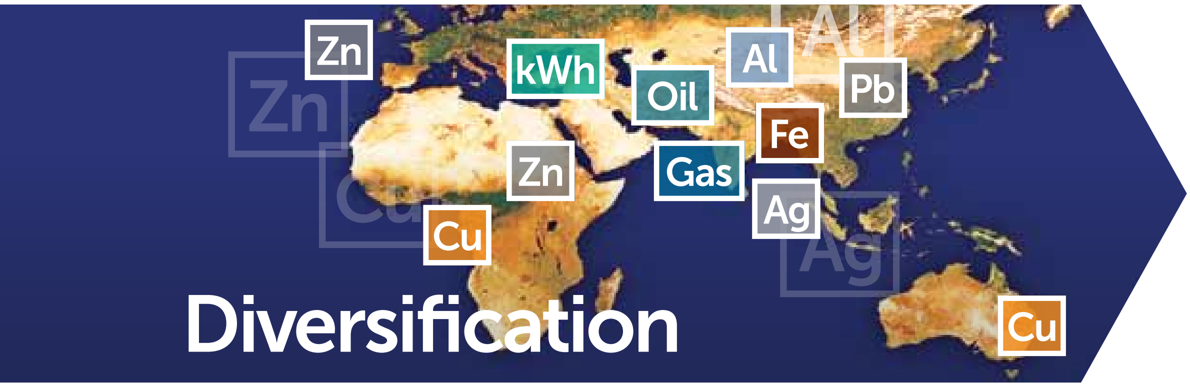
vedanta



Vedanta Resources plc
Annual Report and Accounts 2012

Vedanta Resources plc is a global FTSE 100 natural resources company with an industry leading growth profile.

Diversification

Our portfolio of Tier-1 assets is diversified across zinc, lead, silver, copper, iron ore, aluminium, power and oil & gas, with an operational footprint covering four continents.

Scale

We are one of the largest and fastest growing natural resources companies in the world. Our portfolio of large, low-cost, long-life and scalable world-class assets are supported by a strong pipeline of organic growth projects.

Expertise

Our people have the knowledge, skills and experience to explore, develop and efficiently operate our assets and have demonstrated a strong track record of successfully doing so.

Sustainability

Sustainable development is fundamental to our operations and future growth; it is a core component of our strategy and underpins our licence to operate.

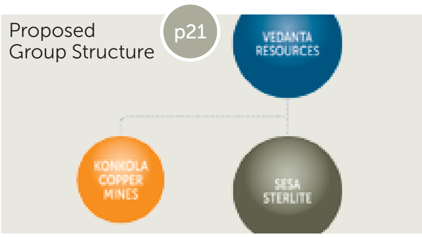
Where to Find More Information

Online Annual Report
www.vedantaresources.com

Online Sustainability Report
www.vedantaresources.com/sustainability

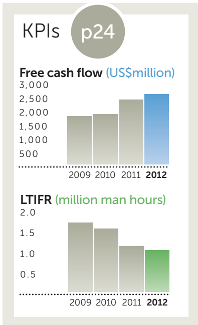
Contents

Industry leading growth p03

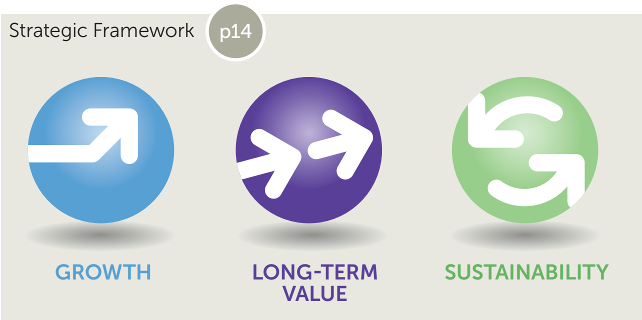


Proposed Group Structure p21


Cairn India Acquisition p18



KPIs p24



Strategic Framework p14


Chairman's Statement p06


Principal Risks p26

Overview

Highlights 2012	02
Vedanta at a Glance	04
Chairman's Statement	06

Strategy

Market Overview	10
Business Model	12
Strategic Framework	14
Strategy in Action	16
Key Performance Indicators	24
Principal Risks and Uncertainties	26

Performance

Financial Review	32
Operational Review	38

Governance

Board of Directors	58
Senior Management Team	60
Corporate Governance Report	62
Remuneration Report	83
The Directors' Report	92
Directors' Responsibilities	97

Financials

Independent Auditor's Report to the Members of Vedanta Resources plc	98
Consolidated Income Statement	99
Consolidated Statement of Comprehensive Income	100
Consolidated Balance Sheet	101
Consolidated Cash Flow Statement	102
Consolidated Statement of Changes in Equity	103
Notes to the Consolidated Financial Statements	105
Independent Auditor's Report to the Members of Vedanta Resources plc	174
Five Year Summary	175
Production and Reserves Summary	179
Glossary and Definitions	184
Shareholder Information	189

Sustainability

Key information about sustainable development within this report is available in the following areas:

Highlights	03
Chairman's Statement	08
Business Model	13
Strategic Framework	14, 15
Strategy in Action	22, 23
Key Performance Indicators	25
Principal Risks and Uncertainties	30
Operational Review	40, 44, 48, 56
Corporate Governance Report	69, 81, 82

Highlights 2012

Financial

US$14BN +23%

Revenue FY 2012

US$4.0BN +13%

EBITDA FY 2012

55.0US¢ +5%

Total Dividend FY 2012

US$2.5BN +8%

Free Cash Flow FY 2012

- Revenue of US$14 billion, up 23%
- EBITDA of US$4.0 billion, up 13%; EBITDA margin excluding custom smelting of 41%
- Underlying EPS[1] of US$1.42, down 46%, due to lower attributable profit from subsidiaries
- Total dividend for the year of 55 US cents per share, up 5%
- Free cash flow of US$2.5 billion before growth capex, up 8%
- Invested US$2.4 billion in organic growth programme during the year
- Strong balance sheet with cash and liquid investments of US$6.9 billion

1 Based on profit for the period after adding back special items and other gains and losses, and their resultant tax and minority interest effects (refer to Note 13 of the Consolidated financial statements).

Consolidated Group Results

(in US$ million, except as stated)

	FY 2011–12	FY 2010–11	% change
Revenue	**14,005.3**	11,427.2	22.6
EBITDA	**4,026.3**	3,566.8	12.9
EBITDA margin	**28.7%**	31.2%	–
EBITDA margin excluding custom smelting (%)	**40.6%**	44.7%	–
Operating profit	**2,387.7**	2,534.3	(5.8)
Attributable profit	**59.8**	770.8	(92.2)
Underlying attributable profit[1]	**387.2**	715.3	(45.9)
Basic earnings per share (US cents)	**21.9**	283.2	(92.3)
Earnings per share on underlying profit (US cents)	**142.0**	262.8	(46.0)
ROCE (excluding project capital work in progress)	**7.7%**	21.0%	–
Total dividend (US cents per share)	**55.0**	52.5	4.8

1 Based on profit for the period after adding back special items and other gains and losses, and their resultant tax and minority interest effects (refer to Note 13 of the Consolidated financial statements).

Business

- Group consolidation and simplification announced – on track for completion in CY 2012
- Integrated Cairn India – Rajasthan production now at 175,000bopd; basin potential of 300,000bopd
- Acquired Liberia Iron Ore assets with over 1 billion tonnes Reserves and Resources; first shipment expected in FY 2014
- Increased Reserves and Resources in zinc, iron ore and oil & gas
- Significant production growth in silver, alumina, aluminium, power and oil & gas
- Commissioned new silver refinery, increasing silver capacity to 16moz p.a.
- Three units of 2,400MW Jharsuguda power plant operational, fourth unit under trial run

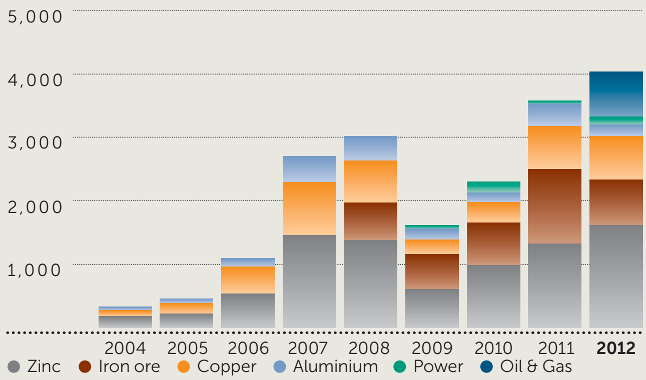
Sustainability

- New Sustainability Framework rolled out
- LTIFR reduced by 10% over last year
- Doubled water recycling across the Group to 55.72 million cubic metres from 27.91 million cubic metres last year
- Community programmes covering 3.1 million people

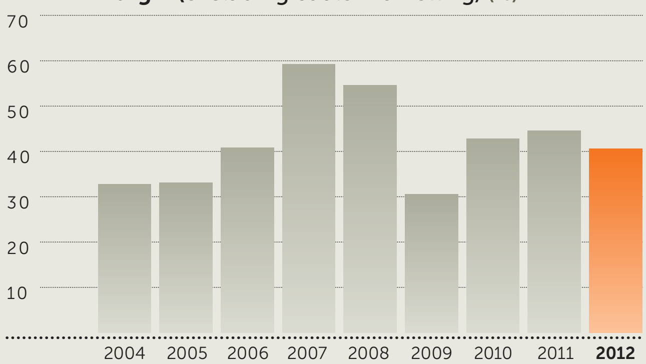
Industry Leading Growth

- World-class diversified portfolio of large, structurally low-cost assets with long mine-life
- Strong cash flow growth driven by substantially invested projects
- Recent acquisitions provide additional growth options
- Scalable assets in close proximity to high-growth markets

EBITDA by segment (US$ million)



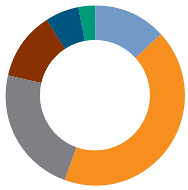
EBITDA margin (excluding custom smelting) (%)



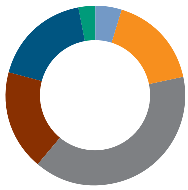
Vedanta at a Glance

A Diversified Portfolio

Revenue by Business



EBITDA by Business



- Aluminium
- Copper
- Zinc
- Iron Ore
- Oil & Gas[1]
- Power

1 Post completion of acquisition of Cairn India on 8 December 2011.

Zinc-Lead-Silver

p38

We are the world's largest integrated zinc-lead producer with operations in India, Namibia, South Africa and Ireland and one of the leading silver producers globally.

Key Strengths
- The world's largest zinc-lead mine, the Rampura Agucha Mine in India
- One of the largest undeveloped zinc deposits in the world at Gamsberg, South Africa (186mt)
- Silver-rich ore from the Sindesar Khurd lead-zinc mine in India

Key Statistics
- Current capacity: Zinc-Lead: 1.5mtpa; Silver: 16moz
- No. of employees: 8,300

Iron Ore

p42

We are India's largest privately-owned producer of iron ore, and the largest exporter. We are on course to be one of the major iron ore producing companies in the world.

Key Strengths
- Strong exploration success at India operations – Net addition to R&R of 2.4x mined-out since acquisition
- Over 1 billion tonnes iron ore deposit at Liberia iron ore project assets, West Africa

Key Statistics
- Current capacity: India Iron ore: 21mtpa (DMT)
- No. of employees: 4,700

Copper

p46

Our Zambia operations have one of the highest-grade large copper mines in the world. In India, we are among the top two producers, with one of the lowest cost ISA-smelt custom smelters in the world. Our Australian mines supply a part of the concentrate requirements of our Indian operations.

Key Strengths
- One of the largest high grade copper mines in the world at Konkola Deeps (3.6% average grade)
- One of the lowest cost copper custom smelters in the world at Tuticorin, India

Key Statistics
- Current capacity: Zambia (copper smelting): 300+ ktpa; India (copper smelting): 400ktpa
- No. of employees: 10,000

Aluminium

p50

We are the largest Aluminium producer in India, with smelters, captive power plants and mines, and remain committed to an integrated aluminium strategy.

Key Strengths
- Efficient assets operating in the lower half of the cost curve with third party bauxite
- Operations located in the bauxite and coal rich regions in Eastern India

Key Statistics
- Current capacity: Aluminium smelting: 745kt smelting capacity with near-term growth to 2.3mtpa
- Captive power: 1.8GW with near-term growth to 4.5GW
- No. of employees: 7,500

Power

p52

We are one of the largest independent power producers in India and one of the largest wind power producers in the country.

Key Strengths
- A significant part of our 3.9GW capacity is already operational and ramping-up
- Near-term growth from the new plant at Talwandi Sabo, India

Key Statistics
- Current capacity: 2.4GW, with near-term growth to 3.9GW (including 274MW wind power capacity)
- No. of employees: 300

Oil & Gas

p54

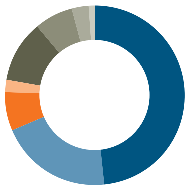
Cairn India is the fastest growing Asian E&P company (Platts 2011) and ranks among the top 20 independent E&P companies globally. It contributes to over 20% of India's current domestic crude production.

Key Strengths
- The Rajasthan block is the largest onshore discovery in India in 20 years and has an estimated 7.3 billion boe in place and a basin potential to support 300,000bopd
- Strong track record of exploration – nearly 50% exploration success ratio and interest in 10 exploration blocks

Key Statistics
- Current capacity: 175,000boepd at Rajasthan, with near term growth to significant part of 240,000boepd in CY 2013 (subject to approvals)
- No. of employees: 1,100

Global Operations

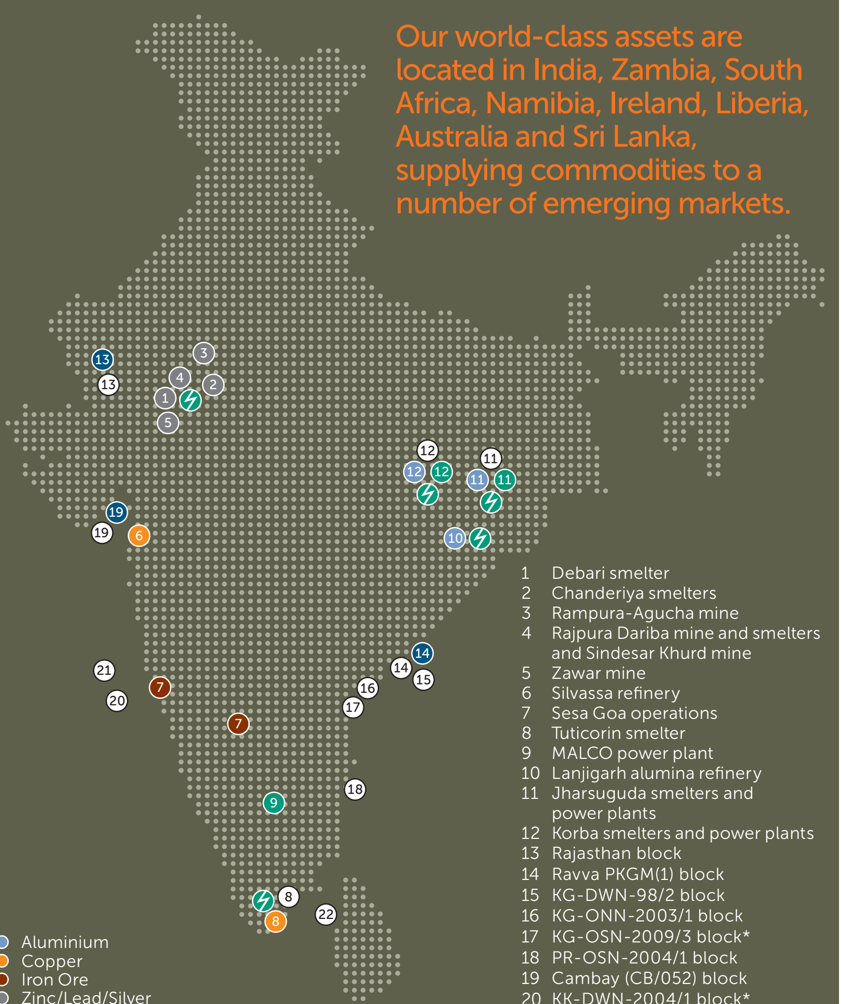
Revenue by Geography



- India
- China
- Far East others
- Africa
- Europe
- Middle East
- Asia others
- Rest of World

India

Our world-class assets are located in India, Zambia, South Africa, Namibia, Ireland, Liberia, Australia and Sri Lanka, supplying commodities to a number of emerging markets.



1 Debari smelter
2 Chanderiya smelters
3 Rampura-Agucha mine
4 Rajpura Dariba mine and smelters and Sindesar Khurd mine
5 Zawar mine
6 Silvassa refinery
7 Sesa Goa operations
8 Tuticorin smelter
9 MALCO power plant
10 Lanjigarh alumina refinery
11 Jharsuguda smelters and power plants
12 Korba smelters and power plants
13 Rajasthan block
14 Ravva PKGM(1) block
15 KG-DWN-98/2 block
16 KG-ONN-2003/1 block
17 KG-OSN-2009/3 block*
18 PR-OSN-2004/1 block
19 Cambay (CB/052) block
20 KK-DWN-2004/1 block*
21 MB-DWN-2009/1 block*
22 SL 2007-01-001 block

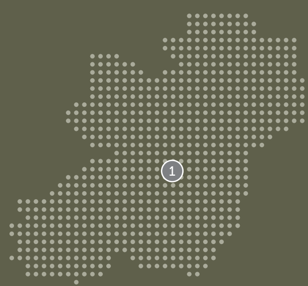
* under force majeure
Note: 13–22 are Oil & Gas blocks

- Aluminium
- Copper
- Iron Ore
- Zinc/Lead/Silver
- Commercial Power
- Oil & Gas
- Projects under development
- Captive power plant

Australia

1 Mt Lyell mine.

Ireland



1 Lisheen mine.

Africa

1 Konkola and Nchanga copper mines and Nchanga smelter.
2 Skorpion mine.
3 Black Mountain mine.
4 Liberia Iron Ore project.

Maps not to scale

Chairman's Statement
Anil Agarwal

A Transformational Year

"Vedanta has made significant progress in the execution of its strategy this year, delivering production growth and increasing Reserves and Resources across the portfolio, completing two acquisitions and announcing a consolidation and simplification of the Group."

Overview
Vedanta has made significant progress in the execution of its strategy this year, delivering production growth and increasing Reserves and Resources across the portfolio, completing two acquisitions, and announcing a consolidation and simplification of the Group. Over the years, Vedanta has become a world-class, diversified resources company, and this year we added oil & gas to our portfolio.

Robust Financial Results
Despite volatile economic conditions across the world, Vedanta increased volumes across most of its commodities and successfully integrated recent acquisitions, which contributed to our strong EBITDA growth, up 13% to US$4.0 billion. This was partially offset by higher operating costs and increased export duty rates on iron ore.

Net debt rose to US$10.1 billion, (31 March 2011: US$1.97 billion) and gearing increased to 35% reflecting the investment of US$8.67 billion in Cairn India Limited (Cairn India), but we continued to maintain a strong and liquid balance sheet and robust credit metrics. Free cash flow remained robust at US$2.5 billion, ahead of last year's US$2.4 billion even though this only included approximately four months of cash flow from Cairn India.

Strong Operational Performance
Record production of refined zinc, lead including silver, power, aluminium, alumina and increased contributions from our recent acquisitions of Zinc-International and Cairn India assets were the key drivers of our strong operational performance as our growth projects started to yield results. The ramp up of the silver-rich Sindesar Khurd mine and the new silver refinery delivered an impressive 35% increase in silver production for the year, with production reaching a new high of 7.8moz and a US$210 million contribution to EBITDA.

The commissioning of the 2,400MW Jharsuguda power plant and lead smelter at Dariba significantly boosted our power generation and lead production, respectively.

Our newly acquired assets performed well, with Cairn India driving production forward by 21% to an average of 172,887boepd gross with current capacity now at 175,000boepd following the ramp up of the Mangala and Bhagyam fields in Rajasthan and Zinc-International's output was well ahead of the last year at 444kt.

This performance is the result of the hard work and commitment of our 32,000 employees across the organisation and on behalf of the Board, I would like to thank them for their contribution to this excellent performance.

Market Conditions

Despite volatile global market conditions, demand for commodities remained strong throughout the year, driven by economic growth and urbanisation in emerging economies, which account for approximately 80% of our revenues. Commodity prices were strong in the first half of FY 2012, but corrected in the second half of the year, with the end result that prices for silver moved up substantially, iron ore showed a healthy increase, zinc prices fell and copper, aluminium and lead were marginally ahead of the previous year. Oil prices increased over the year.

Growth rates in India, our home market, moderated to 6.9% due to higher inflation. Demand for natural resources however continued its upward trend, particularly for aluminium with India projected to become the second largest consumer of aluminium in Asia during CY 2012. Over the long term, we believe that the increasing size of the domestic market in India and favourable demographics will continue to drive robust economic growth.

Vedanta is a significant contributor to the Indian economy and government exchequer. We meet 82% of India's zinc consumption and approximately 40% of its aluminium, copper and lead requirements.

The Group contributes 20% of India's crude oil production, reducing the requirement for imports and foreign currency expenditure. In this financial year, we contributed US$4.4 billion, including US$2.4 billion of Cairn for the full year, to the Indian exchequer towards direct and indirect taxes, royalty, cess on oil etc.

Key Strategic Developments

Growth

We continued to focus on extending our existing resources and growing our assets organically, investing in projects that expand our high quality asset base and increase our production volumes. During the year, we invested US$2.4 billion in our organic growth programme, increasing production of zinc-lead, silver, copper, aluminium, power and oil & gas.

We have successfully completed the integration of the assets acquired from Anglo American last year, now our Zinc-International segment. The assets we acquired also included the Gamsberg deposit in South Africa, which is one of the largest undeveloped zinc deposits in the world. With a resource base of 186mt deposit, Gamsberg has the potential to deliver over 400ktpa over a mine life of more than 20 years and a feasibility study is under way to scope the project.

We extended our resources portfolio into oil & gas with the acquisition of the controlling stake in Cairn India for US$8.67 billion, financed equally from our own resources and acquisition debt. Cairn India is the largest private crude producer in India. Its world class assets in Rajasthan currently contribute more than 20% of India's production. These assets carry gross recoverable oil Reserves and Resources of approximately one billion barrels and have a potential to produce roughly 40% of India's oil production. The acquisition of a controlling stake in Cairn India has added an additional high quality asset in an attractive natural resources segment and will contribute to the earnings profile of the Group.

During the year, we acquired iron ore deposits in Liberia in Western Africa, with Reserves and Resources estimated at over 1 billion tonnes. We intend to bring these assets, which comprise brown field as well as green field sites, into production over the next two to three years. With this acquisition, Vedanta will become a significant player in the upcoming West African iron ore hub catering to the seaborne iron ore trade. This acquisition is a logical and strategic fit with Sesa Goa's existing iron ore business and is expected to create significant long-term value for shareholders.

Long-term Value

We have maintained our position as a low cost producer through our culture of continuous improvement. As well as major investment projects, a myriad of small projects have been implemented across all our businesses to reduce energy consumption, improve productivity, debottleneck processes and increase efficiency.

To ensure the long-term future of the Group, we aim to grow our Reserves and Resources ('R&R') at a faster rate than we deplete them, through exploration and acquisitions. Exploration focus yielded excellent results during the year particularly for zinc, oil & gas and iron ore.

In line with our strategy to simplify our corporate structure, towards the end of the year we announced a merger of Sesa Goa Ltd and Sterlite Industries (India) Ltd to create Sesa Sterlite Ltd, and a consolidation of the Vedanta Group. As part of the Group consolidation, Vedanta's stake in Cairn India and Vedanta Aluminium will move under Sesa Sterlite. Sesa Sterlite Ltd is expected to be one of the world's largest global diversified natural resources majors, ranked by EBITDA.

Chairman's Statement continued

"Our significant capital investment programme, which has largely been invested, will deliver near-term production growth across our portfolio, in turn driving strong cash flow growth."

The simplification of the Group structure is expected to yield significant benefits through a more efficient capital structure, increased flexibility to allocate capital, broader access to capital markets and enhanced visibility of earnings and cash flow. The merger will also generate significant synergies for the shareholders of Sesa Goa, Sterlite and Vedanta.

Sustainability

We have continued to focus on aligning our policies and management systems to the sustainability standards recognised internationally by the IFC, ICMM and UNGC. This year we have completed the development of a comprehensive Sustainability Framework that is now being rolled out across our operations and I am pleased to say that we have signed the UN Global Compact.

We want to go even further and embed sustainable development into every aspect of what we do which is one of the five priorities that I have set. The others are to:

> Improve our health and safety performance for a safer, more secure and healthier environment for every employee and contractor
  - We work in an inherently risky industry and it is with great regret that I have to report 22 fatalities this year. Our efforts to eliminate unsafe conditions and unsafe behaviour are starting to yield results. Our quarterly figures show good progress and our lost time injury rate continues to fall, reducing by 10% year on year.

> Contribute further and in a more targeted way to local communities
  - We are passionately committed to making a difference to our local communities, contributing US$38 million this year to community development projects, benefiting over 3 million people.

> Continue to manage and minimise our impact on air, water and land
  - Our environmental focus on reducing specific consumption of energy and water is making sound progress with most of our operations yielding significant positive results.

> Maintain a dialogue with Stakeholders to help us understand and respond to their material issues
  - So far over 1,000 people have received training in the new Sustainability Framework and implementation is continuing.

Achieving our goals will take a great deal of hard work, but we are committed to our journey of continuous improvement.

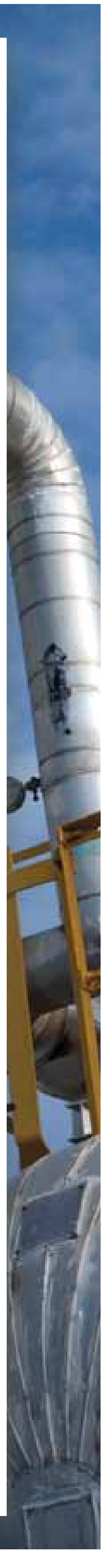
Dividends

In line with our policy to progressively increase our dividend payments to shareholders, the Board has recommended a final dividend of 35 US cents per share, an increase of 8% that will be paid on 5 September 2012 to shareholders on the register on 17 August 2012. This takes the total dividend for the year to 55 US cents per share, 5% above last year.

Looking Forward

We start the new financial year with a world-class asset portfolio, a low cost structure and a strong near-term growth profile. The outlook for natural resources remains robust: industrialisation and urbanisation in China and India and other emerging economies continues to drive demand and Vedanta is well-positioned to serve these markets. Our significant capital investment programme, which has largely been invested, will deliver near-term production growth across our portfolio, in turn driving strong cash flow growth. Looking further forward, Cairn India, Liberia and Gamsberg offer outstanding opportunities to grow our production well into the future.

Anil Agarwal
Chairman
16 May 2012



Our Year in Review

New Silver Refinery Commissioned

In Q3 FY 2012 our new silver refinery came on stream, taking our capacity to 16moz of silver. The ramp up of the Sindesar Khurd mine combined with the contribution from the silver refinery delivered an impressive 35% increase in silver production, with production reaching a record 7.8moz.

Acquired Iron Ore Assets in Liberia

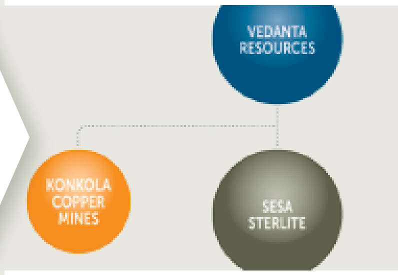
In August 2011, we acquired iron ore deposits in Liberia, West Africa, with Reserves and Resources estimated at over 1 billion tonnes. Currently, an Aeromagnetic study has been completed, and the Feasibility study is under way. Initial drilling indicates potential upside.

Acquired and Integrated Cairn India

During the year we completed the integration of Cairn India, following the acquisition of a majority stake in December 2011. Cairn India is the largest private crude oil producer in India and this acquisition extended our portfolio into oil & gas.

Group Consolidation and Simplification Announced

In February 2012, we announced the consolidation and simplification of Group structure in line with our stated strategy. This includes a merger of Sesa Goa Ltd and Sterlite Industries (India) Ltd to create Sesa Sterlite Ltd.



Main image: Ravva onshore terminal, Andhra Pradesh.

Market Overview

Emerging markets continue to drive global demand

The Global Economy and Commodity Markets

Economic growth was led by emerging markets including China and India, albeit at a slower rate as their central banks tightened monetary policies. Developed countries retained expansionary monetary policies to sustain growth, given the eurozone financial crisis and high unemployment levels.

Commodity demand grew in absolute terms as emerging economies continued to invest in infrastructure, leading to higher levels of per capita metal consumption. Consensus view among economists indicates that China's growth will transition towards consumption. With infrastructure continuing to be a bottleneck to industrial growth in India, evolving government policies and a focus on investment in infrastructure remain key to mitigating supply constraints, even as consumption growth is driven by increasing urbanization and favourable demographics. Overall, growing prosperity in emerging market economies underpins their robust fundamentals, and Vedanta remains well-positioned with a strong operational and market presence in India, and proximity to China and other emerging markets.

Growth in commodity supply remained low, due to a variety of factors affecting output across the world, including rising capital and operating costs, declining grades, and many large mines nearing depletion. Political instability in the Middle East resulted in shocks to oil supply, leading to higher oil prices. Besides, evolving regulatory environments added to the political risk of mining and oil projects. With a well-invested capital expenditure program nearing completion, Vedanta remains focused on ramping-up projects to nearly double capacity in the near term, and create value on a long term basis.

Particulars US$/mt	FY 2009–10	FY 2010–11	FY 2011–12
Copper	6,112	8,138	8,475
Aluminium	1,868	2,257	2,313
Zinc	1,936	2,185	2,098
Lead	1,990	2,244	2,269
Silver ($/oz)	15.7	23.9	35.3
Iron Ore (63 Fe Grade)	79	144	149
Crude per bbl	70	87	114

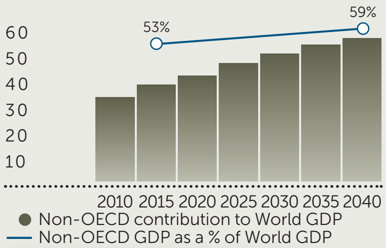
Source: London Metal Exchange, The London Bullion Market Association, Mysteel Iron Ore Index, Bloomberg.

Commodity prices were affected by the dynamics of physical supply-demand, the varying impact of financial contracts and slower economic growth, falling sharply in the October-December quarter, especially in the case of base metals like Aluminium, and Zinc, before partially rebounding in the next quarter. Marginal costs of production for each commodity provided support to prices, as high-cost producers curtailed production. Overall, average prices of most commodities in FY 2012 were higher than the previous year. In such a volatile environment, Vedanta benefited from a diversified portfolio of assets with low cost operations across base and precious metals, bulks and oil & gas.

Outlook

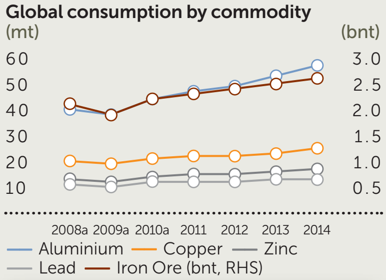
Fundamental demand for natural resources remains robust with metal consumption poised to increase as emerging economies progress on the road to development. Despite volatility in the short term and cost pressures, favourable supply-demand dynamics underpin strong support for long-term commodity prices. A more detailed review of market trends for each of Vedanta's businesses is included in the Operational Review on pages 38 to 57.

GDP growth rates (%)

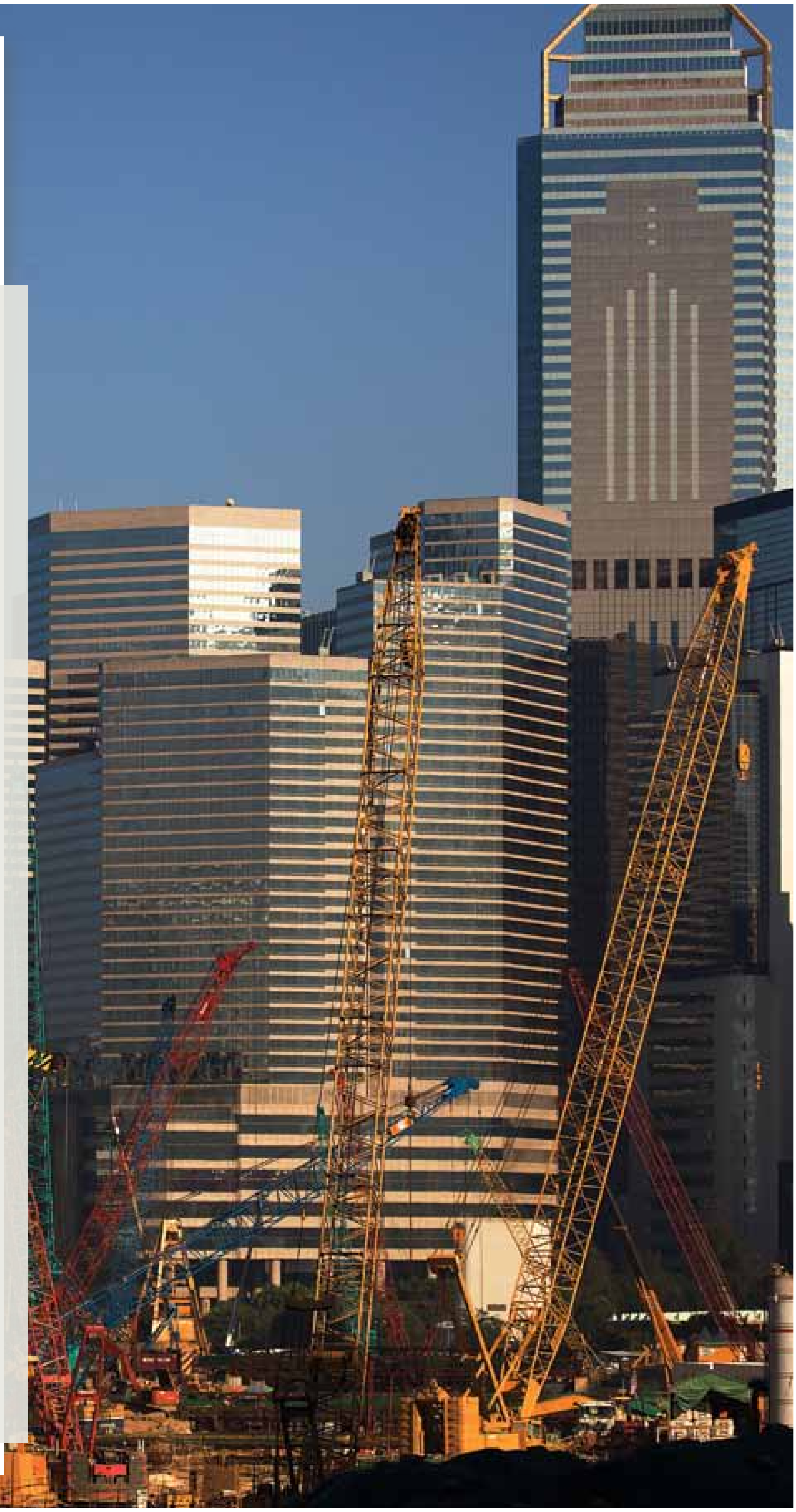


Source: Global Insight, Morgan Stanley

Global consumption by commodity



Source: Brookhunt, Goldman Sachs forecast



Business Model

Creating and Preserving Value

What we do and how we add value

Vedanta operates across the natural resources value chain undertaking exploration, asset development, extraction, processing and value addition. We capitalise our strategic capabilities including our strengths, resources and relationships, to create and preserve value for our wide stakeholder groups.

The Group's principal commodities are priced with reference to standard global benchmark prices such as London Metal Exchange prices, Brent and WTI, etc. We maximise returns through a strong focus on low-cost production.

We take a long-term view and we are committed to the highest standards of sustainable development in all aspects of our business. Our Sustainability Framework aligns strategic thinking with sustainability, and underpins everything we do.

Images from left to right:

Electrolyte solution tanks at Chanderiya Hydro smelter, HZL.

Loading/unloading of ore by transhipper, Sesa.

Geologist examining diamond drill core from drilling at Black Mountain.

Central control room, VAL Lanjigarh.

Women in self help group in Rajasthan.

Value Chain

Exploration

Reserves and Resources ('R&R') have finite lives, and our key focus is to increase the lives of our R&R base. We target to add more to our R&R than what we extract out, thereby adding to the R&R life each year. Our exploration programmes comprise brown field and green field activities, to extend the lives of our existing mines and oilfields.

Asset Development

Following successful exploration, we develop the resource base to optimise production and life of the resource. We also strategically develop processing facilities. Across our businesses, we have a strong track record of executing projects on time and within budget.

Strategic Capabilities

Project Execution

We are nearing completion of a US$18 billion capital investment programme to expand our capacities and have honed our project execution skills, delivering multi-billion dollar programmes on schedule and on budget.

Inorganic Growth

We have a strong track record of successfully acquiring, integrating and growing the companies we have acquired. These acquisitions have extended our commodity and geographic footprint. Following integration, we focus on asset optimisation and organic growth through expansion projects.

Operational Excellence

Our strength in production is driven by our focus on debottlenecking processes, improving operational and cost efficiencies, and reducing our specific consumption of inputs including energy and water.

Low-cost Focus

All our operations have a sustainable cost position in the lower half of the global cost curve. We aim to achieve and sustain this cost positioning by an integrated approach to producing natural resources, and a focus on Operational Excellence.

Extraction

Our operations are focused on mining metals, extracting oil & gas and generating power. We operate our mines in India, Africa, Australia and Ireland, extracting zinc, lead, silver, iron ore, bauxite and copper. We have three operating blocks in India producing oil & gas.

Processing

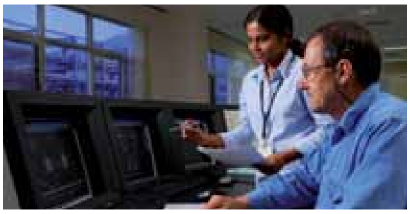
In line with our integrated business model, we produce refined metals by processing and smelting the extracted resources at our zinc, lead, silver, copper, and aluminium smelters, and other processing facilities in India and Africa. We generate power for captive use across most of our operations and sell any surplus power. We sell power generated by our independent power plants.

Value Addition

We meet market requirements by selectively adding value and converting the primary metals produced into higher margin products such as sheets, rods, bars, rolled products, etc. at our zinc, aluminium and copper businesses.

Exploration Focus

Our skill in exploration has delivered consistent increases in our R&R over the years, extending the life of our resource base even as we have increased production levels. Additionally, recent acquisitions of Zinc-International, Liberia Iron Ore and Cairn India have added considerable potential for future expansion of R&R.



Financial Strength

We have a strong balance sheet with capital employed of US$18.4 billion, cash and liquid investments of US$6.9 billion and net gearing of 35% as at 31 March 2012. With projects ramping up and delivering strong production growth, we expect higher EBITDA and free cash flows. We delivered robust free cash flow before expansion capital expenditure of US$2.5 billion in FY 2012.

People and Culture

With a 32,000 strong workforce and a talent pool of technical, engineering and business professionals, we focus on offering our employees the opportunity to develop their potential within a high growth, entrepreneurial culture.

Relationships and Partnerships

We seek to build long-term, mutually beneficial, long-term relationships with our stakeholders including shareholders and lenders, suppliers and contractors, customers, employees, governments, communities and civil society.

We are a substantial contributor to the economies and communities where we operate. For example, in India we are one of the largest contributors to the exchequer, with US$4.4 billion of taxes and levies paid in FY 2012 (including US$2.4 billion by Cairn India during the full year).

Strategic Framework

Vision

To be a world class, diversified resources company providing superior returns to our shareholders, with high quality assets, low-cost operations and sustainable development.

Strategy

To deliver growth, long-term value and sustainable development through our diversified portfolio of large, long-life, low-cost assets.

Growth

Organic Growth
We focus primarily on extending our resource base and growing our assets organically, investing in projects that expand our capacity and increase production volumes.

Selective and Value Accretive M&A
In addition to organic growth, we look to acquire large proven assets where we can add significant value with our strategic capabilities.

Long-term Value

Optimise Returns
We aim to optimise our cost and operational performance through a culture of continuous improvement to achieve and maintain a low cost position in all our businesses.

Reserves and Resources
We aim to continue to add to our Reserves and Resources ('R&R') at a faster rate than we deplete them through a continued focus on exploration.

Group Structure
Consolidation and simplification of our Group structure remains a strategic objective as we seek to drive synergies from integrating the Group and build long-term value.

Sustainability

Responsible Stewardship
We are committed to providing a safe, secure and healthy workplace for all employees by optimising our specific consumption of inputs and minimising our environmental footprint.

Building Strong Relationships
We aim to forge strong partnerships by engaging with our key stakeholders including shareholders and lenders, suppliers and contractors, customers, employees, governments, communities and civil society.

Adding and Sharing Value
We aim to create and sustain policies and processes that will contribute to the well-being and development of our employees and deliver sustainable benefits to the local communities where we operate.

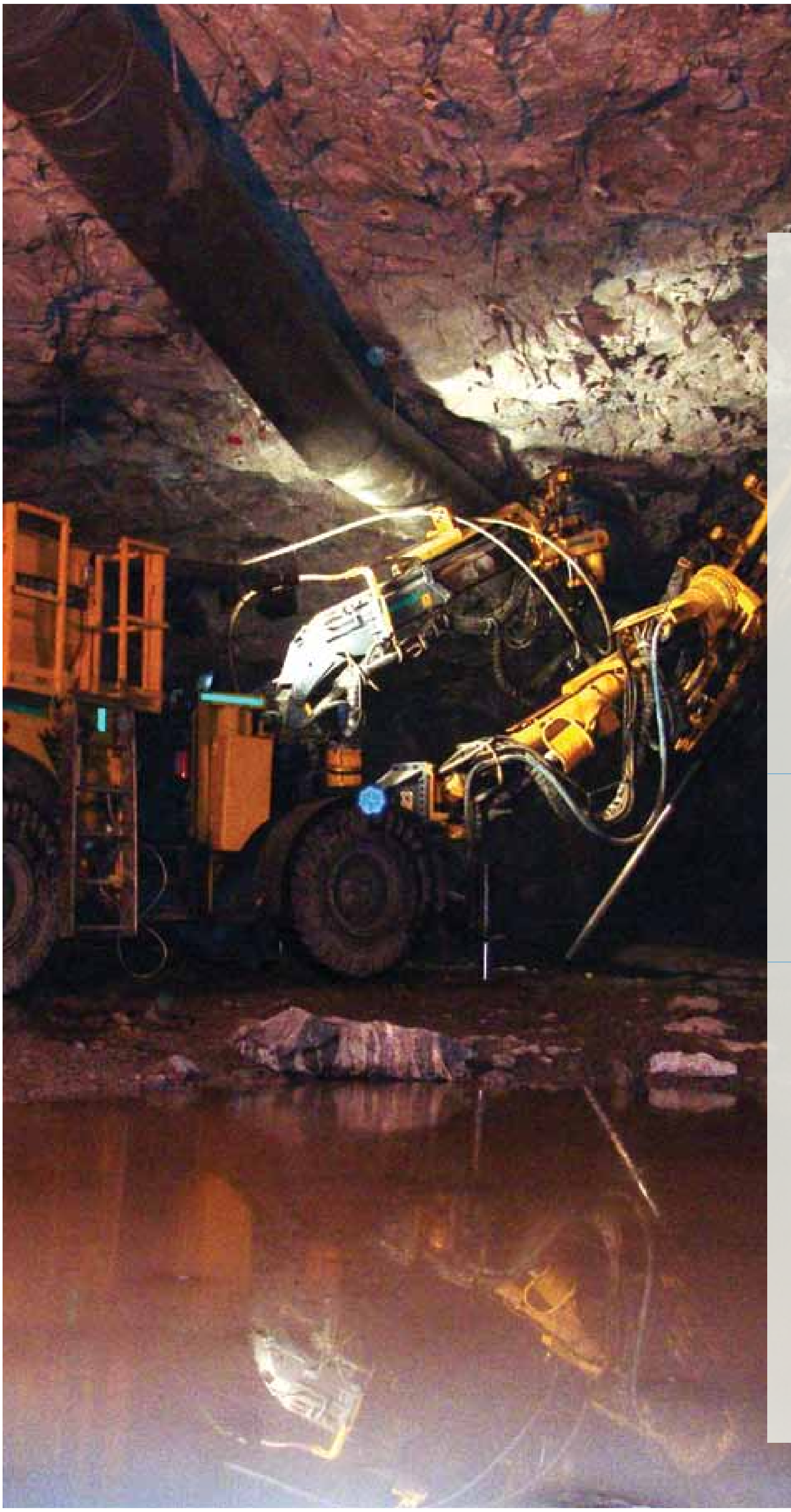
Delivering on our Strategy

What We Said We Would Do	How We Performed	Future Priorities
› Deliver significant total volume growth › Complete the Cairn India acquisition and integrate the Zinc-International assets acquired › Seek further organic growth opportunities	› Achieved year-on-year EBITDA growth of 13% › Zinc-India delivered 16moz silver capacity › Zinc-International and Cairn India successfully integrated › Significant iron ore assets acquired in Liberia, West Africa. Feasibility study under way	› Ramp-up of oil production at Rajasthan field to 240kbopd by CY 2013 (basin potential of 300kbopd) › Recover iron ore volumes and ramp up at Konkola mine and Power operations › Focus on future drivers of growth: Liberia, Gamsberg, Zinc-India
› Grow R&R by exploration › Re-invest strong free cash flow and maintain strong balance sheet › Focus on cost optimisation › Rationalise Group structure	› Significant additions to R&R at iron ore, zinc and oil & gas › Free cash flow maintained at US$2.5 billion › Low cost advantage maintained › Simplification of the Group structure announced. Sesa Goa and Sterlite merged into Sesa Sterlite, combined with the consolidation of VAL and MALCO, forming one of the largest natural resources players by EBITDA[1]	› Continue to add R&R in oil & gas, iron ore and zinc › Reduce gearing through strong free cash flow › Continued focus on securing coal and bauxite › Complete simplification of the Group structure
› Comply with Scott Wilson report and develop a comprehensive sustainability model › Continue to focus on health and safety improvement targeting zero harm › Manage our plants more efficiently to reduce our environmental footprint › Extend our outreach to help the communities where we operate	› New Sustainability Framework rolled out › Exco sustainability subcommittee formed to focus on performance › LTIFR reduced by 10% during the year › Doubled water recycling across the Group to 55.72 million cubic metres from 27.91 million cubic metres last year › US$57 million invested in environment management activities › US$38 million invested in community programme reaching 3.1 million people	› Continue to improve our safety performance › Continue to improve our stakeholder engagement › Improve process of identifying issues that are material to our stakeholders and to the business › Expand our structured educational, healthcare and community programmes

Sustainability Report
www.vedantaresources.com/sustainability

1 Subject to customary regulatory and shareholder approval.

Strategy in Action
Growth



Industry

Growth

- Record silver production of 7.8moz during the year
- 100kt Dariba lead smelter commissioned and ramped up
- Integrated copper production ramped-up with higher output from the Nchanga open pits
- Second and third units of 2400MW power plants at Jharsuguda commissioned

+35.0%

Record silver production up for the year

+31.0%

Increase in production for alumina at Lanjigarh

Main image: Drilling machinery.

Above left: Aerial view of the Broken Hill Shaft at BMM.

Above right: Coal handling plant at 1,215MW CPP, VAL Jharsuguda.

Leading Growth Profile

Organic Growth

With strong commodity demand in countries where we operate and leading market shares across most of our businesses in India, we have once again successfully delivered significant organic growth and expanded our assets and resource base across our businesses. We continue to build and operate assets with a low cost base, which ensures we remain competitive through business cycles.

"We have once again successfully delivered significant organic growth and expanded our assets and resource base across our businesses."

We have already invested US$14 billion of our US$18 billion capital expenditure (capex) programme, and are reaching an inflection point as free cash flow post expansion capital expenditure turns positive. We expect strong free cash flow going forward as our existing organic growth programme nears completion, and projects continue to ramp up.

During FY 2011–12, we invested US$2.4 billion in organic growth capex across our businesses, mostly in Aluminium and Power.

During the year we delivered record production of refined zinc-lead, silver, copper, aluminium and power.

Significant Increases in Capacity

- Record silver production of 7.8moz during the year, up 35% driven by the ramp up of the silver-rich Sindesar Khurd zinc-lead mine in Rajasthan, India and commissioning of the new 350tpa silver refinery. During the year, we achieved our targeted capacity of 16moz for silver.
- The new 100kt Dariba lead smelter in Rajasthan, India was commissioned, resulting in a record production of lead in Q4 of 37kt at Zinc-India. Development of the 1mtpa underground Kayar zinc-lead mine has commenced, and commissioning is expected in FY 2013–14.
- At our Copper Zambia operations, integrated copper production ramped-up with higher output from the Nchanga open pits, completion of TLP-IV debottlenecking to 75ktpa and commissioning of the new 7.5mtpa Nchanga East Concentrator.
- A second cobalt recovery furnace was also commissioned at Copper Zambia. Integrated production volumes and costs are expected to improve, with successful trial mining at the Nchanga Upper Ore Body project confirming higher copper and cobalt grades, and commissioning of the new 3mtpa Nchanga West concentrator by mid FY 2012–13.
- The 1mtpa alumina refinery in Lanjigarh, India is now operating at its rated capacity driving a 31% increase in alumina production to 928kt. Work on the 1.25mtpa aluminium smelter expansion at Jharsuguda, India is progressing well.
- First metal tapping at the 325ktpa BALCO-III aluminium smelter in Korba is expected in the third quarter of FY 2012–13.
- The first 300MW unit of the 1,200MW captive power plant at Bharat Aluminium Company (BALCO) will be synchronised shortly. Environmental clearance for the 211mt BALCO coal block has been received, and we expect to obtain the second stage forest clearance and start coal production in FY 2012–13.
- The second and third units of the 2,400MW power plant project at Jharsuguda were commissioned during the year. Three units are now operational, with the fourth unit generating under trial run.
- The 150MW wind power expansion project was completed at Zinc-India, taking our green energy power generation capacity at Zinc-India to 274MW.

Strategy in Action
Growth

Extending our Portfolio

In Brief

- Successful completion of the acquisition of a majority interest in Cairn India Limited
- Acquisition of 51% stake in brown field and green field iron ore assets in Liberia in Western Africa
- Successful integration of Zinc-International assets acquired from Anglo American plc

58.8%

Acquired stake in Cairn India Limited

51.0%

Acquired stake in brown field and green field iron ore assets, Liberia, West Africa

Selective and Value Accretive M&A

Over the years, Vedanta has supplemented organic growth with selective acquisitions. Our strategy has been to acquire assets that provide significant potential for further growth and value creation. Consistent with this approach, we successfully completed two significant acquisitions, in the oil & gas and iron ore sectors.

Extending our Portfolio into Oil & Gas

During the year, we successfully completed the acquisition of a majority interest in Cairn India Limited, acquiring a 59% stake for a consideration of US$8.67 billion. Primarily based in Rajasthan, where we already have a strong presence, Cairn India is a unique exploration and production platform,that enhances Vedanta's growth profile, as well as adding further diversification to our portfolio. Cairn India has the second largest reserves in India among private sector oil companies, a lowest decile cost position and a proven management team.

Cairn India's world-class resource base includes interests in nine blocks in India and one in Sri Lanka, of which three are operating blocks. The 10 blocks are located in three strategically focused areas – one block in Rajasthan, three on the west coast of India, five on the east coast of India and one block in Sri Lanka. The Rajasthan block is India's largest oil discovery in the last 20 years, with over 7.3 billion barrels of oil Reserves and Resources in place.

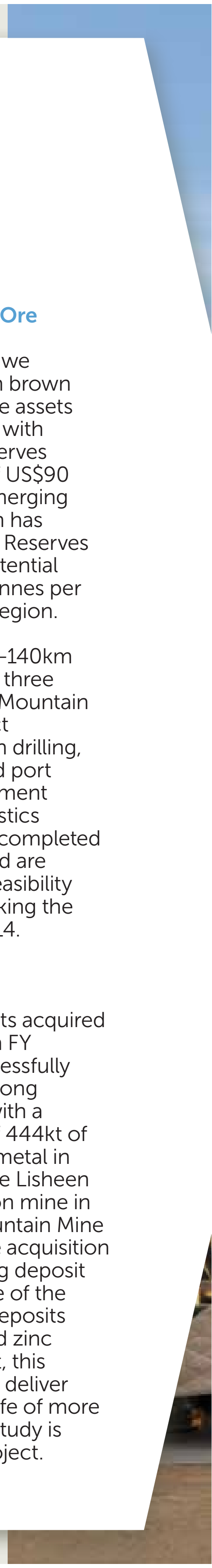
Building a Significant Iron Ore Platform for Growth

In addition, during the year we also acquired a 51% stake in brown field and green field iron ore assets in Liberia in Western Africa, with over 1 billion tonnes of Reserves and Resources for a cost of US$90 million. West Africa is an emerging hub for iron ore. The region has around 34 billion tonnes of Reserves and Resources, with the potential to become a 100 million tonnes per annum iron ore exporting region.

The acquired assets are 70–140km from the coast, comprising three deposits at Bomi Hills, Bea Mountain and Mano River. The project broadly involves exploration drilling, development of mining and port infrastructure, and development and refurbishing of the logistics infrastructure. We recently completed an aeromagnetic survey and are carrying out scoping and feasibility studies, with the aim of making the first shipment by FY 2013–14.

