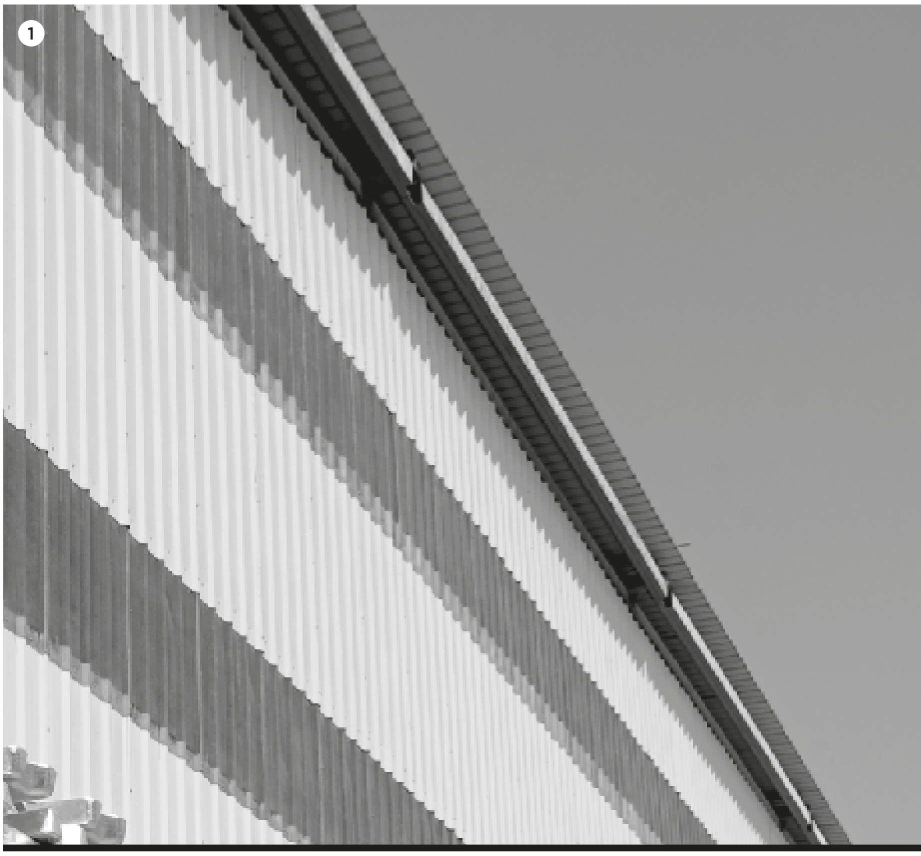
# A resilient portfolio through the cycle






# Vedanta Resources plc is a UK listed global diversified natural resources company.

**Our core purpose**

Vedanta is a globally diversified natural resources company with low-cost operations. We empower our people to drive excellence and innovation to create value for our stakeholders. We demonstrate world-class standards of governance, safety, sustainability and social responsibility.

Front cover, top: Control room at BALCO power plant.
Front cover, bottom: Shaft headgear at Black Mountain mine.

This page
**1:** Ingot loading at Jharsuguda.
**2:** Engineer at Rampura Agucha open cast mine.
**3:** Engineers at Jharsuguda smelter.

# A resilient portfolio through the cycle

" We have experienced volatile markets and significantly lower commodity prices during the financial year and the entire organisation has met these challenges well.

Anil Agarwal, Chairman

See page 10

Winner of Entrepreneur of the Year award, sixth annual Asian Awards

See page 84

See page 36

See page 68

## Strategic report



## Directors' report



## Financial statements



## Additional information



1: Turbine generator at Talwandi Sabo power plant.
2: Children at child care centres.
3: Engineer at ore stock piles at Goa Iron Ore mines.

# Highlights


> Vedanta demonstrated resilience this year: delivering healthy EBITDA margins, strong free cash flow and lower gross and net debt in a volatile commodities market. In India, we achieved record production in aluminium, zinc, lead, silver and copper cathodes, with significant increases in power generation. We made good progress on the turnaround of our Copper business in Zambia and broke ground at the Gamsberg zinc deposit in South Africa. With our combination of low-cost and well-invested assets, we look forward to the future with cautious optimism.
>
> Anil Agarwal, Chairman

## Group highlights

### Financial highlights

- Revenue of US$10.7 billion and EBITDA[1] of US$2.3 billion, lower than FY2015 primarily due to lower commodity prices (FY2015 Revenue: US$12.9 billion, FY2015 EBITDA: US$3.7 billion)
- Adjusted EBITDA margin[2] of 28% (FY2015: 38%), driven by low commodity prices
- Free cash flow[3] of US$1.7 billion, up 63% (FY2015: US$1.0 billion), driven by optimisation of operational, capital expenditure and working capital initiatives
- Net debt reduced by US$1.1 billion and gross debt reduced by US$0.4 billion during the year
- Underlying (loss) per share[4] of (131.9) US cents (FY2015: (14.2) US cents)
- Basic loss per share of (665.8) US cents primarily due to a non-cash impairment of US$3.3 billion (net of tax) and lower EBITDA, reflecting lower commodity prices
- Covenant modifications on bank loans at Vedanta Resources plc secured until the period ending 30 September 2018 and complied with as on 31 March 2016
- S&P downgraded issuer credit rating from ‘BB’ to ‘B’ and Moody’s downgraded its corporate family rating from ‘Ba1’ to ‘B2’ due to weak commodity prices
  – S&P subsequently revised the outlook to ‘Stable’ in April 2016
- Hindustan Zinc Limited announced its highest ever special dividend in Q4 (c. US$1.8 billion including dividend distribution tax)
- Final dividend of 30 US cents per share

### Business highlights

- Simplification of the Group structure continues to be a priority
- Record production of zinc, lead and silver at Zinc India; aluminium, power and copper cathodes at Copper India
- Commenced ramp-up of capacities at Aluminium, Power and Iron Ore divisions
- Entire Power portfolio of 9,000MW now operational
- Successful implementation of Mangala Enhanced Oil Recovery Programme at Cairn India
- Recommenced production at Goa Iron Ore operations, achieved exit run rate production of 0.8 million tonnes per month
- Continued ramp-up of production at the Konkola mines at Copper Zambia
- Strong cost performance, with lower cost of production across all businesses; cost savings of c.US$325 million delivered in the year

1: Aluminium pot line at Jharsuguda.


## Aluminium

Commenced ramp-up of capacity at the 1.25mt Jharsuguda Aluminium smelter.

See page 80


## Power

Entire Power portfolio of 9,000MW operational.

See page 84


## Iron Ore

Recommenced production at Goa Iron Ore operations.

See page 68


## Oil & Gas

Successful implementation of Mangala Enhanced Oil Recovery Programme at Cairn India.

See page 56

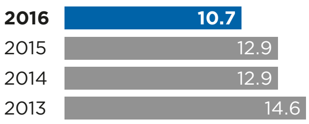
## Consolidated Group results

(US$ millions, except as stated)

| | FY2016 | FY2015 |
|---|---|---|
| Revenue | **10,737.9** | 12,878.7 |
| EBITDA[1] | **2,336.4** | 3,741.2 |
| EBITDA[1] margin (%) | **21.8%** | 29.1% |
| EBITDA margin excluding custom smelting[2] (%) | **27.6%** | 38.0% |
| Operating profit before special items | **881.2** | 1,735.5 |
| Loss attributable to equity holders | **(1,837.4)** | (1,798.6) |
| Underlying attributable loss[4] | **(364.1)** | (38.9) |
| Basic loss per share (US cents) | **(665.8)** | (654.5) |
| Loss per share on underlying profit (US cents) | **(131.9)** | (14.2) |
| ROCE (excluding project capital work in progress, exploratory assets and impairment charges) (%) | **6.2%** | 8.7% |
| **Total dividend (US cents per share)** | **30.0** | 63.0 |

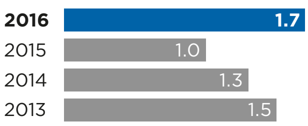
1 Earnings before interest, taxation, depreciation, amortisation, impairment and other special items.
2 Excludes custom smelting revenue and EBITDA at Copper and Zinc India operations as custom smelting has different business economics.
3 Free cash flow is cash flow arising from EBITDA after net interest, taxation, sustaining and capital expansion expenditure, movements in capital creditors and working capital movements. It is reconciled to EBITDA on page 52 in the Finance Review.
4 Based on profit for the period after adding back special items and other gains and losses, and their resultant tax and non-controlling interest effects.

**Revenue** (US$ billion)




**EBITDA** (US$ billion)


**Free cash flow post capex** (US$ billion)




**Dividend per share** (US cents)


**1:** Employees at BALCO.
**2:** Employees at Jharsuguda smelter.
**3:** Control room at iron ore mines.
**4:** Employee at Rajasthan oil field.

