

Notes to the Consolidated Financial Statements

1. Presentation of Financial Statements

Compliance with Applicable Law and IFRS

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

Basis of Preparation

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

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

Improvements to IFRSs (April 2009)

IAS 27 (Revised 2008) – Consolidated and Separate Financial Statements

IAS 28 (Revised 2008) – Investments in Associates

IFRS 3 (Revised 2008) – Business Combinations

IFRIC 17 Distributions of Non-cash Assets to Owners

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

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

Going Concern

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

Parent Company Financial Statements

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

2a) Accounting Policies

Basis of Consolidation

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

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

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

Adoption of New Standards

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

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

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

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

2. a) Accounting Policies (continued)

Revenue Recognition

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

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

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

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

Special Items

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

Business Combinations

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

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

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

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

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

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

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

Property, Plant and Equipment

Mining properties and leases

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

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

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

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

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

Notes to the Consolidated Financial Statements

continued

2. a) Accounting Policies (continued)

In circumstances where a mining property is abandoned, the cumulative capitalised costs relating to the property are written off in the period.

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

Other property, plant and equipment

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

Assets in the course of construction

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

Depreciation

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

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

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

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

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

Impairment

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

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

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

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

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

Government grants

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

2. a) Accounting Policies (continued)

Inventories

Inventories and work-in-progress are stated at the lower of cost and net realisable value, less any provision for obsolescence.

Cost is determined on the following bases:

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

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

Taxation

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

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

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

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

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

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

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

Retirement Benefit Schemes

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

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

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

Share-based Payments

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

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

Provisions for Liabilities and Charges

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

Notes to the Consolidated Financial Statements

continued

2. a) Accounting Policies (continued)

Restoration, Rehabilitation and Environmental Costs

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

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

Leases

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

Foreign Currency Translation

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

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

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

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

Financial Asset Investments

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

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

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

Liquid Investments

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

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

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

Trade Receivables

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

2. a) Accounting Policies (continued)

Trade Payables

Trade payables are stated at their nominal value.

Equity Instruments

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

Cash and Cash Equivalents

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

Borrowings

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

Convertible Bonds

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

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

Borrowing Costs

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

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

Derivative Financial Instruments

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

continued

2. a) Accounting Policies (continued)

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

2. b) Critical Accounting Judgement and Estimation Uncertainty

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

Mining Properties and Leases

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

Useful Economic Lives of Assets and Impairment

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

Restoration, Rehabilitation and Environmental Costs

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

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

Provisions and Liabilities

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

Contingencies and Commitments

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

Underlying Earnings and Special Items

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

3. Segment Information

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

The Group's reportable segments under IFRS 8 are as follows:

- Aluminium
- Copper-India/Australia
- Copper-Zambia
- Zinc
- Iron Ore
- Energy

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

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

a) Reportable Segments

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

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

Notes to the Consolidated Financial Statements

continued

3. Segment Information (continued)

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

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

b) EBITDA¹ by Segment

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

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

3. Segmental Information (continued)

c) Geographical Segmental Analysis

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

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

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

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

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

4. Special items

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

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

5. Investment revenue

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

Notes to the Consolidated Financial Statements

continued

6. Finance costs

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

7. Other (gains)/losses

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

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

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

9. Auditors' remuneration

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

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

- 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.
- Corporate finance services principally comprise reporting accountant services relating to the raising of equity and debt during both years.

10. Employee Numbers and Costs

Average number of persons employed by the Group in the year

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

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

11. Tax

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

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

Deferred tax in income statement:

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

Notes to the Consolidated Financial Statements

continued

11. Tax (continued)

Overview of the Indian Direct Tax Regime

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

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

Overview of the Zambian Tax Regime

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

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

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

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

11. Tax (continued)

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

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

12. Earnings Per Share

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

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

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

	Year ended 31 March 2010 US\$ million	Year ended 31 March 2009 US\$ million
Net profit attributable to equity holders of the parent	602.3	219.4
Weighted average number of ordinary shares for basic earnings per share (million)	274.3	287.2
Effect of dilution:		
Convertible bonds	46.7	-
Share options	3.7	2.2
Adjusted weighted average number of ordinary shares for diluted earnings per share	324.7	289.4

a) Earnings Per Share-Based on Profit for the Year

	Year ended 31 March 2010	Year ended 31 March 2009
Basic earnings per share on the profit for the year		
Profit for the year attributable to equity holders of the parent (US\$ million)	602.3	219.4
Weighted average number of shares of the Company in issue (million)	274.3	287.2
Earnings per share on profit for the year (US cents per share)	219.6	76.4
Diluted earnings per share on the profit for the year		
Profit for the year attributable to equity holders of the parent (US\$ million)	602.3	219.4
Adjustment in respect of convertible bonds of Vedanta (US\$ million)	57.6	-
Profit for the year after dilutive adjustment (US\$ million)	659.9	219.4
Adjusted weighted average number of shares of the Company in issue (million)	324.7	289.4
Diluted earnings per share on profit for the year (US cents per share)	203.2	75.8

During the year ended 31 March 2010, 393,292 options issued under the Long-term Incentive Plan were converted to equity shares pursuant to vesting and exercise of the options (2009: 535,350 options). Also during the year ended 31 March 2010, 6,804,628 shares were issued on conversion of a portion of one of the Group's convertible bonds (2009: 42,452 shares). The issue of these shares has been included in determining the 2010 weighted average number of shares.

Profit for the year would be increased if holders of the convertible bonds in Vedanta exercised their right to convert their bond holdings into Vedanta equity. The impact on profit for the year of this conversion would be the reduction in interest payable on the convertible bond net of any amount capitalised.

The outstanding awards under the LTIP are reflected in the diluted EPS figure through an increased number of weighted average shares.

Notes to the Consolidated Financial Statements

continued

12. Earnings Per Share (continued)

Earnings Per Share-Based on Underlying Profit for the Year

The Group's Underlying Profit is the profit for the year after adding back special items, other gains and losses (see Note 7) and their resultant tax and minority interest effects, as shown in the table below:

	Note	Year ended 31 March 2010 US\$ million	Year ended 31 March 2009 US\$ million
Profit for the year attributable to equity holders of the parent		602.3	219.4
Special items	4	67.3	31.9
Other (gains)/losses		(139.9)	94.1
Minority interest effect of special items and other (gains)/losses		16.8	(35.2)
Underlying profit for the year		546.5	310.2

	Year ended 31 March 2010	Year ended 31 March 2009
Basic earnings per share on underlying profit for the year		
Underlying profit for the year (US\$ million)	546.5	310.2
Weighted average number of shares of the Company in issue (U.S. million)	274.3	287.2
Earnings per share on underlying profit for the year (US cents per share)	199.2	108.0

	Year ended 31 March 2010	Year ended 31 March 2009
Diluted earnings per share on underlying profit for the year		
Underlying profit for the year (US\$ million)	546.5	310.2
Adjustment in respect of convertible bonds of Vedanta (US\$ million)	57.6	-
Underlying profit for the year after dilutive adjustment (US\$ million)	604.1	310.2
Adjusted weighted average number of shares of the Company (million)	324.7	289.4
Diluted earnings per share on underlying profit for the year (US cents per share)	186.0	107.2

13. Dividends

	Year ended 31 March 2010 US\$ million	Year ended 31 March 2009 US\$ million
Amounts recognised as distributions to equity holders:		
Equity dividends on ordinary shares:		
Final dividend for 2008-09 : 25 US cents per share (2007-08: 25 US cents per share)	70.2	71.8
Interim dividend paid during the year: 17.5 US cents per share (2008-09: 16.5 US cents per share)	47.7	47.0
	117.9	118.8
Proposed for approval at AGM		
Equity dividends on ordinary shares:		
Final dividend for 2009-10: 27.5 US cents per share (2008-09: 25 US cents per share)	75.2	69.8

14. Goodwill

	Year ended 31 March 2010 US\$ million	Year ended 31 March 2009 US\$ million
Cost (gross carrying amount)	16.9	16.9
Accumulated impairment losses	(4.7)	(4.7)
Net carrying amount at 31 March	12.2	12.2

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The Company has undertaken an impairment review for the outstanding goodwill of US\$12.2 million as at 31 March 2010. The carrying amount of goodwill was evaluated using the discounted future cash flows of the entity to which the goodwill pertains (Sterlite) and it was determined that the carrying amount of goodwill is not impaired.

15. Property, Plant and Equipment

US\$ million	Mining property and leases	Leasehold land and buildings	Freehold land and buildings	Plant and equipment	Assets under construction	Other	Total
Cost							
At 1 April 2008	2,862.4	66.6	338.3	3,631.6	3,090.8	62.6	10,052.3
Additions	-	13.8	22.4	96.4	3,194.1	0.9	3,327.6
Transfers	49.2	33.9	31.6	1,268.4	(1,412.8)	29.6	-
Reclassification to accumulated depreciation	(2.7)	0.1	2.2	11.5	-	0.8	11.7
Disposals	-	(0.4)	(0.8)	(9.4)	(2.1)	(0.3)	(13.0)
Foreign exchange differences	(589.9)	(6.2)	(78.4)	(739.6)	(722.3)	(16.6)	(2,153.1)
At 1 April 2009	2,319.0	107.8	315.3	4,258.9	4,147.6	76.9	11,225.5
Additions	0.9	6.0	4.8	28.5	3,823.4	0.9	3,864.5
Transfers	76.5	2.1	269.0	2,535.0	(2,822.2)	(60.4)	-
Reclassification from accumulated depreciation	2.6	2.3	7.1	(8.2)	-	(2.0)	1.8
Additions due to acquisition	412.0	-	16.2	66.8	1.8	-	496.9
Disposals	-	(0.1)	(2.9)	(22.9)	(2.2)	(0.3)	(28.4)
Foreign exchange differences	307.3	4.0	55.5	538.9	513.2	75	1,426.4
At 31 March 2010	3,118.3	122.1	665.0	7,397.0	5,661.7	22.6	16,986.7
Accumulated depreciation and impairment							
At 1 April 2008	388.7	30.1	65.8	1,153.5	17.8	42.0	1,697.8
Charge for the year	195.7	5.8	13.3	260.1	-	2.0	477.0
Disposals	-	-	(1.3)	(3.9)	-	-	(5.2)
Impairment charges	28.9	-	-	-	-	-	28.9
Reclassification to cost	(2.7)	0.1	2.2	11.5	-	0.8	11.7
Foreign exchange differences	(97.4)	(1.6)	(15.6)	(209.2)	-	(9.4)	(333.2)
At 1 April 2009	513.2	34.3	64.4	1,212.0	17.8	35.4	1,877.0
Charge for the year	208.1	7.1	4.5	348.1	-	0.9	568.7
Disposals	-	-	(0.1)	9.0	-	(25.1)	(16.2)
Reclassification to cost	2.6	2.3	7.1	(8.2)	-	(2.0)	1.8
Foreign exchange differences	81.3	0.8	8.9	134.5	-	3.2	228.7
At 31 March 2010	805.2	44.5	84.8	1,695.3	17.8	12.4	2,660.0
Net book value							
At 1 April 2008	2,473.7	36.6	272.5	2,478.1	3,073.0	20.6	8,354.5
At 1 April 2009	1,805.8	73.4	250.9	3,046.9	4,129.9	41.5	9,348.4
At 31 March 2010	2,313.1	77.6	580.2	5,701.7	5,643.9	10.2	14,326.7

At 31 March 2010, land having a carrying value of US\$37.0 million (31 March 2009: US\$19.9 million) was not depreciated. During the year ended 31 March 2010 depreciation of US\$5.7 million (2009: US\$3.7 million) directly relating to the trial run of expansion projects was capitalised.

At 31 March 2010, cumulative capitalised interest and foreign exchange gains or losses included within the table above was US\$254.9 million (31 March 2009: US\$438.1 million).

Plant and equipment include refineries, smelters, power plants and related facilities.

Other tangible fixed assets include office equipment and fixtures, and light vehicles.

Notes to the Consolidated Financial Statements

continued

16. Financial Asset Investments

Financial asset investments are required to be classified and accounted for as either available-for-sale, fair value through profit or loss, held for trading or held to maturity

	Year ended 31 March 2010 US\$ million	Year ended 31 March 2009 US\$ million
Available-for-sale investments		
At 1 April	91.6	30.0
(Disposals)/additions	(4.5)	85.4
Movements in fair value	111.0	(12.7)
Exchange difference	3.1	(11.1)
At 31 March	201.2	91.6

	As at 31 March 2010 US\$ million	As at 31 March 2009 US\$ million
Analysis of financial asset investments		
Quoted	178.7	71.8
Unquoted	22.5	19.8

Quoted investments represent investments in equity securities that present the Group with opportunity for return through dividend income and gains in value. These securities are held at fair value based on market prices.

Unquoted investments include mainly an investment in the equity share capital of the Andhra Pradesh Gas Power Corporation Limited and are held at cost.

17. Other Non-Current Assets

	As at 31 March 2010 US\$ million	As at 31 March 2009 US\$ million
Deposits receivable after one year	18.3	21.4
	18.3	21.4

18. Inventories

	As at 31 March 2010 US\$ million	As at 31 March 2009 US\$ million
Raw materials and consumables	636.5	458.3
Work-in-progress	478.2	353.3
Finished goods	145.9	97.7
	1,260.6	909.3

Inventories with a carrying amount of US\$761.2 million (2009: US\$419.3 million) have been pledged as security against certain bank borrowings of the Group.

19. Trade and other receivables

	As at 31 March 2010 US\$ million	As at 31 March 2009 US\$ million
Trade receivables	206.7	276.2
Amounts due from related parties (Note 34)	4.4	8.1
Prepayments	55.9	19.2
Deposits with government	189.8	182.8
Other receivables	466.8	248.7
	923.6	735.0

The credit period given to customers ranges from zero to 90 days. Other receivables primarily includes excise balances, customs balances, deposits with governments, advances to suppliers, claims receivables and other receivables.

20. Liquid Investments

	As at 31 March 2010 US\$ million	As at 31 March 2009 US\$ million
Bank deposits	1,301.4	1,021.2
Other investments	5,548.0	3,510.9
	6,849.4	4,532.1

Other investments include mutual fund investments and are fair valued through the income statement. Bank deposits are made for periods of between three months and one year depending on the cash requirements of the Group and earn interest at the respective deposit rates.

