from within the existing operations, whilst offering remuneration packages that reflect the Group's position as a pre-eminent player in the Indian metals and mining sector in particular and the manufacturing sector as a whole.

Remuneration Report continued

The Board is mindful of the continuing uncertainties in global markets and the Remuneration Committee has considered external conditions when developing remuneration policies for the forthcoming year. The Committee also takes into consideration current business challenges, the growth pipeline, cost of production ('COP') trend and the balance between incentivisation and need to control risks. The Board remains committed to the principle of retaining and incentivising managers by ensuring that the structure of individual packages remains in line with market practice, whilst also taking into account the performance of the individual and the Company as a whole.

The following factors are taken into consideration when setting remuneration levels for the Executive Directors and the Senior Management Group:

- Levels of remuneration throughout the Group. This is achieved by regular liaison between the Group's HR function and the Remuneration Committee.
- Market practices prevailing in the countries in which executives work.
- Market practices in the country in which we operate in the mining and manufacturing sectors (in respect of operational management) and in all sectors (in respect of corporate and supporting functions), excluding certain very high-paying sectors, for example, financial services.

Remuneration Policy for the Senior Management Group

The Group attempts to align the interests of the Senior Management Group with those of the shareholders by linking share and cash incentives to corporate performance and challenges faced. This is measured by reference to the key performance indicators as discussed in the Business Review on pages 10 to 11.

Therefore, the remuneration packages of the Senior Management Group comprise:

- A salary for day-to-day performance of duties.
- A performance bonus as an incentive to meet short-term goals. These are set by reference to individual key result areas ('KRAs'), personal qualities and the financial performance of the Company.
- Awards under the long-term incentive plan ('LTIP', referred to below) to incentivise long-term and strategic performance.
- A short-term incentive plan ('STIP') for members of the Senior Management Group below Board level within the overall LTIP Scheme.
- Benefits in kind in accordance with local market practices.

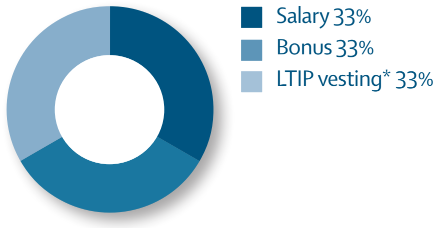
Executive Directors Elements of Remuneration

Relative Importance of Fixed and Variable Pay

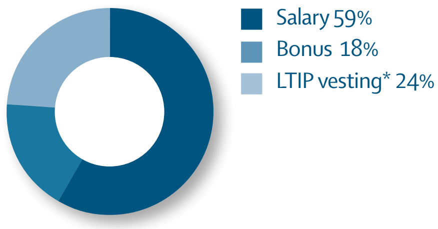
A significant proportion of the remuneration of the Executive Directors is performance-linked. The chart below demonstrates the balance of fixed and variable pay in these circumstances for the Executive Directors assuming: (i) maximum bonuses were paid and full vesting of LTIP awards ('Stretch Performance'); and (ii) actual bonus payouts as earned in 2010 and median vesting of LTIP awards ('Target Performance').

Relative Split of Salary, Bonus and LTIP for Executive Directors at Target and Stretch Performance

Stretch Performance



Target Performance



* Share price growth is ignored.

Salary

Salary reflects the role and value of the Executive Director in terms of skills, experience and contribution in the context of the relevant market.

The Executive Directors are based in India (with the exception of Mr Anil Agarwal, who is UK-based), along with the majority of the Group's professional management. Consequently their remuneration is set by reference to the prevailing rates within that market. In addition, salaries for Executive Directors and members of the Senior Management Group are set by reference to those positions of comparable status, skill and responsibility in the metals and mining industries, and in the manufacturing and engineering industries more generally.

The basic remuneration of executives in India is referred to as 'cost to company' ('CTC') which represents an aggregate figure encompassing basic salary and allowances.

The Chairman, Mr Anil Agarwal, has a service agreement with Vedanta Resources plc. His salary is approved by the Board (without the Chairman present) on the recommendation of the Remuneration Committee.

Mr Navin Agarwal and Mr MS Mehta have service agreements with Sterlite Industries (India) Ltd ('Sterlite') which have been augmented by letters of appointment to the Board of the Company. Mr Navin Agarwal and Mr MS Mehta received a salary under their Sterlite contract and an annual fee paid to them to reflect the amount of time they spend on Board business. Details of their salary and fees are shown below.

Details of salary levels for the Executive Directors are as follows:

	Vedanta salary from 1 April 2009 (£)	Sterlite salary from 1 April 2009 (INR)	Vedanta salary from 1 April 2010 (£)	Sterlite salary from 1 April 2010 (INR)	**Total 2010 (£)**	Total 2009 (£)
AK Agarwal (Executive Chairman)	1,017,500	–	1,170,125	–	**1,170,125**	1,017,500
N Agarwal (Deputy Executive Chairman)	60,000	50,820,000	80,000	56,478,000	**824,273**	684,377
MS Mehta (Chief Executive)	60,000	14,062,000	80,000	19,200,000	**333,019**	193,558

Note: Exchange rate of INR 75.8835 to £1 as at 1 April 2010.

Salaries are reviewed on an annual basis and changes will generally be implemented with effect from 1 April each year taking into account the period of service during the year.

Annual Performance Bonus
The annual performance bonus focuses on delivery of financial targets and motivates achievement of operational, strategic and personal goals.

The Company operates a performance bonus scheme providing the Executive Directors and the Senior Management Group with an opportunity to earn a cash amount based on the achievement of stretching performance targets. The bonus targets are reviewed by the Committee at the beginning of the financial year over which performance will be measured. The bonus is non-pensionable.

The maximum bonus payable to the Executive Directors is 100% of annual base salary, whilst for other members of the Senior Management Group, the maximum bonus payable is 50% of CTC. In respect of Mr Navin Agarwal and Mr MS Mehta salary means the aggregate of Vedanta salary together with CTC payable by Sterlite.

Performance conditions are attached to all bonus arrangements, which are set by reference to individual KRAs, personal quality measures and the financial performance indicators of the Group. The majority of KRA targets are linked to the Group's vision and business plan of respective companies. However, certain KRAs monitor performance in respect of softer issues, or 'enablers', for example, people management, thus allowing a more rounded approach to be taken to incentivisation.

For the year ended 31 March 2010, the payment of the annual bonus was dependent on the following business operational performance and projects, including green field and expansion projects. In addition it was linked to strategic initiatives in mergers and acquisitions and effective stakeholder management which resulted in recognition and achievement of awards in CSR, safety, quality, business excellence and best employer status.

Operational Performance
- Zinc and lead production was 578,000 tonnes and 72,000 tonnes, an increase of 5% and 11% respectively.
- Full year silver production was 5.7 million ounces, a 34% increase over FY 2009.
- Iron ore production was 21.4 million tonnes, an increase of 34% over corresponding period.
- Cathode production in India for FY 2010 was 334,000 tonnes, an increase of 7% compared to the previous year.
- In Zambia, total cathode production in FY 2010 was 173,000 tonnes, an increase of 30% over the previous year.
- Aluminium production was 533,000 tonnes, 15% higher than the previous year.
- In energy sector 3,279 million units of power were sold, compared to 882 million units in FY 2009.
- Raised convertible bond of US$3.1 billion and equity of US$1.1 billion.

Projects
- All of the designated projects are in line with time schedules and project milestones. Project costs have been lowered taking the economic situation as an opportunity for growth.

Pensions
The policy on pensions is to provide benefits in line with local market practice to act as a retention tool and reward long service.

The Company does not provide post-retirement benefits to Mr Anil Agarwal and this is reflected in the determination of his overall remuneration package. The Indian-based Executive Directors are entitled to contribute to the Provident Fund, a Gratuity and Superannuation Fund which provides pension benefits consistent with local market practices. The Provident Fund and Superannuation Fund are defined contribution pension arrangements. The Gratuity Fund is a defined benefit pension arrangement.

Benefits in Kind
Benefits are provided to the Executive Directors in line with market practice.

Mr Anil Agarwal is provided with a car and fuel in the UK for business use. For his frequent business trips to India, Mr Agarwal is also provided with a car and driver for business use and is entitled to the use of company-owned furnished accommodation.

Remuneration Report continued

Benefits in kind provided to Indian-based senior executives are set in line with local market practices and include private medical insurance, accident insurance, the use of a car and driver, and for certain individuals, the provision of accommodation, either in company-owned or leased premises. Mr Navin Agarwal is provided with leased accommodation and Mr M S Mehta is entitled to a housing loan subsidy. Mr Navin Agarwal was also reimbursed club membership fees.

Long-term Incentive Plan ('LTIP')
The LTIP aids retention, rewards creation of value and aligns of interests of Executive Directors with shareholders. Details of the operation of the LTIP are set out below.

The Company operates a Long-Term Incentive Plan for Executive Directors senior management and select wider management team. Under the LTIP, awards of nominal-cost options may be granted in line with the Board's objective of incentivising and developing the potential within the wider management group. Each year the aim has been to broaden the constituency of employees eligible to participate in the LTIP so as to increase the alignment of interests between shareholders and the management population and to encourage equity ownership amongst employees.

It is the Committee's intention that the LTIP will continue to be operated for these purposes and in the way described below during the forthcoming year.

LTIP Performance Measures
The vesting of LTIP awards is subject to measurement of the Company's performance in terms of Total Shareholder Return ('TSR)', being the movement in the Company's share price (plus reinvested dividends), compared over a three-year period from the date of grant with the performance of a specific list of companies, selected as being the Group's main peers and competitors. This performance condition was selected as it provides a strong alignment between the interests of shareholders and the senior executives in the Group. They are felt to provide a meaningful comparison against which to measure the Group's performance. The full list of companies against whose performance Vedanta's TSR is measured is as follows (the 'Comparator Group'):

1. Anglo American
2 BHP Billiton
3. Rio Tinto
4 Xstrata
5. Vale
6. Antofagasta
7. Grupo Mexico
8. Hindalco
9. Alcoa
10. Teck (formerly known as Teck Cominco)

There have been no changes to the Comparator Group during the year.

The extent to which an award vests will depend on the Company's TSR ranking against the Comparator Group at the end of the three-year performance period.

The vesting schedule is shown in the table below, with straight-line vesting in between the points shown rounded down to the nearest whole share.

Vedanta's TSR performance against the Comparator Group	% of award vesting
Below median	nil
At median	40
At or above upper quartile	100

The performance condition is measured by taking the Company's TSR over the four weeks immediately preceding the date of grant and over the four weeks immediately preceding the end of the three-year performance period and comparing its performance with that of the Comparator Group. The information to enable this calculation to be carried out on behalf of the Committee is provided by Ernst & Young LLP. The Committee considers that this performance condition provides a reasonable alignment of the interests of the Executive Directors and the Senior Management Group with those of the shareholders.

As the majority of the Group's employees are domiciled in India, the Remuneration Committee has to be cognisant of Indian market practice in order to be sure of retaining high calibre employees in that market. The most common form of executive share option scheme in India is one in which a certain percentage of options vest every year, and the total options vest fully (100%) over three to four years. However, the full extent of awards under the Vedanta LTIP is known only after three years. In addition, unlike the LTIP, the benefits under these schemes are not linked to relative TSR performance with a peer group of companies. Considering the multiplicity of factors (including vesting term duration, performance relative to peer group companies and the relatively modest maximum award level under the LTIP of 100% of the aggregate of annual salary and CTC fees compared to other companies of a similar size) that determine benefits under the LTIP, the Remuneration Committee believes that 40% vesting for median performance is warranted, and the minimum required to maintain the LTIP's role as a strong motivational and retention tool for the high calibre management team. However, the Committee will continue to monitor the appropriateness of this approach.

Operation of the LTIP
The maximum value of awards that can be conditionally awarded to an Executive Director in a year is 100% of the aggregate of annual salary and CTC fees. Details of the awards held by the Executive Directors as at 31 March 2010 are shown in the table of Directors' Long-term Incentive Awards on page 79.

LTIP awards are also made to the Senior General Management Group. The maximum value of awards that can be awarded to members of the Senior Management Group is calculated by reference to the fixed salary (CTC) and share-based remuneration consistent with local market practice.

Nominations for awards under the LTIP are made by the Chief Executive Officers of each operating company and heads of large independent projects based on guidelines issued by the Group. Individuals are assessed and categorised by reference to the importance of their roles to the relevant business unit, past performance and future potential. The size of awards is linked to fixed salary, being a factor of CTC, based on how the individual has been assessed in accordance with the Group's guidelines.

During the year, the Remuneration Committee considered the policy in relation to LTIP awards for senior management. It was highlighted that the Group's employees in India were working in an increasingly competitive market with talented management remaining scarce. As a result the Remuneration Committee resolved to award a total of 2,492,000 LTIP options to approximately 2,250 employees, the awards ranging from 70% to 150% of annual fixed salary. In addition LTIP awards continue to be made to selected contracted employees. employees hired through the Company's global recruitment programme.

Vesting of LTIP Awards

Last year Ernst & Young LLP reviewed the Company's TSR performance relative to the Comparator Group for the 36-month performance period for LTIP awards made in 2007. Ernst & Young reported that TSR performance of Vedanta over the three year period was at the median ranking triggering a 40% vesting of awards. Accordingly, the Remuneration Committee approved the vesting of 718,180 ordinary shares under the LTIP awards to 872 eligible employees. Many employees exercised these options in the current year. This included the vesting of awards to the Executive Directors as follows:

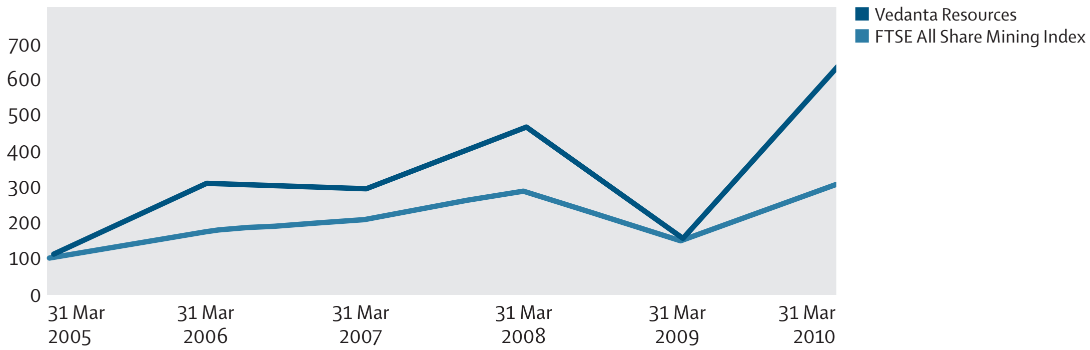
	Number of shares
AR Agarwal	17,000
MS Mehta	8,000

Equity Dilution Resulting from Employee Share Schemes

The dilution limits set out in the rules of the Employee Share Schemes in December 2003 allow up to an aggregate of 10% of the Company's issued share capital to be issued or issuable pursuant to awards under any of the Company's employee share schemes over a period of 10 years. Up to 5% of the Company's issued share capital may be used for the Company's discretionary schemes over a 10-year period. Shares issued or issuable pursuant to awards made under the Vedanta Resources Share Reward Plan (the 'Reward Plan') are not counted for these purposes. The Reward Plan was used solely to reward employees who contributed to the Company's development up to the listing in 2003. No further awards have been made under this plan. Currently 1.26% (2008: 0.68%) of the Company's issued share capital is issuable in respect of outstanding awards under the LTIP.

Total Shareholder Return

The graph below shows the TSR performance of the Company in comparison with that of the FTSE All Share Mining Index for the period from 31 March 2005 to 31 March 2010.



Source: Thomson Reuters

This graph shows the value, by 31 March 2010, of £100 invested in Vedanta Resources plc on 31 March 2005 compared with the value of £100 invested in the FRTSE All Share Mining Index. The other points plotted are the values at intervening financial years ends.

Total Shareholder Return

Executive Directors' Service Contracts

Mr Anil Agarwal is employed under a contract of employment with the Company for a rolling term but which may be terminated by not less than six months' notice. Provision is made in Mr Agarwal's contract for payment to be made in lieu of notice on termination which is equal to basic salary and costs to the Company for providing certain benefits during the notice period or part thereof.

Mr Navin Agarwal has a letter of appointment with Vedanta which is a rolling contract and may be terminated by giving six months' notice. Mr Navin Agarwal has a service agreement with Sterlite which expires on 31 July 2013, with a notice period of three months.

Mr Mahendra Mehta has a service contract with Sterlite and a letter of appointment with Vedanta which may be terminated by giving three months' notice. There is a payment in lieu of notice clause in his contract allowing for the payment of compensation in the case of early termination.

It is the Group's policy that no Directors' service contract should be terminable on more than 12 months' notice.

Copies of all Executive Directors' service contracts and the letters of appointment of the Non-Executive Directors are available for inspection during normal business hours at the registered office of the Company.

Remuneration Report continued

Executive Directors' Service Contract Details

	Date of contract	Notice period from the Company	Outstanding term
AK Agarwal	27 November 2003	6 months	Rolling notice period
N Agarwal (Vedanta)	4 May 2005	6 months	Rolling notice period
N Agarwal (Sterlite)	1 August 2003	3 months	Until 31 July 2013
MS Mehta	1 October 2008	3 months	Until 30 September 2011

External Appointments

The Board's policy on external appointments is that an Executive Director may, only with the prior approval of the Board, accept an appointment external to the Group (other than any appointment to related parties or Volcan Investments Limited ('Volcan') in the case of Messrs Anil Agarwal and Navin Agarwal) as a Non-Executive Director of a publicly listed company anywhere and that the fees for any such appointment may be retained by the individual.

Currently, none of the Executive Directors holds any such outside appointments, other than Messrs Anil Agarwal and Navin Agarwal who hold directorships in Volcan.

Non-Executive Directors

Non-Executive Directors' Fees

The Board is responsible for setting Non-Executive Directors' fees and reviews them periodically. In setting the fees of Non-Executive Directors, the Board has taken account of the Group's complexity, the significant travel and time commitments required for attending Board and other meetings in India and the UK and the risk profile of the Company. During the year, Non-Executive Directors' fees comprise three elements:

1. Base fee, £60,000
2. Committee membership fee, up to £5,000
3. Committee chairmanship fee, up to £20,000

Non-Executive Directors' Letters of Appointment

The Non-Executive Directors have letters of appointment which may be terminated by either party by giving three months' notice. The Non-Executive Directors' letters of appointment set out the time requirements expected of them in the performance of their duties. Non-Executive Directors are normally expected to spend at least 20 days per year on Company business. There is no provision in the letters of appointment of the Non-Executive Directors for compensation to be paid in the event of early termination. Details of the Non-Executive Directors' letters of appointment are shown below.

	Date of contract	Notice period from the Company	Outstanding term
N Chandra[1]	1 June 2010	3 months	Until 31 May 2011
A Mehta	24 November 2009	3 months	Until 23 November 2011
ER Macdonald	23 March 2010	3 months	Until 22 March 2012

1 Mr Chandra is engaged on a contract renewable every 12 months.

Directors' Interests in Ordinary Shares

The interests of the Directors (which are beneficial unless otherwise stated) in ordinary shares at 31 March 2010 were:

	As at 1 April 2009	As at 31 March 2010
AK Agarwal[1]	158,876,393	162,250,000[2]
AK Agarwal[3]	55,400	72,440
N Agarwal[1]	213,360	213,360
MS Mehta	31,521	39,521
N Chandra	–	–
A Mehta	–	–
ER Macdonald	–	–

1 Mr Anil Agarwal and Mr Navin Agarwal each held nominee shares in direct and indirect subsidiaries. These holdings are non-beneficial.
2 Mr Anil Agarwal's holding of 162,250,000 shares are registered in the name of Volcan Investments Limited which is a company owned by a family trust.
3 Shares held directly by Mr AK Agarwal.

There have been no changes in the beneficial shareholdings of the Directors between the end of the financial year and the 24 May 2010.

Part II (Audited)

Directors' Remuneration Year Ended 31 March 2010

The following table sets out an analysis of the pre-tax remuneration for the year ended 31 March 2010 for individual Directors who held office in the Company during this period. All amounts are in UK pounds sterling although payments in India under service contracts with Sterlite are paid in Indian rupees.

Directors' Remuneration

	UK salary £000	CTC fees £000	Pensions £000	Annual performance bonus £000	Benefits in kind £000	2010 Total £000	2009 Total £000
Executive Directors							
AK Agarwal[1]	1,017	–	–	305	56	1,378	1,254
N Agarwal[2]	60	566	104	197	58	984	897
M S Mehta[3]	60	167	18	72	–	317	148
Non-Executive Directors							
N Chandra	115	–	–	–	–	115	95
A Mehta	85	–	–	–	–	85	85
ER Macdonald	75	–	–	–	–	75	72
Total	**1,412**	**733**	**122**	**573**	**114**	**2,954**	**2,551**

1 Mr Anil Agarwal's benefits in kind include provision of a car and fuel in the UK and India for business purposes.
2 Mr Navin Agarwal's benefits in kind include use of leased accommodation in India club membership and use of car and driver.
3 Mr MS Mehta's benefits in kind include use of car and housing loan subsidy.

Directors' Long-Term Incentive Plan Awards

	Option granted	Exercise price (US cents)	1 April 2009	Movements during the year: Grants	Movements during the year: Exercised	31 March 2010	Earliest/last exercise dates	Date award exercised	Market price on exercise £	Market price at grant £	Aggregate gain on exercise £
AK Agarwal	1 Feb 2006[1]	0.10	17,000	–	17,000	0	1 Feb 2009 to 1 Aug 2009	31 Jul 2009	17.64	9.89	298,700
	14 Nov 2007	0.10	37,000	–	–	37,000	14 Nov 2010 to 14 May 2011	–	–	19.69	–
	1 Aug 2009	0.10	–	60,000	–	60,000	1 Aug 2012 to 1 Jan 2013	–	–	17.64	–
N Agarwal	14 Nov 2007	0.10	24,500	–	–	24,500	14 Nov 2010 to 14 May 2011	–	–	19.69	–
	1 Aug 2009	0.10	–	40,000	–	40,000	1 Aug 2012 to 1 Jan 2013	–	–	17.64	–
MS Mehta	1 Feb 2006[1]	0.10	8,000	–	8,000	0	1 Feb 2009 to 1 Aug 2009	29 Jun 2009	13.02	9.89	103,600
	14 Nov 2007	0.10	8,000	–	–	8,000	14 Nov 2010 to 14 May 2011	–	–	19.69	–
	1 Aug 2009	0.10	–	17,500	–	17,500	1 Aug 2012 to 1 Jan 2013	–	–	17.64	–

1 TSR performance over three years was measured as at median ranking therefore this represents 40% of the 2006 LTIP awards vested in 2009. The remainder of the award lapsed in 2009.

The mid-market price of the shares at 31 March 2010 was 2,776 pence and from 1 April 2009 to 31 March 2010, the share price varied between 642.5 pence and 2,967 pence.

Signed on behalf of the Board of Directors.

Naresh Chandra
Chairman of the Remuneration Committee
5 May 2010

Directors' Report

Purpose of the Directors' Report

The purpose of the Directors' Report is to provide shareholders with certain statutory information about the Company, its Directors and operations. The Business Review, which forms part of the Directors' Report, informs shareholders and helps them assess how the Directors have performed their duty to promote the success of the Company. In addition, as a company traded on the London Stock Exchange, the Company is required to provide information which includes amongst other things, details of the Company's share capital, voting rights, rules on directors' appointments and significant agreements that alter on change of control.

The Directors are pleased to present their Annual Report on the business of the Group, together with the financial statements and auditors' report, for the year ended 31 March 2010.

Principal Activities

Vedanta Resources plc is the UK parent company of a diversified metals and mining group. The Group's principal operations are in India, Zambia and Australia. The major metals produced are aluminium, copper, zinc, lead, silver and iron ore. The Group is also producing commercial power. Analysis of revenue, operating profit, principal activities and geographical origins appears in Note 3 of the financial statements and a list of the principal subsidiaries and associated undertakings of the Group may be found in Note 36 to the financial statements.

Business Review

This review has been prepared in accordance with the Companies Act 2006 which requires the Company to set out a fair review of the business of the Group during the financial year, including an analysis of the position of the Group at the end of the financial year and the trends and factors likely to affect the future development, performance and position of the business.

The information that fulfils the requirements of the Business Review, including principal risks and uncertainties and key performance indicators, can be found within the following sections, which are incorporated in this report by reference:

Information	Location in the Annual Report	Page
Key performance indicators	Business Review	10
Description of the principal risks and uncertainties facing the Group	Financial Review	40
Strategy	Chairman's Statement and Business Review	16
Future developments	Business Review	16
Review of operations	Business Review	16
Financial review	Financial Review	36
Environmental matters	Sustainable Development Report	50
Health and safety matters	Sustainable Development Report	50
Community issues	Sustainable Development Report	50

The Business Review and other sections of this Annual Report contain forward looking statements. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Company's ability to control or predict. Forward looking statements and past performance are therefore not guarantees of future performance. The information contained in the Business Review has been prepared on the basis of information and knowledge available to Directors at the date of preparation and the Company does not undertake to update or revise the content during the year ahead.

Corporate Governance

In accordance with the Financial Services Authority's Disclosure and Transparency Rules ('DTR') 7.2.1 the disclosures required by DTR7.2.2R to DTR 7.2.5 and DTR7.2.7 may be found in the Corporate Governance Report on pages 65 to 72. Information referred to in DTR7.2.6 is located in this Directors' Report.

Post Balance Sheet Events

There have been no significant events since the balance sheet date.

Dividends

The Directors recommend a final dividend for the year ended 31 March 2010 of 27.5 US cents per ordinary share (2009: 25 US cents per ordinary share). Subject to shareholders approving this recommendation at the Annual General Meeting on 28 July 2010, the final dividend will be paid on 4 August 2010 to shareholders on the register of members as at 9 July 2010.

Taken together with the interim dividend of 17.5 US cents per ordinary share paid to shareholders on 7 January 2010, the total dividend for the year is 45 US cents per ordinary share (2009: 41.5 US cents per ordinary share).

Directors

The names, specific responsibilities and biographical details of the current Board of Directors are shown on page 12. Details of the remuneration of the Directors, their interests in the shares of the Company and service contracts are contained in the Remuneration Report on pages 73 to79.

The following Directors held office during the year ended 31 March 2010:

	Appointed	Designation
Executive Directors		
AK Agarwal	16 May 2003	Executive Chairman
N Agarwal	24 November 2004	Deputy Executive Chairman
MS Mehta	1 October 2008	Chief Executive
Non-Executive Directors		
N Chandra	18 May 2004	Non-Executive Director
A Mehta	24 November 2004	Non-Executive Director
ER Macdonald	23 March 2005	Non-Executive Director

Unless otherwise determined by ordinary resolution, the minimum number of Directors (other than alternate Directors) shall be two however there is no limit on maximum number of Directors. The powers of the Directors are described in the Corporate Governance Statement on page 65.

Retirement of Directors

The Company's Articles require that at every Annual General Meeting one-third of the Directors, or if their number is not three or multiple of three, the number nearest to one-third, shall retire from office. The Directors to retire by rotation are those who have been longest in office since appointment or re-appointment.

Accordingly Mr Euan Macdonald , Mr Naresh Chandra and Mr Aman Mehta will retire by rotation at the forthcoming Annual General Meeting and being eligible will offer themselves for re-election.

Directors' and Officers' Liability Insurance and Indemnities

The Company purchases and maintains liability insurance for its Directors and officers and those of the subsidiaries of the Group, as permitted by the Companies Act 2006. The insurance policy does not provide cover where the Director has acted fraudulently or dishonestly. The Company believes that it is appropriate to provide such cover to protect Directors from innocent error as the Directors carry significant liability under criminal and civil law and under the UK Listing, Prospectus and Disclosure and Transparency Rules, and face a range of penalties.

In addition the Articles of Association of the Company contain an indemnity provision in favour of the Directors of the Company against proceedings brought by third parties, subject to the Companies Act 2006, to allow the Company to pay defence costs for the Director where the Director is exonerated.

Employees

Information on the Group's employees and its policies with respect to employees can be found in the Sustainable Development Report on pages 50 to 64.

Charitable Donations

During the year, the Group made charitable donations of US$1.1 million paid to the Sterlite Foundation (2009: US$0.86 million) and other charitable donations of US$0.63million (2009: US$1.52 million).

Further details about the Group's involvement with local communities during the year can be found in the Sustainable Development Report on pages 50 to 64.

Political Donations

It is the Board's policy that neither Vedanta nor any of its subsidiary companies may, under any circumstances, make donations or contributions to political organisations within the United Kingdom or European Union. In exceptional circumstances where such political donations or contributions are to be paid in the United Kingdom and European Union and if deemed necessary for legitimate business reasons, they will not be made without the approval of the Board and the shareholders in the general meeting.

During the year, the Group made political donations in India of US$3.66 million either through a trust or directly in respect of the Indian general election. The Board believes this will encourage and strengthen the democratic process in India.

Supplier Payment Policy

The Group does not follow any specific external code or standard on payment terms. Instead, responsibility for determining payment terms is delegated to the individual businesses within the Group, which take into consideration the commercial circumstances, local market and industry practice. The Group's policy is either to settle terms of payment with suppliers when agreeing the terms of each transaction or to ensure that the supplier is aware of the individual business's usual payment terms. Payment is made in accordance with contractual and other legal obligations and reflects local market practices.