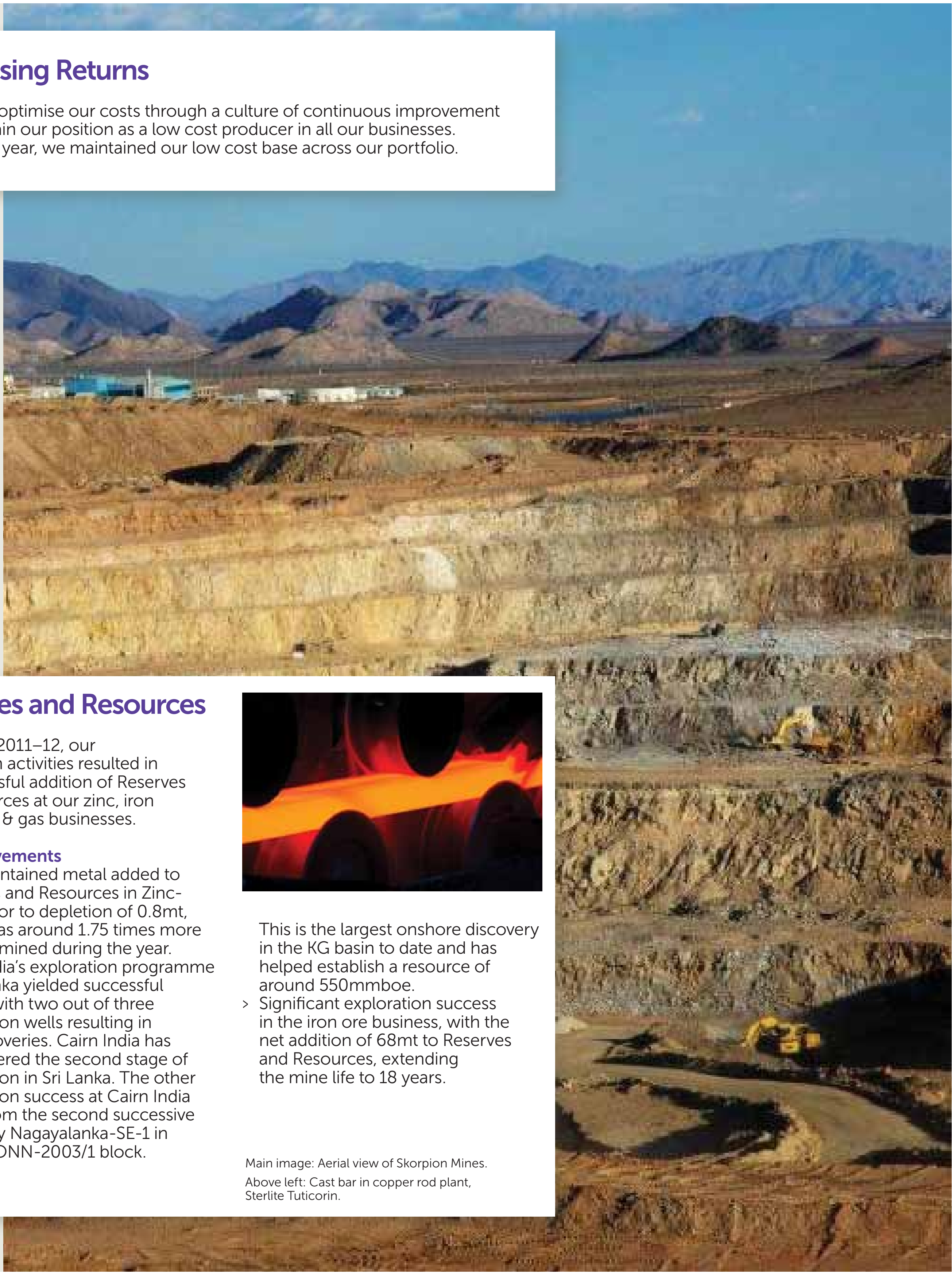
Successful Integration of Zinc-International

The Zinc-International assets acquired from Anglo American plc in FY 2010–2011 have been successfully integrated. We delivered strong operational performance with a total full year production of 444kt of refined zinc and zinc-lead metal in concentrate ('MIC') from the Lisheen mine in Ireland, the Skorpion mine in Namibia and the Black Mountain Mine ('BMM') in South Africa. The acquisition also included the Gamsberg deposit in South Africa which is one of the largest undeveloped zinc deposits in the world. With estimated zinc resource deposits of 186mt, this deposit has the potential to deliver over 400ktpa with a mine life of more than 20 years. A feasibility study is under way to scope the project.



Main image: Mangala processing terminal, Barmer, Rajasthan.

Strategy in Action
Long Term Value



Optimising Returns

We aim to optimise our costs through a culture of continuous improvement and maintain our position as a low cost producer in all our businesses. During the year, we maintained our low cost base across our portfolio.

Reserves and Resources

During FY 2011–12, our exploration activities resulted in the successful addition of Reserves and Resources at our zinc, iron ore and oil & gas businesses.

Key Achievements

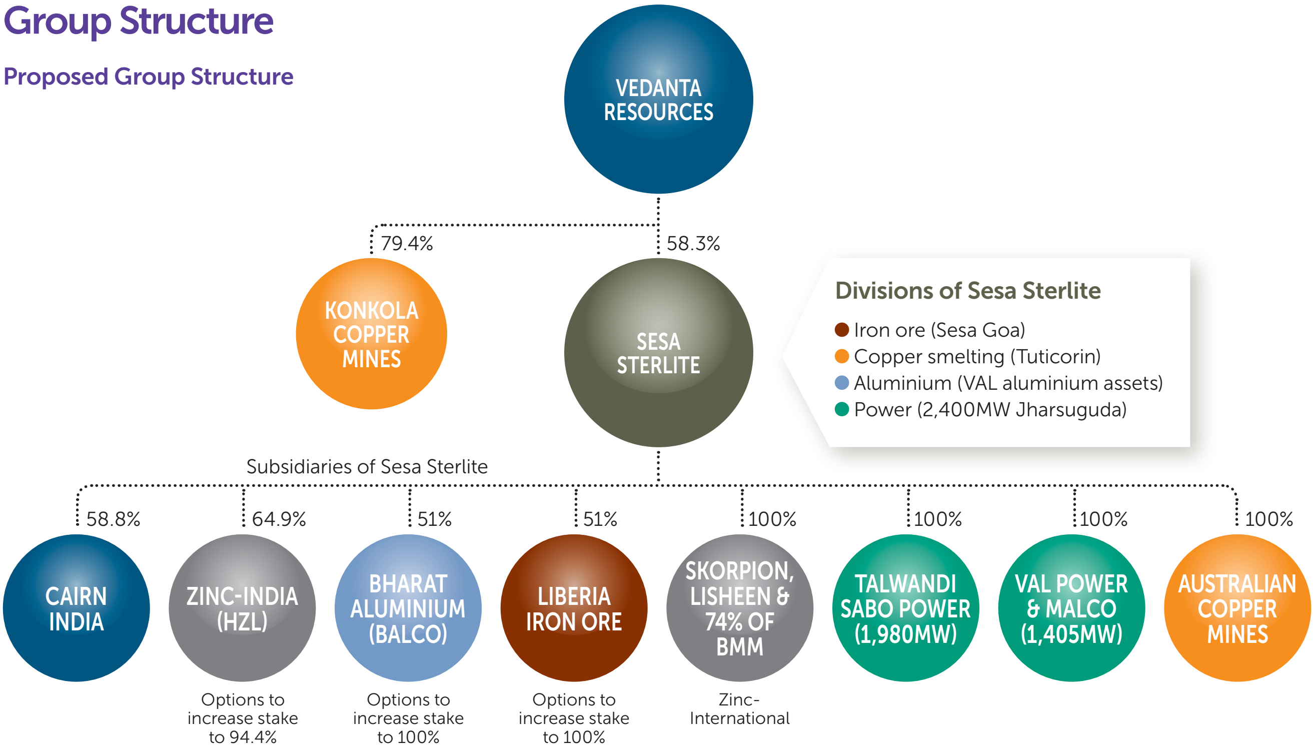
- 1.4mt contained metal added to Reserves and Resources in Zinc-India, prior to depletion of 0.8mt, which was around 1.75 times more than we mined during the year.
- Cairn India's exploration programme in Sri Lanka yielded successful results, with two out of three exploration wells resulting in gas discoveries. Cairn India has now entered the second stage of exploration in Sri Lanka. The other exploration success at Cairn India came from the second successive discovery Nagayalanka-SE-1 in the KG-ONN-2003/1 block. This is the largest onshore discovery in the KG basin to date and has helped establish a resource of around 550mmboe.
- Significant exploration success in the iron ore business, with the net addition of 68mt to Reserves and Resources, extending the mine life to 18 years.

Main image: Aerial view of Skorpion Mines.

Above left: Cast bar in copper rod plant, Sterlite Tuticorin.

Group Structure

Proposed Group Structure

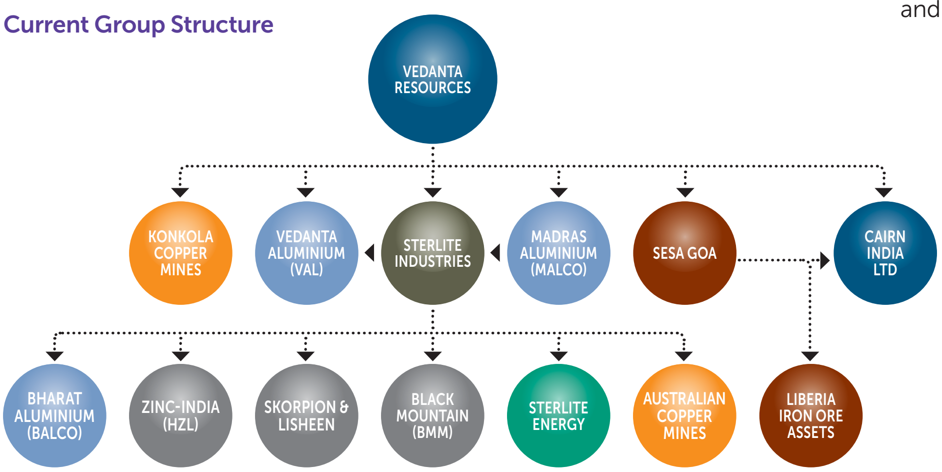


This has been an important year for Vedanta in creating long-term value for shareholders. In line with our stated strategy to unlock value for shareholders by simplifying our Group structure, in February 2012 we announced a consolidation and simplification of the Group. As part of this consolidation, Sesa Goa and Sterlite will merge to form a new company to be called Sesa Sterlite Ltd.

Additionally, Vedanta Resources' stake in Vedanta Aluminium and Cairn India will move to Sesa Sterlite, and MALCO will merge into Sesa Sterlite. The new entity, Sesa Sterlite, will be one of the world's largest diversified natural resources companies, with exposure to base metals, bulk commodities and oil and gas.

This consolidation will remove all cross-holdings within the Group, create a more efficient capital structure by better aligning assets and liabilities, enhance visibility of earnings and cash flows, and generate capital, tax and operational synergies. We believe the simplified and more efficient structure will unlock and create significant value for shareholders. The transaction is expected to be completed in CY 2012, and is subject to regulatory and shareholder approvals.

Current Group Structure



Strategy in Action
Sustainability

Main image: Ball Mill, VAL Lanjigarh.

Creating Long-term Sustainability

During the year we rolled out our Sustainability Framework across the Group including revised sustainability policies, technical and management standards, with a particular focus on alignment to ensure that all new projects are carried out as per this new framework.

The pillars of our Sustainability Framework

1. Responsible stewardship

Responsible stewardship is the foundation on which we build our business – the way in which we respond to and manage, our business. This includes; how we manage our employees and their health and safety, the management of our land and our environmental impact and our supporting business processes.

2. Building strong relationships

We work hard to engage with our stakeholders to understand their key concerns and expectations of our business and practices. Proactive engagement also enables us to identify opportunities and mitigate risks by understanding and responding to issues rather than reacting to them.

3. Adding and sharing value

We seek to add and share value through everything that we do. As a business we make a considerable economic impact; through employment, the payment of taxes, royalties and other contributions to local, state and national governments. We also, however, build local infrastructure that benefits local communities in the form of roads, schools and health care centres.

Sustainability is integral to the way we operate and this Annual Report includes a comprehensive overview of our non-financial performance. We provide more detailed information on our sustainability performance in our separate Sustainable Development Report which can be found on our corporate website.

Responsible Stewardship

Within our Sustainability Framework, responsible stewardship is the foundation pillar that defines how we operate. All the businesses in the Group are required to have management systems in place to achieve our goals. 38 of our 44 major plants have systems certified to ISO 9001, 14001 and OHSAS 18001. Our plant at Lanjigarh is the first in our industry in India to receive ISO 50001 and one of our companies, Sesa Goa, has achieved SA8000.

Performance Highlights

Health and Safety

Health and Safety remains a key priority and whilst we work in an inherently risky business, it is with regret that we have to report the loss of six employees and sixteen contractors during the year. We have renewed our management commitment to a structured programme to reduce fatalities by eliminating unsafe conditions through our business. Quarterly results show that we are making progress but more needs to be done. Our Lost Time Injury Frequency Rate ('LTIFR') continues to fall – it is down 48% over the last five years but we continue to seek ways to drive this further.

Environment

During the year, HZL added another 103MW to its existing 171MW wind power generation capacity, making Vedanta one of the largest wind power producers in India.

Our integrated carbon strategy is beginning to yield results. To date, we have registered five Clean Development Mechanism ('CDM') projects, which have enabled us to accrue around 335,000 Certified Emission Reductions ('CERs') or carbon credits.

Waste Management

We are committed to minimising the impact of waste from our operations, using water and energy more efficiently and recycling wherever possible. During the year, 3.6 million mt of the ash was used in cement and brick manufacturing and in raising the height of ash pond dyke. Energy efficiency initiatives by subsidiary companies saw significant reductions in energy consumption and good progress was made in reducing water consumption.

Building Strong Relationships

We engage with a large number of different stakeholders on a regular basis through our investor relations, human resources, community relations and government relations departments.

Our engagement process uses a three-pronged approach – keeping the stakeholders informed, engaging with them and forging partnerships to address their needs and concerns.

Performance Highlights

Throughout the year around 3,000 stakeholder engagement meetings took place, with community leaders, Non-Governmental Organisations ('NGOs'), governments and government bodies, academic institutions and private hospitals and 147 partnerships are now in place. We have always placed great importance on supporting local communities and the number of villages we cover in India are over 1,000 in FY 2012.

Adding and Sharing Value

How we contribute to the lives of the people we affect is important in maintaining our social licence to operate over the long term and thus making our business sustainable.

Performance Highlights

As a significant employer we are committed to the development and well-being of our workforce.

Our current employee attrition rate is low and stable at around 5% and employees benefited from over 52,000 man days of training, over 14 hours on average per employee.

Our community investment hit US$38 million this year, reaching 3.1 million people and providing support for schools, hospitals, health centres and farmers.

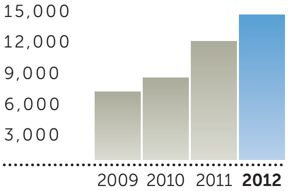
Key Performance Indicators

Vedanta has identified the key performance indicators that it believes are useful in assessing how well the Group is performing against its strategic aims.

They encompass both financial and non-financial measures and are set out opposite.

GROWTH

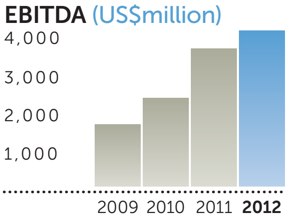
Revenue (US$million)



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

Commentary
Revenues grew by 22.6% to US$14.0 billion, due to higher volumes at most businesses with production ramping up as our growth projects were completed. Revenue also increased due to the acquisition of Cairn India and incremental revenue from full year consolidation of the Zinc-International operations acquired last year.

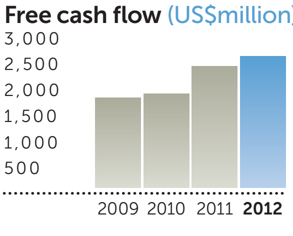
EBITDA (US$million)



Description
Earnings Before Interest, Taxes, Depreciation and Amortisation ('EBITDA') 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.

Commentary
EBITDA was 12.9% higher reflecting increased volumes, diversification into the high margin oil & gas sector and full year consolidation of the Zinc-International operations acquired last year. The impact of inflationary cost pressures, particularly the cost of raw materials, were partially offset by improved operational performances.

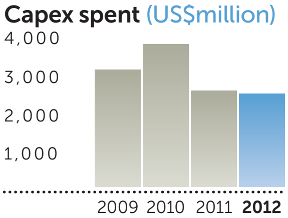
Free cash flow (US$million)



Description
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.

Commentary
We generated strong free cash flow of US$2.5 billion, representing a 62.9% conversion of EBITDA to free cash flow, marginally lower than the 65.8% conversion in FY 2011. This reduction is mainly attributable to higher interest on borrowing for the Cairn India acquisition and increased sustaining capital expenditure.

Capex spent (US$million)

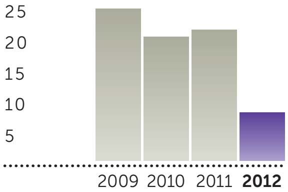


Description
This represents the amount invested in our organic growth programme during the year.

Commentary
We invested US$2.4 billion in expansion capital expenditure to increase the scale of our operations. We spent US$386.2 million on sustaining capital expenditure to modernise our plant and equipment, and to continually optimise and improve operational standards.

LONG-TERM VALUE

ROCE[1] (%)

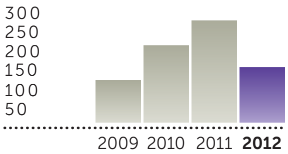


1 Excluding work in progress.

Description
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.

Commentary
ROCE without project capital work in progress in FY 2011–12 was 7.7% as compared to 21.0% in the previous year as a result of higher depreciation and amortisation, interest expense and mark-to-market losses on foreign currency borrowings.

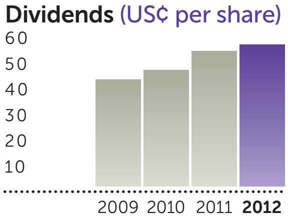
Underlying EPS (US¢ per share)



Description
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.

Commentary
Underlying EPS at US$1.42 per share was lower compared to the previous year of US$2.63 per share. This was due to a fall in attributable profit affected by increased amortisation and depreciation charges, interest expenses related to funding for the Cairn India acquisition and losses at VAL.

Dividends (US¢ per share)

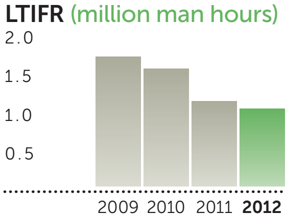


Description
Dividend per share ('DPS') is the total of final dividend recommended by the Board in relation to the year and interim dividend paid out during the year.

Commentary
We have been able to maintain our commitment to a progressive dividend policy, raising the total dividend to 55 US cents per share this year, up 5%.

SUSTAINABILITY

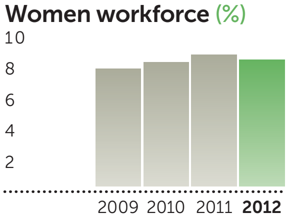
LTIFR (million man hours)



Description
The Lost Time Injury Frequency Rate ('LTIFR') is the number of lost-time injuries per million man-hours worked. This includes our employees and contractors working in our operations but not incidents in our projects.

Commentary
We have been able to sustain reduction in LTIFR with a 41% fall over the last four years. Additionally, we have initiated structured programmes to review and remove any unsafe conditions at our plants. Our LTIFR targets are 0.80 and 0.50 for FY 2013 and FY 2016 respectively.

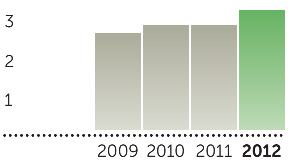
Women workforce (%)



Description
The percentage of women in the total permanent employee workforce.

Commentary
We nurture young, enthusiastic talent and provide equal opportunities to men and women. During FY 2012, women employees comprised 8.16% of our employees. We initiated special recruitment drives for providing career advancement to women, like planned rotation through corporate functions.

CSR footprint (million beneficiaries)



Description
Total number of beneficiaries through our community development programmes across all our operations.

Commentary
We benefitted over 3 million people this year through our continuous efforts in the community development projects comprising community health, nutrition , education, water and sanitation, sustainable livelihood, women empowerment and bio-investment.

Principal Risks and Uncertainties

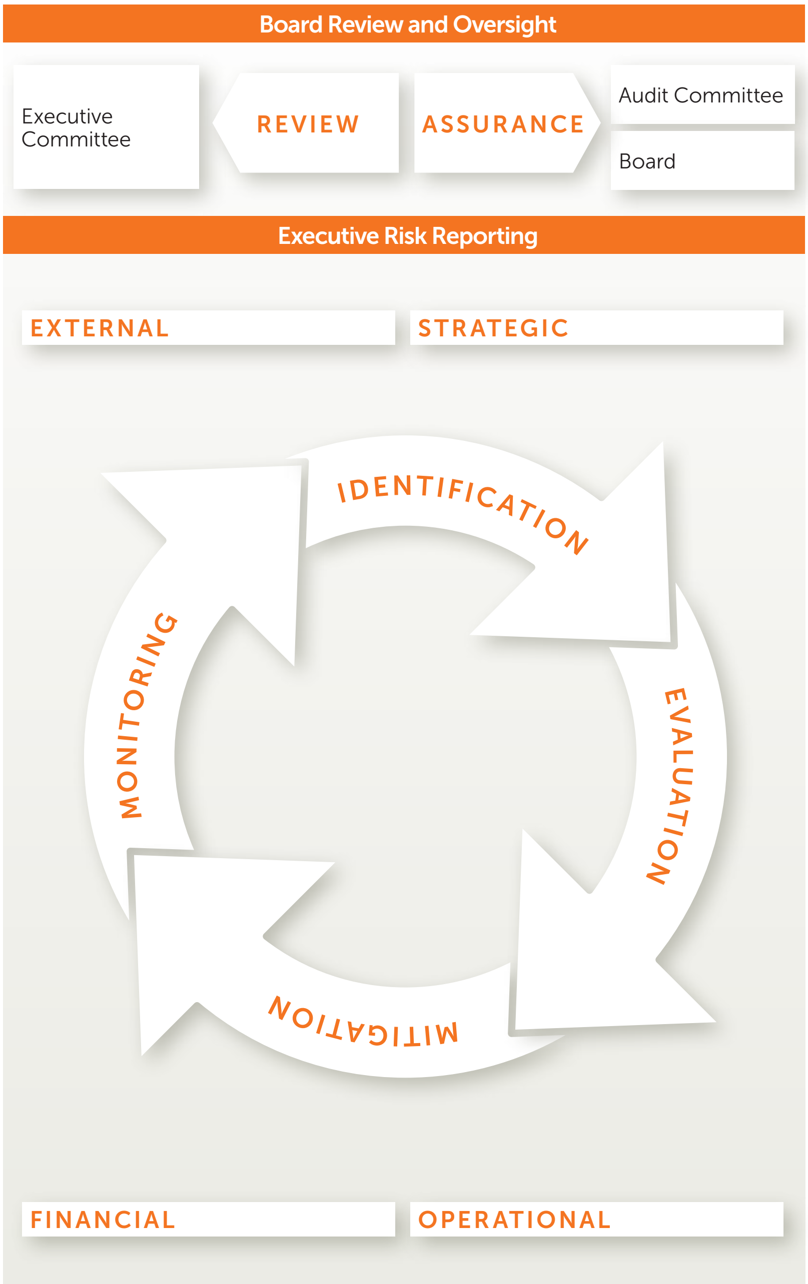
The management of risk is critical to the success of the Vedanta Group. The Group is exposed to a variety of risks which are inherent in an international mining and resources business. Understanding our risk and developing an adequate risk management system is critical to allow us to pursue growth opportunities, increase shareholder value and also manage a variety of risks which could have a strategic, financial, operational or reputational impact.

We are committed to a robust system of risk identification, backed by a robust risk management framework.

Our risk management framework acts as an effective tool in mitigating the various risks which our businesses are exposed to in the course of their operations as well as in their strategic actions. We have a continuous process to identify, analyse, evaluate and respond to possible future events or risks that might impact the achievement of objectives.

We are planning to set up an Risk Management Committee to be chaired by the Group Chief Executive Officer (CEO). This committee will meet quarterly to review risks as well as progress against the planned actions. Risk officers will be nominated both at Vedanta as well as operating company level. The committee will be briefed every quarter on risk management. The role of Chief Risk Officer (CRO) is being created to heighten awareness of the risk management framework at senior management level. The CRO will help the organisation to enhance its risk management progress and ensure that the risk management framework matures and grows with the organisation.

A consistently applied methodology using the Turnbull matrix is used to identify risk at the individual company level covering operations and projects. All the risks related to our businesses are identified and the top 20 risks are reviewed. Risk identification is also undertaken for support and corporate functions. Risk management is undertaken through a series of meetings at Company level and at key stages of projects. An update is performed periodically through the internal audit process.



Vedanta Risk Matrix

Risk		Gross Impact	Gross Likelihood
1. Delays in expansions and new projects	Strategic	●●●●○	●●●●○
2. Liquidity risks in terms of being able to fund operations and growth	Financial	●●●●○	●●●●○
3. Regulatory, economic, social and political uncertainty	External	●●●●○	●●●●○
4. Discovery risks	Operational	●●●●○	●●●○○
5. Commodity prices	External	●●●●○	●●●○○
6. Currency fluctuations may negatively affect our financial results	Financial	●●●○○	●●●○○
7. Failure to meet production and costs target	Operational	●●●○○	●●○○○
8. Health, safety, environmental risks	Strategic	●●●●○	●●●○○
9. Employee risks	Strategic	●●●○○	●●●○○

Once identified, the risk evaluation is done using a matrix to establish financial and non-financial impacts, the likelihoods of occurrence and the root causes analysis of the risk. The current controls to mitigate the risk are then reviewed to enable the development of a prioritised risk management plan.

The risk matrix is then reviewed by a committee comprising of the Group CEO, Group Chief Financial Officer ('CFO') and the Director-Management Assurance. The committee reviews the risks, changes in the nature and extent of the major risks since the last assessment, controls and action plans.

Many of the mitigation measures stated in the risk matrix relate to Group policies, the audit process and the audit plan to cover the key risks identified through the risk management programme. The control measures stated in the risk matrix are closely reviewed by the operating management teams to verify their effectiveness.

External Risks

Commodity Prices

Commodity prices may be volatile, which may have a material adverse effect on the Group's revenue and operating results.

Commodity prices and demand are cyclical and strongly influenced by world economic conditions. Commodity price volatility can result in material and adverse movements in the Group's revenue and operating results and a sustained drop would have a material adverse effect on its businesses, operating results, financial conditions and/or prospects. The Group's normal policy is to sell its products at prevailing market prices and not to enter into price hedging arrangements other than for businesses which are not fully integrated where back to back hedging is used to mitigate pricing risks. In rare circumstances we may enter into strategic commodity hedging but only with prior approval of the Executive Committee. Persistent economic imbalances that have led to recent volatility in commodity prices and demand may continue.

The key commodity price sensitivities on EBITDA resulting from a 10% increase in commodity prices are set out below:

	Average market price in FY 2011–12 (US$/tonne)	Effect on EBITDA of 10% change in LME (US$ million)	Effect on Underlying Attributable PAT
Copper	8,475	139.9	74.3
Aluminium	2,313	161.5	107.8
Zinc	2,098	221.0	81.0
Lead	2,269	37.3	12.5
Silver	35.3	23.9	7.2
Oil & gas	114	246.7	116.2

The above sensitivities are based on FY 2011–12 volumes, costs and exchange rates and provide the estimated impact on EBITDA of changes in prices assuming that all other variables remain constant.

Principal Risks and Uncertainties continued

External Risks continued

Regulatory, Economic, Social and Political Uncertainty

Regulatory, economic, social and political uncertainty in any of the countries and jurisdictions in which the Group operates including changes to fiscal regimes or other regulatory regimes.

Our mining, smelting and oil & gas operations are located in India, Zambia, Namibia, South Africa, Ireland, Australia, Sri Lanka and our holding and investment companies are located in jurisdictions including the United Kingdom, Jersey, Mauritius, the Netherlands, Cyprus and Australia.

The operation and expansion of various assets within the Group remain subject to legal proceedings, most notably the expansion of the Lanjigarh refinery in VAL, the Tuticorin smelter in Sterlite and the mines in the Karnataka area within Sesa Goa. Progress has been made during the year to clarify the actions needed to settle these matters and we are hopeful that the necessary approvals will be obtained within the foreseeable future.

The political, legal, fiscal and other regulatory regimes in these countries may result in higher operating costs or restrictions such as the imposition or increase in royalties or taxation rates, impact on mining rights and change in legislation pertaining to repatriation of money. Changes to government policies such as changes in royalty rates, a reduction in import tariffs in India, a reduction in assistance given by the GoI for exports and the reduction or curtailment of income tax benefits available to some of our operations in India, Namibia and Zambia are some of the examples of risks under this category. We may also be affected by the political acts of governments in these countries over which we have no control.

For example, the GoI has increased the cess on crude production by 81% which impacts the oil assets we recently acquired with Cairn India. The Government of India has also significantly revised the export duty on Iron Ore from 20% to 30% during FY 2011–12 impacting the profitability of our iron ore operations.

Any change in government policies and legislation, including resource nationalisation, may also affect our business and profitability, including any retrospective changes in government policy and legislation.

The 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 or any political or regional instability may impact revenue margins, including any impact arising as a result import tariffs prevailing in India. For example in July 2011, the Supreme Court of India banned the mining of iron ore in the State of Karnataka in India, which affected our iron ore production and profitability during the year.

Financial Risks

Currency Fluctuations May Negatively Affect our Financial Results

Our assets, earnings and cash flows are influenced by a variety of currencies due to the diversity of the countries in which we operate. Fluctuations in the exchange rates of those currencies may have a significant impact on our financial results.

Although the majority of the Group's revenue is tied to commodity prices that are typically priced by reference to the US dollar, most of its expenses are incurred and paid in local currency such as the Indian rupee and, to a lesser extent, the Australian dollar, the South African rand, the Zambian kwacha and the euro. The exchange rates between the various currencies in which we incur expenses have changed substantially in recent years and may fluctuate substantially in the future.

Our Group borrowings are predominantly denominated in US dollars while a large percentage 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 local currency of the respective subsidiary.

For the financial year 2011–12 there was volatility in the Indian currency vis a vis the US dollar and the Indian rupee depreciated significantly, which increased our mark-to-market losses on US dollar loans. Our attributable profit is also impacted significantly where our companies have higher attributable shares.

The Group seeks to mitigate the impact of short-term movements in currency on its businesses by hedging its short-term exposures progressively based on their maturity. However, large or prolonged movements in exchange rates may have a material adverse effect on the Group's businesses, operating results, financial condition and/or prospects.

Financial Risks continued

Liquidity Risks in Terms of Being Able to Fund Operations and Growth

We require funds both for short-term operational needs as well as for long-term investment programmes mainly in growth projects.

If the Group is unable to obtain sufficient credit due to capital market conditions, it may not be able to raise sufficient funds to develop new projects, fund acquisitions or meet its ongoing financing needs. As a result, revenues, operating results, cash flows or financial position may be adversely affected.

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$2,897.3 million, together with cash and liquid investments of US$6,885.4 million as at 31 March 2012, 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, Ba1 and BB+ respectively (2011: BB, Ba1 and BB+ 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.

Strategic Risks

Delays in Expansions and New Projects

If the Group's planned expansions and new projects are delayed, this could have a material adverse effect on the Group's businesses, operating results, financial condition and/or prospects.

The Group has a number of significant expansion plans for its existing operations and planned green field projects, which involve significant capital expenditure. The timing, implementation and cost of these expansion projects are subject to a number of risks, including the failure to obtain necessary licences, permits, consents and approvals, or funding for the projects. Any failure to obtain the requisite regulatory approvals may delay or prevent the Group from commencing commercial operations at certain of these projects.

For instance, the Group does not currently have all of the required environmental approvals for the proposed expansion at the alumina refinery at Lanjigarh and related mining operations in Niyamgiri Hills in the State of Orissa. These are subject to the outcome of certain legal proceedings pending before the Supreme Court of India.

In order to satisfy our bauxite requirements, we are in communications with the Orissa Government and other sources regarding the allocation of new mining leases. Sourcing of bauxite from mines in neighbouring states is also being pursued.

Any delay in completing planned expansions, revocation of existing clearances, failure to obtain or renew regulatory approvals, non-compliance with applicable regulations or conditions stipulated in the approvals obtained, suspension of current projects or cost overruns or operational difficulties once the projects are commissioned may have a material adverse effect on the Group's businesses, operating results, financial condition and/or prospects. Any delay in completing planned expansions could have a material adverse effect on Vedanta's credit rating, which may increase its borrowing costs.

The Company is also trying to develop relationships with private coal mines as well as actively working with the Government of India on how coal stock movement bottlenecks can be eliminated at State mines.

Principal Risks and Uncertainties continued

Strategic Risks continued

Health, Safety, Environmental Risks

Health, safety, environmental risks and related regulations may adversely affect our operations and reputation or licence to operate.

We are engaged in mining activity, power generation and now oil and gas and our operations are subject to extensive health, safety and environmental ('HSE') regulations and legislations. As regulatory standards and expectations are constantly developing, we may be exposed to increased litigation, compliance costs and unforeseen environmental rehabilitation expenses.

Potential health, safety, environmental and community events that may have a material adverse impact on our operations include rock fall incidents in underground mining operations, well blow-outs, explosions or gas leaks, uncontrolled tailings breaches, escape of polluting substances, uncontrolled releases of hydrocarbons, human rights breaches and community protests or civil unrest.

Longer-term health impacts may arise due to unanticipated workplace exposures or historical exposures to employees or site contractors. These effects may create future financial compensation obligations. We may continue to be exposed to increased operational costs due to the costs and lost time associated with infectious diseases such as HIV/AIDS and malaria mainly within our African workforce and the increasing global burden of chronic disease.

We have a structured programme of proactive engagement with our stake-holders on sustainability related matters.

Employee Risks

The Group depends on the experience and management skill of certain of its key employees.

The Group's efforts to continue its growth will place significant demands on its management and other resources and the Group will be required to continue to improve operational, financial and other internal controls, both in and outside India across all locations. The Group's ability to maintain and grow its existing businesses and integrate new businesses will depend on its ability to maintain the necessary management resources and on its ability to attract, train and retain personnel with the skills that enable it to keep pace with growing demands and evolving industry standards.

The Group is, in particular, dependent to a large degree on the continued service and performance of the executive management team of Vedanta and other key team members in the Group's business units. These key personnel possess technical and business capabilities that are difficult to replace. The loss or diminution in the services of Vedanta's executive management or other key team members, or its failure otherwise to maintain the necessary management and other resources to maintain and grow its businesses, could have a material adverse effect on its businesses, operating results, financial condition and/or prospects.

Operational Risks

Discovery Risks

Failure to discover new reserves, maintain or enhance existing reserves or develop new operations could negatively affect our future results and financial condition.

The increased demand for our products and increased production rates from our operations in recent years has resulted in existing reserves being depleted at an accelerated rate.

Actual reserves, resources or mineral potential may not conform to the geological, metallurgical or other expectations and the volume and grade of ore and/or hydrocarbons recovered may be below the estimated levels. As our revenues and profits are related to minerals and resource operations, our results and financial condition are directly related to our ability to replace existing reserves and the success of our exploration.

A failure in our ability to discover new reserves, enhance existing reserves or develop new operations in sufficient quantities to maintain or grow the current level of our reserves could negatively affect our results, financial condition and prospects. There are numerous uncertainties inherent in estimating ore and oil & gas reserves, and geological, technical and economic assumptions that are valid at the time of estimation may change significantly when new information becomes available. The uncertain global financial outlook may affect economic assumptions related to reserve recovery and require reserve restatements which could negatively affect our results and prospects.

Failure to Meet Production and Costs Targets

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 manage these problems proactively.

The newly acquired oil & gas operations are also subject to common operational risks such as interruptions to power supplies, technical facilities, flooding, or other accidents.

Such risks and hazards may result in damage or harm to, or destruction of, properties, production, facilities, people and the environment. In addition, if a spill or other contamination results from production, storage, export, shipment or sale of oil or other hydrocarbon products occurs, this could result in significant environmental liabilities.

It is our policy to realise market prices for our commodities and 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 productivity. The prices of many of our input materials are influenced by a variety of factors including demand and supply as well as inflation.

An increase in the cost of such input materials would adversely impact our competitiveness

Financial Review

"Our investment in growth projects is nearing completion and we have now reached an inflection point where we have positive free cash flow after growth capex for the first time."

Highlights

- Revenues up 22.6% to US$14.0 billion
- EBITDA up 12.9% to US$4.0 billion
- Underlying EPS at 142 US cents per share
- Acquisition of Cairn India has provided entry into the oil & gas sector: the acquisition is immediately EPS accretive
- Free cash flow of US$2.5 billion, translating into 63% EBITDA conversion
- Investment of US$2.4 billion in growth projects, strong project execution capabilities
- Net gearing of 35% and cash and liquid investments of US$6.9 billion

(In US$ millions, except as stated)	FY 2011–12 (pro forma)	FY 2011–12	FY 2010–11	FY 2009–10	FY 2008–09
EBITDA	**5,353.3**	**4,026.3**	3,566.8	2,295.9	1,612.2
Underlying EPS (US cents per share)	**209.4**	**142.0**	262.8	199.2	108.0
Free cash flow	**3,127.6**	**2,533.8**	2,347.3	1,814.3	1,733.8
Capital employed (Excluding capital WIP)	**22,404.4**	**21,946.6**	9,067.6	6,720.3	3,642.3
Return on operating capital (%)	**10.7**	**7.7**	21.2	19.9	24.4
Net (cash)/debt	**10,064.4**	**10,064.4**	1,970.3	947.2	200.8

Return on Operating Capital = Return on Capital Employed (excluding project capital WIP).
Underlying EPS – Earnings Per Share based on underlying profit which is profit for the year after adding back special items and other gains and losses and their related tax and non-controlling interest effects.

Group Revenue

(In US$ millions, except as stated)	2011–12	2010–11	% change
Zinc	**3,206.8**	2,378.4	34.8%
– India	**2,316.1**	2,159.5	7.3%
– International[1]	**890.7**	218.9	–
Iron Ore	**1,690.9**	1,979.5	(14.6)%
Copper	**5,915.0**	5,253.2	12.6%
– India/Australia	**4,205.2**	3,428.2	22.7%
– Zambia	**1,709.8**	1,825.0	(6.3)%
Aluminium	**1,873.5**	1,779.6	5.3%
Power	**458.3**	124.0	–
Oil & Gas[2]	**882.5**	–	–
Eliminations	**(21.7)**	(87.5)	–
Revenue	**14,005.3**	11,427.2	22.6%

1 Acquired in FY 2010–11.
2 Acquired in FY 2011–12.

2011–12 has been a year of mixed fortunes due to the significant change and volatility in the global economy. The eurozone crisis downgrade of sovereign credit ratings of various eurozone countries, sluggish growth in many industrialised countries including the USA, political unrest on the African continent and the resulting escalation in crude oil prices had all dampened the growth euphoria. Despite these challenges commodity prices generally averaged higher than during FY 2010–2011. Demand for commodities in 2012 will be supported by improving global economic growth particularly in Chinese and emerging markets, which are expected to remain relatively robust. The global developments constrained the Indian growth story, with India's GDP growing by 6.5% during FY 2011–12. India is expected to maintain its robust economic growth over the long term, due to its domestic market size and demographic advantage.

Group revenues in FY 2011–12 grew strongly to US$14,005.3 million, up 22.6% as compared with the previous year. Most of our businesses delivered higher volume growth as several of our growth projects were completed with production ramping up. Revenue increased due to the value accretive acquisition of Cairn India completed during the year and also the incremental revenue from a full year of operation at Zinc International. The volume growth in our power business, mainly at Sterlite Energy Ltd ('SEL'), and the doubling of silver revenues in Zinc-India also contributed to the revenue increase.

Iron ore revenues were impacted by lower sales volumes caused by the mining ban in Karnataka and the transport and logistics bottleneck in Goa. Iron ore sales were further reduced by US$201 million due to the rise in export duty to 20% in March 2011 and from 20–30% in the last quarter of FY 2011–12.

Group EBITDA

(In US$ millions, except as stated)	FY 2011–12	FY 2010–11	% change	EBITDA Margin % 2011–12	EBITDA Margin % 2010–11
Zinc	**1,610.8**	1,320.9	21.9%	–	–
– India	**1,244.8**	1,219.6	2.1%	53.7%	56.7%
– International[1]	**366.0**	101.3	–	41.1%	46.3%
Iron Ore	**721.4**	1,174.1	(38.6)%	42.7%	59.3%
Copper	**685.9**	681.4	0.7%	–	–
– India/Australia	**298.0**	241.5	23.4%	7.1%	7.0%
– Zambia	**387.9**	439.9	(11.8)%	22.7%	24.1%
Aluminium	**182.5**	352.7	(48.3)%	9.7%	19.8%
Power	**122.0**	43.9	177.9%	26.6%	35.4%
Oil & Gas[2]	**713.0**	0.0	–	80.8%	–
Others	**(9.3)**	(6.2)	(50%)	–	–
Total	**4,026.3**	3,566.8	12.9%	28.7%	31.2%

1 Acquired in FY 2010–11.
2. Acquired in FY 2011–12.

Turbulence in the global market and the cost-inflationary environment prevailing in the metal and mining industry impacted our profitability in FY 2011–12. During the year, total cash costs increased due to mining sector inflation stemming from increased energy and fuel costs together with higher maintenance, labour and contractor costs, in line with the mining industry in general.

The EBITDA margin in our aluminium business reduced by 10.1%, due to an 11.3% increase in cost of production mainly due to higher alumina, carbon and coal costs. The EBITDA margin also reduced in our power business due to an 18.6% reduction in the sales price per unit.

Despite these tough conditions, we reported EBITDA of US$4.0 billion, 12.9% higher when compared with the previous year, underpinned by our diversified business portfolio which helps to insulate us from adverse performance in any one of our businesses.

Our diversification into the high margin oil & gas sector through our acquisition of Cairn India during the year and the full year benefit of operations from the Zinc-International business acquired in FY 2010–11, combined with our continued focus on cost control measures and operational improvements also contributed to the improvement in EBITDA for FY 2011–12.

However, EBITDA growth did not keep pace with revenue growth as operating costs rose, mainly due to higher coal costs and commodity linked costs. Lower sales of iron ore coupled with the hike in export duty also impacted EBITDA during the financial year.

EBITDA margin was 28.7% in FY 2011–12 compared with 31.2% in FY 2010–11. Excluding our copper custom smelting operations, our EBITDA margin in FY 2011–12 was 40.6% (FY 2010–11: 44.6%).

Conversion of EBITDA to free cash flow for the financial year was marginally lower at 62.9% compared with 65.8% in FY 2010–11. This reduction is mainly attributable to higher interest on borrowing for the Cairn India acquisition and higher ongoing capital expenditure.

We continued to maintain our strong balance sheet and funding position, with cash and liquid investments totalling US$6.9 billion. We generated free cash flow of US$2.5 billion which met the growth capital expenditure requirement of US$2.4 billion. Our investment in growth projects is nearing completion and we have now reached an inflection point where we have positive free cash flow after growth capex for the first time.

After investing US$8.7 billion in acquisitions, net debt as at 31 March 2012 was US$10.1 billion (31 March 2011: US$1.97 billion) and our gearing ratio was 35%.

During the year depreciation and amortisation increased by US$539.3 million to US$1.4 billion.

Depreciation charges during the year increased by US$372.7 million mainly due to additional depreciation of US$180.2 million for Cairn, US$90.7 million due to the full year of operation for Zinc International and the commissioning of the SEL power plant accounting for the balance.

Amortisation charges during the year increased by US$166.6 million mainly due to additional amortisation of reserves of US$166.5 million at Cairn, US$92.4 million at Zinc International, partially mitigated by a decrease at Sesa Goa due to lower output. Oil & gas assets are amortised on a unit of production basis over the total remaining proven and probable reserves.

Special items comprises of US$21 million spent on voluntary redundancy charges at some of our operations. A provision of US$89 million was made by Sterlite towards possible incidental damages payable to ASARCO as per the verdict of the bankruptcy court of the Southern District of Texas, US. We also spent US$73 million on costs relating to the acquisition of Cairn India and IPO expenses of US$13 million, for our subsidiary Konkola Copper Mines were also written off during the year. US$31 million was due to loss on revaluation of previously held interest in Cairn India as associate.

As explained above, the operating profit for the year was US$2.4 billion, marginally lower than in the previous year reflecting higher depreciation, amortisation charges and special items, despite the increase in EBITDA.

Financial Review continued

Group Operating Results

Group operating results for FY 2011–12 are set out below:

(In US$ millions, except as stated)	FY 2011–12 (pro forma)	FY 2011–12	FY 2010–11	% change
Revenue	**15,615.9**	**14,005.3**	11,427.2	22.6
EBITDA	**5,353.3**	**4,026.3**	3,566.8	12.9
EBITDA margin (%)	**34.3%**	**28.7%**	31.2%	–
EBITDA margin without custom smelting (%)	**46.7%**	**40.6%**	44.7%	–
Special items	**(230.2)**	**(230.2)**	(163.4)	(40.9)
Depreciation	**(1,220.7)**	**(927.3)**	(554.6)	(67.2)
Amortisation	**(736.8)**	**(481.1)**	(314.5)	(53.0)
Operating profit	**3,165.6**	**2,387.7**	2,534.3	(5.8)
Net interest expense	**(617.1)**	**(420.3)**	(103.1)	(307.7)
Other gains and (losses)	**(314.2)**	**(314.2)**	252.1	(224.6)
Income from associate	**–**	**92.2**	–	–
Profit before taxation	**2,234.3**	**1,745.4**	2,683.3	(35.0)
Income tax expense	**(547.4)**	**(516.7)**	(649.5)	(20.4)
Effective tax rate (%)	**24.5%**	**29.6%**	24.2%	-
Profit for the year	**1,686.9**	**1,228.7**	2,033.8	(39.6)
Minority interest	**1,478.9**	**1,168.9**	1,263.0	(7.5)
Minority interest (%)	**87.7%**	**95.1%**	62.1%	–
Attributable profit	**208.0**	**59.8**	770.8	(92.2)
Basic earnings per share (US cents per share)	**76.3**	**21.9**	283.2	(92.3)
Underlying earnings per share (US cents per share)	**209.4**	**142.0**	262.8	(46.0)

Gross finance costs increased to US$1,170.5 million in FY 2011–12, up from US$718.0 million in FY 2010–11. Costs increased as a result of higher average debt at US$13,750.4 million in FY 2011–12, up from US$8,895.7 million in the previous year. Gross debt during the year increased mainly to finance the Cairn India acquisition and to fund our growth projects. Interest costs also increased due to a higher interest rate for rupee borrowing in India. Of the total interest cost, US$224.8 million relating to our ongoing capital expansion projects was capitalised as compared with US$183.3 million in FY 2010–11, reflecting the increased capitalisation in our ongoing projects at Vedanta Aluminium Ltd (VAL), BALCO and Talwandi Sabo.

Investment income in FY 2011–12 was US$525.4 million, compared with US$431.6 million in FY 2010–11, mainly due to the higher interest rate environment.

We recognised a loss of US$314.2 million as a result of mark-to-market losses on our foreign currency borrowings primarily at our Indian entities, and following changes in the fair value of embedded derivatives relating to foreign currency convertible bonds at Sterlite and Sesa Goa. During FY 2011–12, the mark-to-market loss on borrowings was US$411.3 million against a gain of US$63.7 million in the previous year. These mark-to-market losses were caused by volatility in the Indian rupee/dollar exchange rate, which depreciated sharply by 14.7% in the year, moving from US$1 = Rs44.65 to US$1 = Rs51.16. The rupee depreciation impacted the uncovered loans denominated in US dollars.

By contrast, we experienced a mark-to-market gains on our embedded derivatives of US$97.1 million primarily on the foreign currency convertible bonds at Sterlite and Sesa Goa. Since the issue of these bonds the cumulative gain has been US$211.0 million. The gain is primarily correlated with the movement in the respective subsidiary's share price and may reverse in the future.

Profit before taxation also decreased by 35.0% to US$1.7 billion compared against US$2.7 billion achieved during FY 2010–11. Profit after tax decreased by 39.6% to US$1.2 billion due to higher interest costs, mark-to-market losses on our foreign currency borrowings and higher tax rates. Our effective tax rate increased from 24.2% in FY 2010–11 to 29.6% during FY 2011–12 as a result of changes in profit mix at the operating companies during the year and also due to losses at VAL.

The tax charge decreased to US$516.7 million in FY 2011–12, 20% down from US$649.5 million in FY 2010–11 reflecting the lower profit before tax.

Attributable profit for the year at US$59.8 million is significantly lower than the US$770.8 million in the previous year which was impacted by increased amortisation and depreciation charges, interest expenses related to funding for the Cairn India acquisition, mark-to-market losses on foreign currency borrowings at our Indian entities and losses at VAL.

Basic Earnings per Share ('EPS) for FY 2011–12 was 21.9 US cents per share compared to 283.2 US cents per share in FY 2010–11, reflecting the fall in attributable profit. Fully diluted EPS was 21.6 US cents per share (FY 2010–11: 270.2 US cents per share). Underlying EPS was 142.0 US cents per share as against 262.8 US cents per share in the previous year.

These factors, combined with the fact that Cairn India only contributed to profitability for less than four months, resulted in returns generated on operating capital reducing to 7.7%. Using 12 month proforma earnings from Cairn, our return on operating capital would be 10.7%.

Balance Sheet and Cash Flow

We continue to have a strong balance sheet with capital employed of US$18.4 billion and net debt of US$10.1 billion. Net debt comprised debt of US$17.0 billion offset by US$6.9 billion of cash and liquid investments. Anticipated future cash flows and undrawn committed facilities of US$2,897.3 million, together with cash and liquid investments of US$6,885.3 million as at 31 March 2012, are expected to be sufficient to meet the ongoing capital investment programme and liquidity requirements of the Group in the near future. The Company continued to maintain its ratings from Standard & Poor's, Moody's & Fitch Ratings are BB, Ba1 and BB+ respectively. The Company generally maintains a healthy net debt-equity ratio and retains flexibility to raise funds as and when required. Even though FY 2011–12 witnessed a rise in debt of US$7.2 billion to fund the Cairn India acquisition and planned expansion programme, our balance sheet remained strong with net gearing of 35.3%.

The movement in net (debt)/cash in FY 2011–12 is set out below.

(In US$ millions, except as stated)	FY 2011–12	FY 2010–11
EBITDA	**4,026.3**	3,566.8
Operating exceptional items	**(230.2)**	(163.4)
Working capital movements	**439.2**	(652.0)
Increase in operational buyer's credit	**60.1**	12.5
Increase/(decrease) in supplier's credit	**(124.2)**	335.3
Changes in long-term creditors and non-cash items	**35.8**	128.8
Sustaining capital expenditure	**(386.2)**	(239.5)
Sale of tangible fixed assets	**23.6**	28.3
Net interest paid and dividend received	**(394.8)**	87.1
Tax paid	**(915.8)**	(756.6)
Free cash flow	**2,533.8**	2,347.3
Expansion capital expenditure[1]	**(2,398.2)**	(2,517.2)
Sale/(purchase) of fixed assets investments	**(3.9)**	(25.9)
Acquisition of minorities	**(60.3)**	(122.0)
Acquisitions, net of cash & liquid investments acquired	**(7,115.7)**	(1,036.7)
Purchase of mining assets	**(131.8)**	–
Buyback of shares of Vedanta Resources plc	**–**	(128.0)
Dividends paid to equity shareholders	**(144.0)**	(129.9)
Dividends paid to minority shareholders	**(219.7)**	(87.4)
Convertible Bond transfer and conversion	**–**	430.2
Other movement[2]	**(554.3)**	246.5
Movement in net (debt)/cash	**(8,094.1)**	(1,023.1)

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

On a proforma basis, as at 31 March 2012, we had a multiple of 1.9x net debt/EBITDA, 4.5x EBITDA/gross interest expenses and 2.5x net asset/debt, which reflects a robust and strong balance sheet.

Of our total gross debt of US$17.0 billion, debt at our subsidiaries is US$7.7 billion with the balance in the holding company.

Following the Group structure simplification, debt liability at the holding company reduced by 65% to US$3.2 billion and debt service costs reduced significantly. Dividend policies at subsidiaries will result in significantly higher dividends at the holding company which will cover debt servicing.

Finance Strategy

The Company's capital management objectives are to safeguard continuity, maintain a strong credit rating and healthy capital ratios in order to support its business and provide adequate return to shareholders through continuing growth.

The Company sets the amount of capital required on the basis of annual business and long-term operating plans which include capital and other strategic investments. The funding requirement is met through a mixture of equity, internal accruals, convertible bonds and other long-term and short-term borrowings.

The Company monitors capital using a gearing ratio, (the ratio of net debt as a percentage of total capital) which at 31 March 2012 was 35.3%.

Our investments are consistent with our policy of investing in funds and banks with a low credit risk and high credit ratings. Investment portfolios of our Indian subsidiaries have been independently reviewed by the rating agency CRISIL as "Very Good".

We believe our strengthening presence across diverse businesses should further strengthen our credit profile and we are working towards improving our ratings to investment grade.

Post the acquisition of Cairn India, our priority is to reduce the debt at the holding company level. We are committed to maintain net debt to EBITDA at less than 2.75 times and net gearing below 40% through the cycle, as a prudent measure in our cyclical industry. We achieved net debt to EBITDA of 2.5 times and net gearing of 35% at the end of FY 2011–12. In an effort to further reduce these metrics, we continue to focus on higher EBITDA-free cash flow conversion by prioritising cost control and reviewing the capital expenditure programme.

We have also announced a new simplified corporate structure, which once approved by stake holders and regulatory authorities, should yield significant benefits through a more efficient capital structure, increased flexibility to allocate capital, broader access to markets and enhanced visibility of earnings and cash flow.