21. Cash and cash equivalents

	As at 31 March 2010 US\$ million	As at 31 March 2009 US\$ million
Cash at bank and in hand	74.7	63.3
Short-term deposits and short-term investments	315.3	317.2
	390.0	380.5

Short-term deposits are made for periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Cash and cash equivalents include US\$2.5 million (2009: US\$2.1 million) of cash held in short-term deposit accounts that is restricted in use as it relates to unclaimed deposits, dividends, interest on debentures and share application monies.

22. Borrowings

	As at 31 March 2010 US\$ million	As at 31 March 2009 US\$ million
Bank loans	3,597.4	2,483.3
Bonds	1,243.7	1,812.4
Other loans	554.7	215.1
Total	5,395.8	4,510.8
Borrowings are repayable as:		
Within one year (shown as current liabilities)	1,012.6	1,298.5
In the second year	759.7	173.9
In two to five years	2,669.9	1,626.2
After five years	953.6	1,412.2
Total borrowings	5,395.8	4,510.8
Less: payable within one year	(1,012.6)	(1,298.5)
Medium- and long-term borrowings	4,383.2	3,212.3

At 31 March 2010, the Group had available US\$3,204.8 million (2009: US\$1,909.4 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The principal loans held by Group companies at 31 March 2010 were as follows:

BALCO

Term Loans

BALCO secured two syndicated Indian rupee term loan facilities totalling US\$376.6 million, of which US\$352.2 million has been drawn down at an average interest rate of 7.2% per annum. The interest rate has now been reset to 7.0%. These facilities are secured partly by first exclusive charge and partly by pari passu charge on movable properties, present and future, tangible or intangible other than current assets and a charge on immovable properties of BALCO. The first loan of US\$221.5 million was repayable in 12 quarterly instalments commencing in January 2007 and was repaid fully in October 2009; the second loan of US\$130.7 million is repayable in eight quarterly instalments, due to commence in May 2009. However, US\$97.3 million of this amount has been repaid early. As at 31st March 2010 the total outstanding loan amount was US\$33.6 million.

Non-Convertible Debentures

Balco issued Non Convertible Debentures of US\$110.8 million to the Life Insurance Corporation of India @12.25% per annum. The Debentures are secured and have the pari passu charge on the movable and immovable properties, present and future tangible or intangible assets other than current assets of Balco to the extent of 1.33 times of the issued amount. The above loan is repayable in three yearly equal instalments starting November 2013.

Notes to the Consolidated Financial Statements

continued

22. Borrowings continued

VAL

Rupee Term Loan

VAL has taken an Indian rupee term loan of US\$221.5 million from ICICI Bank at an interest rate of 10.5%. The loan is not secured. Repayment is in eight equal quarterly instalments starting from July 2011.

Non-Convertible Debentures

VAL has issued Non-Convertible Debentures of US\$88.6 million to the Life Insurance Corporation of India at a rate of 11.50% per annum. The Debentures are secured and have the first pari passu charge over the identified assets (including Land and Building) of the issuer to the extent of 1.33 times of the issued amount. Debentures are repayable in three yearly equal instalments starting October 2013.

External Commercial Borrowing

VAL has obtained External Commercial Borrowing loan from ICICI Bank, Singapore of US\$100.0 million at an interest rate of 3.5% secured by Negative Lien Undertaking on the assets of the Jharsuguda project of the Company, both present and future, excluding assets already charged in favour of ICICI bank and other lenders. The repayment period is from February 2012 to August 2014.

Project Buyers' Credit

As at 31 March 2010, VAL had extended credit terms relating to purchases of property, plant and equipment for its projects. The extended credit amounted to US\$886.1 million, which became repayable from October 2009. These loans bear interest at LIBOR plus 200 basis points. These are secured by all of the fixed assets of VAL, immovable or movable, present and future, on a pari passu basis with other term lenders and with priority over other creditors. The value of such facility as on 31 March 2010 was US\$884.9 million.

Sterlite Energy

Term Loan

Sterlite Energy obtained an Indian rupee term loan of US\$44.3 million from the State Bank of India in March 2009 at a rate of 12.0% per annum. The loan is unsecured and backed by a corporate guarantee of Sterlite. This loan is also expected to be added and converted into a long-term project finance facility of US\$1,339.0 million currently being syndicated. Assuming this loan is refinanced, the corporate guarantee of Sterlite will be released.

Sterlite Energy has also obtained an Indian rupee term loan of US\$44.3 million from Allahabad Bank in December 2009 and March 2010 at a rate of 7.0% per annum. The loan is unsecured and backed by a corporate guarantee of Sterlite.

Project Buyers' Credit

As at 31 March 2010, SEL has extended credit terms relating to the purchase of property, plant and equipment for its project of US\$303.9 million at an average rate of LIBOR plus 203 basis points. The facility is unsecured.

KCM

In 2009 KCM has obtained a loan of US\$100 million from the Development Bank of Southern Africa (five year term) and US\$191.7 million from Standard Chartered Bank (four year term). The interest rate is 2.8% over three month Libor and 5.5% over three month LIBOR respectively. Both the loans are repayable in 12 quarterly instalments starting from the third and second year, respectively.

Vedanta Resources plc

Long-Term Bonds

In July 2008, Vedanta issued US\$500.0 million, 8.75% bonds due January 2014, and US\$750.0 million, 9.50% bonds due July 2018 in the United States of America ('USA') pursuant to Rule 144A of US Securities Act of 1933 ('Securities Act') and outside of the USA in Compliance with Regulation S pursuant to the Securities Act. The bonds are unsecured and are currently rated BB by Standard & Poor's, Ba2 by Moody's and BB+ by Fitch Ratings Limited.

Syndicated Bridge Term Loan

In April 2008, the Group refinanced the short-term syndicated bridge loan facility of US\$1,100.0 million taken out to acquire Sesa Goa. The new facility is for US\$1,000 million, fully drawn down at 31 March 2010, which bears interest at LIBOR plus 296 basis points. US\$250.0 million is repayable in April 2012 and the remaining US\$750 million is repayable in January 2013. The facility has been guaranteed by Vedanta and is subject to a pledge of the Group's shares in Sesa Goa Limited through its holding in Richter and Westglobe Limited.

Term Loan

In June 2009, Vedanta obtained a term loan from ICICI Bank, UK for US\$200 million repayable in June 2010. It bears interest of 12 months GBP LIBOR plus 350 basis points.

In January 2010, the Group obtained a loan from Bank of Tokyo-Mitsubishi UFJ for US\$373 million repayable in July 2011 and bears interest at USD LIBOR plus 425 basis points.

Non-Equity Minority Interests

The Group has bought out certain non-equity minority interests by purchasing the deferred shares in KCM held by ZCI of US\$47.5 million. As at 31 March 2010, non equity minority interests remain of US\$11.9 million, being deferred shares in KCM held by ZCM. The deferred shares have no voting rights or rights to KCM's dividends, but are entitled on a winding up to a return of US\$0.99 per share once all of KCM's ordinary shares have received a distribution equal to their par value and any share premium created on their issue and which remains distributable to them.

22. Borrowings (continued)

The deferred shares are held at historic cost, being the fair value attributed to them at the time of initial acquisition of KCM in the year ended 31 March 2005. They are classified as non-current liabilities as they are repayable only on the winding up of the Company. The shares have been valued at US\$0.99 per share, which is the maximum amount payable to the deferred shareholders. These deferred shares have not been discounted as the effect would not be material.

23. Movement in Net Debt¹

US\$ million	Debt due within one year			Debt due after one year			Total Net Debt
	Cash and cash equivalents	Liquid investments	Debt carrying value	Debt-related derivatives ²	Debt carrying value	Debt-related derivatives ²	
At 1 April 2008	458.2	4,648.5	(1,417.2)	(1.2)	(1,556.9)	11.3	2,142.7
Cash flow	(254.8)	961.9	(209.0)	-	(1,999.1)	-	(1,501.0)
Other non-cash changes ⁽³⁾	-	33.3	-	9.6	(341.3)	(18.2)	(316.6)
Foreign exchange differences	177.1	(1,111.6)	327.7	-	80.9	-	(525.9)
At 1 April 2009	380.5	4,532.1	(1,298.5)	8.4	(3,816.4)	(6.9)	(200.8)
Cash flow	258.8	1,663.4	360.6	-	(2,859.0)	-	(576.2)
Acquisition of subsidiaries	-	-	(12.4)	-	-	-	(12.4)
Other non-cash changes ⁽³⁾	-	27.6	25.0	(9.3)	(351.7)	(5.1)	(313.5)
Foreign exchange differences	(249.3)	626.3	(87.3)	-	(133.9)	-	155.8
At 31 March 2010	390.0	6,849.4	(1,012.6)	(0.9)	(7,161.0)	(12.1)	(947.2)

1 Net (debt)/cash being total debt after fair value adjustments under IAS 32 and 39 as reduced by cash and cash equivalents and liquid investments.

2 Debt related derivatives exclude derivative financial assets and liabilities relating to commodity contracts and forward foreign currency contracts.

3 Other non-cash changes comprises of US\$326.7 million (2009: US\$341.3 million) of project buyers credit obtained from banks, for which there is no cash movement as it represents the refinancing of amounts previously owed to suppliers and excluded from debt. It also includes US\$27.6 million (2009 US\$33.3 million) of fair value movement in investments. A movement of US\$14.4 million (2009: US\$8.6 million) which pertains to fair value of debt related derivatives is also included in other non-cash changes.

24. Trade and Other Payables

(a) Current Trade Payables

	As at 31 March 2010 US\$ million	As at 31 March 2009 US\$ million
Trade payables	1,390.1	945.0
Bills of exchange payable	771.7	721.1
Accruals and deferred income	72.7	57.1
Other trade payables	324.7	244.5
	2,559.2	1,967.7

Trade payables are non-interest bearing and are normally settled on 60 to 90 day terms. Bills of exchange are interest-bearing and are normally payable within 180 days. The fair value of trade and other payables is not materially different from the carrying values presented.

b) Non-Current Trade Payables

	As at 31 March 2010 US\$ million	As at 31 March 2009 US\$ million
Other trade payables	306.4	76.4
	306.4	76.4

Other trade payables primarily comprise the amounts withheld as retentions, payable to suppliers of capital projects after satisfactory completion of contractual commissioning period, which are generally payable after a year.

25. Convertible Bonds

	Year ended 31 March 2010 US\$ million	Year ended 31 March 2009 US\$ million
A. VFJL	-	604.1
B. VRJL	931.3	-
C. VRJL II	881.1	-
D. FCCB- SIIL & Sesa	965.4	-
	2,777.8	604.1

A. Vedanta Finance (Jersey) Limited ('VFJL') issued 4.6% US\$725 million guaranteed convertible bonds on 21 February 2006. The bonds are first converted into exchangeable redeemable preference shares to be issued by VFJL, which are then automatically exchanged for ordinary shares of Vedanta Resources plc, which do not carry voting rights. The bondholders had the option to convert at any time from 17 April 2006 to 15 February 2026. The loan notes were convertible at £14.54 per share of US\$0.10 each and at an average rate of USD:GBP of 1.7845.

The Company had the option (subject to the terms of the bond) to redeem the convertible bonds on or at any time after 14 March 2009 and on and prior to 15 February 2026. The bondholders had the option to redeem the convertible bonds on 21 February 2013, 21 February 2018 and 21 February 2022.

Notes to the Consolidated Financial Statements

continued

25. Convertible Bonds (continued)

The net proceeds of the convertible issue were split between the liability element and equity component, representing the value attributable to the right to convert the liability into equity of the Company, as follows:

	Year ended 31 March 2010 US\$ million	Year ended 31 March 2009 US\$ million
Opening liability	604.1	600.9
Interest and amortisation of issue costs	31.8	37.2
Coupon interest paid	(28.3)	(33.1)
Conversion of bonds	(146.3)	(0.9)
Transfer from Convertible Bond Reserve	84.7	-
Principal value of outstanding bonds at redemption	546.0	604.1
Less: redemption of bonds	(546.0)	-
Closing liability	-	604.1

The interest charged for the year is calculated by applying an effective interest rate of 6.16% (2009: 6.18%).

During the year ended 31 March 2010, US\$176.3 million of the convertible bonds were converted into 6,804,628 equity shares, reducing the liability component of the convertible bonds by US\$146.3 million with a resulting release of US\$30.0 million from the convertible bond reserve.

On 8 February 2010 the Company exercised its option for redemption and redeemed the remaining convertible bonds at a principal value of US\$546.1 million. Upon redemption the remaining convertible bond reserve of US\$79.3 million was transferred into retained earnings.

B. Vedanta Resource Jersey Limited ('VRJL') issued 5.5% US\$1,250 million guaranteed convertible bonds on 13 July 2009. The bonds are first convertible into exchangeable redeemable preference shares to be issued by VRJL, which will then be automatically exchanged for ordinary shares of Vedanta Resources plc. The bondholders have the option to convert at any time from 24 August 2009 to 6 July 2016. The loan notes are convertible at US\$36.48 per share at an average rate of USD:GBP of 1.6386.

If the notes have not been converted, they will be redeemed at the option of the Company at any time on or after 28 July 2012 subject to certain conditions, or be redeemed at the option of the bondholders on or after 13 July 2014.

The net proceeds of the convertible issue have been split between the liability element and equity component, representing the fair value of the embedded option to convert the liability into equity of the Company, as follows:

	Year ended 31 March 2010 US\$ million
Nominal value of convertible note issued	1,250.0
Less: Issue Expenses	(15.2)
Opening liability	1,234.8
Equity component (net of issue expenses)	(327.9)
Imputed liability on issue date	906.9
Unwinding of effective interest rate	73.7
Coupon interest paid/accrued	(49.3)
Closing liability	931.3

The interest charged for the year is calculated by applying an effective interest rate of 11.2%.

The fair value of the convertible bond as at 31 March 2010 is US\$1,252.4 million.