Trade creditor days of the Company at 31 March 2010 were 62 days (2009: 86 days).

Value of Land

Land is carried in the balance sheet at historic cost. It is not practical to estimate the market value of land at each balance sheet date.

Directors' Report continued

Research and Development
The Group's business units carry out research and development activities necessary to further their operations.

Material Shareholdings
As at 24 May 2010, the Company had been notified under the Disclosure and Transparency Rules, of the following significant voting rights in its shares:

Name of holder	Number of ordinary shares of US$0.10 each	Percentage of total ordinary share capital
Volcan Investments Ltd	162,250,000	60%

1 The voting rights at 31 March 2010 were 268,115,568 ordinary shares (net of treasury shares).

Articles of Association, Share Capital and Voting Rights
The following description summarises certain provisions in the Company's Articles of Association (the 'Articles') and applicable English law concerning companies (the Companies Act 2006, the 'Act'). This is a summary only and the relevant provisions of the Act or the Articles should be consulted if further information is required. Copies of the Company's current Articles are available for inspection at the Company's registered office.

Amendments to the Articles of Association
This year it is proposed to amend the Articles to consolidate all the changes made under the Companies Act 2006 which have been introduced in stages over the last three years. The Articles may be amended by special resolution of the shareholders and therefore a special resolution will be put to shareholders at the 2010 Annual General Meeting.

Dividends and Distributions
Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends if it appears to the Board that they are justified by the profits of the Company available for distribution. The treasury shares are not entitled for dividend.

Dividends may be declared and paid in any currency or currencies that the Board shall determine. The Board may also determine the exchange rate and the relevant date for determining the value of the dividend in any currency.

Rights and Obligations Attaching to Shares
The rights and obligations attaching to the ordinary and deferred shares are set out in the Articles of Association. Details of the authorised and issued share capital together with movements in the Company's issued share capital during the year are shown in Note 31.

In February 2006, Vedanta Finance (Jersey) Limited ('VFJL') issued 4.6% US$725 million guaranteed convertible bonds (the '2026' Bonds'). The bonds are first convertible into exchangeable redeemable preference shares to be issued by VFJL, which are then exchanged automatically for ordinary shares of Vedanta Resources plc represented by depositary receipts, which do not carry voting rights. The 2026 Bonds were redeemed in February 2010. Further details of the convertible bonds are set out in Note 25.

Each ordinary share carries the right to one vote at general meetings of the Company. Holders of deferred shares are not entitled to attend, speak or vote at any general meeting of the Company, nor are they entitled to the payment of any dividend or to receive notice of general meetings.

Further details of the rights attaching to the deferred shares are set out in the Articles and summarised in Note 31.

Variation of Rights
Subject to the provisions of the Act, the rights attached to any class may be varied with the consent of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class.

Deadlines for Exercising Voting Rights
Votes may be exercised at general meetings in relation to the business being transacted either in person, by proxy or, in relation to corporate members, by corporate representative. The Articles provide that forms of proxy shall be submitted not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

Restrictions on Voting and the Transfer of Shares
No member shall be entitled to vote at a general meeting or at a separate meeting of the holders of any class of shares in the capital of the Company, either in person or by proxy, in respect of any share held by him unless all moneys payable by him in respect of that share have been fully paid. Furthermore, no shareholder shall be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or on a poll if he has been served with a notice after failing to provide the Company with information concerning interests in his shares that is required to be provided under the Act.

Issue of Shares
Under the Articles of Association, the Company has authority to allot new shares in the Company. Such authority would be exercised having regard to the Statement of Principles published by the Pre-emption Group.

Shares Held in Uncertificated Form
Subject to the provisions of the Uncertificated Securities Regulations 2001, the Board may permit the holding of shares in any class of shares in uncertificated form and the transfer of title to shares in that class by means of a relevant system and may determine that any class of shares shall cease to be a participating security.

Purchase of the Company's Own Shares
At the end of the year, the Directors had authority, under a shareholders' resolution dated 27 July 2009, to make market purchases of up to approximately 10% of the Company's ordinary shares.

The authority expires at the conclusion of the Annual General Meeting of the Company in 2010 or on 27 October 2010, whichever is the earlier. A resolution to obtain a further authority will be proposed at the 2010 Annual General Meeting.

During the year the, Company announced increases to its share buyback programme from US$250 million to US$850 million to purchase up to 10% of the Company's ordinary shares using the above authority. The Board believes the buyback programme is value accretive to shareholders and will be funded from the Group's substantial cash balances of over US$7.2 billion. Up until April 2010 all shares purchased were held in treasury for subsequent cancellation or sale. From April 2010 purchases will be made either by the Company or by an independent company Gorey Investments Limited ('Gorey'), funded by a wholly-owned subsidiary of Vedanta, Vedanta Jersey Investment Limited. Shares purchased by Gorey will be treated in the consolidated accounts as treasury shares and the shares will be available for purchase by Vedanta itself (subject to any required approvals), as consideration for future acquisitions or sale to third parties to raise additional capital if and when desirable.

During the financial year ended 31 March 2010 the Company made the following purchases of its ordinary shares:

	Number of shares	Percentage of issued share capital	Nominal value	Average purchase price
Shares purchased and put into treasury	11,502,873	3.9%	1,150,287.30	£19.28

As at 31 March 2010 the Company held a total of 21,080,683 ordinary shares in treasury equal to 7.12% of the issued share capital.

Significant Agreements: Change of Control
There are a number of agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, bank loan agreements, and capital market borrowing. Some of these are considered to be significant in terms of their likely impact on the business of the Group as a whole.

All of the Company's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions.

Under the terms of the US$1.25 billion 5.50% Guaranteed Convertible Bonds issued in July 2009 and the US$883 million 4.0% Guaranteed Convertible Bonds issued in March 2010, following a change of control of the Company investors have the option to require the issuer to redeem their Bonds at the principal amount, together with accrued and unpaid interest, or convert their bonds at an adjusted exchange price for a certain period following the relevant event. Under the terms of US$500 million 8.75% Bonds due 2014 and US$750 million 9.5% Bonds due 2018 the Company is required to make an offer to purchase all of the outstanding bonds if change of control event has occurred together with a rating decline. Under the terms of US$1 billion and US$373 million Syndicated loan and US$200 million loan from ICICI Bank UK plc, the majority lenders may declare the loan immediately payable upon the occurrence of change of control event.

There is no contract between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Disclosure of Information to Auditors
Each person who is a Director at the date of approval of this Annual Report confirms that:
- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Report continued

Directors' Responsibility Statement

Each Director further confirms that, to the best of their knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Business and Financial Reviews, which are incorporated into the Directors' Report, include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Re-appointment of Auditors

A resolution to re-appoint the auditors, Deloitte LLP, will be proposed at the forthcoming Annual General Meeting. The re-appointment of Deloitte LLP has been approved by the Audit Committee, which will also be responsible for determining their remuneration on behalf of the Board, subject to the approval of shareholders at the forthcoming Annual General Meeting.

Policy on Derivatives and Financial Instruments

An explanation of the Group's financial management objectives and policies together with details of the Group's exposure to price risk, credit risk, liquidity risk and foreign currency risk appears in Note 26 to the financial statements.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 18 to 47. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review on pages 36 to 47. In addition Note 26 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group requires funds both for short-term operational needs as well as for long-term investment programmes mainly in growth projects. The Group generates sufficient cash flows from its current operations which, together with the available cash and cash equivalents and liquid financial asset investments, provide liquidity both in the short-term as well as in the long-term. Anticipated future cash flows and undrawn committed facilities of US$3,204.8 million, together with cash and liquid investments of US$7,239.4 million as at 31 March 2010, are expected to be sufficient to meet the ongoing capital investment programme and liquidity requirement of the Group in the foreseeable future.

The Group has a strong Balance Sheet that gives sufficient headroom to raise further debt should the need arise. The Group's current ratings from Standard & Poor's, Moody's and Fitch are BB, Ba1 and BBB respectively. These ratings support the necessary financial leverage and access to debt or equity markets at competitive terms, taking into consideration current market conditions. The Group generally maintains a healthy net debt-equity ratio and retains flexibility in the financing structure to alter the ratio when the need arises. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Annual General Meeting

The seventh Annual General Meeting of the Company will be held at on 28 July 2010 at 3pm. The Notice convening the Annual General Meeting accompanies this Annual Report and sets out details of the business to be considered.

Deepak Kumar
Company Secretary
5 May 2010

Vedanta Resources plc
2nd Floor, Vintners Place
68 Upper Thames Street
London EC4V 3BJ

Registered in England Number 4740415

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors are required to prepare group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:
- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm to the best of our knowledge:
1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
2. the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Independent Auditor's Report to the Members of Vedanta Resources plc

We have audited the Group financial statements of Vedanta Resources plc for the year ended 31 March 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related Notes 1 to 37. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on Financial Statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on Other Matter Prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Group financial statements.

Matters on Which we are Required to Report by Exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement contained within the Director's Report in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other Matter

We have reported separately on the parent company financial statements of Vedanta Resources plc for the year ended 31 March 2010 and on the information in the Directors' Remuneration Report that is described as having been audited.

David Paterson (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
5 May 2010

Consolidated Income Statement

	Note	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million
Continuing operations			
Revenue	3	7,930.5	6,578.9
Cost of sales		(5,786.7)	(5,136.1)
Gross profit		**2,143.8**	**1,442.8**
Other operating income		87.8	115.9
Distribution costs		(229.5)	(163.0)
Administrative expenses		(269.2)	(256.8)
Special items	4	(67.3)	(31.9)
Operating profit	3	**1,665.6**	**1,107.0**
Investment revenues	5	272.8	456.2
Finance costs	6	(236.6)	(288.1)
Other gains/(losses)	7	139.8	(94.1)
Profit before taxation		**1,841.6**	**1,181.0**
Tax expense	11	(330.4)	(280.5)
Profit for the year		**1,511.2**	**900.5**
Attributable to:			
Equity holders of the parent		602.3	219.4
Minority interests		908.9	681.1
		1,511.2	**900.5**
Basic earnings per ordinary share (US cents)	12	219.6	76.4
Diluted earnings per ordinary share (US cents)	12	203.2	75.8

Consolidated Statement of Comprehensive Income

	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million
Profit for the year	**1,511.2**	**900.5**
Income and expenses recognised directly in equity:		
Exchange differences arising on translation of foreign operations	1,308.6	(2,195.3)
Gains/(losses) in fair value of available-for-sale financial assets (Note 16)	111.0	(12.8)
Gains in fair value of cash flow hedges deferred in reserves	70.9	22.5
Tax effects arising on cash flow hedges deferred in reserves	(24.1)	(5.5)
Total income/(expense) recognised in equity	**1,466.5**	**(2,191.1)**
Losses/(gains) in fair value of cash flow hedges transferred to income statement	56.8	(67.0)
Tax effects arising on cash flow hedges transferred to income statement	(19.2)	20.9
Total transferred to the income statement	**37.6**	**(46.1)**
Total comprehensive income/(expense) for the year	**3,015.3**	**(1,336.7)**
Attributable to:		
Equity holders of the parent	1,406.2	(847.7)
Minority interests	1,609.1	(489.0)

Consolidated Balance Sheet

	Note	As at 31 March 2010 US$ million	As at 31 March 2009 US$ million
Assets			
Non-current assets			
Goodwill	14	12.2	12.2
Property, plant and equipment	15	14,326.7	9,348.4
Financial asset investments	16	201.2	91.6
Other non-current assets	17	18.3	21.4
Other financial assets (derivatives)	26	43.7	52.8
Deferred tax assets	28	8.9	11.2
		14,611.0	9,537.6
Current assets			
Inventories	18	1,260.6	909.3
Trade and other receivables	19	923.6	735.0
Other current financial assets (derivatives)	26	10.4	82.0
Liquid investments	20	6,849.4	4,532.1
Cash and cash equivalents	21	390.0	380.5
Current tax assets		15.0	–
		9,449.0	6,638.9
Total assets		24,060.0	16,176.5
Liabilities			
Current liabilities			
Short-term borrowings	22	(1,012.6)	(1,298.5)
Trade and other payables	24a	(2,559.2)	(1,967.7)
Other current financial liabilities (derivatives)	26	(38.5)	(114.7)
Provisions	27	(0.9)	(6.9)
Current tax liabilities		(71.7)	(47.6)
		(3,682.9)	(3,435.4)
Net current assets		5,766.1	3,203.5
Non-current liabilities			
Medium- and long-term borrowings	22	(4,383.2)	(3,212.3)
Convertible bonds	25	(2,777.8)	(604.1)
Trade and other payables	24b	(306.4)	(76.4)
Other financial liabilities (derivatives)	26	(44.7)	(59.7)
Deferred tax liabilities	28	(1,209.3)	(1,010.6)
Retirement benefits	30	(36.6)	(29.3)
Provisions	27	(167.6)	(165.5)
Non-equity minority interests	22	(11.9)	(11.9)
		(8,937.5)	(5,169.8)
Total liabilities		(12,620.4)	(8,605.2)
Net assets		11,439.6	7,571.3
Equity			
Share capital	31	29.6	28.9
Share premium account		196.8	21.1
Share-based payment reserves		25.5	14.0
Convertible bond reserve		305.9	111.5
Hedging reserves		27.8	(39.6)
Other reserves		2,463.8	1,168.9
Treasury shares		(428.9)	(80.3)
Retained earnings		2,090.0	1,888.1
Equity attributable to equity holders of the parent		4,710.5	3,112.6
Minority interests		6,729.1	4,458.7
Total equity		11,439.6	7,571.3

Financial Statements of Vedanta Resources plc, registration number 4740415 were approved by the Board on 5 May 2010

MS Mehta
Director

Consolidated Cash Flow Statement

	Note	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million
Operating activities			
Profit before taxation		**1,841.6**	**1,181.0**
Adjustments for:			
Depreciation		563.0	473.2
Investment revenues		(272.9)	(456.2)
Finance costs, including foreign exchange		96.8	382.2
Share-based payment charge		15.6	13.1
Inventory net realisable value write down		–	79.0
Other non-cash items		44.1	12.6
Operating cash flows before movements in working capital		**2,288.2**	**1,684.9**
(Increase)/decrease in inventories		(249.4)	69.9
Decrease in receivables		16.4	167.9
Increase in payables		205.2	383.9
Cash generated from operations		**2,260.4**	**2,306.6**
Dividends received		142.7	241.9
Interest income received		150.1	130.2
Interest paid		(455.3)	(399.9)
Income taxes paid		(407.8)	(330.8)
Dividends paid		(117.9)	(118.8)
Net cash from operating activities		**1,572.2**	**1,829.2**
Cash flows from investing activities			
Acquisition of subsidiary	32	(335.0)	–
Cash acquired with subsidiary	32	34.6	–
Purchases of property, plant and equipment		(2,362.1)	(2,799.6)
Proceeds on disposal of property, plant and equipment		12.1	7.9
Dividends paid to minority interests of subsidiaries		(68.4)	(56.1)
Purchase of liquid investments	23	(1,663.4)	(961.9)
Buyback of shares		(348.6)	(80.3)
Buy out of minority interest		(189.7)	(316.8)
Sale/(purchase) of financial asset investments		17.9	(85.4)
Net cash used in investing activities		**(4,902.6)**	**(4,292.2)**
Cash flows from financing activities			
Issue of ordinary shares		0.7	0.1
Issue of depository receipts by subsidiary		1,090.1	–
(Decrease)/increase in short-term borrowings	23	(360.6)	209.0
Increase in long-term borrowings	23	2,859.0	1,999.1
Net cash from financing activities		**3,589.2**	**2,208.2**
Net increase/(decrease) in cash and cash equivalents	23	258.8	(254.8)
Effect of foreign exchange rate changes	23	(249.3)	177.1
Cash and cash equivalents at beginning of year		380.5	458.2
Cash and cash equivalents at end of year	21	**390.0**	**380.5**

Consolidated Statement of Changes in Equity

US$ million	Attributable to equity holders of the Company										
	Share capital	Share premium	Treasury shares	Share-based payment reserves	Convertible bond reserve	Hedging reserves	Other reserves[1]	Retained earnings	Total	Minority interest	Total equity
At 1 April 2008	**28.8**	**20.0**	**–**	**15.6**	**115.7**	**(9.1)**	**1,932.6**	**1,743.5**	**3,847.1**	**5,360.6**	**9,207.7**
Total comprehensive (loss)/ income for the period	–	–	–	–	–	(30.5)	(1,036.6)	219.4	(847.7)	(489.0)	(1,336.7)
Conversion of convertible bond	–	1.1	–	–	(0.2)	–	–	–	0.9	–	0.9
Convertible bond transfers	–	–	–	–	(4.0)	–	–	4.0	–	–	–
KCM call option (Note 37)	–	–	–	–	–	–	213.2	63.8	277.0	(233.1)	43.9
Transfers[2]	–	–	–	–	–	–	59.7	(59.7)	–	–	–
Dividends paid	–	–	–	–	–	–	–	(118.8)	(118.8)	(56.1)	(174.9)
Exercise of LTIP/STIP awards	0.1	–	–	(14.7)	–	–	–	14.7	0.1	–	0.1
Purchase of treasury shares	–	–	(80.3)	–	–	–	–	–	(80.3)	–	(80.3)
Additional Investment in subsidiaries	–	–	–	–	–	–	–	21.2	21.2	(123.7)	(102.5)
Recognition of share-based payment (Note 30)	–	–	–	13.1	–	–	–	–	13.1	–	13.1
At 31 March 2009	**28.9**	**21.1**	**(80.3)**	**14.0**	**111.5**	**(39.6)**	**1,168.9**	**1,888.1**	**3,112.6**	**4,458.7**	**7,571.3**

US$ million	Attributable to equity holders of the Company										
	Share capital	Share premium	Treasury shares	Share-based payment reserves	Convertible bond reserve	Hedging reserves	Other reserves[1]	Retained earnings	Total	Minority interest	Total equity
At 1 April 2009	**28.9**	**21.1**	**(80.3)**	**14.0**	**111.5**	**(39.6)**	**1,168.9**	**1,888.1**	**3,112.6**	**4,458.7**	**7,571.3**
Total Comprehensive income for the period	–	–	–	–	–	67.4	736.5	602.3	1,406.2	1,609.1	3,015.3
Issue of convertible bond (Note 25)	–	–	–	–	330.2	–	–	–	330.2	–	330.2
Issue of depository receipts by subsidiary[3]	–	–	–	–	–	–	–	300.1	300.1	790.0	1,090.1
Conversion of convertible bonds (Note 25)	0.7	175.7	–	–	(109.5)	–	–	42.2	109.1	32.6	141.7
Convertible bond transfers	–	–	–	–	(26.3)	–	–	26.3	–	–	–
Transfers[2]	–	–	–	–	–	–	558.4	(558.4)	–	–	–
Dividends paid	–	–	–	–	–	–	–	(117.9)	(117.9)	(68.4)	(186.3)
Exercise of LTIP/STIP awards	–	–	–	(4.1)	–	–	–	4.1	–	–	–
Purchase of treasury shares	–	–	(348.6)	–	–	–	–	–	(348.6)	–	(348.6)
Additional Investment in subsidiaries	–	–	–	–	–	–	–	(96.8)	(96.8)	(92.9)	(189.7)
Recognition of share-based payment (Note 29)	–	–	–	15.6	–	–	–	–	15.6	–	15.6
At 31 March 2010	**29.6**	**196.8**	**(428.9)**	**25.5**	**305.9**	**27.8**	**2,463.8**	**2,090.0**	**4,710.5**	**6,729.1**	**11,439.6**

1 Other reserves comprise:

	Currency translation reserve	Merger reserve	Investment revaluation reserve	General reserves	Other	Total
At 1 April 2008	**277.6**	**4.4**	**0.2**	**1,863.6**	**(213.2)**	**1,932.6**
Exchange differences on translation of foreign operations	(1,023.8)	–	–	–	–	(1,023.8)
Revaluation of available-for-sale investments	–	–	(12.8)	–	–	(12.8)
KCM call option	–	–	–	–	213.2	213.2
Transfer from retained earnings[2]	–	–	–	59.7	–	59.7
At 31 March 2009	**(746.2)**	**4.4**	**(12.6)**	**1,923.3**	**–**	**1,168.9**
Exchange differences on translation of foreign operations	625.5	–	–	–	–	625.5
Revaluation of available-for-sale investments	–	–	111.0	–	–	111.0
Transfer from retained earnings[2]	–	–	–	558.4	–	558.4
At 31 March 2010	**(120.7)**	**4.4**	**98.4**	**2,481.7**	**–**	**2,463.8**

2 Under Indian law, a general reserve is created through a year-on-year transfer from the income statement. The purpose of these transfers is to ensure that distributions in a year are less than the total distributable results for the year. The general reserve becomes fully distributable in future periods.

3 In June 2009, Sterlite raised US$1090.1 million via the issuance of American Depository Receipts. This resulted in a reduction of Vedanta's shareholding in Sterlite from 61.35% to 56.62%. This reduction has not resulted in any change in control and hence Sterlite continues to be consolidated in Vedanta's consolidated financial statements. This reduction has been accounted in Vedanta's consolidated financial statement as an equity transaction. The carrying amount of the minority interest has been adjusted to reflect the change in Vedanta's interest in Sterlite's net assets. The difference between the amount by which the minority interest is adjusted and the net consideration received of US$298.2 million is recognised directly in equity and attributed to equity holders of Vedanta.

Notes to the Consolidated Financial Statements

1. Presentation of Financial Statements

Compliance with Applicable Law and IFRS

The financial statements have been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, Article 4 of the IAS Regulation and International Financial Reporting Standards ('IFRS') as adopted by the European Union and related interpretations.

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, available-for-sale financial assets, fixed rate bonds and defined benefit pension obligations that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair values attributable to the risks that are being hedged. The consolidated financial statements are presented in US dollars and all values are rounded to the nearest million except where otherwise indicated.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

Improvements to IFRSs (April 2009)
IAS 27 (Revised 2008) – Consolidated and Separate Financial Statements
IAS 28 (Revised 2008) – Investments in Associates
IFRS 3 (Revised 2008) – Business Combinations
IFRIC 17 Distributions of Non-cash Assets to Owners

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for:

– IFRS 3 (revised 2008) Business Combinations. This standard will affect the treatment of business combinations which take place in periods commencing on or after 1 July 2009, when the revised standard comes into effect.

Going Concern

The financial statements have been prepared in accordance with the going concern basis of accounting. The use of this basis of accounting takes into consideration the Group's current and forecast financing position, additional details of which are provided in the Going Concern section of the Directors' Report.

Parent Company Financial Statements

The financial statements of the parent company, Vedanta Resources plc, have been prepared in accordance with UK GAAP, UK accounting presentation and UK company law. The Company balance sheet is presented in Note 38.

2a) Accounting Policies

Basis of Consolidation

The consolidated financial information incorporates the results of the Company and all its subsidiaries, being the companies that it controls. This control is normally evidenced when the Group is able to govern a company's financial and operating policies so as to benefit from its activities or where the Group owns, either directly or indirectly, the majority of a company's equity voting rights unless in exceptional circumstances it can be demonstrated that ownership does not constitute control.

The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring any dissimilar accounting policies that may exist in line with Group policy.

All intercompany balances and transactions, including unrealised profits arising from intra-Group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Adoption of New Standards

In the current financial period the Group has adopted the following new standards:

IFRS 8 'Operating Segments'. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance. The adoption of IFRS 8 has resulted in the disclosure of a new energy segment which represents the sale of commercial power and the Copper segment has been split into Copper India & Australia and Copper Zambia. The introduction of IFRS 8 has resulted in further disclosures on each of these segments and these are set out in Note 3. The comparatives have been restated accordingly.

IAS 1 'Presentation of Financial Statements' (revised 2007) Requires the presentation of a statement of comprehensive income. In addition, IAS 1 introduces a requirement to present a third balance sheet at the opening date of the comparative period in instances where an accounting policy change has been applied retrospectively, or where there have been restatements or re-classifications of items within the financial statements. The adoption of IFRS 8 triggers this third balance sheet requirement. The Company has elected not to present the third balance sheet as the adoption of IFRS 8 did not result in any changes to the comparative balance sheet.

IAS 23 'Borrowing Costs' ('revised'). IAS 23 (revised) requires that all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset must be capitalised. The Group's existing accounting policy is to capitalise such amounts, and so the adoption of the standard has not had an impact on the Group's financial results.

2. a) Accounting Policies (continued)

Revenue Recognition

Revenue represents the net invoice value of goods and services provided to third parties after deducting discounts, volume rebates, outgoing sales taxes and duties, and are recognised when all significant risks and rewards of ownership of the asset sold are transferred to the customer. Revenues from sale of material by-products are included in revenue.

Dividend income is recognised when the shareholders' right to receive payment is established.

Interest income is recognised on an accrual basis in the income statement.

Certain of our sales contracts provide for provisional pricing based on the price on The London Metal Exchange Limited ('LME'), as specified in the contract, when shipped. Final settlement of the prices is based on the applicable price for a specified future period. The Company's provisionally priced sales are marked to market using the relevant forward prices for the future period specified in the contract with a corresponding adjustment to revenue.

Special Items

Special items are those items that management considers, by virtue of their size or incidence, should be disclosed separately to ensure that the financial information allows an understanding of the underlying performance of the business. The determination as to which items should be disclosed separately requires a degree of judgement.

Business Combinations

The results of subsidiaries acquired or sold during the year are consolidated for the periods from, or to, the date on which control passed. Acquisitions are accounted for under the purchase method. The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value at the acquisition date.

Excess purchase consideration, being the difference between the fair value of the consideration given and the fair value of the identifiable assets and liabilities acquired, is capitalised as an asset on the balance sheet.

To the extent that such excess purchase consideration relates to the acquisition of mining properties and leases, that amount is capitalised within property, plant and equipment as 'mining properties and leases'. Other excess purchase consideration relating to the acquisition of subsidiaries is capitalised as goodwill. Goodwill arising on acquisitions is reviewed for impairment annually.

Where the fair values of the identifiable assets and liabilities exceed the cost of acquisition, the surplus is credited to the income statement in the period of acquisition.

Where it is not possible to complete the determination of fair values by the date on which the first post-acquisition financial statements are approved, a provisional assessment of fair values is made and any adjustments required to those provisional fair values, and the corresponding adjustments to purchased goodwill, are finalised within 12 months of the acquisition date.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

For acquisitions of additional interests in subsidiaries, where there is no change in control, the Group recognises a reduction to the minority interest of the respective subsidiary with the difference between this figure and the cash paid, inclusive of transaction fees, being recognised in equity. In addition, upon dilution of minority interests the difference between the cash received from sale or listing of the subsidiary shares and the increase to minority interest is also recognised in equity.

Property, Plant and Equipment

Mining properties and leases

Exploration and evaluation expenditure is written off in the year in which it is incurred.

The costs of mining properties and leases, which include the costs of acquiring and developing mining properties and mineral rights, are capitalised as property, plant and equipment under the heading 'Mining properties and leases' in the year in which they are incurred.

When a decision is taken that a mining property is viable for commercial production, all further pre-production primary development expenditure other than land, buildings, plant and equipment, etc is capitalised as part of the cost of the mining property until the mining property is capable of commercial production. From that point, capitalised mining properties and lease costs are amortised on a unit-of-production basis over the total estimated remaining commercial reserves of each property or Group of properties.

Exploration and evaluation assets acquired are recognised as assets at their cost of acquisition subject to meeting the commercial production criteria mentioned above and are subject to impairment review.

Stripping costs and secondary development expenditure, mainly comprising of costs on blasting, haulage, excavation, etc incurred during the production stage of an ore body are charged to the income statement immediately.

Notes to the Consolidated Financial Statements
continued

2. a) Accounting Policies (continued)
In circumstances where a mining property is abandoned, the cumulative capitalised costs relating to the property are written off in the period.

Commercial reserves are proved and probable reserves. Changes in the commercial reserves affecting unit of production calculations are dealt with prospectively over the revised remaining reserves.

Other property, plant and equipment
The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing an asset to working condition and location for its intended use, including relevant borrowing costs and any expected costs of decommissioning. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to the income statement in the period in which the costs are incurred. Major shut-down and overhaul expenditure is capitalised.

Assets in the course of construction
Assets in the course of construction are capitalised in the assets under construction account. At the point when an asset is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment. Costs associated with the commissioning of an asset and any obligatory decommissioning costs are capitalised where the asset is available for use but incapable of operating at normal levels until a period of commissioning has been completed.

Depreciation
Mining properties and other assets in the course of development or construction, freehold land and goodwill are not depreciated. Capitalised mining properties and lease costs are amortised once commercial production commences, as described in 'Property, plant and equipment – mining properties and leases'. Leasehold land and buildings are depreciated over the period of the lease or if shorter their useful economic life.

Other buildings, plant and equipment, office equipment and fixtures, and motor vehicles are stated at cost less accumulated depreciation and any provision for impairment. Depreciation commences when the assets are ready for their intended use. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Buildings: operations	30 years
administration	50 years
Plant and equipment	10–20 years
Office equipment and fixtures	3–20 years
Motor vehicles	9–11 years

Major overhaul costs are depreciated over the estimated life of the economic benefit derived from the overhaul. The carrying amount of the remaining previous overhaul cost is charged to the income statement if the next overhaul is undertaken earlier than the previously estimated life of the economic benefit.