# At a Glance

## Vedanta Resources

Listed on LSE

## Large, long-life, low-cost, scalable assets

### Oil & Gas

O&G

See page 56

### Zinc-Lead-Silver

ZLS

See page 60

### Iron Ore

Fe

See page 68

### Copper (India)

Cu

See page 72

### Aluminium

Al

See page 80

### Power

Pwr

See page 84

## Vedanta Limited

(formerly Sesa Sterlite Limited)
Listed on NSE, BSE and NYSE

62.9%

Divisions of Vedanta Limited

**Iron Ore**
**Copper (India)**
**Power (2,400MW Jharsuguda)**
**Aluminium (Odisha Aluminium and Power assets)**

## Konkola Mines

One of the highest-grade large copper mines in the world

79.4%

### Copper (Zambia)

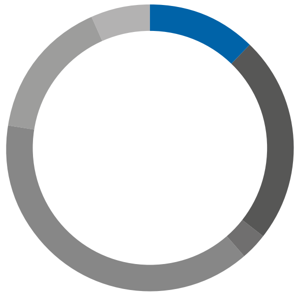
Cu

See page 76

| Businesses | Production volume | Cost curve position |
|---|---|---|
| **Cairn India** | **204boepd** (average daily gross operating production) | **1st quartile** |
| **Zinc India (HZL)** | **889kt** | **1st quartile** |
| **Zinc International** | **226kt** | **2nd quartile** |
| **Iron Ore India** | Production volume[1] **5.2mt** | **1st quartile** |
| **Copper India** **Copper Mines Tasmania** (under care and maintenance) | **384kt** Copper cathodes | **2nd quartile** |
| **BALCO** **Jharsuguda and Korba aluminium smelters** | **Lanjigarh Alumina refinery** Production volume **923kt** Aluminium **971kt** Alumina | **2nd quartile[2]** |
| **Talwandi Sabo Power Plant** **Jharsuguda Power Plant** | **MALCO** **HZL Wind Power** Power sales **12.1 billion kwh** | |
| **Konkola Copper Mines (KCM)** | **182kt** | **4th quartile** |

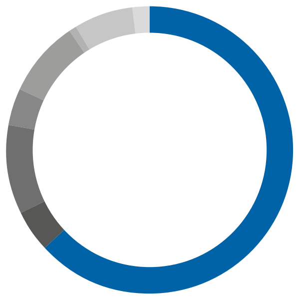
1 Production recommenced in Goa in August 2015.
2 Based on fourth quarter of FY2016 cost.

### Revenue by commodity
(US$ million)



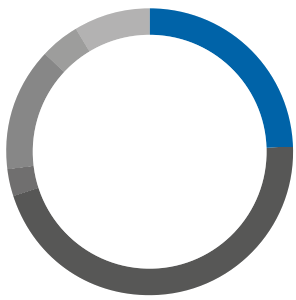
| | |
|---|---|
| 1,322 | Oil & Gas |
| 2,503 | Zinc |
| 350 | Iron Ore |
| 4,170 | Copper |
| 1,694 | Aluminium |
| 708 | Power |

### Revenue by geography
(US$ million)



| | |
|---|---|
| 6,774 | India |
| 528 | China |
| 1,075 | Middle East |
| 449 | Europe (inc UK) |
| 902 | Far East Asia |
| 91 | Africa |
| 725 | Asia others |
| 193 | Other |

### EBITDA by commodity
(US$ million)



| | |
|---|---|
| 570 | Oil & Gas |
| 1,063 | Zinc |
| 73 | Iron Ore |
| 319 | Copper |
| 107 | Aluminium |
| 196 | Power |

A resilient portfolio through the cycle

# Disciplined

**US$0.6bn**
Total capital expenditure

During this period of weak commodity prices, Vedanta has maintained a disciplined approach to capital allocation, prioritising high-return, low-risk projects to maximise cash flows. The Group's well-invested assets are on track to deliver near-term growth with marginal incremental capital expenditure. We retain the option to fund further growth projects such as EOR and gas projects at Oil & Gas business, Lanjigarh Alumina refinery expansion and the additional 400kt copper smelter at Copper India.

In FY2016 capex was optimised to reduced levels of US$0.6 billion, with most of this invested in high-return projects such as expansion at Zinc India, the Mangala EOR programme at Oil & Gas and smaller amounts to complete the Aluminium and Power projects.

Capital investment in Gamsberg, one of the largest zinc deposits in the world, was rephased and only US$16 million was invested in FY2016. We have also made significant progress in reducing Gamsberg capex over the life of the project, reducing capex by US$200 million primarily through re-engineering and renegotiation of contracts, taking advantage of the current commodity environment. The project comprises a 250ktpa mine, propelling Southern Africa into a leading supplier of zinc globally. First ground was broken in July 2015, with initial production expected in early 2018.

See page 48

**1:** Engineers at the aluminium pot line.
**2:** Control room of BALCO power plant.
**3:** Engineer at the control room at BALCO.
**4:** Coal handling plant at Jharsuguda.
**5:** Employees at the control room at Lanjigarh.


# Efficient



**923kt**
Record production of Aluminium

A relentless focus on operational efficiency has driven down the cost of production (CoP) across our businesses, mitigating the impact of falling commodity prices throughout the year.

Record full-year aluminium production reflected the impact of the Jharsuguda-II and Korba-II smelters ramping up well, delivering a record aluminium production of 923kt and a reduction in CoP of 10% for the year. The Lanjigarh Alumina refinery also achieved a strong production of 971kt during the year.

Good progress on the mine expansion in Rampura Agucha and the Sindesar Khurd mine and continued higher volumes from the Rampura Agucha open pit resulted in record zinc production, alongside higher volumes of integrated lead and silver at the Sindesar Khurd mine. We are one of the top 20 silver producers in the world at our current volumes.

The turnaround plan for KCM in Zambia is starting to bear fruit. Cost reduction initiatives are now yielding results, driving down the cost of production, and with a focus on safe production build up, volumes are now rising. Production of mined metal at Konkola Deeps is up by 23% compared with last year due to improved efficiency, equipment availability and better copper grades.

See page 56

A resilient portfolio through the cycle

# Focused

**US$1.7bn**
Free cash flow after capital expenditure

In line with the Group's long-term strategic priority to de-lever and increase cash flow, Vedanta continued to make good progress against these objectives. The focus on optimising operating and capital expenditure and working capital management contributed to strong free cash flow of US$1.7 billion (after capital expenditure), during FY2016. This enabled a reduction of US$1.1 billion in net debt, as compared to March 2015.

An ambitious target to deliver cost and marketing savings of US$1.3 billion was set and these initiatives across the business delivered US$325 million in FY2016, through over 900 initiatives across the businesses, including consolidation of spend and reduction of vendors, contract renegotiation and efficient logistic solutions.

Several operations have been restructured to protect free cash flow. These include the temporary shutdown of the BALCO rolled product facility, the temporary shutdown of one line at the Lanjigarh Alumina refinery that drove down aluminium costs, and closure of the Nchanga underground operations at Copper Zambia.

See page 56

**1:** Engineer at a laboratory at Lanjigarh.
**2:** Employees at Lanjigarh.
**3:** Engineers at Jharsuguda smelting complex.
**4:** Employees at Ravva offshore oil field.
**5:** Operators at Konkola underground mine.

4


# Responsible

5


**US$3.2bn**
Contributed to Exchequer through indirect taxes, levies and royalties

A key strategic priority and critical to its license to operate, Vedanta continues to focus on embedding a culture of sustainability across the Group, allocating resources, skills and financial contributions to support its people and the communities where it operates while minimising its environmental impact.

### Health and safety

While our injury rates have declined over the years, the 12 fatalities recorded during FY2016 have heightened Vedanta's resolve to create a zero-harm culture across the organisation and raise the profile of health and safety by reviewing safety incidents at Board, business and operational levels. The business units have implemented and put forward behavioural-based and technical programmes to avoid the reoccurrence of these incidents. Further safety investigations and follow-ups have been improved and quantitative risk assessments have been introduced for all critical areas.

### Working with local communities

Making a positive contribution to local communities in India and Africa remains a high priority for Vedanta with around 2.25 million beneficiaries of community development programmes during FY2016, supported by over 250 partnerships with Non-Government Organisations, local governments, academia and private hospitals. The Group's social investment reached US$37 million and is aligned with its social vision and community need based approach.

### Minimising environmental impact

Vedanta is committed to managing its environmental footprint, seeking to control pollution, reduce water and energy consumption and protect bio-diversity around its operating sites. During FY2016 there were zero higher category environmental incidents and all subsidiary businesses have been assessed with environmental gaps identified in energy, water management, greenhouse gas emissions and biodiversity. The significant improvements and adoption of best practices in resource management, biodiversity and site closure practices along with awards like CII – Sustainable Plus platinum label, National Energy Conservation Award and Global IOD Awards for Excellence in Corporate Governance and Sustainability are testament to the focus and improvement Vedanta has made towards environmental sustainability.

See page 40

# Chairman's Statement

## Anil Agarwal

> "We have made great strides in improving our operations and optimising our assets, but this is a journey with no final destination; continuous improvement is business as usual.

We have experienced volatile markets and significantly lower commodity prices during the financial year and the entire organisation has met these challenges well.

We have generated strong free cash flow, reduced our net and gross debt and delivered strong EBITDA margins[1] during the year. Our financial performance, however, has been impacted by low commodity prices, with revenues down 17% at US$10.7 billion.

As we close FY2016, there is a clear sense within Vedanta that we are in a new phase in our development as India forges ahead with economic change. We see a new era dawning, slowly but nonetheless surely, as India takes advantage of its rich human and natural resources to create economic growth and employment to the benefit of its 1.2 billion people, who form part of the largest democracy in the world.

This positive outlook contrasts with what has been a very tough year in the commodities space. We continue to feel the effects of the downward cycle – but we also know that history tells us to be patient. We are optimistic about the longer term and intend to be in the right place for when the upturn begins.

### FY2016: how we performed

In FY2016, we commenced ramp-up of capacities at Aluminium, Power and Iron Ore operations while maintaining a disciplined approach to capital expenditure and focused on optimisation of costs across our operations, enabling delivery of strong results.

We had already set in train initiatives to reduce costs, optimise assets and address operational issues, and these continued to gain ground throughout the year. These steps, together with minimal additional capex requirements, helped to mitigate the effects of a depressed world market for commodities.