During the period an additional US\$2.4 million was credited to equity with a corresponding charge taken to the income statement. This represents the movement in the fair value of the option to convert the bonds into equity before the terms of the bond were altered, in order for the conversion option to qualify for recognition as equity.

C. Vedanta Resource Jersey II Limited ('VRJL - II') issued 4.0 % US\$883 million guaranteed convertible bonds on 30 March 2010. The bonds are first convertible into exchangeable redeemable preference shares to be issued by VRJL II, which will then be automatically exchanged for ordinary shares of Vedanta Resources plc. The bondholders have the option to convert at any time from 10 May 2010 to 23 March 2017. The loan notes are convertible at US\$51.9251 per share at an average rate of USD:GBP of 1.4965.

If the notes have not been converted, they will be redeemed at the option of the Company at any time on or after 14 April 2013 subject to certain conditions, or be redeemed at the option of the bondholders on or after 29 April 2013 to 30 March 2015.

The net proceeds of the convertible issue have been split between the liability element and a derivative component, representing the fair value of the embedded option to convert the liability into equity of the Company. The latter has not been recorded within equity due to the existence of partial cash settlement terms within the bond which prevent the adoption of compound financial instrument accounting under IFRS. It is expected that the terms of the bond will be modified within the next 12 months such that the carrying value of the embedded option at the date of modification can be reclassified into equity.

25. Convertible Bonds (continued)

During the period US\$5.2 million was credited to the value of the derivative liability with a corresponding charge taken to the income statement. This represents the movement in the fair value of the embedded option to convert to equity from the date of issue to 31 March 2010.

	Year ended 31 March 2010 US\$ million
Nominal value of convertible notes issued	883.0
Less: issue costs	(7.2)
Effective interest cost	0.2
Coupon interest paid/accrued	(0.1)
Increase in fair value of derivative component	5.2
Closing liability (including derivative component of US\$256.3 million)	881.1

The interest charged for the year is calculated by applying an effective interest rate of 6.93%.

The fair value of the convertible bond as at 31 March 2010 was US\$882.9 million.

D. Sterlite Industries (India) Limited ('SIIIL') 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 Depositary Share ('ADS') to be issued by SIIIL. 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. SIIIL has the option (subject to the terms of the bond) to redeem the convertible bond at any time after 4 November 2012.

Sesa Goa Limited ('Sesa') issued 5% US\$500 million convertible bonds (denominated in US dollars) on 30 October 2009 and due October 2014. The bonds are convertible into ordinary shares of Sesa. The bondholders have the option to convert at any time after 10 December 2009 and before 24 October 2014 at a conversion ratio of 13837.6384 for every US\$100,000 principal. Sesa has the option (subject to certain conditions) to redeem the convertible bond at any time after 30 October 2012.

As the functional currency of SIIIL 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 SIIIL'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 SIIIL and Sesa bonds during the year on an aggregated basis:

	Year ended 31 March 2010 US\$ million
Nominal value of convertible notes issued	1,000.0
Less: issue costs	(8.2)
Effective interest cost	39.4
Coupon interest paid	(19.3)
Conversion of bonds into equity of subsidiaries	(76.0)
Increase in fair value of derivative component	29.5
Closing liability (including derivative component of US\$386.8 million)	965.4

The interest charged for the year is calculated by applying an effective interest rate of 12.7% for SIIIL convertible notes and 23.4% for Sesa convertible notes.

The fair value of the convertible bonds as at 31 March 2010 was US\$1,114 million.

Notes to the Consolidated Financial Statements

continued

26. Financial instruments

The accounting classification of each category of financial instruments, and their carrying amounts, are set out below:

	As at 31 March 2010 US\$ million	As at 31 March 2009 US\$ million
Financial assets		
At fair value through profit or loss		
– Held for trading	6,849.4	4,532.1
– Other financial assets (derivatives)	54.1	134.8
Cash and cash equivalents	390.0	380.5
Loan and receivables		
– Trade and other receivables	867.7	715.8
– Other non-current assets	18.3	21.4
Available-for-sale investments		
– Financial asset investments held at fair value	178.7	71.8
– Financial asset investments held at cost	22.4	19.8
Total	8,380.6	5,876.1
Financial liabilities		
At fair value through profit or loss		
– Other financial liabilities (derivatives)	(83.2)	(174.4)
Designated into fair value hedge		
– Borrowings ²	(643.0)	(614.7)
Financial liabilities at amortised cost		
– Trade and other payables	(2,865.6)	(2,044.1)
– Borrowings ¹	(7,530.6)	(4,500.2)
Total	(11,122.4)	(7,333.4)

1 includes amortised cost liability portion of convertible bonds (US\$2,134.6 million).

2 includes embedded derivative liability portion of convertible bonds (US\$643.1 million).

IFRS 7 Improving Disclosures about Financial Instruments, issued in March 2009, requires additional information regarding the methodologies employed to measure the fair value of financial instruments which are recognised or disclosed in the accounts. These methodologies are categorised per the standard as:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The below table summarises the categories of financial assets and liabilities measured at fair value:

	As at 31 March 2010 US\$ million		
	Level 1	Level 2	Level 3
Financial assets			
At fair value through profit or loss			
– Held for trading	6,849.4	–	–
– Other financial assets (derivatives)	–	54.1	–
Available-for-sale investments	–	–	–
– Financial asset investments held at fair value	178.7	–	–
Total	7,028.1	54.1	–
Financial liabilities			
At fair value through profit or loss			
– Other financial liabilities (derivatives)	–	(83.2)	–
Designated into fair value hedge			
– Borrowings	–	(643.0)	–
Total	–	(726.2)	–

There were no transfers between Level 1 and Level 2 during the year.

The fair value of borrowings is US\$8,379.4 million (2009: US\$5,295.7 million). For all other financial instruments, the carrying amount is either the fair value, or approximates the fair value.

The fair value of financial asset investments represents the market value of the quoted investments and other traded instruments. For other financial assets the carrying value is considered to approximate fair value.

26. Financial Instruments (continued)

The fair value of financial liabilities is the market value of the traded instruments, where applicable. Otherwise fair value is calculated using a discounted cash flow model with market assumptions, unless the carrying value is considered to approximate fair value.

The fair value of the embedded derivative liability of convertible bonds has been calculated using binomial and Black Scholes models with market assumptions.

Derivatives Instruments and Risk Management

The Group's businesses are subject to several risks and uncertainties including financial risks.

The Group's documented risk management policies act as an effective tool in mitigating the various financial risks to which the businesses are exposed to in the course of their daily operations. The risk management policies cover areas such as liquidity risk, commodity price risk, foreign exchange risk, interest rate risk, credit risk and capital management.

Risks are identified through a formal risk management programme with active involvement of senior management personnel and business managers at both the corporate and individual subsidiary level. Each operating subsidiary in the Group has in place risk management processes which are in line with the Group's policy. Each significant risk has a designated 'owner' within the Group at an appropriate senior level. The potential financial impact of the risk and its likelihood of a negative outcome are regularly updated. The risk management process is coordinated by the Management Assurance function and is regularly reviewed by the Group's Audit Committee. Key business decisions are discussed at the monthly meetings of the Executive Committee. The overall internal control environment and risk management programme including financial risk management is reviewed by the Audit Committee on behalf of the Board.

Treasury Management

Treasury management focuses on capital protection, liquidity maintenance and yield maximisation. The treasury policies are approved by the Board and adherence to these policies is strictly monitored at the Executive Committee meetings. Day-to-day treasury operations of the subsidiary companies are managed by their respective finance teams within the framework of the overall Group treasury policies. Long-term fund raising including strategic treasury initiatives are handled by a central team while short-term funding for routine working capital requirements is delegated to subsidiary companies. A monthly reporting system exists to inform senior management of investments, debt, currency, commodity and interest rate derivatives. The Group has a strong system of internal control which enables effective monitoring of adherence to Group policies. The internal control measures are effectively supplemented by regular internal audits.

The Group uses derivative instruments as part of its management of exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. The Group does not acquire or issue derivative financial instruments for trading or speculative purposes. The Group does not enter into complex derivative transactions to manage the treasury and commodity risks. Both treasury and commodities derivative transactions are normally in the form of forward contracts and interest rate and currency swaps and these are subject to the Group guidelines and policies. Interest rate swaps are taken to achieve a balance between fixed and floating rates (as described below under 'Interest risk') and currency swaps are taken primarily to convert the Group's exposure to non-US dollar currencies to US dollar currencies.

Commodity Risk

The Group is exposed to the movement of base metal commodity prices on the London Metal Exchange. Any decline in the prices of the base metals that the Group produces and sells will have an immediate and direct impact on the profitability of the businesses. As a general policy, the Group aims to sell the products at prevailing market prices. As much as possible, the Group tries to mitigate price risk through favourable contractual terms. The Group undertakes hedging activity in commodities to a limited degree. Hedging is used primarily as a risk management tool and, in some cases, to secure future cash flows in cases of high volatility by entering in to forward contracts or similar instruments. The hedging activities are subject to strict limits set out by the Board and to a strictly defined internal control and monitoring mechanism. Decisions relating to hedging of commodities are taken at the Executive Committee level and with clearly laid down guidelines for their implementation by the subsidiaries.

Whilst the Group aims to achieve average LME prices for a month or a year, average realised prices may not necessarily reflect the LME price movements because of a variety of reasons such as uneven sales during the year and timing of shipments.

Copper

The Group's custom smelting copper operations at Tuticorin is benefited by a natural hedge except to the extent of a possible mismatch in quotational periods between the purchase of concentrate and the sale of finished copper. The Group's policy on custom smelting is to generate margins from TC/ACs, minimising conversion cost, generating a premium over LME on sale of finished copper, sale of by-products and from achieving import parity on domestic sales. Hence, mismatches in quotational periods are actively managed to ensure that the gains or losses are minimised. The Group hedges this variability of LME prices and tries to make the LME price a pass-through cost between purchases of copper concentrate and sales of finished products, both of which are linked to the LME price. The Company also benefits from the difference between the amounts paid for quantities of copper content received and recovered in the manufacturing process, also known as 'free copper'. The Group hedges on a selective basis the free copper and revenue from variable margins on the purchases of copper concentrates by entering into future contracts.

The Group's Australian mines in Tasmania supply approximately 8% to 9% of the requirement of the custom copper smelter at Tuticorin. Hence, TC/RCs are a major source of income for the Indian copper smelting operations. Fluctuations in TC/RCs are influenced by factors including demand and supply conditions prevailing in the market for mine output. The Group's Copper business has a strategy of securing a majority of its concentrate feed requirement under long-term contracts with mines.

Notes to the Consolidated Financial Statements

continued

26. Financial Instruments (continued)

KCM is largely an integrated copper producer and hence the strategy to protect the Company from price fluctuations in copper is to focus on controlling KCM's costs.

For the mining assets in Australia and Zambia, part of the production may be hedged to secure cash flows on a selective basis.

Aluminium

The requirement of the primary raw material, alumina, is partly met from own sources and the rest is purchased primarily on negotiated price terms. Sales prices are linked to the LME prices. At present the Group does not hedge any aluminium production.

Zinc and Lead

Raw material is mined in India with sales prices linked to the LME prices. The Group has some long-term volume contracts with some customers where the prices are linked to prevailing LME prices at the time of shipment. The Group hedged part of the exports from India through forward contracts or other instruments.

Iron Ore

The Group sells some portion of its iron ore production on annual price contracts and the balance on the basis of prevailing market prices.

Provisionally Priced Financial Instruments

On 31 March 2010, the value of net financial assets linked to commodities (excluding derivatives) accounted for on provisional prices was a liability of US\$274.8 million (2009: liability of US\$147.7 million). These instruments are subject to price movements at the time of final settlement and the final price of these instruments will be determined in the financial year beginning 1 April 2010.

Set out below is the impact of 10% increase in LME prices on profit for the year and total equity as a result of changes in value of the Group's commodity financial instruments as at 31 March 2010:

	Closing LME as at 31 March 2010 US\$	Effect on profit of a 10% increase in the LME 31 March 2010 (US\$ million)	Effect on total equity of a 10% increase in the LME 31 March 2010 (US\$ million)
<i>Commodity price sensitivity</i>			
Copper	7,830	(6.1)	(6.1)
Zinc	2,360	0.3	0.3
Lead	2,120	0.1	0.1

	Closing LME as on 31 March 2009 US\$	Effect on profit of a 10% increase in the LME 31 March 2009 (US\$ million)	Effect on total equity of a 10% increase in the LME 31 March 2009 (US\$ million)
<i>Commodity price sensitivity</i>			
Copper	4,035	(1.1)	(1.1)
Zinc	1,301	0.2	0.2
Lead	1,272	0.1	0.1

The above sensitivities are based on volumes, costs, exchange rates and other variables and provide the estimated impact of a change in LME prices on profit and equity assuming that all other variables remain constant.

Further, the impact of a 10% increase in closing copper LME for provisionally priced copper concentrate purchase at Sterlite custom smelting operations is US\$25.5 million (2009: US\$14.2 million), which is pass through in nature and as such will not have any impact on the profitability.

Financial Risk and Sensitivities

The Group's Board approved financial risk policies comprise liquidity, currency, interest rate and counterparty risk. In principle, the Group does not engage in speculative treasury activity but seeks to manage risk and optimise interest and commodity pricing through proven financial instruments.

a) Liquidity

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

The Group has a strong balance sheet that gives sufficient headroom to raise further debt should the need arise. The Group's current ratings from Standard & Poor's, Moody's & Fitch Ratings are BB and Ba1 respectively (2009: BB and Ba1 respectively). These ratings support the necessary financial leverage and access to debt or equity markets at competitive terms. The Group generally maintains a healthy net debt-equity ratio and retains flexibility in the financing structure to alter the ratio when the need arises.