Property, plant and equipment held for sale or which is part of a disposal Group held for sale is not depreciated. Property, plant and equipment held for sale is carried at the lower of its carrying value and fair value less disposal cost and is presented separately on the face of the balance sheet.

Impairment
The carrying amounts of property, plant and equipment and investments in associates are reviewed for impairment if events or changes in circumstances indicate that the carrying value of an asset may not be recoverable and the carrying amount of goodwill is reviewed for impairment annually. If there are indicators of impairment, an assessment is made to determine whether the asset's carrying value exceeds its recoverable amount. Whenever the carrying value of an asset exceeds its recoverable amount, an impairment loss is charged to the income statement.

The Group reviews the residual value and useful life of an asset at least at each financial year end and, if expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

For mining properties and leases, other investments and goodwill, the recoverable amount of an asset is determined on the basis of its value in use, being the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life, discounted using a market-based, risk-adjusted, discount rate.

For other property, plant and equipment, the recoverable amount of an asset is also considered on the basis of its net selling price, where it is possible to assess the amount that could be obtained from the sale of an asset in an arm's length transaction, less the cost of disposal.

Recoverable amounts are estimated for individual assets or, if this is not possible, for the relevant cash-generating unit.

Government grants
Government grants relating to property plant and equipment are treated as deferred income and released to the income statement over the expected useful lives of the assets concerned. Other grants are credited to the income statement as and when the related expenditure is incurred.

2. a) Accounting Policies (continued)

Inventories

Inventories and work-in-progress are stated at the lower of cost and net realisable value, less any provision for obsolescence.
Cost is determined on the following bases:

- Purchased copper concentrate is recorded at cost on a first-in, first-out ('FIFO') basis; all other materials including stores and spares are valued on weighted average basis.
- Finished products are valued at raw material cost plus costs of conversion, comprising labour costs and an attributable proportion of manufacturing overheads based on normal levels of activity; and by-products and scrap are valued at net realisable value.

Net realisable value is determined based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Taxation

Tax expense represents the sum of tax currently payable and deferred tax.

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the balance sheet method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Exceptions to this principle are:

- Tax payable on the future remittance of the past earnings of subsidiaries, associates and joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred income tax is not recognised on goodwill impairment which is not deductible for tax purposes or on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- Deferred tax assets are recognised only to the extent that it is more likely than not that they will be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the relevant Group entity intends to settle its current tax assets and liabilities on a net basis.

Retirement Benefit Schemes

The Group operates or participates in a number of defined benefits and contribution pension schemes, the assets of which are (where funded) held in separately administered funds. The cost of providing benefits under the plans is determined each year separately for each plan using the projected unit credit method by independent qualified actuaries.

Actuarial gains and losses arising in the year are recognised in full in the income statement of the year.

For defined contribution schemes, the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year.

Share-based Payments

Certain employees (including Executive Directors) of the Group receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured at fair value at the date at which they are granted. The fair value of share awards with market-related vesting conditions are determined by an external valuer and the fair value at the grant date is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date at which point the estimate is adjusted to reflect the current expectations. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised.

Provisions for Liabilities and Charges

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle such an obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows to net present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Unwinding of the discount is recognised in the income statement as a finance cost. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

Notes to the Consolidated Financial Statements
continued

2. a) Accounting Policies (continued)

Restoration, Rehabilitation and Environmental Costs

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mine. Costs arising from the installation of plant and other site preparation work, discounted to net present value, are provided for and a corresponding amount is capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged to the income statement over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision. The cost estimates are reviewed periodically and are adjusted to reflect known developments which may have an impact on the cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision due to factors such as updated cost estimates, new disturbance and revisions to discount rates. The adjusted cost of the asset is depreciated prospectively over the lives of the assets to which they relate. The unwinding of the discount is shown as a finance cost in the income statement.

Costs for restoration of subsequent site damage which is caused on an ongoing basis during production are provided for at their net present values and charged to the income statement as extraction progresses. Where the costs of site restoration are not anticipated to be significant, they are expensed as incurred.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Foreign Currency Translation

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. For all principal operating subsidiaries, the functional currency is the local currency of the country in which it operates, except KCM where the functional currency is US dollars, since that is the currency of the primary economic environment in which it operates. In the financial statements of individual Group companies, transactions in currencies other than the functional currency are translated into the functional currency at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in other currencies are translated into functional currency at exchange rates prevailing on the balance sheet date. All exchange differences are included in the income statement, except:

– Where the monetary item is designated as an effective hedging instrument of the currency risk of designated forecast sales, where exchange differences are recognised in equity.
– Exchange differences on foreign currency borrowings relating to assets under construction, for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the purposes of consolidation, the income statement items of those entities for which the US dollar is not the functional currency are translated into US dollars at the average rates of exchange during the period. The related balance sheets are translated at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of such operations, and on foreign currency borrowings to the extent that they hedge the Group's investment in such operations, are reported in other comprehensive income and accumulated in equity.

On disposal of a foreign entity, the deferred cumulative exchange differences recognised in equity relating to that particular foreign operation would be recognised in the income statement.

Financial Asset Investments

Financial asset investments are classified as available-for-sale under IAS 39 and are initially recorded at cost and then remeasured at subsequent reporting dates to fair value. Unrealised gains and losses on financial asset investments are recognised directly in equity. On disposal or impairment of the investments, the gains and losses in equity are recycled to the income statement.

Investments in unquoted equity instruments that do not have a market price and whose fair value cannot be reliably measured are measured at cost.

Equity investments are recorded in non-current assets unless they are expected to be sold within one year.

Liquid Investments

Liquid investments represent short-term current asset investments that do not meet the definition of cash and cash equivalents for one or more of the following reasons:

– they have a maturity profile greater than 90 days;
– they may be subject to a greater risk of changes in value than cash; and/or
– they are held for investment purposes.

The change in fair value of trading investments incorporates any dividend and interest earned on the held for trading investments.

Trade Receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. An allowance for impairment for trade receivables is made where there is an event, which based on previous experience, is an indication of a reduction in the recoverability of the carrying value of the trade receivables.

2. a) Accounting Policies (continued)

Trade Payables

Trade payables are stated at their nominal value.

Equity Instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand, short-term deposits with banks and short-term highly liquid investments that are readily convertible into cash which are subject to insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments.

Borrowings

Interest bearing loans and overdrafts are recorded at the proceeds received. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis and charged to the income statement using the effective interest method. They are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Convertible Bonds

Convertible bonds denominated in the functional currency of the issuing entity are accounted for as compound instruments. The equity components and the liability components are separated out on the date of the issue. The equity component is recognised in a separate reserve and is not subsequently remeasured. The liability component is held at amortised cost. The interest expense on the liability component is calculated by applying the effective interest rate, being the prevailing market interest rate for similar non-convertible debt. The difference between this amount and interest paid is added to the carrying amount of the liability component.

Convertible bonds not denominated in the functional currency of the issuing entity or where a cash conversion option exists, are split into two components: a debt component and a component representing the embedded derivative in the convertible bond. The debt component represents a liability for future coupon payments and the redemption on the principal amount. The embedded derivative, a financial liability, represents the value of the option that bond holders have to convert into ordinary shares. At inception the embedded derivative is recorded at fair value and the remaining balance, after deducting a share of issue costs, is recorded as the debt component. Subsequently, the debt component is measured at amortised cost and the embedded derivative is measured at fair value at each balance sheet dates with the change in the fair value recognised in the income statement. The embedded derivative and the debt component are disclosed together and the current/non-current classification follows the classification of the debt component which is the host contract.

Borrowing Costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time that the assets are substantially ready for their intended use i.e. when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available out of money borrowed specifically to finance a project, the income generated from such short-term investments is also capitalised to reduce the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Derivative Financial Instruments

In order to hedge its exposure to foreign exchange, interest rate and commodity price risks, the Group enters into forward, option, swap contracts and other derivative financial instruments. The Group does not hold derivative financial instruments for speculative purposes.

Derivative financial instruments are initially recorded at their fair value on the date of the derivative transaction and are remeasured at their fair value at subsequent balance sheet dates.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement. The hedged item is recorded at fair value and any gain or loss is recorded in the income statement and is offset by the gain or loss from the change in the fair value of the derivative.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recorded in equity. This includes certain non-derivative liabilities that are designated as instruments used to hedge the foreign currency risk on future, highly probable, forecast sales. Amounts deferred to equity are recycled in the income statement in the periods when the hedged item is recognised in the income statement.

Derivative financial instruments that do not qualify for hedge accounting are marked to market at the balance sheet date and gains or losses are recognised in the income statement immediately.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

Notes to the Consolidated Financial Statements continued

2. a) Accounting Policies (continued)

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

2. b) Critical Accounting Judgement and Estimation Uncertainty

In the course of applying the policies outlined in Note 2. a), management made estimations and assumptions that impact the amounts recognised in the financial statements. Vedanta believes that judgement and estimation has been made in the following areas:

Mining Properties and Leases

The carrying value of mining property and leases is arrived at by depreciating the assets over the life of the mine using the unit of production method based on proved and probable reserves. The estimate of reserves is subject to assumptions relating to life of the mine and may change when new information becomes available. Changes in reserves as a result of factors such as production cost, recovery rates, grade of reserves or commodity prices could impact the depreciation rates, asset carrying values and environmental and restoration provisions.

Useful Economic Lives of Assets and Impairment

Property, plant and equipment other than mining properties and leases are depreciated over their useful economic lives. Management reviews the useful economic lives at least once a year and any changes could affect the depreciation rates prospectively and hence the asset carrying values. The Group also reviews its property, plant and equipment, including mining properties and leases, for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable. In assessing the property, plant and equipment for impairment, factors leading to significant reduction in profits such as changes in commodity prices, the Group's business plans and significant downward revision in the estimated mining reserves are taken into consideration. The carrying value of the assets of a cash-generating unit ('CGU') and associated mining reserves is compared with the recoverable amount of those assets, that is, the higher of net realisable value and value in use. Value in use is usually determined on the basis of discounted estimated future cash flows. This involves management estimates on commodity prices, market demand and supply, economic and regulatory climates, long-term mine plan, discount rates and other factors. Any subsequent changes to cash flow due to changes in the above mentioned factors could impact on the carrying value of the assets.

Restoration, Rehabilitation and Environmental Costs

Provision is made for costs associated with restoration and rehabilitation of mining sites as soon as the obligation to incur such costs arises. Such restoration and closure costs are typical of extractive industries and they are normally incurred at the end of the life of the mine. The costs are estimated on the basis of mine closure plans and the estimated discounted costs of dismantling and removing these facilities and the costs of restoration are capitalised when incurred reflecting our obligations at that time. A corresponding provision is created on the liability side. The capitalised asset is charged to the income statement over the life of the asset through depreciation over the life of the operation and the provision is increased each period via unwinding the discount on the provision. Management estimates are based on local legislation and/or other agreements such as the KCM acquisition agreement. The actual costs and cash outflows may differ from estimates because of changes in laws and regulations, changes in prices, analysis of site conditions and changes in restoration technology.

As per local legislation, our Indian operations provide for restoration costs in accordance with statutory requirements. In Australia, appropriate provision has been made in accordance with local legal requirements and at KCM, a provision has been recognised with reference to a plan agreed with the Government of Zambia at the time of KCM's privatisation in April 2000 and pursuant to the KCM acquisition agreement.

Provisions and Liabilities

Provisions and liabilities are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events that can be reasonably estimated. The timing of recognition requires the application of judgement to existing facts and circumstances which may be subject to change. The actual cash outflows takes place over many years in the future and hence the carrying amounts of provisions and liabilities are regularly reviewed and adjusted to take into account the changing circumstances and other factors that influence the provisions and liabilities.

Contingencies and Commitments

In the normal course of business, contingent liabilities may arise from litigation and other claims against the Company. Where the potential liabilities have a low probability of crystallising or are very difficult to quantify reliably, we treat them as contingent liabilities. Such liabilities are disclosed in the notes but are not provided for in the financial statements. Although there can be no assurance regarding the final outcome of the legal proceedings, we do not expect them to have a materially adverse impact on our financial position or profitability.

Underlying Earnings and Special Items

In addition to the financial statements, we present 'Underlying earnings' after adjusting for special items as an additional measure of performance in order to provide a better understanding of the underlying business operational results. Such special items are generally non-recurring in nature and are disclosed separately in the financial statements. Identification of such items involves a degree of judgement by the management.

3. Segment Information

The Group's primary format for segmental reporting is based on business segments. The business segments consist of aluminium, copper, zinc, iron ore and energy with residual components being reported as 'Other'. Business segment data includes an allocation of certain corporate costs, allocated on an appropriate basis. The risks and returns of the Group's operations are primarily determined by the nature of the different activities in which the Group is engaged. Inter-segment sales are charged based on prevailing market prices. The Group's activities are organised on a global basis.

The Group's reportable segments under IFRS 8 are as follows:
- Aluminium
- Copper-India/Australia
- Copper-Zambia
- Zinc
- Iron Ore
- Energy

The Energy segment includes the sales of surplus power from Captive Power Plants for which the related asset carrying values are located within the other business segments.

Management monitors the operating results of reportable segments for the purpose of making decisions about resources to be allocated and for assessing performance. Segment performance is evaluated based on the EBITDA of each segment. Amounts reported for the prior year have been restated to conform to the requirements of IFRS 8.

a) Reportable Segments

The following tables present revenue and profit information and certain asset and liability information regarding the Group's reportable segments for the years ended 31 March 2010 and 2009.

	Continuing operations							
Year ended 31 March 2010 **US$ million**	Aluminium	Copper-India/ Australia	Copper-Zambia	Zinc	Iron Ore	Energy	Elimination	Total Operations
Revenue								
Sales to external customers	914.2	2,741.4	1,070.8	1,651.7	1,221.7	330.7	–	7,930.5
Inter-segment sales	1.6	–	12.9	–	0.8	–	(15.3)	–
Segment revenue	915.8	2,741.4	1,083.7	1,651.7	1,222.5	330.7	(15.3)	7,930.5
Result								
Segment result before special items	55.3	123.6	32.5	918.4	455.7	149.5	–	1,735.0
Special items (Note 4)	(4.9)	(57.7)	–	–	(2.7)	(2.0)	–	(67.3)
Segment result after special items	50.4	65.9	32.5	918.4	453.0	147.5	–	1,667.7
Unallocated corporate expenses								(2.1)
Operating profit								**1,665.6**
Net finance income								176.0
Profit before taxation								**1,841.6**
Tax expense								(330.4)
Profit for the year								1,511.2
Assets and liabilities								
Segment assets	7,590.2	2,921.8	2,065.2	4,488.0	4,078.5	1,964.5	–	23,108.2
Unallocated assets								951.4
Total assets								**24,059.6**
Segment liabilities	(3,603.9)	(1,550.5)	(828.1)	(433.2)	(2,425.1)	(729.9)	–	(9,570.7)
Unallocated liabilities								(3,049.4)
Total liabilities								**(12,620.1)**
Other segment information								
Additions to propeprty, plant and equipment	2,385.9	87.6	307.4	505.6	32.0	546.0	–	3,864.5
Depreciation	(99.7)	(42.3)	(119.2)	(64.4)	(217.3)	(20.1)	–	(563.0)

Notes to the Consolidated Financial Statements continued

3. Segment Information (continued)

Year ended 31 March 2009 US$ million	Aluminium	Copper-India/ Australia	Copper-Zambia	Zinc	Iron Ore	Other	Elimination	Total Operations
	Continuing operations							
Revenue								
Sales to external customers	937.1	2,537.9	773.1	1,209.1	1,070.4	51.3	–	6,578.9
Inter-segment sales	4.4	–	1.7	–	–	–	(7.6)	–
Segment revenue	941.5	2,537.9	774.8	1,209.1	1,070.4	51.3	(7.6)	6,578.9
Result								
Segment result before special items	117.2	245.9	(165.9)	548.3	376.9	17.6	–	1,140.0
Special items (Note 3)	–	(3.0)	–	–	(28.9)	–	–	(31.9)
Segment result after special items	117.2	242.9	(165.9)	548.3	348.0	17.6	–	1,108.1
Unallocated corporate expenses								(1.1)
Operating profit								**1,107.0**
Net finance income								74.0
Profit before taxation								**1,181.0**
Tax expense								(280.5)
Profit for the year								**900.5**
Assets and liabilities								
Segment assets	4,718.4	2,479.6	1,803.3	3,129.9	2,471.0	1,103.7	–	15,705.9
Unallocated assets								470.6
Total assets								**16,176.5**
Segment liabilities	(3,020.7)	(1,087.0)	(732.6)	(303.7)	(1,657.1)	(317.6)	–	(7,118.7)
Unallocated liabilities								(1,486.5)
Total liabilities								**(8,605.2)**
Other segment information								
Additions to property, plant and equipment	1,841.4	34.4	584.4	294.6	27.1	545.7	–	3,327.6
Depreciation	(80.2)	(47.7)	(95.1)	(57.1)	(180.2)	(12.9)	–	(473.2)

Included within the Aluminium and Zinc segment result is a profit of US$26.0 million on the surplus power sales. From 1 April 2010 surplus power sales have been included within the new Energy segment.

b) EBITDA[1] by Segment

	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million
Aluminium	154.9	177.4
Copper	317.7	222.9
India/Australia	165.9	293.7
Zambia	151.8	(70.8)
Zinc	982.8	603.3
Iron Ore	673.0	557.1
Energy	170.7	53.3
Other	(3.2)	(1.8)
EBITDA	**2,295.9**	**1,612.2**
Depreciation	(563.0)	(473.3)
Special items	(67.3)	(31.9)
Group operating profit	**1,665.6**	**1,107.0**

1 EBITDA represents operating profit before special items, depreciation and amortisation.

3. Segmental Information (continued)

c) Geographical Segmental Analysis

The Group's operations are located in India, Zambia and Australia. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million
India	3,900.5	3,318.8
China	1,838.0	1,131.4
Far East others	633.5	836.5
UK	119.5	6.2
Africa	108.7	138.9
Europe	378.9	110.6
Middle East	834.6	763.1
Asia Others	113.8	192.9
Other	3.0	50.5
Total	**7,930.5**	**6,578.9**

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of non-current assets[1]		Additions to property, plant and equipment	
	As at 31 March 2010 US$ million	As at 31 March 2009 US$ million	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million
Australia	14.6	11.4	4.4	3.5
India	12,701.4	7,928.8	3,540.2	2,664.0
Zambia	1,644.7	1,456.4	307.4	578.5
Other	197.7	77.0	12.5	81.6
Total	**14,558.4**	**9,473.6**	**3,864.5**	**3,327.6**

1 Non-current assets does not include deferred tax assets and derivative receivables.

4. Special items

	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million
Asarco transaction costs[1]	(57.7)	–
Voluntary retirement schemes	(6.9)	–
Losses in respect of obligation to associate	–	(3.0)
Impairment of mining reserves	(2.7)	(28.9)
	(67.3)	**(31.9)**

1 Asarco transaction costs include the loss of a US$50 million deposit used as security for a letter of credit which has been encashed by the counterparty.

5. Investment revenue

	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million
Interest income on loans and receivables	17.2	27.9
Interest income on cash and bank balances	75.5	72.2
Change in fair value of financial assets held for trading	27.7	34.0
Profit on disposal of financial assets held for trading	47.8	27.5
Profit on sale of available-for-sale investment	7.6	–
Dividend income on financial assets held for trading	142.7	241.9
Expected return on defined benefit arrangements (Note 30)	1.8	2.0
Foreign exchange (loss)/gain on cash and liquid investments	(42.7)	61.0
Capitalisation of interest income	(4.8)	(10.3)
	272.8	**456.2**

Notes to the Consolidated Financial Statements continued

6. Finance costs

	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million
Interest on bank loans and overdrafts	308.5	289.6
Coupon interest on convertible bonds (Note 25)	96.9	33.4
Accretive interest on convertible bond	48.2	3.8
Interest on financial liability measured at fair value	21.7	34.5
Interest on other loans	52.3	26.9
Total interest cost	**527.6**	**388.2**
Unwinding of discount on provisions (Note 27)	4.4	4.2
Interest on defined benefit arrangements (Note 30)	5.9	7.7
Capitalisation of borrowing costs	(301.3)	(112.0)
	236.6	**288.1**

7. Other (gains)/losses

	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million
Exchange (gains)/losses on borrowings and capital creditors	(260.2)	458.1
Less: qualifying borrowing costs capitalised (Note 15)	46.4	(326.1)
Change in fair value of financial liabilities measured at fair value	(17.5)	(5.5)
Change in fair value of embedded derivative on convertible bonds (Note 25)	35.7	–
Loss/(gain) arising on qualifying hedges and non-qualifying hedges	55.8	(32.4)
	(139.8)	94.1

8. Profit for the year has been stated after charging/(crediting)

	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million
Depreciation on property, plant and equipment	563.0	473.2
Costs of inventories recognised as an expense	2,679.3	2,426.0
Auditors' remuneration for audit services	1.2	1.1
Research and development	1.4	0.8
Staff costs	464.5	406.7
Net foreign exchange (gains)/losses	(146.9)	244.0

9. Auditors' remuneration

The table below shows the fees payable globally to the Company's auditors, Deloitte LLP, for statutory external audit and audit related services, as well as fees paid to other accountancy firms for statutory external audit and audit related services in each of the two years ended 31 March 2010.

	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million
Fees payable to the Company's auditors for the audit of Vedanta Resources plc annual accounts	0.4	0.4
The audit of the Company's subsidiaries pursuant to legislation	0.7	0.6
Total audit fees	**1.1**	**1.0**
Fees payable to the Company's auditors and their associates for other services to the Group		
Other services pursuant to legislation[1]	0.8	0.9
Tax services	0.1	0.1
Corporate finance services[2]	0.7	0.4
Other services	0.2	0.3
Total non-audit fees	**1.8**	**1.7**
Audit fees payable to other auditors of the Group's subsidiaries	0.1	0.1
Non-audit fees payable to other auditors of the Group's subsidiaries	0.1	–
Total non-audit fees	**0.2**	**0.1**

1 Other services pursuant to legislation principally comprise further assurance services, being quarterly reviews of the Group's listed Indian subsidiaries and the half year review of the Group's results.
2 Corporate finance services principally comprise reporting accountant services relating to the raising of equity and debt during both years.

10. Employee Numbers and Costs

Average number of persons employed by the Group in the year

Class of business	Year ended 31 March 2010 Number	Year ended 31 March 2009 Number
Aluminium	8,022	7,257
Copper	11,518	13,507
India/Australia	1,370	1,426
Zambia	10,148	12,081
Zinc	6,907	6,456
Iron Ore	2,650	2,302
Energy	290	734
Other	210	130
	29,597	**30,386**

Costs incurred during the year in respect of employees and Executive Directors	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million
Salaries and wages	410.7	373.6
Defined contribution pension scheme costs (Note 30)	17.7	17.7
Defined benefit pension scheme costs (Note 30)	20.5	2.3
Share-based payments charge	15.6	13.1
	464.5	**406.7**

11. Tax

	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million
Current tax:		
UK corporation tax	–	–
Foreign tax		
India	404.1	323.0
Zambia	0.1	30.1
Australia	20.3	20.5
Other	4.9	5.7
	429.4	**379.3**
Deferred tax: (Note 29)		
Current year movement in deferred tax	(99.0)	(98.8)
	(99.0)	**(98.8)**
Total tax expense	**330.4**	**280.5**
Effective tax rate	**17.9%**	**23.8%**

Deferred tax recycled from equity to income statement is a charge of US$8.5 million (2009: credit of US$4.8 million).

Deferred tax in income statement:

	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million
Accelerated capital allowances	(71.8)	102.5
Unutilised tax losses	(74.6)	(205.0)
Other temporary differences	47.4	3.7
	(99.0)	**(98.8)**

Notes to the Consolidated Financial Statements continued

11. Tax (continued)

Overview of the Indian Direct Tax Regime

The following is an overview of the salient features of the Indian direct tax regime relevant to the taxation of the Group:

- Companies are subject to Indian income tax on a standalone basis. There is no concept of tax consolidation or Group relief in India.
- Companies are charged tax on profits of a financial year ie from 1 April to 31 March, in the next year. A company's taxable profits will be subject to either regular income tax or Minimum Alternative Tax ('MAT'). Where MAT is greater than the tax on regular basis, MAT is levied.
- Regular income tax is charged on book profits (prepared under Indian GAAP) adjusted in accordance with the provisions of the (Indian) Income Tax Act, 1961. Typically the required adjustments generate significant timing differences in respect of the depreciation on fixed assets, relief for provisions and accruals, the use of tax losses brought forward and pension costs. For the financial year 2009–10 regular income tax is charged at 30% (plus a surcharge of 10% in case income exceeds INR 10 million and education cess of 3% on tax and surcharge) taking the effective tax rate to 33.99%. For the financial year 2010–11 the corporate tax rate will be 33.2175% (i.e. 30% corporate tax increased by surcharge of 7.5% in case income exceeds INR 10 million and education cess of 3% on tax and surcharge).
- MAT is charged on the book profits at 15% (plus a surcharge of 10% in case book profits exceeds INR 10 million and education cess of 3% on tax and surcharge). The effective rate of MAT is 16.99%. However, MAT paid during a year can be set off against normal tax payable in the subsequent years in the manner provided in the statute within a period of 10 years succeeding the assessment year in which the MAT credit arose. The MAT rate for the financial year 2010–11 will be 18% (plus a surcharge of 7.5% in case book profits exceeds INR 10 million and education cess of 3% on tax and surcharge). The effective rate of MAT will be 19.93%.
- There are various tax exemptions or tax holidays available to companies in India subject to fulfilment of prescribed conditions. The most important ones applicable to the Group are:
  - Industrial undertakings' tax holiday: profits of newly constructed industrial undertakings located in designated areas of India can benefit from a tax holiday. A typical tax holiday would exempt 100% of the undertaking's profits for five years, and 30% for the next five years:
  - Power plants' tax holiday: profits on newly constructed power plants can benefit from a tax holiday. A typical holiday would exempt 100% of profits in 10 consecutive years within the first 15 years of the power plants' operation. The start of the ten-year period can be chosen by a company. This exemption is available only for units set up until 31 March 2011.
  - Profits from units designated as Export Oriented Units ('EOU'), from where goods are exported out of India, are tax exempt up to financial year ending March 2011.
  - Profits from units located in Special Economic Zones are exempt from corporate tax to the extent of 100% of the profits for the first five years; 50% of the profits for the next five years; and for the next five years 50% of profits are exempt subject to creation of Special Economic Zone Reserve and utilisation of Special Economic Zone Reserve in the manner specified. MAT is not leviable on profits of units located in Special Economic Zone.
  - The Indian tax laws are subject to a thorough review and the Government has introduced draft Direct Taxes Code ('DTC') for public debate. The DTC is expected to be presented again in a modified form later this year and, when enacted, is proposed to be operational from financial year 2011–12. At present there is significant uncertainty as to the form of the DTC and it is not currently considered to be substantively enacted.
- Tax returns submitted by companies are regularly subjected to a comprehensive review and challenge by the tax authorities. There are appeal procedures prescribed. Both the tax authorities and taxpayers can prefer appeals to the appellate forums (save and except the first appellate authority i.e. the Commissioner of Income-tax (Appeals)) and it is not uncommon for significant or complex matters in dispute to remain outstanding for several years before they are finally resolved either in the High Court or in the Supreme Court.

Overview of the Zambian Tax Regime

The following is an overview of the salient features of the Zambian direct tax regime relevant to the taxation of the Group:

- The tax rate for income from mining operations is 30%.
- The 100% deduction for capital expenditure incurred on mining operations which had been removed in 2008–09 fiscal year was re-introduced with effect from 1 April 2009.
- Other changes introduced in the 2009–10 fiscal year include:
  - Removal of windfall tax (see below) from 1 April 2009. However, a variable profits tax will still apply where income from mining activities exceeds 8% of gross sales at a rate determined according to a prescribed formula and payable only if windfall tax is not payable.
  - The requirement to treat hedging activities as a separate source of income from mining operations was also removed.
- The period available to carry forward losses is 10 years.
- KCM must file tax returns in Zambian kwacha. Tax losses are denominated in kwacha but an indexation allowance applies to adjust for changes in the US dollar to kwacha exchange rate.

A windfall tax was introduced in fiscal year 2008–09 which became payable when copper is sold at prices above US$5,512 per mt. The tax is charged at rates ranging from 25% to 75% depending on the difference between the realised price and a series of pricing thresholds ranging upward from US$5,512 per MT. KCM received a letter from the Zambian Revenue Authority ('ZRA') during the year ended 31 March 2009 confirming an interim arrangement that the Company would only be required to pay windfall tax at a rate of 25% at any price above US$5,512 per mt. KCM has used the principles outlined in the letter as the basis to record a windfall tax provision of US$29.8 million at 31 March 2010 (2009: US$29.8 million) as it believes the terms of the letter are likely to be honoured. If this is not the case, the additional tax due under the original terms of the windfall tax regime will be approximately US$20.5 million.

Discussions about a new tax regime for mining companies are being held with Zambian Government.