Financial Review continued

Project Capex

Sector	Project	Production volume	Country	Completion date	Project cost
Alumina	Lanjigarh I Alumina Refinery	1.0mtpa	India	Completed	1,015.3
	Debottlenecking Lanjigarh I	1.0mtpa	India	On hold	150.0
	Lanjigarh II Alumina Refinery	3.0mtpa	India	On hold	1,570.0
Aluminium	Korba III Smelter	325 KT	India	1st metal tapping by Q3 FY 2012–13	720.0
		1200MW CPP		1st unit synchronisation in Q1 FY 2012–13	1,100.0
	Jharsuguda I Smelter	0.5mtpa & 1215MW CPP	India	Completed	2,400.0
	Jharsuguda II Smelter	1.25mtpa	India	Progressively by Q3 FY 2013–14	2,920.0
	Balco Coal Block	211mt	India	Progressively by FY 2012–13	150.0
Power	Talwandi Sabo Power Project	1,980MW	India	FY 2013–14 (1st unit synchronisation in Q4 FY 2012–13)	2,150.0
	HZL WPP Project	150MW	India	Completed	190.0
	SEL IPP	2,400MW	India	4th unit synchronised in Q4 FY 2011–12	1,900.0
Zinc	Smelting	210ktpa Zinc	India	Completed	900.0
		100ktpa Lead	India	Completed	
		160MW CPP	India	Completed	
	Mining	RA 5 to 6mtpa	India	Completed	
		SK –2mtpa	India	Progressive	
Copper	KCM KDMP Project	7.5mtpa	Zambia	Q3 FY 2012–13	973.0
	KCM Nchanga Smelter	311ktpa	Zambia	Completed	473.0
	SIIL Expansion Project	400ktpa	India	EC awaited	367.2
		160MW CPP	India	1st unit in Q1 FY 2012–13, 2nd unit in Q2 FY 2012–13	132.8
Iron Ore	Pig Iron Expansion	375ktpa	India	Q1 FY 2013	150.0
	Sesa Iron Ore Mine Expansion	36mt	India	FY 2012–13	500.0
Infrastructure	Vizag Coal Berth		India	FY 2012–13	150.0
	Paradeep Port		India	–	88.0
	Total				17,999.3
	Other projects				
	Total				**17,999.3**

The conversion of EBITDA to free cash was at the rate of 62.9% in FY 2011–12 as compared to 65.8% in FY 2010–11. This decline, despite the release of working capital of approximately US$375.1 million, was due to higher routine capital expenditure and interest payments.

Investing in Organic Growth

We spent US$2,398.2 million on capital expenditure for growth projects in FY 2011–12 which was in line with our project capital expenditure spend in FY 2010–11. During the last five years we have invested US$12.6 billion in growth projects.

In its Power business, the Company has decided to pursue only the 1,980MW (3x660MW) thermal coal based power plant at Talwandi Sabo and the project work is progressing well.

We also spent US$386.2 million on routine capital expenditure in FY 2011–12, higher than the previous year's expenditure of US$239.5 million. This expenditure is for the upkeep of our plant and equipment, to continually optimise and improve operational standards and to increase the scale of our operations.

Return on Operating Capital ('ROOC') during FY 2011–12 was 7.7%, lower than the 21.2% generated during FY 2010–11. This reflected the fact that the investment in Cairn generated returns for a period of less than four months (as a subsidiary from 8 December 2011). On an annualised basis, the returns from Cairn stood at 10.7% during the year. ROOC is an important Key Performance Indicator ('KPI') for our businesses. Capital productivity is a high priority and we plan to enhance this ratio by optimising asset performance.

Spent in FY12	Spent to 31 March 12	Unspent on 31 March 12
–	982.0	33.3
1.4	73.7	76.3
20.6	825.2	744.8
248.4	596.1	123.9
128.3	803.8	296.2
–	2,324.4	75.6
305.5	2,280.8	639.2
7.2	12.0	138.0
612.0	973.5	1,176.5
113.9	190.0	–
136.1	1,651.7	248.3
46.6	799.8	100.2
33.4	830.2	142.8
11.8	472.3	0.7
2.7	109.8	257.4
–	150.0	–
54.3	138.7	11.3
51.9	128.9	371.1
39.0	58.7	91.3
–	–	88.0
1,889.7	13,377.0	4,622.3
508.5	558.9	
2,398.2	**13,935.9**	

Based on the expansion projects currently under way, approximately US$4.6 billion of funds are required to complete these projects over the next three years. This will be financed from existing cash resources, internal accruals and project financing.

In the coming year, US$4,152 million of debt falls due for repayment. Our cash and liquid investments, free cash generation and funds investment are sufficient to meet our capital and debt commitments. We have cash and liquid investments of US$6,885.3 million as at 31 March 2012 along with unused funding facilities of US$2,897.3 million, providing good liquidity.

Our debt maturity now averages 3.46 years as at 31 March 2012, as compared with three years as at 31 March 2011. Our current debt maturity profile in US$ million is outlined below:

Particulars	**Debt at Plc Companies**	Debt at Subsidiaries	Total
FY 2012–13	**996**	3,156	4,152
FY 2013–14	**1,950**	456	2,406
FY 2014–15	**1,383**	1,079	2,462
FY 2015–16	**310**	410	720
FY 2016–17	**2,515**	269	2,784
FY 2017–18 onwards	**2,121**	2,310	4,431
Total	**9,275**	7,680	16,955

Acquisitions

On 8 December 2011 we completed the acquisition of Cairn India Limited by acquiring 59% for an aggregate consideration of US$8.67 billion. A 39% stake is held by Vedanta Resources plc with the balancing 20% stake held through the Group's subsidiary Sesa Goa. Roughly 50% of the acquisition consideration was funded through internally generated cash flows, and only U$4.43 billion was funded through external debt.

In accordance with the requirement of the reverse takeover rules prescribed under the UK Listing Authority ('UKLA'), an application was made to the UKLA and the London Stock Exchange for readmission to listing of the Company's shares on the official list.

During the FY 2011–12, Sesa Goa acquired Iron Ore deposits in Liberia in Western Africa for a total consideration of US$90 million. In addition US$25 million of licence fees was paid to the Government of Liberia. This iron ore project comprises three deposits in Bomi Hills, Bea Mountain and Mano River with estimated deposits of over 1 billion tonnes of iron ore.

On 1 March 2012, Vedanta Resources plc, through its subsidiary Sesa Goa, acquired a 100% stake in Goa Energy Private Limited ('GEPL') from Videocon Industries at a consideration of US$9.5 million. The operating and financial results of GEPL have been consolidated from 1 March 2012. GEPL is in the business of power generation.

We continue to focus on enhancing the returns to our shareholders through periodic buyback of shares. During FY 2011–12 we had spent US$60.3 million on buying back shares in Sterlite.

The Government of India ('GoI') holds the minority stake in two of our Group companies – HZL (29.5%) and BALCO (49%). In line with our commitment to enhance the returns to our shareholders, we approached the GoI communicating our desire to purchase its stake in both companies. Whilst the GoI did not respond, we believe purchasing this stake would further improve the returns to our stakeholders.

ZINC/ LEAD/ SILVER

Operational Review
Zinc-India

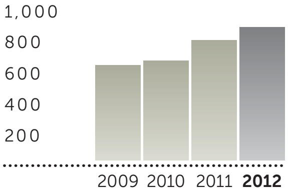
Key Achievements

- Highest ever refined zinc and lead production of 759kt and 99kt, respectively
- Record silver metal production of 7.8moz, up 35% over previous year
- Maintained lowest quartile cost position
- FY 2012 gross addition of 27mt to Reserves and Resources
- Commissioned 100ktpa lead smelter at Dariba increasing total refined lead capacity to 185ktpa
- 350 tonne per annum (tpa) silver refinery taking total silver refining capacity to 518tpa

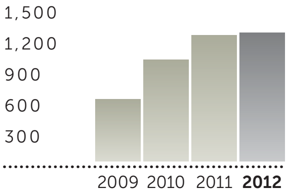
Strategic Priorities

- Continue to focus on adding resources
- Achieving 1mt capacity operations
- Realising full potential of SK Mine and silver production capability
- Rampura Agucha underground mine development

Production (kt)



EBITDA (US$million)



Main image: 2 units of Turbine and Generator at Chanderiya CPP, HZL

Map not to scale

Market Overview
Zinc

Strong demand created by growth from emerging economies more than offset weaker demand from developed economies, leading to global zinc demand growth of 4% in 2011 reaching 12.5mt. Growth focused on near-term demand is at a similar level of 4–5% on the back of strong demand from emerging economies. It is predicted that shortly the net surplus position may turn into a net deficit position. Closure of several mines at the end of their mine life may significantly impact the supply/demand equation. It is predicted that this could happen in 2014–15.

India, the home market for our Zinc-India operations, continues to demonstrate healthy growth in zinc consumption largely driven by consumption in galvanising/construction sector/infrastructure sector. The near-term demand growth focus in India remains at a robust level of 6–7% per annum with the potential to reach much higher levels considering India's quite low per capita consumption of zinc.

Lead

Driven by demand essentially arising from emerging economies, global lead consumption in 2011 increased by 4% to around 9.8mt whereas the total refined lead supply for the calendar year 2011 was 9.9mt, a modest surplus.

We expect strong growth in lead consumption to continue as demand for automation, power back-up and the other applications are expected to be strong, particularly in the emerging economies. The market is expected to be in balance in 2012.

In 2011–12, Indian lead consumption registered a growth of 11%, essentially driven by strong growth in the automation sector.

Silver

India is the fourth largest consumption centre for silver. In 2012, the demand for silver globally is expected to increase by 4%, driven by growth in consumption in fabrication, industrial applications, coins and as an investment asset. It is estimated that demand for silver in India will grow by 3–4% in FY12.

Operations

Refined zinc production for the year was a record 759kt, an increase of 6.6% over the previous year's production of 712kt. The production increase was primarily due to higher utilisation of new-generation smelters in Rajasthan despite the ramp down of the high cost Vizag smelter in Q4. Refined lead production volume improved by 57% during the year due to volume contribution from the newly commissioned 100kt Dariba lead smelter.

Silver production also registered record growth of 35% to 7.8moz, compared with 5.8moz during FY 2010–11. This increase was mainly attributable to higher production from the Sindesar Khurd ('SK') mines and a 1.4moz contribution from the new 350tpa silver refinery commissioned during the year.

Review of Performance – India

(In US$ millions, except as stated)	FY 2011–12	FY 2010–11	% change
Production – zinc (kt)			
Mined metal content	**739**	752	(1.7)%
Refined metal	**759**	712	6.6%
Production – lead (kt)			
Mined metal content	**92**	88	4.5%
Refined metal[1]	**99**	63	57.1%
Production – silver (moz)[2]	**7.78**	5.76	35.1%
Average LME zinc cash settlement prices (US$ per tonne)	**2,098**	2,185	(4.0)%
Average LME lead cash settlement prices (US$ per tonne)	**2,269**	2,244	1.1%
Average exchange rate (INR per US$ per tonne)	**47.9**	45.6	5.0%
Unit costs			
Zinc (US$ per tonne)	**1,010**	990	2.0%
Zinc (other than royalty) (US$ per tonne)	**834**	808	3.2%
Revenue	**2,316.1**	2,159.9	7.2%
EBITDA	**1,244.8**	1,219.6	2.1%
EBITDA margin	**53.7%**	56.5%	-
Operating profit	**1,126.6**	1,117.2	0.8%

1 Including captive consumption 7kt v/s 6kt in FY 2011–12 v/s FY 2010–11.
2 Including captive consumption 1,123 thousand ounces v/s 997 thousand ounces in FY 2011–12 v/s FY 2010–11.

The unit cost of zinc production during FY 2011–12 increased marginally by 2% to US$1,010 per tonne as against US$990 per tonne incurred in FY 2010–11. This change in cost was primarily due to interplay of several factors – on the positive side, improved efficiency in smelting operations, INR depreciation, improved by-product realisation and on the negative side, higher coal prices, lower ore grade during the year and higher mine development expenses as per the mining plan.

EBITDA for FY 2011–12 increased to US$1,245 million, as compared to US$1,220 during FY 2010–11. Increased production volumes and improved operational efficiencies contributed to this increase.

Projects

During the year, we commissioned the Dariba lead smelter and a 350mt silver refinery, both of which are performing well. Sindesar Khurd mine achieved a 1.8mtpa run-rate towards the end of Q4 FY 2012. The progress of underground mine development work at the Rampura Agucha mine and the green field Kayar mine is as planned.

With the commissioning of the 150MW of our wind power generation capacity in FY 2011–12, we have now reached a total of 274MW, making us one of the largest wind power producers in India.

ZINC/ LEAD/ SILVER

Operational Review continued
Zinc-India

Innovative techniques stabilise waste dump at Rampura Agucha mine

Managing the waste dumps produced by the world's biggest zinc mine in the hot, dry climate of Rajasthan India, presented a considerable challenge. Dust blowing in the wind, soil erosion and an unsightly barren environment were all problems faced at the Rampura Agucha mine, operated by HZL.

As part of an innovative initiative, 12,000 square metres of waste dump was levelled and covered with geo-textiles to stabilise the slopes. The soil was then conditioned and planted with Vetiver grass seedlings. During the rains, around one ton of seeds were sprayed on the stabilised slopes and along the periphery of the mine. With regular watering and a protective soil cover, the slopes are now coming to life, bringing greenery to this industrial landscape and reducing the environmental impact of mining operations.

Exploration
We continue to meet success in our exploration activities and during the year we added 27.1 million tonnes to our Reserves and Resources ('R&R'), prior to depletion of 8.04 million tonnes. With a total Reserves and Resources of 332.3 million tonnes containing 35 million tonnes of zinc lead and 912 million ounces of silver as on 31 March 2012, we continue to maintain our prominent position with over 25 years of remaining mine life.

In line with the Company's growth vision, we continue to invest our resources in identifying new world-class resources. A total of 94,250 m of drilling was completed at various exploration sites in FY 2011–12. During the year, we performed systematic green field exploration over 4,500 sq km and applied for new Reconnaissance Permits for around 18,700 sq km.

Outlook
In line with the mine plan, mined metal production in FY 2012–13 is expected to be slightly higher than this financial year. Production in the first half of FY 2012–13 is expected to be marginally lower than that last year, but will be more than made up in the second half of FY 2012–13. The SK mine is expected to deliver volumes near its capacity of 2.0mtpa in FY 2012–13. Total integrated silver production is projected to be around 350 tonnes in FY 2012–13.

The average cost of production for FY 2012–13 is expected to be in line with this year however there could be quarterly variations in line with the mine plan.

Above right: Engineer inspecting cathodes at cell house of Chanderiya Hydro smelter, HZL.

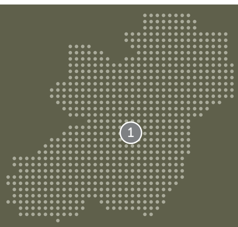
Above left: Slope Monitoring Radar at Rampura Agucha Mine, HZL.

Zinc-International

Operations
Africa

1 Skorpion mine, Namibia
2 Black Mountain mine, South Africa

Operations
Ireland



1 Lisheen mine

Maps not to scale

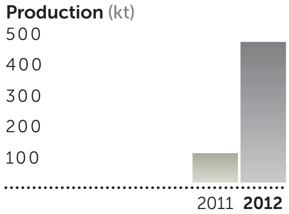
Key Achievements

- Integration successfully completed
- Stable operating performance, higher volume over previous period
- Mine life extended at all three locations

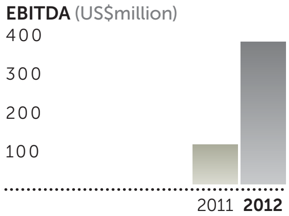
Strategic Priorities

- Feasibility of Gamsberg project in South Africa
- Work on other satellite opportunities at all locations
- Increase in mine life through extensive exploration programme

Production (kt)



EBITDA (US$million)



Note: 2011 numbers are for the period post acquisition

Review of Performance – International

(In US$ millions, except as stated)	FY 2011–12	FY 2010–11
Production – zinc (kt)		
Mined metal content BMM and Lisheen	**215**	30
Refined metal Skorpion	**145**	50
Production – lead (kt)		
Mined metal content	**84**	14
Average LME zinc cash settlement prices (US$ per tonne)	**2,098**	2,185
Average LME lead cash settlement prices (US$ per tonne)	**2,269**	2,244
Zinc (US$ per tonne) C1 cost (cents per lb):	**52.9**	50.7
Revenue	**890.7**	218.9
EBITDA	**366.0**	101.3
EBITDA margin	**41.1%**	46.3%
Operating profit	**129.2**	47.2

Operations

The increase in production level is the highlight of the first complete year of operations post the acquisition of these assets during FY 2010–11. Total production of zinc and lead metal-in-concentrate and zinc metal was 444kt, comprising 299kt of zinc and lead metal-in-concentrate at Lisheen and BMM and 145kt of refined zinc at Skorpion. This compared well with last year's production of 434kt.

The unit cost of production in FY 2011–12 rose by 4% to 52.9 US cents/lb compared with 50.7 US cents/lb in FY 2010–11, primarily due to higher energy costs and lower by-product credit.

EBITDA for the FY 2011–12 was US$366.0 million and operating profit was US$129.2 million. The lower operating profit is due to higher amortisation of mine properties charges of US$117.8 million based on the existing mine life in addition to depreciation charges of US$119.0 million.

Prior year performance is not comparable as the acquisition was completed over the period from December 2010 to February 2011.

Exploration

We have extended the life at all three of our mines during the year. Mine life increased to 2017 at Skorpion with some additional work to be done to convert resources to reserves. Gross addition of more than 2mt to Reserves and Resources was made at Black Mountain mine, extending the mine life. Similarly, Lisheen mine life was extended by one year to approximately three years now.

A feasibility study is under way as the first step towards the development of the Gamsberg project. The Gamsberg project contains the largest undeveloped zinc deposit in the world. With an estimated 186mt deposit, this discovery has the potential to deliver over 400ktpa over a mine life of more than 20 years.

Outlook

In FY 2012–13, production at Zinc-International is expected to be impacted by a fall in grades, which will lead to lower production by about 5–7%. Success in enhancing resource position and ongoing exploration work has significantly enhanced the value of the assets as compared with the data available at the time of acquisition.

IRON ORE

Operational Review continued
Iron Ore

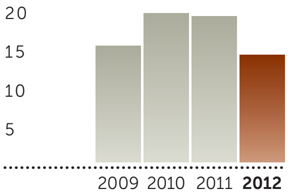
Key Achievements

- Acquired majority stake in WCL which is estimated to have over 1 billion tonnes of iron ore deposits
- Net addition of 68mt Reserves and Resources in Indian mines

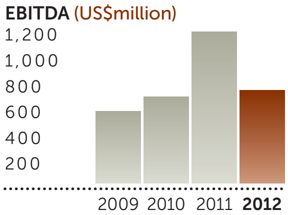
Strategic Priorities

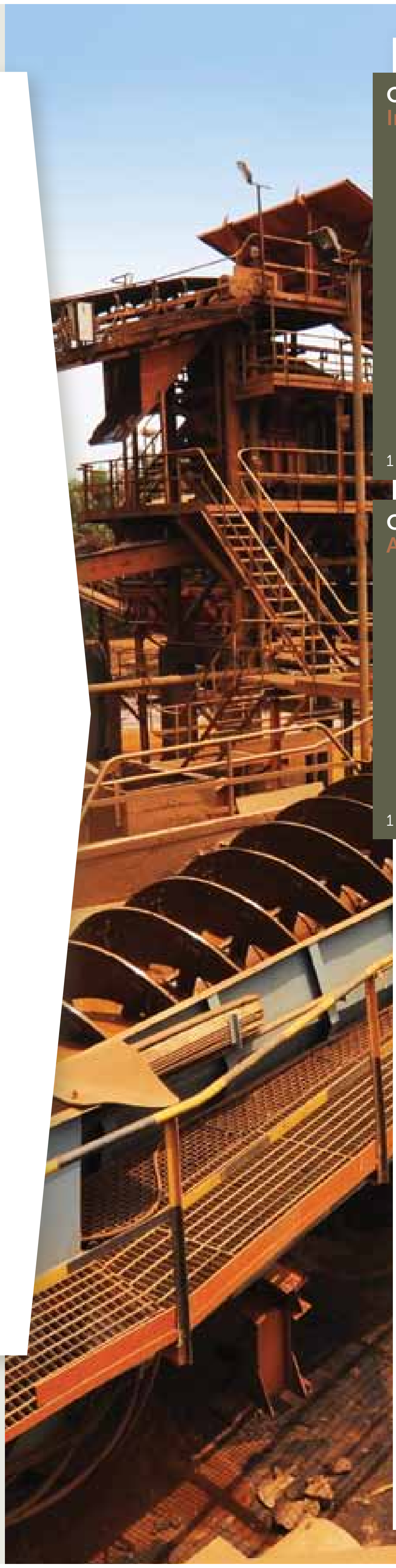
- Resume mining and export from Karnataka
- Commissioning of 375kt pig iron expansion project along with sinter plant, expanded met coke capacity and power plant
- Continue to expand Reserves and Resources by active exploration and selective acquisitions
- Complete ongoing logistic improvement and debottlenecking programme
- Develop WCL as a large integrated mining operation and establish our presence in Liberia
- New phase of growth to 36mt p.a. in Indian operations

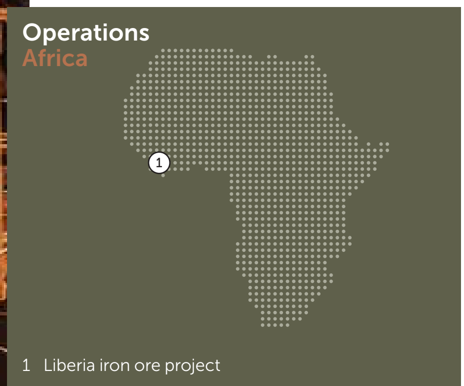
Production (dmt)



EBITDA (US$million)







Maps not to scale

Market Overview

Demand for iron ore globally is linked primarily to the state of the global steel industry and, more specifically, to steel manufacturing in China. China is the largest steel producer and consumer in the world, accounting for more than two-thirds of global seaborne iron ore imports. In 2011, global steel production increased 6% to 1.5 billion tonnes, of which 683mt were produced in China, an increase of 7%. China's iron ore needs were also met by domestic iron ore production, which rose by approximately 7% to 305mt.

Main image: Iron Ore beneficiation plant, Sesa.
Opposite right: Engineers meeting at mine, Sesa.

Recovery of steel demand in the world is expected to be slow while in the emerging and developing economies it should continue to enjoy moderate to robust growth. In 2012, it is forecast that world steel demand will grow further by 5.4%. In 2012, the emerging and developing economies will account for 73% of world steel demand in contrast to 61% in 2007.

In 2011, India's apparent steel use grew by 2.5% to reach 67.7mt in contrast to 2012, when the growth rate is forecast to accelerate to 6.9%. However, rises in export taxes and rail freight costs have significantly increased Indian export costs. With the continued ban on exports from Karnataka and high costs, iron ore exports from India dropped to 79mt in 2011, a drop of 18.5% as compared to the previous year which impacted the performance of our iron ore business.

Operations

Our iron ore operations were constrained during 2011–12, as the Supreme Court's revocation of the earlier state-wide ban on exports in Karnataka during April 2011 was subsequently followed by the imposition of iron ore mining ban in the State from August 2011. We also faced logistics constraints in Goa, which further impacted our operations. We are expanding existing roads and establishing dedicated road corridors in Goa to overcome these constraints.

As a result, production of saleable iron ore was lower at 13.8mt in FY 2011–12 as compared with 18.8mt in the previous year.

The Karnataka mining ban matter is being heard by the Supreme Court and we expect a resolution soon. The Court has directed that a Reclamation and Rehabilitation plan for each mine, including fixing capacities, has to be completed by the Indian Council of Forestry Research and Education ('ICFRE'), and then approved by the State Government and the Central Empowered Committee ('CEC'). The ICFRE has visited our mine and will issue their report. The CEC has informed the Court that Reclamation and Rehabilitation of all A and B category mines +50ha will be completed by mid June 2012.

Review of Performance

(In US$ millions, except as stated)	**FY 2011–12**	FY 2010–11	% change
Production			
Saleable ore (mt)	**13.8**	18.8	(26.6)%
Pig iron (kt)	**249**	276	(9.8)%
Sales (kt)			
Iron ore (mt)	**16.0**	18.1	(11.6)%
Goa	**13.3**	14.4	–
Karnataka	**2.7**	2.1	–
Orissa	**–**	1.7	–
Pig iron (kt)	**251**	266	(5.6)%
NSR	**76**	95	(20.0)%
Average exchange rate (INR per US$)	**47.9**	45.6	5.0%
Revenue	**1,690.9**	1,979.5	(14.6)%
EBITDA	**721.4**	1,174.1	(38.6)%
EBITDA margin	**42.7%**	59.3%	–
Operating profit	**481.3**	757.6	(36.5)%

The Court is now closed for the holiday period and will be hearing the case again after reopening.

Iron ore sales were 16.0mt, down by 11.6% as compared to the previous year due to the reasons mentioned above.

Export sales were 13.0mt in FY 2011–12 as compared to 16.3mt in FY 2010–11. Domestic sales were 3.0mt in FY 2011–12 compared with 1.9mt in the previous year.

The production of pig iron was 249kt during FY 2011–12, lower than FY 2010–11 by 9.8%. This shortfall was due to fluctuating demand throughout the year, as well as a lack of supply of high grade iron ore from Karnataka.

IRON ORE

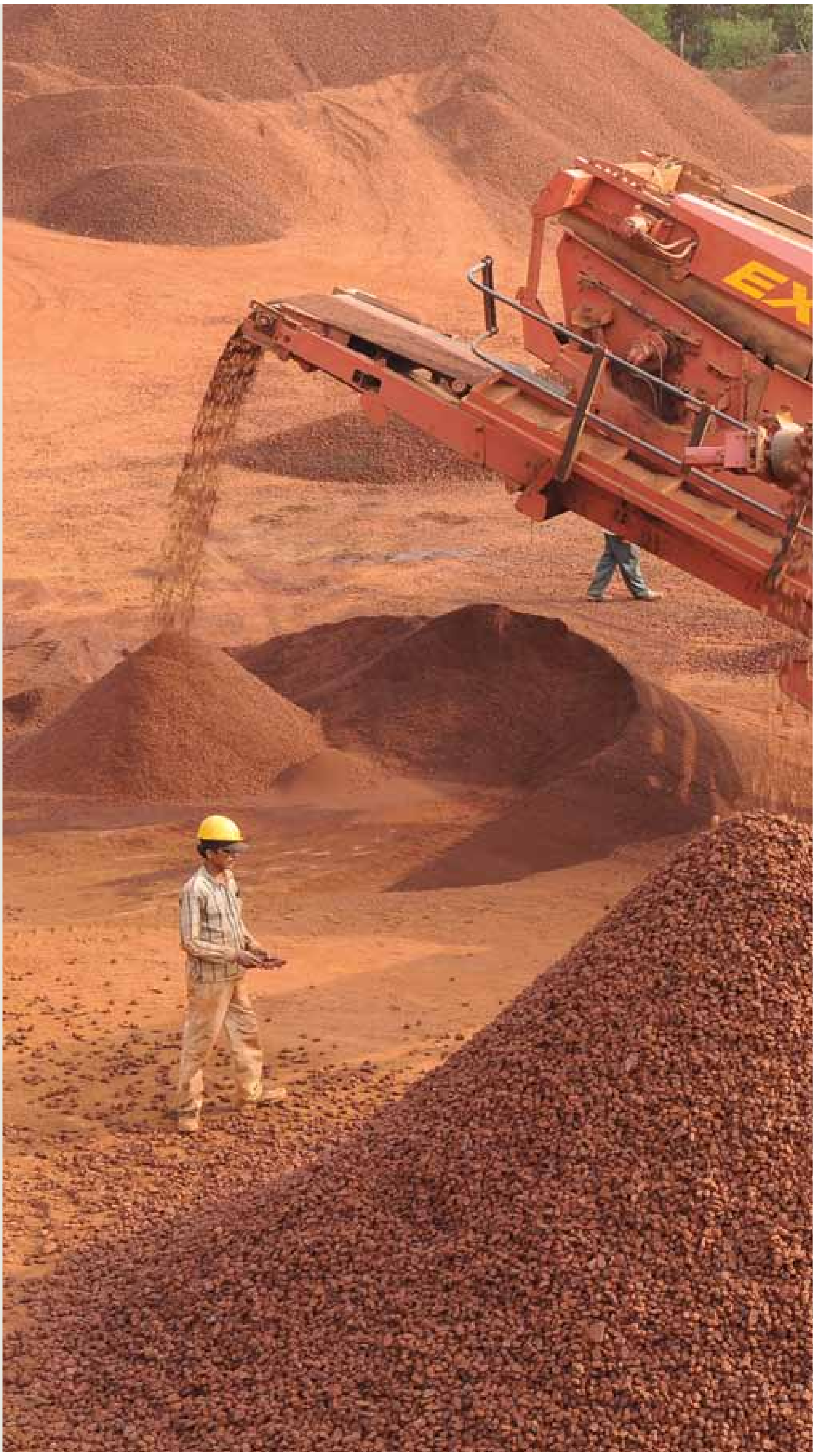
Operational Review continued
Iron Ore

Debottlenecking iron ore transportation at Sesa Goa

Sesa Goa operations have the unique advantage of access to the river to transport iron ore from the Company's mines to the port. As a result, transportation logistics are critical to overall capacity, particularly the effective use of the Company's fleet of barges.

With the aim of extending the Company's capability to handle higher volumes, Sesa's River Fleet Services team targeted barge turnaround times as a key contributor to improving transportation efficiency. Analysis using LEAN industrial engineering techniques – mapping processes combined with root cause analysis and cross functional brain storming sessions – identified areas for improvement in the process. New barge management software was rolled out to track, monitor and schedule barges in real time using a Global Positioning System ('GPS').

As a result, barge turnaround time has been reduced by an impressive 37%, down from 38 hours to 24 hours, maximising barge utilisation and optimising barge capacity.



Main image: Dry processing of iron ore, Sesa.

Above left: Loading/unloading of ore at mid-sea by transhipper, Sesa.

Opposite right: Hot metal casting at pig iron plant, Sesa.

EBITDA in FY 2011–12 was lower at US$721.4 million compared with US$1,174.1 million in the previous year. Lower EBITDA was mainly due to the increase in export duty, sales volume impact due to the mining ban, logistics constraints and lower mine grade of iron ore. The export duty on iron ore fines and lumps was increased by the Government of India from 5% and 15%, respectively, to 20% on both fines and lumps effective from March 2011; and subsequently this was increased from 20% to 30% with effect from the end of December 2011 which impacted EBITDA by US$201 million.

Operating profit was lower at US$481.3 million in FY 2011–12 as compared with US$757.6 million in FY 2010–11, reflecting the fall in EBITDA.

Projects

Expansion of Iron Ore Mining Capacity

We remain committed to expand iron ore mine capacity and have taken multiple steps to upgrade the infrastructure and enhance mining capacity to attain 36mt capacity. However, due to the uncertain environment, there may be delays in getting the requisite approvals.

Expanding Pig Iron and Met Coke Production Capacity

Expansion of the pig iron capacity to 625ktpa and metallurgical coke capacity to 560ktpa is progressing well and will be commissioned in the first quarter of FY 2012–13.

Exploration

The Company's strong focus on exploration activities at its operations at Goa and Karnataka has yielded significant Reserves and Resources accretion, with a net addition of 68mt to the Reserves and Resources base during the year.

Total Reserves and Resources as at 31 March 2012 stands at 374mt (at the mines that the Company holds on lease and/or right to mine) as compared with 306mt as at 31 March 2011.

Acquisition of Western Cluster Limited (WCL)

We acquired 51% of the equity of WCL, which is a company registered in Liberia for a total consideration of US$90 million. In addition US$25 million licence fees were paid to the Government of Liberia. WCL is an iron ore project comprising three deposits – Bomi Hills, Bea Mountain and Mano River with Bea Mountain (923mt), Mano River (80mt) and Bomi Hills (50mt) located at a distance of 70-140 km from Monrovia port. The Company has been given right of access to an old rail corridor to Monrovia port and two piers in Monrovia port. WCL will develop the Western Cluster Iron ore project in Liberia, and the Group is committed for the development and operation of this asset. It is envisaged that the project will be executed in phases starting with the brownfield mines at Bomi Hills. The mines at Bomi Hills and Mano River are brownfield in nature and were major producers of iron ore in 1980s. The presence of significant resources in close proximity to the port positions Sesa strongly in West Africa. We have completed an aeromagnetic survey of the deposits which has indicated a significant potential upside to the existing estimated resource base of little over 1 billion tonnes. We are in the process of completing the project scoping study and commencing exploration activity. We expect the first shipment from these Liberian assets by end of FY 2013-14.

The presence of significant resources in close proximity to these logistics facilities positions Sesa strongly in West Africa. We have completed an aeromagnetic survey of the deposits which has indicated a significant potential upside to the existing resource base of 1 billion tonnes. We are in the process of completing the project scoping study and commencing exploration activity. We expect the first shipment from these Liberian assets by FY 2013–14.

Outlook

We expect the Karnataka mining ban to be resolved soon, in line with the observations made by the CEC and Supreme Court. A multi-faceted approach covering mining, infrastructure upgrade initiatives and securing regulatory approvals is progressing well and should result in a healthy growth rate.

COPPER

Operational Review continued
Copper-India and Australia

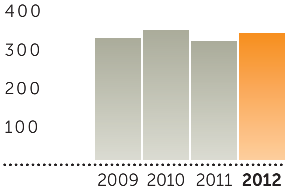
Key Achievements

- Achieved highest ever Copper recovery of 98.28%
- Achieved zero costs of production
- Mechanical completion of first 80MW unit of the captive power plant at Tuticorin
- Higher TC-RC

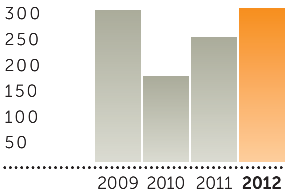
Strategic Priorities

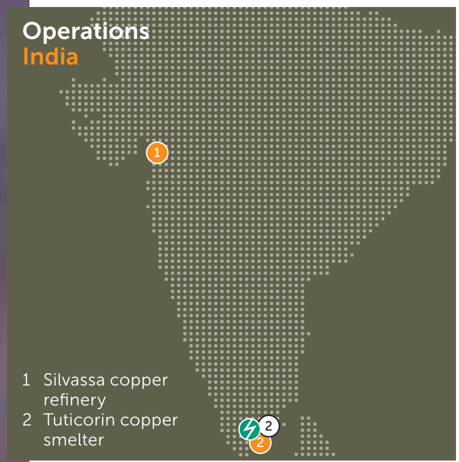
- Commissioning of captive power plant
- Continue to retain and further sharpen cost efficiency
- Secure approval to implement 400kt smelter project
- Improve by-product and precious metal realisation
- Commission captive power plant and continue to drive operational excellence initiatives

Production (kt)



EBITDA (US$million)





Maps not to scale

Market Overview

Global refined copper production in 2011 was reported as 19.6mt, an increase of about 3% over the 2010 figure of 19.0mt despite uncertain macroeconomic conditions in 2011. Global refined consumption exceeded supply by about 93,000 tonnes. Global mine production growth slowed to 0.6% in 2011, hampered by falling copper grades and labour disputes. Global copper consumption is estimated to increase by about 4% during 2012.

Main image: Night view of SIIL Tuticorin plant.

China, with the biggest consumption of copper in the world (with 40% consumption of total copper produced), remains the preferred destination for the exports. In the first half of the year, the spot concentrates market was dominated by the impact of the Japanese tsunami on smelter production, which drove spot treatment and refining charges to high levels and resulted in a mid-year benchmark settlement of US$85 per tonne and 8.5 US cents/lb. However, growing rates of mine supply disruption during the second half tightened the market and generated a sharp decline in spot treatment and refining charges. 2012 annual copper concentrate TC-RC settlement were in the range of 15.4 to 16.3 cents/lb against 14.4 cents/lb in 2011.

Similar to the previous year, overall Indian copper consumption grew by 6% in FY 2011–12, constrained by increased imports of finished electrical machinery. We sold 61% of production in the Indian local market and the remaining 39% was exported to China and South East Asia. Growth in the power sector in India, and increased spending on infrastructure including housing, continued to drive the growth of copper consumption. Over the medium to long term it is expected to grow at about 7–8%.

Operations

Production of cathodes at our Copper India business was 326kt in FY2011–12, up 7.2% year on year due to improved operational performance and also reflecting the impact in the previous year of a 22 day bi-annual maintenance shutdown undertaken and of a temporary shutdown due to a High Court order in September 2010.

Mined metal production at our Australian mines was flat at 23kt in FY2011–12.

Review of Performance – India/Australia

(in US$ millions, except as stated)	FY 2011–12	FY 2010–11	% change
Production (kt)			
Australia – mined metal content	**23**	23	–
India – cathode[1]	**326**	304	7.2%
Average LME cash settlement prices (US$ per tonne)	**8,475**	8,138	4.1%
Unit conversion costs – (US cents per lb)	**0.0**	4.0	(100.1)%
Exchange rate (INR per US$)	**47.9**	45.6	5.0%
Realised TC-RCs (US cents per lb)	**14.5**	11.9	21.8%
Revenue	**4,205.2**	3,428.2	22.7%
EBITDA	**298.0**	241.5	23.4%
EBITDA margin	**7.1%**	7.1%	–
Operating profit	**164.0**	196.5	(16.5)%

1 Bi-annual shut down in FY 2010–11.

Benefiting from improved by-product sales of sulphuric acid and improved operational performance, Copper India performed well delivering a reduction in unit conversion cost from 4.0 US cents per lb to a zero cost per lb during FY 2011–12. Sulphuric acid sales were up 14.2% over the previous year. Treatment and refining charges ('TC/RCs') received in FY 2011–12 were marginally higher at 14.5 US cents per lb compared with 11.9 US cents per lb in FY 2010–11.

The unit cost of production at our Australian operations, including TC/RCs and freight, in FY 2011–12 was 233 US cents per lb up from 191 US cents per lb in FY 2010–11, mainly due to higher mining costs.

EBITDA for FY 2011–12 was US$298.0 million, up 22.7% over the previous year (FY 2010–11: US$241.5 million). This was primarily due to higher TC/RC realisations, higher volumes and better margins on acid sales.

Operating profit was US$164.0 million in FY 2011–12 as compared with US$196.5 million in FY 2010–11, despite an increase in EBITDA due to an exceptional charge of US$88.6 million relating to the ASARCO legal dispute.

In reference to the Special Leave Petition filed by the Company in the Honourable Supreme Court, the Company has complied with all the TNPCB directions due to date and is in the process of progressively complying with all the remaining directions.

The smelter continues to operate at its rated capacity. The matter is being heard by the Supreme Court.

ASARCO filed a suit in the US Courts against Sterlite for the alleged breach of the Purchase and Sale Agreement signed in May 2008. The Court ruled in February 2012 that ASARO is entitled to net incidental damages of US$88.6 million after adjustment of US$50 million paid to ASARCO in December 2009.

Projects

160MW Captive Power Plant

The first 80MW unit of the captive power plant at Tuticorin has been mechanically completed and commissioning is expected by Q1 FY 2012–13. The second unit is expected to be commissioned during the second quarter of Q2 FY 2012–13.

400ktpa Copper Smelter

We have received Ministry of Environment and Forests ('MoEF') clearance for the 400ktpa copper smelter expansion project at Tuticorin. A Public Interest Litigation ('PIL') challenging the clearance issued by MoEF is being heard at the Chennai High Court. Activities have been put on hold. Expansion activities will resume after the matter is cleared by the Court.

Outlook

Once the power plant at Tuticorin is commissioned, it is expected that the cost of power incurred in smelting and refining will come down substantially and will reduce gross cost of production by 3 US cents/lb approximately.

COPPER

Operational Review continued
Copper-Zambia

Improved water pumping processes reduce energy consumption

The Konkola Mine in Zambia, one of the world's wettest mines, has seen dramatic improvement in the efficiency of its water pumping operations. The mine currently pumps out close to 350,000 cubic meters of water per day. This water forms a major lifeline for the Kafue river. The management of underground water is critical to avoid flooding, which could result in a long-term impairment of the mine and it also accounts for a significant portion of the Company's total power consumption. As the efficiency and life of the pumps are influenced by the amount of suspended solids in the water being pumped, the Konkola mine management has focused on reducing this. Steps taken have included the installation of a separate slurry pumping system, cleaning of drain drives and the de-sludging and overhaul of existing settlers, launders and drain pits. This has resulted in a substantial reduction in the level of suspended solids from over 600mg/litre in 2008 to less than 100mg/litre today.

This reduction in suspended solids has significantly improved the efficiency of the pumps and reduced power consumption by 0.5KW per cubic metre of water pumped, resulting in an overall reduction of 7MW of electricity.

Main image: KDMP – headgear of Shaft 4, KCM.

Above left: Dewatering columns from Pumping System at KCM.

Opposite right: Aerial view of Nchanga open pit mine, KCM.

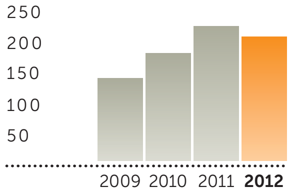
Key Achievements

- Integrated production up by 4.5% at 139kt
- Nchanga East concentrator and cobalt recovery furnace commissioned
- Key infrastructure for KDMP completed including commissioning of the mid-shaft loading station
- Continued exploration success with Reserves and Resources as at 31 March 2012 stands at 689mt

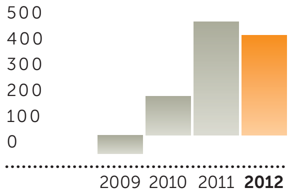
Strategic Priorities

- Deliver multi-source production growth
- Drive cost reduction through productivity enhancement and by-product strategy
- Completion of the Shaft 4 infrastructure by Q3 FY12
- Ramp-up mine development at Konkola to increase production
- Completion of the new West Mill concentrator at Nchanga
- Start production at the Nchanga UOB mine
- Enhancing options through brown field and green field exploration

Production (kt)



EBITDA (US$million)



Review of Performance – Zambia

(In US$ millions, except as stated)	FY 2011–12	FY 2010–11	% change
Production (kt)			
Mined Metal	**142**	144	(1.4)%
Cathode:	**200**	217	(7.8)%
Integrated	**139**	133	4.5%
Custom	**61**	84	(27.4)%
Average LME cash settlement prices (US$ per tonne)	**8,475**	8,138	4.1%
Unit costs (US cents per lb)	**236.8**	197.5	19.9%
Revenue	**1,709.8**	1,825.0	(6.3)%
EBITDA	**387.9**	439.9	(11.8)%
EBITDA margin	**22.68%**	24.1%	–
Operating profit	**220.9**	309.1	(28.5)%

Map not to scale

Market Overview
The Zambian copper belt has in the recent past attracted substantial, high profile investment interest with its large, higher grade deposits with growth opportunities in a stable political environment. This is against the global backdrop of declining production and continued strong demand. Since our acquisition of KCM we have invested US$2.5 billion principally on developing the Konkola Deep Mine Project ('KDMP') and the new 311ktpa capacity Nchanga smelter along with sustaining and other Capex. With this renewed investment focus by major players including Konkola, Zambia copper production is on a trajectory to reach a record production of 1 million tonnes per year by 2013. This growth will contribute to Africa achieving the fastest growth rate in mined metal production over the next few years.

Copper demand in Africa is growing due to better economic conditions and improving consumptions patterns amongst the African demographics. The commitment by the government to reforms seen over the past few years has helped to improve the political stability in Zambia which has encouraged investors into the country.

Operations
Integrated copper production was 4% higher at 139kt for the full year. Total copper cathode production was 7% lower at 200kt for the full year, due to lower volumes from custom smelting on account of lower availability of concentrate.

The unit cost of production was 237 US cents per lb in FY 2011–12, up 19.9% compared with FY 2010–11. The cost increased due to higher pre-stripping cost, wages and higher power costs.

EBITDA in FY 2011–12 was US$387.9 million (FY 2010–11: US$439.9 million), impacted by higher production costs.

Projects
The new 7.5mtpa Nchanga East concentrator and the second cobalt recovery furnace were commissioned during the quarter and are ramping up well. The new 3mtpa Nchanga West concentrator is now expected to be commissioned in Q1 FY 2012–13. At KDMP, work is progressing on schedule, and the bottom shaft loading is expected to be completed by Q3 FY 2012–13.

Exploration
The Company continued its extensive exploration programme resulting in no depletion of its Reserves and Resources (excluding tailings and refractory stockpiles). The ore bodies at Kakosa and Mimbula have been well defined, adding potential in open pit mining. The Company is also seeking new large prospecting licences for additional exploration.

Outlook
Given the strong outlook of the copper market fundamentals and the investments in Konkola, the Company is well poised to deliver results in line with expectations.

ALUMINIUM

Operational Review continued
Aluminium

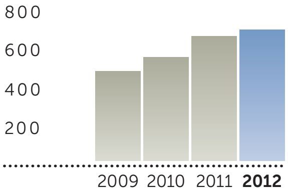
Key Achievements

- Highest ever alumina production – up by 31.3% to 928kt
- Record aluminium production of 675kt
- Value added product volume increase of 24% from 325kt to 404kt

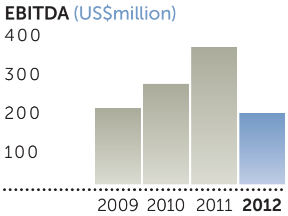
Strategic Priorities

- Further improve operating efficiencies to optimise costs, including logistics costs
- Expedite development of captive coal block
- Secure captive bauxite mine
- Enhance prices achieved for value added products, enhancing operating margins
- Complete ongoing expansion projects
- Secure additional coal blocks under the new policy expected to be announced soon

Production (kt)



EBITDA (US$million)



Main image: Aluminium Sheet Rolling at Hot Rolling Mill, BALCO.

Map not to scale

Market Overview

Due to a rise in CT Pitch and CP Coke prices globally and additional cost pressures due to the increase in the cost of coal used for CPPs, almost 50% of global capacity is said to be operating with cash costs higher than current aluminium prices, resulting in the announcement of significant closures by the marginal cost smelters.

The global aluminium industry recorded a 7.8% growth in production and a 9.3% growth in consumption during CY 2011.

In the longer term, the fundamentals of the aluminium industry remain strong, with aluminium demand forecast to grow by almost 6% in the current decade. The robust growth is expected to be driven by emerging economies and a growing perception among end users in developed markets of aluminium's advantages. The underlying factors that are driving strong demand growth for structural commodities remain unchanged, as continued urbanisation and industrialisation in large, populous nations such as China and India drive demand for aluminium.

India is relatively insulated from the economic fluctuations in mature economies and is projected to become the second largest consumer of aluminium in Asia during CY 2012, with the electrical sector the main driver of demand.

As the largest producer of aluminium in India, we are well positioned to cater to its growing demand for aluminium. In addition to the electrical sector, the automotive and construction sectors are also projected to undergo a healthy growth in demand.

As per forecast, the primary aluminium demand in India is expected to reach 6 million tonnes by 2025, which equates to 4.1kg of per capita aluminium consumption in 2025. When compared to the current per capita aluminium consumption of around 1.5kg and aluminium demand of 1.8 million tonnes, this underscores the immense potential for demand growth in India.

Operations

Production of aluminium in FY 2011–12 was 675kt, an increase of 5% compared with the corresponding prior period. This increase is primarily attributable to the production of 430kt from the Jharsuguda 500ktpa aluminium smelter. Following a serious setback of power outages experienced in June, the Jharsuguda smelter has fully stabilised, with most of its key parameters including power consumption almost reaching normal operating levels. The remaining pots and ongoing operational improvements are expected to further enhance the operating efficiencies.

Operations at the Korba smelter were stable and it continued to operate at its rated capacity.

The Lanjigarh alumina refinery produced 928kt of alumina in FY 2011–12, an increase of 31% compared with 707kt in FY 2010–11.

Total sales of aluminium were 5.7% higher at 669kt in FY 2011–12. Sales of aluminium in the domestic market increased 6.8% to 534kt in FY 2011–12. Sales of value added products increased by 24.9% compared with last year. The share of value added products was 59% of total sales in FY 2011–12, significantly higher compared with 50% in FY 2010–11. We continue to focus on increasing our domestic sales, as our sales in the domestic market are higher than our exports.

Review of Performance

(In US$ millions, except as stated)	FY 2011–12	FY 2010–11	% change
Production (kt)			
Alumina – Lanjigarh	**928**	707	31.3%
Aluminium – Jharsuguda	**430**	386	11.4%
Aluminium – Korba	**246**	255	(3.5)%
Total aluminium	**675**	641	5.3%
Sale of surplus power (million units)	**2,045**	2,794	(26.8)%
Power sales realisation (US cents/kwh)	**6.6**	7.4	(10.8)%
Cost of production of power (US cents/kwh)	**4.6**	4.2	9.5%
Average LME cash settlement prices (US$ per tonne)	**2,314**	2,257	2.5%
Exchange rate (INR per US$)	**47.9**	45.6	5.0%
Unit costs			
Aluminium business	**2,091**	1,878	11.3%
Jharsuguda COP (US$ per tonne)	**2,188**	1,940	12.8%
BALCO Plant 2 COP (US$ per tonne)	**1,922**	1,784	7.7%
Revenue	**1,873.5**	1,779.6	5.3%
EBITDA	**182.5**	352.7	(48.3)%
EBITDA margin	**9.7%**	19.8%	
Operating profit/(loss)	**(40.3)**	123.5	(132.6)%

A full year unit cost of production of US$2,188 per tonne as compared with US$1,940 in FY 2011 is a resultant of a very high operating cost, in H1 due to power outage and subsequent normalisation of operating performance resulting in Q4 COP of US$1,930 at VAL.

Operating costs at the Korba smelter were higher, primarily due to higher coal, carbon and alumina costs.

Overall, the cost of aluminium in FY 2011–12 was US$2,091 against US$1,878 during FY 2010–11 and the same price for Q4 was US$1,898 in FY 2011–12 and US$1,889 for FY 2010–11.

EBITDA for FY 2011–12 was US$182.5 million, 48.3% lower than achieved in FY 2010–11. EBITDA fell due to the pot outage incident in the Jharsuguda unit during June 2011, low LME prices during the second half of the year and higher costs.

Projects

The first unit of the 1,200MW (4x300MW) captive thermal power plant at Korba, Chhattisgarh is expected to be synchronised in Q1 FY 2012–13.

The 211mt coal block at the Bharat Aluminium Company ('BALCO') received approval from the Environment Appraisal Committee ('EAC') in November. We are in the process of obtaining second stage forest clearance. We expect to commence production of coal in FY 2012–13.

The first metal tapping from the 325ktpa aluminium smelter at Korba is scheduled by Q3 FY 2012–13. Further construction at the Lanjigarh alumina refinery project is on hold while we continue to work on completing the 1.25mt smelter expansions at Jharsuguda.

Outlook

We expect our existing facilities to operate at close to their rated capacity in the coming year. The resultant increased volumes, combined with the expected higher proportion of value added products and further improvement in operating costs should provide improved returns.

COMMERCIAL ENERGY

Operational Review continued
Power

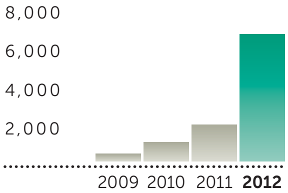
Key Achievements

- Record sales of 6,554 million units, up 248.8% from previous year
- Commissioned two 600MW units in the independent power plant ('IPP') at Jharsuguda and the fourth unit has been synchronised
- 150MW wind power project commissioned, taking green power generation capacity to 274MW

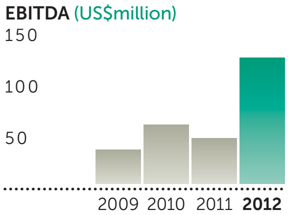
Strategic Priorities

- Commission the fourth unit of the 2,400MW project at Jharsuguda by Q1 FY 2012–13
- Power sales and transmission strategy
- Coal sourcing
- Develop Sterlite Energy Limited ('SEL') captive coal block
- Complete 1,980MW project at Talwandi Sabo power project with minimal time/cost overrun

Power sales (mu)

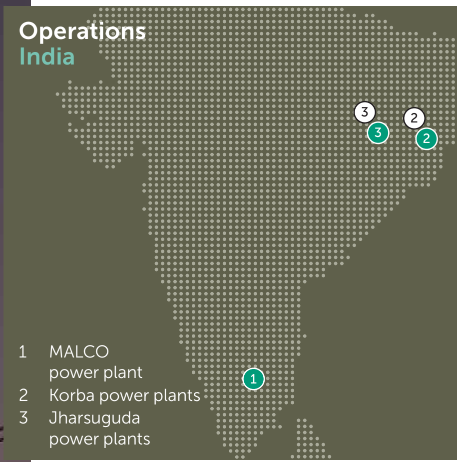


EBITDA (US$million)



Main image: Switch yard of 1,215MW CPP, VAL Jharsuguda.

Above right: Turbine at 2,400MW IPP, SEL, Jharsuguda



Map not to scale

Market Overview

The Indian power sector has achieved a compound annual growth of 7.6% in its installed capacity since the end of the Government of India's tenth five year plan, to achieve an installed capacity of 190.6GW at the end of February 2012. Of this, 65.4% represented thermal capacity, while 11.7% was from renewable energy sources. Despite the market growth, power supply has lagged behind demand, with supply falling short of India's peak energy demand for FY 2011–12 by 12.1%, as anticipated by the Central Electricity Authority ('CEA'). Per capita consumption of electricity in the country of about 814kwh in 2011 was only about 24% of the world's average, highlighting the growth prospects for the future.

Coal deficits and higher costs due to imports has adversely impacted the industry in recent years. However, the Government of India's efforts to ensure a minimum of 80% of fuel supply to power producers is expected to improve the performance of the power sector.

Review of Performance

(In US$ millions, except as stated)	**FY 2011–12**	FY 2010–11	% change
Power sales (MU)	**6,554**	1,879	248.8%
MALCO and Wind Energy	**916**	1,023	(10.5)%
SEL[1]	**5,638**	856	558.6%
Revenue	**458.3**	124.0	269.7%
EBITDA	**122.0**	43.9	177.9%
EBITDA margin	**26.6%**	35.4%	–
Operating profit	**40.3**	20.2	98.5%

1 Including generation under trial run 926 MU in FY 2011–12 vs 646 MU in FY 2010–11.

Operations

Power sales were 6,554 million units during FY 2011–12, compared with 1,879 million units during the corresponding prior period, as the three 600MW units at the Jharsuguda 2,400MW power plant came into operation. During Q4, the third 600MW unit started commercial production and the fourth 600MW unit was synchronised.

Average power sales prices in FY 2011–12 were US cents 7.5 per unit compared with US cents 9.7 per unit in FY 2010–11.

Average power generation costs in FY 2011–12 were US cents 5.5 per unit compared with US cents 6.2 per unit in FY 2010–11.

Financial Performance

EBITDA in FY 2011–12 was US$122.0 million, higher than the EBITDA of US$43.9 million in FY 2010–11. EBITDA rose primarily due to higher volumes partially offset by a fall in power tariffs and higher operating costs, primarily coal.