26. Financial Instruments (continued)

The maturity profile of the Group's financial liabilities based on the remaining period from the balance sheet date to the contractual maturity date is given in the table below. The figures reflect the contractual undiscounted cash obligation of the Group (excludes interest):

At 31 March 2010 (in US\$ million)					
Payment due by period	< 1 year	1-2 years	2-5 years	> 5 years	Total
Trade and other payables	2,559.2	306.4	-	-	2,865.6
Bank and other borrowings	1,012.6	759.7	2,669.9	953.6	5,395.8
Convertible bonds	-	-	924.5	2,133.0	3,057.5
Derivative liabilities	38.5	-	44.7	-	83.2
Total	3,610.3	1066.1	3,639.1	3,086.6	11,402.1

At 31 March 2009 (in US\$ million)					
Payment due by period	< 1 year	1-2 years	2-5 years	> 5 years	Total
Trade and other payables	1,967.7	76.4	-	-	2,044.1
Bank and other borrowings	1,284.8	173.9	1,626.2	1,412.2	4,497.1
Convertible bonds	-	-	722.4	-	722.4
Derivative liabilities	114.7	-	59.7	-	174.4
Total	3,367.2	250.3	2,408.3	1,412.2	7,438.0

At 31 March 2010, the Group had access to funding facilities of US\$11,378.4 million of which US\$3,204.8 million was not yet drawn, as set out below.

Funding facilities	Total facility (US\$ million)	Drawn (US\$ million)	Undrawn (US\$ million)
Less than 1 year	2,843.9	996.2	1,847.7
One to two years	516.9	516.9	-
Two to five years and above	8,017.6	6,660.5	1,357.1
Total	11,378.4	8,173.6	3,204.8

At 31 March 2009, the Group had access to funding facilities of US\$7,024.3 million of which US\$1,909.4 million was not yet drawn, as set out below.

Funding facilities	Total facility (US\$ million)	Drawn (US\$ million)	Undrawn (US\$ million)
Less than one year	3,204.4	1,298.5	1,906.0
One to two years	173.9	173.9	-
Two to five years and above	3,645.9	3,642.5	3.4
Total	7,024.2	5,114.9	1,909.4

b) Foreign Currency

The Group's presentation currency is the US dollar. The majority of the assets are located in India and the Indian rupee is the functional currency for the Indian operating subsidiaries.

Foreign currency exposures are managed through the Group-wide hedging policy, which is reviewed periodically to ensure that the risk from fluctuating currency exchange rates is appropriately managed. Natural hedges available in the business are identified at each entity level and hedges are placed only for the net exposure. Short-term net exposures are hedged progressively based on their maturity. A more conservative approach has been adopted for project expenditures to avoid budget overruns. Longer-term exposures are unhedged. Stop losses and take profit triggers are implemented to protect entities from adverse market movements at the same time enabling them to encash in favourable market opportunities. Vedanta has hedged some of its US dollar borrowings into other foreign currency borrowings by entering into cross-currency swaps.

Notes to the Consolidated Financial Statements

continued

26. Financial Instruments (continued)

The carrying amount of the Group's financial assets and liabilities in different currencies are as follows:

(in US\$ million)	At 31 March 2010		At 31 March 2009	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
USD	1,618.9	9,314.0	703.6	5,817.8
INR	6,508.4	1,690.6	4,956.0	1,412.2
Kwacha	59.2	22.8	41.9	36.3
JPY	-	(1.0)	70.1	29.8
AUD	15.7	14.3	23.4	11.8
CAD	169.0	-	70.3	-
EURO	0.9	71.0	1.9	13.4
Others	8.5	10.7	8.6	12.0
Total	8,380.6	11,122.4	5,876.1	7,333.4

The Group's exposure to foreign currency arises where a Group company holds monetary assets and liabilities denominated in a currency different to the functional currency of that entity with US dollar being the major foreign currency exposure of the Group's main operating subsidiaries. Set out below is the impact of a 10% change in the US dollar on profit and equity arising as a result of the revaluation of the Group's foreign currency financial instruments:

(in US\$ million)	31 March 2010		
	Closing exchange rate	Effect of 10% strengthening of US dollar on net earnings	Effect of 10% strengthening of US dollar on total equity
INR	45.14	(131.5)	(193.9)
AUD	1.0922	1.4	1.4
Kwacha	4,820	3.3	3.3

(in US\$ million)	31 March 2009		
	Closing exchange rate	Effect of 10% strengthening of US dollar on net earnings	Effect of 10% strengthening of US dollar on total equity
INR	50.950	(54.5)	(75.2)
AUD	1.455	3.4	3.4
Kwacha	5,622	0.5	0.5

The sensitivities are based on financial assets and liabilities held at 31 March 2010 where balances are not denominated in the functional currency of the respective subsidiaries. The sensitivities do not take into account the Group's sales and costs and the results of the sensitivities could change due to other factors such as changes in the value of financial assets and liabilities as a result of non-foreign exchange influenced factors.

c) Interest Risk

At 31 March 2010, the Group's net debt of US\$947.1 million (2009: US\$200.8 million net debt) comprises of cash, cash equivalents and liquid investments of US\$7,239.4 million (2009: US\$4,912.6 million) offset by debt of US\$8,186.5million (2009: US\$5,113.4 million).

The Group is exposed to interest rate risk on short-term and long-term floating rate instruments and on the refinancing of fixed rate debt. The Group's policy is to maintain a balance of fixed and floating interest rate borrowings and the proportion of fixed and floating rate debt is determined by current market interest rates. As at 31 March 2010, 57.7% (2009: 49%) of the total debt was at a fixed rate and the balance was at a floating rate. The floating rate debt is largely linked to US dollar LIBOR. The Group also aims to minimise its average interest rates on borrowings by opting for a higher proportion of long-term debt to fund growth projects. The Group invests cash and liquid investments in short-term deposits and debt mutual funds, some of which generate a tax-free return, to achieve the Group's goal of maintaining liquidity, carrying manageable risk and achieving satisfactory returns.

Floating rate financial assets are largely mutual fund investments which have debt securities as underlying asset. The returns from these financial assets are linked to market interest rate movements; however the counterparty invests in the agreed securities with known maturity tenure and return and hence has manageable risk.

26. Financial Instruments (continued)

The exposure of the Group's financial assets to interest rate risk is as follows:

	At 31 March 2010				At 31 March 2009			
	Floating rate financial assets	Fixed rate financial assets	Equity Investments	Non-interest bearing financial assets	Floating rate financial assets	Fixed rate financial assets	Equity Investments	Non-interest bearing financial assets
Financial assets	5,783.7	1,235.2	201.2	1,106.4	4,282.2	583.2	91.6	784.3
Derivative assets	-	-	-	54.1	-	-	-	134.8
Total financial assets	5,783.7	1,235.2	201.2	1,160.5	4,282.2	583.2	91.6	919.1

The exposure of the Group's financial liabilities to interest rate risk is as follows:

	At 31 March 2010			At 31 March 2009		
	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
(US\$ million)						
Financial liabilities	4,339.6	4,890.2	1,809.4	2,715.2	3,160.2	1,283.6
Derivative liabilities	-	-	83.2	-	-	174.4
Total financial liabilities	4,339.6	4,890.2	1,892.6	2,715.2	3,160.2	1,458.0

The weighted average interest rate on the fixed rate financial liabilities is 6.7% (2009: 8.5%) and the weighted average period for which the rate is fixed is 5.6 years (2008: 5.4 years).

Considering the net debt position as at 31 March 2010 and the investment in bank deposits and debt mutual funds, any increase in interest rates would result in a net loss and any decrease in interest rates would result in a net gain. The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date.

The below table illustrates the impact of a 0.5% to 2.0% decrease in interest rate of borrowings on profit and equity and represents management's assessment of the possible change in interest rates.

At 31 March 2010 (in US\$ million)	Effect on net earnings US dollar interest rate	Effect on total equity US dollar interest rate
Decrease in interest Rates		
0.5%	10.9	10.9
1.0%	21.7	21.7
2.0%	43.4	43.4

At 31 March 2009 (in US\$ million)	Effect on net earnings US dollar interest rate	Effect on total equity US dollar interest rate
Decrease in interest Rates		
0.5%	9.6	9.6
1.0%	19.2	19.2
2.0%	38.5	38.5

d) Credit risk

The Group is exposed to credit risk from trade receivables, liquid investments and other financial instruments.

The Group has clearly defined policies to mitigate counterparty risks. Cash and liquid investments are held primarily in mutual funds and banks with good credit ratings. Defined limits are in place for exposure to individual counterparties in case of mutual fund houses and banks.

The large majority of receivables due from third parties are secured. Moreover, given the diverse nature of our businesses trade receivables are spread over a number of customers with no significant concentration of credit risk. No single customer accounted for 10% or more of the Group's net sales or for any of the Group's primary businesses during the year ended 31 March 2010 and in the previous year. The history of trade receivables shows a negligible provision for bad and doubtful debts. Therefore, the Group does not expect any material risk on account of non-performance by any of our counterparties.

The Group's maximum exposure to credit risk at 31 March 2010 is US\$8,380.6 million (2009: US\$5,876.1 million).

Notes to the Consolidated Financial Statements

continued

26. Financial Instruments (continued)

Of the year end trade and other receivable balance the following were past due but not impaired as at 31 March 2010.

US\$ million	2010	2009
Less than one month	200.2	58.1
Between one to three months	68.2	23.3
Between three to 12 months	31.3	6.1
Greater than 12 months	8.9	13.5
Total	308.6	101.0

Derivative Financial Instruments

The fair value of all derivatives is separately recorded on the balance sheet within other financial assets (derivatives) and other financial liabilities (derivatives), current and non-current. In addition, the derivative component of certain convertible bonds is shown as part of the overall convertible bond liability (see Note 25). Derivatives that are designated as hedges are classified as current or non-current depending on the maturity of the derivative.

Embedded Derivatives

Derivatives embedded in other financial instruments or other contracts are treated as separate derivative contracts, when their risks and characteristics are not closely related to those of their host contracts.

Cash Flow Hedges

The Group also enters into forward exchange and commodity price contracts for hedging highly probable forecast transactions and accounts for them as cash flow hedges and states them at fair value. Subsequent changes in fair value are recognised in equity until the hedged transactions occur, at which time the respective gains or losses are transferred to the income statement.

The fair value of the Group's open derivative positions at 31 March 2010 (excluding own use purchase and sale contracts), recorded within other financial assets (derivatives) and other financial liabilities (derivatives) is as follows:

	As at 31 March 2010 US\$ million		As at 31 March 2009 US\$ million	
	Liability	Asset	Liability	Asset
Current				
Cash flow hedges				
– Commodity contracts	–	–	–	–
– Forward foreign currency contracts	(10.2)	3.9	(14.2)	35.6
– Interest rate swap (floating to fixed)	–	–	–	1.3
Fair value hedges				
– Commodity contracts	(0.8)	–	(0.2)	–
– Forward foreign currency contracts	(6.3)	3.9	–	6.7
– Interest rate swap	–	–	–	13.6
– Others (foreign currency swap)	(12.1)	–	(30.8)	24.3
Non-qualifying hedges				
– Commodity contracts	(1.0)	2.6	(41.8)	0.5
– Forward foreign currency contracts	(8.1)	–	(27.7)	–
Total	(38.5)	10.4	(114.7)	82.0
Non-current				
Fair value hedges				
– Forward foreign currency contracts	–	–	–	–
– Interest rate swap	–	–	–	–
– Others (foreign currency swap)	(44.7)	43.7	(59.7)	52.8
Total	(44.7)	43.7	(59.7)	52.8
Grand total	(83.2)	54.1	(174.4)	134.8

The majority of cash flow hedges taken out by the Group during the year comprise forward foreign currency contracts for firm future commitments.

Non-qualifying Hedges

The majority of these derivatives comprise copper sale and purchase contracts at Sterlite custom smelting operations which are economic hedges but which do not fulfil the requirements for hedge accounting of IAS 39 Financial Instruments: Recognition and Measurement.

Fair Value Hedges

The fair value hedges relate to forward covers taken to hedge currency exposure on purchase of raw materials and capital imports.

26. Financial Instruments (continued)

Hedging reserves reconciliation

	Hedging reserves US\$ million	Minority interests ¹ US\$ million	Total US\$ million
At 1 April 2008	(9.1)	(8.2)	(17.3)
Amount recognised directly in equity	(21.5)	3.9	(17.6)
Amount charged to income statement	(13.6)	2.1	(11.5)
Exchange difference	4.6	0.9	5.5
At 1 April 2009	(39.6)	(1.3)	(40.9)
Amount recognised directly in equity	40.7	6.1	46.8
Amount charged to income statement	28.4	9.2	37.6
Exchange difference	(1.7)	0.9	(0.8)
At 31 March 2010	27.8	14.9	42.7

1 Cash flow hedges attributable to minority interests.

27. Provisions

	Restoration, rehabilitation and environmental US\$ million	Other US\$ million	Total US\$ million
At 1 April 2008	46.6	165.9	212.5
(Credited)/charged to income statement	(7.1)	(1.5)	(8.6)
Unwinding of discount	-	4.2	4.2
Cash paid	(0.1)	(36.8)	(36.9)
Exchange differences	(2.4)	3.6	1.2
At 1 April 2009	37.0	135.4	172.4
(Credited)/charged to income statement	(14.9)	8.8	(6.1)
Unwinding of discount	0.2	4.1	4.3
Cash paid	0.6	(7.4)	(6.8)
Exchange differences	2.4	2.3	4.7
At 31 March 2010	25.3	143.2	168.5
Current 2010	-	0.9	0.9
Non-current 2010	25.3	142.3	167.6
	25.3	143.2	168.5
Current 2009	-	6.9	6.9
Non-current 2009	37.0	128.5	165.5
	37.0	135.4	172.4

Restoration, Rehabilitation and Environmental

The provisions for restoration, rehabilitation and environmental liabilities represent the Directors' best estimate of the costs which will be incurred in the future to meet the Group's obligations under existing Indian, Australian and Zambian law and the terms of the Group's mining and other licences and contractual arrangements. These amounts become payable on closure of mines and are expected to be incurred over a period of three to 20 years.

Other

Other provisions primarily comprise the Directors' best estimate of the costs which may be incurred in the future to settle certain legal and tax claims outstanding against the Group, which exist primarily in India. Other provisions also include a provision in respect of a price participation agreement in Zambia which requires KCM to pay ZCCM an agreed annual sum when copper prices exceed specified levels and other triggers, amounting to US\$111.9 million (2009: US\$94.4 million). The timing of the outflow of this provision is dependent on future copper prices as well as dividend and hence cannot be reasonably determined.