11. Tax (continued)

A reconciliation of income tax expense applicable to accounting profit before tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended 31 March 2010 is as follows:

	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million
Accounting profit before tax	**1,841.6**	**1,181.0**
At Indian statutory income tax rate of 33.99% (2009: 33.99%)	625.9	401.4
Creation of tax losses	25.4	63.9
Disallowable expenses	45.4	64.6
Non-taxable income	(99.1)	(101.4)
Impact of tax rate differences	(24.6)	10.2
Tax holiday and similar exemptions	(255.1)	(156.9)
Minimum Alternative Tax	26.9	12.2
Adjustments in respect of previous years	(14.4)	(13.5)
At effective income tax rate of 17.9% (2009: 23.8%)	**330.4**	**280.5**

12. Earnings Per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options and the Group's convertible bonds).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million
Net profit attributable to equity holders of the parent	602.3	219.4

	Year ended 31 March 2010	Year ended 31 March 2009
Weighted average number of ordinary shares for basic earnings per share (million)	274.3	287.2
Effect of dilution:		
Convertible bonds	46.7	–
Share options	3.7	2.2
Adjusted weighted average number of ordinary shares for diluted earnings per share	**324.7**	**289.4**

a) Earnings Per Share-Based on Profit for the Year

Basic earnings per share on the profit for the year	Year ended 31 March 2010	Year ended 31 March 2009
Profit for the year attributable to equity holders of the parent (US$ million)	602.3	219.4
Weighted average number of shares of the Company in issue (million)	274.3	287.2
Earnings per share on profit for the year (US cents per share)	**219.6**	**76.4**

Diluted earnings per share on the profit for the year	Year ended 31 March 2010	Year ended 31 March 2009
Profit for the year attributable to equity holders of the parent (US$ million)	602.3	219.4
Adjustment in respect of convertible bonds of Vedanta (US$ million)	57.6	–
Profit for the year after dilutive adjustment (US$ million)	659.9	219.4
Adjusted weighted average number of shares of the Company in issue (million)	324.7	289.4
Diluted earnings per share on profit for the year (US cents per share)	**203.2**	**75.8**

During the year ended 31 March 2010, 393,292 options issued under the Long-term Incentive Plan were converted to equity shares pursuant to vesting and exercise of the options (2009: 535,350 options). Also during the year ended 31 March 2010, 6,804,628 shares were issued on conversion of a portion of one of the Group's convertible bonds (2009: 42,452 shares). The issue of these shares has been included in determining the 2010 weighted average number of shares.

Profit for the year would be increased if holders of the convertible bonds in Vedanta exercised their right to convert their bond holdings into Vedanta equity. The impact on profit for the year of this conversion would be the reduction in interest payable on the convertible bond net of any amount capitalised.

The outstanding awards under the LTIP are reflected in the diluted EPS figure through an increased number of weighted average shares.

Notes to the Consolidated Financial Statements continued

12. Earnings Per Share (continued)

Earnings Per Share-Based on Underlying Profit for the Year

The Group's Underlying Profit is the profit for the year after adding back special items, other gains and losses (see Note 7) and their resultant tax and minority interest effects, as shown in the table below:

	Note	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million
Profit for the year attributable to equity holders of the parent		602.3	219.4
Special items	4	67.3	31.9
Other (gains)/losses		(139.9)	94.1
Minority interest effect of special items and other (gains)/losses		16.8	(35.2)
Underlying profit for the year		**546.5**	**310.2**

Basic earnings per share on underlying profit for the year	Year ended 31 March 2010	Year ended 31 March 2009
Underlying profit for the year (US$ million)	546.5	310.2
Weighted average number of shares of the Company in issue (U.S. million)	274.3	287.2
Earnings per share on underlying profit for the year (US cents per share)	**199.2**	**108.0**

Diluted earnings per share on underlying profit for the year	Year ended 31 March 2010	Year ended 31 March 2009
Underlying profit for the year (US$ million)	546.5	310.2
Adjustment in respect of convertible bonds of Vedanta (US$ million)	57.6	–
Underlying profit for the year after dilutive adjustment (US$ million)	604.1	310.2
Adjusted weighted average number of shares of the Company (million)	324.7	289.4
Diluted earnings per share on underlying profit for the year (US cents per share)	**186.0**	**107.2**

13. Dividends

	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million
Amounts recognised as distributions to equity holders:		
Equity dividends on ordinary shares:		
Final dividend for 2008–09 : 25 US cents per share (2007–08: 25 US cents per share)	70.2	71.8
Interim dividend paid during the year: 17.5 US cents per share (2008–09: 16.5 US cents per share)	47.7	47.0
	117.9	**118.8**
Proposed for approval at AGM		
Equity dividends on ordinary shares:		
Final dividend for 2009–10: 27.5 US cents per share (2008–09: 25 US cents per share)	75.2	69.8

14. Goodwill

	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million
Cost (gross carrying amount)	16.9	16.9
Accumulated impairment losses	(4.7)	(4.7)
Net carrying amount at 31 March	**12.2**	**12.2**

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The Company has undertaken an impairment review for the outstanding goodwill of US$12.2 million as at 31 March 2010. The carrying amount of goodwill was evaluated using the discounted future cash flows of the entity to which the goodwill pertains (Sterlite) and it was determined that the carrying amount of goodwill is not impaired.

15. Property, Plant and Equipment

US$ million	Mining property and leases	Leasehold land and buildings	Freehold land and buildings	Plant and equipment	Assets under construction	Other	Total
Cost							
At 1 April 2008	**2,862.4**	**66.6**	**338.3**	**3,631.6**	**3,090.8**	**62.6**	**10,052.3**
Additions	–	13.8	22.4	96.4	3,194.1	0.9	3,327.6
Transfers	49.2	33.9	31.6	1,268.4	(1,412.8)	29.6	–
Reclassification to accumulated depreciation	(2.7)	0.1	2.2	11.5	–	0.8	11.7
Disposals	–	(0.4)	(0.8)	(9.4)	(2.1)	(0.3)	(13.0)
Foreign exchange differences	(589.9)	(6.2)	(78.4)	(739.6)	(722.3)	(16.6)	(2,153.1)
At 1 April 2009	**2,319.0**	**107.8**	**315.3**	**4,258.9**	**4,147.6**	**76.9**	**11,225.5**
Additions	0.9	6.0	4.8	28.5	3,823.4	0.9	3,864.5
Transfers	76.5	2.1	269.0	2,535.0	(2,822.2)	(60.4)	–
Reclassification from accumulated depreciation	2.6	2.3	7.1	(8.2)	–	(2.0)	1.8
Additions due to acquisition	412.0	–	16.2	66.8	1.8	–	496.9
Disposals	–	(0.1)	(2.9)	(22.9)	(2.2)	(0.3)	(28.4)
Foreign exchange differences	307.3	4.0	55.5	538.9	513.2	7.5	1,426.4
At 31 March 2010	**3,118.3**	**122.1**	**665.0**	**7,397.0**	**5,661.7**	**22.6**	**16,986.7**
Accumulated depreciation and impairment							
At 1 April 2008	**388.7**	**30.1**	**65.8**	**1,153.5**	**17.8**	**42.0**	**1,697.8**
Charge for the year	195.7	5.8	13.3	260.1	–	2.0	477.0
Disposals	–	–	(1.3)	(3.9)	–	–	(5.2)
Impairment charges	28.9	–	–	–	–	–	28.9
Reclassification to cost	(2.7)	0.1	2.2	11.5	–	0.8	11.7
Foreign exchange differences	(97.4)	(1.6)	(15.6)	(209.2)	–	(9.4)	(333.2)
At 1 April 2009	**513.2**	**34.3**	**64.4**	**1,212.0**	**17.8**	**35.4**	**1,877.0**
Charge for the year	208.1	7.1	4.5	348.1	–	0.9	568.7
Disposals	–	–	(0.1)	9.0	–	(25.1)	(16.2)
Reclassification to cost	2.6	2.3	7.1	(8.2)	–	(2.0)	1.8
Foreign exchange differences	81.3	0.8	8.9	134.5	–	3.2	228.7
At 31 March 2010	**805.2**	**44.5**	**84.8**	**1,695.3**	**17.8**	**12.4**	**2,660.0**
Net book value							
At 1 April 2008	**2,473.7**	**36.6**	**272.5**	**2,478.1**	**3,073.0**	**20.6**	**8,354.5**
At 1 April 2009	**1,805.8**	**73.4**	**250.9**	**3,046.9**	**4,129.9**	**41.5**	**9,348.4**
At 31 March 2010	**2,313.1**	**77.6**	**580.2**	**5,701.7**	**5,643.9**	**10.2**	**14,326.7**

At 31 March 2010, land having a carrying value of US$37.0 million (31 March 2009: US$19.9 million) was not depreciated. During the year ended 31 March 2010 depreciation of US$5.7 million (2009: US$3.7 million) directly relating to the trial run of expansion projects was capitalised.

At 31 March 2010, cumulative capitalised interest and foreign exchange gains or losses included within the table above was US$254.9 million (31 March 2009: US$438.1 million).

Plant and equipment include refineries, smelters, power plants and related facilities.

Other tangible fixed assets include office equipment and fixtures, and light vehicles.

Notes to the Consolidated Financial Statements continued

16. Financial Asset Investments

Financial asset investments are required to be classified and accounted for as either available-for-sale, fair value through profit or loss, held for trading or held to maturity

Available-for-sale investments	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million
At 1 April	91.6	30.0
(Disposals)/additions	(4.5)	85.4
Movements in fair value	111.0	(12.7)
Exchange difference	3.1	(11.1)
At 31 March	**201.2**	**91.6**

Analysis of financial asset investments	As at 31 March 2010 US$ million	As at 31 March 2009 US$ million
Quoted	178.7	71.8
Unquoted	22.5	19.8

Quoted investments represent investments in equity securities that present the Group with opportunity for return through dividend income and gains in value. These securities are held at fair value based on market prices.

Unquoted investments include mainly an investment in the equity share capital of the Andhra Pradesh Gas Power Corporation Limited and are held at cost.

17. Other Non-Current Assets

	As at 31 March 2010 US$ million	As at 31 March 2009 US$ million
Deposits receivable after one year	18.3	21.4
	18.3	**21.4**

18. Inventories

	As at 31 March 2010 US$ million	As at 31 March 2009 US$ million
Raw materials and consumables	636.5	458.3
Work-in-progress	478.2	353.3
Finished goods	145.9	97.7
	1,260.6	**909.3**

Inventories with a carrying amount of US$761.2 million (2009: US$419.3 million) have been pledged as security against certain bank borrowings of the Group.

19. Trade and other receivables

	As at 31 March 2010 US$ million	As at 31 March 2009 US$ million
Trade receivables	206.7	276.2
Amounts due from related parties (Note 34)	4.4	8.1
Prepayments	55.9	19.2
Deposits with government	189.8	182.8
Other receivables	466.8	248.7
	923.6	**735.0**

The credit period given to customers ranges from zero to 90 days. Other receivables primarily includes excise balances, customs balances, deposits with governments, advances to suppliers, claims receivables and other receivables.

20. Liquid Investments

	As at 31 March 2010 US$ million	As at 31 March 2009 US$ million
Bank deposits	1,301.4	1,021.2
Other investments	5,548.0	3,510.9
	6,849.4	4,532.1

Other investments include mutual fund investments and are fair valued through the income statement. Bank deposits are made for periods of between three months and one year depending on the cash requirements of the Group and earn interest at the respective deposit rates.

21. Cash and cash equivalents

	As at 31 March 2010 US$ million	As at 31 March 2009 US$ million
Cash at bank and in hand	74.7	63.3
Short-term deposits and short-term investments	315.3	317.2
	390.0	380.5

Short-term deposits are made for periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Cash and cash equivalents include US$2.5 million (2009: US$2.1 million) of cash held in short-term deposit accounts that is restricted in use as it relates to unclaimed deposits, dividends, interest on debentures and share application monies.

22. Borrowings

	As at 31 March 2010 US$ million	As at 31 March 2009 US$ million
Bank loans	3,597.4	2,483.3
Bonds	1,243.7	1,812.4
Other loans	554.7	215.1
Total	5,395.8	4,510.8
Borrowings are repayable as:		
Within one year (shown as current liabilities)	1,012.6	1,298.5
In the second year	759.7	173.9
In two to five years	2,669.9	1,626.2
After five years	953.6	1,412.2
Total borrowings	5,395.8	4,510.8
Less: payable within one year	(1,012.6)	(1,298.5)
Medium- and long-term borrowings	4,383.2	3,212.3

At 31 March 2010, the Group had available US$3,204.8 million (2009: US$1,909.4 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The principal loans held by Group companies at 31 March 2010 were as follows:

BALCO

Term Loans

BALCO secured two syndicated Indian rupee term loan facilities totalling US$376.6 million, of which US$352.2 million has been drawn down at an average interest rate of 7.2% per annum. The interest rate has now been reset to 7.0 %. These facilities are secured partly by first exclusive charge and partly by pari passu charge on movable properties, present and future, tangible or intangible other than current assets and a charge on immovable properties of BALCO. The first loan of US$221.5 million was repayable in 12 quarterly instalments commencing in January 2007 and was repaid fully in October 2009; the second loan of US$130.7 million is repayable in eight quarterly instalments, due to commence in May 2009. However, US$97.3 million of this amount has been repaid early. As at 31st March 2010 the total outstanding loan amount was US$33.6 million.

Non-Convertible Debentures

Balco issued Non Convertible Debentures of US$110.8 million to the Life Insurance Corporation of India @12.25% per annum. The Debentures are secured and have the pari passu charge on the movable and immovable properties, present and future tangible or intangible assets other than current assets of Balco to the extent of 1.33 times of the issued amount. The above loan is repayable in three yearly equal instalments starting November 2013.

Notes to the Consolidated Financial Statements continued

22. Borrowings continued

VAL

Rupee Term Loan

VAL has taken an Indian rupee term loan of US$221.5 million from ICICI Bank at an interest rate of 10.5%. The loan is not secured. Repayment is in eight equal quarterly instalments starting from July 2011.

Non-Convertible Debentures

VAL has issued Non-Convertible Debentures of US$88.6 million to the Life Insurance Corporation of India at a rate of 11.50% per annum. The Debentures are secured and have the first pari passu charge over the identified assets (including Land and Building) of the issuer to the extent of 1.33 times of the issued amount. Debentures are repayable in three yearly equal instalments starting October 2013.

External Commercial Borrowing

VAL has obtained External Commercial Borrowing loan from ICICI Bank, Singapore of US$100.0 million at an interest rate of 3.5% secured by Negative Lien Undertaking on the assets of the Jharsuguda project of the Company, both present and future, excluding assets already charged in favour of ICICI bank and other lenders. The repayment period is from February 2012 to August 2014.

Project Buyers' Credit

As at 31 March 2010, VAL had extended credit terms relating to purchases of property, plant and equipment for its projects. The extended credit amounted to US$886.1 million, which became repayable from October 2009. These loans bear interest at LIBOR plus 200 basis points. These are secured by all of the fixed assets of VAL, immovable or movable, present and future, on a pari passu basis with other term lenders and with priority over other creditors. The value of such facility as on 31 March 2010 was US$884.9 million.

Sterlite Energy

Term Loan

Sterlite Energy obtained an Indian rupee term loan of US$44.3 million from the State Bank of India in March 2009 at a rate of 12.0% per annum. The loan is unsecured and backed by a corporate guarantee of Sterlite. This loan is also expected to be added and converted into a long-term project finance facility of US$1,339.0 million currently being syndicated. Assuming this loan is refinanced, the corporate guarantee of Sterlite will be released.

Sterlite Energy has also obtained an Indian rupee term loan of US$44.3 million from Allahabad Bank in December 2009 and March 2010 at a rate of 7.0% per annum. The loan is unsecured and backed by a corporate guarantee of Sterlite.

Project Buyers' Credit

As at 31 March 2010, SEL has extended credit terms relating to the purchase of property, plant and equipment for its project of US$303.9 million at an average rate of LIBOR plus 203 basis points. The facility is unsecured.

KCM

In 2009 KCM has obtained a loan of US$100 million from the Development Bank of Southern Africa (five year term) and US$191.7 million from Standard Chartered Bank (four year term). The interest rate is 2.8% over three month Libor and 5.5% over three month LIBOR respectively. Both the loans are repayable in 12 quarterly instalments starting from the third and second year, respectively.

Vedanta Resources plc

Long-Term Bonds

In July 2008, Vedanta issued US$500.0 million, 8.75% bonds due January 2014, and US$750.0 million, 9.50% bonds due July 2018 in the United States of America ('USA') pursuant to Rule 144A of US Securities Act of 1933 ('Securities Act') and outside of the USA in Compliance with Regulation S pursuant to the Securities Act. The bonds are unsecured and are currently rated BB by Standard & Poor's, Ba2 by Moody's and BB+ by Fitch Ratings Limited.

Syndicated Bridge Term Loan

In April 2008, the Group refinanced the short-term syndicated bridge loan facility of US$1,100.0 million taken out to acquire Sesa Goa. The new facility is for US$1,000 million, fully drawn down at 31 March 2010, which bears interest at LIBOR plus 296 basis points. US$250.0 million is repayable in April 2012 and the remaining US$750 million is repayable in January 2013. The facility has been guaranteed by Vedanta and is subject to a pledge of the Group's shares in Sesa Goa Limited through its holding in Richter and Westglobe Limited.

Term Loan

In June 2009, Vedanta obtained a term loan from ICICI Bank, UK for US$200 million repayable in June 2010. It bears interest of 12 months GBP LIBOR plus 350 basis points.

In January 2010, the Group obtained a loan from Bank of Tokyo-Mitsubishi UFJ for US$373 million repayable in July 2011 and bears interest at USD LIBOR plus 425 basis points.

Non-Equity Minority Interests

The Group has bought out certain non–equity minority interests by purchasing the deferred shares in KCM held by ZCI of US$47.5 million. As at 31 March 2010, non equity minority interests remain of US$11.9 million, being deferred shares in KCM held by ZCM. The deferred shares have no voting rights or rights to KCM's dividends, but are entitled on a winding up to a return of US$0.99 per share once all of KCM's ordinary shares have received a distribution equal to their par value and any share premium created on their issue and which remains distributable to them.

22. Borrowings (continued)

The deferred shares are held at historic cost, being the fair value attributed to them at the time of initial acquisition of KCM in the year ended 31 March 2005. They are classified as non-current liabilities as they are repayable only on the winding up of the Company. The shares have been valued at US$0.99 per share, which is the maximum amount payable to the deferred shareholders. These deferred shares have not been discounted as the effect would not be material.

23. Movement in Net Debt[1]

	Debt due within one year			Debt due after one year			
US$ million	Cash and cash equivalents	Liquid investments	Debt carrying value	Debt- related derivatives[2]	Debt carrying value	Debt- related derivatives[(2)]	Total Net Debt
At 1 April 2008	**458.2**	**4,648.5**	**(1,417.2)**	**(1.2)**	**(1,556.9)**	**11.3**	**2,142.7**
Cash flow	(254.8)	961.9	(209.0)	–	(1,999.1)	–	(1,501.0)
Other non-cash changes[(3)]	–	33.3	–	9.6	(341.3)	(18.2)	(316.6)
Foreign exchange differences	177.1	(1,111.6)	327.7	–	80.9	–	(525.9)
At 1 April 2009	**380.5**	**4,532.1**	**(1,298.5)**	**8.4**	**(3,816.4)**	**(6.9)**	**(200.8)**
Cash flow	258.8	1,663.4	360.6	–	(2,859.0)	–	(576.2)
Acquisition of subsidiaries	–	–	(12.4)	–	–	–	(12.4)
Other non-cash changes[(3)]	–	27.6	25.0	(9.3)	(351.7)	(5.1)	(313.5)
Foreign exchange differences	(249.3)	626.3	(87.3)	–	(133.9)	–	155.8
At 31 March 2010	**390.0**	**6,849.4**	**(1,012.6)**	**(0.9)**	**(7,161.0)**	**(12.1)**	**(947.2)**

1 Net (debt)/cash being total debt after fair value adjustments under IAS 32 and 39 as reduced by cash and cash equivalents and liquid investments.
2 Debt related derivatives exclude derivative financial assets and liabilities relating to commodity contracts and forward foreign currency contracts.
3 Other non-cash changes comprises of US$326.7 million (2009: US$341.3 million) of project buyers credit obtained from banks, for which there is no cash movement as it represents the refinancing of amounts previously owed to suppliers and excluded from debt. It also includes US$27.6 million (2009 US$33.3 million) of fair value movement in investments. A movement of US$14.4 million (2009: US$8.6 million) which pertains to fair value of debt related derivatives is also included in other non-cash changes.

24. Trade and Other Payables

(a) Current Trade Payables

	As at 31 March 2010 US$ million	As at 31 March 2009 US$ million
Trade payables	1,390.1	945.0
Bills of exchange payable	771.7	721.1
Accruals and deferred income	72.7	57.1
Other trade payables	324.7	244.5
	2,559.2	**1,967.7**

Trade payables are non-interest bearing and are normally settled on 60 to 90 day terms. Bills of exchange are interest-bearing and are normally payable within 180 days. The fair value of trade and other payables is not materially different from the carrying values presented.

b) Non-Current Trade Payables

	As at 31 March 2010 US$ million	As at 31 March 2009 US$ million
Other trade payables	306.4	76.4
	306.4	**76.4**

Other trade payables primarily comprise the amounts withheld as retentions, payable to suppliers of capital projects after satisfactory completion of contractual commissioning period, which are generally payable after a year.

25. Convertible Bonds

	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million
A. VFJL	–	604.1
B. VRJL	931.3	–
C. VRJL II	881.1	–
D. FCCB- SIIL & Sesa	965.4	–
	2,777.8	**604.1**

A. Vedanta Finance (Jersey) Limited ('VFJL') issued 4.6% US$725 million guaranteed convertible bonds on 21 February 2006. The bonds are first converted into exchangeable redeemable preference shares to be issued by VFJL, which are then automatically exchanged for ordinary shares of Vedanta Resources plc, which do not carry voting rights. The bondholders had the option to convert at any time from 17 April 2006 to 15 February 2026. The loan notes were convertible at £14.54 per share of US$0.10 each and at an average rate of USD:GBP of 1.7845.

The Company had the option (subject to the terms of the bond) to redeem the convertible bonds on or at any time after 14 March 2009 and on and prior to 15 February 2026. The bondholders had the option to redeem the convertible bonds on 21 February 2013, 21 February 2018 and 21 February 2022.

Notes to the Consolidated Financial Statements continued

25. Convertible Bonds (continued)

The net proceeds of the convertible issue were split between the liability element and equity component, representing the value attributable to the right to convert the liability into equity of the Company, as follows:

	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million
Opening liability	604.1	600.9
Interest and amortisation of issue costs	31.8	37.2
Coupon interest paid	(28.3)	(33.1)
Conversion of bonds	(146.3)	(0.9)
Transfer from Convertible Bond Reserve	84.7	–
Principal value of outstanding bonds at redemption	**546.0**	**604.1**
Less: redemption of bonds	**(546.0)**	–
Closing liability	–	**604.1**

The interest charged for the year is calculated by applying an effective interest rate of 6.16% (2009: 6.18%).

During the year ended 31 March 2010, US$176.3 million of the convertible bonds were converted into 6,804,628 equity shares, reducing the liability component of the convertible bonds by US$146.3 million with a resulting release of US$30.0 million from the convertible bond reserve.

On 8 February 2010 the Company exercised its option for redemption and redeemed the remaining convertible bonds at a principal value of US$546.1 million. Upon redemption the remaining convertible bond reserve of US$79.3 million was transferred into retained earnings.

B. Vedanta Resource Jersey Limited ('VRJL') issued 5.5% US$1,250 million guaranteed convertible bonds on 13 July 2009. The bonds are first convertible into exchangeable redeemable preference shares to be issued by VRJL, which will then be automatically exchanged for ordinary shares of Vedanta Resources plc. The bondholders have the option to convert at any time from 24 August 2009 to 6 July 2016. The loan notes are convertible at US$36.48 per share at an average rate of USD:GBP of 1.6386.

If the notes have not been converted, they will be redeemed at the option of the Company at any time on or after 28 July 2012 subject to certain conditions, or be redeemed at the option of the bondholders on or after 13 July 2014.

The net proceeds of the convertible issue have been split between the liability element and equity component, representing the fair value of the embedded option to convert the liability into equity of the Company, as follows:

	Year ended 31 March 2010 US$ million
Nominal value of convertible note issued	**1,250.0**
Less: Issue Expenses	**(15.2)**
Opening liability	**1,234.8**
Equity component (net of issue expenses)	(327.9)
Imputed liability on issue date	906.9
Unwinding of effective interest rate	73.7
Coupon interest paid/accrued	(49.3)
Closing liability	**931.3**

The interest charged for the year is calculated by applying an effective interest rate of 11.2%.

The fair value of the convertible bond as at 31 March 2010 is US$1,252.4 million.

During the period an additional US$2.4 million was credited to equity with a corresponding charge taken to the income statement. This represents the movement in the fair value of the option to convert the bonds into equity before the terms of the bond were altered, in order for the conversion option to qualify for recognition as equity.

C. Vedanta Resource Jersey II Limited ('VRJL – II') issued 4.0 % US$883 million guaranteed convertible bonds on 30 March 2010. The bonds are first convertible into exchangeable redeemable preference shares to be issued by VRJL II, which will then be automatically exchanged for ordinary shares of Vedanta Resources plc. The bondholders have the option to convert at any time from 10 May 2010 to 23 March 2017. The loan notes are convertible at US$51.9251 per share at an average rate of USD:GBP of 1.4965.

If the notes have not been converted, they will be redeemed at the option of the Company at any time on or after 14 April 2013 subject to certain conditions, or be redeemed at the option of the bondholders on or after 29 April 2013 to 30 March 2015.

The net proceeds of the convertible issue have been split between the liability element and a derivative component, representing the fair value of the embedded option to convert the liability into equity of the Company. The latter has not been recorded within equity due to the existence of partial cash settlement terms within the bond which prevent the adoption of compound financial instrument accounting under IFRS. It is expected that the terms of the bond will be modified within the next 12 months such that the carrying value of the embedded option at the date of modification can be reclassified into equity.

25. Convertible Bonds (continued)

During the period US$5.2 million was credited to the value of the derivative liability with a corresponding charge taken to the income statement. This represents the movement in the fair value of the embedded option to convert to equity from the date of issue to 31 March 2010.

	Year ended 31 March 2010 US$ million
Nominal value of convertible notes issued	**883.0**
Less: issue costs	(7.2)
Effective interest cost	0.2
Coupon interest paid/accrued	(0.1)
Increase in fair value of derivative component	5.2
Closing liability (including derivative component of US$256.3 million)	**881.1**

The interest charged for the year is calculated by applying an effective interest rate of 6.93%.

The fair value of the convertible bond as at 31 March 2010 was US$882.9 million.

D. Sterlite Industries (India) Limited ('SIIL') issued 4% US$500 million convertible senior notes (denominated in US dollars) on 29 October 2009 which are due on 30 October 2014. The bonds are convertible into American Depository Share ('ADS') to be issued by SIIL. The bondholders have the option to convert at any time before 29 October 2014 at a conversion ratio of 42.8688 for every US$1,000 of principal which is equal to a conversion price of US$23.33 per ADS. SIIL has the option (subject to the terms of the bond) to redeem the convertible bond at any time after 4 November 2012.

Sesa Goa Limited ('Sesa') issued 5% US$500 million convertible bonds (denominated in US dollars) on 30 October 2009 and due October 2014. The bonds are convertible into ordinary shares of Sesa. The bondholders have the option to convert at any time after 10 December 2009 and before 24 October 2014 at a conversion ratio of 13837.6384 for every US$100,000 principal. Sesa has the option (subject to certain conditions) to redeem the convertible bond at any time after 30 October 2012.

As the functional currency of SIIL and Sesa is INR, the conversion of the convertible bonds (which are denominated in US dollars) would not result in the settlement and exchange of a fixed amount of cash in INR terms, for a fixed number of SIIL's and Sesa's shares respectively. Accordingly, the convertible bond must be separated into two component elements: a derivative component consisting of the conversion option (carried at fair value) and a liability component consisting of the debt element of the bonds. Further details of the accounting for such instruments are provided in the Group accounting policies (Note 2a).

The following table shows the movements in the SIIL and Sesa bonds during the year on an aggregated basis:

	Year ended 31 March 2010 US$ million
Nominal value of convertible notes issued	**1,000.0**
Less: issue costs	(8.2)
Effective interest cost	39.4
Coupon interest paid	(19.3)
Conversion of bonds into equity of subsidiaries	(76.0)
Increase in fair value of derivative component	29.5
Closing liability (including derivative component of US$386.8 million)	**965.4**

The interest charged for the year is calculated by applying an effective interest rate of 12.7% for SIIL convertible notes and 23.4% for Sesa convertible notes.

The fair value of the convertible bonds as at 31 March 2010 was US$1,114 million.

Notes to the Consolidated Financial Statements continued

26. Financial instruments

The accounting classification of each category of financial instruments, and their carrying amounts, are set out below:

	As at 31 March 2010 US$ million	As at 31 March 2009 US$ million
Financial assets		
At fair value through profit or loss		
– Held for trading	6,849.4	4,532.1
– Other financial assets (derivatives)	54.1	134.8
Cash and cash equivalents	390.0	380.5
Loan and receivables		
– Trade and other receivables	867.7	715.8
– Other non-current assets	18.3	21.4
Available-for-sale investments		
– Financial asset investments held at fair value	178.7	71.8
– Financial asset investments held at cost	22.4	19.8
Total	**8,380.6**	**5,876.1**
Financial liabilities		
At fair value through profit or loss		
– Other financial liabilities (derivatives)	(83.2)	(174.4)
Designated into fair value hedge		
– Borrowings[2]	(643.0)	(614.7)
Financial liabilities at amortised cost		
– Trade and other payables	(2,865.6)	(2,044.1)
– Borrowings[1]	(7,530.6)	(4,500.2)
Total	**(11,122.4)**	**(7,333.4)**

1 includes amortised cost liability portion of convertible bonds (US$2,134.6 million).
2 includes embedded derivative liability portion of convertible bonds (US$643.1 million).