Projects

Talwandi Sabo IPP

Work at the 1,980MW power project at Talwandi Sabo is progressing as scheduled. The first unit of the 660MW is expected to be commissioned during Q4 FY 2012–13. In view of the current environment of coal and power tariff, we have decided to drop the expansion plan of the fourth unit.

Jharsuguda IPP

Transmission lines are being set up to enhance existing transmission capacity to meet the requirements for the new units being commissioned and are expected to be completed by Q3 FY 2012–13.

Outlook

We plan to complete the ongoing projects on schedule and to continue our focus on improving coal logistics and expediting coal block development at SEL.

Operational Review continued
Oil & Gas

Key Achievements

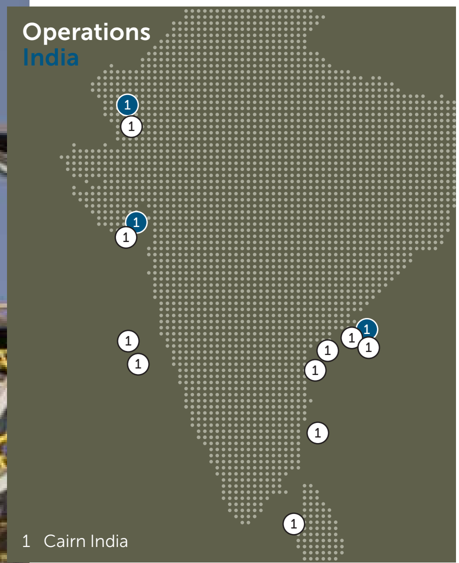
- Commenced production of Bhagyam field in January 2012
- Mangala field consistently producing 125,000 barrels of oil per day (bopd)
- FY 2011–12 exited with 175,000bopd gross

Strategic Priorities

- Further develop the hydrocarbon-rich Barmer basin in Rajasthan, India
- Exploration in Sri Lanka

1 Numbers post completion of acquisition on 8 December 2011.

Main image: Raageshwari gas terminal, Rajasthan.
Above left: Suvali onshore terminal, Gujarat.
Above right: Ravva offshore platform, Andhra Pradesh.



Map not to scale

Market Overview

2011 was an eventful year for oil markets with the spot price of North Sea Brent crude averaging over US$111 per barrel for the first time during the year. Political tensions in the Middle East and North Africa, which produce 42% of the world's oil requirements, impacted supply, combined with an increase in demand for liquid natural gas and oil following the shutdown of major nuclear power plants in Japan after the Fukushima nuclear disaster.

Looking forward, this volatility looks set to continue with the unresolved dispute between Iran and the United Nations raising the prospects of sanctions from Western nations, combined with technological advances in production and shifts in trading balances.

Operations

The year saw three new fields start up in the Rajasthan block – Bhagyam, Raageshwari and Saraswati – in addition to a ramp-up in production in the Mangala field.

The Mangala field, the largest discovery in Rajasthan, commenced production in August 2009 following a period of five years from discovery to production. The field has consistently produced at its previously approved rate of 125,000 barrels of oil per day (bopd) for 18 months.

On 19 April 2012, approval to increase production was received and output has been ramped up to 150,000bopd. At the gross production of 175,000bopd, the Rajasthan fields are cumulatively contributing more than one fifth of current domestic crude production.

Cairn India and its JV partner ONGC continue to develop the hydrocarbon resources in the state of Rajasthan with a continued focus on cost and the application of innovative technologies. The use of high density 3D seismic surveys has enhanced the understanding of the subsurface and helped to identify well locations more precisely.

Since production start-up, the Mangala Processing Terminal has delivered efficient and safe operations. The plant uptime stood at over 99% during the year, among the top decile globally.

The other producing blocks i.e. Ravva and CB/OS-2 continue to perform in line with the expectations. While both these fields are mature, through continuous investment in technology we have been able to slow down the pace of decline. For example, over the course of 17 years we have recovered 245 million barrels of oil and 330 billion cubic feet of gas in the Ravva field, more than double the original estimates. CB/OS 2, which started as a group of gas fields, is producing over 60% oil now. We plan to use the spare gas processing capacity of the CB/OS-2 facilities to process ONGC's gas from its North Tapti field (adjacent to the Lakshmi field).

Mangala Development Pipeline

The Mangala Processing Terminal ('MPT') to Salaya section has continued to safely deliver crude oil to IOCL and private refiners for a year now, and has recorded more than 3.7 million Lost Time Injury-free man hours to date. This section provides us with access to over 1.6 million barrels per day of refining capacity.

Review of Performance

(In US$ millions, except as stated)	FY 2011–12	FY 2010–11	% change
Gross production (boepd)	**172,887**	149,103	16.0%
Oil (bopd)	**160,635**	135,811	18.3%
Gas (mmscfd)	**74**	80	(7.5)%
Net production – working interest (boepd)	**101,268**	83,474	21.3%
Oil (bopd)	**97,980**	79,731	22.9%
Gas (mmscfd)	**19.7**	22	(10.5)%
Revenue[1]	**882.5**		
EBITDA[1]	**713.0**		
EBITDA margin[1]	**80.8**		
Operating (loss)/profit[1]	**366.3**		

1 Data from 8 December 2011 to 31 March 2012.

The current pipeline capacity is at 175,000bopd. However, this will be debottlenecked in the coming months to add some ~10% of additional capacity. In parallel, further capacity is being augmented with additional investment in order to handle higher volumes in line with the basin potential.

Sales

Crude oil sales from Rajasthan block were ramped up in line with the production ramp up.

Crude oil sales agreements for Rajasthan crude have been renewed with buyers for volumes in excess of 175,000bopd for FY 2012–13. The Rajasthan crude is well established in the market, generating higher demand for this grade.

In accordance with the RJ-ON-90/1 PSC, this crude is benchmarked to Bonny Light, a comparable low sulphur crude that is frequently traded in the region, with appropriate adjustments for crude quality. The implied crude price for this year (an average of 12 months to March 2012) represents a lower discount than the stated guidance of 10–15% discount to Brent, due to the prevailing global macro-economic conditions.

Rajasthan Block Resource Base

A comprehensive review of the resource potential in the block has been carried out by Cairn India through detailed studies involving the use of innovative technologies and advanced geo-science. In addition, DeGolyer and MacNaughton ('D&M') have conducted an independent estimate of reserves and contingent resources, and have also reviewed the majority of the leads and prospects in prospective resources. A separate reserves certification process is being undertaken by D&M on behalf of the RJ-ON-90/1 Joint Venture collectively, which is independent of the resources estimate made by Cairn India.

Operational Review continued
Oil & Gas

OIL & GAS

Enhancing oil recovery in the Mangala oil field

The Mangala oil field in Rajasthan is being developed with the help of water injection. The field contains moderately viscous oil, with a consistency almost like honey and with nearly 20–40 times the viscosity of the injected water. This contrast in viscosity reduces the efficiency of the water in displacing the oil and ultimately reduces the overall oil recovery in a given time period.

Increasing the viscosity of the injected water is one of the ways of decreasing this contrast and improving oil displacement. Extensive screening studies were done to select the most suitable Enhanced Oil Recovery ('EOR') method for the Mangala field, with chemical EOR emerging as the best option. Polymer flooding is the simplest of the chemical EOR methods in which the viscosity of injected water is increased by adding small amounts of Polymers.

A pilot was implemented in CY 2010 and is proving to be effective under actual field conditions, showing significant potential for accelerating and increasing oil production from the Mangala field on a larger scale. The application of chemical EOR methods can contribute to the commercialisation of over 300 million barrels of oil from Rajasthan's Mangala, Bhagyam and Aishwariya fields cumulatively.

Main image: Mangla processing terminal, Barmer, Rajasthan.

Above left: Ravva onshore terminal, Andhra Pradesh.

Above right: Ravva offshore platform, Andhra Pradesh.

Based on Cairn India's assessment, the potential resource for the Rajasthan block is now estimated to be 7.3 billion boe in place. This is primarily due to an increase in the exploration upside with the prospective resource base now estimated at 3.1 billion boe in place from an earlier estimate of 2.5 billion boe in place. Rajasthan recoverable risked prospective resource has increased from 250mmboe to 530mmboe on a risked basis, primarily due to generation of additional leads and prospects. Cairn India and ONGC are working with the GoI to obtain the necessary approvals required for carrying out exploration and appraisal activity in the block.

The discovered resource base increased from 4 to 4.2 billion boe in place due to an increase in Stock Tank Oil Initially In Place ('STOIIP') from the Mangala and other Rajasthan fields. Rajasthan Expected Ultimate Recovery ('EUR') has increased from 1.4 billion boe to 1.7 billion boe as a result of increased recoverable risked prospective resource estimates.

The Mangala, Bhagyam and Aishwariya ('MBA') fields have gross recoverable oil Reserves and Resources of over 1 billion barrels, which includes proven plus probable (2P) gross reserves and resources of 636mmboe with a further 308mmboe or more of EOR resource potential.

We achieved a gross Reserve and Resource replacement ratio of 175% during the year with the net addition of ~50mmboe.

The total resource base now provides a basin potential to produce 300,000bopd, (equivalent to a contribution of ~40% of India's current crude production), subject to further investments and regulatory approvals.

Financial Performance

The transaction completed on 8 December 2011 so the financials are from the date of the transaction completion until 31 March 2012. EBITDA during the period was US$713.0 million mainly due to increased production from the Rajasthan block and the higher crude price realisation. Operating profit for the period was US$366.3 million.

The operations during the year helped in reducing oil imports by US$6.0 billion and contributed US$2.4 billion to the National Exchequer on a gross basis.

The Cairn India Board approved its first Dividend Policy that aims to maintain a dividend payout ratio of around 20% of annual consolidated net profits to its shareholders. Whilst formulating the policy, the intent was to maintain a balance between stable dividend payouts and retaining the flexibility to invest in growing the resource base to protect equity value.

Exploration

The exploration strategy is based on building a portfolio of high reward prospects across the risk spectrum in a diversity of basins, plays and operating environments. Cairn India has a total of 10 blocks in its portfolio in three strategically focused areas comprising of one block in Rajasthan, three on the West coast of India, five on the East coast of India and one in Sri Lanka. Of these, eight, including the three producing blocks, are operated by Cairn India. The net unrisked exploration potential for the entire portfolio stands at 2.1 billion boe.

The year was marked by exploration successes in two blocks and our first in international waters – Sri Lanka. The discoveries in Sri Lanka were the first in 30 years and helped open up the frontier Mannar Basin for future opportunities. We have entered into Phase 2 and have acquired 600 sq km of 3D seismic data and plan for further exploration drilling in CY 2013.

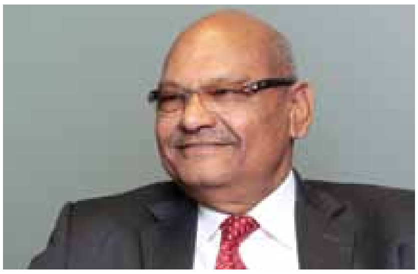
The other exploration success came from the second successive discovery Nagayalanka-SE-1 in the KG-ONN-2003/1 block. This is the largest onshore discovery in the KG basin to date and has helped establish an in place resource of around 550mmboe.

Outlook

The year 2011 was eventful for oil markets, as reflected both in price trends and developments that may presage broader structural shifts over the coming years. The spot price of North Sea Brent crude averaged over US$111 per barrel in 2011, marking it for the first time, the global benchmark averaged more than US$100 per barrel for a year. The year bygone witnessed many dramatic events. However the short-term, oil market impact of the various events, their full transformative effect on the oil industry can be assessed only in the context of broader structural changes. The multiple factors driving these shifts may not individually be seen as game-changing, but collectively they may prove sufficient to make 2011 something of a turning point, be it the Middle East unrest, the Fukushima nuclear disaster following the earthquake and the tsunami or Europe's renewed economic woes.

India is a crude oil deficit country and currently imports more than 2.4 million bopd of crude oil which is ~80% of the demand.

Board of Directors



Anil Agarwal, 59
Executive Chairman

Background and experience
Mr Agarwal, who founded the Group in 1976, is also Chairman of Sterlite and is a Director of 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.

Date of appointment
Mr Agarwal was appointed as the Executive Chairman in May 2003.

Committee membership
Mr Agarwal is Chairman of the Nomination Committee.

Navin Agarwal, 51
Deputy Executive Chairman

Background and experience
Mr Agarwal has played a key role in strategic planning for Vedanta, and drives the execution of organic growth and acquisitions. He also oversees capital raising initiatives, global investor relations and talent development at the management level, and has over 25 years of experience.

Date of appointment
Mr Agarwal was appointed to the Vedanta Board of Directors in November 2004.

Committee membership
Mr Agarwal chairs the Group's Executive Committee. In this role, he provides strategic direction and guides the sharing and implementation of best management practices across the group.

MS Mehta, 56
Chief Executive Officer

Background and experience
Mr Mehta was previously CEO for Hindustan Zinc Ltd. 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 is a Bachelor of Engineering (Mechanical) and an MBA from the Indian Institute of Management, Ahmedabad.

Date of appointment
Mr Mehta was appointed to the Vedanta Board of Directors in October 2008.

Committee membership
Mr Mehta is a member of the Executive Committee and the Sustainability Committee.

Naresh Chandra, 77
Non-Executive Director

Background and experience
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 & Audit from 2002 to 2003 and was Chairman of the Committee on Civil Aviation Policy in 2004–2005. Mr Chandra is currently the Chairman of the National Security Advisory Board of the Government of India. In 2007,

Mr Chandra was awarded the prestigious Padma Vibhushan award by the President of India. Mr Chandra has a Master's degree in Mathematics from Allahabad University.

Date of appointment
Mr Chandra joined the Board in May 2004.

Committee membership
Mr Chandra chairs the Remuneration and the Sustainability Committee and is a member of the Audit Committee and the Nominations Committee.

Aman Mehta, 65
Non-Executive Director

Background and experience
In 1999, Mr Mehta was appointed Chief Executive Officer of the Hong Kong and Shanghai Banking Corporation, a position he held until his retirement. Mr Mehta has a 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. In addition, he is currently a member of the Board of Governors of the Indian School of Business in Hyderabad, India.

Date of appointment
Mr Mehta, a senior banker, joined the Board in November 2004.

Committee membership
Mr Mehta chairs the Audit Committee and is a member of the Nominations Committee and the Remuneration Committee.

Euan MacDonald, 72
Non-Executive Director

Background and experience
Mr Macdonald spent over 20 years with SG Warburg, specialising in emerging market finance. From 1995 to 1999, Mr Macdonald was Chairman of SBC Warburg India, responsible for all the bank's activities in India, and from 1999 to 2001, he was Executive Vice Chairman of HSBC Securities and Capital Markets, India. Mr Macdonald has a degree in Economics from Cambridge University and a Master's degree in Finance and International Business from Columbia Business School.

Date of appointment
Mr Macdonald joined the Board in March 2005.

Committee membership
Mr Macdonald is a member of the Remuneration Committee, Nominations Committee and the Audit Committee.

Senior Management Team

The Executive Committee supports the Board and essentially supervises the operational performance of the Group. The Executive Committee is chaired by Mr Navin Agarwal and comprises of Mr Anil Agarwal, Mr MS Mehta and the following members:

Tarun Jain
Director of Finance, Sterlite
Mr Jain joined Sterlite in 1984 and has over 27 years of experience in corporate finance, accounts, audit, taxation and secretarial practice. He is responsible for Sterlite's strategic financial matters, including corporate finance, corporate strategy, business development and mergers and acquisitions. Mr Jain is a graduate of the Institute of Cost and Works Accountants of India and a fellow member of both the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India.

DD Jalan
Chief Financial Officer
Mr DD Jalan is the Chief Financial Officer of Vedanta Resources Plc. Mr Jalan joined Sterlite in January 2001 as President of Australian Operations and was responsible for its mining operation. He has held the position of Chief Financial Officer of Sterlite Industries Ltd. and at Vedanta Resources Plc. Mr Jalan is a Chartered Accountant with over 32 years' experience in senior positions within the engineering, mining and nonferrous sectors.

Akhilesh Joshi
Chief Executive Officer and Whole Time Director, Hindustan Zinc Limited ('HZL')
Mr Akhilesh Joshi is the Chief Executive Officer and Whole Time Director of Hindustan Zinc Limited and was appointed to the Board in October 2008 as Chief Operating Officer and Whole Time Director. He joined the Company in 1976. Prior to becoming the Chief Operating Officer of Hindustan Zinc, he was Senior Vice President (Mines), responsible for the overall operations at all mining units. Mr Joshi has a Mining Engineering degree from MBM Engineering College, Jodhpur and a Post Graduate Diploma in Economic Evaluation of Mining Projects from School of Mines, Paris. He also has a first class Mine Manager's Certificate of Competency. He was the recipient of National Mineral Award in 2006 for his outstanding contribution in the field of Mining Technology. He is also the Director of Madanpur South Coal Company Limited.

PK Mukherjee
Managing Director, Iron Ore Business
Mr Mukherjee has been the Managing Director of our Iron Ore business since April 2006. Mr Mukherjee holds a Bachelor of Commerce (Honours) from Calcutta University and has 33 years' experience in finance, accounts, costing, taxation, legal and general management. Mr Mukherjee joined Sesa Goa in April 1987 and held various positions before assuming the position of Director – Finance in July 2000. In April 2006, he became the Managing Director of Sesa Goa Limited.

Mr Mukherjee is a fellow member of the Institute of Chartered Accountants of India and an associate member of the Institute of Cost Accountants of India. Mr Mukherjee was rated as one of India's Best Chief Financial Officers ('CFOs') in 2005 by the Business Today magazine, and in 2009 Business World magazine declared Mr Mukherjee as India's most Valuable CEO. He is a member/office bearer of various professional and industry forums, such as the Federation of Indian Mineral Industries where he currently holds the position of President.

Sushil Kumar Roongta
Managing Director of VAL, Vice-Chairman of Bharat Aluminium Company Limited ('BALCO')
Mr Roongta is responsible for the Aluminium and Power business (with effect from June 11). Prior to joining Vedanta, Mr Roongta worked with the Steel Authority of India Limited (SAIL) for over 4 decades, holding key positions in the marketing division before being appointed as Director (Commercial) in 2004 and later as Chairman of the SAIL Board in August 2006. Mr Roongta has a Bachelor of Engineering degree from the Birla Institute of Technology and Science ('BITS'), Pilani, and was a gold medal in his Post Graduate Diploma in Business Management in International Trade from the Indian Institute of Foreign Trade ('IIFT'), Delhi. He is also a fellow member of All India Management Association. He serves as an Independent director on the Boards of Neyveli Lignite Corporation Limited, The Shipping Corporation of India Limited, Jubilant Industries Limited, Hindustan Petroleum Corporation Limited and ACC Limited. He is also a member of the Board of Governors of Indian Institute of Technology ('IIT'), Bhubaneswar.

M Siddiqi
Group Director, Projects
He joined Vedanta in 1991 and was responsible for Vedanta's Copper Rod plant. He then 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. He was also responsible for overall Aluminium and power projects in Orissa as CEO Aluminium Sector and now holds the position of Group Director (Projects).

Prior to joining the Group, Mr Siddiqi held senior positions in Hindustan Copper Limited. He has over 35 years of industry experience, including more than 20 years at senior level project management positions within Vedanta. Mr Siddiqi received his Bachelors degree in Mechanical Engineering from the Indian Institute of Technology, New Delhi in 1976.

Pramod Suri
Chief Executive Officer, Vedanta Aluminium Limited ('VAL') and Whole Time Director, Sterlite Energy Limited ('SEL')
Mr Suri is the Chief Executive Officer, VAL and Whole Time Director of SEL. He was the CEO of Aluminium Operations from February 2008 to April 2011. He has been responsible for Vedanta's Aluminium business at BALCO as President and Whole Time Director from December 2006. Prior to this role, he was the Senior Vice President – Operations and Head of the new Korba Smelter from September 2004 to December 2006. He has held various positions, including at Indian Aluminium Company, CEAT Ltd, Goodyear South Asia Tyres and JK Tyres Pvt Ltd. He completed his M.S. (Chem.) at the Indian Institute of Technology, Delhi.

Gunjan Gupta
Chief Executive Officer and Whole Time Director, BALCO
Mr Gupta joined the Group in September 2005 as the Vice President for Marketing & Sales at Balco. He took over as the Head of Smelting at Balco in February 2007 and later became the Chief Executive Officer and Whole Time Director of BALCO in 2008.

Prior to joining the Group, Mr Gupta has worked in the sales and marketing division at Tata Steel in various capacities. He has also worked with the Arcelor Mittal Group and was the Director of Global Sales of long steel products produced at the Central European Steel operations of the group.

He is a chemical engineer from IIT Roorkee and has an MBA, specialising in Marketing and Finance, from FMS Delhi.

Rajagopal Kishore Kumar
Chief Executive Officer, Zinc International 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 and, thereafter, secured the position of the CEO of Sterlite Industries India Ltd and Konkola Copper Mines Plc in Zambia. He moved to the Zinc International business in early 2011 with the acquisition of Anglo American's Zinc assets. He has 28 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
Chief Executive Officer and Whole Time Director, Konkola Copper Mines
Mr Janakaraj joined the Group in September 1995 at Sterlite Copper and moved to HZL 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 from 1992 to 1995. He is the gold medalist from the Indian Institute of Metals in 2006 and 2008 for his contribution and leadership in the Indian non-ferrous sector. He is also distinguished and listed by the International Who's Who Professionals in 2009.

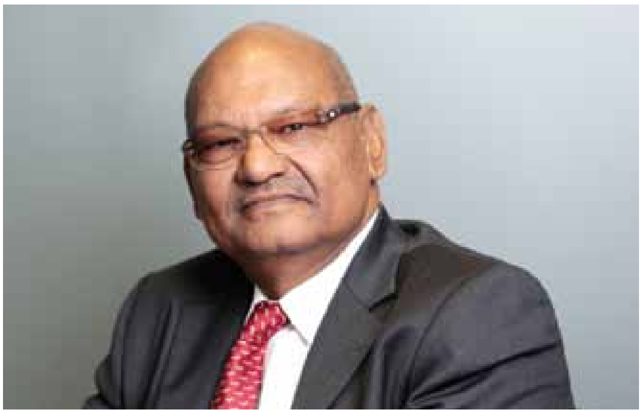
Dilip Golani
Director, Management Assurance Function
Management Assurance function in the Group is currently headed by Dilip Golani, a position he had earlier held during the period April 2000 to July 2004. Mr Golani headed Sales & Marketing for Hindustan Zinc Limited and the Group Performance Management function during the period August 2004 to November 2005.

Prior to joining the Group in April 2000, Mr Golani worked with Unilever. He was a member of the Unilever Corporate Audit Team, responsible for auditing Unilever group companies in Central Asia, the Middle East and the Africa region. Mr Golani was initially responsible for managing Operations & Marketing functions for one of the exports businesses of Unilever India (Hindustan Unilever Limited). He has over 20 years' experience and has previously worked with Ranbaxy Laboratories Limited and Union Carbide India Limited.

He is a Mechanical Engineering graduate and completed his postgraduate degree at NITIE, Mumbai in Industrial Engineering & Management.

A Thirunavukkarasu
President, Group Human Resources
Mr Thirunavukkarasu joined the Group in April 2004 as General Manager – HR. He became Senior Vice President – HR for our Copper Division, heading the human resources, total quality management, corporate social responsibility and public relation functions, prior to becoming the Head of Group Human Resources in July 2007. He held positions in English Electric, Hindustan Lever and TVS Electronics before joining our Group. He holds a bachelor degree in Literature and master's degree in Social Work, specialising in Personnel Management and Organisational Behaviour, from Loyola College, Chennai.

Corporate Governance Report



Anil Agarwal
Chairman

Highlights

- Review of corporate governance polices and procedures
- Debate on Board composition and diversity
- Roll out of anti-bribery programme

Dear Shareholder,

Our Governance Philosophy

How we ensure the Board provides effective leadership is a combination of many factors. Good leadership stems from having the right people on the Board, with clear lines of responsibility, sound Board processes with access to comprehensive information on which to base decisions. I believe one of our strengths is the ability to have open and frank debate about the issues put to us and the challenges we face. We are proud of our experienced Board members and have the support of an excellent management team. However, we are not complacent and use the annual performance evaluation process and feedback from stakeholders to implement improvements to our way of operating.

Our Governance Year

The focus by regulators, government and investors on governance issues and how companies and Boards conduct themselves rightly continued during the year. Several key developments in particular have received our attention. This was the first full year that the new UK Corporate Governance Code ('2010 Code') applied to Vedanta, the publication of the Davies Report (Women on Boards), the introduction of the UK Bribery Act and the continued spotlight on executive remuneration. How we addressed these issues is set out below.

UK Corporate Governance Code

Whilst we already complied with nearly all of the new 2010 Code's provisions we took the opportunity to review certain of our governance policies and practices to ensure they meet best practice standards.

Davies Report

We continued our internal debate on Board composition set in the context of the aim to have female representation on our Board. Whilst we operate in traditionally male orientated industries and cultures, we have taken steps to encourage the recruitment and career progression of women professionals throughout our Group.

As Chairman of the Nominations Committee, I personally conducted workshops covering different sections of the work force to ascertain and aid empowerment of women in our Group.

Anti-bribery Programme
A comprehensive Anti-Bribery Programme was implemented across the Group. Going forward it will be the remit of the Audit Committee to ensure that our anti-bribery and corruption programmes are robust.

The Year Ahead
The Board has set the following objectives for the coming year:

- Strategy
  Continue to develop and review Vedanta's strategic direction and make amendments as appropriate.
- Succession planning
  We are aware of the tenure of our Non-Executive Directors, make-up of the Board and input from shareholders on Board composition. This is an issue that has been continuously debated and will be addressed during the year.
- Remuneration
  As a result of the continued debate around executive remuneration there is likely to be legislation governing how remuneration is set and approved. In any event we will seek to have best practice in terms of our remuneration policies and ensure remuneration is linked to strategy and Company performance.
- Risk
  Further development of the Board's view of risk tolerance and risk appetite.
- Branding
  Review of Group-wide branding.

Lastly, we value contact and input from our shareholders throughout the year and also at our Annual General Meeting. Please be assured that we do take note of the issues raised which helps to inform future decisions.

Anil Agarwal
Chairman
16 May 2012

The UK Corporate Governance Code
As a company with a premium listing on the London Stock Exchange, Vedanta is subject to the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010 (the '2010 Code'). The 2010 Code is available from the Financial Reporting Council's website, www.frc.org.uk. The Code is centred around the themes of leadership, effectiveness, accountability, remuneration and relations with shareholders. This Corporate Governance Report provides details of our approach to governance, our policies, processes and structures and explains how we have complied with the main principles of the 2010 Code.

Disclosures on share capital and related matters as required by the Disclosure and Transparency Rules (DTR7.2.6) may be found in the Directors' Report.

Compliance With the 2010 Code
With the exception of the following matters, the Company has throughout the year ended 31 March 2012, fully complied with all of the provisions of the 2010 Code:

Code Provisions A.3.1
Anil Agarwal was appointed as Executive Chairman in 2005. Mr 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 promotion to a FTSE 100 company. This meant that Mr Agarwal did not meet the strict independence criteria as defined in Code Provision B.1.1 on his appointment in 2005 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 is pivotal in helping to achieve the strategic objectives of Vedanta through his skills in seeking out value creating acquisitions and projects. In addition, the fact that he dedicates himself full time to his role of Executive Chairman, enables him to balance executive duties with providing leadership to the Board. As its Chairman Mr Agarwal encourages debate and challenge and sets high ethical standards. For these reasons 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 B.2.1
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 B.2.1 which stipulates that the Nominations Committee should lead the process for Board appointments.

Corporate Governance Report continued

How does the Board Provide Effective Leadership?

Members of our Board

The Board, chaired by Anil Agarwal, currently has six Directors comprising the Executive Chairman, two Executive Directors and three independent Non-Executive Directors. Membership of the Board as at the date of this report and attendance of the Directors at Board meetings for the year are shown below. Board composition is reviewed regularly by the Nominations Committee.

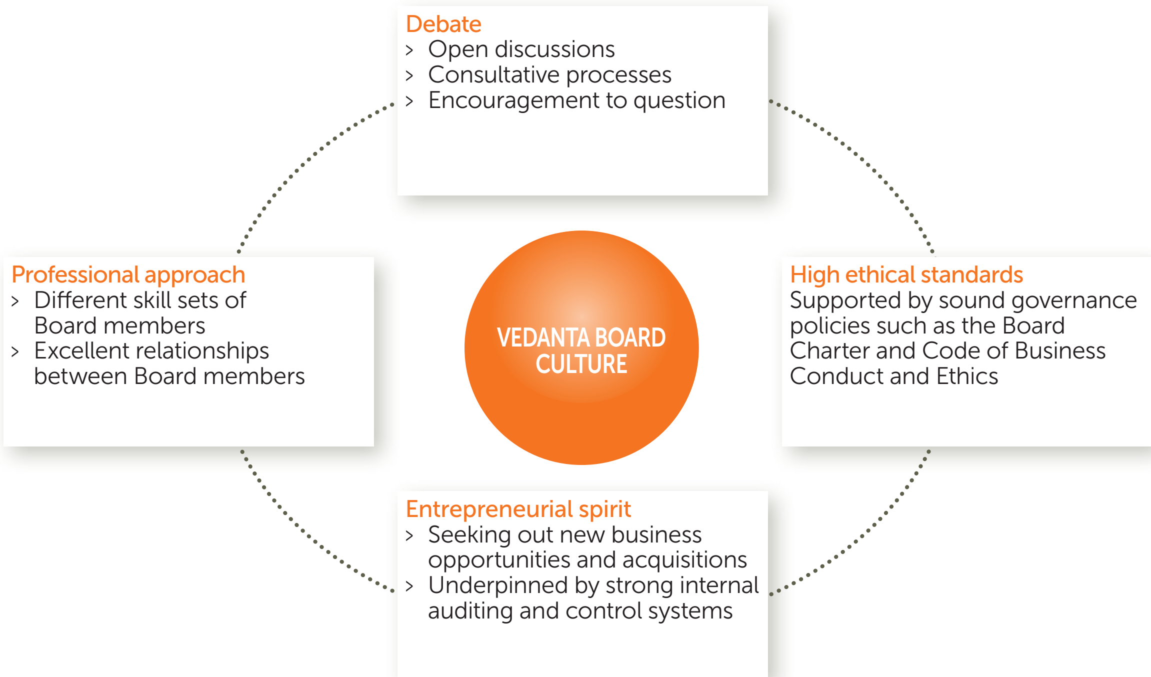
Name, title	Date of appointment	Number of Board Meetings attended
Executive Directors		
AK Agarwal Executive Chairman	16 May 2003	8/10
N Agarwal Deputy Executive Chairman	24 November 2004	10/10
MS Mehta Chief Executive	1 October 2008	9/10
Non-Executive Directors		
N Chandra Non-Executive Director and Senior Independent Director	18 May 2004	10/10
A Mehta Non-Executive Director	24 November 2004	9/10
ER Macdonald Non-Executive Director	23 March 2005	10/10

Board Culture

Board culture has been cited as having played an important part in corporate failures in recent years. Within Vedanta the cornerstone's of open debate, high ethical standards and professionalism ensures that the Group can grow and develop within an ethical and professional framework which balances risk and entrepreneurship.

"We believe that ethical and economic values are interdependent and that the business community must always strive to operate within accepted norms established by national and international authorities."

From Vedanta's Code of Business Conduct and Ethics



The Role of our Board

At the highest level the Board operates by setting strategy and objectives, reviewing progress against these objectives and incorporating feedback into its decision making processes.

The Board sets
- Vision
- Values
- Strategy
- Business model

The Board
- Oversees
- Challenges
- Reviews risk

The Board receives feedback from
- Board members
- Committees
- Management
- Stakeholders

It is the role of the Board to promote the success of the Company with a view to increasing its long-term value. As part of their decision making processes the Directors have a responsibility to consider the long-term consequences of their decisions, the interests of the Company's employees, the need to foster relationships with other stakeholders, the impact of the Company's operations and the environment and the need to maintain high standards of business. This is achieved by ensuring its governance processes, as described below, are comprehensive and robust.

What are the Board's Responsibilities?

The Board's responsibilities are set out in a formal schedule of matters reserved for its attention. This schedule of matters has been reviewed in light of the introduction of the 2010 Code to ensure new provisions, such as responsibility for risk appetite, were properly reflected. In summary the main areas of the Board's remit covers:
- Setting of Group strategy and objectives;
- Setting of the Group's values and standards;
- Review of performance against strategy, objectives, business plans and budgets and agreeing corrective action where necessary;
- Approval of major business acquisitions and disposals;
- Approval of major capital projects;
- Review of nature and extent of risks;
- Ensuring maintenance of effective systems of internal control and risk;
- Review and approval of Group policies including those on health and safety and the Group's Code of Conduct;
- Approval of dividend policy

The Role of our Board Committees

Certain of the Board's responsibilities are delegated to Board Committees, which operate within defined terms of reference. The main Board Committees are the Executive, Remuneration, Audit, Nominations, and Sustainability Committees. The relationship between the Board, its Committees, Group subsidiaries and information flows are shown below.

Our Governance Framework

The relationship between the Board, Board Committees and subsidiary companies with their individual written responsibilities and the reporting structure as shown below forms the backbone of the governance framework.

Board of Directors
Executive Chairman, two Executive Directors, three independent Non-Executive Directors

Subsidiary
- Company Boards

Executive Committee
- Executive Chairman
- Deputy Executive Chairman
- CEO
- 12 senior management members

Audit Committee
- Three independent Non-Executive Directors

Remuneration Committee
- Three independent Non-Executive Directors

Nominations Committee
- Executive Chairman
- Three independent Non-Executive Directors

Sustainability Committee
- One Non-Executive Director
- One Executive Director
- CEO from African operations

- Finance Standing Committee
- Three members comprising at least two Board members and members of senior management

Corporate Governance Report continued

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 have 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 Secretary to the committees is Deepak Kumar, apart from the Sustainability Committee whose secretary is Tony Henshaw, Chief Sustainability Officer. The full terms of reference of the committees are available from the Company's website www.vedantaresources.com.

The Executive Committee is comprised of three Board members and 12 members of senior management whose biographies are given on pages 58 to 61. The Executive Committee is responsible for supervising all aspects of the operational performance of the Group. It implements strategic plans formulated by the Board, monitors operational and financial performance of the Group's subsidiaries, allocates resources in line with delegated authorities, develops and reviews the budgets of subsidiary companies. The Executive Committee therefore has a key role in putting the Board's plans and policies into action. The Chief Executive Officer, MS Mehta, keeps the Board informed of the Executive Committee's activities through his standing reports made to the Board.

The Finance Standing Committee enables efficient consideration and approval of routine bank and financing issues and allotment of shares under the Group's Long-Term Incentive Plan. All minutes of the Finance Standing Committee are reviewed by the Board. The committee Chairman also reports to the Board on the outcome of Committee meetings at the next subsequent Board meeting.

Details of the membership, terms of reference and attendance at meetings of the Audit, Remuneration, Nominations and Sustainability Committee are given in their respective reports on pages 75 to 91.

What are the Roles of our Board Members?

There is a clear division of responsibility between the functioning of the Board and executive responsibility for running the business. The Board has an established policy which sets out the key responsibilities of the Executive Chairman, Deputy Executive Chairman, Senior Independent Director and the Chief Executive Officer. These responsibilities were reviewed during the year to account of the new requirements of the 2010 Code and are summarised below.

Executive Chairman's Role

As Executive Chairman, Anil Agarwal devotes the majority of his time to the Company's business. The Chairman's other current responsibilities are set out in the biographies on page 58. There have been no changes to the Chairman's other commitments during the year:

- Leading the Board, ensuring its effective functioning and setting its agenda
- Upholding the highest standards of integrity and governance practices throughout the Group
- Facilitating constructive relationships between Directors
- Review of induction and training needs of the Directors
- Development of strategy and objectives for approval by the Board
- Seeking new business opportunities
- Ensuring communication and dialogue with shareholders and effective use of the AGM

Chief Executive Officer's Role

Mehandra Mehta is the Chief Executive Officer:

- Recommending to the Board annual budgets and delivery of the same
- Optimising the Group's assets and management and allocation of resources
- Creating and maintaining a sound control environment
- Implementation of strategy and Group policies and procedures
- Supporting the Executive Chairman in effective communication with various stakeholders
- Providing leadership to the senior management team and nurturing the talent pool
- Managing ESG issues in conjunction with the Sustainability Committee

Deputy Executive Chairman's Role

Navin Agarwal is the Deputy Executive Chairman:

- Chairman of the Executive Committee
- Supports the Chairman in leadership of the Board
- Delivery of Group's strategy in conjunction with the CEO
- Development of fund raising initiatives
- Global investor relations
- Oversees execution of Greenfield projects
- Overseeing development of top talent throughout the Group

The Senior Independent Directors' Role

Naresh Chandra is the Senior Independent Director. Given the executive nature of the Chairman's position the Senior Independent Director's position is key in achieving a balance between the executive and non-executive functions:

- To provide a channel of communication between the Chairman and Non-Executive Directors
- To ensure that views of Non-Executive Directors are given due consideration
- To provide a point of contact for shareholders who wish to raise concerns which the normal channels of communication through the Chairman and Chief Executive have failed to resolve
- To act as a sounding board for the Chairman
- To meet with the Non-Executive Directors at least once a year to appraise the Chairman's performance and on such other occasions as are deemed appropriate

The Role of the Non-Executive Directors

The Non-Executive Directors are of high calibre bringing a variety of rich experiences in different fields which range from holding senior positions within the Indian Government, (including roles with responsibilities for corporate governance), 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.

Board Balance and Independence

With the exception of the Chairman, who is presumed under the 2010 Code not to be independent, the Board considers all of the Non-Executive Directors to be independent.

In making its assessment, the Board has considered the fact that Aman Mehta and Euan Macdonald previously held 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). They retired from these roles in 2003 and 2002 respectively. The Board considered that neither Mr Mehta nor Mr Macdonald had any involvement with the Group prior to their appointment. The Board therefore remains of the view that they are independent.

The Nominations Committee considers the question of independence of the Non-Executive Directors prior to recommending their annual re-election and particular scrutiny is given to the performance of those Non-Executive Directors who have served on the Board for six years or more. In 2012 Naresh Chandra and Aman Mehta will have served on the Board for seven and eight years respectively. In addition both Directors serve on the Board of Cairn India as Non-Executive Directors. The Nominations Committee concluded that Messrs Chandra and A Mehta continue to be independent in nature. In reaching this decision the Nominations Committee considered all of the criteria set out in the 2010 Code in relation to determining independence and in addition that both Directors:

- Robustly challenge, express views and actively contribute to Board Meetings;
- Bring differing skill sets and experience to the Board make up;
- Absent themselves in the event that there are any conflicting issues arising from their Directorships with Cairn India

Relationship Agreement

At the time of Listing, the Company and Volcan, the majority shareholder, entered into a relationship agreement to regulate the ongoing relationship between them. A new relationship agreement was entered into in December 2011 (the 'Relationship Agreement') the terms of which are the same as that entered into on Listing updated for legal and regulatory requirements where appropriate. 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 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 B.1.2 of the 2010 Code, at least half of the Board, excluding the Chairman, comprise Non-Executive Directors determined by the Board to be independent.

Corporate Governance Report continued

The Audit Committee is responsible for reviewing matters arising in relation to the Relationship Agreement and related party transactions on behalf of the Board.

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 and any changes are disclosed and noted at each Board meeting. The Board will authorise potential or actual conflicts as appropriate. Directors with a conflict will not participate in the discussion or voting concerning the matter in question. These procedures have proved to be effective during the year. Related party transactions, which include those in respect of any Director, are disclosed in Note 38 on pages 160 to 161.

How our Board Operates

Board Meetings

The Board meets on a regular basis and met formally on 10 occasions during the year. As well as formal meetings, written resolutions are passed with the approval of the whole Board on routine matters as required in order to facilitate efficient decision making processes. In addition ad hoc discussions take place between the Directors on a variety of topics throughout the year. The Chairman and the Non-Executive Directors met without the Executive Directors present during the year.

The Chairman, assisted by the Company Secretary, is responsible for ensuring that the Directors receive accurate, timely and clear information on all relevant matters in order to take informed decisions and to discharge its duties. Directors are provided with regular detailed briefings on the Group's business, the markets within which it operates and the overall economic environment and updates on fiscal policy changes. The Board also routinely receives before each Board meeting detailed information on business and financial performance, ongoing projects, fund raising 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. Directors are encouraged to challenge and make further enquiries from the Executive Directors and senior management.

What the Board Did During the Year

The main items of business considered by the Board during the year are summarised below:

Area of Responsibility	Item
Leadership and strategy	› Review of the Business Plan › Strategy review › Review and approval of fund raising initiatives › Consideration of various projects and bids › Review and approval of acquisitions and disposals › Approval of Prospectus for Cairn Acquisition › Review of future outlook of the Group's businesses › Discussions on Group restructuring › Approval of dividend
Values and corporate governance	› Reports from the Board Committees › Review of the results of performance evaluation of the Board and Committees › Implementation of Bribery Act processes and procedures › Approval of amended Code of Conduct and values statement
Performance	› Review of Business Performance Reports › CEO Reports and production highlights › Reports on financial performance › Project updates
Internal controls and risk	› Report from the Audit Committee on effectiveness of internal controls and risks › Project capex approvals › Review of risk policy/risk matrix
Relations with shareholders	› Regular Investment Relations updates › Performance of Vedanta shares › Review of largest institutional shareholders › Investor feedback on proposed restructuring › Annual General Meeting arrangements

Area of Responsibility	Item
Reporting	› Review and approval of Annual Report and Accounts and Preliminary Announcement › Review and approval of half year report
Sustainability	› Briefings on sustainability issues including implementation of Scott Wilson report, meetings with investors and NGOs › Discussions on HSE performance reviews

How are Appointments to the Board Made?

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 also be used where this is felt to be appropriate and adds value to the process. It is part of the Nominations Committee remit to consider candidates from a wide range of backgrounds, based on objective criteria and merit of the candidate. As part of this consideration the Nominations Committee will consider diversity, including gender, and the benefits this can have for a balanced decision making process.

Our Directors' Commitment

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 their letter of appointment. Candidates are also 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 existing Non-Executive Directors sets out their duties and time commitments and 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.

Development and Training of our Directors

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 legal and regulatory updates. In particular this year a full briefing was given on the new UK Corporate Governance Code and the UK Bribery Act. Directors undertake visits to operations and have discussions with management on an ongoing basis.

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.

Corporate Governance Report continued

How are the Board, its Committees and Individual Directors Evaluated?

During the year, the performance of the Board, its main committees and the individual Directors were formally and rigorously evaluated under the 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. A summary of the areas reviewed and results of the evaluation are shown below.

Area Assessed	Main Comments	Action
The Board › Leadership › Setting strategy › Risk management › Management of resources › Reviewing performance › Communication with shareholders › Board composition and structure	Strong entrepreneurial leadership with sound management of risk and human and financial resources. Board process and provision of information was good The need to develop relationships with stakeholders was recognised. There was also awareness of need to review Board composition	Continue active engagement with stakeholders re social responsibility issues in particular Review recruitment possibilities in light of Board composition
Individual Directors › Preparation › Contribution › Development of knowledge and skills › Contribution to strategy and risk › Relationships with Board members › Training needs	Directors were well prepared and contributed effectively to meetings. A variety of methods were used for training Good strategy and risk management discussions were held and Board relationships were very good	Chairman to review training/ development needs
Performance of Board Committees › Performance against the Committee's remit	Performance of all the Committees remains effective with the Audit Committee in particular receiving excellent comments	Nomination Committee to focus on succession planning and nurturing top talent Sustainability Committee to engage and develop Group wide policy

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

Re-election of Directors

The Company's Articles of Association stipulate that all Directors must submit themselves for election at the annual general meeting following their appointment and thereafter by rotation at least once every three years. However, in accordance with the 2010 Code it is proposed that all Directors will stand annually for re-election beginning with the 2012 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.

How do we Ensure Accountability and Manage Risk?

The Board has a responsibility to ensure that financial information provided is accurate and balanced as well as ensuring that its activities are properly controlled and risk assessed and monitored. Vedanta has in place well established reporting and management assurance systems that ensure rigorous standards are maintained.

Financial and Business Reporting

The Group has a comprehensive financial reporting system, which is reviewed and modified in line with Accounting Standards. These procedures ensure that all published financial information is accurate. Vedanta's Financial reporting procedures are based on five main elements:

- Financial information supplied by subsidiary companies and consolidated at central level
  - Management accounts are prepared on a monthly basis and reviewed by the Executive Committee;
  - Management accounts are reviewed by the Board at least quarterly;
  - Performance is monitored against key performance indicators throughout the financial year and forecasts are updated as appropriate;
  - Annual operational budgets are prepared by each operating subsidiary and consolidated into a Group Budget which is reviewed and approved by the Board
- Internal audit provides assurance concerning processes and accuracy at each operating company
- External auditor assurance
  - Full year audits and half year review are carried out on the published financial statements
- Review by the Audit Committee of:
  - Year-end reporting plans
  - Briefings on legal, tax and accounting issues;
  - Consideration of the financial statements and disclosures in accordance with financial reporting standards;
  - Going concern statements with supporting cash flow, liquidity and funding forecasts.
- Review by the Audit Committee and the Board of the preliminary and half year announcements, the annual report and accounts and any other announcements including financial information.

The Directors' statement of responsibilities for preparing the accounts may be found on page 97 and the auditor's statement about their reporting responsibilities may be found on page 98. A statement on the Board's position regarding the Group as a going concern is contained in the Directors' Report on page 95.

Risk Management and Internal Control

It is the Board's responsibility to determine the nature and extent of the risks it is willing to take to achieve its strategic objectives. The Directors also 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. The process also covers significant risks that may arise from environmental, social and governance matters. At the operational level specialists are brought in where appropriate to review working practices and recommendations are implemented with the purpose of creating safe working environments.

The Board has approved the appointment of a Chief Risk Officer to further strengthen risk management processes.

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. The Board's review includes the Audit Committee's report on the risk matrix, significant risks and actions put in place to mitigate these risks. 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. Every risk has an owner who is responsible to ensure that controls are put in place in order to mitigate the risk. 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. The planning of internal audit is approached from a risk perspective. 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, financial analysis and the current economic and business environment.

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. The Audit Committee Chairman on occasions requests MAS to look at specific items and in addition asks the external auditors to focus their audit work on a specific area to be reported to him.

Corporate Governance Report continued

The responsibilities, processes and information flows for ensuring that significant risks are recognised and reported up to Board level are shown below.

The Board
- Sets 'risk appetite'
- Reviews significant reported risks
- Reviews internal control and risk systems

The Audit Committee
- Reviews effectiveness of internal control/risk systems and reports to the Board
- Reviews risk matrix/significant risks/status of risks/ mitigating factors
- Considers/approves remedial actions where appropriate
- Reviews Action Plans put in place to mitigate risks
- Reviews significant findings reported by MAS
- Reviews internal audit plans
- Assesses effectiveness of internal audit
- Reviews whistleblower reports presented to MAS

Management Assurance Services
(MAS – Internal Audit Function)
- Plans and carries out internal audits on a continuing basis
- Recommends improvements to the control system
- Reviews compliance with Group policies and procedures
- Prepares risk matrix and Group's significant risks for review
- Reports to the Audit Committee
- Reviews findings with senior management
- Investigates and takes action on whistleblower cases

The Head of MAS attends all Executive Committee and Audit Committee meetings of Vedanta. The MAS team plays a key role in SOX compliance at SIIL and its subsidiaries.

How do we Ensure that the Board is Responsibly Rewarded?

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 2010 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.

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. This is carried out with the assistance of the President – Group HR. The remuneration of the Non-Executive Directors is decided by the Board as a whole. No Director is involved in deciding his own remuneration. Further details of remuneration policy, Directors' remuneration, bonus, service contracts, shares interests and the activities of the Remuneration Committee are set out in the Remuneration Report on pages 83 to 91.

How do we Engage with our Shareholders?

Communication with our shareholders takes many forms and is a continuous process. We welcomed the introduction of the Stewardship Code in 2010 to encourage the debate between companies and their shareholders and intend to do our part in engaging with our major shareholders. The main channels of communication with the investment community are through the Chairman, Deputy Chairman, Chief Executive Officer, Chief Financial Officer and Senior Vice President, Investor Relations. The Senior Independent Director and other Non-Executive Directors are also available as appropriate. The Directors as a whole keeps abreast of shareholder sentiment through regular detailed investor relations reports made to the Board.

Channels of Communication

Full year and half year results announcements	› Released to the market › Chairman, CEO and Chief Financial Officer presentations to institutional shareholders, analysts and the media
Production update/interim management statements	› Released quarterly to the market followed by a conference call
Annual Report and Accounts	› Available to all shareholders electronically, including interactively on the Company's website or hard copy on request
Press releases	› Press releases are made to the market and media on key developments throughout the year
Meetings with institutional investors, analysts and brokers	› Part of the investor relations programme initiated either by the Company or analysts and investors and managed at Group level through Ashwin Bajaj (Senior Vice President, Investor Relations). Site visits are organised for Analysts and Brokers for them to understand operation
Website	› A wide range of information on the Company and its operations is available including the annual report and accounts, half yearly results, Sustainability Report, market announcements, press releases, share price and links to subsidiary company websites
Annual General Meeting	› Attended by all of the Directors and members of senior management. › As well as the formal business Shareholders can ask questions and talk to the Directors after the meeting
Responses to shareholder and stakeholder communications	› There is ongoing dialogue with shareholders and other interested parties via email, letter and meetings particularly in relation to sustainability issues. The Chief Sustainability Officer meets with shareholder groups every quarter physically or via teleconferencing

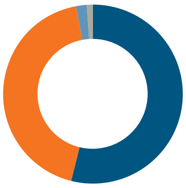
The Board has adopted a communications policy to ensure that other price-sensitive information is announced to the market in a timely and considered manner.

Corporate Governance Report continued

An analysis of the Company's shareholder base as at 31 March 2012 is shown below.

Percentage of shares held by shareholder type

Percentage of shareholders by country



With over 60% of shares being held by management or Directors the investor relations process focuses on institutional and retail categories.

Our Annual General Meeting

The Board uses the annual general meeting ('AGM') to communicate with shareholders and welcomes their participation and questions. This year's AGM will be held on 28 August 2012. Further details are given in the Notice of Meeting accompanying this Annual Report including the business to be considered at the meeting. The Notice is sent out at least 20 working days before the AGM. Voting at the AGM 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 and shareholders are actively encouraged to register their votes electronically in advance of the meeting

All of the Directors, including the Chairmen of the Audit, Remuneration, Nominations and Sustainability Committees, attend the AGM in order to answer shareholders' questions.

Last year's AGM was attended by institutional and retail shareholders. There was active and robust debate on a variety of topics including Company performance and sustainability issues. All of the resolutions were passed with an average vote in favour of 97%.

The major geographical locations of shareholders are India and Europe. Therefore the use of channels of communication instantly accessible from anywhere in the world, such as the web, are key communication tools.

The Audit Committee Report

A Mehta
Chairman, Audit Committee

Highlights

> Embedding of acquisitions into control and risk management systems
> UK Bribery Act roll out of policies

Membership, Meetings and Attendance

The Audit Committee consists of the following independent Non-Executive Directors:

	Number of meetings attended
A Mehta, Chairman	5/5
N Chandra	5/5
ER Macdonald	5/5

Mr Mehta is considered to have recent and relevant financial experience. All members have had extensive management experience either in large international organisations or government and are financially literate.

We are aware of the increasing importance of the Audit Committee's role not just in reviewing financial performance but in ensuring robust risk management and control systems are in place to assist the Board assess the potential risks inherent in its strategic plans and objectives. Pivotal to this role is the operation of our Management Assurance Services function and the information they provide to the Audit Committee. Another key function of the Committee is to oversee the external audit and ensure that the external auditors' relationship with the Company remains independent and objective. Further details on the external auditors can be found in our report.

In order to carry out our duties effectively we receive high quality and detailed information from our finance function and internal and external auditors which is questioned, debated and challenged by members of the Audit Committee.

The Audit Committee's Year

The Audit Committee has had a busy year. In particular attention has been focused on acquisition activity such as Anglo Zinc assets and Cairn India to ensure they are embedded into the audit and risk assessment processes. In addition time has been spent on reviewing steps put into place in light of the UK Bribery Act. The Bribery Act programme included engaging professional assistance, amending existing policies, putting together a training pack, carrying out awareness sessions for employees and implementing new procedures such as a Suppliers' Code of Conduct. In addition an Ethics Committee consisting of the CEO's of all business units has been formed.

The Year Ahead

The Audit Committee's objectives for the forthcoming year include:

> Review of changes to risk profile and support the Board debate on risk tolerance and appetite;
> Review of Audit Committee membership;
> Continuing to ensure that Cairn India operations are embedded into the Group's financial reporting procedures and risk profile;
> Monitor progress on implementation of anti-bribery programme and roll out Code of Ethics;
> Discuss with management the need to carry out a review of the external auditor position in line with developing regulation.

A Mehta
Chairman, Audit Committee

Corporate Governance Report continued
The Audit Committee Report

How our Audit Committee Operates
The Committee meets at least three times a year based on appropriate times in the financial reporting calendar. 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 auditors, regularly attend meetings. The Committee meets at least twice during the year with representatives from the external auditors without management being present. Regular reports are made to the Board of the Committee's activities. The Committee's agenda is based on its remit outlined below as appropriate to the stage in the reporting cycle. All items put to the Audit Committee receive in depth review and questioning.

Performance Evaluation of the Audit Committee
Annual performance evaluation is used to feedback any concerns or improvements to how the Committee operates. The evaluation is carried out by detailed questionnaire of all Board members. The Audit Committee's performance in particular received high scores for its work and was assessed as carrying out its role effectively.