Notes to the Consolidated Financial Statements

continued

28. Deferred Tax

The Group has accrued significant amounts of deferred tax. The majority of the deferred tax liability represents accelerated tax relief for the depreciation of capital expenditure and the depreciation on mining reserves, net of losses carried forward by KCM.

The amounts of deferred taxation on temporary differences, provided and not provided, in the accounts are as follows:

Provided – Liabilities/(Assets)

	As at 31 March 2010 US\$ million	As at 31 March 2009 US\$ million
Accelerated capital allowances	1,639.0	1,261.7
Unutilised tax losses	(406.9)	(332.2)
Other temporary differences	(31.7)	69.9
	1,200.4	999.4
Recognised as:		
Deferred tax liability provided	1,209.3	1,010.6
Deferred tax asset recognised	(8.9)	(11.2)
	1,200.4	999.4

Unrecognised Deferred Tax Assets

	As at 31 March 2010 US\$ million	As at 31 March 2009 US\$ million
Unutilised tax losses	(128.4)	(22.2)

The above relates to the tax effect of US\$190.2 million of unutilised tax losses of the Company and VRHL which have no expiry period and US\$223.5 million of unutilised tax losses and capital allowances for VAL. No benefit has been recognised for these items on the grounds that their successful application against future profits is not probable in foreseeable future.

Deferred Tax Asset

	As at 31 March 2010 US\$ million	As at 31 March 2009 US\$ million
At 1 April 2009	11.2	15.1
Charged to income statement	(2.2)	(5.4)
(Charged)/credited directly to equity	–	1.1
Foreign exchange differences	(0.1)	0.4
At 31 March 2010	8.9	11.2

The Group has US\$1,356.3 million of unutilised tax losses at KCM (2009: US\$1,107.5 million) which expire in the period 2016 to 2019 and have been offset against accelerated capital allowances at the same entity.

Deferred Tax Liability

	As at 31 March 2010 US\$ million	As at 31 March 2009 US\$ million
At 1 April 2009	1,010.6	1,380.8
Addition due to acquisition	160.6	–
Credited to income statement	(101.2)	(104.0)
Charged/(credited) directly to equity	8.5	(3.7)
Foreign exchange differences	124.6	(262.5)
Prior year adjustments	6.2	–
At 31 March 2010	1,209.3	1,010.6

29. Share-Based Payments

Employee Share Schemes

The Group aims to provide superior rewards for outstanding performance and a high proportion of 'at risk' remuneration for Executive Directors. Three employee share schemes were approved by shareholders on Listing. The Board has no present intention to introduce any further share schemes. Of the three employee share schemes which have been approved, only one is currently active.

The Vedanta Resources Long-Term Incentive Plan (the 'LTIP')

The LTIP is the primary arrangement under which share-based incentives are provided to the Executive Directors and the wider management group. The maximum value of shares that can be conditionally awarded to an Executive Director in a year is 100% of annual salary. In respect of Messrs Navin Agarwal and MS Mehta, salary means the aggregate of their salary payable by Vedanta and their gross salary payable by Sterlite. The maximum value of shares that can be awarded to members of the wider management group is calculated by reference to the base salary, share-based remuneration already received and consistent with local market practice.

The performance condition attaching to outstanding awards under the LTIP is that the Company's performance, measured in terms of Total Shareholder Return ('TSR') (being the movement in a company's share price plus reinvested dividends), is compared over the performance period with the performance of the companies as defined in the scheme from the date of grant. The extent to which an award vests will depend on the Company's TSR rank against a group of peer companies ('Adapted Comparator Group') at the end of the performance period. The vesting schedule is shown in the table below, with adjusted straight-line vesting in between the points shown and rounding down to the nearest whole share.

Vedanta's TSR Performance Against Adapted Comparator Group

	% of award vesting
Below median	–
At median	40
At or above upper quartile	100

As at 31 March 2010 all the outstanding options granted on 1 February 2006, were exercised and all the outstanding options granted on, 14 November 2007, 1 February 2009, 1 August 2009, and 1 January 2010 were exercisable.

The performance condition is measured by taking the Company's TSR over the four weeks immediately preceding the date of grant and over the four weeks immediately preceding the end of the performance period, and comparing its performance with that of the comparator group described above. The information to enable this calculation to be carried out on behalf of the Remuneration Committee ('the Committee') is provided by the Company's advisers. The Committee considers that this performance condition, which requires that the Company's total return has out-performed a group of companies chosen to represent the mining sector, provides a reasonable alignment of the interests of the Executive Directors and the wider management group with those of the shareholders.

No awards will vest unless the Committee is satisfied that the Company's TSR performance reasonably reflects the Company's underlying financial performance.

Initial awards under the LTIP were granted on 26 February 2004 with further awards being made on 11 June 2004, 23 November 2004, 1 February 2006, 1 February 2007, 14 November 2007, 1 February 2009, 1 August 2009 and 1 January 2010. The exercise price of the awards is 10 US cents per share and the performance period is one year for the February 2007 awards and three years for all other awards, with no re-testing being allowed. The exercise period is six months from the date of vesting. Further details on the LTIP are found in the Remuneration Report on pages 73 to 79.

Year of grant	Exercise date	Exercise price US cents per share	Options outstanding 1 April 2009	Options granted during the year	Options lapsed during the year	Options lapsed during the year owing to performance conditions	Options exercised during the year	Options outstanding at 31 March 2010
2006	1 February 2009 to 1 August 2009	10	372,180	–	–	–	372,180	–
2007	14 November 2010 to 14 May 2011	10	1,590,129	–	245,080	22,906	19,494	1,302,649
2009	1 February 2012 to 1 August 2012	10	11,200	–	–	–	–	11,200
2009	1 August 2012 to 1 February 2013	10	–	2,478,000	119,350	8,882	1,618	2,348,150
2010	1 January 2013 to 1 July 2013	10	–	14,000	–	–	–	14,000
			1,973,509	2,492,000	364,430	31,788	393,292	3,675,999

All share-based awards of the Group are equity-settled as defined by IFRS 2 'Share-Based Payment'. The fair value of these awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by the Group's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period.

Notes to the Consolidated Financial Statements

continued

29. Share-Based Payments (continued)

The fair values were calculated using a Monte Carlo model with suitable modifications to allow for the specific performance conditions of the LTIP. The inputs to the model include the share price at date of grant, exercise price, expected volatility, expected dividends and the risk free rate of interest. A progressive dividend growth policy is assumed in all fair value calculations. Expected volatility has been calculated using historical share prices over the period to date of grant that is commensurate with the performance period of the option. The share prices of the mining companies in the Adapted Comparator Group have been modelled based on historical price movements over the period to date of grant which is also commensurate with the performance period for the option. The history of share prices is used to determine the volatility and correlation of share prices for the companies in the Adapted Comparator Group and is needed for the Monte Carlo simulation of their future TSR performance relative to the Company's TSR performance. All options are assumed to be exercised six weeks after vesting.

The assumptions used in the calculations of the charge in respect of the LTIP awards granted during the year are set out below:

	LTIP August 2009	LTIP January 2010
Date of grant	1 August 2009	1 January 2010
Number of instruments	2,478,000	14,000
Exercise price	US\$0.10	US\$0.10
Share price at the date of grant	GBP £17.64	GBP £26.11
Contractual life	3 years	3 years
Expected volatility	70% pa	70% pa
Expected option life	3.2 years	3.2 years
Expected dividends	1.4% pa	1.4% pa
Risk free interest rate	2.3% pa	2.3% pa
Expected annual forfeitures	13.5% pa	13.5% pa
Fair value per option granted	GBP £12.026	GBP £17.80

The Group recognised total expenses of US\$15.6 million and US\$13.1 million related to equity-settled share-based payment transactions in the year ended 31 March 2010 and in the year ended 31 March 2009 respectively.

30. Retirement Benefits

The Group operates pension schemes for the majority of its employees in India, Australia and Zambia.

a) Defined Contribution Schemes

Indian Pension Schemes

Central Provident Fund

The Central Provident Fund relates to all full time Indian employees of the Group. The amount contributed by the Group is a designated percentage of 12% of basic salary less contributions made as part of the Pension Fund (see below), together with an additional contribution of 12% of salary made by the employee or maximum permissible percentage of basic salary as opted by the individual employees.

The benefit is paid to the employee on their retirement or resignation from the Group.

Superannuation

Superannuation, another pension scheme applicable in India, is applicable only to senior executives. Certain companies hold policies with the Life Insurance Corporation of India ('LIC'), to which they contribute a fixed amount relating to superannuation, and the pension annuity is met by the LIC as required, taking into consideration the contributions made. Accordingly, this scheme has been accounted for on a defined contribution basis and contributions are charged directly to the income statement.

Pension Fund

The Pension Fund was established in 1995 (16/11/1995) and is managed by the Government. The employee makes no contribution to this fund but the employer makes a contribution of 8.33% of salary each month subject to a specified ceiling per employee. This must be provided for every permanent employee on the payroll.

At the age of superannuation, contributions cease and the individual receives a monthly payment based on the level of contributions through the years, and on their salary scale at the time they retire, subject to a maximum ceiling of salary level. The Government funds these payments, thus the Group has no additional liability beyond the contributions that it makes, regardless of whether the central fund is in surplus or deficit.

Australian Pension Scheme

The Group also operates defined contribution pension schemes in Australia. The contribution of a proportion of an employee's salary into a superannuation fund is a compulsory legal requirement in Australia. The employer contributes 9% of the employee's gross remuneration where the employee is covered by the industrial agreement and 12% of the basic remuneration for all other employees, into the employee's fund of choice. All employees have the option to make additional voluntary contributions.

Zambian Pension Scheme

The KCM Pension Scheme is applicable to full time permanent employees of KCM (subject to the fulfilment of certain eligibility criteria). The management of the scheme is vested in the trustees consisting of representatives of the employer and the members. The employer makes a monthly contribution to the KCM Pension Scheme of an amount equal to 11% of that month's pensionable salary and the member makes monthly contributions to the fund of an amount equal to 5% of that month's pensionable salary.

30. Retirement Benefits (continued)

All contributions to the KCM Pension Scheme in respect of a member cease to be payable when the member attains normal retirement age of 55 years, or upon leaving the service of the employer, or when the member is permanently medically incapable of performing duties in the service of the employer. Upon such cessation of contribution on the grounds of normal retirement, or being rendered medically incapable of performing duties, or early voluntary retirement within five years of retirement, the member is entitled to receive an immediate annual pension equal to his accrued pension. The member is allowed to commute his/her accrued pension subject to certain rules and regulations. The trustees of the KCM Pension Scheme may also allow the purchase of an annuity for the benefit of members from a life assurance company or other providers of annuities, subject to statutory regulations.

The Group has no additional liability beyond the contributions that it makes, regardless of whether the KCM Pension Scheme is in surplus or deficit. Accordingly, this scheme has been accounted for on a defined contribution basis and contributions are charged directly to the income statement.

b) Defined Benefit Schemes

India

The Gratuity schemes are defined benefit schemes which are open to all Group employees in India who have a minimum of five years of service with their employing company. These schemes are funded by the Group in some subsidiaries. Based on actuarial valuation, a provision is recognised in full for the projected obligation over and above the funds held in scheme. In case where there is no funding held by the scheme, full provision is recognised in the balance sheet. Under these schemes, benefits are provided based on final pensionable pay.

The assets of the schemes are held in separate funds and a full actuarial valuation of the schemes is carried out on an annual basis.

MALCO

MALCO does not contribute to the LIC. Its Gratuity scheme is accounted for on a defined benefit basis. An actuarial valuation was performed as at 31 March 2010 using the projected unit actuarial method. At that date the fund was in deficit.

BALCO

BALCO does not contribute to the LIC. Liabilities (as at 31 March 2010) with regard to the Gratuity scheme are fully provided in the balance sheet and are determined by actuarial valuation as at the balance sheet date and as per gratuity regulations for the Company. The latest actuarial valuation was performed as at 31 March 2010 using the projected unit actuarial method. At that date the fund was in deficit.

HZL

HZL contributes to the LIC based on an actuarial valuation every year. HZL's Gratuity scheme is accounted for on a defined benefit basis. The latest actuarial valuation was performed as at 31 March 2010 using the projected unit actuarial method. At that date the fund was in deficit.

VAL

VAL contributes to the LIC, Mumbai through the Employee Gratuity Scheme based on an actuarial valuation obtained by LIC every year. The latest actuarial valuation was performed by LIC on 31 March 2009. In addition, we have another actuarial valuation from a third party for estimation of the gratuity liability using the projected unit actuarial method on a quarterly basis. The latest valuation was performed on 31 March 2010. As at 31 March 2010 the LIC fund was in deficit and the difference of valuation between LIC and third party is provided in the books of VAL as provision for gratuity.

Sterlite

Sterlite contributes to the LIC. Liabilities with regard to the Gratuity scheme are fully provided in the balance sheet and are determined by actuarial valuation as at the balance sheet date and as per gratuity regulations for the Company. The latest actuarial valuation was performed as at 31 March 2010 using the projected unit actuarial method. At that date the fund was in deficit.

Sesa Goa

Sesa Goa contributes to the LIC and ICICI Prudential based on actuarial valuation every year. Sesa Goa's Gratuity scheme is accounted for on a defined benefit basis. The latest actuarial valuation was performed as at 31 March 2009 using the projected unit actuarial method. At that date the fund was in deficit.

Zambia

KCM

Specified permanent employees of KCM are entitled to receive medical and retirement severance benefits. This comprises two months' basic pay for every completed year of service with an earliest service start date of 1 July 2004. Under this scheme, benefits are provided based on final pensionable pay and a full actuarial valuation of the scheme is carried out on an annual basis. The accruals are not contributed to any fund and are in the form of provisions in KCM's accounts. At 31 March 2010 the fund was in deficit.

On the death of an employee during service, a lump sum amount is paid to his dependants. This amount is equal to 60 months' basic pay for employees who joined before 1 April 2000 and thirty months' basic pay for employees who joined on or after 1 April 2000. For fixed term contract employees, the benefit payable on death is 30 months' basic pay.