IFRS 7 Improving Disclosures about Financial instruments, issued in March 2009, requires additional information regarding the methodologies employed to measure the fair value of financial instruments which are recognised or disclosed in the accounts. These methodologies are categorised per the standard as:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The below table summarises the categories of financial assets and liabilities measured at fair value:

	As at 31 March 2010 US$ million		
	Level 1	Level 2	Level 3
Financial assets			
At fair value through profit or loss			
– Held for trading	6,849.4	–	–
– Other financial assets (derivatives)	–	54.1	–
Available-for-sale investments	–	–	–
– Financial asset investments held at fair value	178.7	–	–
Total	**7,028.1**	**54.1**	**–**
Financial liabilities			
At fair value through profit or loss			
– Other financial liabilities (derivatives)	–	(83.2)	–
Designated into fair value hedge			
– Borrowings	–	(643.0)	–
Total	**–**	**(726.2)**	**–**

There were no transfers between Level 1 and Level 2 during the year.

The fair value of borrowings is US$8,379.4 million (2009: US$5,295.7 million). For all other financial instruments, the carrying amount is either the fair value, or approximates the fair value.

The fair value of financial asset investments represents the market value of the quoted investments and other traded instruments. For other financials assets the carrying value is considered to approximate fair value.

26. Financial Instruments (continued)

The fair value of financial liabilities is the market value of the traded instruments, where applicable. Otherwise fair value is calculated using a discounted cash flow model with market assumptions, unless the carrying value is considered to approximate fair value.

The fair value of the embedded derivative liability of convertible bonds has been calculated using binomial and Black Scholes models with market assumptions.

Derivatives Instruments and Risk Management

The Group's businesses are subject to several risks and uncertainties including financial risks.

The Group's documented risk management policies act as an effective tool in mitigating the various financial risks to which the businesses are exposed to in the course of their daily operations. The risk management policies cover areas such as liquidity risk, commodity price risk, foreign exchange risk, interest rate risk, credit risk and capital management.

Risks are identified through a formal risk management programme with active involvement of senior management personnel and business managers at both the corporate and individual subsidiary level. Each operating subsidiary in the Group has in place risk management processes which are in line with the Group's policy. Each significant risk has a designated 'owner' within the Group at an appropriate senior level. The potential financial impact of the risk and its likelihood of a negative outcome are regularly updated. The risk management process is coordinated by the Management Assurance function and is regularly reviewed by the Group's Audit Committee. Key business decisions are discussed at the monthly meetings of the Executive Committee. The overall internal control environment and risk management programme including financial risk management is reviewed by the Audit Committee on behalf of the Board.

Treasury Management

Treasury management focuses on capital protection, liquidity maintenance and yield maximisation. The treasury policies are approved by the Board and adherence to these policies is strictly monitored at the Executive Committee meetings. Day-to-day treasury operations of the subsidiary companies are managed by their respective finance teams within the framework of the overall Group treasury policies. Long-term fund raising including strategic treasury initiatives are handled by a central team while short-term funding for routine working capital requirements is delegated to subsidiary companies. A monthly reporting system exists to inform senior management of investments, debt, currency, commodity and interest rate derivatives. The Group has a strong system of internal control which enables effective monitoring of adherence to Group policies. The internal control measures are effectively supplemented by regular internal audits.

The Group uses derivative instruments as part of its management of exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. The Group does not acquire or issue derivative financial instruments for trading or speculative purposes. The Group does not enter into complex derivative transactions to manage the treasury and commodity risks. Both treasury and commodities derivative transactions are normally in the form of forward contracts and interest rate and currency swaps and these are subject to the Group guidelines and policies. Interest rate swaps are taken to achieve a balance between fixed and floating rates (as described below under 'Interest risk') and currency swaps are taken primarily to convert the Group's exposure to non-US dollar currencies to US dollar currencies.

Commodity Risk

The Group is exposed to the movement of base metal commodity prices on the London Metal Exchange. Any decline in the prices of the base metals that the Group produces and sells will have an immediate and direct impact on the profitability of the businesses. As a general policy, the Group aims to sell the products at prevailing market prices. As much as possible, the Group tries to mitigate price risk through favourable contractual terms. The Group undertakes hedging activity in commodities to a limited degree. Hedging is used primarily as a risk management tool and, in some cases, to secure future cash flows in cases of high volatility by entering in to forward contracts or similar instruments. The hedging activities are subject to strict limits set out by the Board and to a strictly defined internal control and monitoring mechanism. Decisions relating to hedging of commodities are taken at the Executive Committee level and with clearly laid down guidelines for their implementation by the subsidiaries.

Whilst the Group aims to achieve average LME prices for a month or a year, average realised prices may not necessarily reflect the LME price movements because of a variety of reasons such as uneven sales during the year and timing of shipments.

Copper

The Group's custom smelting copper operations at Tuticorin is benefited by a natural hedge except to the extent of a possible mismatch in quotational periods between the purchase of concentrate and the sale of finished copper. The Group's policy on custom smelting is to generate margins from TC/ACs, minimising conversion cost, generating a premium over LME on sale of finished copper, sale of by-products and from achieving import parity on domestic sales. Hence, mismatches in quotational periods are actively managed to ensure that the gains or losses are minimised. The Group hedges this variability of LME prices and tries to make the LME price a pass-through cost between purchases of copper concentrate and sales of finished products, both of which are linked to the LME price. The Company also benefits from the difference between the amounts paid for quantities of copper content received and recovered in the manufacturing process, also known as 'free copper'. The Group hedges on a selective basis the free copper and revenue from variable margins on the purchases of copper concentrates by entering into future contracts.

The Group's Australian mines in Tasmania supply approximately 8% to 9% of the requirement of the custom copper smelter at Tuticorin. Hence, TC/RCs are a major source of income for the Indian copper smelting operations. Fluctuations in TC/RCs are influenced by factors including demand and supply conditions prevailing in the market for mine output. The Group's Copper business has a strategy of securing a majority of its concentrate feed requirement under long-term contracts with mines.

Notes to the Consolidated Financial Statements
continued

26. Financial Instruments (continued)
KCM is largely an integrated copper producer and hence the strategy to protect the Company from price fluctuations in copper is to focus on controlling KCM's costs.

For the mining assets in Australia and Zambia, part of the production may be hedged to secure cash flows on a selective basis.

Aluminium
The requirement of the primary raw material, alumina, is partly met from own sources and the rest is purchased primarily on negotiated price terms. Sales prices are linked to the LME prices. At present the Group does not hedge any aluminium production.

Zinc and Lead
Raw material is mined in India with sales prices linked to the LME prices. The Group has some long-term volume contracts with some customers where the prices are linked to prevailing LME prices at the time of shipment. The Group hedged part of the exports from India through forward contracts or other instruments.

Iron Ore
The Group sells some portion of its iron ore production on annual price contracts and the balance on the basis of prevailing market prices.

Provisionally Priced Financial Instruments
On 31 March 2010, the value of net financial assets linked to commodities (excluding derivatives) accounted for on provisional prices was a liability of US$274.8 million (2009: liability of US$147.7 million). These instruments are subject to price movements at the time of final settlement and the final price of these instruments will be determined in the financial year beginning 1 April 2010.

Set out below is the impact of 10% increase in LME prices on profit for the year and total equity as a result of changes in value of the Group's commodity financial instruments as at 31 March 2010:

Commodity price sensitivity	Closing LME as at 31 March 2010 US$	Effect on profit of a 10% increase in the LME 31 March 2010 (US$ million)	Effect on total equity of a 10% increase in the LME 31 March 2010 (US$ million)
Copper	7,830	(6.1)	(6.1)
Zinc	2,360	0.3	0.3
Lead	2,120	0.1	0.1

Commodity price sensitivity	Closing LME as on 31 March 2009 US$	Effect on profit of a 10% increase in the LME 31 March 2009 (US$ million)	Effect on total equity of a 10% increase in the LME 31 March 2009 (US$ million)
Copper	4,035	(1.1)	(1.1)
Zinc	1,301	0.2	0.2
Lead	1,272	0.1	0.1

The above sensitivities are based on volumes, costs, exchange rates and other variables and provide the estimated impact of a change in LME prices on profit and equity assuming that all other variables remain constant.

Further, the impact of a 10% increase in closing copper LME for provisionally priced copper concentrate purchase at Sterlite custom smelting operations is US$25.5 million (2009: US$14.2 million), which is pass through in nature and as such will not have any impact on the profitability.

Financial Rsk and Sensitivities
The Group's Board approved financial risk policies comprise liquidity, currency, interest rate and counterparty risk. In principle, the Group does not engage in speculative treasury activity but seeks to manage risk and optimise interest and commodity pricing through proven financial instruments.

a) Liquidity
The Group requires funds both for short-term operational needs as well as for long-term investment programmes mainly in growth projects. The Group generates sufficient cash flows from the current operations which together with the available cash and cash equivalents and liquid financial asset investments provide liquidity both in the short-term as well as in the long-term. Anticipated future cash flows and undrawn committed facilities of US$3,204.8 million, together with cash and liquid investments of US$7,239.4 million as at 31 March 2010, are expected to be sufficient to meet the ongoing capital investment programme and liquidity requirement of the Group in the near future.

The Group has a strong balance sheet that gives sufficient headroom to raise further debt should the need arise. The Group's current ratings from Standard & Poor's, Moody's & Fitch Ratings are BB and Ba1 respectively (2009: BB and Ba1 respectively). These ratings support the necessary financial leverage and access to debt or equity markets at competitive terms. The Group generally maintains a healthy net debt-equity ratio and retains flexibility in the financing structure to alter the ratio when the need arises.

26. Financial Instruments (continued)

The maturity profile of the Group's financial liabilities based on the remaining period from the balance sheet date to the contractual maturity date is given in the table below. The figures reflect the contractual undiscounted cash obligation of the Group (excludes interest):

At 31 March 2010 (in US$ million) Payment due by period	< 1 year	1–2 years	2–5 years	> 5 years	Total
Trade and other payables	2,559.2	306.4	–	–	2,865.6
Bank and other borrowings	1,012.6	759.7	2,669.9	953.6	5,395.8
Convertible bonds	–	–	924.5	2,133.0	3,057.5
Derivative liabilities	38.5	–	44.7	–	83.2
Total	**3,610.3**	**1066.1**	**3,639.1**	**3,086.6**	**11,402.1**

At 31 March 2009 (in US$ million) Payment due by period	< 1 year	1–2 years	2–5 years	> 5 years	Total
Trade and other payables	1,967.7	76.4	–	–	2,044.1
Bank and other borrowings	1,284.8	173.9	1,626.2	1,412.2	4,497.1
Convertible bonds	–	–	722.4	–	722.4
Derivative liabilities	114.7	–	59.7	–	174.4
Total	**3,367.2**	**250.3**	**2,408.3**	**1,412.2**	**7,438.0**

At 31 March 2010, the Group had access to funding facilities of US$11,378.4 million of which US$3,204.8 million was not yet drawn, as set out below.

Funding facilities	Total facility (US$ million)	Drawn (US$ million)	Undrawn (US$ million)
Less than 1 year	2,843.9	996.2	1,847.7
One to two years	516.9	516.9	–
Two to five years and above	8,017.6	6,660.5	1,357.1
Total	**11,378.4**	**8,173.6**	**3,204.8**

At 31 March 2009, the Group had access to funding facilities of US$7,024.3 million of which US$1,909.4 million was not yet drawn, as set out below.

Funding facilities	Total facility (US$ million)	Drawn (US$ million)	Undrawn (US$ million)
Less than one year	3,204.4	1,298.5	1,906.0
One to two years	173.9	173.9	–
Two to five years and above	3,645.9	3,642.5	3.4
Total	**7,024.2**	**5,114.9**	**1,909.4**

b) Foreign Currency

The Group's presentation currency is the US dollar. The majority of the assets are located in India and the Indian rupee is the functional currency for the Indian operating subsidiaries.

Foreign currency exposures are managed through the Group-wide hedging policy, which is reviewed periodically to ensure that the risk from fluctuating currency exchange rates is appropriately managed. Natural hedges available in the business are identified at each entity level and hedges are placed only for the net exposure. Short-term net exposures are hedged progressively based on their maturity. A more conservative approach has been adopted for project expenditures to avoid budget overruns. Longer-term exposures are unhedged. Stop losses and take profit triggers are implemented to protect entities from adverse market movements at the same time enabling them to encash in favourable market opportunities. Vedanta has hedged some of its US dollar borrowings into other foreign currency borrowings by entering into cross-currency swaps.

Notes to the Consolidated Financial Statements continued

26. Financial Instruments (continued)

The carrying amount of the Group's financial assets and liabilities in different currencies are as follows:

(in US$ million)	At 31 March 2010 Financial assets	At 31 March 2010 Financial liabilities	At 31 March 2009 Financial assets	At 31 March 2009 Financial liabilities
USD	1,618.9	9,314.0	703.6	5,817.8
INR	6,508.4	1,690.6	4,956.0	1,412.2
Kwacha	59.2	22.8	41.9	36.3
JPY	–	(1.0)	70.1	29.8
AUD	15.7	14.3	23.4	11.8
CAD	169.0	–	70.3	–
EURO	0.9	71.0	1.9	13.4
Others	8.5	10.7	8.6	12.0
Total	**8,380.6**	**11,122.4**	**5,876.1**	**7,333.4**

The Group's exposure to foreign currency arises where a Group company holds monetary assets and liabilities denominated in a currency different to the functional currency of that entity with US dollar being the major foreign currency exposure of the Group's main operating subsidiaries. Set out below is the impact of a 10% change in the US dollar on profit and equity arising as a result of the revaluation of the Group's foreign currency financial instruments:

(in US$ million)	31 March 2010 Closing exchange rate	Effect of 10% strengthening of US dollar on net earnings	Effect of 10% strengthening of US dollar on total equity
INR	45.14	(131.5)	(193.9)
AUD	1.0922	1.4	1.4
Kwacha	4,820	3.3	3.3

(in US$ million)	31 March 2009 Closing exchange rate	Effect of 10% strengthening of US dollar on net earnings	Effect of 10% strengthening of US dollar on total equity
INR	50.950	(54.5)	(75.2)
AUD	1.455	3.4	3.4
Kwacha	5,622	0.5	0.5

The sensitivities are based on financial assets and liabilities held at 31 March 2010 where balances are not denominated in the functional currency of the respective subsidiaries. The sensitivities do not take into account the Group's sales and costs and the results of the sensitivities could change due to other factors such as changes in the value of financial assets and liabilities as a result of non-foreign exchange influenced factors.

c) Interest Risk

At 31 March 2010, the Group's net debt of US$947.1 million (2009: US$200.8 million net debt) comprises of cash, cash equivalents and liquid investments of US$7,239.4 million (2009: US$4,912.6 million) offset by debt of US$8,186.5million (2009: US$5,113.4 million).

The Group is exposed to interest rate risk on short-term and long-term floating rate instruments and on the refinancing of fixed rate debt. The Group's policy is to maintain a balance of fixed and floating interest rate borrowings and the proportion of fixed and floating rate debt is determined by current market interest rates. As at 31 March 2010, 57.7% (2009: 49%) of the total debt was at a fixed rate and the balance was at a floating rate. The floating rate debt is largely linked to US dollar LIBOR. The Group also aims to minimise its average interest rates on borrowings by opting for a higher proportion of long-term debt to fund growth projects. The Group invests cash and liquid investments in short-term deposits and debt mutual funds, some of which generate a tax-free return, to achieve the Group's goal of maintaining liquidity, carrying manageable risk and achieving satisfactory returns.

Floating rate financial assets are largely mutual fund investments which have debt securities as underlying asset. The returns from these financial assets are linked to market interest rate movements; however the counterparty invests in the agreed securities with known maturity tenure and return and hence has manageable risk.

26. Financial Instruments (continued)

The exposure of the Group's financial assets to interest rate risk is as follows:

	At 31 March 2010				At 31 March 2009			
	Floating rate financial assets	Fixed rate financial assets	Equity Investments	Non-interest bearing financial assets	Floating rate financial assets	Fixed rate financial assets	Equity Investments	Non-interest bearing financial assets
Financial assets	5,783.7	1,235.2	201.2	1,106.4	4,282.2	583.2	91.6	784.3
Derivative assets	–	–	–	54.1	–	–	–	134.8
Total financial assets	**5,783.7**	**1,235.2**	**201.2**	**1,160.5**	**4,282.2**	**583.2**	**91.6**	**919.1**

The exposure of the Group's financial liabilities to interest rate risk is as follows:

	At 31 March 2010			At 31 March 2009		
(US$ million)	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing financial liabilities	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing financial liabilities
Financial liabilities	4,339.6	4,890.2	1,809.4	2,715.2	3,160.2	1,283.6
Derivative liabilities	–	–	83.2	–	–	174.4
Total financial liabilities	**4,339.6**	**4,890.2**	**1,892.6**	**2,715.2**	**3,160.2**	**1,458.0**

The weighted average interest rate on the fixed rate financial liabilities is 6.7% (2009: 8.5%) and the weighted average period for which the rate is fixed is 5.6 years (2008: 5.4 years).

Considering the net debt position as at 31 March 2010 and the investment in bank deposits and debt mutual funds, any increase in interest rates would result in a net loss and any decrease in interest rates would result in a net gain. The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date.

The below table illustrates the impact of a 0.5% to 2.0% decrease in interest rate of borrowings on profit and equity and represents management's assessment of the possible change in interest rates.

At 31 March 2010 (in US$ million) **Decrease in interest Rates**	**Effect on net earnings US dollar interest rate**	**Effect on total equity US dollar interest rate**
0.5%	10.9	10.9
1.0%	21.7	21.7
2.0%	43.4	43.4

At 31 March 2009 (in US$ million) Decrease in interest Rates	Effect on net earnings US dollar interest rate	Effect on total equity US dollar interest rate
0.5%	9.6	9.6
1.0%	19.2	19.2
2.0%	38.5	38.5

d) Credit risk

The Group is exposed to credit risk from trade receivables, liquid investments and other financial instruments.

The Group has clearly defined policies to mitigate counterparty risks. Cash and liquid investments are held primarily in mutual funds and banks with good credit ratings. Defined limits are in place for exposure to individual counterparties in case of mutual fund houses and banks.

The large majority of receivables due from third parties are secured. Moreover, given the diverse nature of our businesses trade receivables are spread over a number of customers with no significant concentration of credit risk. No single customer accounted for 10% or more of the Group's net sales or for any of the Group's primary businesses during the year ended 31 March 2010 and in the previous year. The history of trade receivables shows a negligible provision for bad and doubtful debts. Therefore, the Group does not expect any material risk on account of non-performance by any of our counterparties.

The Group's maximum exposure to credit risk at 31 March 2010 is US$8,380.6 million (2009: US$5,876.1 million).

Notes to the Consolidated Financial Statements continued

26. Financial Instruments (continued)

Of the year end trade and other receivable balance the following were past due but not impaired as at 31 March 2010.

US$ million	2010	2009
Less than one month	200.2	58.1
Between one to three months	68.2	23.3
Between three to 12 months	31.3	6.1
Greater than 12 months	8.9	13.5
Total	**308.6**	**101.0**

Derivative Financial Instruments

The fair value of all derivatives is separately recorded on the balance sheet within other financial assets (derivatives) and other financial liabilities (derivatives), current and non-current. In addition, the derivative component of certain convertible bonds is shown as part of the overall convertible bond liability (see Note 25). Derivatives that are designated as hedges are classified as current or non-current depending on the maturity of the derivative.

Embedded Derivatives

Derivatives embedded in other financial instruments or other contracts are treated as separate derivative contracts, when their risks and characteristics are not closely related to those of their host contracts.

Cash Flow Hedges

The Group also enters into forward exchange and commodity price contracts for hedging highly probable forecast transactions and accounts for them as cash flow hedges and states them at fair value. Subsequent changes in fair value are recognised in equity until the hedged transactions occur, at which time the respective gains or losses are transferred to the income statement.

The fair value of the Group's open derivative positions at 31 March 2010 (excluding own use purchase and sale contracts), recorded within other financial assets (derivatives) and other financial liabilities (derivatives) is as follows:

	As at 31 March 2010 US$ million		As at 31 March 2009 US$ million	
	Liability	Asset	Liability	Asset
Current				
Cash flow hedges				
– Commodity contracts	–	–	–	–
– Forward foreign currency contracts	(10.2)	3.9	(14.2)	35.6
– Interest rate swap (floating to fixed)	–	–	–	1.3
Fair value hedges				
– Commodity contracts	(0.8)	–	(0.2)	–
– Forward foreign currency contracts	(6.3)	3.9	–	6.7
– Interest rate swap	–	–	–	13.6
– Others (foreign currency swap)	(12.1)	–	(30.8)	24.3
Non-qualifying hedges				
– Commodity contracts	(1.0)	2.6	(41.8)	0.5
– Forward foreign currency contracts	(8.1)	–	(27.7)	–
Total	**(38.5)**	**10.4**	**(114.7)**	**82.0**
Non-current				
Fair value hedges				
– Forward foreign currency contracts	–	–	–	–
– Interest rate swap	–	–	–	–
– Others(foreign currency swap)	(44.7)	43.7	(59.7)	52.8
Total	**(44.7)**	**43.7**	**(59.7)**	**52.8**
Grand total	**(83.2)**	**54.1**	**(174.4)**	**134.8**

The majority of cash flow hedges taken out by the Group during the year comprise forward foreign currency contracts for firm future commitments.

Non-qualifying Hedges

The majority of these derivatives comprise copper sale and purchase contracts at Sterlite custom smelting operations which are economic hedges but which do not fulfil the requirements for hedge accounting of IAS 39 Financial Instruments: Recognition and Measurement.

Fair Value Hedges

The fair value hedges relate to forward covers taken to hedge currency exposure on purchase of raw materials and capital imports.

26. Financial Instruments (continued)

Hedging reserves reconciliation

	Hedging reserves US$ million	Minority interests[1] US$ million	Total US$ million
At 1 April 2008	**(9.1)**	**(8.2)**	**(17.3)**
Amount recognised directly in equity	(21.5)	3.9	(17.6)
Amount charged to income statement	(13.6)	2.1	(11.5)
Exchange difference	4.6	0.9	5.5
At 1 April 2009	**(39.6)**	**(1.3)**	**(40.9)**
Amount recognised directly in equity	40.7	6.1	46.8
Amount charged to income statement	28.4	9.2	37.6
Exchange difference	(1.7)	0.9	(0.8)
At 31 March 2010	**27.8**	**14.9**	**42.7**

1 Cash flow hedges attributable to minority interests.

27. Provisions

	Restoration, rehabilitation and environmental US$ million	Other US$ million	Total US$ million
At 1 April 2008	**46.6**	**165.9**	**212.5**
(Credited)/charged to income statement	(7.1)	(1.5)	(8.6)
Unwinding of discount	–	4.2	4.2
Cash paid	(0.1)	(36.8)	(36.9)
Exchange differences	(2.4)	3.6	1.2
At 1 April 2009	**37.0**	**135.4**	**172.4**
(Credited)/charged to income statement	(14.9)	8.8	(6.1)
Unwinding of discount	0.2	4.1	4.3
Cash paid	0.6	(7.4)	(6.8)
Exchange differences	2.4	2.3	4.7
At 31 March 2010	**25.3**	**143.2**	**168.5**
Current 2010	–	0.9	0.9
Non-current 2010	25.3	142.3	167.6
	25.3	**143.2**	**168.5**
Current 2009	–	6.9	6.9
Non-current 2009	37.0	128.5	165.5
	37.0	**135.4**	**172.4**

Restoration, Rehabilitation and Environmental

The provisions for restoration, rehabilitation and environmental liabilities represent the Directors' best estimate of the costs which will be incurred in the future to meet the Group's obligations under existing Indian, Australian and Zambian law and the terms of the Group's mining and other licences and contractual arrangements. These amounts become payable on closure of mines and are expected to be incurred over a period of three to 20 years.

Other

Other provisions primarily comprise the Directors' best estimate of the costs which may be incurred in the future to settle certain legal and tax claims outstanding against the Group, which exist primarily in India. Other provisions also include a provision in respect of a price participation agreement in Zambia which requires KCM to pay ZCCM an agreed annual sum when copper prices exceed specified levels and other triggers, amounting to US$111.9 million (2009: US$94.4 million). The timing of the outflow of this provision is dependent on future copper prices as well as dividend and hence cannot be reasonably determined.

Notes to the Consolidated Financial Statements continued

28. Deferred Tax

The Group has accrued significant amounts of deferred tax. The majority of the deferred tax liability represents accelerated tax relief for the depreciation of capital expenditure and the depreciation on mining reserves, net of losses carried forward by KCM.

The amounts of deferred taxation on temporary differences, provided and not provided, in the accounts are as follows:

Provided – Liabilities/(Assets)

	As at 31 March 2010 US$ million	As at 31 March 2009 US$ million
Accelerated capital allowances	1,639.0	1,261.7
Unutilised tax losses	(406.9)	(332.2)
Other temporary differences	(31.7)	69.9
	1,200.4	**999.4**
Recognised as:		
Deferred tax liability provided	1,209.3	1,010.6
Deferred tax asset recognised	(8.9)	(11.2)
	1,200.4	**999.4**

Unrecognised Deferred Tax Assets

	As at 31 March 2010 US$ million	As at 31 March 2009 US$ million
Unutilised tax losses	(128.4)	(22.2)

The above relates to the tax effect of US$190.2 million of unutilised tax losses of the Company and VRHL which have no expiry period and US$223.5 million of unutilised tax losses and capital allowances for VAL. No benefit has been recognised for these items on the grounds that their successful application against future profits is not probable in foreseeable future.

Deferred Tax Asset

	As at 31 March 2010 US$ million	As at 31 March 2009 US$ million
At 1 April 2009	**11.2**	**15.1**
Charged to income statement	(2.2)	(5.4)
(Charged)/credited directly to equity	–	1.1
Foreign exchange differences	(0.1)	0.4
At 31 March 2010	**8.9**	**11.2**

The Group has US$1,356.3 million of unutilised tax losses at KCM (2009: US$1,107.5 million) which expire in the period 2016 to 2019 and have been offset against accelerated capital allowances at the same entity.

Deferred Tax Liability

	As at 31 March 2010 US$ million	As at 31 March 2009 US$ million
At 1 April 2009	**1,010.6**	**1,380.8**
Addition due to acquisition	160.6	–
Credited to income statement	(101.2)	(104.0)
Charged/(credited) directly to equity	8.5	(3.7)
Foreign exchange differences	124.6	(262.5)
Prior year adjustments	6.2	–
At 31 March 2010	**1,209.3**	**1,010.6**

29. Share-Based Payments

Employee Share Schemes

The Group aims to provide superior rewards for outstanding performance and a high proportion of 'at risk' remuneration for Executive Directors. Three employee share schemes were approved by shareholders on Listing. The Board has no present intention to introduce any further share schemes. Of the three employee share schemes which have been approved, only one is currently active.

The Vedanta Resources Long-Term Incentive Plan (the 'LTIP')

The LTIP is the primary arrangement under which share-based incentives are provided to the Executive Directors and the wider management group. The maximum value of shares that can be conditionally awarded to an Executive Director in a year is 100% of annual salary. In respect of Messrs Navin Agarwal and MS Mehta, salary means the aggregate of their salary payable by Vedanta and their gross salary payable by Sterlite. The maximum value of shares that can be awarded to members of the wider management group is calculated by reference to the base salary, share-based remuneration already received and consistent with local market practice.

The performance condition attaching to outstanding awards under the LTIP is that the Company's performance, measured in terms of Total Shareholder Return ('TSR') (being the movement in a company's share price plus reinvested dividends), is compared over the performance period with the performance of the companies as defined in the scheme from the date of grant. The extent to which an award vests will depend on the Company's TSR rank against a group of peer companies ('Adapted Comparator Group') at the end of the performance period. The vesting schedule is shown in the table below, with adjusted straight-line vesting in between the points shown and rounding down to the nearest whole share.

Vedanta's TSR Performance Against Adapted Comparator Group

	% of award vesting
Below median	–
At median	40
At or above upper quartile	100

As at 31 March 2010 all the outstanding options granted on 1 February 2006, were exercised and all the outstanding options granted on, 14 November 2007, 1 February 2009, 1 August 2009, and 1 January 2010 were exercisable.

The performance condition is measured by taking the Company's TSR over the four weeks immediately preceding the date of grant and over the four weeks immediately preceding the end of the performance period, and comparing its performance with that of the comparator group described above. The information to enable this calculation to be carried out on behalf of the Remuneration Committee ('the Committee') is provided by the Company's advisers. The Committee considers that this performance condition, which requires that the Company's total return has out-performed a group of companies chosen to represent the mining sector, provides a reasonable alignment of the interests of the Executive Directors and the wider management group with those of the shareholders.

No awards will vest unless the Committee is satisfied that the Company's TSR performance reasonably reflects the Company's underlying financial performance.