Our results show that this disciplined approach and careful balance sheet management has delivered robust results. Despite lower revenues of US$10.7 billion and EBITDA of US$2.3 billion, driven primarily by lower commodity prices, we generated EBITDA margins of 28%. Strong free cash flow[2] of US$1.7 billion enabled us to reduce net debt by US$1.1 billion and gross debt by US$0.4 billion.

The Board has recommended a dividend of 30 US cents per share this year. Given the ongoing volatility in the global commodity markets and our commitment towards deleveraging the balance sheet, this is a prudent decision which supports our efforts to weather the current commodities cycle and create shareholder value over the longer term. I would like to thank the Board for their continued guidance.

### India: we stand ready

With India forecasted to be the world's fastest-growing major economy this year, Vedanta stands ready to work with the Government and communities to support the development of India.

Key to this growth is the development of the nation's infrastructure. Roads, rail, energy, telecommunications, water and sanitation will be top of the agenda, all requiring materials and commodities. As the only diversified natural resource producer in the country, Vedanta is uniquely positioned to support India's needs.

We see encouraging signs. Oil cess, a tax on production of crude oil, has effectively been lowered at current price levels and export duty on low grade iron ore has been removed completely. The Government has encouraged increased mining activity, by commencing auctioning of coal and other mineral blocks. Vedanta's Iron Ore operations in Goa have resumed production, we have gained approvals to use the power generated from three units of the Jharsuguda power plant for captive use and received environmental clearance for expansion of Lanjigarh Alumina refinery capacity to 4mtpa. All are important steps towards increasing our capacity from our well-invested assets.

We are strong supporters of the Government-led 'Make in India' campaign, as the country encourages the manufacture of everything from smartphones and textiles to cars and shipping. At Vedanta we are building on this by promoting a 'Find in India, Mine in India, and Make in India' mentality, to make India self-sufficient in the resources it needs for manufacturing activity, and generating vital employment opportunities in the process.

### Balancing development with responsibility

Vedanta is committed to growing sustainably and creating value for all our stakeholders.

In India, alleviating climate change sits alongside the huge challenges of economic and social development. At Vedanta, we're determined to play our part in the solution. We signed the Paris Pledge for action and are currently updating our carbon strategy, looking for innovative ways to reduce carbon emissions in our power plants. I was particularly proud of the Guinness Book of Records entry we achieved for planting over 200,000 saplings in one hour at our Talwandi Sabo power plant.

Indeed, this is part of a much wider CSR programme – one of the largest in India – that touches the lives of more than 2 million people. In many cases, the Company is a community's only source of education, healthcare, food and general well-being.

In India and all over the world, the rights and expectations of communities are rightly gaining much more attention. Our philosophy is that Vedanta will only operate where a community gives its consent and support.

### People and gender diversity

At the close of a demanding year I would like to record my thanks to the 70,000 people who work with us at Vedanta. As markets have become challenging, their commitment, dedication and sheer hard work have been ever-more important, and we again saw those qualities in every corner of the business. I am personally driving a work programme for early career development and innovation across the Group.

We take our responsibility to our people very seriously. I am deeply saddened by the 12 fatalities this year and it is imperative that we bring about a considerable improvement in the area of safety; both Tom and I share this determination absolutely, and he expands on this in his statement.

On a personal note, I would like to thank my fellow Directors for their constant guidance and wisdom. We are committed to advancing gender diversity across the organisation, and have made significant progress in the last couple of years, increasing gender diversity on our Board, the Executive Committee, and across the broader organisation. We remain very committed to increasing the representation of women throughout the Company.

### Looking forward

Like any well-run business, we continue to focus on every area that is within our control, while being prepared for what is beyond our control. We have made great strides in improving our operations and optimising our assets, but this is a journey with no final destination; continuous improvement is business as usual.

We will continue to simplify our corporate structure, building on the proposed merger of Vedanta Limited and Cairn India. This will result in improved financial flexibility to allocate capital to the highest return projects and sustain strong dividends, marking a significant step forward towards achieving our stated long-term vision of alignment of interests between all shareholders for the creation of long-term sustainable value.

Naturally, we now hope for an improvement in the dynamics of the global commodity markets. Indeed, we are cautiously optimistic for 2017; based on the visibility we have now, we believe a recovery may be emerging, led by zinc.

Meanwhile, in a country where GDP may double in the decade ahead, we look forward to playing our part in unlocking India's wealth of world-class energy and mineral resources.

**Anil Agarwal**
**Chairman**
12 May 2016

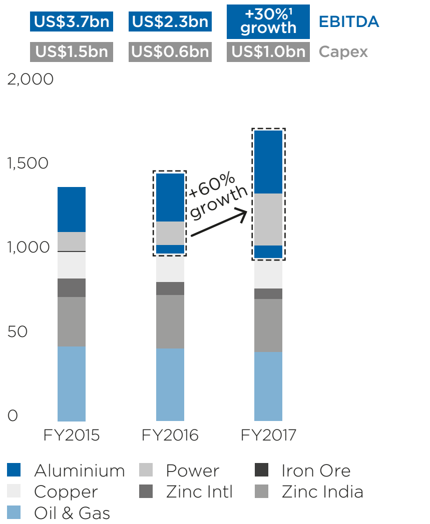
1 Margin excluding custom smelting revenue and EBITDA at Copper and Zinc India operations.
2 Free cash flow is cash flow arising from EBITDA after net interest, taxation, sustaining and capital expansion expenditure, movements in capital creditors and working capital movements.

## 30 US cents

Dividend per share

### Production growth

Copper equivalent (kt)




1 EBITDA potential based on estimated FY2017 production, commodity prices as of 20 April 2016 and Q4 FY2016 costs.

# CEO's Statement
## Tom Albanese

"Our Tier 1 assets, with long mine lives and continued strong cash flows, provide us a buffer against economic impact, helping to differentiate us from many of our peers.

In FY2016, Vedanta demonstrated resilience in the face of exceptionally challenging commodities markets around the world.

The true measure of a company is how it performs in adverse conditions, so while the commodities sector came under considerable pressure in FY2016, impacting our financial performance and resulting in impairment charges, our diverse portfolio, and ethos as a low-cost producer, served us well. Our employees rose to the challenge, and the momentum they generated in the previous year came through, ensuring a good set of results.

### Health and safety
Starting with safety, I remain unequivocal on the subject of safety: there is no greater priority, and no commercial or operational consideration may ever override it. When I joined the Company two years ago as CEO, safety was the area that I identified as needing the most improvement.

No personal injury – much less, a fatality – is ever acceptable and we have been leading a 'zero harm' campaign to bring about a new culture of safety across the Company.

It was therefore with deep regret that we recorded 12 fatalities during FY2016. Zero incidents on our sites is the only acceptable outcome, and we are redoubling our efforts to instil safety awareness, driven by every leader at every site.

### Resilience in a challenging climate
In my 40 years in the mining business I have seen the commodity cycle turn many times, although the severity of this torrid year was something no one foresaw.

However, we mobilised around the challenge, aided by three primary factors. The first was the resilience of our portfolio, with assets mainly on first or second quartile of the global cost curve and minimal capital requirements.

Secondly, our major capex programme was largely completed within the last two years. Our current requirements are low, with FY2017 capex expected to be around US$1 billion, 50% of which would be across the high return Zinc projects at Gamsberg and Zinc India. In turn, this allows us to focus our efforts on reducing net debt.

This also plays to our third strength: our businesses. Our Tier 1 assets, with long mine lives and continued strong cash flows, provide us a buffer against economic impact, helping to differentiate us from many of our peers.

Furthermore, underpinning all of our activities has been an aggressive cost reduction programme. I announced this time a year ago the ambitious goal of delivering savings of US$1.3 billion over the next four years. Through a combination of new business programmes, operational excellence, modernisation of the supply chain and innovative ideas from our 10,000 professionals, we delivered US$325 million against that target in the first year.

These programmes have been strongest where we've needed them most. At Konkola Copper Mines (KCM) in Zambia, for example, we conducted a wholesome review, analysing every contract and every contractor, applying the disciplines we needed to become more commercially competitive.

Similarly, as we increased capacity at our Aluminium operations, we systematically drove down the cost of coal, carbon and conversion, delivering a 10% lower cost of production to US$1,572 per tonne in FY2016. Benefits also came through some very difficult decisions that we took during the year regarding over capacity reductions and shutdowns, while we were mindful of the impact these decisions would have on employees and communities.

### Focus on delivery
During the year, Vedanta saw measurable improvements in operational delivery. We advanced production considerably, ramping up our Aluminium business, restarting our Iron Ore business, operationalising the entire 9,000MW of Power portfolio and making progress in our Zambian copper facility.

In our Aluminium business, where markets were particularly weak, we were already well-placed with re-engineering and cost reductions. We received the required approvals to use power from the 2,400MW Jharsuguda power plant for captive purposes and we therefore commenced the ramp-up at the 1.25mtpa Jharsuguda smelter. During the year, we also progressed the commissioning of our power plants at BALCO and Talwandi Sabo. This means the entire 9,000MW capacity Power portfolio is now fully operational.

In addition to this, we were able to resume iron ore production in Goa after working effectively with the Government and local stakeholders. I am pleased to report that operations were resumed in FY2016, and the ramp-up efforts are continuing.

At KCM, which had previously posed a number of operational issues, we saw volume ramp-ups alongside cost reductions.

Our other businesses continued to build on good performances in FY2016, including the delivery of cost reductions and the advancement of key projects such as the underground development at HZL, and the first excavation at Gamsberg, the site of one of the world's largest zinc deposits.

At Cairn, we successfully implemented our enhanced oil recovery project – the world's largest polymer injection oil project.

### Progress against our operational priorities

Two years ago we identified four operational areas requiring particular focus in order to achieve the strategic priorities we had identified for the Company. I am pleased to report good progress on three of these, while there is still work to be done on the fourth.