What are the Responsibilities of the Audit Committee?
The Audit Committee's remit falls into four main areas: financial reporting, risk and the internal control environment, and oversight of external and internal audit processes. The detailed responsibilities of the Audit Committee are set out in its terms of reference which are available from the Company Secretary. The main responsibilities of the Audit Committee are to:

- 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;
- Make recommendations to the Board concerning the appointment of the external auditor;
- Review the independence of the external auditors;
- 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 external auditor;
- Consider any matters arising in respect of the Relationship Agreement and related party transactions
- Monitor the activities and effectiveness of the internal audit function (MAS) and consider their reports;
- Review the Group's arrangements for its employees to raise concerns through its whistleblowing policy;
- Monitor anti-bribery policies and procedures; 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. The external auditor partner, India, regularly attends both the subsidiary and Board Audit Committee meetings.

What the Audit Committee did During the Year

The main areas of activity of the Audit Committee during the year are summarised below.

Area of Responsibility	Topic
Financial Reporting It is one of the Committee's key duties to monitor the integrity of the financial statements. As part of this process it reviews in detail the preliminary results statements, the Annual Report and accounts and half year report. The appropriateness of accounting polices used is considered and external audit findings discussed. Details of financial reporting procedures in place are given on page 70 of the Corporate Governance Report.	› Review and approval of Preliminary Announcement, Annual Report and financial statements › Year End review of significant issues – impairment review, acquisition of Anglo Zinc Assets and Cairn India accounting › Half year report planning and approval of half year report › Discussions on impairment reviews › Six monthly review of all pending tax issues › Review of Audit Committee Report for the Annual Report and Accounts › Six monthly review of legal cases to ensure appropriate provisions are made and disclosed
Internal Controls and Risk Management Details of the Company's internal control and risk management processes are discussed on pages 71 to 72. The Audit Committee reviews these processes and output from the regular review of risks carried out during the year by internal audit.	› Internal audit review, review of control framework, review of whistleblowing cases, formation of ethics committee, review of legal cases › Review of Subsidiary Audit Committee reports › Going concern review of working capital forecasts, monthly projections, funding requirements › Review of risk management programme, risk profile, significant risks, risk matrix and review of resulting action plans › Review of 2012–13 internal audit plan › Assessment of the performance of MAS (internal audit function) › Review of Foreign Exchange policy
The Audit and External Auditors	› Consideration of external Audit findings › Review of key audit issues › Review of materiality figure for the Audit › Review of independence of the external Auditor and provision of non-audit services › Performance review of the external Auditor › Consideration of Audit fee › Recommendation on reappointment of the external auditor › Review of Management Representation Letter › 2012 Audit Plan review › Cairn India Audit Plan review
Governance	› Briefing on UK Bribery Act, review of Anti Bribery Act programme › Review of Committee's Terms of Reference

Corporate Governance Report continued
The Audit Committee Report

External Auditors
The Audit Committee is pivotal in monitoring the external audit and the relationship with the external auditor and further information on how this is achieved is set out below.

The Audit Plan
A detailed Audit Plan is prepared by the external Auditors, Deloitte LLP, ('Deloitte') which is reviewed by the Audit Committee in depth. The Audit Plan sets out the audit scope, key audit risks identified, materiality issues, the client team working on the audit and the audit timetable. The audit scope covers the significant components of the audit and audit plans for each component and location. Each of the key audit risks is considered and the external auditors' response of how it will investigate these risks. This year a supplementary audit plan was prepared and reviewed for Cairn India as a recent acquisition.

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. The current external auditor, Deloitte LLP, have been the Company's auditors since listing in 2003. 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. Deloitte are required to rotate the audit partner responsible for the Group audit every five years and the last audit partner rotation was in 2010. The Audit Partner responsible for the audit of Indian subsidiaries is being rotated this year. To ensure effective communication of matters relating to the audit, the Audit Partner and senior manager are present at Audit Committee meetings.

A key part of ensuring the independence of the external auditor is to have in place robust policies concerning matters that may affect their independence. The Company has in place policies on:
- The independence and objectivity of the external auditor
- Employment of former employees of the external auditor
- Use of the external auditors for non-audit services

These policies are based on the APB Ethical Standards for Auditors and are regularly reviewed to ensure they are in line with best practice. These controls provide the Audit Committee with confidence that the independence of Deloitte in their audit function will be maintained.

Provision by the External Auditor of Non-audit Services
The policy specifies certain services which the external auditors are prohibited from undertaking in order to safeguard their independence, such as work relating to the financial statements that will ultimately be subject to final audit and the provision of internal audit services. The policy also identifies those services which the external auditor is permitted to deliver to the Group. These include tax advisory services, and work on mergers, acquisitions and disposals. Of the permitted services any 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 bi-annual basis.

The Audit Committee receives a report every six months analysing the fees paid for non-audit work. This report includes safeguards put into place to ensure that any threats to the independence of the external auditor are mitigated. The majority of non-audit services provided by the external auditor are tax advisory services and corporate finance related work or transaction related work. A separate team within Deloitte LLP is used to carry out non-audit service work which is overseen by a separate partner. An analysis of non-audit fees can be found in Note 10 to the financial statements.

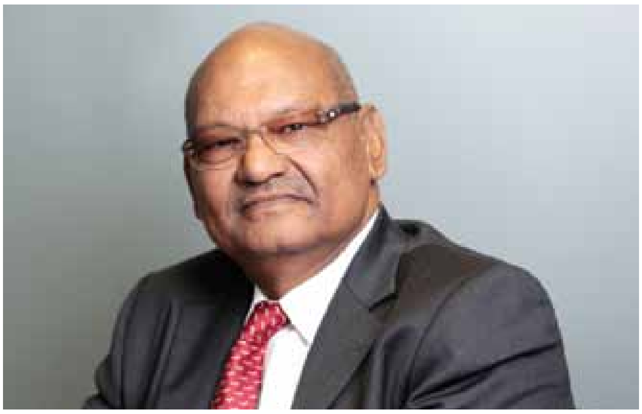
Performance and Reappointment
The overall performance and effectiveness of the auditor is reviewed annually taking into account the views of management. Feedback is provided on the evaluation to senior members of Deloitte who are unrelated to the audit. This activity also forms part of Deloitte's own system of quality control. The performance evaluation was carried out using a detailed questionnaire the results of which were considered by the Audit Committee. In addition this year the Audit Inspection Unit ('AIU'), part of the Financial Reporting Council, carried out a routine inspection of Vedanta's audit file. The AIU's findings are considered by the Audit Committee as part of the review of the external auditor.

Having reviewed the independence and effectiveness of Deloitte and being fully satisfied with the performance of Deloitte, the Audit Committee has recommended to the Board that the existing auditors, Deloitte, be reappointed as the Company's auditors and an ordinary resolution to reappoint Deloitte will be proposed at the forthcoming Annual General Meeting. There are no contractual obligations that restrict the Audit Committee's choice of auditor.

On behalf of the Board

A Mehta
Chairman, Audit Committee
16 May 2012

Nominations Committee Report



Anil Agarwal
Chairman, Nominations Committee

Highlights

- Extensive debate on Board composition
- Focus on encouraging diversity throughout the Group

The Nominations Committee's role within Vedanta is seen as increasingly important. In reviewing Board composition it ensures that the right mix of skills and independent thought is represented on the Board. It also has a key role to play in bringing on talent from within the organisation.

The Nominations Committee's Year

The focus this year has been on issues of diversity, succession planning and Board composition due to the Committee's awareness of the tenure of its Non-Executive Directors and publication of the Davies Report concerning representation of women on Boards. Both the Committee and Board have discussed at length the need for refreshing of the Board. Plans are well in hand to bring a new Non-Executive Director onto the Board to address these issues.

The Year Ahead

The Nominations Committee objectives for the coming year are:

- Finalise the review of Board and Committee membership;
- Continue diversity drive within the Group;
- Succession planning for senior management;
- Plans on how to nurture talent from within Vedanta.

A Agarwal
Chairman, Nominations Committee

Membership, Meetings and Attendance

Membership of the Nominations Committee is in line with the requirements of the 2010 Code and is comprised of the following Directors:

	Number of meetings attended
A Agarwal, Chairman	2/2
N Chandra	2/2
ER Macdonald	2/2
A Mehta	2/2

How our Nominations Committee Operates

The Committee meets at least two times a year. Other Executive Directors and members of the senior management team may attend meetings at the invitation of the Committee as appropriate. Reports are made to the Board of the Committee's activities.

Performance Evaluation of the Nominations Committee

Annual performance evaluation is used to assess how the Nominations Committee is performing and feedback any suggested improvements. The performance of the Nominations Committee was assessed during the year and was considered to be effective in all areas of its remit.

Corporate Governance Report continued
Nominations Committee Report

What are the Responsibilities of the Nominations Committee?
The responsibilities of the Nominations Committee are set out in its terms of reference which are available from the Company Secretary. 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;
- Establish a policy in respect of diversity on the Board and consider Board composition in light of the benefits of diversity, including gender;
- 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;
- Recommend to the Board whether to reappoint 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.

What the Nominations Committee Did During the Year
The main areas of activity of the Nominations Committee during the year are summarised below.

Area of Responsibility	Item
Board Composition and succession planning	› Discussions of succession planning processes to ensure selection procedures incorporate Davies Report recommendations › Approval of Policy on diversity
Performance of Directors	› Consideration of performance of N Chandra and recommendation that he be reappointed as Non-Executive Director and Senior Independent Director for further one year term › Review of A Mehta and N Agarwal performance prior to recommendation to shareholders to re-elect to the Board
Governance	› Review and approval of new Terms of Reference
Annual Report	› Approval of Nominations Committee Report

Diversity
We announced our aspirations for Board diversity during the year which is to have 25% of women on the Board by 2015. However, all appointments will continue to be made on merit. To achieve this target we will ensure that women candidates are considered routinely as part of the recruitment process. We will also monitor and encourage the progress of women in senior positions throughout the Group.

Vedanta operates within a traditionally male dominated industry. The current proportion of men to women within the Group is 92% men and 8% women whereas in the professional population the proportion is 88% men and 12% women. We are pleased to report that we do have a number of women in senior positions including in the areas of legal, Investor relation and Corporate Finance. We have also constantly improved the women professionals' intake from campuses from 10% to 20% thus ensuring improved talent pipeline for senior leadership roles in the future.

On behalf of the Board

A Agarwal
Chairman
16 May 2012

Sustainability Committee Report

Naresh Chandra
Chairman, Sustainability Committee

"Sustainability is one of Vedanta Resources' five core values. It is built on Responsible Stewardship, Stakeholder Engagement and the Value Added to People. The Sustainability Committee is adding value to the Group by applying its collective mind to the development, implementation and assurance of Sustainability Management Systems across the businesses."

Membership, Meetings and Attendance

Membership of the Sustainability Committee and attendance at meetings is shown below.

	Number of meetings attended
N Chandra, Chairman	4/4
MS Mehta	4/4
J Janakaraj	4/4
T Henshaw (Secretary)	4/4

All invited CEO's or their representatives attended the meetings.

The Sustainability Committee's Year 2011–12

The Sustainability Committee met on four occasions in the FY 2011–12 on the 12 July 2011, 3 October 2011, 18 October 2011 and the 3 February 2012.

The Sustainability Committee approved the Sustainability Model and Framework, 2010–11 Sustainable Development Report and specifically each of the following Policies: HSE amendment, Biodiversity, Water, Energy and Carbon, Supplier and Contractor Management, Social, Human Rights and HIV/Aids.

The Sustainability Committee reviewed the investigation report and recommendations for each fatality that occurred in the Group.

The Sustainability Committee oversaw the following programmes:
- Accident reduction and the prevention of harm to employees and contractors and reviewed the results
- Reduction in Water use
- Reduction in Energy and Carbon use
- Clean Development Mechanism programmes
- Implementation of the Scott Wilson Report recommendations including approval of the formal submissions to the lenders.
- Waste Management

The Sustainability Committee debated and opined on the follow topics:
- Medium Term Sustainability Target
- The need for an ExCo Sustainability Sub-committee

The Year Ahead

We expect the Sustainability Committee to maintain its focus on the above topics and to approve the medium term Sustainability targets, and Stakeholder Engagement Plan. Further, we expect to oversee human rights due diligence, while confirming our methodology for materiality, developing our sustainability risk profile and beginning a programme of supply chain audits.

Naresh Chandra
Chairman, Sustainability Committee

Corporate Governance Report continued
Sustainability Committee Report

Performance Evaluation of the Sustainability Committee
Annual performance evaluation is used to assess how the Sustainability Committee is performing and feedback any suggested improvements. The performance of the Sustainability Committee was assessed during the year and was considered to be effective in all areas of its remit.

What are the Responsibilities of the Sustainability Committee?
The responsibilities of the Sustainability Committee are set out in its terms of reference which are available at www.vedantaresources.com/sustainability/hse_policy.html

The main responsibilities of the Sustainability Committee are:
- To recommend to the Board Group Sustainability policies, clearly setting out the commitments of the Group to manage matters of Sustainable Development effectively.
- To advise the Board to enable it to discharge its responsibilities, having regard to the law and the expected international standards of governance.
- To outline initiatives required to institutionalise a Sustainability culture through involvement of the employees at all levels.
- To review and report to the Board the performance of the Group and its Group companies with respect to the implementation of a Sustainability Management System.

What the Sustainability Committee Did During the Year
The main areas of activity of the Sustainability Committee during the year are summarised below.

Area of Responsibility	Item
Health and Safety	› Unsafe condition elimination programme › Review of accident root causes and action plans to eliminate fatalities and harm to employees and contractors › Behavioural safety for all line management. › Safety KPIs and medium-term targets › Review of the Vedanta near miss reporting system › Emergency planning
Environment	› Review of environmental incidents › Environment KPIs and medium-term targets › Review of waste utilisation plans and initiatives › Review of environmental footprints › Strategy for water management › Strategy for energy consumption and climate change › Clean development mechanism programmes
System Development and Performance Reporting	› Approval of Vedanta Sustainability Report 2010–11 › Oversaw the implementation of the recommendations of the Scott Wilson Report › Approval of Scott Wilson update report to the lenders › Approval of Vedanta sustainability policies

On behalf of the Board

Naresh Chandra
Chairman
16 May 2012

Remuneration Report

Naresh Chandra
Chairman, Remuneration Committee

Membership, Meetings and Attendance

The members of the Remuneration Committee who served during the year, all of whom are independent Non-Executive Directors, are shown below together with their attendance at Remuneration Committee meetings:

	Number of meetings attended
Naresh Chandra (Chairman)	2/2
Euan Macdonald	2/2
Aman Mehta	2/2

Dear Shareholder,

I am pleased to present the Remuneration Report for the year to 31 March 2012. This report provides details of the Group's remuneration policy and the remuneration of the Executive and Non-Executive Directors for the year.

This year has been challenging with continuing global economic uncertainty. In spite of the difficult operating environment, Vedanta has delivered enhanced performance in operational deliverables. Our achievements during the year include:

› good progress in organic growth,
› successful integration of zinc assets acquired from Anglo American,
› acquisition of mining assets in Liberia,
› completion of the Cairn India acquisition, and
› Increase in Reserve and Resource

The achievements of the business during the year are set out in the Business Review on pages 6 to 57 and principal risks facing the Company are set out on pages 26 to 31.

The Remuneration Committee's Year

During the year, the Remuneration Committee carried out a review of the performance related elements of Directors' pay (i.e. the Long-Term Incentive Plan and Annual Performance Bonus) with particular regard to the provisions within the 2010 UK Corporate Governance Code. The conclusion of this review was that the Remuneration Committee believes the performance related elements of remuneration are aligned to the business performance and long-term strategy of the Company, and that they are in line with the Company's risk policies.

The Year Ahead

As a result of the continued debate around executive remuneration there is likely to be legislation in the UK governing how remuneration is set and approved. We will seek to have best practice in terms of our remuneration policies and ensure remuneration is linked to the Company's strategy and performance.

A resolution to approve this report will be proposed at the Annual General Meeting to be held on 28 August and I hope that you will support this resolution.

Naresh Chandra
Chairman, Remuneration Committee
16 May 2012

Remuneration Report continued

Overview

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 has been prepared in accordance with 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 UK Code on Corporate Governance (the 'Code').

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. Those areas which are audited are indicated in the report.

What are the Responsibilities of the Remuneration Committee?

The Committee's responsibilities are set out in its terms of reference which are available from the company secretary. The Committee's Terms of Reference were reviewed and amended during the year. Amendments made included clarifying that the Committee is exclusively responsible for selection criteria and appointment of any remuneration consultants and that the Committee may commission any reports or surveys necessary for carrying out its work.

The Committee's responsibilities primarily include:
- the Company's overall policy on executive and senior management remuneration;
- determining the remuneration packages for individual Executive Directors, including basic salary, performance-based short- and long-term incentives, pensions and other benefits;
- the design and operation of the Company's share incentive schemes; and
- reviewing and determining the terms of the service agreements of the Executive Directors.

The Committee gives full consideration to the Code and 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. The Committee is committed to ensuring that remuneration policy reflects, to the extent practicable, global corporate governance guidance on executive remuneration.

Advisers to the Committee

The Committee engages independent consultants for advice on specific aspects of Directors' remuneration, as appropriate. Given the India-focused approach as most of our operations are based in India, it has not been felt necessary to appoint permanent independent remuneration consultants to advise the Committee except for need based advice. Those who advised the Committee during the year and their roles are set out below.

Mr A Thirunavukkarasu (President – Group HR)	› Inputs on general policies and practices followed in India and global market › Inputs into discussions concerning the Executive Directors remuneration and benefits › Remuneration policy applicable to employees at large
Executive Directors	› Provide inputs on remuneration packages for senior executives to ensure parity amongst senior executives in different businesses but at similar roles › Other Directors may attend meetings at the invitation of the Chairman but no Director is present during discussions of their own remuneration
New Bridge Street ('NBS') (Brand of Aon Hewitt Limited, an Aon Company)	› Ad hoc advice on particular aspects of Directors' remuneration › NBS subscribe to the Remuneration Consultants Group's Code of Conduct Neither NBS nor any part of Aon Hewitt Corporation provided other services to the Company during the year
Ernst & Young LLP	› Review and confirmation of the Company's TSR performance in respect of the Long-Term Incentive Plan › Ernst & Young LLP provide some tax and internal audit services to the Group

Remuneration Policy for Executive Directors

The key objective of the Group's broad remuneration policy is to enable a framework that allows for competitive and fair rewards for the achievement of key deliverables and also aligns with practice in the industry and shareholders' expectations.

When setting remuneration for the Executive Directors' the Committee takes into account the market sector, business performance and the practices in other comparable companies. Since Vedanta Resources plc operates in global and local markets with the majority of operations in India, additional data is obtained from high-performing companies that are comparable in terms of revenue, market capitalisation, diversity and growth.

A summary of current remuneration arrangements for the Executive Directors is set out below:

Area of Responsibility	Item	Description	Policy
Base Salary	› Reflects individual's experience and role within the Group › Reward for performance of day-to-day activities	› Fixed element of the remuneration package › Paid in cash on a monthly basis	› Typically positioned at the median of the identified comparator Group
Short-term Incentive	› Incentivise executives to achieve specific, predetermined goals during the financial year	› Variable component of remuneration › Paid annually in cash	› Determined by the Committee after year-end, based on performance against the pre-determined financial and non-financial metrics
Long-Term Incentive Plan	› Drive and reward delivery of sustained long-term total shareholder return ('TSR') performance aligned to the interests of shareholders	› Variable long-term remuneration element › Performance measured over three years and paid in shares	› Awards of conditional shares made periodically with vesting levels dependent on relative TSR performance at the end of the 36-month performance period
Post employment benefits	› Provide for sustained contribution	› Accrues depending on length of service	› In line with statutory requirements
Benefits in kind	› To provide market competitive benefits	› Non-monetary in nature	› In line with local market practices

Remuneration Policy for the Senior Management Group

A geography wise approach is followed across the Group in determining the remuneration of key operational and financial heads within the Group (the 'Senior Management Group'). Both variable and fixed components of the remuneration packages for the Senior Management Group are therefore set by reference to local market practice in India and other geographies and in alignment with the Group's strategy.

The remuneration packages of the Senior Management Group comprise:

- A salary for day-to-day performance of duties. This year the average salary increase for members of the Senior Management Group was 23%
- A performance bonus as an incentive to meet yearly targets – 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
- Relevant pension provision and benefits in kind in accordance with local market practices
- Special monetary rewards for the successful integration of M&A activities (applies to certain roles only)

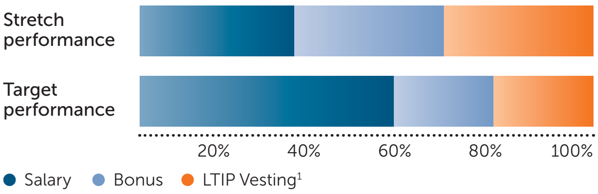
Remuneration Report continued

Remuneration Mix

The total remuneration package is designed to provide an appropriate balance between fixed and variable components with focus on long-term variable pay so that strong performance is incentivised but without encouraging excessive risk taking.

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 pay outs as earned in 2012 and median vesting of LTIP awards ('Target Performance').

Relative split of salary, bonus and LTIP for Executive Directors



1 Share price growth has been ignored.

Base Salary

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 such as housing and other benefits.

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 receive a salary under their Sterlite contract and an annual fee paid to them from the Company to reflect the amount of time they spend on Board business. Details of their salary and fees are shown below.

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

The review in relation to the salaries to be paid to the Executive Directors for 2012 considered a broad range of comparative information and Annual Salary Survey Reports of country of operation.

Details of salary levels for the Executive Directors for 2012 are set out below:

	Vedanta salary from 1 April 2011 (£)	Sterlite salary from 1 April 2011 (INR)	Vedanta salary from 1 April 2012 (£)	Sterlite salary from 1 April 2012 (INR)	Total 2012 (£)[1]	Total 2011 (£)[2]
AK Agarwal (Executive Chairman)	1,404,150	–	1,475,000	–	1,475,000	1,404,150
N Agarwal (Deputy Executive Chairman)	80,000	67,773,600	80,000	75,910,000	1,073,546	1,036,174
MS Mehta (Chief Executive)	80,000	23,040,000	80,000	26,496,000	426,792	405,056

Notes:
1 Exchange rate of INR76.4031 to £1 as at 31 March 2012.
2 Exchange rate of INR70.88 to £1 as at 31 March 2011.

In sterling terms, these salary increases are between 3% and 5%.

The above salaries were set taking into account the Executive Directors' relative positioning against a peer group of UK Listed Mining comparator companies (excluding the largest global stocks which are felt to be too large for pay comparison). The Committee believes this is the most relevant group for benchmarking the main Board executives. In particular it was noted that the competitiveness of the Deputy Chairman and Chief Executive's salaries was heavily impacted by the relative weakening of the Indian rupee during the financial year.

Annual Performance Bonus

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 is non-pensionable.

In determining the actual bonus payments, the Committee takes into consideration such factors as performance related to the Group's financial KPIs, operational performance against budget, safety performance, and performance against industry peers in local as well as global markets. In addition, the Committee believes that the bonus arrangements should neither encourage nor reward inappropriate risk-taking. Specific targets are not disclosed as they would give a clear indication of the Group's business targets which are commercially sensitive.

For the year ended 31 March 2012, the payment of the annual bonus was dependent on business operational performance and projects, including greenfield and expansion projects. In addition it was also 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.

The overall level of performance, as elaborated below, resulted in annual bonus awards in the range of 37% to 40% of base salary. The actual bonus payments received by them are shown in the table on page 91. Key highlights of performance which led to this bonus assessment are set out below.

Operational Performance

- Refined Zinc production was a record 759,000 tonnes, 7% higher than corresponding prior period.
- Mined zinc-lead production was marginally lower at 830,000 tonnes.
- Full year silver production was at a record 35% higher at 7.78 million ounces.
- Iron ore production for the full year was lower at 13.8 million tonnes owing to Karnataka mining ban and discontinuation of Orissa operations.
- Total copper cathode production in India was 326,000 tonnes, 7% higher than the corresponding period. In Zambia it was 8% lower at 200,000 tonnes and the mined metal production at Australia was 23,000 tonnes in line with the prior period.
- The Jharsuguda-I Aluminium smelter has stabilised with most of the key parameters, including power consumption, at normal operating levels. The BALCO-II smelter operated at its rated capacity for the full year.
- The 1mtpa Lanjigarh Alumina refinery has been operating near its rated capacity, and its Alumina production was 31% higher at 928,000 tonnes for the full year.
- The first metal tapping from the 325ktpa BALCO-III Aluminium smelter is expected by Q3 FY 2012-13. The first 300MW unit of the 1,200MW captive power plant at BALCO will be synchronised in the current quarter.
- Power sales were 6,544 million units during full year, as compared with 1,879 million units during the corresponding prior period, as the three new 600MW units of the Jharsuguda 2,400MW power plant come into operation. During the last quarter, Unit-3 started commercial production and Unit-4 was synchronised.
- Work at the 1,980MW power project at Talwandi Sabo is progressing well and the first 660MW unit is on track for synchronization in Q4 FY 2012–13. The 150MW wind power expansion at HZL was completed during the quarter, taking our wind power generation capacity to around 274MW.
- Significant early progress made on the integration of Cairn India following its acquisition in December 2011. For example, the gross Oil production from operating units was 160,635bopd during the full year, as compared with 135,811bopd during the corresponding prior period. This was higher due to the ramp-up of Rajasthan operations during the year, including commencement of oil production at Bhagyam, the second largest field in the Rajasthan block.

Remuneration Report continued

Long-Term Incentive Plan ('LTIP')

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 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 wider management team. 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

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.

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

The information to enable this calculation to be carried out on behalf of the Committee is provided by Ernst & Young LLP.

As the majority of the Group's employees are domiciled in India and Africa, the Remuneration Committee has to be cognisant of relevant local market practice in order to be sure of retaining high calibre employees in that market. The most common form of long-term incentive in India is an executive share option scheme in which a certain percentage of options vest every year, and with options vesting fully (100%) over three to four years (often not subject to any performance conditions). However, no awards vest under the Vedanta LTIP before three years. In addition, LTIP awards vest subject to the relative TSR performance condition described above. Considering the multiplicity of factors (including vesting term duration, the use of a pre-vest condition that measures performance relative to peer group companies and the relatively modest maximum award level under the LTIP 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 continues to monitor the appropriateness of this approach and may, for the benefit of the LTIP awardees at large (excluding EDs), improve the vesting proportion considering the average TSR performance over the 36-month performance period.

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 2012 are shown in the table of Directors' Long-term Incentive Awards on page 91.

LTIP awards are also made to the Senior Management Group and select employees across the Group. The maximum value of awards that can be awarded to the employees is calculated by reference to the average 'CTC' of each grade and individual performance level.

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.

Grant of LTIP awards

During the year, 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 2,862,100 LTIP options to approximately 2,684 employees effective 1 August 2011. The awards ranged from 70% to 165% of annual 'CTC'. In addition, select employees who had joined during the year were also awarded LTIP options in line with terms and conditions of appointment.

Post acquisition of Zinc assets of Anglo Zinc, employees of the erstwhile Anglo Zinc were also covered under Vedanta LTIP scheme in lieu of the performance-based reward scheme of Anglo Zinc effective 1 April 2012 as a good corporate governance practice.

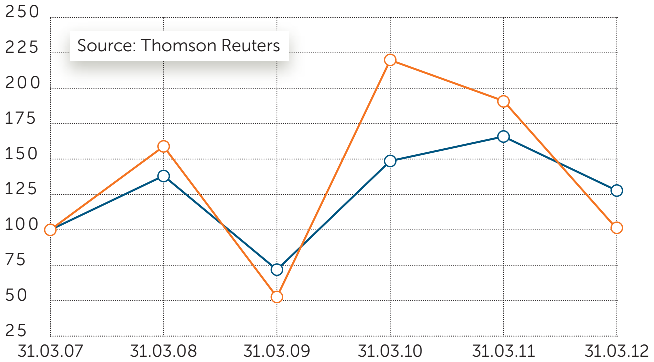
Equity Dilution Resulting from Employee Share Schemes

The dilution limits set out in the rules of the Employee Share Schemes established in December 2003 (including the LTIP) 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 (such as the LTIP) 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 1.55% (2011: 0.75%) of the Company's issued share capital is issuable in respect of outstanding awards under the LTIP.

Total Shareholder Return Performance Graph

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 2007 to 31 March 2012. The FTSE All Share Mining Index was chosen as it is the most relevant to compare the Company's performance against its peers.

Total shareholder return (£)



This graph shows the value, by 31 March 2012, of £100 invested in Vedanta Resources PLC on 31 March 2007 compared with the value of £100 invested in the FTSE All Share Mining Index. The other points plotted are the values at intervening financial year-ends.

— Vedanta Resources plc — FTSE All Share Mining Index

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 or salary in lieu thereof.

Mr Mahendra Singh Mehta has a letter of appointment with Vedanta and a service contract with Sterlite which expires on 31 December 2013, with a notice period of three months or salary in lieu thereof.

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.

Executive Directors' Service Contract Details

	Date of contract	Notice period	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
Mr MS Mehta	1 October 2008	3 months	Until 31 December 2013

Remuneration Report continued

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.

Non-Executive Directors
Non-Executive Directors' Fees
The Board is responsible for setting policy in relation to the Non-Executive Directors' fees and reviews them periodically. General policy is to provide fees in line with market practice for similar Non-Executive Director roles in international mining groups. Fees paid to the Non-Executive Directors also take 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. The last review was carried out in 2010 at which time it was agreed that the fees would be frozen for a period of three years. Mr Aman Mehta and Mr Naresh Chandra are also paid a salary of US$125,000 each from a subsidiary of Cairn India Limited and a sitting fee of INR2,40,000 each from Cairn India Limited.

Non-Executive Directors' fees payable for chairing or being a member of a Board committee are as follows:
1. Base fee, £80,000
2. Audit Committee Chairman, £20,000
3. Member of Audit Committee, £7,500
4. Remuneration Committee Chairman, £17,500
5. Member of Remuneration Committee, £7,500
6. Member of Nominations Committee, £5,000
7. Sustainability Committee Chairman, £20,000
8. Senior Independent Director fee, £10,000

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 appointment as a Director	Date of current letter of appointment	Notice period	Expiry of present term (subject to annual re-election)
N Chandra[1]	18 May 2004	1 June 2011	3 months	Until 31 May 2012
A Mehta	24 November 2004	24 November 2009	3 months	Until 23 November 2013
ER Macdonald	23 March 2005	23 March 2011	3 months	Until 22 March 2013

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

Information on Director's shareholdings
Shareholding Guidelines
There are at present no formal shareholding guidelines for the Executive Directors. The Remuneration Committee believes formal guidelines are not necessary at this time due to the existing holdings held by the Executive Directors and participation in the LTIP which encourages share ownership. Shareholding guidelines may be introduced at a future date if this is felt to be appropriate.

Directors' Interests in Ordinary Shares
The interests of the Directors (which are beneficial unless otherwise stated) in ordinary shares at 31 March 2012 were:

	As at 1 April 2011	As at 31 March 2012
AK Agarwal[1]	162,250,000	167,953,056[2]
AK Agarwal[3]	72,400	87,240
N Agarwal[1]	213,360	223,160
MS Mehta	31,521	41,857
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 Agarwal's holding of 167,953,056 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 15 May 2012.

(Audited Information)

Directors' Remuneration for the Year Ended 31 March 2012

The following table sets out an analysis of the pre-tax remuneration for the year ended 31 March 2012 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	Total 2012 £000	Total 2011 £000
Executive Directors							
AK Agarwal[1]	1,404	–	–	550	56	2,010	1,731
N Agarwal[2]	80	844	141	376	41	1,482	1,369
M S Mehta[3]	80	297	29	139	4	550	483
Non-Executive Directors							
N Chandra[4]	140	27	–	–	–	167	140
A Mehta[4]	112	27	–	–	–	139	111
ER Macdonald	100	–	–	–	–	100	100
Total	**1,916**	**1,195**	**170**	**1,065**	**101**	**4,448**	**3,933**

Notes:
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, club membership, and use of car and driver.
3 Mr MS Mehta's benefits in kind include use of car and driver.
4 Salary paid by subsidiary of Cairn India Limited post it became Vedanta subsidiary.

Directors' Long-Term Incentive Plan Awards

	Option granted	Exercise price (US cents)	1 Apr 11	Movements during the year: Grants	Movements during the year: Exercised	Movements during the year: Lapsed due to perfor-mance condition	31 Mar 12	Earliest/ latest exercise dates	Date award exercised	Market price at exercise £	Market price at grant £	Aggregate gain on exercise £
AK Agarwal	1 Aug 09	0.1	60,000				60,000	1 Aug 12 -1 Jan 13	–	–	17.64	–
	1 Aug 11	0.1		73,500			73,500	1 Aug 14 -1 Jan 15	–	–	17.20	–
N Agarwal	1 Aug 09	0.1	40,000	–			40,000	1 Aug 12 -1 Jan 13	–	–	17.64	–
	1 Aug 11	0.1		57,500			57,500	1 Aug 14 -1 Jan 15	–	–	17.20	–
MS Mehta	1 Aug 09	0.1	17,500	–			17,500	1 Aug 12 -1 Jan 13	–	–	17.64	–
	1 Aug 11	0.1		21,000			21,000	1 Aug 14 -1 Jan 15	–	–	17.20	–

The mid-market price of the shares at 31 March 2012 was 1,228 pence and from 1 April 2011 to 31 March 2012, the share price varied between 895.78 pence and 2,600.00 pence

This Remuneration Report was approved by the Board on 16 May 2012 and signed on behalf of the Board of Directors by:

Naresh Chandra
Chairman of the Remuneration Committee
16 May 2012

The Directors' Report

Purpose of the Directors' Report

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 2012.

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 listed on the London Stock Exchange, it 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.

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 , Australia, Namibia, South Africa, Liberia and Ireland. The major metals produced are aluminium, copper, zinc, lead, silver and iron ore. The Group is also developing a commercial power generation business. The Group recently entered into the oil and gas sector after completing an acquisition of a controlling stake in Cairn India Limited. 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 of the Group may be found in Note 41 to the financial statements.

Business Review

The Business 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 Business Review is comprised of the Overview, Strategy and Performance sections within this annual report on pages 2 to 38.

Specifically, 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	Strategy section	24
Description of the principal risks and uncertainties facing the Group	Strategy section	26
Strategy	Chairman's Statement and Strategy section	7 & 14
Future developments	Market Overview	10
Review of operations	Operational Review	38
Financial Review	Financial Review	32
Environmental matters	Contained within separate Sustainable Development Report	
Health and safety matters	Contained within separate Sustainable Development Report	
Community issues	Contained within separate Sustainable Development Report	

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 DTR7.2.5 and DTR7.2.7 may be found in the Corporate Governance Report on pages 62 to 68. Information referred to in DTR7.2.6 is located in this Directors' Report.

Important Events Subsequent to the Year End

Events since the balance sheet date are summarised in Note 40 on page 162 of the financial statements.

Dividends
The Directors recommend a final dividend for the year ended 31 March 2012 of 35.0 US cents per ordinary share (2011: 32.5 US cents per ordinary share). Subject to shareholders approving this recommendation at the Annual General Meeting on 28 August 2012, the final dividend will be paid on 5 September 2012 to shareholders on the register of members as at 17 August 2012.

Taken together with the interim dividend of 20.0 US cents per ordinary share paid to shareholders on 15 December 2011, the total dividend for the year is 55.0 US cents per ordinary share (2011: 52.5 US cents per ordinary share).

Directors
The names, specific responsibilities and biographical details of the current Board of Directors are shown on pages 58 to 59 and details of the Directors who held office during the year ended 31 March 2012 are shown in the Corporate Governance Report on page 64. 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 83 to 91.

Appointment and Replacement of Directors
The Company's Articles of Association specify that the minimum number of Directors of the Company, unless determined by ordinary resolution, shall be two. There is no limit on the maximum number of Directors. The Company or the Board may appoint any person to be a Director. Any Director appointed by the Board shall hold office only until the next general meeting and is then eligible for election by the shareholders. The Articles specify that at least 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 reappointment. However, in accordance with the requirements of the UK Corporate Governance Code all of the Directors will retire at the forthcoming Annual General Meeting and being eligible will offer themselves for re-election.

Powers of the Directors
Subject to the provisions of the Companies Acts and the Articles of Association and to any directions given by special resolution, the business of the Company is to be managed by the Board which may exercise all the powers of the Company.

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.

Charitable Donations
During the year, the Group made charitable donations of a total of US$3.12 million (2011: US$3.03 million). US$2.31 million was paid to the Vedanta Foundation (2011: US$1.68 million) and other charitable donations of US$0.81 million (2011: US$1.35 million) were made.

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

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$2.01 million (2011: US$0.02 million) either through a trust or directly in respect of the Indian general election. The Board believes that supporting the political process in India will encourage and strengthen the democratic process.

Supplier Payment Policy
The 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 2012 were 30 days (2011: 42 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.

The 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 18 June 2012, 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[1]
Volcan Investments Ltd	167,953,056	56.57%
Chase Nominees Ltd	8,996,515	3.03%

1 The voting rights at 31 March 2012 were 265,733,940 ordinary shares (net of treasury shares and shares held in GDR).

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
The Articles may be amended by only by special resolution passed by the Company's shareholders.

Share Capital
As at 31 March 2012 the issued share capital of the Company was comprised of 296,908,045 ordinary shares of US$0.10 each and 50,000 deferred shares of £1 each.

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 33 of the financial statements.

6,904,995 ordinary shares of US10 cents each were issued on the conversion of certain convertible bonds issued by one of the company's subsidiaries. These 6,904,995 ordinary shares are held through a global depository receipt and carry no voting rights. Apart from the above, 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 33 of the financial statements.

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.

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 directly held by the Company are not entitled to receive a 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.

Purchase of the Company's Own Shares

At the end of the year, the Directors had authority, under a shareholders' resolution dated 27 July 2011, 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 2012 or on 1 October 2012, whichever is the earlier. A resolution to obtain a further authority will be proposed at the 2012 Annual General Meeting.

During the year the Company did not purchase any shares under its previously announced share buyback programme.

As at 31 March 2012 the Company held a total of 24,206,816 ordinary shares in treasury equal to 8.15% 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. The following are considered to be significant in terms of their likely impact on the business of the Group as a whole:

1. 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, where a change of control gives investors the option to require the issuer to redeem their bonds at the principal amount, together with any accrued and unpaid interest, or convert their bonds at an adjusted exchange price for a certain period following the relevant event.
2. The US$500 million 8.75% bonds due 2014 and US$750 million 9.5% bonds due 2018, where a change of control requires the Company to make an offer to purchase all of the outstanding bonds at 101% of the principal amount together with any accrued and unpaid interest with a rating decline.
3. The US$1 billion and US$373 million syndicated loan and US$200 million loan from ICICI Bank UK plc, where a change of control gives the majority lenders the right to declare the loans immediately payable.
4. In Cairn Financing where a change of control gives the majority lenders the right to declare the loans immediately payable.

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.

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

In accordance with section 418 of the Companies Act 2006, each Director who held office at the date of approval of this Directors' Report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have 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.

Reappointment of Auditors

A resolution to reappoint the auditors, Deloitte LLP, will be proposed at the forthcoming Annual General Meeting. The reappointment of Deloitte LLP has been approved by the Audit Committee, which will also be responsible for determining the auditors' 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 27 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 6 to 57. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review on pages 32 to 37. In addition Note 27 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$2,897 million, together with cash and liquid investments of US$6,885 million as at 31 March 2012, are expected to be sufficient to meet the ongoing capital investment programme and liquidity requirement of the Group in the foreseeable future.

The Directors' Report continued

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 BB+ 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 gearing 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 ninth Annual General Meeting of the Company will be held on 28 August 2012 at 3pm. The Notice convening the Annual General Meeting accompanies this Annual Report and sets out details of the business to be considered.

Signed on behalf of the Board

Deepak Kumar
Company Secretary
16 May 2012

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

Registered in England Number 4740415

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law 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 the 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, International Accounting Standard 1 requires that Directors:

> properly select and apply accounting policies;
> present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
> 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 that 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.

By order of the Board

MS Mehta
Chief Executive Officer

DD Jalan
Chief Financial Officer
16 May 2012

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

We have audited the financial statements of Vedanta Resources plc for the year ended 31 March 2012 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 42. 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 auditor's 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 Auditor

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 and express an opinion on 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 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 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 group 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;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Other Matter

We have reported separately on the parent company financial statements of Vedanta Resources plc for the year ended 31 March 2012 and on the information in the Directors' Remuneration Report that is described as having been audited.

Andrew Kelly (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
16 May 2012

Consolidated Income Statement

(US$ million except as stated)	Note	Year ended 31 March 2012	Year ended 31 March 2011
Continuing operations			
Revenue	3	14,005.3	11,427.2
Cost of sales		(10,442.0)	(8,107.0)
Gross profit		**3,563.3**	**3,320.2**
Other operating income		85.1	73.9
Distribution costs		(569.0)	(319.6)
Administrative expenses		(461.5)	(376.7)
Special items	5	(230.2)	(163.5)
Operating profit	9	**2,387.7**	**2,534.3**
Share in consolidated profit of associate	36	92.2	–
Investment revenue	6	525.4	431.6
Finance costs	7	(945.7)	(534.7)
Other gains and losses (net)	8	(314.2)	252.1
Profit before taxation		**1,745.4**	**2,683.3**
Tax expense	12	(516.7)	(649.5)
Profit for the year		**1,228.7**	**2,033.8**
Attributable to:			
Equity holders of the parent		59.8	770.8
Non-controlling interests		1,168.9	1,263.0
		1,228.7	**2,033.8**
Basic earnings per ordinary share (US cents)	13	21.9	283.2
Diluted earnings per ordinary share (US cents)	13	21.6	270.2

Consolidated Statement of Comprehensive Income

(US$ million except as stated)	Year ended 31 March 2012	Year ended 31 March 2011
Profit for the year	**1,228.7**	**2,033.8**
Income and expenses recognised directly in equity:		
Exchange differences arising on translation of foreign operations	(1,861.4)	162.6
Change in fair value of available-for-sale financial assets	(86.0)	59.1
Change in fair value of cash flow hedges deferred in reserves	(119.0)	5.4
Tax effects arising on cash flow hedges deferred in reserves	38.5	(1.7)
Total (expense)/income recognised in equity	**(2,027.9)**	**225.4**
Change in fair value of cash flow hedges transferred to income statement	(55.8)	(1.6)
Tax effects arising on cash flow hedges transferred to income statement	18.0	0.5
Total transferred from the income statement	**(37.8)**	**(1.1)**
Total comprehensive (loss)/income for the year	**(837.0)**	**2,258.1**
Attributable to:		
Equity holders of the parent	(843.1)	886.9
Non-controlling interests	6.1	1,371.2

Consolidated Balance Sheet

(US$ million except as stated)	Note	Year ended 31 March 2012	Year ended 31 March 2011
Assets			
Non-current assets			
Goodwill	15	16.6	12.2
Property, plant and equipment[1]	16	34,598.2	17,427.1
Financial asset investments	17	209.6	304.2
Other non-current assets	18	122.3	24.6
Other financial assets (derivatives)	27	22.8	99.4
Deferred tax assets	29	402.8	18.2
		35,372.3	**17,885.7**
Current assets			
Inventories	19	1,704.1	1,924.6
Trade and other receivables[1]	20	1,795.9	1,337.9
Other current financial assets (derivatives)	27	106.8	40.9
Liquid investments	21	4,940.3	6,865.4
Cash and cash equivalents	22	1,945.0	911.6
Current tax assets		70.1	18.6
		10,562.2	**11,099.0**
Total assets		**45,934.5**	**28,984.7**
Liabilities			
Current liabilities			
Short-term borrowings	23	(4,151.6)	(3,045.1)
Trade and other payables	25a	(3,842.9)	(3,407.5)
Other current financial liabilities (derivatives)	27	(101.1)	(9.3)
Retirement benefits	31	(6.7)	–
Provisions	28	(18.1)	(22.8)
Current tax liabilities		(26.8)	(68.2)
		(8,147.2)	**(6,552.9)**
Net current assets		**2,415.0**	**4,546.1**
Non-current liabilities			
Medium and long-term borrowings	23	(10,513.5)	(4,435.9)
Convertible bonds	26	(2,290.3)	(2,271.5)
Trade and other payables	25b	(164.0)	(148.1)
Other financial liabilities (derivatives)	27	(32.1)	(94.2)
Deferred tax liabilities[1]	29	(5,916.7)	(1,358.1)
Retirement benefits	31	(52.3)	(56.8)
Provisions	28	(387.0)	(301.5)
Non-equity non-controlling interests	23	(11.9)	(11.9)
		(19,367.8)	**(8,678.0)**
Total liabilities		**(27,515.0)**	**(15,230.9)**
Net assets		**18,419.5**	**13,753.8**
Equity			
Share capital	33	29.7	29.7
Share premium account		196.8	196.8
Share-based payment reserves	30	39.8	20.5
Convertible bond reserve		382.0	453.3
Hedging reserves		(55.6)	38.2
Other reserves		1,008.5	1,452.4
Treasury shares		(556.9)	(556.9)
Retained earnings		3,606.3	4,014.9
Equity attributable to equity holders of the parent		4,650.6	5,648.9
Non-controlling interests[1]		13,768.9	8,104.9
Total equity		**18,419.5**	**13,753.8**

1 The previous year balance sheet has been restated to give effect to the fair value adjustments to provisional fair values and business combination accounting relating to acquisition of Zinc International entities for the year ending 31 March 2011. Intangible asset of US$162.1 million for the year ending 31 March 2011 has been reclassified as exploratory and evaluation assets within property, plant and equipment during the current year (Note 34).

Financial Statements of Vedanta Resources plc, registration number 4740415 were approved by the Board on 16 May 2012.

MS Mehta
Director

Consolidated Cash Flow Statement

(US$ million except as stated)	Note	Year ended 31 March 2012	Year ended 31 March 2011
Operating activities			
Profit before taxation		**1,745.4**	**2,683.3**
Adjustments for:			
Depreciation & amortisation		1,408.4	869.0
Investment revenue		(525.4)	(431.6)
Finance costs, including other gains and losses		1,259.9	282.6
Profit on disposal of property, plant and equipment		(1.2)	–
Share-based payment charge		20.2	18.4
Share of profit in associate		(92.2)	–
Impairment of asset		–	118.3
Other non-cash items		15.5	(7.7)
Operating cash flows before movements in working capital		**3,830.6**	**3,532.3**
Decrease/(increase) in inventories		48.6	(534.5)
Increase in receivables		(28.9)	(398.5)
(Decrease)/increase in payables		(286.9)	585.7
Cash generated from operations		**3,563.4**	**3,185.0**
Dividends received		82.7	160.4
Interest income received		401.1	194.7
Interest paid		(1,008.0)	(625.7)
Income taxes paid		(915.8)	(756.5)
Dividends paid		(144.0)	(129.9)
Net cash from operating activities		**1,979.4**	**2,028.0**
Cash flows from investing activities			
Net cash on acquisition of subsidiaries[1]	34	(8,017.4)	(1,124.4)
Purchases of property, plant and equipment		(2,796.4)	(2,491.4)
Proceeds on disposal of property, plant and equipment		23.6	28.3
Sale of liquid investments	24	2,354.1	178.4
Purchase of financial asset investments		(3.9)	(25.9)
Net cash used in investing activities		**(8,440.0)**	**(3,435.0)**
Cash flows from financing activities			
Issue of ordinary shares		–	0.1
Dividends paid to non-controlling interests of subsidiaries		(219.7)	(87.4)
Buyback of shares		–	(128.0)
Buy out of non-controlling interest		(60.3)	(122.1)
Increase in short-term borrowings	24	981.8	1,863.2
Proceeds from long-term borrowings	24	6,833.9	847.8
Repayment of long-term borrowings	24	(570.4)	(686.2)
Net cash from financing activities		**6,965.3**	**1,687.4**
Net increase in cash and cash equivalents	24	504.7	280.4
Effect of foreign exchange rate changes	24	528.7	241.2
Cash and cash equivalents at beginning of year		911.6	390.0
Cash and cash equivalents at end of year	22	**1,945.0**	**911.6**

1 Year ended 31 March 2011 includes cash paid for acquisition of US$1,513 million, settlement of shareholder's loan of US$87.7 million and cash acquired on acquisition of US$476.3 million.

Year ended 31 March 2012 includes cash paid for acquisition of US$8,683 million and cash acquired on acquisition of US$665.8 million.

Consolidated Statement of Changes in Equity

(US$ million)	Share capital	Share premium	Treasury Shares	Share-based payment reserves	Convertible bond reserve	Hedging reserve	Other reserves	Retained earnings	Total	Non-controlling Interests	Total equity
	Attributable to equity holders of the Company										
At 1 April 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**
Total comprehensive income for the period	–	–	–	–	–	10.4	105.7	770.8	886.9	1,371.2	2,258.1
Acquisition of subsidiary*	–	–	–	–	–	–	–	–	–	74.8	74.8
Issue of convertible bond	–	–	–	–	211.6	–	–	–	211.6	–	211.6
Conversion of convertible bond (Note 26)	–	–	–	–	–	–	–	163.6	163.6	55.0	218.6
Merger of subsidiaries	–	–	–	–	–	–	–	(21.4)	(21.4)	21.4	–
Convertible bond transfers	–	–	–	–	(64.2)	–	–	64.2	–	–	–
Transfers[2]	–	–	–	–	–	–	(1,117.1)	1,117.1	–	–	–
Dividends paid	–	–	–	–	–	–	–	(129.9)	(129.9)	(87.4)	(217.3)
Exercise of LTIP/ STIP awards	0.1	–	–	(23.4)	–	–	–	23.4	0.1	–	0.1
Purchase of Treasury Shares[3]	–	–	(128.0)	–	–	–	–	–	(128.0)	–	(128.0)
Additional investment in subsidiaries	–	–	–	–	–	–	–	(62.9)	(62.9)	(59.2)	(122.1)
Recognition of share-based payment (note 30)	–	–	–	18.4	–	–	–	–	18.4	–	18.4
At 31 March 2011	**29.7**	**196.8**	**(556.9)**	**20.5**	**453.3**	**38.2**	**1,452.4**	**4,014.9**	**5,648.9**	**8,104.9**	**13,753.8**

* Provisional fair value of assets and liabilities acquired during the year ended 31 March 2011 have been finalised during the measurement period and its consequent effect is given to non-controlling interest (Note 34).

(US$ million)	Share capital	Share premium	Treasury Shares	Share-based payment reserves	Convertible bond reserve	Hedging reserve	Other reserves	Retained earnings	Total	Non-controlling Interests	Total equity
	Attributable to equity holders of the Company										
At 1 April 2011	**29.7**	**196.8**	**(556.9)**	**20.5**	**453.3**	**38.2**	**1,452.4**	**4,014.9**	**5,648.9**	**8,104.9**	**13,753.8**
Total comprehensive income for the period	–	–	–	–	–	(93.8)	(809.1)	59.8	(843.1)	6.1	(837.0)
Acquisition of subsidiary	–	–	–	–	–	–	–	–	–	5,906.5	5,906.5
Inter-Group transfers[4]	–	–	–	–	–	–	(22.2)	6.4	(15.8)	15.8	–
Convertible bond transfers	–	–	–	–	(71.3)	–	–	71.3	–	–	–
Transfers[2]	–	–	–	–	–	–	387.4	(387.4)	–	–	–
Dividends paid	–	–	–	–	–	–	–	(144.0)	(144.0)	(219.7)	(363.7)
Exercise of LTIP/ STIP awards	–	–	–	(0.9)	–	–	–	0.9	–	–	–
Additional Investment in subsidiaries	–	–	–	–	–	–	–	(15.6)	(15.6)	(44.7)	(60.3)
Recognition of share-based payment (note 30)	–	–	–	20.2	–	–	–	–	20.2	–	20.2
At 31 March 2012	**29.7**	**196.8**	**(556.9)**	**39.8**	**382.0**	**(55.6)**	**1,008.5**	**3,606.3**	**4,650.6**	**13,768.9**	**18,419.5**

Consolidated Statement of Changes in Equity
continued

Other reserves[1] comprise:

(US$ million)	Currency translation reserve	Merger reserve	Investment revaluation reserve	General reserves	Total
At 1 April 2010	**(120.7)**	**4.4**	**98.4**	**2,481.7**	**2,463.8**
Exchange differences on translation of foreign operations	46.6	–	–	–	46.6
Revaluation of available-for-sale investments	–	–	59.1	–	59.1
Transfer from retained earnings[2]	–	–	–	(1,117.1)	(1,117.1)
At 31 March 2011	**(74.1)**	**4.4**	**157.5**	**1,364.6**	**1,452.4**
Exchange differences on translation of foreign operations	(717.3)	–	–	–	(717.3)
Inter-Group transfers[4]	–	–	(22.2)	–	(22.2)
Revaluation of available-for-sale investments	–	–	(91.8)	–	(91.8)
Transfer from retained earnings[2]	–	–	–	387.4	387.4
At 31 March 2012	**(791.4)**	**4.4**	**43.5**	**1,752.0**	**1,008.5**

1 Other reserves comprise the currency translation reserve, merger reserve, investment revaluation reserve and the general reserves established in the statutory accounts of the Group's Indian subsidiaries. General reserves also includes US$20.9 million of debenture redemption reserve.
2 Under Indian law, a general reserve is created through an annual transfer of net income at a specified percentage in accordance with applicable regulations. The purpose of these transfers is to ensure that the total dividend distribution is less than the total distributable results for that year.
3 Includes buy back of US$66.4 million made by an independent company Gorey Investments Ltd., funded by a wholly-owned subsidiary of Vedanta.
4 During the year the shareholding in Lakomosko BV, a Group company and 100% subsidiary of the Company was transferred to THL Zinc Holdings BV, a Group company and 58.02% subsidiary of the Company as on 31 March 2012.

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 International Financial Reporting Standards ('IFRS'), Article 4 of the IAS Regulation and 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 consolidated financial statements are presented in US dollars and all values are rounded to one decimal of 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:

- IAS 1 (amended) – Financial statement presentation-presentation of items of other comprehensive income
- IAS 12 (amended) – Deferred Tax: Recovery of underlying assets
- IAS 19 (revised) – Employee benefits
- IAS 27 (revised) – Separate financial statements
- IAS 28 (revised) – Investments in associates and joint ventures
- IAS 32 – Offsetting financial assets and financial liabilities
- IFRS 7 (amended) – Financial instruments: Disclosures
- IFRS 9 – Financial instruments
- IFRS 10 – Consolidated financial statements
- IFRS 11 – Joint arrangements
- IFRS 12 – Disclosures of interests in other entities
- IFRS 13 – Fair value measurement
- IFRIC 20 – Stripping costs in the production phase of a surface mine

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 9 Financial Instruments and IFRIC 20 Stripping costs in the production phase of a surface mine. We have not yet considered the quantitative impact of adoption of IFRS 9 and IFRIC 20.