Initial awards under the LTIP were granted on 26 February 2004 with further awards being made on 11 June 2004, 23 November 2004, 1 February 2006, 1 February 2007, 14 November 2007, 1 February 2009, 1 August 2009 and 1 January 2010 . The exercise price of the awards is 10 US cents per share and the performance period is one year for the February 2007 awards and three years for all other awards, with no re-testing being allowed. The exercise period is six months from the date of vesting. Further details on the LTIP are found in the Remuneration Report on pages 73 to 79.

Year of grant	Exercise date	Exercise price US cents per share	Options outstanding 1 April 2009	Options granted during the year	Options lapsed during the year	Options lapsed during the year owing to performance conditions	Options exercised during the year	Options outstanding at 31 March 2010
2006	1 February 2009 to 1 August 2009	10	372,180	–	–	–	372,180	–
2007	14 November 2010 to 14 May 2011	10	1,590,129	–	245,080	22,906	19,494	1,302,649
2009	1 February 2012 to 1 August 2012	10	11,200	–	–	–	–	11,200
2009	1 August 2012 to 1 February 2013	10	–	2,478,000	119,350	8,882	1,618	2,348,150
2010	1 January 2013 to 1 July 2013	10	–	14,000	–	–	–	14,000
			1,973,509	**2,492,000**	**364,430**	**31,788**	**393,292**	**3,675,999**

All share-based awards of the Group are equity-settled as defined by IFRS 2 '*Share-Based Payment*'. The fair value of these awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by the Group's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period.

Notes to the Consolidated Financial Statements continued

29. Share-Based Payments (continued)

The fair values were calculated using a Monte Carlo model with suitable modifications to allow for the specific performance conditions of the LTIP. The inputs to the model include the share price at date of grant, exercise price, expected volatility, expected dividends and the risk free rate of interest. A progressive dividend growth policy is assumed in all fair value calculations. Expected volatility has been calculated using historical share prices over the period to date of grant that is commensurate with the performance period of the option. The share prices of the mining companies in the Adapted Comparator Group have been modelled based on historical price movements over the period to date of grant which is also commensurate with the performance period for the option. The history of share prices is used to determine the volatility and correlation of share prices for the companies in the Adapted Comparator Group and is needed for the Monte Carlo simulation of their future TSR performance relative to the Company's TSR performance. All options are assumed to be exercised six weeks after vesting.

The assumptions used in the calculations of the charge in respect of the LTIP awards granted during the year are set out below:

	LTIP August 2009	LTIP January 2010
Date of grant	1 August 2009	1 January 2010
Number of instruments	2,478,000	14,000
Exercise price	US$0.10	US$0.10
Share price at the date of grant	GBP £17.64	GBP £26.11
Contractual life	3 years	3 years
Expected volatility	70% pa	70% pa
Expected option life	3.2 years	3.2 years
Expected dividends	1.4% pa	1.4% pa
Risk free interest rate	2.3% pa	2.3% pa
Expected annual forfeitures	13.5% pa	13.5% pa
Fair value per option granted	GBP £12.026	GBP £17.80

The Group recognised total expenses of US$15.6 million and US$13.1 million related to equity-settled share-based payment transactions in the year ended 31 March 2010 and in the year ended 31 March 2009 respectively.

30. Retirement Benefits

The Group operates pension schemes for the majority of its employees in India, Australia and Zambia.

a) Defined Contribution Schemes

Indian Pension Schemes

Central Provident Fund

The Central Provident Fund relates to all full time Indian employees of the Group. The amount contributed by the Group is a designated percentage of 12% of basic salary less contributions made as part of the Pension Fund (see below), together with an additional contribution of 12% of salary made by the employee or maximum permissible percentage of basic salary as opted by the individual employees.

The benefit is paid to the employee on their retirement or resignation from the Group.

Superannuation

Superannuation, another pension scheme applicable in India, is applicable only to senior executives. Certain companies hold policies with the Life Insurance Corporation of India ('LIC'), to which they contribute a fixed amount relating to superannuation, and the pension annuity is met by the LIC as required, taking into consideration the contributions made. Accordingly, this scheme has been accounted for on a defined contribution basis and contributions are charged directly to the income statement.

Pension Fund

The Pension Fund was established in 1995 (16/11/1995) and is managed by the Government. The employee makes no contribution to this fund but the employer makes a contribution of 8.33% of salary each month subject to a specified ceiling per employee. This must be provided for every permanent employee on the payroll.

At the age of superannuation, contributions cease and the individual receives a monthly payment based on the level of contributions through the years, and on their salary scale at the time they retire, subject to a maximum ceiling of salary level. The Government funds these payments, thus the Group has no additional liability beyond the contributions that it makes, regardless of whether the central fund is in surplus or deficit.

Australian Pension Scheme

The Group also operates defined contribution pension schemes in Australia. The contribution of a proportion of an employee's salary into a superannuation fund is a compulsory legal requirement in Australia. The employer contributes 9% of the employee's gross remuneration where the employee is covered by the industrial agreement and 12% of the basic remuneration for all other employees, into the employee's fund of choice. All employees have the option to make additional voluntary contributions.

Zambian Pension Scheme

The KCM Pension Scheme is applicable to full time permanent employees of KCM (subject to the fulfilment of certain eligibility criteria). The management of the scheme is vested in the trustees consisting of representatives of the employer and the members. The employer makes a monthly contribution to the KCM Pension Scheme of an amount equal to 11% of that month's pensionable salary and the member makes monthly contributions to the fund of an amount equal to 5% of that month's pensionable salary.

30. Retirement Benefits (continued)
All contributions to the KCM Pension Scheme in respect of a member cease to be payable when the member attains normal retirement age of 55 years, or upon leaving the service of the employer, or when the member is permanently medically incapable of performing duties in the service of the employer. Upon such cessation of contribution on the grounds of normal retirement, or being rendered medically incapable of performing duties, or early voluntary retirement within five years of retirement, the member is entitled to receive an immediate annual pension equal to his accrued pension. The member is allowed to commute his/her accrued pension subject to certain rules and regulations. The trustees of the KCM Pension Scheme may also allow the purchase of an annuity for the benefit of members from a life assurance company or other providers of annuities, subject to statutory regulations.

The Group has no additional liability beyond the contributions that it makes, regardless of whether the KCM Pension Scheme is in surplus or deficit. Accordingly, this scheme has been accounted for on a defined contribution basis and contributions are charged directly to the income statement.

b) Defined Benefit Schemes

India

The Gratuity schemes are defined benefit schemes which are open to all Group employees in India who have a minimum of five years of service with their employing company. These schemes are funded by the Group in some subsidiaries. Based on actuarial valuation, a provision is recognised in full for the projected obligation over and above the funds held in scheme. In case where there is no funding held by the scheme, full provision is recognised in the balance sheet. Under these schemes, benefits are provided based on final pensionable pay.

The assets of the schemes are held in separate funds and a full actuarial valuation of the schemes is carried out on an annual basis.

MALCO

MALCO does not contribute to the LIC. Its Gratuity scheme is accounted for on a defined benefit basis. An actuarial valuation was performed as at 31 March 2010 using the projected unit actuarial method. At that date the fund was in deficit.

BALCO

Balco does not contribute to the LIC. Liabilities (as at 31 March 2010) with regard to the Gratuity scheme are fully provided in the balance sheet and are determined by actuarial valuation as at the balance sheet date and as per gratuity regulations for the Company. The latest actuarial valuation was performed as at 31 March 2010 using the projected unit actuarial method. At that date the fund was in deficit.

HZL

HZL contributes to the LIC based on an actuarial valuation every year. HZL's Gratuity scheme is accounted for on a defined benefit basis. The latest actuarial valuation was performed as at 31 March 2010 using the projected unit actuarial method. At that date the fund was in deficit.

VAL

VAL contributes to the LIC, Mumbai through the Employee Gratuity Scheme based on an actuarial valuation obtained by LIC every year. The latest actuarial valuation was performed by LIC on 31 March 2009. In addition, we have another actuarial valuation from a third party for estimation of the gratuity liability using the projected unit actuarial method on a quarterly basis. The latest valuation was performed on 31 March 2010. As at 31 March 2010 the LIC fund was in deficit and the difference of valuation between LIC and third party is provided in the books of VAL as provision for gratuity.

Sterlite

Sterlite contributes to the LIC. Liabilities with regard to the Gratuity scheme are fully provided in the balance sheet and are determined by actuarial valuation as at the balance sheet date and as per gratuity regulations for the Company. The latest actuarial valuation was performed as at 31 March 2010 using the projected unit actuarial method. At that date the fund was in deficit.

Sesa Goa

Sesa Goa contributes to the LIC and ICICI Prudential based on actuarial valuation every year. Sesa Goa's Gratuity scheme is accounted for on a defined benefit basis. The latest actuarial valuation was performed as at 31 March 2009 using the projected unit actuarial method. At that date the fund was in deficit.

Zambia

KCM

Specified permanent employees of KCM are entitled to receive medical and retirement severance benefits. This comprises two months' basic pay for every completed year of service with an earliest service start date of 1 July 2004. Under this scheme, benefits are provided based on final pensionable pay and a full actuarial valuation of the scheme is carried out on an annual basis. The accruals are not contributed to any fund and are in the form of provisions in KCM's accounts. At 31 March 2010 the fund was in deficit.

On the death of an employee during service, a lump sum amount is paid to his dependants. This amount is equal to 60 months' basic pay for employees who joined before 1 April 2000 and thirty months' basic pay for employees who joined on or after 1 April 2000. For fixed term contract employees, the benefit payable on death is 30 months' basic pay.

Notes to the Consolidated Financial Statements continued

30. Retirement Benefits (continued)

As at 31 March 2010, membership of pension schemes across MALCO, BALCO, HZL, VAL, Sterlite, Sesa and KCM stood at 29,637 employees (31 March 2009: 27,716). The deficits, principal actuarial assumptions and other aspects of these schemes are disclosed in further detail in Notes (d) and (e) below.

c) Pension Scheme Costs

Contributions of US$36.7 million and US$nil million in respect of defined benefit schemes were outstanding and prepaid respectively as at 31 March 2010 (2009: US$3.0 million and US$nil million respectively).

Contributions to pension schemes in the year ending 31 March 2011 are expected to be around US$7.0 million.

Pension scheme costs	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million
Defined contribution pension schemes	17.7	17.7
Defined benefit pension schemes	20.5	2.3
	38.2	**20.0**

d) Principal Actuarial Assumptions

Principal actuarial assumptions used to calculate the defined benefit schemes' liabilities are:

	MALCO		BALCO		Sterlite		HZL		KCM		VAL		Sesa Goa	
Particulars	Mar 10	Mar 09	Mar 10	Mar 09	Mar 10	Mar 09	Mar 10	Mar 09	Mar 10	Mar 09	Mar 10	Mar 09	Mar 10	Mar 09
Discount rate	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	18.6%	19.5%	7.5%	7.5%	8.0%	8.0%
Salary increases	6.0%	6.0%	5.0% for office staff, 3.0% non office	5.0% for office staff, 3.0% non office	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.5%	5.5%	5.0% – 7.0%	5.0%
Funding rate of return	–	–	–	–	7.5%	7.5%	9.0%	9.5%	–	–	7.5%	7.5%	8.0% – 9.3%	9.3%
Number of employees	133	351	4,843	5,167	1,839	1,801	6,805	6,306	9,790	9,882	3,180	2,316	3,047	1,893

1 Assumptions regarding mortality for Indian entities are based on mortality table of LIC (1994–96) as subsequently modified.
2 Assumptions regarding mortality for KCM are based on World Health Organisation Life Tables for 1999 applicable to Zambia which has been taken as a reference point. Based on this a mortality table which is appropriate for the workers of Konkola Copper Mines plc has been derived.

e) Balance Sheet Recognition

The amounts included in the balance sheet arising from the Group's obligations in respect of its defined benefit pension schemes are as follows:

	31 March 2010								31 March 2009							
US$ million	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total
Fair value of pension scheme assets	–	–	1.9	22.9	–	0.3	7.5	32.6	–	–	1.3	18.1	–	0.1	4.1	23.6
Present value of pension scheme liabilities	(0.2)	(13.3)	(3.2)	(27.5)	(16.1)	(0.4)	(8.6)	(69.3)	(0.6)	(12.0)	(2.0)	(19.3)	(13.8)	(0.2)	(5.0)	(52.9)
Deficit in pension scheme recognised in balance sheet	(0.2)	(13.3)	(1.3)	(4.5)	(16.1)	(0.1)	(1.1)	(36.6)	(0.6)	(12.0)	(0.7)	(1.2)	(13.8)	(0.1)	(0.9)	(29.3)
Deferred tax	0.1	4.5	0.4	1.5	5.5	–	0.4	12.4	0.2	4.1	0.2	0.4	4.7	–	0.3	9.9
Net pension liability	**(0.1)**	**(8.8)**	**(0.9)**	**(3.0)**	**(10.6)**	**(0.1)**	**(0.7)**	**(24.2)**	**(0.4)**	**(7.9)**	**(0.5)**	**(0.8)**	**(9.1)**	**(0.1)**	**(0.6)**	**(19.4)**

30. Retirement Benefits (continued)

f) Amounts Recognised in Income Statement in Respect of Defined Benefit Pension Schemes:

	31 March 2010								31 March 2009							
Particulars	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total
Current service cost	–	0.5	0.3	1.2	2.5	0.2	0.4	5.1	–	0.5	0.3	1.0	2.2	0.1	0.3	4.4
Actuarial (gains)/losses	(0.1)	1.9	0.7	3.4	5.1	–	0.3	11.3	0.2	0.5	0.3	0.6	(10.1)	–	0.7	(7.8)
Expected return on scheme assets	–	–	(0.1)	(1.7)	–	–	–	(1.8)	–	–	(0.1)	(1.6)	–	–	(0.3)	(2.0)
Interest cost of scheme liabilities	–	0.8	0.2	1.6	2.7	–	0.6	5.9	0.1	0.9	0.1	1.4	4.8	–	0.4	7.7
Total charge/(credit) to income statement	**(0.1)**	**3.2**	**1.1**	**4.5**	**10.3**	**0.2**	**1.3**	**20.5**	**0.3**	**1.9**	**0.6**	**1.4**	**(3.1)**	**0.1**	**1.1**	**2.3**

g) Movements in the Present Value of Defined Benefit Obligations

The movement during the year ended 31 March 2010 of the present value of the defined benefit obligation was as follows:

	31 March 2010								31 March 2009							
Particulars	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total
At 1 April	(0.5)	(12.0)	(2.0)	(19.3)	(13.9)	(0.2)	(5.0)	(52.9)	(1.4)	(14.0)	(2.0)	(21.9)	(24.6)	(0.1)	(5.3)	(69.3)
At acquisition							(2.0)	(2.0)								
Current service cost	–	(0.5)	(0.3)	(1.2)	(2.5)	(0.2)	(0.4)	(5.1)	–	(0.5)	(0.3)	(1.0)	(2.2)	(0.1)	(0.3)	(4.4)
Gratuity benefits paid	0.3	3.3	0.3	0.8	8.0	–	0.5	13.2	0.9	0.9	0.2	0.7	7.6	–	0.4	10.7
Interest cost of scheme liabilities	–	(0.8)	(0.2)	(1.6)	(2.7)	–	(0.6)	(5.9)	(0.1)	(0.9)	(0.1)	(1.4)	(4.8)	–	(0.4)	(7.7)
Actuarial gains/(losses)	0.1	(1.9)	(0.7)	(3.4)	(5.1)	–	(0.3)	(11.3)	(0.2)	(0.5)	(0.3)	(0.6)	10.1		(0.7)	7.8
Exchange difference	(0.1)	(1.5)	(0.3)	(2.8)	–	–	(0.8)	(5.5)	0.3	3.0	0.5	4.9		–	1.3	10.0
At 31 March	**(0.2)**	**(13.3)**	**(3.2)**	**(27.5)**	**(16.1)**	**(0.4)**	**(8.6)**	**(69.3)**	**(0.5)**	**(12.0)**	**(2.0)**	**(19.3)**	**(13.9)**	**(0.2)**	**(5.0)**	**(52.9)**

h) Movements in the Fair Value of Scheme Assets

	As at 31 March 2010 US$ million	As at 31 March 2009 US$ million
At 1 April	**23.4**	**26.8**
At acquisition	2.4	–
Contributions received	15.5	11.4
Benefits paid	(13.2)	(10.7)
Expected return on plan asset	1.8	2.0
Foreign exchange differences	2.7	(6.1)
At 31 March	**32.6**	**23.4**

i) Five Year History

Defined benefit pension plan

	As at 31 March 2010 US$ million	As at 31 March 2009 US$ million	As at 31 March 2008 US$ million	As at 31 March 2007 US$ million	As at 31 March 2006 US$ million
Experience (losses)/gains arising on scheme liabilities	(11.3)	7.8	1.4	2.9	8.6
Difference between expected and actual return on plan assets	–	0.1	–	(0.1)	–
Fair value of pension scheme assets	32.6	23.6	26.8	17.0	14.0
Present value of pension scheme liabilities	(69.3)	(52.9)	(69.3)	(52.3)	(52.2)
Deficits in the schemes	(36.7)	(29.3)	(42.5)	(35.3)	(38.2)

Notes to the Consolidated Financial Statements
continued

31. Share Capital

Authorised	At 31 March 2010 Number	At 31 March 2010 US$ million	At 31 March 2009 Number	At 31 March 2009 US$ million
Ordinary shares of 10 US cents each	400,000,000	40.0	400,000,000	40.0
Deferred shares of £1 each	50,000	0.0	50,000	0.0
	400,050,000	**40.1**	**400,050,000**	**40.1**

Ordinary shares issued and fully paid	Number	US$ million	Number	US$ million
Ordinary shares of 10 US cents each	296,101,246	29.6	288,878,266	28.9
Deferred shares of £1 each	50,000	–	50,000	–
	296,151,246	**29.6**	**288,928,266**	**28.9**

During the year ended 31 March 2010, the Company issued 418,532 shares to the employees pursuant to the LTIP scheme (2009: 705,129 shares). During the year ended 31 March 2010, the Company issued 6,804,628 shares represented by Global Depositary Receipts on conversion of the convertible bond (2009: 42,452). The holders of these shares are not entitled to exercise voting rights.

The holders of deferred shares do not have the right to receive notice of any general meeting of the Company nor the right to attend, speak or vote at any such general meeting. The deferred shares have no rights to dividends and, on a winding-up or other return of capital, entitle the holder only to the payment of the amounts paid on such shares after repayment to the holders of ordinary shares of the nominal amount paid up on the ordinary shares plus the payment of £100,000 per ordinary share. Of the 50,000 deferred shares, one deferred share was issued at par and has been fully paid, and 49,999 deferred shares were each paid up as to one-quarter of their nominal value.

During the year ended 31 March 2010, the Company continued its share buy-back programme and purchased 11,502,873 of its own shares which are held in treasury. At 31 March 2010, the total number of shares held in treasury was 21,080,683 (2009: 9,577,810).

32. Business Combinations

On 11 June 2009, Sesa Goa signed a Share Purchase Agreement under which Sesa Goa acquired all the outstanding common shares of V S Dempo & Co. Private Limited ('Dempo'), which in turn, also holds 100% of the equity shares of Dempo Mining Corporation Private Limited and 50% of the equity shares of Goa Maritime Private Limited for a total consideration of US$361.0 million, after a working capital adjustment of US$39.0 million. The operating and financial results of Dempo have been consolidated effective from 11 June 2009, which was the date of acquisition. Dempo is mainly involved in iron ore mining.

The net assets of Dempo as acquired have been included in the results at fair value, as detailed in the table below:

US$ million	Book value	Fair value adjustments	Fair value
Assets			
Non-current assets			
Property, plant and equipment	24.2	472.6	496.8
	24.2	**472.6**	**496.8**
Current assets			
Inventories	16.0	–	16.0
Trade and other receivables	10.0	–	10.0
Deferred tax assets	0.1	(0.1)	–
Cash and cash equivalents	34.6	–	34.6
	60.7	**(0.1)**	**60.6**
Liabilities			
Current liabilities			
Trade and other payables	(18.4)	–	(18.4)
Current tax liabilities	(3.2)	–	(3.2)
	(21.6)	**–**	**(21.6)**
Non-current liabilities			
Medium-term borrowing	(12.4)	–	(12.4)
Deferred tax liabilities	–	(160.7)	(160.7)
Provisions	(0.2)	(1.2)	(1.4)
	(12.6)	**(161.9)**	**(174.5)**
Net assets	**50.7**	**310.6**	**361.3**
Satisfied by:			
Cash consideration paid			335.1
Deferred Consideration			26.2

32. Business Combinations (continued)

The Company has carried out a fair value assessment of the assets acquired during acquisition. Since the date of acquisition, Dempo has contributed US$228.0 million to the revenue and US$83.4 million to the net profit of the Group for the year ended 31 March 2010. If Dempo had been acquired at the beginning of the year, the revenue of the Group would have been US$45.0 million higher and the net profit of the Group would have been US$5.2 million higher.

33. Commitments, Guarantees and Contingencies

Commitments

The Group has a number of continuing operational and financial commitments in the normal course of business including:

- exploratory mining commitments;
- mining commitments arising under production sharing agreements; and
- completion of the construction of certain assets.

	As at 31 March 2010 US$ million	As at 31 March 2009 US$ million
Capital commitments contracted but not provided	4,065.4	3,674.0

Commitments at 31 March 2010 primarily related to the expansion projects at HZL US$85.6 million (2009: US$281.0 million), KCM US$180.0 million (2009: US$143.7 million), VAL US$1,013.6 million (2009: US$2,166.3 million), SEL US$258.6 million (2009: US$536.6 million), BALCO US$512.8 million (2009: US$474.5 million) and Talwandi Sabo US$1,589.4 million (2009: nil).

Guarantees

Companies within the Group provide guarantees within the normal course of business. Guarantees have also been provided in respect of certain short-term and long-term borrowings.

A summary of the most significant guarantees is set out below:

As at 31 March 2010, US$133.3 million of guarantees were advanced to banks in the normal course of business (2009: US$252.7 million). The Group has also entered into guarantees advanced to the customs authorities in India of US$908.3 million relating to the export of iron ore and payment of import duties on purchases of raw material (2009: US$283.5 million).

Export Obligations

The Indian entities of the Group have export obligations of US$5,091.2 million (2009: US$3,909.0 million) on account of concessional rates of import duty paid on capital goods under the Export Promotion Capital Goods Scheme and under Advance Licence Scheme for import of raw material laid down by the Government of India.

In the event of the Group's inability to meet its obligations, the Group's liability would be US$723.0 million (2009: US$556.5 million), reduced in proportion to actual exports. This liability is backed by bonds executed in favour of the customs department amounting to US$958.2 million (2009: US$515.5 million).

Guarantees to Suppliers

The Group has given corporate guarantees to certain suppliers of concentrate. The value of these guarantees was US$170 million at 31 March 2010 (2009: US$120.0 million).

Environmental and Terminal Benefits ('ETB') Cash Reserve Account – KCM

Pursuant to the terms of the shareholders' agreement between VRHL and ZCI dated 5 November 2004, KCM is expected to contribute a minimum of US$10 million (with a maximum of US$18.0 million) in any financial year to ensure that the amount of ETB liabilities are covered by a cash reserve when the life of the Konkola Ore Body comes to an end. The ETB liabilities refer to KCM's obligations in relation to the environment and any terminal benefits payable to its employees. As at 31 March 2010, ETB liabilities provided for were US$76.0 million (2009: US$49.9 million), although these liabilities are likely to fluctuate at each future reporting date.

Shortfall Funding Commitment – KCM

Pursuant to the KCM acquisition agreement, Vedanta has agreed to fund capital expenditure in the period from the date of acquisition to the earlier of 5 November 2013, the exercise of certain call options previously held by ZCI and Vedanta's divestment of its interest in KCM (the earliest date of which was 1 January 2008), up to a limit of US$220 million in the event that internally generated cash flows are insufficient to fund the capital expenditure programme set out in the acquisition agreement.

Contingencies

The Group has the following significant contingencies. With regard to the claims against Group companies included below, unless stated, no provision has been made in the financial statements as the Directors believe that it is more likely than not that the claims will not give rise to a material liability.

Notes to the Consolidated Financial Statements
continued

33. Commitments, Guarantees and Contingencies (continued)

MALCO claims with Tamil Nadu Electricity Board ('TNEB')
TNEB is claiming US$22.6 million from MALCO for an electricity self-generation levy for the period from May 1999 to June 2003. This claim has arisen since the commissioning of MALCO's captive power plant in 1999. The Company has sought an exemption from the application of this levy from the Government of India. The application is under consideration. Meanwhile, the Madras High Court has granted an interim ruling in favour of MALCO pending a final decision.

HZL: Department of Mines and Geology
The Department of Mines and Geology of the State of Rajasthan issued several show cause notices in August, September and October 2006 to HZL, totalling US$74 million. These notices alleged unlawful occupation and unauthorised mining of associated minerals other than zinc and lead at HZL's Rampura Agucha, Rajpura Dariba and Zawar mines in Rajasthan during the period from July 1968 to March 2006. HZL believes that the likelihood of this claim becoming an obligation of the Company is unlikely and thus no provision has been made in the financial statements. HZL has filed writ petitions in the High Court of Rajasthan in Jodhpur and has obtained a stay in respect of these demands.

VAL: Ministry of Environment and Forests ('MOEF') Claim
In respect of bauxite mines at Lanjigarh, Orissa, public interest submissions were filed in 2004 by certain non-government organisations ('NGOs') to the Honourable Supreme Court of India sub-committee regarding the potential environmental impact of the mines. After hearing various submissions, on 8 August 2008 the Supreme Court delivered its final order in favour of VAL. Final clearance from the environmental division of MOEF has been obtained whilst clearance from the Forestry division, which is expected to be received in the near term, remains outstanding.

Miscellaneous Disputes – Sterlite, HZL, MALCO and BALCO
The Indian excise and related indirect tax authorities have made several claims against the above companies for additional excise and indirect duties. The claims mostly relate either to the assessable values of sales and purchases or to incomplete documentation supporting the companies' returns.

The approximate value of claims against the companies total US$380.4 million (2009: US$221.3 million), of which US$10.4 million (2009: US$15.5 million) is included as a provision in the balance sheet as at 31 March 2010. In the view of the Directors, there are no significant unprovided liabilities arising from these claims.

34. Related Party Transactions
The information below sets out transactions and balances between the Group and various related parties in the normal course of business for the year ended 31 March 2010.

Sterlite Technologies Limited ('STL')

	31 March 2010 US$ million	31 March 2009 US$ million
Sales to STL	165.0	140.7
Reimbursement of expenses	0.1	0.2
Purchases	–	0.1
Net Interest Received	0.1	–
Net amounts receivable at year end	4.4	8.1

STL is related by virtue of having the same controlling party as the Group, namely Volcan (see Note 37). Pursuant to the terms of the Shared Services Agreement dated 5 December 2003 entered into by the Company, Sterlite and STL, the Company and Sterlite provide various commercial services in relation to STL's businesses on an arm's length basis and at normal commercial terms. For the year ended 31 March 2010, the commercial services provided to STL were performed by certain senior employees of the Group on terms set out in the Shared Services Agreement. The services provided to STL in this year amounted to US$27,154 (2009: US$25,047).

Twin Star Infrastructure Limited
Sterlite Energy had issued cumulative convertible preference shares to Twin Star Infrastructure Limited prior to Sterlite Energy's acquisition by the Group and an amount of US$nil million was outstanding as at 31 March 2010 (2009: US$5.5 million). During the year ended 31 March 2010, Sterlite Energy paid dividends on the cumulative convertible preference shares of US$nil (2009: US$3,689) to Twin Star Infrastructure Limited. Twin Star Infrastructure Limited is a related party by virtue of having the same controlling party as the Group, namely Volcan.

Sterlite Foundation
During the year US$1.1 million was paid to the Sterlite Foundation (2009: US$0.9 million).

Sterlite Foundation is a registered not-for-profit entity engaged in computer education and other related social and charitable activities. The major activity of the Sterlite Foundation is providing computer education for disadvantaged students. The Sterlite Foundation is a related party as it is controlled by members of the Agarwal family who controls Volcan. Volcan is also the majority shareholder of Vedanta Resources Plc.

34. Related Party Transactions (continued)

Sesa Goa Community Foundation Limited

Following the acquisition of Sesa Goa, the Sesa Goa Community Foundation Limited, a charitable institution, became a related party of the Group on the basis that key management personnel of the Group have significant influence on Sesa Goa Community Foundation Limited. During the year ended 31 March 2010, US$0.7 million (2009: US$1.1 million) was paid to the Sesa Goa Community Foundation Limited.

The Anil Agarwal Foundation

During the year, US$0.6 million (2009: US$0.5 million) was received from the Anil Agarwal Foundation towards reimbursement of administrative expenses. The Anil Agarwal Foundation is a registered not-for-profit entity engaged in social and charitable activities. The Anil Agarwal Foundation is controlled by members of the Agarwal family.

VOLCAN

	31 March 2010 US$ million	31 March 2009 US$ million
Reimbursement of bank charges	–	(0.3)

In relation to the shares of Sterlite held by Twin Star, MALCO issued guarantees to the Income Tax Department of India, at the request of Volcan. The amount payable for the year ended 31 March 2010 as US$0.0 million (2009: US$0.3 million).

In addition, a limited number of employees are seconded from Sterlite to STL and similarly from STL to Sterlite. The company which benefits from the seconded employees bear their employment costs.

Henry Davis York

	31 March 2010 US$ million	31 March 2009 US$ million
Consultancy services	0.4	0.7

Henry Davis York provides consultancy services to a subsidiary of the Group. The executive management of Henry Davis York hold a similar office at the said subsidiary.