We received approvals to use power for captive purposes and commenced ramp-up of the world-class Jharsuguda smelter. This has advanced well and we expect to increase capacity to around 50% by the end of FY2017.

Secondly, I reported last year that we were focusing on a turnaround plan for KCM, which has been losing money even when copper prices were much higher. Over the last two years, we delivered strong volumes at KCM and stabilised operating costs. This has protected our cash flows, despite copper currently trading at US$1,000 per tonne less than it was a year ago. I am also greatly encouraged that further benefits of this corrective action are continuing to materialise and we expect to deliver positive cash flows next year.

Our third priority was to restart iron ore mining in Goa, and we enjoyed the full support of state and Government authorities to bring this about. Indeed, we were the first in the industry to resume activities there, and the ramp-up continues.

Unfortunately, the remaining priority – to secure a stable local source of bauxite for our Alumina refinery – was not accomplished during the reporting year. We believe that Odisha is blessed with some of the best bauxite resources in the world, both in terms of quality and quantity; however we continue to explore a number of other options. Our vision is to operate a fully integrated aluminium facility, with world-class technology, and the full consent of the local communities.

I can, however, report excellent progress in serving our key facilities with power. A year ago we were in the pre-commissioning phase of two new power plants, at BALCO and at Talwandi Sabo in Punjab. Both are now fully online and have added nearly 2,500MW of new capacity. Indeed, with total generating capacity of 9,000MW, Vedanta is now a larger generator than many power utilities. We use around two-thirds of the power we generate ourselves, and sell the remainder to state utilities under long-term arrangements or via retail contracts.

### Our focus now

The five strategic priorities we identified in 2014 remain as valid now as they were then: to improve our operations, optimise our assets, build our reserves and resources, simplify our business structure and protect and preserve our license to operate.

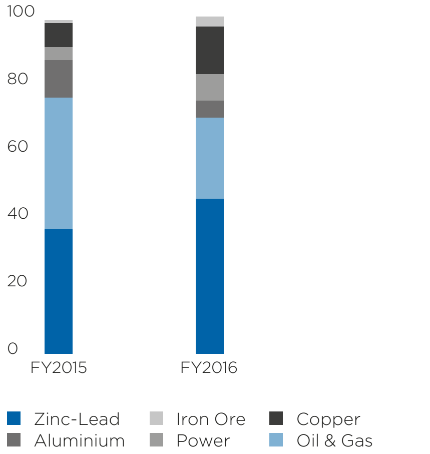
As mentioned previously, our portfolio is very resilient and will only become more so as we drive further improvements across our business. This will leave us well positioned to take advantage of the upturn in the cycle when it comes.

One thing you learn in a downturn is that investments made in good times need to be carefully managed when the climate deteriorates. I am proud of how the Company has responded, gaining a firmer grip on costs, driving up efficiencies and adapting to the world as it is now.

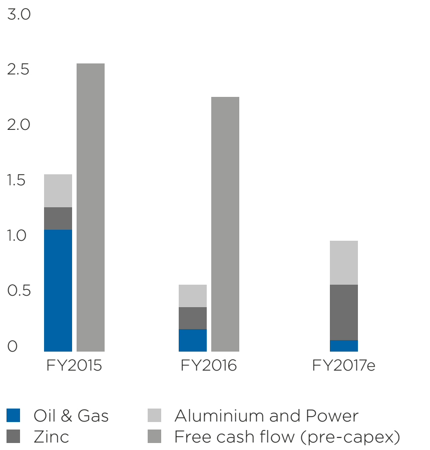
I have heard people say that this turbulence is the 'new normal', but throughout my four decades of mining experience, this has always been the case. Volatility is a continual 'normal'. We have seen it many times and we know that low prices serve as a self-correcting mechanism for markets, by adjusting supply and demand – we see this happening now.

Naturally we hope that the worst is behind us and cautiously believe that it may be.

**Group EBITDA mix** (%)




**Cash flow pre capex and growth capex growth profile** (US$ billion)




Indeed, we are seeing macroeconomics which suggest that FY2017 could end with some welcome positive momentum. At Vedanta, we now look forward to FY2017 as a very exciting year ahead, with the ramp-up of capacities at our Aluminium, Iron Ore and Power businesses which should deliver us over 60% growth in copper equivalent terms and ramping-up capacities at KCM, which would drive strong free cash flows.

**Tom Albanese**
**Chief Executive Officer**
12 May 2016

## Market Overview

# The global economy

### Global economy

The IMF's latest World Economic Outlook (WEO) in April 2016 estimates global growth at a modest 3.2% in 2016, broadly in line with last year. The recovery is projected to strengthen in 2017 and beyond, driven by emerging markets and developing economies as conditions in distressed economies start to normalise.

Advanced economies are also expecting moderate growth for 2016, in line with 2015. These economies are expected to grow at 2.4% in 2016, then marginally higher in 2017. The Eurozone is likely to see modest growth at 1.5% this year and 1.6% next year. In Japan, both growth and inflation are weaker than expected, with growth turning slightly negative in 2017.

China, the world's second largest economy, continued to be sluggish, with the IMF predicting growth rates of 6.5% in 2016, at the lower end of the official target of China of 6.5-7.0%. This reflects the negative impact of a weakening property market and slower industrial activity as the country continued its transition to a consumption and services-led economy, rather than one driven by manufacturing and exports.

Although the growth rate in emerging and developing economies slowed to around 4%, they still account for the majority of world growth in 2016. Lower oil prices should support growth in many oil-consuming countries as living standards continue to rise in Asia and Africa in particular.

According to the IMF WEO, India by contrast remains a bright spot with strong growth and rising real income.

### Commodities market

The global uncertainty and volatility has significantly impacted the commodities market. Ongoing supply increases, high inventories, softening demand, particularly from the emerging and developing economies, have resulted in commodities trading at historic lows vis-à-vis peaks seen in 2011. Even though supply-side factors are more profound, demand softening too has played an important role.

Markets are, however, witnessing some gradual rebalancing. February and March 2016 have seen metals prices recording strong gains. This was largely driven by improved market sentiments, falling stocks, production cuts and few supply interruptions, among other factors.

China, however, would be key – its share of world metal consumption rose above 50% in 2015 and it accounted for the majority of global growth over the last 15 years. Gradual recovery in China could see favourable terms for the commodities market.

Overall, in the medium term, markets are expected to tighten largely due to reduced investment in supply capacity, rising global demand and metal specific factors.

### Indian economy

During the year, India's growth story has shown remarkable resilience. Numerous policy measures coupled with the decline in oil prices have enabled India to become one of the fastest-growing large economies in the world. India has registered a robust and steady pace of economic growth in FY2016 just as it did in FY2015. The IMF projects India's growth at 7.5% for FY2017.

To create investment and a business-friendly environment, the Government of India (GoI) has initiated a series of policy reforms, which are likely to prove transformational for the Indian economy. Focus on simplification and rationalisation of regulation, together with policy measures could prove to be a game-changer for the Indian economy.

Increased public investment in roads and railways will have a significant multiplier effect. The infrastructure sector has been a priority area for the Government, attracting enhanced public investment. The National Investment and Infrastructure Fund (NIIF) has supported robust growth in this sector. This special emphasis on infrastructure is helping drive demand for aluminium, zinc, copper and iron ore.

Given that the Government is committed to sustain the reforms momentum, it is expected that private sector investment will revitalise and further boost India's growth prospects.

As a large net importer of crude oil, the reduction in India's import bill, by around 55% compared to FY2014, has had a positive impact on the Indian economy and supported a positive fiscal outcome. The largest impact of the decline in crude oil prices over the last two years has been on inflation – a key economic variable.

## Oil & Gas

During 2015, the Brent crude oil the price averaged US$52/bbl – its lowest level since 2005, driven by the advent and resilience of shale oil production, increased oil production by OPEC members and muted demand. Supply continued to grow faster than demand, resulting in OECD commercial stock levels reaching a record high.

The Indian oil & gas market is characterised by very high dependence on imports. Imports represent around 75% of oil consumption and 40% of demand for gas. Against this background, sustained low hydrocarbon prices have augured well for the Indian economy. The Government is aiming to reduce India's import dependence by 10% by 2022 and as one of the largest crude oil producers in India, supplying 27% of domestic production, Vedanta is well positioned to support this objective of higher domestic production to reduce the energy import burden.

The Government's recent policy reforms in the Indian oil & gas sector have been encouraging. For instance, a new exploration and licensing policy termed 'Hydrocarbon Exploration and Licensing Policy' (HELP) was introduced. The policy is a fundamental step change in the Indian oil & gas sector and introduces a new contractual and fiscal model for the award of hydrocarbon acreages. This policy, coupled with the fact that India is under-explored, offers significant opportunities for the oil & gas players to create value through higher domestic production.

Looking ahead, significant oil price volatility is expected. According to the International Energy Agency, 2016 also could be a third successive year when supply will exceed demand by 1 mb/d. However, from its historic low in January 2016, oil prices rebounded to more than US$45/bbl.

## Zinc

The zinc market in FY2016 was characterised by mine closures and price-induced output cuts, thus improving the overall fundamentals of the metal. With global consumption expected to grow at a steady rate of 2-3% per annum, meeting this demand will be a challenge with recent mine closures and production curtailment, and no new replacements coming up in the near future. Zinc treatment charges (TCs) have fallen from the 2015 benchmark of US$245/t to US$188/t in 2016, a 23% reduction. This is also symbolic of the pace at which the concentrate supply is depleting. The falling zinc inventory at the LME warehouses also point towards a tightening zinc market.

This follows a brief period of FY2016, which was marked by a loss in investor confidence in the base metals complex and a general retreat in prices. The situation was compounded by tepid demand in the Chinese economy and a strong dollar.