Notes to the Consolidated Financial Statements

continued

30. Retirement Benefits (continued)

As at 31 March 2010, membership of pension schemes across MALCO, BALCO, HZL, VAL, Sterlite, Sesa and KCM stood at 29,637 employees (31 March 2009: 27,716). The deficits, principal actuarial assumptions and other aspects of these schemes are disclosed in further detail in Notes (d) and (e) below.

c) Pension Scheme Costs

Contributions of US\$36.7 million and US\$nil million in respect of defined benefit schemes were outstanding and prepaid respectively as at 31 March 2010 (2009: US\$3.0 million and US\$nil million respectively).

Contributions to pension schemes in the year ending 31 March 2011 are expected to be around US\$7.0 million.

Pension scheme costs	Year ended 31 March 2010 US\$ million	Year ended 31 March 2009 US\$ million
Defined contribution pension schemes	17.7	17.7
Defined benefit pension schemes	20.5	2.3
	38.2	20.0

d) Principal Actuarial Assumptions

Principal actuarial assumptions used to calculate the defined benefit schemes' liabilities are:

Particulars	MALCO		BALCO		Sterlite		HZL		KCM		VAL		Sesa Goa	
	Mar 10	Mar 09	Mar 10	Mar 09	Mar 10	Mar 09	Mar 10	Mar 09	Mar 10	Mar 09	Mar 10	Mar 09	Mar 10	Mar 09
Discount rate	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	18.6%	19.5%	7.5%	7.5%	8.0%	8.0%
Salary increases	6.0%	6.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.5%	5.5%	5.0%	5.0%
			for office staff, 3.0% non office	for office staff, 3.0% non office									-7.0%	
Funding rate of return	-	-	-	-	7.5%	7.5%	9.0%	9.5%	-	-	7.5%	7.5%	8.0%	9.3%
													-9.3%	
Number of employees	133	351	4,843	5,167	1,839	1,801	6,805	6,306	9,790	9,882	3,180	2,316	3,047	1,893

1 Assumptions regarding mortality for Indian entities are based on mortality table of LIC (1994-96) as subsequently modified.

2 Assumptions regarding mortality for KCM are based on World Health Organisation Life Tables for 1999 applicable to Zambia which has been taken as a reference point. Based on this a mortality table which is appropriate for the workers of Konkola Copper Mines plc has been derived.

e) Balance Sheet Recognition

The amounts included in the balance sheet arising from the Group's obligations in respect of its defined benefit pension schemes are as follows:

US\$ million	31 March 2010								31 March 2009							
	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total
Fair value of pension scheme assets	-	-	1.9	22.9	-	0.3	7.5	32.6	-	-	1.3	18.1	-	0.1	4.1	23.6
Present value of pension scheme liabilities	(0.2)	(13.3)	(3.2)	(27.5)	(16.1)	(0.4)	(8.6)	(69.3)	(0.6)	(12.0)	(2.0)	(19.3)	(13.8)	(0.2)	(5.0)	(52.9)
Deficit in pension scheme recognised in balance sheet	(0.2)	(13.3)	(1.3)	(4.5)	(16.1)	(0.1)	(1.1)	(36.6)	(0.6)	(12.0)	(0.7)	(1.2)	(13.8)	(0.1)	(0.9)	(29.3)
Deferred tax	0.1	4.5	0.4	1.5	5.5	-	0.4	12.4	0.2	4.1	0.2	0.4	4.7	-	0.3	9.9
Net pension liability	(0.1)	(8.8)	(0.9)	(3.0)	(10.6)	(0.1)	(0.7)	(24.2)	(0.4)	(7.9)	(0.5)	(0.8)	(9.1)	(0.1)	(0.6)	(19.4)

30. Retirement Benefits (continued)

f) Amounts Recognised in Income Statement in Respect of Defined Benefit Pension Schemes:

Particulars	31 March 2010								31 March 2009							
	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total
Current service cost	-	0.5	0.3	1.2	2.5	0.2	0.4	5.1	-	0.5	0.3	1.0	2.2	0.1	0.3	4.4
Actuarial (gains)/losses	(0.1)	1.9	0.7	3.4	5.1	-	0.3	11.3	0.2	0.5	0.3	0.6	(10.1)	-	0.7	(7.8)
Expected return on scheme assets	-	-	(0.1)	(1.7)	-	-	-	(1.8)	-	-	(0.1)	(1.6)	-	-	(0.3)	(2.0)
Interest cost of scheme liabilities	-	0.8	0.2	1.6	2.7	-	0.6	5.9	0.1	0.9	0.1	1.4	4.8	-	0.4	7.7
Total charge/(credit) to income statement	(0.1)	3.2	1.1	4.5	10.3	0.2	1.3	20.5	0.3	1.9	0.6	1.4	(3.1)	0.1	1.1	2.3

g) Movements in the Present Value of Defined Benefit Obligations

The movement during the year ended 31 March 2010 of the present value of the defined benefit obligation was as follows:

Particulars	31 March 2010								31 March 2009							
	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total
At 1 April	(0.5)	(12.0)	(2.0)	(19.3)	(13.9)	(0.2)	(5.0)	(52.9)	(1.4)	(14.0)	(2.0)	(21.9)	(24.6)	(0.1)	(5.3)	(69.3)
At acquisition							(2.0)	(2.0)								
Current service cost	-	(0.5)	(0.3)	(1.2)	(2.5)	(0.2)	(0.4)	(5.1)	-	(0.5)	(0.3)	(1.0)	(2.2)	(0.1)	(0.3)	(4.4)
Gratuity benefits paid	0.3	3.3	0.3	0.8	8.0	-	0.5	13.2	0.9	0.9	0.2	0.7	7.6	-	0.4	10.7
Interest cost of scheme liabilities	-	(0.8)	(0.2)	(1.6)	(2.7)	-	(0.6)	(5.9)	(0.1)	(0.9)	(0.1)	(1.4)	(4.8)	-	(0.4)	(7.7)
Actuarial gains/(losses)	0.1	(1.9)	(0.7)	(3.4)	(5.1)	-	(0.3)	(11.3)	(0.2)	(0.5)	(0.3)	(0.6)	10.1		(0.7)	7.8
Exchange difference	(0.1)	(1.5)	(0.3)	(2.8)	-	-	(0.8)	(5.5)	0.3	3.0	0.5	4.9		-	1.3	10.0
At 31 March	(0.2)	(13.3)	(3.2)	(27.5)	(16.1)	(0.4)	(8.6)	(69.3)	(0.5)	(12.0)	(2.0)	(19.3)	(13.9)	(0.2)	(5.0)	(52.9)

h) Movements in the Fair Value of Scheme Assets

	As at 31 March 2010 US\$ million	As at 31 March 2009 US\$ million
At 1 April	23.4	26.8
At acquisition	2.4	-
Contributions received	15.5	11.4
Benefits paid	(13.2)	(10.7)
Expected return on plan asset	1.8	2.0
Foreign exchange differences	2.7	(6.1)
At 31 March	32.6	23.4

i) Five Year History

Defined benefit pension plan

	As at 31 March 2010 US\$ million	As at 31 March 2009 US\$ million	As at 31 March 2008 US\$ million	As at 31 March 2007 US\$ million	As at 31 March 2006 US\$ million
Experience (losses)/gains arising on scheme liabilities	(11.3)	7.8	1.4	2.9	8.6
Difference between expected and actual return on plan assets	-	0.1	-	(0.1)	-
Fair value of pension scheme assets	32.6	23.6	26.8	17.0	14.0
Present value of pension scheme liabilities	(69.3)	(52.9)	(69.3)	(52.3)	(52.2)
Deficits in the schemes	(36.7)	(29.3)	(42.5)	(35.3)	(38.2)

Notes to the Consolidated Financial Statements

continued

31. Share Capital

Authorised	At 31 March 2010		At 31 March 2009	
	Number	US\$ million	Number	US\$ million
Ordinary shares of 10 US cents each	400,000,000	40.0	400,000,000	40.0
Deferred shares of £1 each	50,000	0.0	50,000	0.0
	400,050,000	40.1	400,050,000	40.1
Ordinary shares issued and fully paid				
	Number	US\$ million	Number	US\$ million
Ordinary shares of 10 US cents each	296,101,246	29.6	288,878,266	28.9
Deferred shares of £1 each	50,000	-	50,000	-
	296,151,246	29.6	288,928,266	28.9

During the year ended 31 March 2010, the Company issued 418,532 shares to the employees pursuant to the LTIP scheme (2009: 705,129 shares). During the year ended 31 March 2010, the Company issued 6,804,628 shares represented by Global Depository Receipts on conversion of the convertible bond (2009: 42,452). The holders of these shares are not entitled to exercise voting rights.

The holders of deferred shares do not have the right to receive notice of any general meeting of the Company nor the right to attend, speak or vote at any such general meeting. The deferred shares have no rights to dividends and, on a winding-up or other return of capital, entitle the holder only to the payment of the amounts paid on such shares after repayment to the holders of ordinary shares of the nominal amount paid up on the ordinary shares plus the payment of £100,000 per ordinary share. Of the 50,000 deferred shares, one deferred share was issued at par and has been fully paid, and 49,999 deferred shares were each paid up as to one-quarter of their nominal value.

During the year ended 31 March 2010, the Company continued its share buy-back programme and purchased 11,502,873 of its own shares which are held in treasury. At 31 March 2010, the total number of shares held in treasury was 21,080,683 (2009: 9,577,810).

32. Business Combinations

On 11 June 2009, Sesa Goa signed a Share Purchase Agreement under which Sesa Goa acquired all the outstanding common shares of V S Dempo & Co. Private Limited ('Dempo'), which in turn, also holds 100% of the equity shares of Dempo Mining Corporation Private Limited and 50% of the equity shares of Goa Maritime Private Limited for a total consideration of US\$361.0 million, after a working capital adjustment of US\$39.0 million. The operating and financial results of Dempo have been consolidated effective from 11 June 2009, which was the date of acquisition. Dempo is mainly involved in iron ore mining.

The net assets of Dempo as acquired have been included in the results at fair value, as detailed in the table below:

US\$ million	Book value	Fair value adjustments	Fair value
Assets			
Non-current assets			
Property, plant and equipment	24.2	472.6	496.8
	24.2	472.6	496.8
Current assets			
Inventories	16.0	-	16.0
Trade and other receivables	10.0	-	10.0
Deferred tax assets	0.1	(0.1)	-
Cash and cash equivalents	34.6	-	34.6
	60.7	(0.1)	60.6
Liabilities			
Current liabilities			
Trade and other payables	(18.4)	-	(18.4)
Current tax liabilities	(3.2)	-	(3.2)
	(21.6)	-	(21.6)
Non-current liabilities			
Medium-term borrowing	(12.4)	-	(12.4)
Deferred tax liabilities	-	(160.7)	(160.7)
Provisions	(0.2)	(1.2)	(1.4)
	(12.6)	(161.9)	(174.5)
Net assets	50.7	310.6	361.3
Satisfied by:			
Cash consideration paid			335.1
Deferred Consideration			26.2

32. Business Combinations (continued)

The Company has carried out a fair value assessment of the assets acquired during acquisition. Since the date of acquisition, Dempo has contributed US\$228.0 million to the revenue and US\$83.4 million to the net profit of the Group for the year ended 31 March 2010. If Dempo had been acquired at the beginning of the year, the revenue of the Group would have been US\$45.0 million higher and the net profit of the Group would have been US\$5.2 million higher.

33. Commitments, Guarantees and Contingencies

Commitments

The Group has a number of continuing operational and financial commitments in the normal course of business including:

- exploratory mining commitments;
- mining commitments arising under production sharing agreements; and
- completion of the construction of certain assets.

	As at 31 March 2010 US\$ million	As at 31 March 2009 US\$ million
Capital commitments contracted but not provided	4,065.4	3,674.0

Commitments at 31 March 2010 primarily related to the expansion projects at HZL US\$85.6 million (2009: US\$281.0 million), KCM US\$180.0 million (2009: US\$143.7 million), VAL US\$1,013.6 million (2009: US\$2,166.3 million), SEL US\$258.6 million (2009: US\$536.6 million), BALCO US\$512.8 million (2009: US\$474.5 million) and Talwandi Sabo US\$1,589.4 million (2009: nil).

Guarantees

Companies within the Group provide guarantees within the normal course of business. Guarantees have also been provided in respect of certain short-term and long-term borrowings.

A summary of the most significant guarantees is set out below:

As at 31 March 2010, US\$133.3 million of guarantees were advanced to banks in the normal course of business (2009: US\$252.7 million). The Group has also entered into guarantees advanced to the customs authorities in India of US\$908.3 million relating to the export of iron ore and payment of import duties on purchases of raw material (2009: US\$283.5 million).

Export Obligations

The Indian entities of the Group have export obligations of US\$5,091.2 million (2009: US\$3,909.0 million) on account of concessional rates of import duty paid on capital goods under the Export Promotion Capital Goods Scheme and under Advance Licence Scheme for import of raw material laid down by the Government of India.

In the event of the Group's inability to meet its obligations, the Group's liability would be US\$723.0 million (2009: US\$556.5 million), reduced in proportion to actual exports. This liability is backed by bonds executed in favour of the customs department amounting to US\$958.2 million (2009: US\$515.5 million).

Guarantees to Suppliers

The Group has given corporate guarantees to certain suppliers of concentrate. The value of these guarantees was US\$170 million at 31 March 2010 (2009: US\$120.0 million).

Environmental and Terminal Benefits ('ETB') Cash Reserve Account – KCM

Pursuant to the terms of the shareholders' agreement between VRHL and ZCI dated 5 November 2004, KCM is expected to contribute a minimum of US\$10 million (with a maximum of US\$18.0 million) in any financial year to ensure that the amount of ETB liabilities are covered by a cash reserve when the life of the Konkola Ore Body comes to an end. The ETB liabilities refer to KCM's obligations in relation to the environment and any terminal benefits payable to its employees. As at 31 March 2010, ETB liabilities provided for were US\$76.0 million (2009: US\$49.9 million), although these liabilities are likely to fluctuate at each future reporting date.