Sterlite Iron and Steel Limited

	31 March 2010 US$ million	31 March 2009 US$ million
Reimbursement of expenses	0.1	–

Sterlite Iron and Steel Limited is a related party by virtue of having the same controlling party as the Group, namely Volcan.

Sterlite Shipping Venture Limited

	31 March 2010 US$ million	31 March 2009 US$ million
Reimbursement of expenses	0.01	–

Sterlite Shipping Venture Limited is controlled by members of the Agarwal family.

Vedanta Medical Research Association

	31 March 2010 US$ million	31 March 2009 US$ million
Loan balance receivable	3.5	–
Other amount receivable at year end	4.5	–

Vedanta Medical Research Association is a related party of the Group on the basis that key management personnel of the Group exercise significant influence.

Notes to the Consolidated Financial Statements continued

34. Related Party Transactions (continued)

Vedanta University

	31 March 2010 US$ million	31 March 2009 US$ million
Reimbursement of expenses	(0.1)	–

Vedanta University is a related party of the Group on the basis that key management personnel of the Group exercise significant influence.

Remuneration of Key Management Personnel

The remuneration of the Directors and the key management personnel of the Group are set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million
Short-term employee benefits	8.7	8.4
Post employment benefits	0.5	0.5
Share-based payments	9.4	1.0
	18.6	**9.9**

35. Share Transactions

Call Options – HZL

The Company's wholly-owned subsidiary, SOVL, was granted two call options to purchase all of the Government of Indian's shares in HZL at fair value, the first of which was successfully exercised in 2003. SOVL exercised the second call option on 21 July 2009 to which the Government has responded by stating that they do not believe the option can be validly exercised under company law. The Company has therefore appointed an arbitrator under the terms of the shareholders' agreement but the Government of India is yet to do so. As a result, SOVL has filed an arbitration application pursuant to section 11(6) of the Arbitration and Conciliation Act 1996 in the Delhi High Court petitioning the court to constitute an arbitration tribunal. The hearing of the arbitration application is fixed for 18 May 2010.

Call Option – BALCO

The Company purchased a 51.0% holding in BALCO from the Government of India on 2 March, 2001. Under the terms of this shareholder's agreement ('SHA') for BALCO, the Company has a call option that allows it to purchase the Government of India's remaining ownership interest in BALCO at any point from 2 March, 2004. The Company exercised this option on 19 March, 2004. However, the Government of India has contested the validity of the option and the valuation. The Company sought an interim order from the High Court of Delhi to restrain the Government of India from transferring or disposing of its shareholding pending resolution of the dispute. The High Court directed on 7 August, 2006 that the parties attempt to settle the dispute by way of a mediation process as provided for in the SHA. However, as the dispute could not be settled through mediation, it has been referred to arbitration as provided for in the SHA. Arbitration proceedings commenced on 16 February 2009 and after a few rounds of hearing, the next date for hearing is fixed between 27 August 2010 and 29 August 2010.

Share Purchases

During financial year 2010, the Group increased its holding in certain of its subsidiaries through open market purchases. The details of such purchases are as follows:

a) 1,868,792 shares of Sterlite Industries India Limited accounting for 0.24% of SIIL's total equity.
b) 28,675,642 shares of Sesa Goa accounting for 3.51% of Sesa's total equity.
c) 1,459,323 shares of Malco accounting for 1.30% of Malco's total equity.

The aggregate loss arising on these transactions of US$96.8 million was recorded within equity.

Financial Statements

36. Principal Subsidiaries

The consolidated financial statements comprise the financial statements of the following principal subsidiaries:

Subsidiaries	Principal activities	The Company's economic percentage holding 31 March 2010	The Company's economic percentage holding 31 March 2009	Country of incorporation	Immediate holding company	Immediate percentage holding 31 March 2010	Immediate percentage holding 31 March 2009
Direct subsidiaries of the parent company							
Vedanta Resources Holding Limited ('VRHL')	Holding company	100.00%	100.00%	Great Britain	VR plc	100.00%	100.00%
Vedanta Resources Jersey Limited ('VRJL')	Financing company	100.00%	–	Jersey (CI)	VR plc	100.00%	–
Vedanta Resources Jersey II Limited ('VRJ2')	Financing company	100.00%	–	Jersey (CI)	VR plc	100.00%	–
Vedanta Finance (Jersey) Limited ('VFJL')	Financing company	100.00%	100.00%	Jersey (CI)	VR plc	100.00%	100.00%
Vedanta Resources Investments Limited ('VRIL')	Financing company	100.00%	100.00%	Mauritius	VR plc	100.00%	100.00%
Indirect subsidiaries of the parent company							
Bharat Aluminium Company Limited ('BALCO')	Aluminium mining and smelting	29.01%	31.30%	India	Sterlite	51.00%	51.00%
Copper Mines Of Tasmania Pty Limited ('CMT')	Copper mining	56.88%	61.30%	Australia	MCBV	100.00%	100.00%
Fujariah Gold	Gold and silver processing	56.88%	61.30%	UAE	CMT	100.00%	100.00%
Hindustan Zinc Limited ('HZL')	Zinc and mining and smelting	36.93%	39.80%	India	SOVL	64.92%	64.92%
The Madras Aluminium Company Limited ('MALCO')	Energy generation	94.54%	93.20%	India	Twin Star	94.54%	93.20%
Monte Cello BV ('MCBV')	Holding company	56.88%	61.30%	Netherlands	Sterlite	100.00%	100.00%
Monte Cello Corporation NV ('MCNV')	Holding company	100.00%	100.00%	Netherlands	Twin Star	100.00%	100.00%
Konkola Copper Mines PLC ('KCM')	Copper mining and smelting	79.40%	79.40%	Zambia	VRHL	79.40%	79.40%
Sterlite Energy Limited ('SEL')	Energy generation	56.88%	61.30%	India	Sterlite	100%	100%
Sesa Goa Limited ('Sesa Goa')	Iron ore	57.41%	52.70%	India	Finsider	48.32%	51.20%
Sesa Industries Limited	Iron ore	50.64%	46.50%	India	Sesa Goa	88.25%	88.25%
V S Dempo Private Limited ('VSD')	Iron ore	57.41%	–	India	Sesa Goa	100.00%	–
Dempo Mining Corporation Private Limited ('DMCL')	Iron ore	57.41%	–	India	V S Dempo	100.00%	–
Goa Maritime Private Limited	Iron ore	28.71%	–	India	V S Dempo	50.00%	–
Sterlite Industries (India) Limited ('Sterlite')	Copper smelting	56.88%	61.30%	India	Twin Star	54.00%	57.90%
Sterlite Opportunities and Venture Limited ('SOVL')	Holding company	56.88%	61.30%	India	Sterlite	100.00%	100.00%
Sterlite Paper Limited ('SPL')	Non-trading	56.88%	61.30%	India	Sterlite	100.00%	100.00%
Thalanga Copper Mines Pty Limited ('TCM')	Copper mining	56.88%	61.30%	Australia	MCBV	100.00%	100.00%
Twin Star Holding Limited ('Twin Star')	Holding company	100.00%	100.00%	Mauritius	VRHL	100.00%	100.00%
Vedanta Aluminium Limited ('VAL')	Alumina mining, aluminium refining and smelting	87.28%	88.60%	India	Twin Star	45.50%	45.50%
Richter Holding Limited ('Richter'), Cyprus	Financing company	100.00%	100.00%	Cyprus	VRCL	100.00%	100.00%
Westglobe Limited	Financing company	100.00%	100.00%	Mauritius	Richter	100.00%	100.00%
Finsider International Company Limited	Financing company	100.00%	100.00%	Great Britain	Richter	100.00%	100.00%
Vedanta Resources Finance Limited ('VRFL')	Financing company	100.00%	100.00%	Great Britain	VRHL	100.00%	100.00%
Vedanta Resources Cyprus Limited ('VRCL')	Financing company	100.00%	100.00%	Cyprus	VRFL	100.00%	100.00%
Welter Trading Limited	Financing company	100.00%	100.00%	Cyprus	Twin Star	100.00%	100.00%
Lakomasko BV	Financing company	100.00%	100.00%	Netherlands	VRHL	100.00%	100.00%
THL KCM Limited	Financing company	100.00%	100.00%	Mauritius	Twin Star	100.00%	100.00%
THL Aluminium Limited	Financing company	100.00%	100.00%	Mauritius	Twin Star	100.00%	100.00%
KCM Holding Limited	Financing company	100.00%	100.00%	Zambia	THL KCM	100.00%	100.00%
Sterlite (USA) Inc.	Financing company	56.88%	61.30%	USA	Sterlite	100.00%	100.00%
Talwandi Sabo Power Limited	Energy generation	56.88%	61.30%	India	SEL	100.00%	100.00%
Allied Port Services Pvt Ltd	Port service	87.28%	–	India	VAL	100.00%	–

The Group owns directly or indirectly through subsidiaries, more than half of the voting power of all of its subsidiaries as mentioned in the list above, and the Group is able to govern its subsidiaries' financial and operating policies so as to benefit from their activities.

37. Ultimate Controlling Party

At 31 March 2010, the ultimate controlling party of the Group was Volcan, which is controlled by persons related to the Executive Chairman, Mr Anil Agarwal. Volcan, which is incorporated in the Bahamas, and does not produce Group accounts.

Notes to the Consolidated Financial Statements continued

38. Company Balance Sheet

	Notes	31 March 2010 US$ million	31 March 2009 US$ million
Fixed assets			
Tangible assets	40	0.2	0.4
Investments in subsidiaries	41	713.3	713.3
Investment in preference shares of subsidiaries	42	178.9	2.6
Financial asset investment	43	0.5	0.2
Derivative asset		–	13.5
		892.9	**730.0**
Current assets			
Debtors due within one year	44	587.8	868.9
Debtors due after one year	44	3,350.6	2,027.9
Current asset investments	45	199.1	371.2
Cash at bank and in hand		1.4	2.7
		4,138.9	**3,270.7**
Creditors: amounts falling due within one year			
Trade and other creditors	46	(78.0)	(34.1)
Bonds	46	–	(614.7)
External borrowings	46	(186.2)	–
Loan from subsidiary	46	(180.4)	–
		(444.6)	**(648.8)**
Net current assets		**3,694.3**	**2,621.9**
Total assets less current liabilities		4,587.2	3,351.9
Creditors: amounts falling due after one year			
Amounts due to subsidiary undertakings	47	(1,224.9)	(632.5)
External borrowings	47	(2,592.7)	(2,222.9)
Derivative liabilities	47	(12.1)	(30.9)
		(3,829.7)	**(2,886.2)**
Net assets		**757.5**	**465.6**
Capital and reserves			
Called up share capital	48	29.6	28.9
Share premium account	48	196.8	21.1
Share-based payment reserve	48	25.6	14.1
Convertible bond reserve	48	305.9	111.6
Other reserves	48	(1.8)	(2.1)
Treasury shares	48	(428.9)	(80.3)
Profit and loss account	48	630.3	372.3
Shareholders' funds	**48**	**757.5**	**465.6**

39. Company Accounting Policies

The Vedanta Resources plc ('the Company') balance sheet and related notes have been prepared in accordance with United Kingdom generally accepted accounting principles and UK company law ('UK GAAP'). The financial information has been prepared on an historical cost basis. As permitted by the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements.

Significant Accounting Policies

Investments in Subsidiaries

Investments in subsidiaries represent equity holdings in subsidiaries valued at cost less any provision for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Investment in Preference Shares of Subsidiaries

Investments in preference shares of subsidiaries are stated at fair value. The fair value is represented by the face value of the preference shares as the investments are redeemable at any time for their face value at the option of the Company.

Currency Translation

Transactions in currencies other than the functional currency of the Company, being US dollars, are translated into US dollars at the spot exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated into US dollars at year end exchange rates, or at a contractual rate if applicable.

Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment.

39. Company Accounting Policies (continued)

Deferred Taxation
Deferred taxation is provided in full on all timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, subject to the recoverability of deferred tax assets. Deferred tax assets and liabilities are not discounted.

Share-Based Payments
The cost of equity-settled transactions with employees is measured at fair value at the date at which they are granted. The fair value of share awards with market-related vesting conditions are determined by an external valuer and the fair value at the grant date is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date at which point the estimate is adjusted to reflect the current expectations. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised. Amounts recharged to subsidiaries in respect of awards granted to employees of subsidiaries are recognised as intercompany debtors until repaid.

Borrowings
Interest bearing loans are recorded at the net proceeds received ie net of direct transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on accruals basis and charged to the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Convertible Bonds
The convertible bonds issued by VRJL and VRJIIL (Note 47) are accounted for as a compound instrument. The gross proceeds (net of issue costs) were lent to the Company by VRJL and VRJIIL. The equity component has been recognised in a separate reserve of the Company and is not being subsequently remeasured. The recognition of the equity component by the Company acts to reduce the payable to VRJL and VRJIIL which arises once the gross proceeds are borrowed. The liability component is held at amortised cost. The interest expensed on the liability component is calculated by applying an effective interest rate. The difference between this amount and interest paid is added to the carrying amount of the liability component.

The bonds are first convertible into preference shares of the issuer having a paid value of US$100,000 per preference share, which are exchanged immediately for ordinary shares of the Company.

Financial Instruments
The Company has elected to take the exemption provided in paragraph 3C (b) of FRS 25 in respect of these parent company financial statements. Full disclosures are provided in Note 26 to the consolidated financial statements of the Group for the period ended 31 March 2010.

Derivative Financial Instruments
Derivative financial instruments are initially recorded at their fair value on the date of the derivative transaction and are remeasured at their fair value at subsequent balance sheet dates.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account. The hedged item is recorded at fair value and any gain or loss is recorded in the profit and loss account and is offset by the gain or loss from the change in the fair value of the derivative.

Derivative financial instruments that do not qualify for hedge accounting are marked to market at the balance sheet date and gains or losses are recognised in the profit and loss account immediately.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

Cash Flow Statement
The Company's individual financial statements are outside the scope of FRS 1 Cash Flow Statements because the Company prepares publicly available consolidated financial statements, which include a consolidated cash flow statement. Accordingly, the Company does not present an individual company cash flow statement.

Related Party Disclosures
The Company's individual financial statements are exempt from the requirements of FRS 8 Related Party Disclosures because its individual financial statements are presented together with its consolidated financial statements. Accordingly, the individual financial statements do not include related party disclosures.

Notes to the Consolidated Financial Statements continued

40. Company Tangible Fixed Assets

	US$ million
Cost	
At 1 April 2009	1.2
Additions	0.0
At 31 March 2010	**1.2**
Accumulated depreciation	
At 1 April 2009	0.8
Charge for the period	0.2
At 31 March 2010	**1.0**
Net book value	
At 1 April 2009	0.4
At 31 March 2010	**0.2**

41. Investments in Subsidiaries

	US$ million
Cost	
At 1 April 2009	713.3
At 31 March 2010	**713.3**

At 31 March 2010, the Company held 139,559,950 shares in VRHL (2009: 139,559,950 shares), being 100% of VRHL's issued equity share capital. The Company also held one deferred share in VRHL (2009: one). At 31 March 2010, the Company held 2 shares in Vedanta Finance Jersey Limited ('VFJL') being 100% of its issued equity share capital (2009: two).

Two new companies Vedanta Resources Jersey Limited ('VRJL') and Vedanta Resources Jersey II Limited ('VRJIIL') were also incorporated in the Year ending March 2010.

The Company holds two shares in Vedanta Resources Jersey Limited ('VRJL') and two shares in Vedanta Resources Jersey II Limited ('VRJIIL'), being 100% of its equity share capital.

VRHL is an intermediary holding company incorporated in England and Wales. VFJL, VRJL and VRJIIL are companies established to raise funds for the Vedanta Group via convertible bond issue and are incorporated in Jersey.

42. Investment in Preference Shares of Subsidiaries

	US$ million
Fair value	
At 1 April 2009	2.6
Additions	176.3
At 31 March 2010	**178.9**
At 1 April 2008	**1.5**
Additions	1.1
At 31 March 2009	**2.6**

As at 31 March 2010, the Company held 178,916,000 preference shares in VFJL (2009: 2,601,000). These shares, issued in 2008 and 2009, entitle the holder to a dividend of 4.6% of their face value.

43. Financial Asset Investment

	US$ million
Fair value	
At 1 April 2009	**0.2**
Additions	–
Fair value movement in investment	0.3
At 31 March 2010	**0.5**
At 1 April 2008	**1.0**
Additions	–
Fair value movement in investment	(0.8)
At 31 March 2009	**0.2**

The investment relates to an equity investment in Victoria Gold Corporation. The investment in 2009 was in an equity investment in Strata Gold. During the year Strata Gold was merged with Victoria Gold, as a result of restructuring, the Company received 624,500 shares in Victoria gold in exchange for its investment on 5,000,000 shares in Strata Gold.

At 31 March 2010, the investment in Victoria Gold Corporation was revalued and a gain of US$0.3 million was recognised in equity.

44. Company Debtors

	31 March 2010 US$ million	31 March 2009 US$ million
Amounts due from subsidiary undertakings	3,938.0	2,896.4
Prepayments and accrued income	0.2	0.3
Other taxes	0.2	0.1
Total	**3,938.4**	**2,896.8**
Debtors due within one year	587.8	868.9
Debtors due after one year	3,350.6	2,027.9
Total	**3,938.4**	**2,896.8**

Amounts Due from Subsidiary Undertakings
At 31 March 2010, the Company had loans due from VRHL of US$1,894.4 million (2009: US$1,492.5 million) which represented the downstreaming of funds to the subsidiaries. Out of the total loan, amount of US$579.3 million bears interest at US dollar six months LIBOR plus 350 basis points, US$500 million bears at 5.8%, US$250 million at 8.95% ,US$200 million bears at 5.9%, US$137.0 million at 9.7% US$103.6 million at 8.95% and US$76.7 million at 8.8%. In addition to the loans, the Company was owed US$127.0 million of accrued interest (2009: US$58.3 million).

At 31 March 2010 the Company had a loan of US$892 million (2009: :US$1,000 million), US$500 million (2009: US$nil), US$112 million (2009: US$nil), and US$350 million (2009: US$250 million), receivable from Richter, Welter, Twinstar and KCM respectively and US$30.4 million of other amounts due from subsidiary undertakings (2009: US$49.4 million).

45. Company Current Asset Investments

	31 March 2010 US$ million	31 March 2009 US$ million
Bank term deposits	197.6	203.5
Short-term unit trusts and liquidity funds	1.5	167.7
Total	**199.1**	**371.2**

46. Company Creditors: Amounts Falling Due Within One Year

	31 March 2010 US$ million	31 March 2009 US$ million
Trade creditors	(44.2)	(5.9)
Accruals and deferred income	(33.8)	(28.2)
Bond (Due 2010)	–	(614.7)
External Borrowings	(186.2)	–
Loan from Subsidiary	(180.4)	–
Total	**(444.6)**	**(648.8)**

The US$600 million bond due in February 2010 was repaid on its due date.

The external borrowings above represent a loan taken out from ICICI Bank at an interest rate of one month US dollar Libor plus 350 basis points. The loan is short-term and repayable in June 2010.

47. Company Creditors: Amounts Falling Due After One Year

	31 March 2010 US$ million	31 March 2009 US$ million
Loan from subsidiary	(1,224.9)	(632.5)
Bond & loans	(2,592.7)	(2,222.9)
Derivative liability	(12.1)	(30.8)
Total	**(3,829.7)**	**(2,886.2)**

Loans from subsidiaries include a loan from VJYL relating to its issue of US$1.25 billion convertible bonds (bond issued in July 2009) and from VRJIIL related to its issue of US$883 million convertible bond (bond issued in March 2010). During 2010, interest was charged at the effective interest rate of 11.17% and interest rate of 4.0% respectively. Loans from subsidiaries also include US$0.01 million payable to Finsider International Limited in respect of funds received (2009: US$22.1 million).

A loan of US$373 million was also taken from Bank of Tokyo-Mitsubishi UFJ Ltd ('BTMU') in January 2010 at an interest rate of 1 month US dollar Libor plus 425 basis points. This amount is repayable in July 2011.

During the year the Company also issued two convertible bonds for US$1.25 billion in Vedanta Resources Jersey Limited ('VRJL') at a coupon rate of 5.5% and US$883 million in Vedanta Resources Jersey II Limited ('VRJIIL') at a coupon rate of 4.0%, repayable in July 2016 and March 2017 respectively.

Notes to the Consolidated Financial Statements
continued

48. Company Reconciliation of Movement in Equity Shareholders' Funds

	Share capital US$ million	Share premium account US$ million	Share-based payment reserve US$ million	Convertible bond reserve US$ million	Treasury Shares US$ million	Profit and loss account US$ million	Other reserves US$ million	Total US$ million
Equity shareholders' funds at 1 April 2009	**28.9**	**21.1**	**14.1**	**111.5**	**(80.3)**	**372.3**	**(2.1)**	**465.5**
Profit for the year	–	–	–	–	–	347.0	–	347.0
Dividends paid (Note 13)	–	–	–	–	–	(117.9)	–	(117.9)
Issue of convertible bond	–	–	–	330.2	–	–	–	330.2
Exercise of LTIP awards	–	–	(4.1)	–	–	4.1	–	–
Recognition of share-based payments	–	–	15.6	–	–	–	–	15.6
Conversion of convertible bond (Note 25)	0.7	175.7	–	(109.5)	–	(1.6)	–	65.3
Convertible bond reserve transfer	–	–	–	(26.3)	–	26.3	–	–
Movement in fair value of financial investments (Note 45)	–	–	–	–	–	–	0.3	0.3
Purchase of treasury shares	–	–	–	–	(348.6)	–	–	(348.6)
Equity shareholders' funds at 31 March 2010	**29.6**	**196.8**	**25.6**	**305.9**	**(428.9)**	**630.3**	**(1.8)**	**757.5**

49. Company contingent liabilities

a The Company has guaranteed US$1,250 million convertible bonds issued by VRJL (2009: US$nil). See note 25 to the Group financial statements for further details on the convertible bonds.

b The Company has given a corporate guarantee to Vedanta Aluminium Ltd for an amount of US$837.4 million up to 31 March 2010.

c The Company also has issued other guarantees of US$170.0 million to concentrate suppliers.

d The Company has given a corporate guarantee to Konkola Copper Mines for an amount of US$50 million up to 31 March 2010.

e The Company has guaranteed US$883 million convertible bonds issued by VRJIIL (2009: US$nil). See Note 25 to the Group financial statements for further details on the convertible bonds.

50. Company Share-Based Payment

The Company had certain LTIP awards outstanding as at 31 March 2010. See Note 29 to the Group financial statements for further details on these share-based payment awards.

Independent Auditor's Report to the Members of Vedanta Resources plc

We have audited the parent company financial statements of Vedanta Resources plc for the year ended 31 March 2010 which comprise the Parent Company Balance Sheet and the related Notes 38 to 50. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on Financial Statements

In our opinion the parent company financial statements:

– give a true and fair view of the state of the parent company's affairs as at 31 March 2010;
– have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
– have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion:

– the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
– the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on Which we are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

– adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
– the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
– certain disclosures of Directors' remuneration specified by law are not made; or
– we have not received all the information and explanations we require for our audit.

Other Matter

We have reported separately on the Group financial statements of Vedanta Resources plc for the year ended 31 March 2010.

David Paterson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
5 May 2010

Five Year Summary

Summary consolidated income statement	Year ended 31 March 2010 US$ million	Year ended 31 March 2009 US$ million	Year ended 31 March 2008 US$ million	Year ended 31 March 2007 US$ million	Year ended 31 March 2006 US$ million
Revenue	**7,930.5**	**6,578.9**	**8,203.7**	**6,502.2**	**3,701.8**
EBITDA	**2,295.9**	**1,612.2**	**3,010.4**	**2,703.0**	**1,101.5**
Depreciation	(563.0)	(473.2)	(429.1)	(195.4)	(157.7)
Exceptional/special items	(67.3)	(31.9)	11.1	(1.7)	–
Operating profit	**1,665.6**	**1,107.0**	**2,592.4**	**2,505.9**	**943.8**
Share of (loss)/profit in associate	–	–	–	(1.3)	(1.4)
Non-operating exceptional/special items	–	–	–	–	–
Profit before interest and taxation	**1,665.6**	**1,107.0**	**2,592.4**	**2,504.6**	**942.4**
Net finance (costs)/investment revenues	176.0	74.0	170.8	(20.2)	(7.7)
Profit before taxation	**1,841.6**	**1,181.0**	**2,763.2**	**2,484.4**	**934.7**
Taxation	(330.4)	(280.5)	(757.7)	(672.7)	(280.4)
Profit after taxation	**1,511.2**	**900.5**	**2,005.5**	**1,811.7**	**654.3**
Equity minority interests	908.9	681.1	1,126.5	877.5	(280.8)
Profit attributable to equity shareholders in parent	**602.3**	**219.4**	**879.0**	**934.2**	**373.5**
Dividends	(117.9)	(118.8)	(104.3)	(84.3)	(49.4)
Retained profit	**484.4**	**100.6**	**774.7**	**849.9**	**324.1**
Basic earnings per share (US cents per share)					
Profit for the financial year	219.6	76.4	305.4	325.6	130.2
Underlying profit for the financial year	199.2	109.3	303.9	327.0	130.2
Dividend per share (US cents per share)	45.0	41.5	36.5	29.3	17.25

Summary consolidated balance sheet	31 March 2010 US$ million	31 March 2009 US$ million	31 March 2008 US$ million	31 March 2007 US$ million	31 March 2006 US$ million
Goodwill	12.2	12.2	13.3	12.1	12.1
Property, plant and equipment	14,326.7	9,348.4	8,354.5	3,838.0	2,763.0
Fixed asset investments/associate	201.2	91.6	30.0	34.6	28.9
Total fixed assets	**14,540.1**	**9,452.2**	**8,397.8**	**3,884.7**	**2,804.0**
Stocks	1,260.6	909.3	1,298.8	879.7	535.0
Debtors	1,019.9	902.4	1,232.8	1,122.1	804.4
Cash and current financial asset investments	7,239.4	4,912.6	5,106.7	2,185.2	2,091.7
Total current assets	**9,519.9**	**6,724.3**	**7,638.3**	**4,187.0**	**3,431.1**
Short-term borrowings	(1,012.6)	(1,298.5)	(1,417.2)	(249.1)	(239.8)
Other current liabilities	(2,670.3)	(2,136.8)	(2,102.5)	(1,336.8)	(1,104.1)
Total current liabilities	**(3,682.9)**	**(3,435.3)**	**(3,519.7)**	**(1,585.9)**	**(1,343.9)**
Net current assets/(liabilities)	**5,837.0**	**3,289.0**	**4,118.6**	**2,601.1**	**2,087.2**
Total assets less current liabilities	**20,377.1**	**12,741.2**	**12,516.4**	**6,485.8**	**4,891.2**
Long-term borrowings	(7,161.0)	(3,816.4)	(1,556.9)	(1,477.7)	(1,836.4)
Other long-term liabilities	(351.1)	(136.1)	(83.9)	(106.4)	(109.0)
Provisions	(1,413.5)	(1,205.4)	(1,608.5)	(690.9)	(547.6)
Total long-term liabilities	**(8,925.6)**	**(5,157.9)**	**(3,249.3)**	**(2,275.0)**	**(2,493.0)**
Equity minority interests	(6,729.1)	(4,458.7)	(5,360.6)	(1,824.5)	(921.7)
Non-equity minority interest	(11.9)	(11.9)	(59.4)	(59.4)	(59.4)
Net assets attributable to the equity holders of the parent	**4,710.5**	**3,112.6**	**3,847.1**	**2,326.9**	**1,417.1**

Turnover	2010 US$ million	2009 US$ million	2008 US$ million	2007 US$ million	2006 US$ million
Aluminium	914.2	906.6	1,140.2	993.4	453.0
Copper	3,812.2	3,311.0	4,221.9	3,569.3	2,241.3
India/Australia	2,741.4	2537.9	3,118.8	2,553.4	1,537.9
Zambia	1,070.8	773.1	1,103.1	1,015.9	703.4
Zinc	1,651.7	1,209.1	1,941.5	1,888.1	875.5
Iron Ore	1,221.7	1,070.4	888.9	–	–
Energy	330.7	51.3			
Other	–	–	11.3	51.4	132.0
Group	**7,930.5**	**6,578.9**	**8,203.7**	**6,502.2**	**3,701.8**

EBITDA	2010 US$ million	2009 US$ million	2008 US$ million	2007 US$ million	2006 US$ million
Aluminium	154.9	177.4	380.7	415.4	135.3
Copper	317.7	222.9	667.3	833.9	425.3
India/Australia	165.9	293.7	327.2	365.6	219.0
Zambia	151.8	(70.8)	340.1	468.3	206.3
Zinc	982.8	603.3	1,380.1	1,453.9	532.9
Iron Ore	673.0	557.1	585.6	–	–
Energy	170.7	53.3	–	–	–
Other	(3.2)	(1.8)	(3.3)	(0.2)	8.0
Group	**2,295.9**	**1,612.2**	**3,010.4**	**2,703.0**	**1,101.5**