Although the overall pace of consumption in the Chinese economy has cooled off a bit, demand for zinc is growing, albeit at a slower pace. Other zinc-consuming economies such as the EU and the US are expected to post higher growth after a dismal performance in the previous year. India is also projected to tread an encouraging growth trajectory (7-8%) in the near term. Consequently, global zinc demand should expand this year, with growth set to accelerate from last year's depressed levels.

India's zinc consumption didn't grow significantly this year as the domestic steel industry suffered, mainly on cheap imports. However, the Government's measures to curb imports by increasing duty and implementing a minimum import price (MIP) will help domestic producers increase production. The country's consumption is expected to grow by 6-7% in FY2017, which will benefit us in particular. We had a market share of 79% in FY2016; this will be a positive benefit to Vedanta.

The Indian Government's focus on upgrading its crumbling infrastructure has provided the much-needed impetus to overall economic activity. As per the Wood Mackenzie Long Term Outlook published in Q1 2016, zinc demand is forecast to rebound, growing by an average annual rate of 7.0% per annum, lifting consumption to 900kt in 2020. The use of galvanised steel in Indian automobiles has started picking up, with less than 3% in a typical car to 7% currently, and is expected to increase to 20% by 2020. Solar energy is another avenue which may demand an additional 50-350t of galvanised steel/MW of installed capacity.

## Lead

Lead fundamentals remained bullish with lead prices falling the least among all other base metals in FY2016. Lead consumption is forecasted to grow at 2-3% per annum in the long run.

# Market Overview continued

Given the likelihood that low lead prices will reduce the availability of scrap metal, diminishing the incentive to collect, both primary and secondary supply will tighten in the months ahead.

With pollution concerns aggravating in China, market share for electric is likely to get a boost, thereby increasing demand for industrial batteries. India's growing telecom industry and ongoing infrastructure development will also support industrial battery demand, as should an expanding Photovoltaic (PV) market.

The key to this is medium-term industrial sector growth, estimated at 5.8% per annum with sustained investment in the relevant sectors the key to this growth. India has the second largest number of mobile subscribers in the world, after China, and is currently ranked sixth in global vehicle production, suggesting strong demand will eventually lead to higher prices.

## Copper

Global mine production of copper is estimated to have risen by 3.5% to 19.1mt in 2015 while refined primary copper production is estimated to have totalled 18.9mt, 1.8% higher than the previous year. The main contributor to growth in world refined production was China (up by 4%). World copper usage, however, is estimated to be around 22.8mt, in line with the previous year. A stronger US dollar and slower-than-expected growth in China have weighed on copper prices in 2015 and at the start of 2016, with prices dropping to levels below US$4,500.

In concentrates, annual benchmark settlements for 2016 are slightly lower, compared with the previous year, mainly due to uncertainties surrounding mine projects as prices continued to fall. However, several new mine projects commenced full production in 2015 and further expected new mine production/ expansion in 2016 will support higher concentrate availability. Global smelter production increases during the same period are not expected to keep pace with the mine production. This will ensure that the custom concentrate market in 2016 remains well supplied, leading to higher levels of TC/RCs.

Vedanta is one of the major exporters to China and also holds the highest market share in India; where demand is expected to grow at more than 8% as the policy reforms and various other initiatives taken by the GoI rejuvenate the economy.

KCM remains one of the leading copper producers in Zambia; production for the year was higher due to the contribution from Konkola mines. Zambia's economic performance is expected to remain strong in the medium term, driven by large investments in infrastructure and a growing public administration and defence.

## Aluminium

Global aluminium consumption rose by 4% to 56mt in 2015, compared with 2014. This growth was primarily driven by China where consumption was up 6.7% in contrast to consumption in the world outside of China, which grew by only 1.2% to 27.2mt. As per CRU's latest estimates, primary aluminium global demand is expected to grow by 3% CAGR in the period 2015-2020, driven by the transport sector and aluminium substitution for other heavier metals.

Supply has grown by 6% to 57.5mt in 2015; however, production outside China was flat at 26mt, due to production cuts. Worldwide supply is outpacing the demand, which will continue to put further pressure on both pricing and premiums. Specifically, China's consistently high production and exports to the rest of the world is adding to stocks globally.

In India, primary production for FY2015 stood at 2.4mt and FY2016 will be close to 3.1mt. Demand is likely to be higher than average at around 8% during 2014-2020, spurred by large infrastructure investment by the Government along with increased investment activity by the private sector. This includes investment in electrification driving demand for wire rods, the automotive sector driving demand for alloys and the 'Make in India' campaign driving more aluminium consumption generally.

## Iron Ore

FY2016 witnessed a significant decline in prices on the back of rising supplies from Australia and Brazil, and slackening demand from China. Prices are projected to remain well below levels recorded during the height of the mining boom.

A sustained period of lower prices over the medium term is expected to result in the closure of high-cost capacity as the financial losses of these companies begin to accumulate.

Although these closures will provide some support to prices, new low-cost capacity is being developed, particularly in Australia and Brazil, that will constrain any large increases in prices.

While global iron ore demand is projected to remain relatively flat, continued substitution of domestically produced iron ore in China with seaborne iron ore is expected to result in a modest increase in international trade. Reflecting this, global iron ore trade is projected to increase by 1.3% a year between 2015 and 2021, to reach 1.6bt.

Export growth is projected to come almost entirely from Australia and Brazil, with import growth projected to largely come from China and, to a lesser extent, the United States and Japan.

Vedanta's Iron Ore business in Goa caters primarily to the global seaborne iron ore trade due to its logistical proximity to the port along with inland waterways. Goan low grade exports are primarily destined for Chinese steel mills, who are able to blend the low grades with other high grade expensive ores from Brazil and Australia. By contrast, the Iron Ore business in Karnataka caters primarily to the domestic steel industry in the state of Karnataka, which is located within a radius of 200 kilometres of the mine.

### Power

The Indian power sector has witnessed substantial growth in the past decade to meet the growing demand and as well the large latent demand. According to the World Bank, India has been responsible for 10% of global energy demand growth since 2000. The Indian power system is the fifth largest in the world and India is one of the top five electricity consumers of the world. Growth in industrial activities, rapid urbanisation and rural electrification is expected to push the total installed capacity to 562GW by 2030 as per the Niti Ayog report in April 2015.

To date, demand has, in fact, been suppressed due to the financially stretched position of the distribution companies, who have been unable to purchase sufficient power to meet consumer demand and are managing the situation through power cuts.

Radical transformation measures have been introduced by the Government. The ongoing financial relief and transformation package Ujwal Discom Assurance Yojana (UDAY) for the distribution companies announced by the Government is expected to enhance the financial health of the distribution companies, and encourage higher consumer demand on the grid.

Continued focus on efficient generation, coupled with such macro factors, are expected to yield better returns in the medium to long term. Transmission constraints in the grid have also dampened the development of the power market in India in the past. This is expected to improve in FY2017, alongside the commissioning of new transmission projects.

With almost all installed capacity coming on stream in FY2016 and improvements in the supply of local coal, Vedanta's generation capacity has increased by around 30% for the coming year.

With more than 9,000MW of installed capacity spread across India, including one of the largest wind installations (273MW), Vedanta is poised to continue playing a vital role in the power story for transforming the nation.

### Opportunities for Vedanta

Vedanta is positioned well with a diversified portfolio of assets spread across many commodity classes, enabling it to adjust to economic cycles and offset market downturns. With its focus on India and position as a low-cost producer, Vedanta faces a more positive environment locally in the medium term, as India continues its strong growth and implements the Government vision to reduce dependence on imports. In the long term, Vedanta's diversified spread across commodities makes it well positioned to benefit as supply and demand fundamentals gradually get aligned globally.

Sources:
IMG, IEA (International Energy Agency), Wood Mackenzie, CRU, Resources and Energy Quarterly, Niti Ayog.

# Business Model

### What we do and how we add value

Vedanta operates across the value chain, undertaking exploration, asset development, extraction, processing and value addition with a primary focus on upstream operations. We capitalise on our strategic capabilities to create value for all our stakeholders: our shareholders; our employees; our customers; our lenders and the communities where we operate.

The scale and breadth of our operations underpin the value we create:

- the diversified nature of our business, both in geographical reach and the range of commodities and minerals we mine, provides a more balanced exposure to economic, political and currency risks;

> **“We capitalise on our strategic capabilities to create value for all our stakeholders.**

## Value generation

**Explore**

We invest selectively in exploration and appraisal to extend mine and reservoir life and have an excellent track record of preserving and enhancing value wherever possible.

**Develop**

We develop world-class assets, using the latest technology to optimise productivity and focus on continuous improvement to reduce costs and enhance access to market.

## License to operate

**Explore**

We invest in local infrastructure and water supplies to the benefit of local businesses and communities.

See page 38

**Develop**

Growing our assets generates direct and indirect employment through sourcing of local labour, goods and services.

See page 44

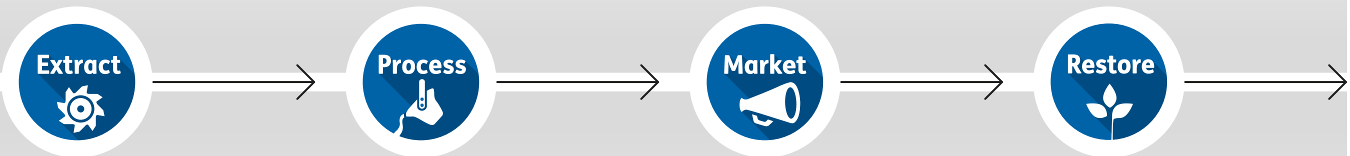
- our scalable, low-cost, long-life assets deliver strong free cash flows from a well-invested asset base;
- our deep operational expertise helps us to optimise the allocation of our resources for maximum benefit. We apply standard processes and systems across the Group, whether in procurement, operations or maintenance, to maximise productivity efficiently;
- we are committed to sustainable development in all aspects of our business with a well-developed sustainability framework which underpins everything that we do.