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 43.

2(a) Accounting Policies

Basis of Consolidation

Subsidiaries:

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. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with accounting policies used by the Group.

For non-wholly owned subsidiaries, a share of the profit for the financial year and net assets is attributed to the non-controlling interests as shown in the consolidated income statement and consolidated balance sheet.

For acquisitions of additional interests in subsidiaries, where there is no change in control, the Group recognises a reduction to the non-controlling 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 non-controlling interests the difference between the cash received from sale or listing of the subsidiary shares and the increase to non-controlling interest is also recognised in equity. The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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.

Notes to the Consolidated Financial Statements continued

2(a) Accounting Policies continued

Joint Ventures:
A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control such that significant operating and financial decisions require the unanimous consent of the parties sharing control. The Group has:

› Jointly controlled assets ('JCAs'): The Group in its oil and gas business participates in several unincorporated joint ventures which involve the joint control of assets used in oil and gas exploration and producing activities. The Group accounts for its share of assets, liabilities, income and expenditure of joint ventures in which the Group holds an interest, classified in the appropriate balance sheet and income statement headings. In addition, where the Group acts as operator to the joint venture, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint venture are included in the Group balance sheet.

Restatement
The prior year balance sheet has been restated to give effect to the fair value adjustments to provisional fair values and business combination accounting relating to acquisition of Zinc International entities for the year ending 31 March 2011 (Note 34).

Adoption of New and Revised Standards
In the Current Financial Period the Group Has Adopted the Following New Standards:
The Group has adopted with effect from 1 April 2011, the following new and revised standards and interpretations. Their adoption has not had any impact on the amounts reported in the financial statements.

IAS 24 (2009) Related Party Disclosures – The revised standard has a new, clearer definition of a related party. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

Amendments to IFRIC 14 Prepayments of a minimum funding requirement – The amendments now enable recognition of an asset in the form of prepaid minimum funding contributions. The adoption has no effect on the financial position or performance of the Group.

Other amendments to accounting standards or new interpretations issued by the International Accounting Standards Board, which were applicable from 1 April 2011, do not have an impact on the Group.

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.

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.

Crude oil prices are based on Brent index. Revenue from oil, gas and condensate sales represent the Group's share of oil, gas and condensate production, recognised on a direct entitlement basis, and tariff income received for third party use of operating facilities and pipelines in accordance with agreements.

Revenue from holding certificate contracts is recognised when goods have been delivered to a distribution warehouse or has been identified and kept separately, have been inspected by a nominee of the buyer and cash has been received. Under these arrangements, revenue is recognised once legal title has passed and 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.

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.

2(a) Accounting Policies continued

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 (revised 2008) Business Combinations are recognised at their fair value at the acquisition date.

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'. To the extent that such excess purchase consideration relates to the acquisition of oil and gas properties, that amount is capitalised within property, plant and equipment as 'exploratory and evaluation assets'. 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 non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholder's proportion of the net assets or proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. This accounting choice is made on a transaction-by-transaction basis.

Acquisition expenses are charged to the income statement in line with IFRS 3 (revised 2008).

Property, Plant and Equipment

Relating to Mineral Assets – 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 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 costs on blasting, haulage, excavation, etc, incurred during the production stage of an ore body are charged to the income statement immediately.

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 as defined by the 'JORC' Code and 'SAMREC' Code. Changes in the commercial reserves affecting unit of production calculations are dealt with prospectively over the revised remaining reserves.

Relating to Oil and Gas Assets – Exploration & Evaluation Assets and Developing/Producing Assets

For oil and gas assets we follow successful efforts based accounting policy. Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the income statement. Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence-by-licence basis. Costs are held, un-depleted, within exploration and evaluation assets until such time as the exploration phase on the licence area is complete or commercial reserves have been discovered.

Exploration expenditure incurred in the process of determining oil and gas exploration targets is capitalised initially within property, plant and equipment – exploration and evaluation assets and subsequently allocated to drilling activities. Exploration drilling costs are initially capitalised on a well-by-well basis until the success or otherwise of the well has been established. The success or failure of each exploration effort is judged on a well-by-well basis. Drilling costs are written off on completion of a well unless the results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercial.

Notes to the Consolidated Financial Statements continued

2(a) Accounting Policies continued

Following appraisal of successful exploration wells, if commercial reserves are established and technical feasibility for extraction demonstrated, then the related capitalised exploration costs are transferred into a single field cost centre within property, plant and equipment – development/producing assets after testing for impairment. Where results of exploration drilling indicate the presence of hydrocarbons which are ultimately not considered commercially viable, all related costs are written off to the income statement.

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons has been demonstrated are capitalised within property, plant and equipment – development/producing assets on a field-by-field basis. Subsequent expenditure is capitalised only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset. Any remaining costs associated with the part replaced are expensed.

Net proceeds from any disposal of an exploration asset are initially credited against the previously capitalised costs. Any surplus proceeds are credited to the income statement. Net proceeds from any disposal of development/producing assets are credited against the previously capitalised cost. A gain or loss on disposal of a development/producing asset is recognised in the income statement to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

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 charged to the income statement in the period in which the costs are incurred. Major shut-down and overhaul expenditure is capitalised as the activities undertaken improve the economic benefits expected to arise from the asset.

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. Revenue generated from production during the trial period is capitalised. Borrowing costs and certain foreign exchange gains or losses are in certain circumstances capitalised in the cost of the asset under construction. This policy is set out under 'Borrowing Costs'.

Depreciation and Amortisation

Mining properties and other assets in the course of development or construction, freehold land and goodwill are not depreciated or amortised. 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.

Relating to Oil and Gas Assets

All expenditure carried within each field is amortised from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, generally on a field-by-field basis or group of fields which are reliant on common infrastructure.

Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50% statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50% statistical probability that it will be less.

Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs required to access commercial reserves. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

2(a) Accounting Policies continued

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	10–30 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 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, oil and gas assets, 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.

Non-current Assets Held for Sale and Discontinued Operations

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when a sale is highly probable from the date of classification, management are committed to the sale and the asset is available for immediate sale in its present condition. Non-current assets are classified as held for sale from the date these conditions are met and are measured at the lower of carrying amount and fair value (less costs to sell). Any resulting impairment loss is recognised in the income statement as a special item. On classification as held for sale the assets are no longer depreciated.

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.

Notes to the Consolidated Financial Statements continued

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 a 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 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; and
- 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 upon a specific entity and the relevant Group entity intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is provided on temporary differences arising on acquisitions that are categorised as Business Combinations. Deferred tax is recognised at acquisition as part of the assessment of the fair value of assets and liabilities acquired. Any deferred tax is charged or credited in the income statement as the underlying temporary difference is reversed.

Retirement Benefit Schemes

The Group operates or participates in a number of defined benefits and contribution schemes, the assets of which are (where funded) held in separately administered funds.

For defined benefit schemes 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.

2(a) Accounting Policies continued

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.

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 or oil fields. 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.

Operating 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.

Finance Leases

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

The Group has reviewed the terms and conditions of the lease arrangements and determined that all risks and rewards of ownership lie with the Group and has therefore accounted for the contracts as finance leases.

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 and Cairn 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 the 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 entities with a different functional currency to the Company's functional currency, the deferred cumulative exchange differences recognised in equity relating to that particular operation would be recognised in the income statement.

Notes to the Consolidated Financial Statements continued

2(a) Accounting Policies continued

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.

Investments in equity instruments 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.
› 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.

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.

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.

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.

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 date 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.

The deferred tax effect arising on the movement in the fair value of the embedded derivative is provided in the income statement.

2(a) Accounting Policies continued

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 in accordance with the Group policy which is 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.

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

Available for Sale Financial Assets

Listed equity shares and debt instruments held by the Group that are traded in an active market are classified as being available for sale ('AFS') financial assets and are stated at 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. Dividends received from investees accounted for as equity instruments are recognised in income statement when the Group receives the dividends.

Held for Trading Financial Assets

Financial assets are classified as held for trading if they have been acquired principally for the purpose of selling in the near term. The change in fair value of trading investments incorporates any dividend and interest earned on the held for trading investments and is accounted for in the income statement.

Held-to-maturity Financial Assets

Financial instruments with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method.

Derivative Financial Instruments

In order to hedge its exposure to foreign exchange, interest rate and commodity price risks, the Group enters into forward contracts, option contracts, 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.

Hedge Accounting

The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. 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.

The gain or loss on hedging instruments relating to the effective portion of a net investment hedge is recognised in equity. The ineffective portion is recognised immediately in the income statement. Gains or losses accumulated in the equity are included in the income statement on disposal of the foreign operations to which they relate.

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.

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.

Notes to the Consolidated Financial Statements continued

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:

Oil and Gas Reserves
Oil and gas reserves are estimated on a proved and probable entitlement interest basis. Proven and probable reserves are estimated using standard recognised evaluation techniques. The estimate is reviewed at least twice annually and is regularly reviewed by independent consultants. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

Net entitlement reserves estimates are subsequently calculated using the Group's current oil price and cost recovery assumptions, in line with the relevant agreements.

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.

Carrying Value of Exploration and Evaluation Fixed Assets
Where a project is sufficiently advanced the recoverability of exploration assets are assessed by comparing the carrying value to internal and operator estimates of the net present value of projects. Exploration assets are inherently judgemental to value and further details on the accounting policy is included in accounting note above. The amounts for exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain.

Carrying Value of Developing/Producing Oil and Gas Assets
Management perform impairment tests on the Group's developing/producing oil and gas assets at least annually with reference to indicators in IAS 36. Key assumptions in the impairment models relate to prices that are based on forward curves for two years and the long-term corporate assumptions thereafter and discount rates that are risked to reflect conditions specific to individual assets.

Other key assumptions in the impairment models based on management expectations are that government approval will be received to further increase production rates and that the Enhanced Oil Recovery programme will be successfully implemented.

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 thus impact the carrying values of mining properties and leases and environmental and restoration provisions.

Useful Economic Lives and Impairment of Other Assets
Property, plant and equipment other than mining properties, oil and gas 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 are taken into consideration. The carrying value of the assets of a cash generating unit ('CGU') 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 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.

Assessment of Impairment at Lanjigarh Refinery
As set out in the risks and uncertainties section of this Annual Report, the planned operation of the Lanjigarh Refinery is subject to a number of legal proceedings. It has been assessed that there is no impairment of the Lanjigarh Refinery on 31 March 2012 based on the assumptions set out below:
› The State of Orissa has abundant bauxite reserves and under the terms of its MOU with the State Government of Orissa, management is confident that bauxite will be made available in the short to medium term.
› On the continued operation and planned refinery expansion, management is confident that the conditions for construction of the alumina refinery will be fulfilled, and expect the approval for the same in due course.

2(b) Critical Accounting Judgement and Estimation Uncertainty continued

Should one or both of these assumptions not be borne out, a reassessment of the impairment of the Refinery would need to be made. Carrying value as at 31 March 2012 is US$1,519.6 million.

Assessment of Impairment at Tuticorin

During the year ended 31 March 2011, the Group was ordered to close the Tuticorin smelter pursuant to an order from the Madras High Court. The Group has been successful in obtaining stay orders to allow the continued operation of the smelter while an appeal is heard in the Supreme Court. Carrying value as at 31 March 2012 is US$162 million.

Management is confident that they have complied with the environmental regulations and that they will be permitted to continue operating the Tuticorin smelter in the long term. Accordingly, they have concluded that no impairment of the asset is required.

Assessment of Impairment of Karnataka Mines at Sesa Goa

From July 2011 a mining ban was imposed in various parts of the state of Karnataka thereby affecting the Narrain mine owned and operated by Sesa Goa which has a carrying cost of US$314.1 million.

Since the time of the ban the Central Empowered Committee appointed to submit its report in respect of illegal mining has recommended that operations only recommence after reclamation and rehabilitation works are undertaken by the Company, together with a penalty of approximately US$6 million.

Management is confident that having complied with the recommendation of the Central Empowered Committee the ban will be lifted and the Company will be permitted to continue operations.

Accordingly, they have concluded that no impairment of the asset is required.

Restoration, Rehabilitation and Environmental Costs

Provision is made for costs associated with restoration and rehabilitation of mining sites and oil fields 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 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.

Management estimated that restoration, rehabilitation and environmental costs related to the Rajasthan licence area are expected to be incurred in 2040 despite the Production Sharing Agreement expiring in 2020. The present values of these costs have been accounted for on this basis.

Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work that result from changes in the estimated timing or amount of the cash flow or a change in the discount rate are added to or deducted from the cost of the related asset in the current period. If a change in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the income statement. Management uses its judgement and experience to provide for and amortise these estimated costs over the life of the mine.

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. In Namibia, South Africa and Ireland appropriate provision has been made in accordance with the local regulatory requirements.

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.

Notes to the Consolidated Financial Statements continued

2(b) Critical Accounting Judgement and Estimation Uncertainty continued

The HZL and BALCO Call Option

The Group had exercised its call option to acquire the remaining 49% interest in BALCO and 29.5% interest in HZL. The Government of India has however, contested the validity of the options and disputed its valuation (details set out in Note 39). In view of the lack of resolution on the options, the non-response to the exercise and valuation request from the Government of India, the resultant uncertainty surrounding the potential transaction and the valuation of the consideration payable, the Group could not reliably measure the value. The call options has thus has not been recognised in the financial statements.

Contingencies and Commitments

In the normal course of business, contingent liabilities may arise from litigation and other claims against the Company. Where it is management's assessment that the outcome cannot be reliably quantified or is uncertain the claims are disclosed as contingent liabilities unless the likelihood of an adverse outcome is remote. 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. These are set out in Note 37.

3. Segment Information

The Group's primary format for segmental reporting is based on business segments. The business segments consist of zinc, iron ore, copper, aluminium, power and oil and gas with residual components being reported as 'Others'. 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:

- Zinc-India
- Zinc-International
- Iron Ore
- Copper-India/Australia
- Copper-Zambia
- Aluminium
- Power
- Oil & gas

The Power segment (previously referred to as the 'Energy' segment) has been reclassified and now comprises power plants at Sterlite Energy, Talwandi Sabo, MALCO and wind power at HZL. The surplus power sold from captive power plants earlier classified under Energy segment is now included in the respective business segments.

In compliance with IFRS 8, this classification was applied from 1 April 2011 and accordingly, comparative information for the year ended 31 March 2011 has been restated for this change.

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.

During the year ended 31 March 2012, Cairn India was acquired whose business includes exploration, development and production of oil and gas. 'Oil & gas' has been categorised as a separate reportable segment.

3. Segment Information continued

(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 2012 and 2011.

Period ended 31 March 2012

(US$ million)	Zinc-India	Zinc-International	Iron Ore	Copper-India/Australia	Copper-Zambia	Aluminium	Power	Oil and gas	Elimination/Others	Total operations
Revenue										
Sales to external customers	2,316.1	859.5	1,688.9	4,205.1	1,709.2	1,872.9	420.9	882.5	50.2	14,005.3
Inter-segment sales	–	31.2	2.0	0.1	0.6	0.6	37.4	–	(71.9)	–
Segment revenue	**2,316.1**	**890.7**	**1,690.9**	**4,205.2**	**1,709.8**	**1,873.5**	**458.3**	**882.5**	**(21.7)**	**14,005.3**
Result										
EBITDA[1]	1,244.8	366.0	721.4	298.0	387.9	182.5	122.0	713.0	(9.3)	4,026.3
Depreciation and amortisation	(109.2)	(236.8)	(226.3)	(45.4)	(142.6)	(221.5)	(81.7)	(346.7)	1.8	(1,408.4)
Segment result before special items	**1,135.6**	**129.2**	**495.1**	**252.6**	**245.3**	**(39.0)**	**40.3**	**366.3**	**(7.5)**	**2,617.9**
Special items (Note 5)	(9.0)	–	(13.8)	(88.6)	(24.4)	(1.3)	–	–	(93.1)	(230.2)
Segment result after special items	**1,126.6**	**129.2**	**481.3**	**164.0**	**220.9**	**(40.3)**	**40.3**	**366.3**	**(100.6)**	**2,387.7**
Net finance cost										(734.5)
Share in consolidated profit of associate	–	–	–	–	–	–	–	–	–	92.2
Profit before taxation	–	–	–	–	–	–	–	–		**1,745.4**
Tax expense										(516.7)
Profit after taxation										**1,228.7**
Segments assets	5,522.3	1,494.1	2,507.8	2,130.2	2,524.9	8,310.7	2,862.2	20,208.2	56.5	45,616.9
Unallocated assets	–	–	–	–	–	–	–	–	–	317.6
Total assets										**45,934.5**
Segment liabilities	(338.1)	(374.6)	(1,455.5)	(1,829.2)	(1,482.7)	(5,479.9)	(1,540.8)	(5,516.2)	(27.2)	(18,044.2)
Unallocated liabilities	–	–	–	–	–	–	–	–	–	(9,470.8)
Total liabilities										**(27,515.0)**
Other segment information										
Additions to property, plant and equipment	220.3	32.0	363.4	122.6	421.8	798.2	861.8	17,698.7	49.0	20,567.8
Depreciation and amortisation	(109.2)	(236.8)	(226.3)	(45.4)	(142.6)	(219.6)	(81.7)	(346.7)	(0.1)	(1,408.4)

1 EBITDA is a non-IFRS measure and represents operating profit before special items, depreciation and amortisation.

Notes to the Consolidated Financial Statements continued

3. Segment Information continued

Period ended 31 March 2011 (Restated)

(US$ million)	Zinc-India	Zinc-International	Iron Ore	Copper-India/Australia	Copper-Zambia	Aluminium	Power	Elimination/Others	Total operations
Revenue									
Sales to external customers[1]	2,159.5	218.9	1,977.9	3,428.2	1,741.3	1,778.1	123.3	–	11,427.2
Inter-segment sales	–	–	1.6	–	83.7	1.5	0.7	(87.5)	–
Segment revenue	**2,159.5**	**218.9**	**1,979.5**	**3,428.2**	**1,825.0**	**1,779.6**	**124.0**	**(87.5)**	**11,427.2**
Result									
EBITDA	1,219.6	101.3	1,174.1	241.5	439.9	352.7	43.9	(6.2)	3,566.8
Depreciation and amortisation	(97.8)	(54.1)	(298.2)	(45.0)	(130.8)	(221.4)	(23.6)	1.8	(869.0)
Segment result before special items	**1,121.8**	**47.2**	**875.9**	**196.5**	**309.1**	**131.3**	**20.3**	**(4.4)**	**2,697.8**
Special items (Note 5)	(4.6)		(118.3)			(7.8)	(0.1)	(32.7)	(163.5)
Segment result after special items	**1,117.2**	**47.2**	**757.6**	**196.5**	**309.1**	**123.5**	**20.2**	**(37.1)**	**2,534.3**
Net finance income									149.0
Profit before taxation									**2,683.3**
Tax expense									(649.5)
Profit after taxation									**2,033.8**
Segments Assets	5,641.0	1,990.8	4,709.5	2,859.3	2,243.5	8,776.5	2,259.4		28,480.0
Unallocated Assets									504.7
Total assets									**28,984.7**
Segment liabilities	(415.1)	(489.1)	(1,113.8)	(2,157.4)	(827.8)	(4,577.0)	(908.2)		(10,488.4)
Unallocated liabilities									(4,742.5)
Total liabilities									**(15,230.9)**
Other segment information									
Additions to property, plant and equipment	297.1	1,442.3	249.8	132.5	295.9	1,371.1	396.7	13.6	4199.0
Depreciation and amortisation	(97.8)	(54.1)	(298.2)	(45.0)	(130.8)	(221.4)	(23.6)	1.8	(869.0)

1 Includes within Aluminium segment and Zinc-India segment, the surplus power sold from captive power plants of US$208 million and US$6.7 million respectively.

(b) Segment Result After Special Items

(US$ million)	**Year ended 31 March 2012**	Year ended 31 March 2011
Zinc	1,610.8	1,320.9
– India	1,244.8	1,219.6
– International	366.0	101.3
Iron Ore	721.4	1,174.1
Copper	685.9	681.4
– India/Australia	298.0	241.5
– Zambia	387.9	439.9
Aluminium	182.5	352.7
Power	122.0	43.9
Oil & gas[1]	713.0	–
Others	(9.3)	(6.2)
EBITDA	**4,026.3**	**3,566.8**
Depreciation & amortisation	(1,408.4)	(869.0)
Special items	(230.2)	(163.5)
Segment result after special items	**2,387.7**	**2,534.3**

1 Acquired during the year ended 31 March 2012.

3. Segment Information continued

(c) Geographical Segmental Analysis

The Group's operations are located in India, Zambia, Namibia, South Africa, Liberia, Ireland, Australia, UAE and Sri Lanka. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

(US$ million)	**Year ended 31 March 2012**	Year ended 31 March 2011
India	6,764.9	4,924.4
China	2,819.4	2,157.0
Far East Asia	983.3	1,354.6
UK	–	23.8
Africa	255.2	172.3
Europe	1,538.4	1,047.3
Middle East	1,030.3	1,068.9
Asia Others	467.8	648.7
Other	146.0	30.2
Total	**14,005.3**	**11,427.2**

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[2]	
(US$ million)	**As at 31 March 2012**	As at 31 March 2011	**Year ended 31 March 2012**	Year ended 31 March 2011
Australia	23.6	15.3	15.0	1.7
India	30,588.2	14,278.1	19,063.5	2,309.2
Zambia	2,082.2	1,786.1	421.8	295.9
Namibia	424.1	578.0	2.8	610.9
Ireland	218.8	275.2	15.8	279.0
South Africa	494.1	569.5	13.5	552.4
Sri Lanka	828.0	–	828.0	–
Other	287.7	265.9	207.4	149.9
Total	**34,946.7**	**17,768.1**	**20,567.8**	**4,199.0**

1 Non-current assets do not include deferred tax assets and derivative receivables.
2 Includes assets acquired on acquisition of Zinc International and Cairn India.

4. Total Revenue

(US$ million)	**Year ended 31 March 2012**	Year ended 31 March 2011
Revenue from sales of goods	14,005.3	11,427.2
Other operating income	85.1	73.9
Investment revenue	525.4	431.6
Change in fair value of cash flow hedge transferred to the income statement	(55.8)	(1.6)
	14,560.0	**11,931.1**

Notes to the Consolidated Financial Statements continued

5. Special Items

(US$ million)	Year ended 31 March 2012	Year ended 31 March 2011
Asarco transaction costs[1]	(88.6)	–
Voluntary retirement schemes	(21.2)	(12.5)
KCM IPO costs	(13.5)	–
Acquisition related costs[2]	(75.5)	(32.7)
Loss on revaluation of previously held interest in associates, net[3]	(31.4)	–
Impairment of mining properties and leases[4]	–	(118.3)
	(230.2)	**(163.5)**

1 The Bankruptcy court of the Southern District of Texas, United States Judge had issued the final judgement on 27 February 2012 to pay incidental damages of US$132.7 million net of US$50 million paid to Asarco in December 2009, making Asarco entitled for a net amount of US$82.7 million.
2 Acquisition related costs include costs of US$2.5 million (2011: US$8.5 million) related to the acquisition of Anglo Zinc assets and US$73 million (2011: US$24.2 million) related to Cairn India acquisition.
3 Loss on revaluation of existing carrying value of investment in Cairn India on 8 December 2011 (refer Note 34).
4 The impairment of mining properties and leases relates to mines at Sesa Goa operated on a lease basis which have expired and have not been renewed during the year.

6. Investment Revenue

(US$ million)	Year ended 31 March 2012	Year ended 31 March 2011
Interest income on loans and receivables	31.8	19.7
Interest income on cash and bank balances	157.5	131.6
Change in fair value of financial assets held for trading	83.5	78.8
Profit on disposal of financial assets held for trading	170.3	35.4
Profit on sale of available-for-sale investment	1.0	5.9
Dividend income on financial assets held for trading	82.7	160.4
Expected return on defined benefit arrangements (Note 31)	2.0	2.1
Foreign exchange loss on cash and liquid investments	(1.5)	(0.5)
Capitalisation of interest income	(1.9)	(1.8)
	525.4	**431.6**

7. Finance Costs

(US$ million)	Year ended 31 March 2012	Year ended 31 March 2011
Interest on bank loans, overdrafts and bonds	718.1	365.7
Coupon interest on convertible bonds (Note 26)	138.6	138.6
Accretive interest on convertible bond	115.0	101.8
Interest on other loans	177.9	97.3
Total interest cost	**1,149.6**	**703.4**
Unwinding of discount on provisions (Note 28)	11.5	7.9
Interest on defined benefit arrangements (Note 31)	9.4	6.7
Capitalisation of borrowing costs (Note 16)[1]	(224.8)	(183.3)
	945.7	**534.7**

1 All borrowing costs are capitalised using rates based on specific borrowings.

8. Other Gains and (Losses) (Net)

(US$ million)	Year ended 31 March 2012	Year ended 31 March 2011
Exchange (losses)/gains on borrowings and capital creditors	(407.8)	75.9
Qualifying borrowing costs capitalised (Note 16)	68.8	(11.0)
Change in fair value of financial liabilities measured at fair value	(1.2)	0.4
Change in fair value of embedded derivative on convertible bonds (Note 26)	97.1	188.4
Loss arising on qualifying hedges and non-qualifying hedges	(71.1)	(1.6)
	(314.2)	**252.1**

9. Profit for the Year has been Stated after Charging/(Crediting):

(US$ million)	**Year ended 31 March 2012**	Year ended 31 March 2011
Depreciation on property, plant and equipment	1,408.4	869.0
Costs of inventories recognised as an expense	4,655.4	4,218.3
Auditor's remuneration for audit services	2.8	1.5
Research and development	1.0	0.7
Staff costs	542.7	446.9
Impairment of mining property and leases	–	118.3
Net foreign exchange losses/(gains)	438.7	(76.2)

10. Auditor's Remuneration

The table below shows the fees payable globally to the Company's auditor, 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:

(US$ million)	**Year ended 31 March 2012**	Year ended 31 March 2011
Fees payable to the Company's auditor for the audit of Vedanta Resources plc annual accounts	0.8	0.6
The audit of the Company's subsidiaries pursuant to legislation	2.0	0.9
Total audit fees	**2.8**	**1.5**
Fees payable to the Company's auditor and their associates for other services to the Group		
Other services pursuant to legislation[1]	1.7	0.7
Tax services[4]	0.3	0.1
Corporate finance services[2]	4.9	5.4
Other services[3]	0.3	0.3
Total non-audit fees	**7.2**	**6.5**
Total fees paid to the Company's auditor	**10.0**	**8.0**
Audit fees payable to other auditors of the Group's subsidiaries	0.2	0.1
Non-audit fees payable to other auditors of the Group's subsidiaries	0.2	0.1
Total fees paid to other auditors	**0.4**	**0.2**

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 and Cairn India acquisition. These assurance-related services are ordinarily provided by the auditor.
3 Includes certification related services.
4 Tax services principally comprise certification and assurance services as required by Indian income tax regulations.

11. Employee Numbers and Costs

Average Number of Persons Employed by the Group in the Year

Class of business	**Year ended 31 March 2012**	Year ended 31 March 2011
Zinc	8,330	7,341
– India	6,480	5,494
– International	1,850	1,847
Iron ore	4,710	4,346
Copper	10,009	10,976
– India/Australia	1,191	1,414
– Zambia	8,818	9,562
Aluminium	7,487	8,168
Power	343	220
Oil & gas[1]	1,144	–
Other	156	120
	32,179	**31,171**

1 Acquired during the year ended 31 March 2012.

Notes to the Consolidated Financial Statements continued

11. Employee Numbers and Costs continued

Costs Incurred During the Year in Respect of Employees and Executive Directors

(US$ million)	Year ended 31 March 2012	Year ended 31 March 2011
Salaries and wages	477.9	434.7
Defined contribution pension scheme costs (Note 31)	23.1	22.3
Defined benefit pension scheme costs (Note 31)	21.5	29.3
Share-based payments charge	20.2	18.6
	542.7	**504.9**

12. Tax

(US$ million)	Year ended 31 March 2012	Year ended 31 March 2011
Current tax:		
UK Corporation tax	–	–
Foreign tax		
– India	754.0	689.4
– Australia	16.0	21.3
– Africa and Europe	41.7	18.7
– Other	10.6	–
	822.3	**729.4**
Deferred tax: (Note 29)		
Current year movement in deferred tax	(305.6)	(79.9)
	(305.6)	**(79.9)**
Total tax expense	**516.7**	**649.5**
Effective tax rate	**29.6%**	**24.2%**

The deferred tax benefit recycled from equity to the income statement is US$5.7 million (2011: US$10.6 million).

Deferred Tax Recognised in the Income Statement:

(US$ million)	Year ended 31 March 2012	Year ended 31 March 2011
Accelerated capital allowances	(130.4)	(14.4)
Unutilised tax losses	(44.8)	(32.8)
Other temporary differences	(130.4)	(32.7)
	(305.6)	**(79.9)**

No deferred tax has been recognised in respect of temporary differences associated with investments in subsidiaries where the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The aggregate amount of temporary differences associated with such investments in subsidiaries is represented by the contribution of those investments to the Group's retained earnings and amounted to US$5,290.2 million (2011: US$3,966.1 million).

12. Tax continued

A reconciliation of income tax expense applicable to accounting profit before tax at the Indian statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended 31 March 2012 is as follows:

(US$ million)	Year ended 31 March 2012	Year ended 31 March 2011
Accounting profit before tax	**1,745.4**	**2,683.3**
At Indian statutory income tax rate of 32.45% (2011: 32.45%)	566.4	891.4
Unrecognised tax losses	333.6	141.4
Disallowable expenses	79.3	67.1
Non-taxable income	(119.1)	(83.7)
Impact relating to changes in tax rate	65.0	(21.9)
Tax holiday and similar exemptions	(416.1)	(334.6)
Minimum Alternative Tax	11.7	7.0
Adjustments in respect of previous years	(4.1)	(17.2)
At effective income tax rate of 29.4% (2011: 24.2%)	**516.7**	**649.5**

13. 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:

(US$ million)	Year ended 31 March 2012	Year ended 31 March 2011
Net profit attributable to equity holders of the parent	**59.8**	**770.8**

(US$ million except as stated)	Year ended 31 March 2012	Year ended 31 March 2011
Weighted average number of ordinary shares for basic earnings per share (million)	272.7	272.2
Effect of dilution:		
Convertible bonds[1]	–	34.3
Share options	4.4	2.2
Adjusted weighted average number of ordinary shares for diluted earnings per share	**277.1**	**308.7**

1 During the year ended 31 March 2012, the adjustment in respect of convertible bonds has an anti-dilutive impact on the number of shares and earnings and is thus not considered for determining diluted EPS.

a) Earnings per share based on profit for the year

Basic earnings per share on the profit for the year

(US$ million except as stated)	Year ended 31 March 2012	Year ended 31 March 2011
Profit for the year attributable to equity holders of the parent (US$ million)	59.8	770.8
Weighted average number of shares of the Company in issue (million)	272.7	272.2
Earnings per share on profit for the year (US cents per share)	**21.9**	**283.2**

Notes to the Consolidated Financial Statements continued

13. Earnings Per Share continued

Diluted Earnings Per Share on the Profit for the Year

(US$ million except as stated)	**Year ended 31 March 2012**	Year ended 31 March 2011
Profit for the year attributable to equity holders of the parent (US$ million)	59.8	770.8
Adjustment in respect of convertible bonds of Vedanta (US$ million)	–	63.4
Profit for the year after dilutive adjustment (US$ million)	59.8	834.3
Adjusted weighted average number of shares of the Company in issue (million)	277.1	308.7
Diluted earnings per share on profit for the year (US cents per share)	**21.6**	**270.2**

During the year ended 31 March 2012, 62,294 options issued under the long-term incentive plan were converted to equity shares pursuant to vesting and exercise of the options (2011: 738,248 options).

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. This has been taken into account in determining diluted EPS.

The outstanding awards under the LTIP are reflected in the diluted EPS figure through an increased number of weighted average shares.

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 (Note 8) and their resultant tax and non-controlling interest effects, as shown in the table below:

(US$ million)	Note	**Year ended 31 March 2012**	Year ended 31 March 2011
Profit for the year attributable to equity holders of the parent		59.8	770.8
Special items	5	230.2	163.5
Other losses/(gains)		314.2	(252.1)
Tax and non-controlling interest effect of special items and other losses/gains		(217.0)	33.1
Underlying Profit for the year		**387.2**	**715.3**

Basic earnings per share on Underlying Profit for the year

(US$ million except as stated)	**Year ended 31 March 2012**	Year ended 31 March 2011
Underlying profit for the year (US$ million)	387.2	715.3
Weighted average number of shares of the Company in issue (million)	272.7	272.2
Earnings per share on underlying profit for the year (US cents per share)	**142.0**	**262.8**

13. Earnings Per Share continued

Diluted Earnings Per Share on Underlying Profit for the Year

(US$ million except as stated)	Year ended 31 March 2012	Year ended 31 March 2011
Underlying profit for the year (US$ million)	387.2	715.3
Adjustment in respect of convertible bonds of Vedanta (US$ million)	–	63.4
Underlying profit for the year after dilutive adjustment (US$ million)	387.2	778.7
Adjusted weighted average number of shares of the Company (million)	277.1	308.7
Diluted earnings per share on Underlying Profit for the year (US cents per share)	**139.8**	**252.3**

14. Dividends

(US$ million)	Year ended 31 March 2012	Year ended 31 March 2011
Amounts recognised as distributions to equity holders:		
Equity dividends on ordinary shares:		
Final dividend for 2010–11: 32.5 US cents per share (2009–10: 27.5 US cents per share)	89.2	75.2
Interim dividend paid during the year: 20 US cents per share (2010–11: 20 US cents per share)	54.9	54.7
	144.1	**129.9**
Proposed for approval at AGM		
Equity dividends on ordinary shares:		
Final dividend for 2011–12: 35 US cents per share (2010–11: 32.5 US cents per share)	96.0	89.2

15. Goodwill

(US$ million)	Year ended 31 March 2012	Year ended 31 March 2011
Cost (gross carrying amount)	16.9	16.9
Acquisition[1]	4.4	–
Accumulated impairment losses	(4.7)	(4.7)
Net carrying amount at 31 March	**16.6**	**12.2**

1 Goodwill on acquisition of Goa Energy Private Limited ('GEPL') during the year ended 31 March 2012.

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 of goodwill of US$12.2 million as at 31 March 2012. The carrying amount of goodwill was evaluated using the discounted future cash flows of the entity to which the goodwill pertains and comparing this to the total carrying value of the cash generating unit. It was determined that the carrying amount of goodwill is not impaired.

Notes to the Consolidated Financial Statements continued

16. Property, Plant and Equipment

(US$ million)	Mining property and leases	Leasehold land and buildings	Freehold land and buildings	Plant and equipment[1]	Assets under con- struction	Oil and gas properties	Exploratory & evaluation assets	Others	Total
Cost									
At 1 April 2010	**3,118.3**	**122.1**	**665.0**	**7,397.0**	**5,661.7**	**–**	**–**	**22.6**	**16,986.7**
Additions	–	2.5	208.2	995.4	1,502.5	–	–	48.1	2,756.7
Transfers	72.4	–	39.1	565.3	(676.8)	–	–	–	–
Additions due to acquisition[2]	411.9	–	121.0	686.5	14.8	–	208.1	–	1,442.3
Reclassification from accumulated depreciation	–	6.8	(1.8)	–	–	–	–	(0.6)	4.4
Disposals	–	(0.1)	(3.8)	(80.1)	–	–	–	(0.4)	(84.4)
Impairment of assets	(118.3)	–	–	–	–	–	–	–	(118.3)
Foreign exchange differences	5.4	–	–	13.3	8.4	–	–	–	27.1
At 1 April 2011	**3,489.7**	**131.3**	**1,027.7**	**9,577.4**	**6,510.6**	**–**	**208.1**	**69.7**	**21,014.5**
Additions	13.3	11.5	207.4	1,015.8	1,367.6	116.8	259.8	11.3	3,003.5
Transfers	87.0	9.4	21.3	389.7	(507.5)	–	–	–	–
Additions due to acquisition	–	1.2	2.6	16.9	–	7,210.4	10,329.3	3.9	17,564.3
Reclassification from accumulated depreciation	37.5	–	(0.4)	(36.2)	0.1	–	–		1.0
Disposals	–	(0.7)	(0.3)	(63.4)	(2.1)	–	–	(0.2)	(66.7)
Foreign exchange differences	(365.3)	(5.7)	(127.9)	(1,000.3)	(813.2)	–	(25.5)	(4.0)	(2,341.9)
At 31 March 2012	**3,262.2**	**147.0**	**1,130.4**	**9,899.9**	**6,555.5**	**7,327.2**	**10,771.7**	**80.7**	**39,174.7**
Accumulated depreciation and impairment									
At 1 April 2010	**805.2**	**44.5**	**84.8**	**1,695.3**	**17.8**	**–**	**–**	**12.4**	**2,660.0**
Charge for the year	289.1	0.5	29.6	543.6	–	–	–	6.2	869.0
Disposals	–	–	(3.3)	(52.5)	–	–	–	(0.2)	(56.0)
Reclassification to cost	–	6.8	(1.8)	–	–	–	–	(0.6)	4.4
Foreign exchange differences	45.2	0.1	1.3	62.9	–	–	–	0.5	110.0
At 1 April 2011	**1,139.5**	**51.9**	**110.6**	**2,249.3**	**17.8**	**–**	**–**	**18.3**	**3,587.4**
Charge for the year	355.1	6.6	51.3	646.7	–	331.2	14.3	3.1	1,408.3
Disposals	–	(0.6)	(0.2)	(43.4)	–	–	–	(0.2)	(44.4)
Reclassification to cost	–	–	–	1.0	–	–	–	–	1.0
Foreign exchange differences	(140.3)	(1.0)	(16.3)	(216.2)	–	–	–	(2.0)	(375.8)
At 31 March 2012	**1,354.3**	**56.9**	**145.4**	**2,637.4**	**17.8**	**331.2**	**14.3**	**19.2**	**4,576.5**
Net book value									
At 1 April 2010	**2,313.1**	**77.6**	**580.2**	**5,701.7**	**5,643.9**	**–**	**–**	**10.2**	**14,326.7**
At 1 April 2011	**2,350.2**	**79.4**	**917.1**	**7,328.1**	**6,492.8**	**–**	**208.1**	**51.4**	**17,427.1**
At 31 March 2012	**1,907.9**	**90.1**	**985.0**	**7,262.5**	**6,537.7**	**6,996.0**	**10,757.4**	**61.5**	**34,598.2**

1 Plant and equipment include refineries, smelters, power plants and related facilities. Other tangible fixed assets include office equipment and fixtures, and light vehicles. At 31 March 2012, land with a carrying value of US$101.2 million (31 March 2011: US$144.3 million) was not depreciated. During the year ended 31 March 2012, cumulative capitalised interest and foreign exchange gains capitalised was US$293.6 million (31 March 2011: US$194.3 million). Additions to Exploratory and Evaluation assets include acquisition of assets of Western Cluster Limited.

2 Prior year restated to give effect to adjustments to provisional fair values (Note 34).

17. Financial Asset Investments

Financial asset investments are required to be classified and accounted for as either available-for-sale or fair value through profit or loss.

Available-for-sale Investments

(US$ million)	Year ended 31 March 2012	Year ended 31 March 2011
At 1 April	**304.2**	**201.2**
Additions	4.1	46.6
Movements in fair value	(92.1)	55.3
Exchange difference	(6.6)	1.1
At 31 March	**209.6**	**304.2**

Analysis of Financial Asset Investments

(US$ million)	Year ended 31 March 2012	Year ended 31 March 2011
Quoted	179.0	265.2
Unquoted	30.6	39.0

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 which is held at cost as it is not quoted.

18. Other Non-current Assets

(US$ million)	As at 31 March 2012	As at 31 March 2011
Deposits, advances and other receivables due after one year	122.3	24.6
	122.3	**24.6**

19. Inventories

(US$ million)	As at 31 March 2012	As at 31 March 2011
Raw materials and consumables	863.3	1,011.9
Work-in-progress	677.3	690.9
Finished goods	163.5	221.8
	1,704.1	**1,924.6**

Inventories with a carrying amount of US$999.5 million (2011: US$1,112.2 million) have been hypothecated or pledged as security against certain bank borrowings of the Group.

Notes to the Consolidated Financial Statements continued

20. Trade and Other Receivables

(US$ million)	As at 31 March 2012	As at 31 March 2011
Trade receivables	888.4	761.4
Amounts due from related parties (Note 38)	13.8	13.6
Prepayments	79.5	93.4
Deposits with governments	101.8	141.9
Other receivables	712.4	327.6
	1,795.9	**1,337.9**

The credit period given to customers ranges from zero to 90 days. Other receivables primarily include excise balances, customs balances, advances to suppliers, claims receivables and other receivables.

21. Liquid Investments

(US$ million)	As at 31 March 2012	As at 31 March 2011
Bank deposits	1,985.4	1,929.0
Other investments	2,954.9	4,936.4
	4,940.3	**6,865.4**

Bank deposits are made for periods of between three months and one year depending on the cash requirements of the companies within the Group and earn interest at the respective deposit rates.

Other investments include mutual fund investments and are fair valued through the income statement. Liquid investments do not qualify for recognition as cash and cash equivalents due to their maturity period and risk of change in value of the investments.

22. Cash and Cash Equivalents

(US$ million)	As at 31 March 2012	As at 31 March 2011
Cash at bank and in hand	264.2	238.5
Short-term deposits[1]	1,680.8	673.1
	1,945.0	**911.6**

1 Includes US$89.9 million (2011: US$96.3 million) of cash held in short-term deposit accounts that is restricted in use as it relates to unclaimed deposits, dividends, interest on debentures, share application money, closure costs and future redundancy payments.

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.

23. Borrowings

(US$ million)	As at 31 March 2012	As at 31 March 2011
Bank loans	11,464.9	5,654.9
Bonds	2,876.3	1,244.7
Other loans	323.9	581.4
Total	**14,665.1**	**7,481.0**
Borrowings are repayable as:		
Within one year (shown as current liabilities)	4,151.6	3,045.1
More than one year	10,513.5	4,435.9
Total	**14,665.1**	**7,481.0**

23. Borrowings continued

At 31 March 2012, the Group had available US$2,897.3 million (2011: US$3,407.6 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 2012 were as follows:

BALCO

Non-convertible Debentures

BALCO issued Non-convertible Debentures of US$97.7 million to the Life Insurance Corporation of India at a rate of 12.25% per annum. The debentures are secured and have the first pari passu charge on the fixed assets of the Company including land and buildings. The above loan is repayable in three yearly equal instalments starting November 2013.

Project Buyers' Credit

As at 31 March 2012, BALCO has extended credit terms relating to the purchase of property, plant and equipment of US$348.3 million at an average interest rate of six month LIBOR plus 200 basis points. Project buyers' credit has an average maturity of May 2013.

External Commercial Borrowings

BALCO has obtained an External Commercial Borrowing loan from State Bank of India, London of US$200 million at an interest rate of six month LIBOR plus 260 basis points secured by first pari passu charges on all the fixed assets (excluding land) of BALCO, projects of the Company both present and future along with secured lenders. The repayment period is from August 2016 to August 2018.

VAL

Rupee Term Loan

VAL has taken a US$2,119 million rupee loan from State Bank of India at a floating interest rate of 12.25%, secured by a first priority charge by way of hypothecation of all present and future unencumbered and encumbered movable fixed assets for the project and second charge on the current assets of the Company for the project.

Non-convertible Debentures

VAL has issued Non-convertible Debentures of US$78 million to the Life Insurance Corporation of India at a rate of 11.5% 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 the issued amount. Debentures are repayable in three yearly equal instalments starting October 2013.

External Commercial Borrowing

VAL has obtained an External Commercial Borrowing loan from ICICI Bank, Singapore of US$100 million at an interest rate of LIBOR plus 240 basis points 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. As at 31 March 2012 the amount outstanding is US$90 million.

VAL has obtained an External Commercial Borrowing loan from Axis Bank of US$500 million at an interest rate of LIBOR plus 400 basis points 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 is to be made in three equal instalments starting from April 2015.

Project Buyers' Credit

As at 31 March 2012, VAL had extended credit terms relating to purchases of property, plant and equipment amounting to US$683 million. These loans bear average interest at LIBOR plus 264 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.

As on 31 March 2012, average maturity of project buyers' credit of US$580 million and US$103 million is December 2012 and October 2012 respectively.

Sterlite Energy

Project Buyers' Credit

As at 31 March 2012, SEL has extended credit terms relating to the purchase of property, plant and equipment of US$62 million at an average rate of LIBOR plus 196 basis points. The facility is unsecured. As on 31 March 2012, average maturity of project buyers' credit is July 2012.

Commercial Papers

During the period under consideration, SEL has issued commercial paper to various asset management companies for funding project payable. As on 31 March 2012 outstanding balance is US$406 million bearing coupon rate of 10.3%.

Notes to the Consolidated Financial Statements continued

23. Borrowings continued

Talwandi Sabo

Non-convertible Debentures

Talwandi Sabo has issued Non-convertible Debentures of US$291 million to ICICI Bank at a rate of 9.8% per annum. The debentures are secured by first pari passu charge on the assets of the Company both present and future, with a minimum asset cover of 1.25 times during the lifetime of the NCDs (including the Debt Service Reserve Account) and unconditional and irrevocable corporate guarantee by Sterlite Industries. Debentures have a tenure of 13 years repayable in 12 equal instalments after 10 years of allotment.

Project Buyers' Credit

As at 31 March 2012, Talwandi Sabo has availed extended credit terms relating to the purchase of capital goods of US$366 million at an average rate of six month LIBOR plus 232 basis points. As on 31 March 2012, average maturity of project buyers' credit is November 2013.

KCM

In 2009 KCM 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 loans bear an interest rate of three month LIBOR plus 280 basis points and 550 basis points respectively. Both the loans are repayable in 12 quarterly instalments starting from the third and second year, respectively. As at 31 March 2012 the total outstanding is US$149 million.

A term loan facility of US$500 million was taken from Standard Bank. During the period from 30 September 2011 to 26 March 2011, interest was payable monthly at one month LIBOR plus 165 basis points and thereafter, interest is payable monthly at one month LIBOR plus 250 basis points. The loan is repayable on 22 September 2012. The tenure for the facility is 12 months. The amount drawn as on 31 March 2012 under this facility is US$500 million.

Cairn India

In October 2010, CIL raised US$500 million through unsecured non-convertible Debentures ('NCDs'). The NCDs were issued in three tranches Series A, Series B and Series C. Series A & Series B are for INR6,250 million each, at a coupon rate of 8.35% and 8.40% with maturity on 12 July 2012 and 12 October 2012 respectively. As at 31 March 2012 Series A and Series B for an aggregate amount of US$244.3 million are outstanding.

Vedanta Resources plc

Long-term Bonds

In July 2008, Vedanta issued US$500 million, 8.75% bonds due January 2014, and US$750 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, Ba3 by Moody's and BB by Fitch Ratings Limited.

In June 2011, the Company issued US$750 million, 6.75% bonds due June 2016 and US$900 million, 8.25% bonds due June 2021.

Syndicated Bridge Term Loan

In April 2008, the Group refinanced the short-term syndicated bridge loan facility of US$1,100 million taken out to acquire Sesa Goa. The new facility is for US$1,000 million, fully drawn down at 31 March 2012, which bears interest at LIBOR plus 296 basis points. US$250 million is repayable in April 2012 and the remaining US$750 million is repayable in January 2013.

Cairn Acquisition Facility

In December 2011 the Company made a drawdown of US$2,788.2 million against the term loan facility from Standard Chartered Bank ('SCB') (US$1,473.7 million under facility A and US$1,314.4 million under facility B). The net proceeds of the loan were used to meet the funding requirements for acquisition of 28.5% stake in Cairn India Limited in December 2011.

Facility A from SCB bears an interest rate of LIBOR plus 175 basis points. The loan is due for repayment in December 2012 (with an option to extend the term further for six months at the request of the borrower). The interest for the rollover period is USD LIBOR plus 250 basis points. Facility B bears an interest rate of USD LIBOR plus 325 basis points and is due for repayment in December 2014.

23. Borrowings continued

Term Loan

In December 2010, the Group obtained a loan from ICICI Bank for US$180 million repayable US$90 million in December 2014 and the balance US$90 million in December 2015 and bears an interest rate of three month GBP LIBOR plus 385 basis points. In January 2011, the Group obtained a loan from ICICI Bank for US$150 million repayable US$75 million in January 2016 and the balance US$75 million in January 2017 and bears interest rate of three month USD LIBOR plus 389 basis points.

In July 2011, the Group obtained a loan from ICICI Bank for US$500 million repayable US$250 million in January 2018 and the balance US$250 million in July 2018 and bears an interest rate of three month USD LIBOR plus 390 basis points.

In March 2012, the Company entered into a facility agreement of US$300 million with Standard Chartered Bank and withdrew US$150 million under the agreement. The loan bears an interest rate of USD LIBOR plus 415 basis points and is due for repayment in June 2015. The remaining facility amount of US$150 million was undrawn as on 31 March 2012.

Non-equity Non-controlling Interests

As at 31 March 2012, non-equity non-controlling interests remain of US$11.9 million, being deferred shares in KCM held by ZCCM. The deferred shares have no voting rights or rights to KCM's dividends, but are entitled on a winding up to a return of up to 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.

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, for an amount different than the pro rata share of net assets upon liquidation. 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.

24. 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 2010	**390.0**	**6,849.4**	**(1,012.6)**	**(0.9)**	**(7,161.0)**	**(12.1)**	**(947.2)**
Cash flow	(108.2)	(178.4)	(1,863.2)	–	(161.6)	–	(2,311.4)
Net cash flows arising on acquisition of subsidiaries	388.6	37.3	(29.4)	–	–	–	396.5
Other non-cash changes[3]	–	78.8	(96.1)	0.9	635.6	17.3	636.5
Foreign exchange differences	241.2	78.3	(43.8)	–	(20.4)	–	255.3
At 1 April 2011	**911.6**	**6,865.4**	**(3,045.1)**	**–**	**(6,707.4)**	**5.2**	**(1,970.3)**
Cash flow	(161.1)	(2,354.1)	(981.8)	–	(6,263.5)	–	(9,760.5)
Net cash flows arising on acquisition of subsidiaries	665.8	1,151.0	(240.5)	–	–	–	1,576.3
Other non-cash changes[3]	–	45.0	(211.1)	–	(210.1)	0.5	(375.7)
Foreign exchange differences	528.7	(767.0)	326.9	–	377.2	–	465.8
At 31 March 2012	**1,945.0**	**4,940.3**	**(4,151.6)**	**–**	**(12,803.8)**	**5.7**	**(10,064.4)**

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$420.7 million (2011: US$462.4 million) of project buyers credit obtained from banks, interest accrued, MTM of embedded derivatives, exchanges losses and gains on borrowings and capital creditors for which there is no cash movement. It also includes US$45 million (2011: US$59.1 million) of fair value movement in investments. A movement of US$0.5 million (2011: US$18.2 million) which pertains to fair value of debt related derivatives is also included in other non-cash changes.

Notes to the Consolidated Financial Statements continued

25. Trade and Other Payables

(a) Current Trade Payables

(US$ million)	As at 31 March 2012	As at 31 March 2011
Trade payables	1,776.4	1,969.0
Bills of exchange payable	850.8	816.6
Accruals and deferred income	320.0	272.5
Other trade payables	895.7	349.4
	3,842.9	**3,407.5**

Trade payables are non-interest-bearing and are normally settled on 60 to 90-day terms.

Interest bearing trade payables amount to US$1,083 million (31 March 2011: US$1,159 million).

Bills of exchange are interest-bearing and are normally payable within 180 days. Bills of exchange payable comprise credit availed from financial institutions for direct payment to suppliers for raw materials purchased. The arrangements 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

(US$ million)	As at 31 March 2012	As at 31 March 2011
Other trade payables	164.0	148.1
	164.0	**148.1**

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 payable after the completion of commissioning.

26. Convertible Bonds

(US$ million)	Year ended 31 March 2012	Year ended 31 March 2011
A. VRJL	1,009.7	968.2
B. VRJL II	681.6	651.8
C. FCCB – SIIL & Sesa	599.0	651.5
	2,290.3	**2,271.5**

A. 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 GBP:USD 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:

(US$ million)	Year ended 31 March 2012	Year ended 31 March 2011
Opening liability	**968.2**	**931.3**
Effective interest cost	110.4	105.8
Coupon interest paid/accrued	(68.9)	(68.9)
Closing liability	**1,009.7**	**968.2**

The interest charged for the year is calculated by applying an effective interest rate of 11.2% (March 2011: 11.2%).

The fair value of the convertible bond as at 31 March 2012 is US$1,022 million (March 2011: US$1,304.9 million).

26. Convertible Bonds continued

B. 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.

At the inception the net proceeds of the convertible issue was 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. During the year ended 31 March 2011, US$44.8 million was debited to the value of the derivative liability with a corresponding credit taken to the income statement. This represents the movement in the fair value of the embedded option to convert to equity from 1 April 2010 to 28 July 2010, the date of removal of the cash settlement option.

There was no embedded derivate for the year ended 31 March 2012.

(US$ million)	Year ended 31 March 2012	Year ended 31 March 2011
Opening liability	**651.8**	**881.1**
Equity Component	–	(211.6)
Effective interest cost	65.1	62.4
Coupon interest paid/accrued	(35.3)	(35.3)
Decrease in fair value of derivative component	–	(44.8)
Closing liability	**681.6**	**651.8**

The interest charged for the year is calculated by applying an effective interest rate of 9.8% (2011: 9.3%).

The fair value of the convertible bond as at 31 March 2012 was US$698.9 million (March 2011: US$907.6 million).

C. 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 31 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:

(US$ million)	Year ended 31 March 2012	Year ended 31 March 2011
Opening liability	**651.5**	**965.4**
Effective interest cost	78.1	71.6
Coupon interest paid	(34.4)	(34.4)
Conversion of bonds into equity of subsidiaries	–	(207.7)
Decrease in fair value of derivative component	(96.2)	(143.4)
Closing liability (including derivative component of US$30 million, March 2011: US$126.2 million)	**599.0**	**651.5**

The interest charged for the year is calculated by applying an effective interest rate of 9.9% (March 2011: 9.9%) for SIIL convertible notes and 13.1% (March 2011: 10.1%) for Sesa convertible notes.