EBITDA Margin	2010 %	2009 %	2008 %	2007 %	2006 %
Aluminium	16.9	20.9	33.4	42.4	29.9
Copper	13.8	6.7	15.8	23.3	18.7
India/Australia	6.1	11.6	10.5	36.9	14.2
Zambia	14.2	(9.2)	30.8	18.2	29.3
Zinc	59.5	50.1	71.1	78.1	60.9
Iron Ore	55.1	52.1	65.9	–	–
Energy	51.6	–	–	–	–
Group	**29.0**	**24.5**	**36.7**	**41.8**	**29.8**

Five Year Summary continued

Production	2010 000's mt	2009 000's mt	2008 000's mt	2007 000's mt	2006 000's mt
Aluminium	533	462	396	351	211
BALCO	268	357	358	313	174
MALCO	–	23	38	38	37
VAL JHARSUGDA	264	82	–	–	–
Copper	507	446	489	455	437
Sterlite	334	313	339	313	273
KCM	173	133	150	142	164
Iron Ore (WMT)*	21,412	15,986	11,469	–	–
Zinc	578	552	426	348	284

Cash costs of production	2010 US cents per lb	2009 US cents per lb	2008 US cents per lb	2007 US cents per lb	2006 US cents per lb
Aluminium – BALCO Plant-I	–	85.6	82.7	68.5	67.9
Aluminium – BALCO Plant-II	69.6	73.6	75.9	76.5	–
BALCO (other than Alumina)	39.1	39.0	36.5	33.6	–
Aluminium – MALCO	–	121.5	102.4	75.5	75.8
Aluminium – VAL JHARSUGDA	77.2	99.0	–	–	–
Copper – Sterlite[1]	10.4	3.1	1.8	6.1	6.1
Copper – KCM	184.4	258.4	191.5	173.6	127.9
Zinc including royalty	38.6	32.2	40.1	39.1	31.3
Zinc without royalty	31.7	27.6	31.1	27.5	26.1

1 only smelting cost

Cash costs of production in INR	2010 INR per mt	2009 INR per mt	2008 INR per mt	2007 INR per mt	2006 INR per mt
Aluminium – BALCO Plant – I	–	86,626	73,369	68,389	66,289
Aluminium – BALCO Plant- II	72,717	74,517	67,336	76,376	–
BALCO (Other than Alumina)	40,868	39,772	32,382	33,545	–
Aluminium – MALCO	–	123,001	90,846	75,378	74,001
Aluminium-VAL JHARSUGDA	80,710	100,182	–	–	–
Copper – Sterlite**	10,872	3,138	1,597	6,090	5,955
Zinc including Royalty	40,319	32,621	35,575	39,037	30,557
Zinc without Royalty	33,073	27,973	27,591	27,455	25,481

Capital expenditure	2010 US$ million	2009 US$ million	2008 US$ million	2007 US$ million	2006 US$ million
Sustaining	184.4	306.3	256.9	259.9	76.7
Expansion	3,680.1	3,021.3	1,997.7	869.0	609.4
Total capital expenditure	**3,864.5**	**3,327.6**	**2,254.6**	**1,128.9**	**686.1**

Net cash/(debt)	2010 US$ million	2009 US$ million	2008 US$ million	2007 US$ million	2006 US$ million
Aluminium	(2,320.2)	(1,931.2)	(1,171.2)	(229.6)	(453.6)
Copper	996.9	1,341.4	1,934.4	179.4	253.1
India/Australia	1,288.2	1,545.9	1,976.2	106.4	136.6
Zambia	(291.3)	(204.5)	(41.6)	73.0	116.5
Zinc	2,628.6	1,891.6	1,925.2	1,067.7	257.8
Iron Ore	96.6	(372.8)	(459.5)	–	–
Energy	(270.8)	–	–	–	
Other	(2,078.3)	(1,129.8)	(86.2)	(584.8)	(69.2)
Group	**(947.2)**	**(200.8)**	**2,142.7**	**432.7**	**(11.9)**

	2010 %	2009 %	2008 %	2007 %	2006 %
Gearing	7.5	2.6	–	–	0.5

	2010 US$ million	2009 US$ million	2008 US$ million	2007 US$ million	2006 US$ million
Group free cash flow	1,814.3	1,733.8	2,216.9	1,504.2	634.8

Summary consolidated balance sheet	2010 US$ million	2009 US$ million	2008 US$ million	2007 US$ million	2006 US$ million
Capital employed	12,373.6	7,772.1	7,064.8	3,718.7	2,350.7

	2010 %	2009 %	2008 %	2007 %	2006 %
ROCE (excluding capital work in progress)	19.9	24.4	45.6	78.5	37.9

Production and Reserves Summary

Copper

Copper Production Summary

Facility	Product	Year ended 31 March 2010 mt	Year ended 31 March 2009 mt
Tuticorin	Copper anode	333,924	313,284
	Sulphuric acid	1,036,353	987,473
	Phosphoric acid	205,844	163,607
	Copper cathode	154,177	139,705
	Copper rods	55,893	76,292
Silvassa	Copper cathode	180,024	173,127
	Copper rods	140,989	143,587
KCM	Copper cathode	172,828	132,931

Copper Mining Summary

		Ore mined		Copper concentrate		Copper in concentrate	
Mine	Type of mine	31 March 2010 mt	31 March 2009 mt	31 March 2010 mt	31 March 2009 mt	31 March 2010 mt	31 March 2009 mt
Mt Lyell (CMT)	Underground	1,875,970	2,558,100	84,227	98,755	23,777	27,421
Konkola (KCM)	Underground	8,365,571	8,813,986	241,882	253,810	78,905	81,435

Copper Mine Resource and Reserve Summary

		Resources				Reserves	
Mine	Type of mine	Measured and indicated million mt	Copper grade %	Inferred million mt	Copper grade %	Proved and probable reserves million mt	Copper grade %
Mt Lyell (CMT)	Underground	4.0	1.4	20.3	1.1	9.5	1.2
Konkola (KCM)	Underground	248.8	1.2	199.8	2.8	258.0	2.0

Resources are additional to Reserves

Aluminium, Alumina and Bauxite

Aluminium Production Summary

Company	Year ended 31 March 2010 mt	Year ended 31 March 2009 mt
BALCO	268,425	356,781
MALCO	–	23,224
VAL	264,315	82,061

Alumina Production Summary

Company	Year ended 31 March 2010 mt	Year ended 31 March 2009 mt
BALCO	42,896	197,947
MALCO	–	43,377
VAL	762,195	585,597

Bauxite Production Summary

Company	Year ended 31 March 2010 mt	Year ended 31 March 2009 mt
BALCO – Mainpat	486,429	565,846
BALCO – Bodai Daldali	300,000	300,250
MALCO	–	262,976

Production and Reserves Summary continued

Bauxite Mine Resource and Reserve Summary

	Resources				Reserves	
Mine	Measured and indicated million mt	Aluminium grade %	Inferred million mt	Aluminium grade %	Proved and probable reserves million mt	Aluminium grade %
BALCO						
Manipat	–	–	5.0	48.1	2.8	48.6
Bodai-Daldali	–	–	2.0	48.0	3.5	48.8
Pandrapat	–	–	8.0	48.0	–	–
Jamirapat	–	–	15.7	50.5	–	–
Total BALCO	**–**	**–**	**30.7**	**49.3**	**6.3**	**48.7**
MALCO						
Yercaud	–	–	–	–	0.04	42.0
Kolli Hills	1.3	44.0	1.3	44.0	0.11	44.0
Poondi	–	–	1.6	44.0	–	–
Total MALCO	**1.3**	**44.0**	**2.9**	**44.0**	**0.15**	**43.0**
VAL						
Lanjigarh	–	–	–	–	77.7	46.5
Total Bauxite	**1.3**	**44.0**	**33.6**	**48.8**	**84.2**	**46.6**

Resources are additional to Reserves.

Zinc and Lead

Zinc and Lead Production Summary

Company	Year ended 31 March 2010 mt	Year ended 31 March 2009 mt
HZL		
Zinc	578,411	551,724
Lead	64,319	60,322

Zinc and Lead Mining Summary

a) Metal Mined and Metal Concentrate

		Ore mined		Zinc concentrate		Lead in concentrate	
Mine	Type of mine	31 March 2010 mt	31 March 2009 mt	31 March 2010 mt	31 March 2009 mt	31 March 2010 mt	31 March 2009 mt
Rampura Agucha	Open cut	5,135,625	4,953,110	1,155,849	1,114,048	89,205	92,151
Rajpura Dariba	Underground	501,282	483,293	36,865	36,531	7,456	8,174
Sindesar Khurd	Underground	444,715	299,995	38,007	23,141	13,372	9,571
Zawar	Underground	1,020,250	944,300	–	29,257	–	15,049
Total		**7,101,872**	**6,680,698**	**1,230,721**	**1,202,977**	**110,033**	**124,945**

b) Metal in Concentrate (MIC)

		Zinc concentrate		Lead in concentrate	
Mine	Type of mine	31 March 2010 mt	31 March 2009 mt	31 March 2010 mt	31 March 2009 mt
Rampura Agucha	Open cut	612,937	591,743	55,098	56,946
Rajpura Dariba	Underground	21,960	19,698	5,345	4,930
Sindesar Khurd	Underground	19,753	11,866	8,036	5,347
Zawar	Underground	28,122	28,187	17,368	16,578
Total		**682,772**	**651,494**	**85,847**	**83,802**

Zinc and Lead Mine Resource and Reserve Summary

	Resources						Reserves		
Mine	Measured and indicated million mt	Zinc grade %	Lead grade %	Inferred million mt	Zinc grade %	Lead grade %	Proved and probable reserves million mt	Zinc grade %	Lead grade %
Rampura Agucha	21.0	14.7	1.9	23.6	11.8	1.9	75.7	14.2	2.0
Rajpura Dariba	7.6	7.8	2.3	26.8	8.1	2.0	7.8	6.3	1.4
Zawar	24.7	5.0	1.8	28.7	4.8	2.7	7.9	3.7	2.0
Kayar	2.3	12.6	1.9	6.7	10.0	1.7	–	–	–
Sindesar Khurd	17.3	5.7	3.5	32.8	5.0	3.4	10.7	5.5	3.0
Bamnia Kalan	1.7	5.3	1.8	3.4	5.0	3.8	–	–	–
Total	**74.5**	**8.4**	**2.3**	**122.0**	**7.2**	**2.6**	**102.1**	**11.9**	**2.0**

Resources are additional to Reserves.

Iron Ore

Iron Ore Production Summary

Company	**Year ended 31 March 2010 mt**	Year ended 31 March 2009 mt
Sesa Goa		
Saleable Iron Ore	21.4	16.0
Goa	12.0	11.2
Karnataka	4.0	2.8
Orissa	1.9	2.0
Dempo	3.6	–

Iron Ore Resource and Reserve Summary

	Resources				Reserves	
Mine	Measured and indicated million mt	iron ore grade %	Inferred million mt	Iron ore grade %	Proved and probable reserves million mt	Iron ore grade %
Ore	86.4	56.8	55.49	54.0	210.8	59.5

Comprises mines that Sesa owns or has rights to.

Resources are additional to Reserves.

Source of Information

In respect of all businesses, the information has been certified by in house geologist on behalf of Group management.

Basis of Preparation

Ore reserves and mineral resources reported herein comply with the 'Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves', other than those relating to Konkola Copper Mines plc ('KCM') which complies with the South African Code for Reporting of Mineral Reserves and Mineral Resources (the 'SAMREC Code'). The former code is prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists, and Minerals Council of Australia, and is commonly referred to as the 'JORC Code'. As at the date of this document, the editions of the JORC and SAMREC Codes in force are dated December 2004 and March 2000, respectively. The JORC and SAMREC Codes recognise a fundamental distinction between resources and reserves.

The terms and definitions in the SAMREC Code are consistent with those used in the JORC Code with minor differences in terminology – the JORC Code uses the term Ore Reserve whilst the SAMREC Code uses the term Mineral Reserve. For the purposes of ore and mineral resources reported herein, the term ore resources have been used throughout.

Mineral resources are based on mineral occurrences quantified on the basis of geological data and an assumed cut-off grade, and are divided into Measured, Indicated and Inferred categories reflecting decreasing confidence in geological and/or grade continuity. The reporting of resource estimates carries the implication that there are reasonable prospects for eventual economic exploitation. An Ore or Mineral Reserve is the economically mineable part of a Measured or Indicated Mineral Resource. It includes the effect of dilution and losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, need to have been carried out and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors.

These assessments demonstrate at the time of reporting that extraction could be reasonably justified. Ore Reserves are sub-divided in order of decreasing confidence into Proved Ore Reserves and Probable Ore Reserves.

The Measured and Indicated mineral resources have been reported as being inclusive of those mineral resources modified to produce the ore reserves, in addition to the ore reserves. The resource and reserve estimates provided herein comply with the resource and reserve definitions of the JORC Code, other than those relating to KCM which comply with the SAMREC Code.

Glossary and Definitions

5S
A Japanese concept laying emphasis on housekeeping and occupational safety in a sequential series of steps as Sort (Seiri); Set in Order (Seiton); Shine (Selso); Standardise (Seiketsu); and Sustain (Shitsuke)

Adapted Comparator Group
The new comparator group of companies used for the purpose of comparing TSR performance in relation to the LTIP, adopted by the Remuneration Committee on 1 February 2006 and replacing the previous comparator group comprising companies constituting the FTSE Worldwide Mining Index (excluding precious metals)

AGM or Annual General Meeting
The Annual General Meeting of the Company which is scheduled to be held on 28 July 2010

AE
Anode effects

AGRC
Ararat Gold Recovery Company incorporated in Armenia, engaged in gold mining and processing

AIDS
Acquired immune deficiency syndrome

Aluminium Business
The aluminium business of the Group, comprising its fully-integrated bauxite mining, alumina refining and aluminium smelting operations in India, and trading through the Bharat Aluminium Company Limited and The Madras Aluminium Company Limited, companies incorporated in India

Articles of Association
The articles of association of Vedanta Resources plc

Attributable Profit
Profit for the financial year before dividends attributable to the equity shareholders of Vedanta Resources plc

BALCO
Bharat Aluminium Company Limited, a company incorporated in India

Board or Vedanta Board
The Board of Directors of the Company

Board Committees
The committees reporting to the Board: Audit, Remuneration, Nominations, and Health, Safety and Environment, each with its own terms of reference

Businesses
The Aluminium Business, the Copper Business and the Zinc Business together

Capital Employed
Net assets before net (debt)/cash

Capex
Capital expenditure

Cash Tax Rate
Current taxation as a percentage of profit before taxation

CEO
Chief Executive Officer

CII
Confederation of Indian Industries

CLZS
Chanderiya lead and zinc smelter

CO_2
Carbon dioxide

CMT
Copper Mines of Tasmania Pty Limited, a company incorporated in Australia

Combined Code or the Code
The Combined Code on Corporate Governance published by the Financial Reporting Council in June 2008

Company or Vedanta
Vedanta Resources plc

Company Financial Statements
The audited financial statements for the Company for the year ended 31 March 2010 as defined in the Independent Auditor's Report on the individual Company Financial Statements to the members of Vedanta Resources plc

Convertible Bonds
US$725 million 4.60% guaranteed convertible bonds due 2026, issued by a wholly-owned subsidiary of the Company, Vedanta Finance (Jersey) Limited ('VFJL'), and guaranteed by the Company, the proceeds of which are to be applied towards re-financing subsidiary indebtedness, the Company's capital expenditure programme including the aluminium smelter project and other general corporate purposes

US$1,250 million 5.5% guaranteed convertible bonds due 2016, issued by a wholly-owned subsidiary of the Company, Vedanta Resource Jersey Limited ('VRJL') and guaranteed by the Company, the proceeds of which are to be applied for to support its organic growth pipeline, to increase its ownership interest in its subsidiaries and for general corporate purposes

US$883 million 4.0% guaranteed convertible bonds due 2017, issued by a wholly owned subsidiary of the Company, Vedanta Resource Jersey II Limited ('VRJL-II') and guaranteed by the Company, the proceeds of which are to be applied for to refinance debt redemptions and for general corporate purposes

US$500 million 4.0% guaranteed convertible bonds due 2014, issued by a subsidiary of the Company, Sterlite Industries (India) Limited ('SIIL'), the proceeds of which are to be applied for to for expansion of Copper business, acquisition of complementary businesses outside of India and any other permissible purpose under, and in compliance with, applicable laws and regulations in India, including the external commercial borrowing regulations specified by the RBI

US$500 million 5.0% guaranteed convertible bonds due 2014, issued by a subsidiary of the Company, Sesa Goa Limited ('Sesa'), the proceeds of which are to be applied for to expand the Issuer's mining operations, for exploration for new resources, and to further develop its pig iron and metallurgical coke operation

Copper Business
The Copper business of the Group, comprising:
- a copper smelter, two refineries and two copper rod plants in India, trading through Sterlite Industries (India) Limited, a company incorporated in India;
- one copper mine in Australia, trading through Copper Mines of Tasmania Pty Limited, a company incorporated in Australia; and
- an integrated operation in Zambia consisting of three mines, a leaching plant and a smelter, trading through Konkola Copper Mines PLC, a company incorporated in Zambia

CREP
Corporate responsibility for environmental protection

Cents/lb
US cents per pound

CRRI
Central Road Research Institute

CSR
Corporate social responsibility

CTC
Cost to company, the basic remuneration of executives in India, which represents an aggregate figure encompassing basic pay, pension contributions and allowances

CY
Calendar year

Deferred Shares
Deferred shares of £1.00 each in the Company

DGMS
Director General of Mine Safety in the Government of India

Directors
The Directors of the Company

Dollar or US$
United States dollars, the currency of the United States of America

DRs
Depositary receipts of 10 US cents, issuable in relation to the US$725 million 4.6% guaranteed convertible bonds due 2026

EBITDA
Earnings before interest, taxation, depreciation, goodwill amortisation/impairment and special items

EBITDA Margin
EBITDA as a percentage of turnover

Economic Holdings or Economic Interest
The economic holdings/interest are derived by combining the Group's direct and indirect shareholdings in the operating companies. The Group's Economic Holdings/Interest is the basis on which the Attributable Profit and net assets are determined in the consolidated accounts

E&OHSAS
Environment and occupational health and safety assessment standards

E&OHS
Environment and occupational health and safety management system

EPS
Earnings per ordinary share

ESOP
Employee share option plan

ESP
Electrostatic precipitator

Executive Committee
The Executive Committee to whom the Board delegates operational management and comprising the Executive Directors and the senior management within the Group

Executive Directors
The Executive Directors of the Company

Expansion Capital Expenditure
Capital expenditure that increases the Group's operating capacity

Financial Statements or Group Financial Statements
The consolidated financial statements for the Company and the Group for the year ended 31 March 2010 as defined in the Independent Auditor's Report to the members of Vedanta Resources plc

Free Cash Flow
Cash flow arising from EBITDA after net interest (including gains on liquid investments and adjusted for net interest capitalised), taxation, sustaining capital expenditure and working capital movements

FY
Financial year

GAAP, including UK GAAP and Indian GAAP
Generally Accepted Accounting Principles, the common set of accounting principles, standards and procedures that companies use to compile their financial statements in their respective local territories

GDP
Gross domestic product

Gearing
Net Debt as a percentage of Capital Employed

GJ
Giga joule

Government or Indian Government
The Government of the Republic of India

Gratuity
A defined contribution pension arrangement providing pension benefits consistent with Indian market practices

Group
The Company and its subsidiary undertakings and, where appropriate, its associate undertaking

HSE
Health, safety and environment

Glossary and Definitions continued

HZL
Hindustan Zinc Limited, a company incorporated in India

IAS
International Accounting Standards

ICMM
International Council on Mining and Metals

IFRIC
International Financial Reporting Interpretations Committee

IFRS
International Financial Reporting Standards

INR
Indian rupees

Interest Cover
EBITDA divided by finance costs

ISO 9001
An international quality management system standard published by the International Organisation for Standardisation

ISO 14001
An international environmental management system standard published by the International Organisation for Standardisation

KCM or Konkola Copper Mines
Konkola Copper Mines PLC, a company incorporated in Zambia

KDMP
Konkola deep mining project

Key Result Areas or KRAs
For the purpose of the remuneration report, specific personal targets set as an incentive to achieve short-term goals for the purpose of awarding bonuses, thereby linking individual performance to corporate performance

KLD
Kilo litres per day

KPI s
Key performance indicators

Kwh
Kilo-watt hour

Kwh/d
Kilo-watt hour per day

LIBOR
London inter bank offered rate

LIC
Life Insurance Corporation

Listing or IPO (Initial Public Offering)
The listing of the Company's ordinary shares on the London Stock Exchange on 10 December 2003

Listing Particulars
The listing particulars dated 5 December 2003 issued by the Company in connection with its Listing

Listing Rules
The listing rules of the Financial Services Authority, with which companies with securities that are listed in the UK must comply

LME
London Metals Exchange

London Stock Exchange
London Stock Exchange plc

Lost time injury
An accident/injury forcing the employee/contractor to remain away from his/her work beyond the day of the accident

LTIFR
Lost time injury frequency rate: the number of lost time injuries per million man hours worked

LTIP
The Vedanta Resources Long-Term Incentive Plan or Long-Term Incentive Plan

MALCO
The Madras Aluminium Company Limited, a company incorporated in India

Management Assurance Services
The function through which the Group's internal audit activities are managed

MAT
Minimum alternative tax

MIS
Management information system

MOEF
The Ministry of Environment & Forests of the Government of the Republic of India

mt or tonnes
Metric tonnes

MW
Megawatts of electrical power

NCCBM
National Council of Cement and Building Materials

Net (Debt)/Cash
Total debt after fair value adjustments under IAS 32 and 39, cash and cash equivalents and liquid investments

NGO
Non-governmental organisation

NIHL
Noise induced hearing loss

Non-Executive Directors
The Non-Executive Directors of the Company

OHSAS 18001
Occupational Health and Safety Assessment Series (standards for occupational health and safety management systems)

Ordinary Shares
Ordinary shares of 10 US cents each in the Company

PBT
Profit before tax

PFC
Per fluorocarbons

PHC
Primary health centre

PPE
Personal protective equipment

Provident Fund
A defined contribution pension arrangement providing pension benefits consistent with Indian market practices

Recycled Water
Water released during mining or processing and then used in operational activities

Relationship Agreement
The agreement dated 5 December 2003 between the Company, Volcan Investments Limited and members of the Agarwal family that regulates the ongoing relationship between them, the principal purpose of which is to ensure that the Group is capable of carrying on business independently of Volcan, the Agarwal family and their associates

Return on Capital Employed or ROCE
Profit before interest, taxation, special items, tax effected at the Group's effective tax rate as a percentage of Capital Employed

The Reward Plan
The Vedanta Resources Share Reward Plan, a closed plan approved by shareholders on Listing in December 2003 and adopted for the purpose of rewarding employees who contributed to the Company's development and growth over the period leading up to Listing in December 2003

RO
Reverse osmosis

SA 8000
Standard for Social Accountability based on international workplace norms in the International Labour Organisation ('ILO') conventions and the UN's Universal Declaration of Human Rights and the Convention on Rights of the Child

Senior Management Group
For the purpose of the Remuneration Report, the key operational and functional heads within the Group

Sesa Goa
Sesa Goa Limited, a company incorporated in India engaged in the business of mining iron ore

SEWT
Sterlite Employee Welfare Trust, a long-term investment plan for Sterlite senior management

The Share Option Plan
The Vedanta Resources Share Option Plan, a closed plan approved by shareholders on Listing in December 2003 and adopted to provide maximum flexibility in the design of incentive arrangements over the long-term

SHGs
Self help groups

SID
Senior Independent Director

SO_2
Sulphur dioxide

SBU
Strategic Business Unit

STL
Sterlite Technologies Limited, a company incorporated in India

SOVL
Sterlite Opportunities and Ventures Limited, a company incorporated in India

Special Items
Items which derive from events and transactions that need to be disclosed separately by virtue of their size or nature

SPM
Suspended particulate matter. Fine dust particles suspended in air

Sterling, GBP or £
The currency of the United Kingdom

Sterlite/SIIL
Sterlite Industries (India) Limited, a company incorporated in India

Sterlite Energy Limited (SEL)
Sterlite Energy Limited, a company incorporated in India

Sterlite Gold
Sterlite Gold Limited, a company incorporated in Canada which has its main subsidiary in Armenia

Superannuation Fund
A defined contribution pension arrangement providing pension benefits consistent with Indian market practices

Sustaining Capital Expenditure
Capital expenditure to maintain the Group's operating capacity

TCM
Thalanga Copper Mines Pty Limited, a company incorporated in Australia

TC/RC
Treatment charge/refining charge being the terms used to set the smelting and refining costs

TGS
Tail gas scrubber

Glossary and Definitions continued

TGT
Tail gas treatment

TLP
Tail Leaching Plant

tpa
Metric tonnes per annum

TPM
Tonne per month

TSR
Total shareholder return, being the movement in the Company's share price plus reinvested dividends

Turnbull Guidance
The revised guidance on internal control for Directors on the Combined Code issued by the Turnbull Review Group in October 2005

Twin Star
Twin Star Holdings Limited, a company incorporated in Mauritius

Twin Star Holdings Group
Twin Star and its subsidiaries and associated undertaking

Underlying EPS
Underlying earnings per ordinary share

Underlying Profit
Profit for the year after adding back special items and other gains and lossed and their resultant tax and minority interest effects

US cents
United States cents

VAL
Vedanta Aluminium Limited, a company incorporated in India

VFD
Variable frequency drive

VFJL
Vedanta Finance (Jersey) Limited, a company incorporated in Jersey

Volcan
Volcan Investments Limited, a company incorporated in the Bahamas

VRCL
Vedanta Resources Cyprus Limited, a company incorporated in Cyprus

VRFL
Vedanta Resources Finance Limited, a company incorporated in the United Kingdom

VRHL
Vedanta Resources Holdings Limited, a company incorporated in the United Kingdom

VSS
Vertical Stud Söderberg

Water Used for Primary Activities
Total new or make-up water entering the operation and used for the operation's primary activities; primary activities are those in which the operation engages to produce its product

WBCSD
World Business Council for Sustainable Development

ZCI
Zambia Copper Investment Limited, a company incorporated in Bermuda

ZCCM
ZCCM Investments Holdings plc, a company incorporated in Zambia

Zinc Business
The Zinc-Lead business of the Group, comprising its fully-integrated zinc-lead mining and smelting operations in India, and trading through the Hindustan Zinc Limited, a company incorporated in India

Shareholder Information

Shareholder Interests as at 31 March 2010

Number of shareholders	2,893 (2009: 3,141)
Number of shares in issue	296,101,246 (2009: 288,878,266)

By size of holding

	Shareholders %		Shares %	
	2010	2009	2010	2009
500 and under	45.98	48.49	0.11	0.13
501 to 1,000	15.00	14.74	0.11	0.12
1,001 to 10,000	22.05	22.09	0.74	0.83
10,001 to 100,000	11.41	9.74	4.03	3.72
100,001 to 1,000,000	4.42	4.14	13.20	12.82
Over 1,000,000	1.14	0.80	81.81	82.38
	100.00	**100.00**	**100.00**	**100.00**

Annual General Meeting
The AGM will be held on 28 July 2009. The Notice of Meeting and the Form of Proxy are enclosed with this Report.

Company Website
Vedanta Resources plc half year and annual reports and results announcements are available via the internet on our website at www.vedantaresources.com. Shareholders can also access the latest information about the Company and press announcements as they are released, together with details of future events and who to contact for further information.

Registrars
For information about the AGM, shareholdings and dividends and to report changes in personal details, shareholders should contact:

Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol
BS13 8AE
United Kingdom

Telephone: +44 (0) 870 707 1388
Fax: +44 (0) 870 703 6116
Email: web.queries@computershare.co.uk

Currency Option and Dividend Mandate
Shareholders wishing to receive their dividend in UK pounds sterling should complete and return to the registrar a Currency Election Form by 16 July 2010.

The registrar can also arrange for the dividend to be paid directly into a shareholder's UK bank account. To take advantage of this facility, please contact the registrar who will provide a Dividend Mandate Form. Please complete and return the form to the registrar by 9 July 2010. This arrangement is only available in respect of dividends paid in UK pounds sterling. Consequently, you may only take advantage of this arrangement if you have also completed a Currency Election Form and returned it to the registrar by 16 July 2010. If you have already completed and returned a Currency Election Form and/or a Dividend Mandate Form, you need take no further action.

Shareholder Information continued

Investor Relations
For investor enquiries, please contact:

Ashwin Bajaj
Vice President, Investor Relations
Vedanta Resources plc
16 Berkeley Street
London W1J 8DZ
Telephone: +44 (0)20 7659 4732 (London)
+91 22 6646 1531 (Mumbai)
Email: investorrelations@vedanta.co.in

Financial Calendar

Dividend payments	
Ex dividend date	7 July 2010
Record date	9 July 2010
2010 final ordinary dividend payable	4 August 2010
2011 half year ordinary dividend payable	January 2011

Other dates	
Annual General Meeting	28 July 2010
2011 half year results announce	November 2010

Registered Office
Vedanta Resources plc
2nd Floor
Vintners Place
68 Upper Thames Street
London EC4V 3BJ

Company Secretary
Deepak Kumar

Head Office
16 Berkeley Street
London W1J 8DZ

Telephone: +44 (0)20 7499 5900
Fax: +44 (0)20 7491 8440

Registered Number
4740415

Auditors
Deloitte LLP
2 New Street Square
London EC4A 3BZ

Solicitors
Ashurst
Broadwalk House
5 Appold Street
London EC2A 2HA