We operate low-cost mines and oil fields, with a clear focus on safety and efficiency. Our diverse portfolio enables us to optimise production across commodity cycles and capitalise on our strong position in India and our proximity to emerging markets.

We focus on operational excellence and high asset utilisation to deliver top quartile cost performance and strong cash flow, selectively converting some of our primary metals into higher margin products such as sheets, rods, bars and billets in our Aluminium, Copper and Zinc businesses.

We supply our commodities to customers in a wide range of industry sectors from automotive to construction, from energy to consumer goods. We are the leading supplier in India and also export to global markets.

We manage our long-life mines and assets as effectively as possible to deliver value across the life cycle and return them back to a natural state at the end of their useful life.




Moving into full production generates value for all stakeholders:

- We provide personal development, training and healthcare for employees.
- We invest in community initiatives around our assets.
- We initiate environment projects to minimise the impact of our operations and increase biodiversity.
- We develop close relationships with customers and suppliers.
- We generate a consistent dividend stream for shareholders and significant tax contributions to host governments.

As one of India's leading producers, we provide the resources that our customers then turn into the products that India needs to support its economic and social development.

See page 14

We work closely with local communities, regional governments and conservation organisations to rehabilitate our mines and restore the natural habitat, providing a legacy for the future.

See page 42

# Strategic Capabilities & Relationships


## Strategic capabilities

### World-class assets

We have a resilient portfolio of high-quality assets that deliver value throughout the commodity cycle. Our long-life, low-cost assets are cash generative, with capital expenditure and operational investment focused on projects that will improve efficiency, optimise productivity and reduce the cost of production. This year, free cash flow of US$1.7 billion has been generated, post capital expenditure of US$0.6 billion, down by 63% on FY2015. All our major businesses are now in the 1st or 2nd quartile of the global cost curve, with cost reductions and production increased at Copper Zambia driving improvement in this segment.

### A skilled workforce

At the heart of our 70,000-strong workforce are the 10,000 skilled professionals including engineers, geologists, technicians and commercial managers. Training and development is key to recruitment and retention and we continued to invest in FY2016, with 1.53 million training hours undertaken by employees and contractors during the year. We are committed to extending our gender diversity across the whole organisation.

### Technology and innovation

We encourage a culture of innovation both internally and through collaboration with external networks to drive productivity and maintain our competitive position. The CEO has set up an innovation task force with the objective of increasing the number of patent filings, reducing the cost of production by bringing in disruptive technology and focusing in-house technological innovation in exploration, processing, waste management and new product development.

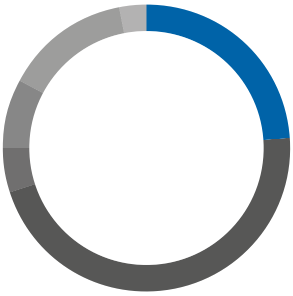
### Financial strength

We have a strong financial profile with cash and liquid investments of US$8.9 billion and a diversified, balance debt portfolio. Our strong cash generation has enabled us to maintain liquidity while continuing to reduce our net debt by US$1.1 billion in FY2016.

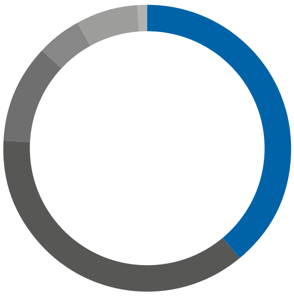
### License to operate

Our sustainable development model underpins our license to operate and is integral to our business. We are focused on embedding a culture of sustainability across the whole Group, promoting a culture of transparency and integrity, focusing on protecting the health and safety of our employees, minimising our impact on the environment alongside working with and investing in our local communities.

**Diversified mix of business – share of EBITDA FY2016**



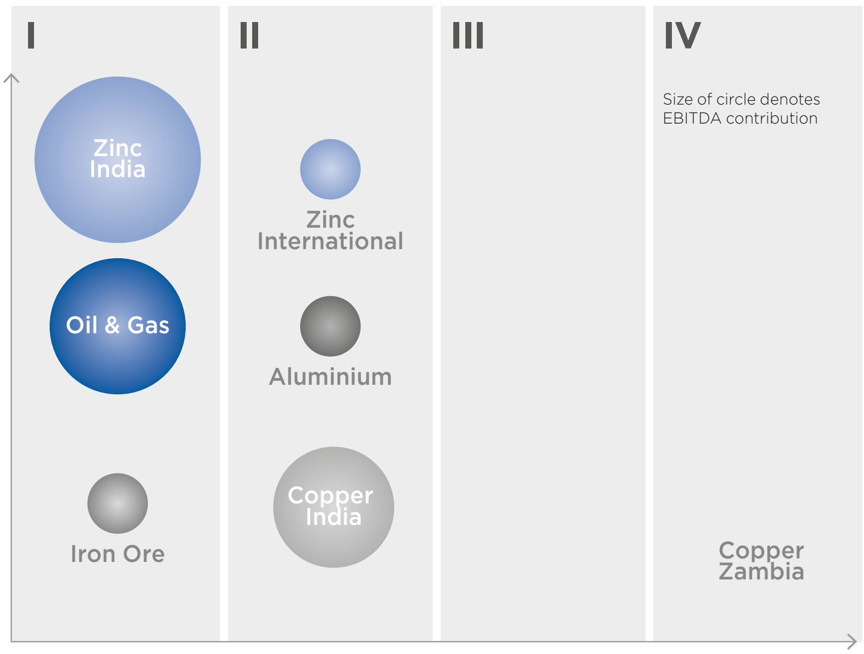

**Diversified mix of business – share of EBITDA FY2015**




**Vedanta's economic contribution** (US$ million)


1: Engineers at the aluminium wire rods facility.

Competitive position on global cost curve




## Relationships

### Governments
Vedanta published its first voluntary tax transparency report for FY2015, showing the contributions it makes to public finances in all the countries it operates in and we intend to enhance this going forward by introducing an external assurance process.

### India
India's Government is focused on economic growth and job creation, with major infrastructure investment programmes, a focus on reducing imports and increasing manufacturing through its 'Make in India' campaign.

As the largest diversified natural resources company in India, Vedanta is well placed to support the Government's ambition and is already benefiting from recent economic reforms, such as the first coal auctions following the introduction of the Mines and Minerals (Development and Regulation) Act that provides for the auction of natural resources.

Relationships with state Governments are equally important and we continue to work with the Governments of the states where we operate.

### Africa
Vedanta now employs over 15,000 people across Zambia and Southern Africa and is committed to building strong relationships with regional governments. US$3 billion has been invested in the Konkola copper mines since its acquisition and it has recently commenced construction of the Gamsberg zinc project; one of the world's largest undeveloped zinc deposits which will help unlock the region's vast mineral wealth to the benefit of all stakeholders.

### Employees
In addition to investing in training and development for its 70,000 employees, opportunities for employee engagement exist at every level within the Company. These include Chairman's workshops, Chairman and CEO Town Hall meetings, mentor programmes and also forums at local levels to cover issues including welfare, gender diversity, sustainability and safety.

### Customers and suppliers
Relationships are both direct and indirect through membership of industry bodies, with Vedanta aiming to set high standards for contractual integrity and quality of product. Supply chain management is treated as a critical skill, underpinned by investment in IT and integrated systems.

### Communities
Key to our license to operate is our relationship with the communities where we operate, built on dialogue, mutual respect and free prior informed consent to access natural resources. All our businesses formally record all stakeholder expectations and the outcomes of their engagements. During the year 4,100 stakeholder engagement meetings took place and more than 250 partnerships are in place with non-governmental organisations (NGOs), governments and government bodies and academic institutions, delivering community programmes benefiting over 2.25 million people in India and Africa.

### Shareholders
The Company actively engages with shareholders to listen to their views, with the executive members of the Board undertaking an ongoing schedule of meetings with institutional investors, analysts and brokers, including Capital Market Days and Sustainable Development Days.

### Lenders
Vedanta has a balanced debt portfolio, with a diversified range of funding sources and a balanced maturity profile. It maintains close communications with its lenders, through meetings, presentations and ongoing communication throughout the year, led by the Finance team.