The fair value of the convertible bonds as at 31 March 2012 was US$675.7 million (March 2011: US$751.6 million).

Notes to the Consolidated Financial Statements continued

27. Financial Instruments

The accounting classification of each category of financial instruments, and their carrying amounts, are set out below:

(US$ million)	As at 31 March 2012	As at 31 March 2011
Financial assets		
At fair value through profit or loss		
– Held for trading	4,940.3	6,865.4
– Other financial assets (derivatives)	129.6	140.3
Cash and cash equivalents	1,945.0	911.6
Loan and receivables		
– Trade and other receivables	1,795.9	1,328.6
– Other non-current assets	97.9	24.6
Available-for-sale investments		
– Financial asset investments held at fair value	179.0	265.2
– Financial asset investments held at cost	30.6	39.0
Total	**9,118.3**	**9,574.7**
Financial liabilities		
At fair value through profit or loss		
– Other financial liabilities (derivatives)	(133.2)	(103.5)
Designated into fair value hedge		
– Borrowings[1]	(30.0)	(126.2)
Financial liabilities at amortised cost		
– Trade and other payables	(4,006.9)	(3,555.6)
– Borrowings[2]	(16,925.3)	(9,626.3)
Total	**(21,095.5)**	**(13,411.6)**

1 Includes embedded derivative liability portion of convertible bonds US$30 million (2011: US$126.2 million).
2 Includes amortised cost liability portion of convertible bonds US$2,260.3 million (2011: US$2,145.3 million).

IFRS 7 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).
- 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 table below summarises the categories of financial assets and liabilities measured at fair value:

	As at 31 March 2012	
(US$ million)	Level 1	Level 2
Financial assets		
At fair value through profit or loss		
– Held for trading	4,940.3	–
– Other financial assets (derivatives)	–	129.6
Available-for-sale investments		
– Financial asset investments held at fair value	179.0	–
Total	**5,119.3**	**129.6**
Financial liabilities		
At fair value through profit or loss		
– Other financial liabilities (derivatives)	–	(133.2)
Designated into fair value hedge		
– Borrowings	–	(30.0)
Total	**–**	**(163.2)**

There were no transfers between Level 1 and Level 2 during the year. No financial assets or liabilities were measured by Level 3 Fair Value Measurement.

27. Financial Instruments continued

The fair value of borrowings is US$16,062.3 million (2011: US$10,011.2 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 financial assets the carrying value is considered to approximate fair value.

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 bond has been calculated using the binomial and Black-Scholes models with market assumptions.

Derivative 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 (Note 32).

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 co-ordinated 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.

The Group is also exposed to the movement of international crude oil price and the discount in the price of Rajasthan crude oil to Brent price.

Notes to the Consolidated Financial Statements continued

27. Financial Instruments continued

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 TCRCs, improving operational efficiencies, 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 by entering into future contracts.

The Group's Australian mines in Tasmania supply approximately 7% to 8% of the requirement of the custom copper smelter at Tuticorin on arm's length basis. Hence, TCRCs are a major source of income for the Indian copper smelting operations. Fluctuations in TCRCs 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.

KCM is largely an integrated copper producer and whenever hedging is done it is with an intention to protect the Company from price fluctuations in copper.

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 on a selective basis hedges the aluminium content in outsourced alumina to protect its margins.

Zinc and Lead

The sales prices are 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 custom protection from India through forward contracts or other instruments.

Iron Ore

The Group sells some portion of its iron ore production on quarterly price contracts and the balance on the basis of prevailing market prices.

Provisionally Priced Financial Instruments

On 31 March 2012, the value of net financial liabilities linked to commodities (excluding derivatives) accounted for on provisional prices was a liability of US$469.5 million (2011: US$411.8 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 2012.

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 2012:

(US$ million except as stated) **Commodity price sensitivity**	**Closing LME as at 31 March 2012 US$**	**Effect on profit of a 10% increase in the LME 31 March 2012 (US$ million)**	**Effect on total equity of a 10% increase in the LME 31 March 2012 (US$ million)**
Copper	8,480	9.3	9.3
Zinc	2,003	2.2	2.2
Lead	2,021	3.2	3.2

(US$ million except as stated) Commodity price sensitivity	Closing LME as at 31 March 2011 US$	Effect on profit of a 10% increase in the LME 31 March 2011 (US$ million)	Effect on total equity of a 10% increase in the LME 31 March 2011 (US$ million)
Copper	9,400	4.6	4.6
Zinc	2,319	4.5	4.5
Lead	2,720	3.4	3.4

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.

27. Financial Instruments continued

Further, the impact of a 10% increase in closing copper LME for provisionally priced copper concentrate purchase at Sterlite custom smelting operations is US$37 million (2011: US$37.3 million), which is pass through in nature and as such will not have any impact on the profitability.

Financial Risk and Sensitivities

The Group's Board approved financial risk policies comprise liquidity, currency, interest rate and counterparty risk. 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$2,897.3 million, together with cash and liquid investments of US$6,885.3 million as at 31 March 2012, 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, Ba1 and BB+ respectively (2011: BB, Ba1 and BB+ 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 gearing ratio and retains flexibility in the financing structure to alter the ratio when the need arises.

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:

At 31 March 2012

(US$ million except as stated)

Payment due by period	< 1 year	1–2 years	2–5 years	> 5 years	Total
Trade and other payables	3,906.4	164.0	–	–	4,070.4
Bank and other borrowings	5,140.2	2,829.4	5,076.6	5,473.4	18,519.6
Convertible bonds	114.3	795.9	1,808.4	–	2,718.7
Derivative liabilities	101.1	–	32.1	–	133.2
Total	**9,262.0**	**3,789.3**	**6,917.1**	**5,473.4**	**25,441.9**

At 31 March 2011[1]

(US$ million except as stated)

Payment due by period	< 1 year	1–2 years	2–5 years	> 5 years	Total
Trade and other payables	3,434.0	148.2	–	–	3,582.2
Bank and other borrowings	3,528.2	2,186.2	1,771.8	1,302.3	8,788.6
Convertible bonds	107.4	107.4	945.7	1,699.4	2,859.9
Derivative liabilities	9.3	–	94.2	–	103.5
Total	**7,078.9**	**2,441.8**	**2,811.7**	**3,001.7**	**15,334.2**

1 Prior year number restated to include interest.

At 31 March 2012, the Group had access to funding facilities of US$19,852.7 million of which US$2,897.3 million was not yet drawn, as set out below.

(US$ million)

Funding facilities	Total facility	Drawn	Undrawn
Less than 1 year	6,776.1	4,151.6	2,624.5
1–2 years	3,241.4	3,241.4	–
2–5 years and above	9,835.2	9,562.4	272.8
Total	**19,852.7**	**16,955.4**	**2,897.3**

Notes to the Consolidated Financial Statements continued

27. Financial Instruments continued

At 31 March 2011, the Group had access to funding facilities of US$19,160.1 million of which US$9,407.6 million was not yet drawn, as set out below.

(US$ million) Funding facilities	Total facility	Drawn	Undrawn
Less than 1 year	10,946.8	3,045.1	7,901.7
1–2 years	3,336.3	1,914.2	1,422.1
2–5 years and above	4,877.0	4,793.2	83.8
Total	**19,160.1**	**9,752.5**	**9,407.6**

(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, except Cairn where the functional currency is US dollars, since that is the currency of the primary economic environment in which Cairn operates.

Exposure on foreign currency loans 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. Longer exposures beyond one year are normally 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.

The carrying amount of the Group's financial assets and liabilities in different currencies are as follows:

	At 31 March 2012		At 31 March 2011	
(US$ million)	**Financial assets**	**Financial liabilities**	Financial assets	Financial liabilities
USD	2,358.3	16,043.8	884.6	8,849.2
INR	6,316.9	4,867.1	7,959.4	4,260.9
Kwacha	–	–	44.4	27.5
JPY	100.5	–	93.5	8.7
AUD	23.8	21.4	5.6	23.1
CAD	166.9	–	249.2	–
Euro	117.4	106.4	134.9	116.4
ZAR	12.2	24.3	62.3	63.5
NAD	21.6	18.4	129.3	45.7
Others	0.7	14.1	11.5	16.6
Total	**9,118.3**	**21,095.5**	**9,574.7**	**13,411.6**

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:

	31 March 2012		
(US$ million)	**Closing exchange rate**	**Effect of 10% strengthening of US dollar on net earning**	**Effect of 10% strengthening of US dollar on total equity**
INR	51.16	(426.6)	(372.1)
AUD	0.9610	(0.2)	(0.2)
Euro	0.7490	1.0	33.6

27. Financial Instruments continued

(US$ million)	31 March 2011 Closing exchange rate	Effect of 10% strengthening of US dollar on net earning	Effect of 10% strengthening of US dollar on total equity
INR	44.65	(167.7)	(190.3)
AUD	0.9680	0.9	0.9
Kwacha	4,770	1.5	1.5

The sensitivities are based on financial assets and liabilities held at 31 March 2012 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 Rate Risk

At 31 March 2012, the Group's net debt of US$10,064.4 million (2011: US$1,970.3 million net debt) comprises cash, cash equivalents and liquid investments of US$6,885.3 million (2011: US$7,777 million) offset by debt of US$16,955.4 million (2011: US$9,752.5 million) and debt derivative of US$5.7 million (2011: US$5.2 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 2012, 60.3% (2011: 59.3%) 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 assets. 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.

The exposure of the Group's financial assets to interest rate risk is as follows:

	At 31 March 2012				At 31 March 2011			
(US$ million)	**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	3,013.5	3,409.8	189.1	2,362.9	5,091.9	2,362.4	278.2	1,701.9
Derivative assets	–	–	–	143.0	–	–	–	140.3
Total financial assets	**3,013.5**	**3,409.8**	**189.1**	**2,505.9**	**5,091.9**	**2,362.4**	**278.2**	**1,842.2**

The exposure of the Group's financial liabilities to interest rate risk is as follows:

	At 31 March 2012			At 31 March 2011		
(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	14,437.6	3,660.9	2,863.8	3,820.6	6,363.4	3,124.1
Derivative liabilities	–	–	133.2	–	–	103.5
Total financial liabilities	**14,437.6**	**3,660.9**	**2,997.0**	**3,820.6**	**6,363.4**	**3,227.6**

The weighted average interest rate on the fixed rate financial liabilities is 7.7% (2011: 7.4%) and the weighted average period for which the rate is fixed is 4.4 years (2011: 3.4 years).

Considering the net debt position as at 31 March 2012 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.

Notes to the Consolidated Financial Statements continued

27. Financial Instruments continued

The table below 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 2012

(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%	40.2	40.2
1.0%	80.5	80.5
2.0%	161.0	161.0

At 31 March 2011

(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%	12.7	12.7
1.0%	25.3	25.3
2.0%	50.7	50.7

(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 2012 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 2012 is US$9,118.3 million (2011: US$9,574.7 million).

Of the year end trade and other receivable balance the following, though overdue, are expected to be realised in the normal course of business and hence, are not considered impaired as at 31 March 2012:

(US$ million)	2012	2011
Less than 1 month	26.6	14.2
Between 1–3 months	12.7	6.1
Between 3–12 months	25.0	8.7
Greater than 12 months	77.2	17.0
Total	**141.5**	**46.0**

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 (Note 26). 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.

27. Financial Instruments continued

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 2012, recorded within other financial assets (derivatives) and other financial liabilities (derivatives) is as follows:

	As at 31 March 2012		As at 31 March 2011	
(US$ million)	Liability	Asset	Liability	Asset
Current				
Cash flow hedges				
– Commodity contracts	–	3.5	–	–
– Forward foreign currency contracts	–	1.2	(0.2)	8.1
Fair value hedges				
– Commodity contracts	2.2	0.1	(3.3)	0.2
– Forward foreign currency contracts	(0.3)	4.7	–	0.3
– Others (foreign currency swap)	(82.1)	83.0	–	–
Non-qualifying hedges				
– Commodity contracts	(2.5)	0.6	(5.0)	3.1
– Forward foreign currency contracts	(9.4)	13.7	(0.8)	29.2
Hedge of net investment in foreign operations	(9.0)	–	–	–
Total	**(101.1)**	**106.8**	**(9.3)**	**40.9**
Non-current				
Fair value hedges				
– Interest rate swap	(14.7)	–	–	–
– Others (foreign currency swap)	(17.4)	22.8	(94.2)	99.4
Total	**(32.1)**	**22.8**	**(94.2)**	**99.4**
Grand total	**(133.2)**	**129.6**	**(103.5)**	**140.3**

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 and also includes interest rate swaps 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 and includes cross currency swaps.

Hedging Reserves Reconciliation

(US$ million)	Hedging reserves	Non-controlling interests	Total
At 1 April 2010	**27.8**	**14.9**	**42.7**
Amount recognised directly in equity	7.7	(3.9)	3.8
Amount charged/(credited) to income statement	2.3	(3.3)	(1.0)
Exchange difference	0.4	–	0.4
At 1 April 2011	**38.2**	**7.7**	**45.9**
Amount recognised directly in equity	(64.9)	(15.7)	(80.6)
Amount credited to income statement	(30.4)	(7.5)	(37.9)
Exchange difference	1.5	0.5	2.0
At 31 March 2012	**(55.6)**	**(15.0)**	**(70.6)**

Notes to the Consolidated Financial Statements continued

28. Provisions

(US$ million)	Restoration, rehabilitation and environmental	KCM Copper Price Participation	Other	Total
At 1 April 2010	**25.3**	**125.4**	**17.8**	**168.5**
Acquisition	121.2	–	19.3	140.5
(Credited)/charged to income statement	2.2	(0.9)	1.1	2.4
Unwinding of discount	0.7	6.6	0.7	7.9
Cash paid	0.1	–	3.9	4.0
Exchange differences	0.9	–	–	0.9
At 1 April 2011	**150.4**	**131.1**	**42.8**	**324.3**
Acquisition	124.3	–	6.1	130.4
Credited to income statement	(1.6)	(19.2)	(6.5)	(27.3)
Unwinding of discount	5.0	6.1	0.4	11.5
Cash paid	(0.3)	(20.0)	(6.2)	(26.5)
Exchange differences	(3.8)	–	(3.5)	(7.3)
At 31 March 2012	**274.0**	**98.0**	**33.1**	**405.1**
Current 2012	–	–	18.1	18.1
Non-current 2012	274.0	98.0	15.0	387.0
	274.0	**98.0**	**33.1**	**405.1**
Current 2011	–	–	22.8	22.8
Non-current 2011	150.4	131.1	20.0	301.5
	150.4	**131.1**	**42.8**	**324.3**

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, Zambian, Namibian, South African and Irish laws 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. Relating to oil and gas fields, costs are incurred in restoring the site of production facilities at the end of the producing life of an oil field. The Company recognises the full cost of site restoration as a liability when the obligation to rectify environmental damage arises. An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production from a producing field.

KCM Copper Price Participation

KCM Copper Price Participation relates to provision in respect of a price participation agreement in Zambia which requires KCM to pay ZCCM an agreed annual sum when copper price exceeds specified levels and specific triggers. The timing of the outflow is dependent on future copper prices as well as dividends paid.

Other

Other includes provision on post retirement medical benefits and insurance claim receivables.

29. 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 fair value upliftment created on acquisitions, 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)

(US$ million)	**As at 31 March 2012**	As at 31 March 2011
Accelerated capital allowances	6,514.4	1,773.9
Unutilised tax losses	(390.5)	(377.3)
Other temporary differences	(610.0)	(66.7)
	5,513.9	**1,329.9**
Recognised as:		
Deferred tax liability provided	5,916.7	1,348.1
Deferred tax asset recognised	(402.8)	(18.2)
	5,513.9	**1,329.9**

Unrecognised Deferred Tax Assets

(US$ million)	**As at 31 March 2012**	As at 31 March 2011
Unutilised tax losses and unabsorbed depreciation	(488.7)	(252.0)

The above relates to the tax effect of US$471.6 million (2011: US$356.9 million) of unutilised tax losses of the Company and VRHL which have no expiry period and US$1,157.2 million (2011: US$490.8 million) of unutilised tax losses and capital allowances for VAL and SEL. The expiry period for unutilised tax losses is eight years in the Indian tax regime whereas unabsorbed depreciation can be carried forward for an indefinite period. No benefit has been recognised for these items on the grounds that their successful application against future profits is not probable in the foreseeable future.

Deferred Tax Asset

(US$ million)	**As at 31 March 2012**	As at 31 March 2011
At 1 April	**18.2**	**8.9**
Credited to income statement	178.0	17.3
Charged directly to equity	(1.1)	(8.3)
Acquisitions	205.8	–
Foreign exchange differences	1.9	0.3
At 31 March	**402.8**	**18.2**

The Group has US$1,301.7 million of unutilised tax losses at KCM (2011: US$1,234.9 million) which expire in the period 2016 to 2019 and have been offset against accelerated capital allowances at the same entity.

Notes to the Consolidated Financial Statements continued

29. Deferred Tax continued

Deferred Tax Liability

(US$ million)	As at 31 March 2012	As at 31 March 2011
At 1 April	**1,358.0**	**1,209.3**
Addition due to acquisition	4,832.0	205.9
Credited to income statement	(127.6)	(62.6)
Charged directly to equity	(6.8)	2.3
Foreign exchange differences	(132.1)	14.1
Prior year adjustments	–	(10.9)
Disposals	(6.8)	–
At 31 March	**5,916.7**	**1,358.1**

No deferred tax has been recognised in respect of temporary differences associated with investments in subsidiaries where the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The aggregate amount of temporary differences associated with such investments in subsidiaries is represented by the contribution of those investments to the Group's retained earnings and amounted to US$5,290.2 million (2011: US$3,966.1 million).

30. 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.

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 CTC 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 CTC, 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 and as moderated by Remuneration Committee. 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

The performance condition will be 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') will be 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.

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, 1 January 2010, 1 April 2010, 1 July 2010, 1 October 2010, 1 January 2011, 1 April 2011, 1 July 2011, 1 August 2011, 1 October 2011 and 1 January 2012. 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 would be available in the Remuneration Report of the Annual Report on pages 83 to 91.

30. Share-based Payments continued

Year of grant	Exercise date	Exercise price US cents per share	Options outstanding 1 April 2011	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 2012
2007	14 November 2010 to 14 May 2011	10	63,022	–	–	–	63,022	–
2009	1 August 2012–1 February 2013	10	2,134,163	–	220,400	68,350	–	1,845,413
2010	1 January 2013–1 July 2013	10	14,000	–	5,000	–	–	9,000
2010	1 July 2013–1 January 2014	10	7,500	–	7,500	–	–	–
2010	1 October 2013–1 April 2014	10	6,700	–	–	–	–	6,700
2011	1 January 2014–1 July 2014	10	2,700	–	–	–	–	2,700
2011	1 April 2014–1 October 2014	10	–	102,300	12,950	500	–	88,850
2011	1 July 2014–1 January 2015	10	–	19,000	–	–	–	19,000
2011	1 August 2014–1 February 2015	10	–	2,862,100	218,400	18,100	–	2,625,600
2011	1 October 2014–1 April 2015	10	–	5,000	–	–	–	5,000
2012	1 January 2015–1 July 2015	10	–	7,000	–	–	–	7,000
			2,228,085	**2,995,400**	**464,250**	**86,950**	**63,022**	**4,609,263**

As at 31 March 2012 all the options granted on 14 November 2007 and 1 July 2010, were lapsed and all the remaining unexercised options granted on 1 August 2009, 1 January 2010, 1 October 2010, 1 January 2011, 1 April 2011, 1 July 2011, 1 August 2011, 1 October 2011 and 1 January 2012 remain unexercised. The weighted average share price for the share options exercised during the year was £21.43.

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.

The fair values were calculated using the 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 April 2011	LTIP July 2011	LTIP August 2011	LTIP October 2011	LTIP January 2012
Date of grant	1-Apr-11	1-Jul-11	1-Aug-11	1-Oct-11	1-Jan-12
Number of instruments	102,300	19,000	2,862,100	5,000	7,000
Exercise price	US$0.10	US$0.10	US$0.10	US$0.10	US$0.10
Share price at the date of grant	£23.79	£20.94	£17.70	£11.01	£10.15
Contractual life	3 Years	3 Years	3 Years	3 Years	3 Years
Expected volatility	69%	69%	68%	70%	57%
Expected option life	3.2 Years	3.2 Years	3.2 Years	3.2 Years	3.2 Years
Expected dividends	1.2% pa	1.2% pa	1.8% pa	2.7% pa	3.3% pa
Risk free interest rate	1.9% pa	1.9% pa	1.0% pa	0.7% pa	0.4% pa
Expected annual forfeitures	13.5% pa	13.5% pa	13.5% pa	13.5% pa	13.5% pa
Fair value per option granted	£16.018	£14.093	£11.092	£6.293	£5.111

The Group recognised total expenses of US$20.2 million and US$18.4 million related to equity settled share-based payment transactions in the year ended 31 March 2012 and 31 March 2011 respectively.

Notes to the Consolidated Financial Statements continued

31. Retirement Benefits
The Group operates pension schemes for the majority of its employees in India, Australia, Africa and Ireland.

(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% (or more up to 30% in case of Sesa Goa) of salary made by the employee.

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. However, in case of Cairn India group and Sesa Goa, the benefit is applicable to all 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 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.

All contributions to the KCM Pension Scheme, in respect of a member, cease to be payable when the member attains the normal retirement age of 55, 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.

Skorpion Zinc, Namibia Provident Fund

The Skorpion Zinc Provident Fund is a defined contribution fund and is compulsory to all full time employees under the age of 60. Company contribution to the fund is a fixed percentage of 8% per month of pensionable salary, whilst the employee contributes 7% with the option of making additional contributions, over and above the normal contribution, up to a maximum of 12%.

31. Retirement Benefits continued

The normal retirement age is 60 and benefit payable is the member's fund credit which is equal to all employer and employee contributions plus interest. The same applies when an employee resigns from the Company. The Fund provides disability cover which is equal to the member's fund credit and a death cover of two times annual salary in the event of death before retirement. The latest actuarial value was performed at 28 February 2011. At that date the Fund was in credit. Current membership total is 721.

Black Mountain (Pty) Limited, South Africa Pension & Provident Funds

Black Mountain Mining (Pty) Ltd has two retirement funds, both administered by Alexander Forbes, a registered financial service provider. Both funds form part of the Alexander Forbes umbrella fund and are defined contribution funds.

Membership of both funds is compulsory for all permanent employees under the age of 60.

Lisheen Mine, Ireland Pension Funds

Lisheen Pension Plan is for all employees. Lisheen pays 5% and employees pay 5% with the option to contribute AVC's if desired. Executive contributions are 15% by the Company and 15% by the employee with the option to contribute AVC's if desired. Death benefit is three times salary for employees and four times salary for executives. Pension and Life Cover ceases at 65.

(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 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 the 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 contributes to the LIC Fund based on an actuarial valuation every year. MALCO's Gratuity scheme is accounted for on a defined benefit basis. The latest actuarial valuation was performed as at 31 March 2012 using the projected unit credit actuarial method. At that date the fund was in deficit.

BALCO

At BALCO, all employees who are scheduled to retire on or before 31 March 2012 are covered by the LIC and remaining contributions to the LIC have been made up to 31 March 2015 and have been accounted for on a defined contribution basis. The Gratuity scheme is accounted for as a defined benefit scheme for all employees scheduled to retire after 31 March 2012 and who are not covered by the LIC. A provision is recognised based on the latest actuarial valuation which was performed as at 31 March 2012 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 2011 using the projected unit actuarial method. At that date the fund was in deficit.

VAL

VAL contributes to the LIC based on an actuarial valuation. 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 2012 using the projected unit actuarial method. At that date the fund was in deficit.

TSPL

TSPL contributes to the LIC based on an actuarial valuation. 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 2012 using the projected unit actuarial method.

Sterlite

Sterlite does not contribute 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 2012 using the projected unit actuarial method. At that date the fund was in deficit.

Notes to the Consolidated Financial Statements continued

31. Retirement Benefits continued

Sesa Goa

Sesa Goa contributes to the LIC 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 2012 using the projected unit actuarial method. At that date the fund was in deficit.

Cairn

Cairn contributes to the LIC based on actuarial valuation every year. Cairn India Group's Gratuity scheme is accounted for on a defined benefit basis. The latest actuarial valuation was performed as at 31 March 2012 using the projected unit actuarial method. At that date the fund was in deficit.

Zambia

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.

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 30 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.

As at 31 March 2012, membership of pension schemes across MALCO, BALCO, HZL, VAL, Sterlite, Sesa, KCM and Cairn stood at 28,222 employees (31 March 2011: 28,905). 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$59.7 million and US$nil million in respect of defined benefit schemes were outstanding and prepaid respectively as at 31 March 2012 (2011: US$41.2 million and US$nil million respectively).

Contributions to pension schemes in the year ending 31 March 2013 are expected to be around US$5.8 million.

(US$ million)	**Year ended 31 March 2012**	Year ended 31 March 2011
Defined contribution pension schemes	23.1	22.3
Defined benefit pension schemes	21.5	29.3
	44.6	**51.6**

(d) Principal Actuarial Assumptions.

Principal actuarial assumptions used to calculate the defined benefit schemes' liabilities are:

	MALCO		BALCO		Sterlite		HZL	
Particulars	**March 2012**	March 2011	**March 2012**	March 2011	**March 2012**	March 2011	**March 2012**	March 2011
Discount rate	8.0%	7.5%	8.4%	8.0%	8.0%	8.0%	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	5.5%	5.5%	5.5%	5.5%
Funding rate of return	–	–	9.4%	9.4%	7.5%	7.5%	9.5%	9.5%
Number of employees	74	78	3,995	4,167	1,361	1,765	6,138	6,642

	KCM		VAL		Sesa Goa		Cairn	
Particulars	**March 2012**	March 2011	**March 2012**	March 2011	**March 2012**	March 2011	**March 2012**	March 2011
Discount rate	16.23 %	16.95 %	8.0%	8.0%	8.0%	8.0%	8.0%	–
Salary increases	5.0%	5.0%	5.5%	5.5%	5.0%–7.5%	5.0%–7.0%	10.0%	–
Funding rate of return	–	–	8.0%	8.0%	9.0%–9.4%	8.0%–9.4%	9.4%	–
Number of employees	8,368	9,366	3,245	3,395	3,693	3,277	1,109	–

Assumptions regarding mortality for Indian entities are based on mortality table of LIC (1994–96) as subsequently modified.

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.

31. Retirement Benefits continued

(e) Balance Sheet Recognition

	31 March 2012								
(US$ million)	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Cairn	Total
Fair value of pension scheme assets	0.2	0.5	2.4	32.4	–	1.0	7.7	3.6	**47.8**
Present value of pension scheme liabilities	(0.2)	(22.5)	(3.7)	(35.6)	(28.4)	(1.2)	(10.0)	(5.3)	**(106.9)**
Deficit in pension scheme recognised in balance sheet	–	(22.0)	(1.3)	(3.2)	(28.4)	(0.2)	(2.3)	(1.7)	**(59.1)**
Deferred tax	–	7.1	0.4	1.1	9.2	0.1	0.7	0.5	**19.1**
Net pension liability	–	**(14.9)**	**(0.9)**	**(2.1)**	**(19.2)**	**(0.1)**	**(1.6)**	**(1.2)**	**(40.0)**

	31 March 2011								
(US$ million)	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Cairn	Total
Fair value of pension scheme assets	0.2	1.7	2.3	25.8	–	1.3	8.0	–	**39.3**
Present value of pension scheme liabilities	–	(23.5)	(3.9)	(38.5)	(19.6)	(0.8)	(9.8)	–	**(96.1)**
Deficit in pension scheme recognised in balance sheet	0.2	(21.8)	(1.6)	(12.7)	(19.6)	0.5	(1.8)	–	**(56.8)**
Deferred tax	(0.1)	7.1	0.5	4.0	6.4	(0.1)	0.6	–	**18.4**
Net pension liability	**0.1**	**(14.7)**	**(1.1)**	**(8.7)**	**(13.2)**	**0.4**	**(1.2)**	**–**	**(38.4)**

(f) Amounts Recognised in Income Statement in Respect of Defined Benefit Pension Schemes:

	31 March 2012								
(US$ million)	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Cairn	Total
Current service cost	–	0.8	0.4	1.6	4.4	0.2	0.5	0.3	**8.2**
Actuarial (gains)/ losses	–	1.8	–	1.3	2.1	0.2	1.3	0.2	**6.9**
Expected return on scheme assets	–	(0.1)	(0.2)	(2.3)	–	(0.1)	(0.4)	(0.1)	**(3.2)**
Interest cost of scheme liabilities	–	1.7	0.3	3.1	3.6	0.1	0.7	0.1	**9.6**
Total charge/ (credit) to income statement	**–**	**4.2**	**0.5**	**3.7**	**10.1**	**0.4**	**2.1**	**0.5**	**21.5**

Notes to the Consolidated Financial Statements continued

31. Retirement Benefits continued

(US$ million)	31 March 2011								
	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Cairn	Total
Current service cost	0.1	0.5	0.4	1.6	1.6	0.2	0.5	–	**4.9**
Actuarial (gains)/ losses	0.1	5.2	0.3	11.0	2.6	0.2	1.0	–	**20.4**
Expected return on scheme assets	–	(0.2)	(0.1)	(2.2)	–	–	–	–	**(2.5)**
Interest cost of scheme liabilities	–	0.8	0.3	2.2	2.7	–	0.7	–	**6.7**
Total charge/ (credit) to income statement	**0.2**	**6.3**	**0.9**	**12.6**	**6.9**	**0.4**	**2.2**	**–**	**29.5**

(g) Movements in the Present Value of Defined Benefit Obligations

The movement during the year ended 31 March 2012 of the present value of the defined benefit obligation was as follows:

(US$ million)	31 March 2012								
	MALCO	**BALCO**	**Sterlite**	**HZL**	**KCM**	**VAL**	**Sesa Goa**	**Cairn**	**Total**
At 1 April 11	**–**	**(23.5)**	**(3.9)**	**(38.5)**	**(19.6)**	**(0.8)**	**(9.8)**	**–**	**(96.1)**
At acquisition	–	–	–	–	–	–	–	(5.0)	**(5.0)**
Current service cost	(0.2)	(0.8)	(0.4)	(1.6)	(4.4)	(0.2)	(0.5)	(0.3)	**(8.4)**
Gratuity benefits paid	–	2.1	0.5	4.0	3.8	0.1	1.2	0.2	**11.9**
Interest cost of scheme liabilities	–	(1.7)	(0.3)	(2.9)	(3.6)	(0.1)	(0.6)	(0.1)	**(9.3)**
Actuarial losses	–	(2.1)	–	(1.6)	(2.3)	(0.1)	(1.3)	(0.3)	**(7.7)**
Exchange difference	–	2.5	0.5	3.1	–	0.2	1.2	0.2	**7.7**
At 31 March 12	**(0.2)**	**(23.5)**	**(3.6)**	**(37.5)**	**(26.1)**	**(0.9)**	**(9.8)**	**(5.3)**	**(106.9)**

(US$ million)	31 March 2011								
	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Cairn	Total
At 1 April 11	**(0.2)**	**(13.3)**	**(3.2)**	**(27.5)**	**(16.1)**	**(0.4)**	**(8.6)**	**–**	**(69.3)**
At acquisition	–	–	–	–	–	–	–	–	**–**
Current service cost	(0.1)	(0.5)	(0.4)	(1.6)	(1.6)	(0.2)	(0.5)	–	**(4.9)**
Gratuity benefits paid	0.2	5.6	0.3	4.2	3.4	–	1.0	–	**14.7**
Interest cost of scheme liabilities	–	(0.8)	(0.3)	(2.2)	(2.7)	–	(0.7)	–	**(6.7)**
Actuarial losses	(0.1)	(5.2)	(0.3)	(11.0)	(2.6)	(0.2)	(1.0)	–	**(20.4)**
Exchange difference	0.2	(9.3)	–	(0.4)	–	–	–	–	**(9.5)**
At 31 March 12	**–**	**(23.5)**	**(3.9)**	**(38.5)**	**(19.6)**	**(0.8)**	**(9.8)**	**–**	**(96.1)**

31. Retirement Benefits continued

(h) Movements in the Fair Value of Scheme Assets

(US$ million)	**As at 31 March 2012**	As at 31 March 2011
At 1 April	**39.3**	**32.6**
Acquisition	3.4	–
Contributions received	17.7	10.1
Benefits paid	(12.3)	(14.7)
Acturial gains	1.7	1.4
Expected return on plan assets	3.1	2.6
Foreign exchange differences	(5.1)	7.3
At 31 March	**47.8**	**39.3**

(i) Five Year History

Defined Benefit Pension Plan

(US$ million)	**As at 31 March 2012**	As at 31 March 2011	As at 31 March 2010	As at 31 March 2009	As at 31 March 2008
Experience (losses)/gains arising on scheme liabilities	(7.0)	(20.4)	(11.3)	7.8	1.4
Difference between expected and actual return on plan assets	–	–	–	0.1	–
Fair value of pension scheme assets	47.8	39.3	32.6	23.6	26.8
Present value of pension scheme liabilities	(106.9)	(96.1)	(69.3)	(52.9)	(69.3)
Deficits in the schemes	(59.1)	(56.8)	(36.7)	(29.3)	(42.5)

32. Capital Management

The Group's objectives when managing capital are to safeguard continuity, maintain a strong credit rating and healthy capital ratios in order to support its business and provide adequate return to shareholders through continuing growth.

The Group sets the amount of capital required on the basis of annual business and long-term operating plans which include capital and other strategic investments. The funding requirement is met through a mixture of equity, internal accruals, convertible bonds and other long-term and short-term borrowings.

The Group monitors capital using a gearing ratio, being the ratio of net debt as a percentage of total capital.

(US$ million)	**As at 31 March 2012**	As at 31 March 2011
Total equity	**18,419.5**	**13,753.8**
Net debt	10,064.4	1,970.3
Total capital	28,483.9	15,724.1
Gearing	35.3%	12.5%

Notes to the Consolidated Financial Statements continued

33. Share Capital

Authorised	At 31 March 2012 Number	At 31 March 2012 US$ million	At 31 March 2011 Number	At 31 March 2011 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	–	50,000	–
	400,050,000	**40.0**	**400,050,000**	**40.0**

Ordinary shares issued and fully paid	At 31 March 2012 Number	At 31 March 2012 US$ million	At 31 March 2011 Number	At 31 March 2011 US$ million
Ordinary shares of 10 US cents each	296,908,045	29.7	296,845,751	29.7
Deferred shares of £1 each	50,000	–	50,000	–
	296,958,045	**29.7**	**296,895,751**	**29.7**

During the year ended 31 March 2012, the Company issued 62,294 shares to the employees pursuant to the LTIP scheme (2011: 738,248 shares).

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.

6,904,995 ordinary shares were issued on the conversion of certain convertible bonds issued by one of the Company's subsidiaries. These 6,904,995 ordinary shares are held through a global depositary receipt and carry no voting rights.

During the year ended 31 March 2012, the Company did not buy back any shares under its share buy-back programme (2011: 3,126,133). At 31 March 2012, the total number of shares held in treasury was 24,206,816 (2011: 24,206,816).

34. Business Combinations

Cairn India Limited

During the year ended 31 March 2012, the Group completed the acquisition of Cairn India Limited by acquiring a 59% stake, as follows:

> In April 2011, the Group through its subsidiary Sesa Goa acquired 200 million shares amounting to 10.5% stake in Cairn India Limited from Petronas International Corporation Ltd. ('Petronas') at a price of INR331 per share amounting to total cash consideration of US$1,478 million.

> Sesa Goa and Sesa Resources acquired circa 8.1% of Cairn India Limited through an Open Offer at a total cost of US$1,223.0 million.

> On 11 July 2011, the Group through its wholly-owned subsidiary Twin Star Mauritius Holdings Limited ('TMHL'), further acquired 191.9 million shares from Cairn Energy plc, amounting to circa 10.1% stake in Cairn India Limited at a price of INR355 per share amounting to US$1,505.7 million.

> On 7 December 2011, Sesa Goa acquired a 1.5% stake from Cairn Energy on the open market for a consideration of US$182 million.

> On 8 December 2011, the acquisition was completed when the Group through TMHL purchased a 28.7% stake from Cairn Energy plc at a price of INR355 per share.

Cairn India is involved in the business of exploration, development and production of oil and gas.

34. Business Combinations continued

The fair value of the identifiable assets and liabilities of Cairn India as at 8 December 2011, the date of the acquisition were estimated as follows:

(US$ million)	Provisional fair value
Assets	
Non-current assets	
Property, plant and equipment	17,547.1
Deferred tax assets	205.7
	17,752.8
Current assets	
Inventories	25.3
Trade and other receivables	794.9
Liquid investments	1,151.0
Cash and cash equivalents	665.8
Current tax assets	23.5
Assets held for sale	24.1
	2,684.6
Liabilities	
Current liabilities	
Trade and other payables	(457.6)
Other financial liabilities-derivatives	(4.6)
Provisions	(626.8)
	(1,089.0)
Non-current liabilities	
Medium/long-term borrowings	(239.3)
Provisions	(83.7)
Deferred tax liabilities	(4,832.0)
	(5,155.0)
Net assets	**14,193.4**
Fair value of existing stake	3,788.2
Cash consideration paid for 28.7%	4,284.9
Non-controlling interest	5,819.3
Less fair value of identifiable assets and liabilities	(14,193.4)
Bargain purchase	301.0

Due to acquisition being completed in series of transactions, the acquisition is accounted for as a Step Acquisition under the provisions of IFRS 3 (revised 2008). Accordingly, the equity interest previously held in Cairn India and accounted as an investment in associate, is treated as if it was disposed off and reacquired at fair value on the acquisition date. Consequently, the Group remeasured its existing 30.3% interest in the assets and liabilities of Cairn India Limited prior to this transaction to their fair values, recognising a loss of US$332.4 million. The Group recognised a bargain purchase gain of US$301 million, resulting from excess fair value of the net assets acquired over the fair value of consideration paid. The net loss of US$31.4 million is recorded within Special Items in the income statement (Note 5).

The fair values and business combination accounting set out in this annual report are provisional for the 12 month period from the date of acquisition.

The operating and financial results of Cairn India have been consolidated from 8 December 2011. From 11 July 2011 to 7 December 2011, Cairn India has been accounted as an associate under equity method of accounting.

Since the date of acquisition, Cairn India has contributed US$882.5 million to the revenue and US$486.2 million to the net profit of the Group for the year ended 31 March 2012. If Cairn India had been acquired at the beginning of the year, the revenue of the Group would have been US$1,610.6 million higher and the net profit of the Group would have been US$458.3 million higher.

Acquisition costs related to Cairn India, charged to the income statement is US$97.2 million of which US$24.2 million has been charged to the income statement in the year ended 31 March 2011.

Notes to the Consolidated Financial Statements continued

34. Business Combinations continued

Goa Energy Private Limited

On 1 March 2012, Vedanta Resources plc through its subsidiary Sesa Goa acquired 100% stake in Goa Energy Private Limited ('GEPL') from Videocon Industries at a consideration of US$9.5 million. The operating and financial results of GEPL have been consolidated from 1 March 2012. GEPL is in the business of power generation.

The fair value of identifiable assets and liabilities has been estimated as:

(US$ million)	Provisional fair value
Assets	
Non-current assets	
Goodwill	4.4
Property, plant and equipment	16.6
	21.0
Current assets	
Trade and other receivables	1.4
	1.4
Liabilities	
Current liabilities	
Short-term borrowings	(1.2)
Trade and other payables	(1.8)
	(3.0)
Non-current liabilities	
Long-term borrowings	(8.8)
Deferred tax liabilities	(1.1)
	(9.9)
Net assets	**9.5**
Satisfied by:	
Cash consideration paid	9.5

Since the date of acquisition, GEPL has contributed US$0.5 million to the revenue and US$0.1 million to the net profit of the Group for the year ended March 2012. If GEPL had been acquired at the beginning of the year, the revenue of the Group would have been US$5.4 million higher and the net profit of the Group would have been reduced by US$0.7 million.

Acquisition costs related to GEPL, charged to the income statement is US$nil million.

Prior Year Business Combinations

On 3 December 2010, Vedanta Resources plc acquired 100% equity of Anglo Base Namibia Holdings (Pty) Ltd which is the holding company of the Skorpion Namibian assets for a total consideration of US$706.7 million. Provisional fair values that were determined as at 31 March 2011 for consolidation were finalised during the measurement period of 12 months from the acquisition date.

34. Business Combinations continued

The fair value of the identifiable assets and liabilities of Skorpion Zinc, Namibia as at the date of the acquisition were as follows:

(US$ million)	Provisional fair value	Fair value adjustments	Fair value at acquisition
Assets			
Non-current assets			
Property, plant and equipment	628.2	(17.3)	610.9
Financial assets investments	3.0	–	3.0
	631.2	**(17.3)**	**613.9**
Current assets			
Inventories	53.3	–	53.3
Trade and other receivables	3.9	–	3.9
Cash and cash equivalents	119.5	–	119.5
	176.7	**–**	**176.7**
Liabilities			
Current liabilities			
Trade and other payables	(21.7)	–	(21.7)
Current tax liabilities	(0.2)	–	(0.2)
	(21.9)	**–**	**(21.9)**
Non-current liabilities			
Deferred tax liabilities	(30.6)	17.3	(13.3)
Provisions	(48.7)	–	(48.7)
	(79.3)	**17.3**	**(62.0)**
Net assets	**706.7**	**–**	**706.7**
Satisfied by:			
Cash consideration paid	706.7		706.7

On 4 February 2011 Vedanta Resources plc through its subsidiary THL Zinc Limited, acquired 74% equity of Black Mountain Mining (Pty) Ltd for a total consideration of US$260.2 million. Shareholder's loan from Anglo to Black Mountain Mines was taken over by Vedanta of amount US$87.7 million. Provisional fair values that were determined as at 31 March 2011 for consolidation were finalised during the measurement period of 12 months from the acquisition date.

Notes to the Consolidated Financial Statements continued

34. Business Combinations continued

The fair value of the identifiable assets and liabilities of Black Mountain Mines as at the date of the acquisition were as follows:

(US$ million)	Provisional fair value	Fair value adjustments	Fair value at acquisition
Assets			
Non-current assets			
Intangibles	162.1	(162.1)	–
Property, plant and equipment	297.5	254.9	552.4
Financial assets investments	10.8	–	10.8
	470.4	**92.8**	**563.2**
Current assets			
Inventories	34.8	–	34.8
Trade and other receivables	29.9	–	29.9
Cash and cash equivalents	31.6	–	31.6
	96.3	**–**	**96.3**
Liabilities			
Current liabilities			
Borrowings	(117.1)	–	(117.1)
Trade and other payables	(12.4)	–	(12.4)
Current tax liabilities	(8.9)	–	(8.9)
	(138.4)	**–**	**(138.4)**
Non-current liabilities			
Deferred tax liabilities	(124.8)	(27.3)	(152.1)
Provisions	(29.9)	–	(29.9)
	(154.7)	**(27.3)**	**(182.0)**
Net assets	**273.6**	**65.5**	**339.1**
Less: Non-controlling recognised on acquisition	(13.4)	(74.8)	(88.2)
	260.2	**(9.3)**	**250.9**
Satisfied by:			
Cash consideration paid	260.2		250.9

The decrease in cash consideration reflects the tax receivable reimbursed by the seller.

On 15 February 2011, Vedanta Resources plc, through its subsidiary THL Zinc Holding BV, acquired 100% equity of Anglo American Lisheen Finance Limited for a total consideration of US$546.2 million. Provisional fair values that were determined as at 31 March 2011 for consolidation were finalised during the measurement period of 12 months from the acquisition date.

34. Business Combinations continued

The fair value of the identifiable assets and liabilities of Lisheen mines as at the date of the acquisition were as follows:

(US$ million)	Provisional fair value	Fair value adjustments	Fair value at acquisition
Assets			
Non-current assets			
Property, plant and equipment	278.9	–	278.9
	278.9	**–**	**278.9**
Current assets			
Inventories	18.2	–	18.2
Trade and other receivables	14.8	–	14.8
Cash and cash equivalents	325.2	–	325.2
Liquid investments	37.3	–	37.3
	395.5	**–**	**395.5**
Liabilities			
Current liabilities			
Trade and other payables	(22.8)	–	(22.8)
Current tax liabilities	(3.0)	–	(3.0)
	(25.8)	**–**	**(25.8)**
Non-current liabilities			
Deferred tax liabilities	(40.5)	–	(40.5)
Provisions	(61.9)	–	(61.9)
	(102.4)	**–**	**(102.4)**
Net assets	**546.2**	**–**	**546.2**
Satisfied by:			
Cash consideration paid	546.2		546.2

35. Joint Ventures

Jointly Controlled Assets

The Group's principal licence interests in oil and gas business are jointly controlled assets. The principal licence interests are as follows:

	Working interest %
India	
Block PKGM-1 (Ravva)	22.50
Block KG-DWN-98/2[1]	10.00
Block KG-ONN-2003/1	49.00
Block CB/OS-2 Development areas	40.00
Block RJ-ON-90/1 Development areas	70.00
Block KK-DWN-2004/1[1]	40.00
Block PR-OSN-2004/1	35.00
Block KG-OSN-2009/3	100.00
Block MB-DWN-2009/1	100.00
Sri Lanka	
SL-2007-01-001	100.00

1 All the blocks except KK-DWN-2004/1 and KG-DWN-98/2 are operated by Cairn India.

Notes to the Consolidated Financial Statements continued

36. Investments in Associates

Investments in Cairn India Limited

The Group accounted for its investments in Cairn India Limited as an associate from 11 July 2011, the date it acquired significant influence to 7 December 2011, the date it acquired the controlling stake.

The share of associate's revenue and profit were as follows:

(US$ million)	For the period 11 July 2011 to 7 December 2011
Revenue	283.2
Operating profit	122.7
Investment revenues	8.8
Finance cost	(20.7)
Profit before taxation	110.8
Tax expense	(18.6)
Share of profit for the period	**92.2**
Attributable to:	
Equity holders of the parent	65.4
Non-controlling interests	26.8
	92.2

37. 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.

(US$ million)	**As at 31 March 2012**	As at 31 March 2011
Capital commitments contracted but not provided	2,877.0	3,737.1

Commitments at 31 March 2012 primarily related to the expansion projects at HZL US$155.8 million (2011: US$144.2 million), KCM US$121.3 million (2011: US$127.4 million), VAL US$750.1 million (2011: US$538.7 million), SEL US$64.8 million (2011: US$121.9 million), BALCO US$212.9 million (2011: US$516.9 million), Talwandi Sabo US$1,216.6 million (2011: US$1,818.4 million) and Sterlite US$246.6 million (2011: US$342.8 million).

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 2012, US$335.2 million of guarantees were advanced to banks, suppliers etc in the normal course of business (2011: US$240 million). The Group has also entered into guarantees and bonds advanced to the customs authorities in India of US$1,594.5 million relating to the export and payment of import duties on purchases of raw material and capital goods including export obligations (2011: US$1,710.5 million).

Cairn PSC Guarantee to Government

The Group has provided Parent Company guarantee for the Group's/Cairn India Group's obligation under the Production Sharing Contract.

Cairn India have provided various other guarantees under the Cairn India Group's bank facilities for the Cairn India Group's share of minimum work programme commitments of US$34.2 million for the current year.

37. Commitments, Guarantees and Contingencies continued

Export Obligations
The Indian entities of the Group have export obligations of US$4,732.6 million (2011: US$5,691.7 million) on account of concessional rates of import duty paid on capital goods under the Export Promotion Capital Goods Scheme and under the 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$591.6 million (2011: US$711.6 million), reduced in proportion to actual exports, plus applicable interest.

Guarantees to Suppliers
The Group has given corporate guarantees to certain suppliers of concentrate. The value of these guarantees was US$195 million at 31 March 2012 (2011: US$120 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 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 2012, ETB liabilities provided for were US$86 million (2011: US$86 million), although these liabilities are likely to fluctuate at each future reporting date.

Contingencies
The Company 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 not probable that the claim will give rise to a material liability.

MALCO Claims With Tamil Nadu Electricity Board ('TNEB')
TNEB is claiming US$20 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 Tamil Nadu. The application is under consideration. Meanwhile, the Madras High Court has in its recent Order, remitted back the case to the State of Tamil Nadu, to take a decision afresh on the representation for grant of tax exemption on consumption of electricity and directed to pass a detailed speaking order.

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$65.3 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.

RICHTER: Income Tax
The Indian Tax Authorities have served a show cause notice on an indirect subsidiary of Vedanta Resources plc, Richter Holdings Limited ('Richter'), for alleged failure to deduct withholding tax on capital gain on the alleged indirect acquisition of shares in Sesa Goa Limited in April, 2007. Richter has applied to the larger bench of the Karnataka High Court to seek to quash the notice in view of the established legal position. The court directed Richter to approach the tax office to decide the jurisdiction and granted liberty to approach the court directly in the event Richter is not satisfied with the conclusion of the tax office. Meanwhile in another case the Supreme Court of India has held that overseas share transfers are not subject to taxation in India. Subsequent to this decision, the Finance Bill, 2012 seeks to amend the tax laws retrospectively to clarify the legislative intent. Richter believes it is not liable for such withholding tax and intends to challenge the amendments when enacted.

Miscellaneous Disputes – Sterlite, HZL, MALCO, BALCO, Cairn and Lisheen
The income tax, excise and related indirect tax authorities have made several claims against the above companies for additional income tax, 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$779.3 million (2011: US$583.5 million), of which US$17.4 million (2011: US$6.4 million) is included as a provision in the balance sheet as at 31 March 2012. In the view of the Directors, there are no significant unprovided liabilities arising from these claims.

Notes to the Consolidated Financial Statements continued

38. 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 2012.

Sterlite Technologies Limited ('STL')

(US$ million)	31 March 2012	31 March 2011
Sales to STL	184.7	137.8
Reimbursement of expenses	0.2	–
Purchases	7.1	5.3
Net Interest Received	0.4	0.2
Net amounts receivable at year end	13.5	13.3

Sterlite Technologies Limited, is related by virtue of having the same controlling party as the Group, namely Volcan. 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 2012, 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$0.1 million (2011: US$nil).

Vedanta Foundation (formerly Sterlite Foundation)
During the year US$2.3 million was paid to the Vedanta Foundation (2011: US$1.7 million).

Vedanta Foundation is a registered not-for-profit entity engaged in computer education and other related social and charitable activities. The major activity of the Vedanta Foundation is providing computer education for disadvantaged students. The Vedanta Foundation is a related party as it is controlled by members of the Agarwal family who control Volcan. Volcan is also the majority shareholder of Vedanta Resources plc.

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 the Sesa Goa Community Foundation Limited. During the year ended 31 March 2012, US$1.1 million (2011: US$0.7 million) was paid to the Sesa Goa Community Foundation Limited.

The Anil Agarwal Foundation
During the year, US$0.1 million (2011: US$0.4 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.

Henry Davis York

(US$ million)	31 March 2012	31 March 2011
Consultancy services	0.9	1.2

Henry Davis York provides board and legal services to CMT a subsidiary of the Group. The Partner's of Henry Davis York hold Non-Executive Director positions at CMT.

Sterlite Iron and Steel Limited

(US$ million)	31 March 2012	31 March 2011
Reimbursement of expenses	0.1	0.1
Loan balance receivable	7.1	–
Receivable at year end	0.3	0.3

Sterlite Iron and Steel Limited is a related party by virtue of having the same controlling party as the Group, namely Volcan.

38. Related Party Transactions continued

Vedanta Medical Research Foundation

(US$ million)	31 March 2012	31 March 2011
Donation	5.2	9.5

Vedanta Medical Research Foundation (formerly Vedanta Medical Research Association) is a related party of the Group on the basis that key management personnel of the Group exercise significant influence.

Volcan Investments Limited

(US$ million)	31 March 2012	31 March 2011
Reimbursement of expenses	0.3	0.2
Net amount receivable at year end	0.1	–
Dividend paid	91.0	82.1

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.

(US$ million)	Year ended 31 March 2012	Year ended 31 March 2011
Short-term employee benefits	13.8	8.8
Post employment benefits	0.7	0.6
Share-based payments	12.7	5.0
	27.2	**14.4**

Information relating to pension fund arrangements is disclosed in Note 31.

39. Share Transactions

BALCO Option

The Company purchased 51% share holding in BALCO from the Government of India on 2 March 2001. Under the terms of the Shareholder's Agreement ('SHA') for BALCO, the Company has a call option that allows it to purchase the Government of India's residual ownership interest in BALCO at any stage from 2 March 2004. The Company exercised this option on 19 March 2004. However, the Government of India has contested the validity of the call option and the valuation. The Company attempted to resolve the issue through mediation but the process of mediation was unsuccessful and the dispute was referred to arbitration as provided for in the SHA. The Arbitration Tribunal in its majority award dated 25 January 2011 rejected the claims of Sterlite and held that put/call options as contained in the SHA are in violation of Section 111A(2) of the Companies Act, 1956 and are not enforceable. Sterlite challenged the validity of the Award dated 25 January 2011 and sought for setting aside of the Award under Section 34 of the Arbitration and Conciliation Act, 1996 to the extent to which it holds that Clauses 5.8, 5.3, 5.4 and 5.1(a) of the SHA are void, ineffective and inoperative by virtue of being violative of sub-section (2) of 111A of the Companies Act, 1956. The Government has also challenged the majority Award which upholds the first valuation report and has prayed for setting aside the ruling made in the Award relating to the valuation report and the Company's right to purchase the Government of India's shares at 75% of the valuation. The Delhi High Court has kept the Government of India's application in abeyance until the Company's application has been determined. The Company's application is listed for final hearing on 6 August 2012.