Shortfall Funding Commitment – KCM

Pursuant to the KCM acquisition agreement, Vedanta has agreed to fund capital expenditure in the period from the date of acquisition to the earlier of 5 November 2013, the exercise of certain call options previously held by ZCI and Vedanta's divestment of its interest in KCM (the earliest date of which was 1 January 2008), up to a limit of US\$220 million in the event that internally generated cash flows are insufficient to fund the capital expenditure programme set out in the acquisition agreement.

Contingencies

The Group has the following significant contingencies. With regard to the claims against Group companies included below, unless stated, no provision has been made in the financial statements as the Directors believe that it is more likely than not that the claims will not give rise to a material liability.

Notes to the Consolidated Financial Statements

continued

33. Commitments, Guarantees and Contingencies (continued)

MALCO claims with Tamil Nadu Electricity Board ('TNEB')

TNEB is claiming US\$22.6 million from MALCO for an electricity self-generation levy for the period from May 1999 to June 2003. This claim has arisen since the commissioning of MALCO's captive power plant in 1999. The Company has sought an exemption from the application of this levy from the Government of India. The application is under consideration. Meanwhile, the Madras High Court has granted an interim ruling in favour of MALCO pending a final decision.

HZL: Department of Mines and Geology

The Department of Mines and Geology of the State of Rajasthan issued several show cause notices in August, September and October 2006 to HZL, totalling US\$74 million. These notices alleged unlawful occupation and unauthorised mining of associated minerals other than zinc and lead at HZL's Rampura Agucha, Rajpura Dariba and Zawar mines in Rajasthan during the period from July 1968 to March 2006. HZL believes that the likelihood of this claim becoming an obligation of the Company is unlikely and thus no provision has been made in the financial statements. HZL has filed writ petitions in the High Court of Rajasthan in Jodhpur and has obtained a stay in respect of these demands.

VAL: Ministry of Environment and Forests ('MOEF') Claim

In respect of bauxite mines at Lanjigarh, Orissa, public interest submissions were filed in 2004 by certain non-government organisations ('NGOs') to the Honourable Supreme Court of India sub-committee regarding the potential environmental impact of the mines. After hearing various submissions, on 8 August 2008 the Supreme Court delivered its final order in favour of VAL. Final clearance from the environmental division of MOEF has been obtained whilst clearance from the Forestry division, which is expected to be received in the near term, remains outstanding.

Miscellaneous Disputes – Sterlite, HZL, MALCO and BALCO

The Indian excise and related indirect tax authorities have made several claims against the above companies for additional excise and indirect duties. The claims mostly relate either to the assessable values of sales and purchases or to incomplete documentation supporting the companies' returns.

The approximate value of claims against the companies total US\$380.4 million (2009: US\$221.3 million), of which US\$10.4 million (2009: US\$15.5 million) is included as a provision in the balance sheet as at 31 March 2010. In the view of the Directors, there are no significant unprovided liabilities arising from these claims.

34. Related Party Transactions

The information below sets out transactions and balances between the Group and various related parties in the normal course of business for the year ended 31 March 2010.

Sterlite Technologies Limited ('STL')

	31 March 2010 US\$ million	31 March 2009 US\$ million
Sales to STL	165.0	140.7
Reimbursement of expenses	0.1	0.2
Purchases	–	0.1
Net Interest Received	0.1	–
Net amounts receivable at year end	4.4	8.1

STL is related by virtue of having the same controlling party as the Group, namely Volcan (see Note 37). Pursuant to the terms of the Shared Services Agreement dated 5 December 2003 entered into by the Company, Sterlite and STL, the Company and Sterlite provide various commercial services in relation to STL's businesses on an arm's length basis and at normal commercial terms. For the year ended 31 March 2010, the commercial services provided to STL were performed by certain senior employees of the Group on terms set out in the Shared Services Agreement. The services provided to STL in this year amounted to US\$27,154 (2009: US\$25,047).

Twin Star Infrastructure Limited

Sterlite Energy had issued cumulative convertible preference shares to Twin Star Infrastructure Limited prior to Sterlite Energy's acquisition by the Group and an amount of US\$nil million was outstanding as at 31 March 2010 (2009: US\$5.5 million). During the year ended 31 March 2010, Sterlite Energy paid dividends on the cumulative convertible preference shares of US\$nil (2009: US\$3,689) to Twin Star Infrastructure Limited. Twin Star Infrastructure Limited is a related party by virtue of having the same controlling party as the Group, namely Volcan.

Sterlite Foundation

During the year US\$1.1 million was paid to the Sterlite Foundation (2009: US\$0.9 million).

Sterlite Foundation is a registered not-for-profit entity engaged in computer education and other related social and charitable activities. The major activity of the Sterlite Foundation is providing computer education for disadvantaged students. The Sterlite Foundation is a related party as it is controlled by members of the Agarwal family who controls Volcan. Volcan is also the majority shareholder of Vedanta Resources Plc.

34. Related Party Transactions (continued)**Sesa Goa Community Foundation Limited**

Following the acquisition of Sesa Goa, the Sesa Goa Community Foundation Limited, a charitable institution, became a related party of the Group on the basis that key management personnel of the Group have significant influence on Sesa Goa Community Foundation Limited. During the year ended 31 March 2010, US\$0.7 million (2009: US\$1.1 million) was paid to the Sesa Goa Community Foundation Limited.

The Anil Agarwal Foundation

During the year, US\$0.6 million (2009: US\$0.5 million) was received from the Anil Agarwal Foundation towards reimbursement of administrative expenses. The Anil Agarwal Foundation is a registered not-for-profit entity engaged in social and charitable activities. The Anil Agarwal Foundation is controlled by members of the Agarwal family.

VOLCAN

	31 March 2010 US\$ million	31 March 2009 US\$ million
Reimbursement of bank charges	–	(0.3)

In relation to the shares of Sterlite held by Twin Star, MALCO issued guarantees to the Income Tax Department of India, at the request of Volcan. The amount payable for the year ended 31 March 2010 as US\$0.0 million (2009: US\$0.3 million).

In addition, a limited number of employees are seconded from Sterlite to STL and similarly from STL to Sterlite. The company which benefits from the seconded employees bear their employment costs.

Henry Davis York

	31 March 2010 US\$ million	31 March 2009 US\$ million
Consultancy services	0.4	0.7

Henry Davis York provides consultancy services to a subsidiary of the Group. The executive management of Henry Davis York hold a similar office at the said subsidiary.

Sterlite Iron and Steel Limited

	31 March 2010 US\$ million	31 March 2009 US\$ million
Reimbursement of expenses	0.1	–

Sterlite Iron and Steel Limited is a related party by virtue of having the same controlling party as the Group, namely Volcan.

Sterlite Shipping Venture Limited

	31 March 2010 US\$ million	31 March 2009 US\$ million
Reimbursement of expenses	0.01	–

Sterlite Shipping Venture Limited is controlled by members of the Agarwal family.

Vedanta Medical Research Association

	31 March 2010 US\$ million	31 March 2009 US\$ million
Loan balance receivable	3.5	–
Other amount receivable at year end	4.5	–

Vedanta Medical Research Association is a related party of the Group on the basis that key management personnel of the Group exercise significant influence.

Notes to the Consolidated Financial Statements

continued

34. Related Party Transactions (continued)

Vedanta University

	31 March 2010 US\$ million	31 March 2009 US\$ million
Reimbursement of expenses	(0.1)	–

Vedanta University is a related party of the Group on the basis that key management personnel of the Group exercise significant influence.

Remuneration of Key Management Personnel

The remuneration of the Directors and the key management personnel of the Group are set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Year ended 31 March 2010 US\$ million	Year ended 31 March 2009 US\$ million
Short-term employee benefits	8.7	8.4
Post employment benefits	0.5	0.5
Share-based payments	9.4	1.0
	18.6	9.9

35. Share Transactions

Call Options – HZL

The Company's wholly-owned subsidiary, SOVL, was granted two call options to purchase all of the Government of India's shares in HZL at fair value, the first of which was successfully exercised in 2003. SOVL exercised the second call option on 21 July 2009 to which the Government has responded by stating that they do not believe the option can be validly exercised under company law. The Company has therefore appointed an arbitrator under the terms of the shareholders' agreement but the Government of India is yet to do so. As a result, SOVL has filed an arbitration application pursuant to section 11(6) of the Arbitration and Conciliation Act 1996 in the Delhi High Court petitioning the court to constitute an arbitration tribunal. The hearing of the arbitration application is fixed for 18 May 2010.

Call Option – BALCO

The Company purchased a 51.0% holding in BALCO from the Government of India on 2 March, 2001. Under the terms of this shareholder's agreement ('SHA') for BALCO, the Company has a call option that allows it to purchase the Government of India's remaining ownership interest in BALCO at any point from 2 March, 2004. The Company exercised this option on 19 March, 2004. However, the Government of India has contested the validity of the option and the valuation. The Company sought an interim order from the High Court of Delhi to restrain the Government of India from transferring or disposing of its shareholding pending resolution of the dispute. The High Court directed on 7 August, 2006 that the parties attempt to settle the dispute by way of a mediation process as provided for in the SHA. However, as the dispute could not be settled through mediation, it has been referred to arbitration as provided for in the SHA. Arbitration proceedings commenced on 16 February 2009 and after a few rounds of hearing, the next date for hearing is fixed between 27 August 2010 and 29 August 2010.

Share Purchases

During financial year 2010, the Group increased its holding in certain of its subsidiaries through open market purchases. The details of such purchases are as follows:

- 1,868,792 shares of Sterlite Industries India Limited accounting for 0.24% of SILL's total equity.
- 28,675,642 shares of Sesa Goa accounting for 3.51% of Sesa's total equity.
- 1,459,323 shares of Malco accounting for 1.30% of Malco's total equity.

The aggregate loss arising on these transactions of US\$96.8 million was recorded within equity.

36. Principal Subsidiaries

The consolidated financial statements comprise the financial statements of the following principal subsidiaries:

Subsidiaries	Principal activities	The Company's economic percentage holding		Country of incorporation	Immediate holding company	Immediate percentage holding	
		31 March 2010	31 March 2009			31 March 2010	31 March 2009
Direct subsidiaries of the parent company							
Vedanta Resources Holding Limited ('VRHL')	Holding company	100.00%	100.00%	Great Britain	VR plc	100.00%	100.00%
Vedanta Resources Jersey Limited ('VRJL')	Financing company	100.00%	–	Jersey (CI)	VR plc	100.00%	–
Vedanta Resources Jersey II Limited ('VRJ2')	Financing company	100.00%	–	Jersey (CI)	VR plc	100.00%	–
Vedanta Finance (Jersey) Limited ('VFJL')	Financing company	100.00%	100.00%	Jersey (CI)	VR plc	100.00%	100.00%
Vedanta Resources Investments Limited ('VRIL')	Financing company	100.00%	100.00%	Mauritius	VR plc	100.00%	100.00%
Indirect subsidiaries of the parent company							
Bharat Aluminium Company Limited ('BALCO')	Aluminium mining and smelting	29.01%	31.30%	India	Sterlite	51.00%	51.00%
Copper Mines Of Tasmania Pty Limited ('CMT')	Copper mining	56.88%	61.30%	Australia	MCBV	100.00%	100.00%
Fujariah Gold	Gold and silver processing	56.88%	61.30%	UAE	CMT	100.00%	100.00%
Hindustan Zinc Limited ('HZL')	Zinc and mining and smelting	36.93%	39.80%	India	SOVL	64.92%	64.92%
The Madras Aluminium Company Limited ('MALCO')	Energy generation	94.54%	93.20%	India	Twin Star	94.54%	93.20%
Monte Cello BV ('MCBV')	Holding company	56.88%	61.30%	Netherlands	Sterlite	100.00%	100.00%
Monte Cello Corporation NV ('MCNV')	Holding company	100.00%	100.00%	Netherlands	Twin Star	100.00%	100.00%
Konkola Copper Mines PLC ('KCM')	Copper mining and smelting	79.40%	79.40%	Zambia	VRHL	79.40%	79.40%
Sterlite Energy Limited ('SEL')	Energy generation	56.88%	61.30%	India	Sterlite	100%	100%
Sesa Goa Limited ('Sesa Goa')	Iron ore	57.41%	52.70%	India	Finsider	48.32%	51.20%
Sesa Industries Limited	Iron ore	50.64%	46.50%	India	Sesa Goa	88.25%	88.25%
V S Dempo Private Limited ('VSD')	Iron ore	57.41%	–	India	Sesa Goa	100.00%	–
Dempo Mining Corporation Private Limited ('DMCL')	Iron ore	57.41%	–	India	V S Dempo	100.00%	–
Goa Maritime Private Limited	Iron ore	28.71%	–	India	V S Dempo	50.00%	–
Sterlite Industries (India) Limited ('Sterlite')	Copper smelting	56.88%	61.30%	India	Twin Star	54.00%	57.90%
Sterlite Opportunities and Venture Limited ('SOVL')	Holding company	56.88%	61.30%	India	Sterlite	100.00%	100.00%
Sterlite Paper Limited ('SPL')	Non-trading	56.88%	61.30%	India	Sterlite	100.00%	100.00%
Thalanga Copper Mines Pty Limited ('TCM')	Copper mining	56.88%	61.30%	Australia	MCBV	100.00%	100.00%
Twin Star Holding Limited ('Twin Star')	Holding company	100.00%	100.00%	Mauritius	VRHL	100.00%	100.00%
Vedanta Aluminium Limited ('VAL')	Alumina mining, aluminium refining and smelting	87.28%	88.60%	India	Twin Star	45.50%	45.50%
Richter Holding Limited ('Richter'), Cyprus	Financing company	100.00%	100.00%	Cyprus	VRCL	100.00%	100.00%
Westglobe Limited	Financing company	100.00%	100.00%	Mauritius	Richter	100.00%	100.00%
Finsider International Company Limited	Financing company	100.00%	100.00%	Great Britain	Richter	100.00%	100.00%
Vedanta Resources Finance Limited ('VRFL')	Financing company	100.00%	100.00%	Great Britain	VRHL	100.00%	100.00%
Vedanta Resources Cyprus Limited ('VRCL')	Financing company	100.00%	100.00%	Cyprus	VRFL	100.00%	100.00%
Welter Trading Limited	Financing company	100.00%	100.00%	Cyprus	Twin Star	100.00%	100.00%
Lakomasko BV	Financing company	100.00%	100.00%	Netherlands	VRHL	100.00%	100.00%
THL KCM Limited	Financing company	100.00%	100.00%	Mauritius	Twin Star	100.00%	100.00%
THL Aluminium Limited	Financing company	100.00%	100.00%	Mauritius	Twin Star	100.00%	100.00%
KCM Holding Limited	Financing company	100.00%	100.00%	Zambia	THL KCM	100.00%	100.00%
Sterlite (USA) Inc.	Financing company	56.88%	61.30%	USA	Sterlite	100.00%	100.00%
Talwandi Sabo Power Limited	Energy generation	56.88%	61.30%	India	SEL	100.00%	100.00%
Allied Port Services Pvt Ltd	Port service	87.28%	–	India	VAL	100.00%	–

The Group owns directly or indirectly through subsidiaries, more than half of the voting power of all of its subsidiaries as mentioned in the list above, and the Group is able to govern its subsidiaries' financial and operating policies so as to benefit from their activities.