# Strategic Framework

## Strategy

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

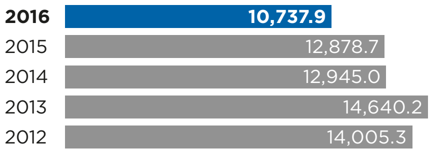
| Progress against strategic priorities | Production growth and asset optimisation | De-lever the balance sheet |
|---|---|---|
| What we said we would do | ➢ Achieve full capacity across businesses<br>➢ Aluminium and Power: ramp-up pots; secure domestic bauxite and coal; commence production from Chotia coal block<br>➢ Zinc India: ramp-up of Rampura Agucha underground and Sindesar Khurd mine<br>➢ Oil & Gas: ramp-up EOR at Mangala; increase gas production<br>➢ KCM: deliver operational turnaround<br>➢ Iron Ore: commence operations at Goa | ➢ Maintain positive free cash flow despite current market volatility<br>➢ Reduce net gearing in the medium term<br>➢ Efficiently refinance upcoming debt maturities<br>➢ Realise US$1.3 billion of procurement and marketing synergies over four years |
| What we have achieved | ➢ Received approval for captive use of power<br>➢ Cost of production reduced by 10% to US$1,572/t in FY2016<br>➢ Received environmental approval for Lanjigarh Alumina refinery expansion<br>➢ Entire 9,000MW portfolio operational. Additional 2,500MW operationalised in FY2016<br>➢ Increasing contribution from underground mines at Zinc India<br>➢ Successfully completed Mangala Enhanced Oil Recovery project; ramping-up gas production<br>➢ Ramp-up of volumes and optimisation of costs at Copper Zambia<br>➢ Commenced operations at iron ore mines in Goa | ➢ Strong free cash flow of US$1.7 billion<br>➢ Net debt reduced by US$1.1 billion<br>➢ Refinancing debt efficiently<br>➢ Cost savings and marketing synergies of c.US$325 million achieved |
| Focus areas | ➢ Disciplined ramp-up of new capacities at Aluminium, Power and Iron Ore<br>➢ Zinc: ramp-up volumes from Rampura Agucha underground mines<br>➢ Oil & Gas: enhance gas production, EOR at other fields<br>➢ KCM: ramp-up production, optimise cost | ➢ Reduce net debt<br>➢ Continued optimisation of opex and capex<br>➢ Continued discipline around working capital |

| Simplification of the Group structure | Protect and preserve our license to operate | Identify next generation of resources |
|---|---|---|
| ➢ Pursue Group simplification | ➢ Achieve zero harm<br>➢ Implement biodiversity management plans at all sites<br>➢ Obtain local consent prior to accessing resources | ➢ Optimise oil exploration activities<br>➢ Leverage expertise of central mining exploration group<br>➢ Identify next generation of resources at Barmer Hill and satellite fields<br>➢ Phased development of Gamsberg |
| ➢ Announced merger of Vedanta Limited and Cairn India in June 2015 | ➢ Working towards achieving zero harm<br>➢ Achieved water and energy saving targets<br>➢ Zero 'higher category' (Cat # 4&5) environmental incidents<br>➢ Businesses are implementing their Biodiversity Management Plans<br>➢ Social Impact assessment studies for HZL and Cairn India completed<br>➢ Around 2.25 million beneficiaries of our community initiatives | ➢ Zinc India: net R&R addition of 15mt<br>➢ Pre-stripping commenced at Gamsberg, first ore production targeted for 2018<br>➢ Dedicated exploration cell formed |
| ➢ Work towards Vedanta Limited -Cairn India merger | ➢ Focus on eliminating fatal accidents<br>➢ Reducing our environmental footprint<br>➢ Bring all stakeholders on board prior to accessing resources | ➢ Disciplined approach to exploration<br>➢ Continue to enhance our exploration capabilities<br>➢ Ramp-up Gamsberg to full production in 9 to 12 months from first production |

# Key Performance Indicators

## Growth

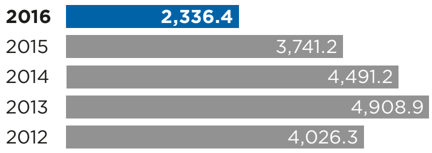
**Revenue** (US$ million)




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

**Commentary**
In FY2016, overall revenue was down 17% to US$10.7 billion compared with US$12.9 billion in FY2015. The decrease was primarily driven by lower Brent prices, lower LME prices, and premiums across metal businesses. The decrease was partially offset by an increase in volumes at Zinc India, Aluminium, Copper India, and the commissioning of power units at Talwandi Sabo and BALCO.

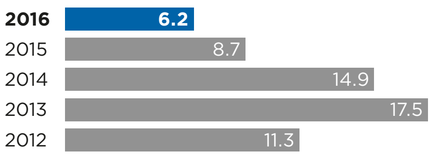
**EBITDA** (US$ million)




**Description**
Earnings before interest, tax, depreciation and amortisation (EBITDA) is a factor of volume, prices and cost of production. This measure is calculated by adjusting operating profit for special items, and adding depreciation and amortisation.

**Commentary**
EBITDA for FY2016 was down by 38% at US$2.3 billion. This was primarily due to the reduction in Brent and LME prices.

**ROCE**[1] (%)

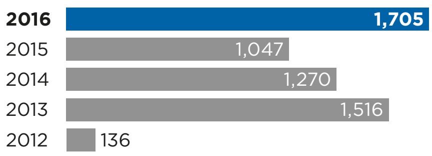



**Description**
This is calculated on the basis of operating profit before special items and net of tax as a ratio of capital invested in operations as at the balance sheet date, and excludes investment in project capital work in progress and exploration assets. The objective is to earn a post-tax return above the weighted average cost of capital consistency. To have consistency in comparison, the effect of one-time, non-cash impairment charges have been taken out in calculating ROCE for FY2016.

**Commentary**
In FY2016, ROCE without project work in progress and exploration assets in FY2016 was at 6.2% compared to 8.7% in previous year.

1 Pre-exceptional items for FY2015 and FY2016.

**Free cash flow post capex** (US$ million)




**Description**
This represents net cash flow from operations after investing in expansion projects. This measure ensures that profit generated by our assets is reflected by cash flow in order to deliver or reinvest for future growth.

**Commentary**
Generated record free cash flow of US$1.7 billion which was driven by strong operations, optimisation of operational and capital expenditures and by working capital initiatives.

# Long-term value

## Growth capex (US$ million)

| | |
|---|---|
| **2016** | **566** |
| 2015 | 1,531 |
| 2014 | 1,425 |
| 2013 | 2,019 |
| 2012 | 2,398 |

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

**Commentary**
Disciplined capital allocation on high-return, low-risk projects. Expansion of capital expenditure during the year was at the reduced level US$0.6 billion, with most of this invested in expansion at Zinc India, the Mangala EOR programme at Oil & Gas and marginal amounts to complete the Aluminium and Power projects.

## Underlying EPS (US cents)

| | |
|---|---|
| **2016** | **(131.9)** |
| 2015 | (14.2) |
| 2014 | 14.7 |
| 2013 | 134.8 |
| 2012 | 142.0 |

**Description**
This represents the net profit attributable to equity shareholders and is stated before special items and their attributable tax (including taxes classified as special items) and minority interest impacts.

**Commentary**
Underlying EPS at (131.9) US cents per share is lower compared to the previous year of (14.2) US cents. This was reflected by weak commodity prices resulting in lower EBITDA.

## Dividend (US cents per share)

| | |
|---|---|
| **2016** | **30** |
| 2015 | 63 |
| 2014 | 61 |
| 2013 | 58 |
| 2012 | 55 |

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

**Commentary**
The Board has recommended a dividend of 30 US cents per share this year compared to 63 US cents per share in previous year. This was a prudent decision in light of the market volatility and our commitment towards developing.

# Sustainable development

## LTIFR (million man hours)

| | |
|---|---|
| **2016** | **0.46**[1] |
| 2015 | 0.46 |
| 2014 | 0.54 |
| 2013 | 0.55 |
| 2012 | 0.83 |

**Description**
The Lost Time Injury Frequency Rate (LTIFR) is the number of lost-time injuries per million man-hours worked. This includes our employees and contractors working in our operations and projects.

**Commentary**
We are working towards creating a zero-harm environment and have seen an overall decline in incident rate as compared to the previous year. Further, this year we have re-established the LTIFR base performance as per ICMM reporting guidelines and are working towards a future reduction in LTIFR performance.

1 As per revised ICMM definition, LTIFR stands at 0.50.

## Women in the workforce (%)

| | |
|---|---|
| **2016** | **9.4** |
| 2015 | 8.6 |
| 2014 | 8.4 |
| 2013 | 8.1 |
| 2012 | 8.2 |

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

**Commentary**
We nurture passionate talent and provide equal opportunities to men and women. During the year we initiated special recruitment drives to provide career advancement for women, including planned rotation through corporate functions which led to an increase in the ratio of female employees to 9.4% of total employees as compared to 8.6% last year.

## CSR footprint (million beneficiaries)

| | |
|---|---|
| **2016** | **2.25** |
| 2015 | 4.00 |
| 2014 | 4.10 |
| 2013 | 3.70 |
| 2012 | 3.10 |

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

**Commentary**
To strengthen our license to operate in host communities we have redefined the scope of our community investment and strengthened the programme objectives to align strongly with business imperatives and community needs (derived from our need assessment conducted last year).

# Principal Risks

The resources sector is currently in the midst of correction, with an extended period of lower and volatile commodity prices impacting earnings, balance sheets and investor perceptions. Our businesses are also exposed to a variety of risks which are inherent to a global natural resources organisation. It is therefore essential to have necessary systems to manage these risks in place, while balancing the relative risk reward equation demanded by our stakeholders.