Notes to the Consolidated Financial Statements continued

39. Share Transactions continued

HZL Option

In pursuance to the Government of India's policy of disinvestment and the Share Purchase Agreement and a Shareholders Agreement ('SHA') both dated 4 April 2002 entered into with the Government of India, the Company acquired 26% equity interest in HZL. Under the terms of the SHA, the Company could exercise the primary call option to purchase 18.92% of the Government of India's share capital in HZL at fair market value upon expiry of six months of the effective date of the SHA and such right would be valid for a period of 12 months. The Company exercised the first call option on 29 August 2003 and acquired an additional share capital constituting 18.92% of HZL's issued share capital. The Company also acquired an additional 20% of the equity capital in HZL through an open offer resulting in increase of the Company's shareholding to 64.92%. As per the SHA, the Company can exercise a second call option to acquire the entire residual share holding of the Government of India constituting 29.5% shares in HZL at any time after the expiry of five years from the effective date of the SHA. The Company exercised its second call option by way of its letter dated 21 July 2009. The Government of India has claimed that the provisions of the SHA violate the provisions of Section 111A of the Companies Act, 1956 by restricting the right of the Government of India to transfer its shares freely and by virtue of Section 9 of the said Act such provisions are void and unenforceable. As such, the Government of India has refused to act upon the second call option. Consequently, the Company has invoked the Arbitration clause for referring the matter to arbitration and has appointed its nominee arbitrator. Under the terms of the SHA, the Government of India is required to nominate its arbitrator and the two nominated arbitrators would then choose the third arbitrator who would preside over the arbitral tribunal. As the Government of India did not appoint an arbitrator, the Company filed an application under Section 11(6) of the Arbitration and Conciliation Act, 1996 in the Delhi High Court petitioning the Court to take necessary measures of securing the appointment of arbitrator. The Delhi High Court has in its order dated 18 May 2010 directed the parties to appoint mediators for mediation of the dispute. The mediation process was unsuccessful. Consequently an arbitral tribunal was constituted. As per the preliminary meeting, the parties have been directed to file their statement of claim and reply prior to the next date of hearing in August 2012.

The Group continues to include the shareholdings in the two companies HZL and BALCO, in respect of which the Group has a call option as non-controlling interest.

Share Purchases

During financial year 2012, the Group increased its holding in certain of its subsidiaries through open market purchases. The details of such purchases are as follows:

a) 17,297,059 shares of Sterlite Industries (India) Limited accounting for 0.51% of SIIL's total equity.
b) 15,598 shares of MALCO accounting for 0.01% of MALCO's total equity.

The aggregate amount on these transactions of US$15.6 million was recorded within equity.

40. Subsequent Events

There were no material post balance sheet events which have a bearing on the understanding of the financial statements.

41. 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 2012	The Company's economic percentage holding 31 March 2011	Country of incorporation	Immediate holding company	Immediate percentage holding 31 March 2012	Immediate percentage holding 31 March 2011
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%	100.00%	Jersey (CI)	VR plc	100.00%	100.00%
Vedanta Resources Jersey II Limited ('VRJL-II')	Financing company	100.00%	100.00%	Jersey (CI)	VR plc	100.00%	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%	Great Britain	VR plc	100.00%	100.00%
Vedanta Jersey Investments Limited	Financing company	100.00%	100.00%	Jersey (CI)	VR plc	100.00%	100.00%

41. Principal Subsidiaries continued

Subsidiaries	Principal activities	The Company's economic percentage holding 31 March 2012	The Company's economic percentage holding 31 March 2011	Country of incorporation	Immediate holding company	Immediate percentage holding 31 March 2012	Immediate percentage holding 31 March 2011
Indirect Subsidiaries of the Parent Company							
Bharat Aluminium Company Limited ('BALCO')	Aluminium mining and smelting	29.59%	29.34%	India	Sterlite	51.00%	51.00%
Copper Mines of Tasmania Pty Limited ('CMT')	Copper mining	58.02%	57.53%	Australia	MCBV	100.00%	100.00%
Fujariah Gold	Gold & Silver processing	58.02%	57.53%	UAE	CMT	100.00%	100.00%
Hindustan Zinc Limited ('HZL')	Zinc and mining and smelting	37.66%	37.35%	India	SOVL	64.92%	64.92%
The Madras Aluminium Company Limited ('MALCO')	Energy generation	94.81%	94.76%	India	Twin Star	78.80%	78.76%
Monte Cello BV ('MCBV')	Holding company	58.02%	57.53%	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	58.02%	57.53%	India	Sterlite	100.00%	100.00%
Sesa Goa Limited ('Sesa Goa')	Iron Ore	55.13%	55.13%	India	Finsider	46.20%	46.20%
Sesa Resources Limited	Iron Ore	55.13%	55.13%	India	Sesa Goa	100.00%	100.00%
Sesa Mining Corporation Private Limited	Iron Ore	55.13%	55.13%	India	Sesa Resources Limited	100.00%	100.00%
Sterlite Industries (India) Limited ('Sterlite')	Copper smelting	58.02%	57.53%	India	Twin Star	54.64%	54.64%
Sterlite Opportunities and Venture Limited ('SOVL')[1]	Holding company	–	57.53%	India	Sterlite	–	100.00%
Sterlite Infra Limited ('SIL')	Non-trading	58.02%	57.53%	India	Sterlite	100.00%	100.00%
Thalanga Copper Mines Pty Limited ('TCM')	Copper mining	58.02%	57.53%	Australia	MCBV	100.00%	100.00%
Twin Star Holdings Limited ('Twin Star')	Holding company	100.00%	100.00%	Mauritius	VRHL	100.00%	100.00%
Vedanta Aluminium Limited ('VAL')[2]	Alumina mining, aluminium refining and smelting	87.61%	87.47%	India	EKTL	70.50%	–
Richter Holding Limited ('Richter')	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	60.00%	60.00%
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 ('Welter')	Financing company	100.00%	100.00%	Cyprus	VRCL	100.00%	100.00%
Lakomasko B.V.[3]	Financing company	58.02%	100.00%	Netherlands	THL Zinc Holding B.V.	100.00%	–
THL Zinc Ventures Limited	Financing company	58.02%	57.53%	Mauritius	Sterlite Infra	100.00%	100.00%

Notes to the Consolidated Financial Statements continued

41. Principal Subsidiaries continued

Subsidiaries	Principal activities	The Company's economic percentage holding 31 March 2012	The Company's economic percentage holding 31 March 2011	Country of incorporation	Immediate holding company	Immediate percentage holding 31 March 2012	Immediate percentage holding 31 March 2011
Twin Star Energy Holdings Limited	Holding company	100.00%	100.00%	Mauritius	VRHL	100.00%	100.00%
THL Zinc Limited	Financing company	58.02%	57.53%	Mauritius	THL Zinc Ventures Ltd	100.00%	100.00%
Sterlite (USA) Inc.	Financing company	58.02%	57.53%	USA	Sterlite	100.00%	100.00%
Talwandi Sabo Power Limited	Energy generation	58.02%	57.53%	India	SEL	100.00%	100.00%
Allied Port Services Pvt Ltd[4]	Port Service	–	87.47%	India	VAL	–	100.00%
Konkola Resources plc	Holding company	100.00%	100.00%	Great Britain	VRHL	100.00%	100.00%
Vizag General Cargo Berth Private Limited	Infrastructure	42.94%	42.58%	India	Sterlite	74.00%	74.00%
Twin Star Mauritius Holdings Limited ('TMHL')	Holding company	100.00%	100.00%	Mauritius	Twin Star Energy Holdings Ltd	100.00%	100.00%
THL Zinc Namibia Holdings (Pty) Limited ('VNHL')	Mining and Exploration	58.02%	57.53%	Namibia	THL Zinc Ltd	100.00%	100.00%
Skorpion Zinc (Pty) Limited ('SZPL')	Acquisition of immovable and movable properties	58.02%	57.53%	Namibia	VNHL	100.00%	100.00%
Namzinc (Pty) Limited ('SZ')	Mining	58.02%	57.53%	Namibia	SZPL	100.00%	100.00%
Skorpion Mining Company (Pty) Limited ('NZ')	Mining	58.02%	57.53%	Namibia	SZPL	100.00%	100.00%
Amica Guesthouse (Pty) Ltd	Accommodation and catering services	58.02%	57.53%	Namibia	SZPL	100.00%	100.00%
Rosh Pinah Healthcare (Pty) Ltd	Leasing out of medical equipment and building and conducting services related thereto	37.13%	36.82%	Namibia	SZPL	64.00%	64.00%
Black Mountain Mining (Pty) Ltd	Mining	42.94%	42.58%	South Africa	THL Zinc Ltd	74.00%	74.00%
THL Zinc Holding BV	Financing company	58.02%	57.53%	Netherlands	Sterlite Infra	100.00%	100.00%
Lisheen Mine Partnership	Mining Partnership Firm	58.02%	57.53%	Ireland	VLML	50%	50%
THL Zinc Holding Cooperative U.A[5]	Non-Trading Company	–	57.53%	Netherlands	THL Zinc Ltd	–	100.00%
Pecvest 17 Proprietary Ltd.	Investment Company	58.02%	57.53%	South Africa	THL Zinc Ltd	100.00%	100.00%
Vedanta Lisheen Holdings Limited (Earlier Vedanta Lisheen Finance Limited) ('VLFL')	Investment Company	58.02%	57.53%	Ireland	THL Zinc Holding BV	100.00%	100.00%
Vedanta Base Metals (Ireland) Limited[5]	No Operations	–	57.53%	Ireland	VLFL	–	100.00%
Vedanta Lisheen Mining Limited ('VLML')	Mining	58.02%	57.53%	Ireland	VLFL	100.00%	100.00%
Killoran Lisheen Mining Limited	Mining	58.02%	57.53%	Ireland	VLFL	100.00%	100.00%
Killoran Lisheen Finance Limited	Investment Company	58.02%	57.53%	Ireland	VLFL	100.00%	100.00%
Lisheen Milling Limited	Manufacturing	58.02%	57.53%	Ireland	VLFL	100.00%	100.00%
Killoran Concentrates Limited[5]	No Operations	–	57.53%	Ireland	VLFL	–	100.00%

41. Principal Subsidiaries continued

Subsidiaries	Principal activities	The Company's economic percentage holding 31 March 2012	31 March 2011	Country of incorporation	Immediate holding company	Immediate percentage holding 31 March 2012	31 March 2011
Killoran Lisheen Limited[5]	No Operations	–	57.53%	Ireland	VLFL	–	100.00%
Killoran Lisheen Holdings Limited[5]	No Operations	–	57.53%	Ireland	Killoran Lisheen Ltd	–	100.00%
Azela Limited[5]	No Operations	–	57.53%	Ireland	Killoran Lisheen Ltd	–	100.00%
Paradip Multi Cargo Berth Private Limited	Infrastructure	42.94%	42.58%	India	Sterlite	74.00%	74.00%
Sterlite Ports Limited (Earlier MALCO Power Company Limited)	Investment Company	58.02%	57.53%	India	Sterlite	100.00%	100.00%
Sterlite Infraventures Limited (Earlier MALCO Industries Limited)	Investment Company	58.02%	57.53%	India	Sterlite	100.00%	100.00%
Bloom Fountain Limited	Investment Company	55.13%	–	Mauritius	Sesa Goa Limited	100.00%	–
Western Clusters Limited	Mining Company	28.12%	–	Liberia	Bloom Fountain Limited	51.00%	–
Ekaterina Limited ('EKTL')	Investment Company	100.00%	–	Mauritius	Twin Star Holdings Ltd	64.54%	–
Goa Energy Private Limited	Energy generation	55.13%	–	India	Sesa Goa Limited	100.00%	–
Cairn India Limited	Exploration & production	49.83%	–	India	Twin Star Mauritius Holdings Ltd	38.74%	–
Cairn India Holdings Limited	Holding company	49.83%	–	Jersey	Cairn India Limited	100.00%	–
Cairn Energy Holdings Limited	Holding company	49.83%	–	Scotland	Cairn India Holdings Limited	100.00%	–
Cairn Energy Hydrocarbons Ltd	Exploration & production	49.83%	–	Scotland	Cairn India Holdings Limited	100.00%	–
Cairn Exploration (No.7) Limited	Exploration & production	49.83%	–	Scotland	Cairn India Holdings Limited	100.00%	–
Cairn Exploration (No.6) Limited	Exploration & production	49.83%	–	Scotland	Cairn India Holdings Limited	100.00%	–
Cairn Exploration (No.4) Limited	Exploration & production	49.83%	–	Scotland	Cairn India Holdings Limited	100.00%	–
Cairn Exploration (No.2) Limited	Exploration & production	49.83%	–	Scotland	Cairn India Holdings Limited	100.00%	–
Cairn Energy Gujarat Block 1 Limited	Exploration & production	49.83%	–	Scotland	Cairn India Holdings Limited	100.00%	–
Cairn Energy Discovery Limited	Exploration & production	49.83%	–	Scotland	Cairn India Holdings Limited	100.00%	–
Cairn Petroleum India Limited	Exploration & production	49.83%	–	Scotland	Cairn India Holdings Limited	100.00%	–

Notes to the Consolidated Financial Statements continued

41. Principal Subsidiaries continued

Subsidiaries	Principal activities	The Company's economic percentage holding 31 March 2012	The Company's economic percentage holding 31 March 2011	Country of incorporation	Immediate holding company	Immediate percentage holding 31 March 2012	Immediate percentage holding 31 March 2011
Cairn Energy Cambay B.V.	Exploration & production	49.83%	–	Netherlands	Cairn Energy Cambay Holding B.V.	100.00%	–
Cairn Energy India West B.V.	Exploration & production	49.83%	–	Netherlands	Cairn Energy India West Holding B.V.	100.00%	–
Cairn Energy Gujarat B.V.	Exploration & production	49.83%	–	Netherlands	Cairn Energy Gujarat Holding B.V.	100.00%	–
Cairn Energy India Holdings B.V.	Holding company	49.83%	–	Netherlands	Cairn Energy Group Holdings B.V.	100.00%	–
Cairn Energy Group Holdings B.V.	Holding company	49.83%	–	Netherlands	Cairn Energy Netherlands Holdings B.V.	100.00%	–
Cairn Energy Netherlands Holdings B.V.	Holding company	49.83%	–	Netherlands	Cairn Energy Holdings Limited	100.00%	–
Cairn Energy Gujarat Holding B.V	Holding company	49.83%	–	Netherlands	Cairn Energy India Holdings B.V.	100.00%	–
Cairn Energy India West Holding B.V.	Holding company	49.83%	–	Netherlands	Cairn Energy India Holdings B.V.	100.00%	–
Cairn Energy Cambay Holding B.V.	Holding company	49.83%	–	Netherlands	Cairn Energy India Holdings B.V.	100.00%	–
Cairn Energy Australia Pty Limited	Holding company	49.83%	–	Australia	Cairn Energy Group Holdings B.V.	100.00%	–
CEH Australia Limited	Holding company	49.83%	–	Australia	Cairn Energy Australia Pty Limited	100.00%	–
Cairn Energy Asia Pty Limited	Holding company	49.83%	–	Australia	Cairn Energy Australia Pty Limited	68.18%	–
Cairn Energy Investments Australia Pty Limited	Holding company	49.83%	–	Australia	Cairn Energy Asia Pty Limited	100.00%	–

41. Principal Subsidiaries continued

Subsidiaries	Principal activities	The Company's economic percentage holding 31 March 2012	31 March 2011	Country of incorporation	Immediate holding company	Immediate percentage holding 31 March 2012	31 March 2011
Wessington Investments Pty Limited	Holding company	49.83%	–	Australia	Cairn Energy Asia Pty Limited	100.00%	–
Sydney Oil Company Pty Limited	Holding company	49.83%	–	Australia	Cairn Energy Investments Australia Pty Limited	100.00%	–
Cairn Energy India Pty Limited	Exploration & production	49.83%	–	Australia	Sydney Oil Company Pty Limited	100.00%	–
CEH Australia Pty Limited	Holding company	49.83%	–	Australia	Ceh Australia Limited	100.00%	–
CIG Mauritius Holdings Private Limited	Holding company	49.83%	–	Mauritius	Cairn India Limited	100.00%	–
CIG Mauritius Private Limited	Holding company	49.83%	–	Mauritius	Cig Mauritius Holding Private Limited	100.00%	–
Cairn Lanka (Pvt) Ltd	Exploration & production	49.83%	–	Sri Lanka	Cig Mauritius Pvt Ltd	100.00%	–

1 Now merged with Sterlite.
2 Sale of holdings in VAL by Twin Star and Welter to EKTL during the year.
3 Transfer of 100% holding from VRHL to THL Zinc Holding B.V. during the year.
4 Now merged with VAL.
5 Liquidated during the year.

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.

Notes to the Consolidated Financial Statements continued

42. Ultimate Controlling Party

At 31 March 2012, the ultimate controlling party of the Group was Volcan, which is controlled by persons related to the Executive Chairman, Mr Anil Agarwal. Volcan is incorporated in the Bahamas, and does not produce Group accounts.

43. Company Balance Sheet

(US$ million)	Note	31 March 2012	31 March 2011
Fixed assets			
Tangible assets	45	0.3	0.1
Investments in subsidiaries	46	1,061.8	1,061.8
Investment in preference shares of subsidiaries	47	178.9	178.9
Financial asset investment	48	0.3	0.5
Derivative asset		5.3	6.0
		1,246.6	**1,247.3**
Current assets			
Debtors due within one year	49	463.1	323.2
Debtors due after one year	49	5,378.2	3,857.7
Current asset investments	50	182.5	262.0
Cash at bank and in hand		0.3	1.0
		6,024.1	**4,443.9**
Creditors: amounts falling due within one year			
Trade and other creditors	51	(66.6)	(33.7)
External borrowings	51	(996.0)	(370.6)
Loan from subsidiary	51	(281.7)	(188.4)
		(1,344.3)	**(592.7)**
Net current assets		**4,679.8**	**3,851.2**
Total assets less current liabilities		5,926.4	5,098.5
Creditors: amounts falling due after one year			
Loan from subsidiary	52	(1,741.1)	(1,669.4)
External borrowings	52	(3,205.8)	(2,420.4)
		(4,946.9)	**(4,089.8)**
Net assets		**979.5**	**1,008.7**
Capital and reserves			
Called up share capital	53	29.7	29.7
Share premium account	53	196.8	196.8
Share-based payment reserve	53	39.8	20.5
Convertible bond reserve	53	382.0	453.3
Other reserves	53	(2.0)	(1.8)
Treasury shares	53	(490.6)	(490.6)
Profit and loss account	53	823.8	800.8
Shareholders' funds	53	**979.5**	**1,008.7**

44. 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.

44. Company Accounting Policies continued

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.

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 i.e. net of direct transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual 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 VRJL-II (Note 52) are accounted for as a compound instrument. The gross proceeds (net of issue costs) were lent to the Company by VRJL and VRJL-II. The equity component has been recognised in a separate reserve of the Company and is not subsequently remeasured. The recognition of the equity component by the Company acts to reduce the payable to VRJL and VRJL-II 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 interest expensed 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 principal 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 2D of FRS 29 in respect of these parent company financial statements. Full disclosures are provided in Note 27 to the consolidated financial statements of the Group for the period ended 31 March 2012.

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.

Notes to the Consolidated Financial Statements continued

44. Company Accounting Policies continued

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.

Financial Guarantees
Guarantees issued by the Company on behalf of other Group companies are designated as 'Insurance Contracts'. Accordingly, these are shown as contingent liabilities (Note 54).

Debtors
Debtors are stated at their nominal value as reduced by appropriate allowance for estimated irrecoverable amounts. An allowance for impairment for debtors is made where there is an indication of a reduction in the recoverability of the carrying value of the debtor.

Creditors
Creditors are stated at their nominal value.

45. Company Tangible Fixed Assets

	US$ million
Cost	
At 1 April 2011	1.2
Additions	0.3
At 31 March 2012	**1.5**
Accumulated depreciation	
At 1 April 2011	1.1
Charge for the period	0.1
At 31 March 2012	**1.2**
Net book value	
At 1 April 2011	0.1
At 31 March 2012	**0.3**

46. Investments in Subsidiaries

	US$ million
Cost	
At 1 April 2011	1,061.8
At 31 March 2012	**1,061.8**

At 31 March 2012, the Company held 144,538,524 shares in VRHL (2011: 144,538,524 shares), being 100% of VRHL's issued equity share capital. The Company also held one deferred share in VRHL (2011: one). At 31 March 2012, the Company held two shares in Vedanta Finance Jersey Limited ('VFJL') (2011: two), two shares in Vedanta Resources Jersey Limited ('VRJL') (2011: two), two shares in Vedanta Resources Jersey II Limited ('VRJL-II') (2011: two) and two shares in Vedanta Jersey Investment Limited ('VJIL') (2011: two), being 100% of its issued equity share capital.

VRHL is an intermediary holding company incorporated in England and Wales. VFJL, VRJL and VRJL-II are companies established to raise funds for the Vedanta Group via convertible bond issue and are incorporated in Jersey.

A detailed list of subsidiary investments held indirectly by the Company can be seen in Note 41.

47. Investment in Preference Shares of Subsidiaries

	US$ million
Fair value	
At 1 April 2012	178.9
Additions	–
At 31 March 2012	**178.9**
As 1 April 2010	178.9
Additions	–
At 31 March 2011	**178.9**

As at 31 March 2012, the Company held 178,916,000 preference shares in VFJL (2011: 178,916,000). These shares entitle the holder to a dividend of 4.6% of their face value.

48. Financial Asset Investment

	US$ million
Fair value	
At 1 April 2011	0.5
Fair value movement in investment	(0.2)
At 31 March 2012	**0.3**
At 1 April 2010	0.5
Fair value movement in investment	–
At 31 March 2011	**0.5**

The investment relates to an equity investment of shares in Victoria Gold Corporation. At 31 March 2012, the investment in Victoria Gold Corporation was revalued and a loss of US$0.2 million was recognised in equity.

49. Company Debtors

(US$ million)	**31 March 2012**	31 March 2011
Amounts due from subsidiary undertakings	5,840.3	4,176.2
Prepayments and accrued income	0.7	4.3
Other taxes	0.3	0.4
Total	**5,841.3**	**4,180.9**
Debtors due within one year	463.1	323.2
Debtors due after one year	5,378.2	3,857.7
Total	**5,841.3**	**4,180.9**

Amounts Due From Subsidiary Undertakings
At 31 March 2012, the Company had loans due from VRHL of US$1,806.8 million (2011: US$1,965.8 million) which represented the downstreaming of funds to the subsidiaries. Out of the total loan, US$579.3 million bears interest at US dollar six months LIBOR plus 350 basis points, US$500 million at 5.8%, US$245 million at 8.95%, US$200 million at 5.9%, US$195.7 million at 9.7%, and US$86.8 million at 8.95%. In addition to the loans, the Company was owed US$338.2 million of accrued interest (2011: US$269.4 million).

At 31 March 2012, the Company had loans of US$496 million (2011: US$892 million), US$nil million (2011: US$500 million), US$nil million (2011: US$500 million) and US$3,137 million (2011: US$16.3 million) receivable from Richter, Welter, KCM and TMHL respectively and US$62.3 million of other amounts due from subsidiary undertakings (2011: US$32.3 million).

Notes to the Consolidated Financial Statements continued

50. Company Current Asset Investments

(US$ million)	31 March 2012	31 March 2011
Bank term deposits	180.4	261.0
Short-term unit trusts and liquid funds	2.1	1.0
Total	**182.5**	**262.0**

51. Company Creditors: Amounts Falling Due Within One Year

(US$ million)	31 March 2012	31 March 2011
Trade creditors	–	(1.7)
Accruals and deferred income	(66.6)	(32.0)
External borrowings	(996.0)	(370.6)
Loan from subsidiary	(281.7)	(188.4)
Total	**(1,344.3)**	**(592.7)**

The Loan from Bank of Tokyo-Mitsubishi UFJ Ltd ('BTMU') of US$373 million was repaid on its due date in July 2011. The external borrowings as on 31 March 2012 represent a loan of US$1,000 million taken from ABN AMRO Bank ('ABN') in April 2008. Out of this, US$250 million is repayable in April 2012 and remaining US$750 million is repayable in January 2013.

52. Company Creditors: Amounts Falling Due After One Year

(US$ million)	31 March 2012	31 March 2011
Loan from subsidiary	(1,741.1)	(1,669.4)
Bond & Loans	(3,205.8)	(2,420.4)
Total	**(4,946.9)**	**(4,089.8)**

Loans from subsidiaries include a loan of US$1,023.1 million from VRJL relating to its issue of US$1.25 billion convertible bonds (bond issued in July 2009) and of US$718 million from VRJL-II related to its issue of US$883 million convertible bond (bond issued in March 2010). During 2011, interest was charged at the effective interest rate of 11.22% and interest rate of 9.79% respectively.

In June 2011, the Company issued US$750 million, 6.75% bonds due June 2016 and US$900 million, 8.25% bonds due June 2021.

In March 2012, the Company entered into a facility agreement of US$300 million with Standard Chartered Bank and withdrew US$150 million under the agreement. The loan bears an interest rate of USD LIBOR plus 415 basis points and is due for repayment in June 2015. The remaining facility amount of US$150 million was undrawn as on 31 March 2012.

The loan due to ABN has been reclassified to 'Company creditors: amounts falling due within one year' at 31 March 2012 (Note 51).

53. Company Reconciliation of Movement in Equity Shareholders' Funds

(US$ million)	Share capital	Share premium account	Share-based payment reserve	Convertible bond reserve	Treasury Shares	Profit and loss account	Other reserves	Total
Equity shareholders' funds at 1 April 2011	29.7	196.8	20.5	453.3	(490.6)	800.8	(1.8)	1,008.7
Profit for the year	–	–	–	–	–	94.8	–	94.8
Dividends paid	–	–	–	–	–	(144.0)	–	(144.0)
Exercise of LTIP awards	–	–	(0.9)	–	–	0.9	–	–
Recognition of share-based payments	–	–	20.2	–	–	–	–	20.2
Convertible bond reserve transfer	–	–	–	(71.3)	–	71.3	–	–
Movement in fair value of financial investments (note 48)	–	–	–	–	–	–	(0.2)	(0.2)
Equity shareholders' funds at 31 March 2012	**29.7**	**196.8**	**39.8**	**382.0**	**(490.6)**	**823.8**	**(2.0)**	**979.5**

54. Company Contingent Liabilities

a. The Company has guaranteed US$1,250 million convertible bonds issued by VRJL (2011: US$1,250 million). See Note 26 to the Group financial statements for further details on the convertible bonds.
b. The Company has given corporate guarantee to Vedanta Aluminium Limited for an amount of US$4,275 million up to 31 March 2012.
c. The Company also has issued other guarantees of US$170 million supplied to concentrate suppliers.
d. The Company has given corporate guarantee to Konkola Copper Mines for an amount of US$925 million up to 31 March 2012.
e. The Company has given corporate guarantee to Fujairah Gold FZE for an amount of US$5 million up to 31 March 2012.
f. The Company has guaranteed US$883 million convertible bonds issued by VRJL-II (2011: US$883 million). See Note 26 to the Group financial statements for further details on the convertible bonds.

55. Company Share-based Payments

The Company had certain LTIP awards outstanding as at 31 March 2012. See Note 30 to the Group financial statements for further details on these share-based payments.

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

We have audited the financial statements of Vedanta Resources plc for the year ended 31 March 2012 which comprise the balance sheet and the related notes 43 to 55. 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 auditor's 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 Auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the parent Company financial statements for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the parent company financial statements:

- give a true and fair view of the parent Company's affairs as at 31 March 2012;
- 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 Matter 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 2012.

Andrew Kelly (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
16 May 2012

Five Year Summary

Summary Consolidated Income Statement

(US$ million except as stated)	**Year ended 31 March 2012**	Year ended 31 March 2011	Year ended 31 March 2010	Year ended 31 March 2009	Year ended 31 March 2008
Revenue	**14,005.3**	**11,427.2**	**7,930.5**	**6,578.9**	**8,203.7**
EBITDA	**4,026.3**	**3,566.8**	**2,295.9**	**1,612.2**	**3,010.4**
Depreciation	(1,408.4)	(869.0)	(563.0)	(473.2)	(429.1)
Exceptional/special items	(230.2)	(163.5)	(67.3)	(31.9)	11.1
Operating profit	**2,387.7**	**2,534.3**	**1,665.6**	**1,107.0**	**2,592.4**
Share in consolidated profit of associate	92.2	–	–	–	–
Non-operating exceptional/special items	–	–	–	–	–
Profit before interest and taxation	**2,479.9**	**2,534.3**	**1,665.6**	**1,107.0**	**2,592.4**
Net finance (costs)/investment revenues	(734.5)	149.0	176.0	74.0	170.8
Profit before taxation	**1,745.4**	**2,683.3**	**1,841.6**	**1,181.0**	**2,763.2**
Taxation	(516.7)	(649.5)	(330.4)	(280.5)	(757.7)
Profit after taxation	**1,228.7**	**2,033.8**	**1,511.2**	**900.5**	**2,005.5**
Equity non-controlling interests	(1,168.9)	(1,263.0)	(908.9)	(681.1)	(1,126.5)
Profit attributable to equity shareholders in parent	**59.8**	**770.8**	**602.3**	**219.4**	**879.0**
Dividends	(144.1)	(129.9)	(117.9)	(118.8)	(104.3)
Retained profit	**(84.3)**	**640.9**	**484.4**	**100.6**	**774.7**
Basic earnings per share (US cents per share)					
Profit for the financial year	21.9	283.2	219.6	76.4	305.4
Underlying profit for the financial year	21.6	262.8	199.2	109.3	303.9
Dividend per share (US cents per share)	55.0	52.5	45.0	41.5	36.5

Summary Consolidated Balance Sheet

(US$ million except as stated)	**31 March 2012**	31 March 2011	31 March 2010	31 March 2009	31 March 2008
Goodwill	16.6	12.2	12.2	12.2	13.3
Intangible assets	–	162.1	–	–	–
Property, plant and equipment	34,598.2	17,189.5	14,326.7	9,348.4	8,354.5
Fixed asset investments	209.6	304.2	201.2	91.6	30.0
Total fixed assets	**34,824.4**	**17,668.0**	**14,540.1**	**9,452.2**	**8,397.8**
Stocks	1,704.1	1,924.6	1,260.6	909.3	1,298.8
Debtors	1,795.9	1,328.6	1,019.9	902.4	1,232.8
Cash & Liquid Investments	6,885.3	7,777.0	7,239.4	4,912.6	5,106.7
Total current assets	**10,385.3**	**11,030.2**	**9,519.9**	**6,724.3**	**7,638.3**
Short-term borrowings	(4,151.6)	(3,045.1)	(1,012.6)	(1,298.5)	(1,417.2)
Other current liabilities	(3,995.6)	(3,485.0)	(2,670.3)	(2,136.8)	(2,102.5)
Total current liabilities	**(8,147.2)**	**(6,530.1)**	**(3,682.9)**	**(3,435.3)**	**(3,519.7)**
Net current assets	**2,238.1**	**4,515.4**	**5,837.0**	**3,289.0**	**4,118.6**
Total assets less current liabilities	**37,062.5**	**22,168.1**	**20,377.1**	**12,741.2**	**12,516.4**
Long-term borrowings	(12,803.8)	(6,707.4)	(7,161.0)	(3,816.4)	(1,556.9)
Other long-term liabilities	(196.1)	(247.3)	(351.1)	(136.1)	(83.9)
Provisions	(6,356.0)	(1,706.4)	(1,413.5)	(1,205.4)	(1,608.5)
Total long-term liabilities	**(19,355.9)**	**(8,656.1)**	**(8,925.6)**	**(5,157.9)**	**(3,249.3)**
Equity non-controlling interests	(13,768.9)	(8,030.1)	(6,729.1)	(4,458.7)	(5,360.6)
Non-equity non-controlling interest	(11.9)	(11.9)	(11.9)	(11.9)	(59.4)
Net assets attributable to the equity holders of the parent	**4,650.6**	**5,648.9**	**4,710.5**	**3,112.6**	**3,847.1**

Five Year Summary continued

Turnover

(US$ million)	**2012**	2011	2010	2009	2008
Zinc	3,206.8	2,378.4	1,651.7	1,209.1	1,941.5
– India	2,316.1	2,159.5	1,651.7	1,209.1	1,941.5
– International	890.7	218.9	–	–	–
Iron ore	1,690.9	1,979.5	1,221.7	1,070.4	888.9
Copper	5,915.0	5,253.2	3,812.2	3,311.0	4,221.9
– India/Australia	4,205.2	3,428.2	2,741.4	2,537.9	3,118.8
– Zambia	1,709.8	1,825.0	1,070.8	773.1	1,103.1
Aluminium	1,873.5	1,779.6	914.2	906.6	1,140.2
Power	458.3	124.0	330.7	51.3	–
Oil & Gas	882.5	–	–	–	–
Other	(21.7)	(87.5)	–	–	11.3
Group	**14,005.3**	**11,427.2**	**7,930.5**	**6,548.4**	**8,203.7**

EBITDA

(US$ million)	**2012**	2011	2010	2009	2008
Zinc	1,610.8	1,320.9	982.8	603.3	1380.1
– India	1,244.8	1,219.6	982.8	603.3	1380.1
– International	366.0	101.3	–	–	–
Iron ore	721.4	1,174.1	673.0	557.1	585.6
Copper	685.9	681.4	317.7	222.9	667.3
– India/Australia	298.0	241.5	165.9	293.7	327.2
– Zambia	387.9	439.9	151.8	(70.8)	340.1
Aluminium	182.5	352.7	154.9	177.4	380.7
Power	122.0	43.9	170.7	53.3	–
Oil & Gas	713.0	–	–	–	–
Other	(9.3)	(6.2)	(3.2)	(1.8)	(3.3)
Group	**4,026.3**	**3,566.8**	**2,295.9**	**1,612.2**	**3,010.4**

EBITDA Margin

(%)	**2012**	2011	2010	2009	2008
Zinc	50.2	55.5	59.5	50.1	71.1
– India	53.7	56.5	59.5	50.1	71.1
– International	41.1	46.3	–	–	–
Iron ore	42.7	59.3	55.1	52.1	65.9
Copper	11.6	13.0	13.8	6.7	15.8
– India/Australia	7.1	7.0	6.1	11.6	10.5
– Zambia	22.7	24.1	14.2	(9.2)	30.8
Aluminium	9.7	19.8	16.9	20.9	33.4
Power	26.6	35.4	51.6	–	–
Oil & Gas	80.8	–	–	–	–
Group	**28.7**	**31.2**	**29.0**	**24.5**	**36.7**

Production

(000's mt)	**2012**	2011	2010	2009	2008
Aluminium	676	641	533	462	396
– BALCO	246	255	268	357	358
– MALCO	–	–	–	23	38
– VAL JHARSUGUDA	430	386	264	82	–
Copper	526	521	507	446	489
– Sterlite	326	304	334	313	339
– KCM	200	217	173	133	150
Iron Ore (WMT)	15,598	21,075	21,412	15,986	11,469
Zinc – HZL	904	721	578	552	426
– HZL	759	712	578	552	426
– Skorpion	145	50	–	–	–
Zinc and Lead MIC	299	44	–	–	–
– BMM	85	17	–	–	–
– Lisheen	214	27	–	–	–
Oil & Gas – Gross Production	20.5	–	–	–	–
Oil & Gas – Working Interest	12.1	–	–	–	–

Cash Costs of Production

(US cents/lb)	**2012**	2011	2010	2009	2008
Aluminium – BALCO Plant – I	–	–	–	85.6	82.7
Aluminium – BALCO Plant – II	87.2	80.9	69.6	73.6	75.9
BALCO (Other than Alumina)	53.3	45.7	39.1	39.0	36.5
Aluminium – MALCO	–	–	–	121.5	102.4
Aluminium-VAL JHARSUGUDA	99.2	82.6	77.2	99.0	–
Copper – Sterlite[1]	0.0	4.0	10.4	3.1	1.8
Copper – KCM	236.8	197.5	184.4	258.4	191.5
Zinc including Royalty – HZL	45.8	44.9	38.6	32.2	40.1
Zinc without Royalty – HZL	37.8	36.7	31.7	27.6	31.1
Zinc C1 cost – Skorpion	54.8	52.7	–	–	–
Zinc C1 cost – BMM	68.6	59.4	–	–	–
Zinc C1 cost – Lisheen	51.8	41.6	–	–	–
Oil & Gas (Opex) (US$/boe)	4.4	–	–	–	–

Cash Costs of Production in INR

(INR/mt)	**2012**	2011	2010	2009	2008
Aluminium – BALCO Plant – I	–	–	–	86,626	73,369
Aluminium – BALCO Plant – II	92,143	81,299	72,717	74,517	67,336
BALCO (Other than Alumina)	56,344	45,898	40,868	39,772	32,382
Aluminium – MALCO	–	–	–	123,001	90,846
Aluminium-VAL JHARSUGUDA	104,892	88,396	80,710	100,182	–
Copper – Sterlite[1]	(2.8)	4,062	10872	3,138	1,597
Zinc including Royalty	48,423	45,119	40,319	32,621	35,575
Zinc without Royalty	40,003	36,831	33,073	27,973	27,591

1 Only smelting cost.

Five Year Summary continued

Capital Expenditure

(US$ million)	**2012**	2011	2010	2009	2008
Sustaining	386.2	239.5	184.4	306.3	256.9
Expansion	2,398.2	2,471.3	3,679.6	3,021.3	1,997.7
Total capital expenditure	**2,784.4**	**2,710.8**	**3,864.0**	**3,327.6**	**2,254.6**

Net Cash/(Debt)

(US$ million)	**2012**	2011	2010	2009	2008
Zinc	3,779.9	3,779.5	2,628.6	1,891.6	1,925.2
– India	3,573.8	3,403.4	2,628.6	1,891.6	1,925.2
– International	206.1	376.1	–	–	–
Iron Ore	(563.6)	1,983.2	96.6	(372.8)	(459.5)
Copper	(588.0)	146.3	996.9	1,341.4	1,934.4
– India/Australia	120.6	396.0	1,288.2	1,545.9	1,976.2
– Zambia	(708.6)	(249.7)	(291.3)	(204.5)	(41.6)
Aluminium	(4,082.4)	(3,145.3)	(2,320.2)	(1,931.2)	(1,171.2)
Power	(1,156.3)	(433.5)	(270.8)	–	–
Oil & Gas	1,552.7	–	–	–	–
Other	(9,006.7)	(4,300.4)	(2,078.3)	(1,129.8)	(86.2)
Group	**(10,064.4)**	**(1,970.3)**	**(947.2)**	**(200.8)**	**2,142.7**

Gearing

(%)	**2012**	2011	2010	2009	2008
Gearing	35.3	12.6	7.5	2.6	–

Group Free Cash Flow

(US$ million)	**2012**	2011	2010	2009	2008
Group Free Cash Flow	2,533.8	2,347.3	1,814.3	1,733.8	2,216.9

Capital Employed

(US$ million)	**2012**	2011	2010	2009	2008
Capital Employed	28,483.9	15,649.3	12,373.6	7,772.1	7,064.8

ROCE

(%)	**2012**	2011	2010	2009	2008
ROCE	7.7	21.0	19.9	24.4	45.6

Production and Reserves Summary

Copper

Copper Production Summary

Facility	Product	Year ended 31 March 2012 mt	Year ended 31 March 2011 mt
Tuticorin	Copper anode	327,703	304,964
	Sulphuric acid	1,026,471	968,760
	Phosphoric acid	153,243	154,232
	Copper cathode	169,448	141,281
	Copper rods	44,961	54,006
Silvassa	Copper cathode	156,428	162,710
	Copper rods	116,460	133,886
KCM	Copper cathode	199,765	216,499

Copper Mining Summary

		Ore mined		Copper concentrate		Copper in concentrate	
Mine	Type of mine	31 March 2012 mt	31 March 2011 mt	31 March 2012 mt	31 March 2011 mt	31 March 2012 mt	31 March 2011 mt
Mt Lyell (CMT)	Underground	2,067,407	1,976,177	85,336	83,940	22,607	22,929
Konkola (KCM)	Underground	9,064,821	9,976,599	298,979	269,130	99,208	89,751

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	5.4	1.21	26.1	1.09	6.0	1.23
Konkola (KCM)	Underground	103.9	1.64	215.1	2.74	369.9	1.63

Resources are additional to Reserves.

Aluminium, Alumina and Bauxite

Aluminium Production Summary

Company	Year ended 31 March 2012 mt	Year ended 31 March 2011 mt
BALCO	245,654	255,298
MALCO	–	–
VAL	429,723	385,363

Alumina Production Summary

Company	Year ended 31 March 2012 mt	Year ended 31 March 2011 mt
BALCO	–	–
MALCO	–	–
VAL	927,516	706,640

Production and Reserves Summary continued

Bauxite Production Summary

Company	Year ended 31 March 2012 mt	Year ended 31 March 2011 mt
BALCO – Mainpat	620,223	564,608
BALCO – Bodai Daldali	882,300	506,108
MALCO	–	–

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	3.37	46.1
Bodai-Daldali	–	–	2.0	48.0	3.71	46.6
Pandrapat	–	–	8.0	48.0	–	–
Jamirapat	–	–	15.7	50.5	–	–
Total BALCO	**–**	**–**	**30.7**	**49.3**	**7.08**	**46.4**
MALCO						
Kolli Hills	0.77	44.0	–	–	0.15	43.0

Resources are additional to Reserves.

Zinc and Lead

Zinc and Lead Production Summary:

Company	Year ended 31 March 2012 mt	Year ended 31 March 2011 mt
NZL		
Zinc	758,716	712,471
Lead	92,099	57,294

Zinc and Lead Mining Summary:

a) Metal Mined & Metal Concentrate

		Ore mined		Zinc concentrate		Lead concentrate		Bulk concentrate	
Mine	Type of mine	31 March 2012 mt	31 March 2011 mt	31 March 2012 mt	31 March 2011 mt	31 March 2012 mt	31 March 2011 mt	31 March 2012 mt	31 March 2011 mt
Rampura Agucha	Open cut	5,947,081	6,149,165	1,261,570	1,319,245	101,629	117,272	–	–
Rajpura Dariba	Underground	587,600	496,234	41,512	40,246	9,425	7,937	20,003	10,322
Sindesar Khurd	Underground	1,303,050	654,050	100,683	53,118	49,455	18,959	–	3,943
Zawar	Underground	204,150	240,550	–	–	–	–	22,007	55,265
Total		**8,041,881**	**7,539,999**	**1,403,765**	**1,412,609**	**160,509**	**144,168**	**42,010**	**69,530**

b) Metal in Concentrate (MIC)

		Zinc concentrate		Lead concentrate	
Mine	Type of mine	31 March 2012 mt	31 March 2011 mt	31 March 2012 mt	31 March 2011 mt
Rampura Agucha	Open cut	649,583	677,426	59,898	68,773
Rajpura Dariba	Underground	27,791	23,193	5,547	5,220
Sindesar Khurd	Underground	51,147	26,695	25,141	10,415
Zawar	Underground	10,048	24,810	1,277	3,521
Total		**738,569**	**752,125**	**91,863**	**87,928**

Zinc and Lead Mine Resource and Reserve Summary
Zinc India

Mine	Resources: Measured and indicated million mt	Zinc grade %	Lead grade %	Inferred million mt	Zinc grade %	Lead grade %	Reserves: Proved and probable reserves million mt	Zinc grade %	Lead grade %
Rampura Agucha	17.2	14.9	2.0	23.9	11.6	2.0	69.3	13.7	1.9
Rajpura Dariba	8.4	7.1	2.0	35.1	7.8	2.1	8.8	6.3	1.7
Zawar	25.4	5.0	1.8	38.7	5.0	2.6	7.8	3.6	2.0
Kayar	8.8	10.5	1.6	0.7	7.0	1.0	1.8	12.6	1.8
Sindesar Khurd	11.4	5.4	2.7	48.4	4.5	3.1	21.6	4.5	2.7
Bamnia Kalan	1.7	5.3	1.8	3.4	5.0	3.8	–	–	–
Total	**72.9**	**8.3**	**2.0**	**150.2**	**6.6**	**2.6**	**109.3**	**10.6**	**2.0**

Resources are additional to Reserves.

Zinc International

Mine	Resources: Measured and indicated million mt	Zinc grade %	Lead grade %	Inferred million mt	Zinc grade %	Lead grade %	Reserves: Proved and probable reserves million mt	Zinc grade %	Lead grade %
Skorpion	2.60	9.66	–	–	–	–	6.50	9.70	–
BMM									
– Deeps	13.40	2.42	3.50	4.80	2.12	2.34	8.20	2.54	2.83
– Broken Hill	–	–	–	–	–	–	–	–	–
– Swartberg	15.50	0.70	3.01	30.10	0.67	2.84	–	–	–
– Gamsberg	100.70	6.74	0.54	85.60	7.06	0.31	–	–	–
Lisheen	1.20	14.60	2.28	0.50	13.46	4.21	3.80	11.15	1.65

Resources are additional to Reserves.

Zinc Production Summary:

Company	**Year ended 31 March 2012 mt**	Year ended 31 March 2011 mt
Skorpion	144,755	49,698

Zinc and Lead Mining Summary:
a) Metal Mined & Metal Concentrate

Mine	Type of mine	Ore mined: **31 March 2012 mt**	31 March 2011 mt	Zinc concentrate: **31 March 2012 mt**	31 March 2011 mt	Lead concentrate: **31 March 2012 mt**	31 March 2011 mt
Skorpion	Underground	1,676,001	486,102	–	–	–	–
BMM and Gamsberg	Underground	1,434,088	246,947	64,682	15,259	74,645	13,183
Lisheen	Underground	1,397,697	158,440	343,196	42,661	49,053	6,562
Total		**4,507,786**	**891,489**	**407,878**	**57,920**	**123,698**	**19,745**

b) Metal in Concentrate (MIC)

Mine	Type of mine	Zinc in concentrate: **31 March 2012 mt**	31 March 2011 mt	Lead in concentrate: **31 March 2012 mt**	31 March 2011 mt
BMM and Gamsberg	Underground	31,770	7,593	53,579	9,324
Lisheen	Underground	183,206	22,775	30,202	3,913
Total		**214,976**	**30,368**	**83,781**	**13,237**

* 2010–11 numbers are post acquisition.

Production and Reserves Summary continued

Iron Ore

Iron Ore Production Summary

Company	Year ended 31 March 2012 million mt	Year ended 31 March 2011 million mt
Sesa Goa		
Saleable Iron Ore	15.6	21.1
Goa	11.0	11.6
Karnataka	1.1	3.3
Orissa	–	1.5
Dempo	3.5	4.6

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	138.75	53.41	68.36	48.68	166.65	55.48

Comprises mines that Sesa owns or has rights to.

Resources are additional to Reserves.

Oil and Gas

Cairn India

Estimates of the gross proved, probable, and possible oil, condensate, and sales-gas reserves, as of 31 March 2012, attributable to certain properties owned by Cairn India, are summarised by field below, expressed in 10^3bbl of oil and condensate and 10^6ft^3 of sales gas:

	Gross Reserves					
	Proved		Probable		Possible	
Fields	Oil and Condensate (10^3bbl)	Sales Gas (10^6ft^3)	Oil and Condensate (10^3bbl)	Sales Gas (10^6ft^3)	Oil and Condensate (10^3bbl)	Sales Gas (10^6ft^3)
CB-OS/2 PSC						
– CB-X	–	–	–	–	–	–
– Gauri	250	1,690	260	1,260	1,800	2,400
– Lakshmi	3,230	8,020	3,530	7,270	12,530	7,560
CB-OS/2 PSC Total	3,480	9,710	3,790	8,530	14,330	9,960
RJ-ON-90/1 PSC						
– Aishwariya	23,700	–	3,370	–	800	–
– Bhagyam	71,590	–	23,110	–	16,600	–
– Mangala	240,510	–	84,220	–	47,900	–
– Raageshwari Shallow	2,230	–	1,420	–	1,500	–
– Raageshwari Deep	–	–	–	–	–	–
– Saraswati	1,100	–	180	–	300	–
RJ-ON-90/1 PSC Total	339,130	–	112,300	–	67,100	–
PKGM-1 Licence						
– Ravva	12,580	21,690	30,690	13,280	25,730	15,630
Grand Total	**355,190**	**31,400**	**146,780**	**21,810**	**107,160**	**25,590**

Note: Probable and possible reserves have not been risk adjusted to make them comparable to proved reserves.

Estimates of the proved, probable, and possible oil, condensate, and sales-gas reserves, as of 31 March 2012, attributable to the working interests of certain properties owned by Cairn India, are summarised by field below, expressed in 10^3bbl of oil and condensate and 10^6ft^3 of sales gas:

	Working Interest Reserves Summary					
	Proved		Probable		Possible	
Fields	Oil and Condensate (10^3bbl)	Sales Gas (10^6ft^3)	Oil and Condensate (10^3bbl)	Sales Gas (10^6ft^3)	Oil and Condensate (10^3bbl)	Sales Gas (10^6ft^3)
CB-OS/2 PSC						
– CB-X	–	–	–	–	–	–
–Gauri	100	676	104	504	720	960
– Lakshmi	1,292	3,208	1,412	2,908	5,012	3,024
CB-OS/2 PSC Total	1,392	3,884	1,516	3,412	5,732	3,984
RJ-ON-90/1 PSC						
– Aishwariya	16,590	–	2,359	–	560	–
– Bhagyam	50,113	–	16,177	–	11,620	–
– Mangala	168,357	–	58,954	–	33,530	–
– Raageshwari Shallow	1,561	–	994	–	1,050	–
– Raageshwari Deep	–	–	–	–	–	–
– Saraswati	770	–	126	–	210	–
RJ-ON-90/1 PSC Total	237,391	–	78,610	–	46,970	–
PKGM-1 Licence						
– Ravva	2,831	4,880	6,905	2,988	5,789	3,517
Grand Total	**241,614**	**8,764**	**87,031**	**6,400**	**58,491**	**7,501**

Note: Probable and possible reserves have not been risk adjusted to make them comparable to proved reserves.

Source of Information:
In respect of all businesses, the information has been certified by an 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 at 3pm, UK time, on 28 August 2012

AE
Anode effects

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 VAL, 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.

BMM
Black Mountain Mining Pty

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, the Zinc, Lead, silver, Iron ore, Power and Oil and Gas Businesses 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 & updated by them from time to time

Company or Vedanta
Vedanta Resources plc

Company Financial Statements
The audited financial statements for the Company for the year ended 31 March 2012 as defined in the Independent Auditors' Report on the individual Company Financial Statements to the members of Vedanta Resources plc

Convertible Bonds
$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 Jharasuguda aluminium smelter project and other general corporate purposes

$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

$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

$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
$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 $
United States dollars, the currency of the United States of America

DRs
Depositary receipts of 10 US cents, issuable in relation to the $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 has delegated operational management. It comprises the Executive Directors and the senior management of 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 2012 as defined in the Independent Auditors' 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 i.e. April to March

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

Glossary and Definitions continued

GJ
Giga joule

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

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

KPIs
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 or revised listing filed in 2011

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 (MAS)
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

MU
Million Units

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

Net Gearing
See Gearing

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)

Oil & Gas Business
The Group's subsidiary, Cairn India Limited is involved in the business of exploration, development and production of oil & gas

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

PSC
Production sharing contract

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

R&R
Reserves and Resources

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

SIIL
Sterlite Industries India Ltd

SO_2
Sulphur dioxide

SOX
Sarbanes–Oxley Act of 2002

SBU
Strategic Business Unit

STL
Sterlite Technologies 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

Glossary and Definitions continued

SPM
Suspended particulate matter. Fine dust particles suspended in air

Sterling, GBP or £
The currency of the United Kingdom

Sterlite
Sterlite Industries (India) Limited, a company incorporated in India

Sterlite Energy Limited (SEL)
Sterlite Energy Limited, a company incorporated in India

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

TGT
Tail gas treatment

TLP
Tail Leaching Plan

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 losses and their resultant tax and non-controlling 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

ZRA
Zambia Revenue Authority

Zinc Business
The zinc-lead business of the Group, comprising its fully-integrated zinc-lead mining and smelting operations in India, and trading through Hindustan Zinc Limited, a company incorporated in India

Shareholder Information

Shareholder Interests as at 31 March 2012

	2012	2011
Number of shareholders:	**3,583**	3,702
Number of shares in issue:	**296,908,045**	296,845,751

By Size of Holding

	Shareholders %		Shares %	
	2012	2011	**2012**	2011
500 and under	**56.80**	56.29	**0.16**	0.16
501 to 1,000	**13.34**	12.75	**0.12**	0.12
1,001 to 10,000	**18.45**	18.23	**0.70**	0.76
10,001 to 100,000	**7.76**	8.73	**3.27**	4.10
100,001 to 1,000,000	**3.57**	3.40	**29.96**	12.86
Over 1,000,000	**0.08**	0.60	**65.79**	82.00
	100.00	100.00	**100.00**	100.00

Annual General Meeting
The AGM will be held on 28 August 2012 at 3pm. The Notice of Meeting and the Form of Proxy are enclosed with this Report.

Company Website
The Company's half year and annual reports and results announcements are available via the internet on our website at www.vedantaresources.com. Shareholders can also access on the website 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
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
United Kingdom

Telephone: +44 (0) 870 707 1388
Email: web.queries@computershare.co.uk

Computershare provide a free self-service website, Investor Centre, through which you can view your share balance, change your address, view your dividend payment and tax information and update your payment instructions. For further information, visit www.investorcentre.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 20 August 2012

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 17 August 2012. 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 20 August 2012. If you have already completed and returned a Currency Election Form and/or a Dividend Mandate Form, you need take no further action. Currency election and dividend mandate forms are also available online through the Investor Centre service www.investorcentre.co.uk.

Shareholder Information continued

Investor Relations

For investor enquiries, please contact:

Mr Ashwin Bajaj
Senior 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: ir@vedanta.co.in

Financial Calendar

Dividend Payments	
Ex dividend date	15 August 2012
Record date	17 August 2012
2012 final ordinary dividend payable	5 September 2012
2013 half year ordinary dividend payable	December 2013

Other Dates	
Annual General Meeting	28 August 2012
2013 half year results announced	November 2012

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 LLP
Broadwalk House
5 Appold Street
London EC2A 2HA

Latham & Watkins LLP
99 Bishopsgate
London EC2M 3XF

Notes

Notes

Designed and produced by **Emperor Design Consultants Ltd**
Telephone **+44 (0)20 7729 9090 www.emperordesign.co.uk**

Printed on Satimatt Green FSC Certified Environment Friendly Paper

Vedanta Resources plc
5th Floor, 16 Berkeley Street
London W1J 3DZ
Tel: +44 (0)20 7499 5900
Fax: +44 (0)20 7491 8440

vedantaresources.com

Vedanta Resources plc Annual Report and Accounts 2012