37. Ultimate Controlling Party

At 31 March 2010, the ultimate controlling party of the Group was Volcan, which is controlled by persons related to the Executive Chairman, Mr Anil Agarwal. Volcan, which is incorporated in the Bahamas, and does not produce Group accounts.

Notes to the Consolidated Financial Statements

continued

38. Company Balance Sheet

	Notes	31 March 2010 US\$ million	31 March 2009 US\$ million
Fixed assets			
Tangible assets	40	0.2	0.4
Investments in subsidiaries	41	713.3	713.3
Investment in preference shares of subsidiaries	42	178.9	2.6
Financial asset investment	43	0.5	0.2
Derivative asset		-	13.5
		892.9	730.0
Current assets			
Debtors due within one year	44	587.8	868.9
Debtors due after one year	44	3,350.6	2,027.9
Current asset investments	45	199.1	371.2
Cash at bank and in hand		1.4	2.7
		4,138.9	3,270.7
Creditors: amounts falling due within one year			
Trade and other creditors	46	(78.0)	(34.1)
Bonds	46	-	(614.7)
External borrowings	46	(186.2)	-
Loan from subsidiary	46	(180.4)	-
		(444.6)	(648.8)
Net current assets			
		3,694.3	2,621.9
Total assets less current liabilities			
		4,587.2	3,351.9
Creditors: amounts falling due after one year			
Amounts due to subsidiary undertakings	47	(1,224.9)	(632.5)
External borrowings	47	(2,592.7)	(2,222.9)
Derivative liabilities	47	(12.1)	(30.9)
		(3,829.7)	(2,886.2)
Net assets			
		757.5	465.6
Capital and reserves			
Called up share capital	48	29.6	28.9
Share premium account	48	196.8	21.1
Share-based payment reserve	48	25.6	14.1
Convertible bond reserve	48	305.9	111.6
Other reserves	48	(1.8)	(2.1)
Treasury shares	48	(428.9)	(80.3)
Profit and loss account	48	630.3	372.3
Shareholders' funds			
	48	757.5	465.6

39. Company Accounting Policies

The Vedanta Resources plc ('the Company') balance sheet and related notes have been prepared in accordance with United Kingdom generally accepted accounting principles and UK company law ('UK GAAP'). The financial information has been prepared on an historical cost basis. As permitted by the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements.

Significant Accounting Policies

Investments in Subsidiaries

Investments in subsidiaries represent equity holdings in subsidiaries valued at cost less any provision for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Investment in Preference Shares of Subsidiaries

Investments in preference shares of subsidiaries are stated at fair value. The fair value is represented by the face value of the preference shares as the investments are redeemable at any time for their face value at the option of the Company.

Currency Translation

Transactions in currencies other than the functional currency of the Company, being US dollars, are translated into US dollars at the spot exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated into US dollars at year end exchange rates, or at a contractual rate if applicable.

Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment.

39. Company Accounting Policies (continued)

Deferred Taxation

Deferred taxation is provided in full on all timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, subject to the recoverability of deferred tax assets. Deferred tax assets and liabilities are not discounted.

Share-Based Payments

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

Borrowings

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

Convertible Bonds

The convertible bonds issued by VRJL and VRJIL (Note 47) are accounted for as a compound instrument. The gross proceeds (net of issue costs) were lent to the Company by VRJL and VRJIL. The equity component has been recognised in a separate reserve of the Company and is not being subsequently remeasured. The recognition of the equity component by the Company acts to reduce the payable to VRJL and VRJIL which arises once the gross proceeds are borrowed. The liability component is held at amortised cost. The interest expensed on the liability component is calculated by applying an effective interest rate. The difference between this amount and interest paid is added to the carrying amount of the liability component.

The bonds are first convertible into preference shares of the issuer having a paid value of US\$100,000 per preference share, which are exchanged immediately for ordinary shares of the Company.

Financial Instruments

The Company has elected to take the exemption provided in paragraph 3C (b) of FRS 25 in respect of these parent company financial statements. Full disclosures are provided in Note 26 to the consolidated financial statements of the Group for the period ended 31 March 2010.

Derivative Financial Instruments

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

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

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

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

Cash Flow Statement

The Company's individual financial statements are outside the scope of FRS 1 Cash Flow Statements because the Company prepares publicly available consolidated financial statements, which include a consolidated cash flow statement. Accordingly, the Company does not present an individual company cash flow statement.

Related Party Disclosures

The Company's individual financial statements are exempt from the requirements of FRS 8 Related Party Disclosures because its individual financial statements are presented together with its consolidated financial statements. Accordingly, the individual financial statements do not include related party disclosures.

Notes to the Consolidated Financial Statements

continued

40. Company Tangible Fixed Assets

	US\$ million
Cost	
At 1 April 2009	1.2
Additions	0.0
At 31 March 2010	1.2
Accumulated depreciation	
At 1 April 2009	0.8
Charge for the period	0.2
At 31 March 2010	1.0
Net book value	
At 1 April 2009	0.4
At 31 March 2010	0.2

41. Investments in Subsidiaries

	US\$ million
Cost	
At 1 April 2009	713.3
At 31 March 2010	713.3

At 31 March 2010, the Company held 139,559,950 shares in VRHL (2009: 139,559,950 shares), being 100% of VRHL's issued equity share capital. The Company also held one deferred share in VRHL (2009: one). At 31 March 2010, the Company held 2 shares in Vedanta Finance Jersey Limited ('VFJL') being 100% of its issued equity share capital (2009: two).

Two new companies Vedanta Resources Jersey Limited ('VRJL') and Vedanta Resources Jersey II Limited ('VRJIIIL') were also incorporated in the Year ending March 2010.

The Company holds two shares in Vedanta Resources Jersey Limited ('VRJL') and two shares in Vedanta Resources Jersey II Limited ('VRJIIIL'), being 100% of its equity share capital.

VRHL is an intermediary holding company incorporated in England and Wales. VFJL, VRJL and VRJIIIL are companies established to raise funds for the Vedanta Group via convertible bond issue and are incorporated in Jersey.

42. Investment in Preference Shares of Subsidiaries

	US\$ million
Fair value	
At 1 April 2009	2.6
Additions	176.3
At 31 March 2010	178.9
At 1 April 2008	1.5
Additions	1.1
At 31 March 2009	2.6

As at 31 March 2010, the Company held 178,916,000 preference shares in VFJL (2009: 2,601,000). These shares, issued in 2008 and 2009, entitle the holder to a dividend of 4.6% of their face value.

43. Financial Asset Investment

	US\$ million
Fair value	
At 1 April 2009	0.2
Additions	-
Fair value movement in investment	0.3
At 31 March 2010	0.5
At 1 April 2008	1.0
Additions	-
Fair value movement in investment	(0.8)
At 31 March 2009	0.2

The investment relates to an equity investment in Victoria Gold Corporation. The investment in 2009 was in an equity investment in Strata Gold. During the year Strata Gold was merged with Victoria Gold, as a result of restructuring, the Company received 624,500 shares in Victoria gold in exchange for its investment on 5,000,000 shares in Strata Gold.

At 31 March 2010, the investment in Victoria Gold Corporation was revalued and a gain of US\$0.3 million was recognised in equity.

44. Company Debtors

	31 March 2010 US\$ million	31 March 2009 US\$ million
Amounts due from subsidiary undertakings	3,938.0	2,896.4
Prepayments and accrued income	0.2	0.3
Other taxes	0.2	0.1
Total	3,938.4	2,896.8
Debtors due within one year	587.8	868.9
Debtors due after one year	3,350.6	2,027.9
Total	3,938.4	2,896.8

Amounts Due from Subsidiary Undertakings

At 31 March 2010, the Company had loans due from VRHL of US\$1,894.4 million (2009: US\$1,492.5 million) which represented the downstreaming of funds to the subsidiaries. Out of the total loan, amount of US\$579.3 million bears interest at US dollar six months LIBOR plus 350 basis points, US\$500 million bears at 5.8%, US\$250 million at 8.95%, US\$200 million bears at 5.9%, US\$137.0 million at 9.7% US\$103.6 million at 8.95% and US\$76.7 million at 8.8%. In addition to the loans, the Company was owed US\$127.0 million of accrued interest (2009: US\$58.3 million).

At 31 March 2010 the Company had a loan of US\$892 million (2009: US\$1,000 million), US\$500 million (2009: US\$nil), US\$112 million (2009: US\$nil), and US\$350 million (2009: US\$250 million), receivable from Richter, Welter, Twinstar and KCM respectively and US\$30.4 million of other amounts due from subsidiary undertakings (2009: US\$49.4 million).

45. Company Current Asset Investments

	31 March 2010 US\$ million	31 March 2009 US\$ million
Bank term deposits	197.6	203.5
Short-term unit trusts and liquidity funds	1.5	167.7
Total	199.1	371.2

46. Company Creditors: Amounts Falling Due Within One Year

	31 March 2010 US\$ million	31 March 2009 US\$ million
Trade creditors	(44.2)	(5.9)
Accruals and deferred income	(33.8)	(28.2)
Bond (Due 2010)	-	(614.7)
External Borrowings	(186.2)	-
Loan from Subsidiary	(180.4)	-
Total	(444.6)	(648.8)

The US\$600 million bond due in February 2010 was repaid on its due date.

The external borrowings above represent a loan taken out from ICICI Bank at an interest rate of one month US dollar Libor plus 350 basis points. The loan is short-term and repayable in June 2010.

47. Company Creditors: Amounts Falling Due After One Year

	31 March 2010 US\$ million	31 March 2009 US\$ million
Loan from subsidiary	(1,224.9)	(632.5)
Bond & loans	(2,592.7)	(2,222.9)
Derivative liability	(12.1)	(30.8)
Total	(3,829.7)	(2,886.2)

Loans from subsidiaries include a loan from VJYL relating to its issue of US\$1.25 billion convertible bonds (bond issued in July 2009) and from VRJIL related to its issue of US\$883 million convertible bond (bond issued in March 2010). During 2010, interest was charged at the effective interest rate of 11.17% and interest rate of 4.0% respectively. Loans from subsidiaries also include US\$0.01 million payable to Finsider International Limited in respect of funds received (2009: US\$22.1 million).

A loan of US\$373 million was also taken from Bank of Tokyo-Mitsubishi UFJ Ltd ('BTMU') in January 2010 at an interest rate of 1 month US dollar Libor plus 425 basis points. This amount is repayable in July 2011.

During the year the Company also issued two convertible bonds for US\$1.25 billion in Vedanta Resources Jersey Limited ('VRJL') at a coupon rate of 5.5% and US\$883 million in Vedanta Resources Jersey II Limited ('VRJIL') at a coupon rate of 4.0%, repayable in July 2016 and March 2017 respectively.

Notes to the Consolidated Financial Statements

continued

48. Company Reconciliation of Movement in Equity Shareholders' Funds

	Share capital US\$ million	Share premium account US\$ million	Share-based payment reserve US\$ million	Convertible bond reserve US\$ million	Treasury Shares US\$ million	Profit and loss account US\$ million	Other reserves US\$ million	Total US\$ million
Equity shareholders' funds at 1 April 2009	28.9	21.1	14.1	111.5	(80.3)	372.3	(2.1)	465.5
Profit for the year	-	-	-	-	-	347.0	-	347.0
Dividends paid (Note 13)	-	-	-	-	-	(117.9)	-	(117.9)
Issue of convertible bond	-	-	-	330.2	-	-	-	330.2
Exercise of LTIP awards	-	-	(4.1)	-	-	4.1	-	-
Recognition of share-based payments	-	-	15.6	-	-	-	-	15.6
Conversion of convertible bond (Note 25)	0.7	175.7	-	(109.5)	-	(1.6)	-	65.3
Convertible bond reserve transfer	-	-	-	(26.3)	-	26.3	-	-
Movement in fair value of financial investments (Note 45)	-	-	-	-	-	-	0.3	0.3
Purchase of treasury shares	-	-	-	-	(348.6)	-	-	(348.6)
Equity shareholders' funds at 31 March 2010	29.6	196.8	25.6	305.9	(428.9)	630.3	(1.8)	757.5

49. Company contingent liabilities

- The Company has guaranteed US\$1,250 million convertible bonds issued by VRJL (2009: US\$nil). See note 25 to the Group financial statements for further details on the convertible bonds.
- The Company has given a corporate guarantee to Vedanta Aluminium Ltd for an amount of US\$837.4 million up to 31 March 2010.
- The Company also has issued other guarantees of US\$170.0 million to concentrate suppliers.
- The Company has given a corporate guarantee to Konkola Copper Mines for an amount of US\$50 million up to 31 March 2010.
- The Company has guaranteed US\$883 million convertible bonds issued by VRJIL (2009: US\$nil). See Note 25 to the Group financial statements for further details on the convertible bonds.

50. Company Share-Based Payment

The Company had certain LTIP awards outstanding as at 31 March 2010. See Note 29 to the Group financial statements for further details on these share-based payment awards.