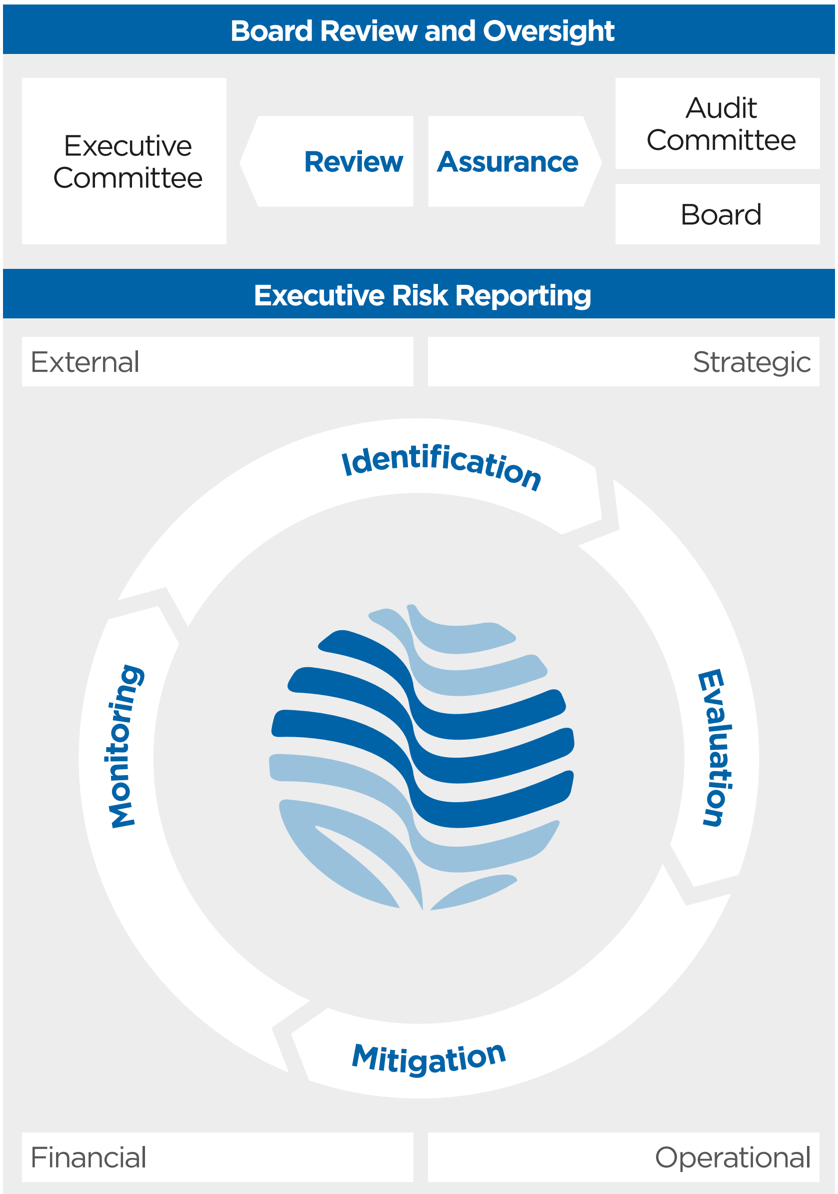
Our management systems, organisational structures, processes, standards and code of conduct together form the system of internal control that governs how we conduct the Group's business and manage the associated risks. Our risk management framework is designed to be simple, consistent and clear for managing and reporting risks from the Group's businesses to the Board.

Risk management is embedded in our critical business activities, functions and processes. It helps Vedanta meet its objectives through aligning operating controls with mission and vision. The effective management of risk is critical to support the delivery of the Group's strategic objectives. The framework helps the organisation meet its objectives through alignment of operating controls to the mission and vision of the Group.

We have a multi-layered risk management framework aimed at effectively mitigating the various risks which our businesses are exposed to in the course of their operations as well as in their strategic actions. We identify risk at the individual business level for existing operations as well as for ongoing projects through a consistently applied methodology.

Formal discussion on risk management happens in business-level review meetings at least once a quarter. The respective businesses review the risks, change in the nature and extent of the major risks since the last assessment, control measures established for the risk and further action plans. The control measures stated in the risk matrix are also periodically reviewed by the business management teams to verify their effectiveness.

Ensuring effective tone at the top is vital for the risk management process to function effectively. These meetings are chaired by business CEOs and attended by CXOs, senior management and concerned functional heads. Risk officers have been formally nominated at all operating businesses as well as Group level whose role is to create awareness on risks at senior



management level and to develop and nurture a risk management culture within the businesses. Risk mitigation plans form an integral part of the performance management process. Structured discussion on risk management also happens at SBU levels on their respective risk matrix and mitigation plans. Governance of the risk management framework in the businesses is anchored with their leadership team.

The Board of Directors has the ultimate responsibility for management of risks and for ensuring the effectiveness of internal control systems. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Audit Committee aids the Board in this process by identification and assessment of any changes in risk exposure, review of risk control measures and by approval of remedial actions, where appropriate.

The Audit Committee is in turn supported by the Group-level Risk Management Committee which helps the Audit Committee in evaluating the design and operating effectiveness of the risk mitigation programme and the control systems. The Group Risk Management Committee (GRMC) comprising of the Group CEO, Group CFO, Director of Finance, Director – Management Assurance and Group Head – HSE meets every quarter. The GRMC discusses key events impacting the risk profile, emerging risks and progress against the planned actions amongst other things.

Materiality and tolerance for risk are key considerations in our decision-making. The responsibility for identifying and managing risk lies with all the managers and business leaders in the Group.

The Group's approach to risk management, elaborated on in its risk policy and the risk charter, is aimed at embedding a risk aware culture in all decision-making processes. Accountability for risk management is clear throughout the Group and is a key performance area for line managers.

Our approach to risk management and systems of internal control is aligned to the recommendations in the FRC's revised guidance 'Risk management, internal control and related financial and business reporting' (the Risk Guidance) issued in September 2014.

The Board-level risk appetite has been defined taking into consideration the Group risk tolerance level and with clear link to its strategic priorities. The risk appetite forms the basis of the Board's assessment and prioritisation of each risk based on its impact on the business operations. A risk scale consisting of qualitative and quantitative factors has been defined to facilitate a consistent assessment of the risk exposure across the Group. This scale is also aligned to the Board's overall risk appetite.

As stated above, every business division in the Group has developed its own risk matrix of Top 20 risks which gets reviewed at the business management committee/ business thExCo, chaired by the CEO. In addition, business divisions have also developed their own risk registers depending on the size of operations and number of SBUs/locations. These risks get reviewed in SBU-level meetings.

The principal risks and uncertainties listed in the sections below may threaten the Group in the following respects.

| Terminology | Description |
|---|---|
| **Business model** | A business model is the plan implemented by a company to generate revenue and make a profit from operations. |
| **Future performance** | Ability to deliver a financial plan in the short/ medium term. |
| **Solvency** | Solvency is the ability of a company to meet all its financial obligations. |
| **Liquidity** | Liquidity is a company's ability to meet its short-term obligations/liabilities as they fall due. |
| **Health, safety, environment and communities** | The Group's ability to send our employees and contractors home safe and healthy every day and work with our communities and partners to achieve the Group's sustainable development goals. |
| **Reputation** | The ability to maintain investor confidence and our social license to operate. |

The order in which these risks appear in the section below does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their impact on our business. Risk direction of each risk was reviewed based on events, economic conditions, changes in business environment and regulatory changes. While our risk management framework is designed to help the organisation meet its objectives, there can be no guarantee that our risk management activities will mitigate or prevent these or other risks from occurring.

In addition to the above structure, other key risk governance and oversight committees include the following:

- **CFO Committee** has an oversight on the treasury-related risks. This committee comprises of the Group CFO, Deputy CFO, business CFOs, Group Treasury Head and Treasury Heads at respective businesses.
- **Group Capex Sub-Committee** which evaluates the risks while reviewing any capital investment decisions as well as institutes a risk management framework in expansion projects.
- **Vedanta Board-level Sustainability Committee** which looks at sustainability-related risks. This committee is headed by a Non-Executive Director and has the Group CEO and other business leaders as its members.

The Board, with the assistance of management, has carried out a robust assessment of the principal risks and uncertainties of the Group (including those that threaten the business model, future performance, solvency or liquidity) and tested the financial plans for the Group for each of the principal risks and uncertainties mentioned below.

# Principal Risks continued

| Risk | Impact | Direction | Impact criteria | Mitigation |
|---|---|---|---|---|
| Access to capital | The Group may not be able to meet its payment obligations when due or be unable to borrow funds in the market at an acceptable price to fund actual or proposed commitments. A sustained adverse economic downturn and/or suspension of its operation in any business, affecting revenue and free cash flow generation, may cause stress on the Company's financing and covenant compliance and its ability to raise financing at competitive terms. Any constraints on upstreaming of funds from the subsidiaries to the Group may affect the liquidity position at the Group level. | → | Future performance<br>Solvency<br>Liquidity<br>Reputation | The team is working on completing the near-term refinancing, reducing the cost of borrowing, extending maturity profile and deleveraging the balance sheet. The Group also has a track record of good relations with banks and of raising borrowings in last few years.<br><br>Structured ramp-up of facilities will give better margins and help in loan repayments/interest servicing.<br><br>Regular discussions are going on with rating agencies.<br><br>The lending banks at Vedanta have consented to certain changes requested by the Company to its covenants under the terms of the relevant debt facilities effective from 31 March 2016 until the period ending 30 September 2018.<br><br>The Group also generates healthy cash flows from its current operations which, together with the available cash and cash equivalents and liquid financial asset investments, provide liquidity both in the short term as well as in the long term. |
| Operational turnaround at KCM | Lower production and higher cost at KCM may impact our profitability. | → | Business model<br>Future performance<br>Liquidity<br>Reputation | We are reviewing our operations and engaging with all stakeholders in light of operating challenges.<br><br>Several cost-saving initiatives and restructuring reviews are also under way at KCM to preserve cash. At Nchanga, the underground operations (NUG) were put under care and maintenance during Q3 FY2016.<br><br>To mitigate the impact of the power tariff hike, the Company is exploring a range of possible solutions and is in continued dialogue with the relevant stakeholders.<br><br>Issues of VAT refunds are being addressed.<br><br>Our focus at Konkola is to improve efficiency, equipment availability, dewatering and enhance volumes. We are committed to improving KCM's operating performance.<br><br>We are engaging with all stakeholders and Government authorities for a resolution of pending matters. |

↗ Achieved ↘ Not achieved → In progress

| Risk | Impact | Direction | Impact criteria | Mitigation |
|---|---|---|---|---|
| Challenges to operationalise investments in Aluminium business | Some of our projects have been completed (pending commissioning) or are nearing completion and may be subject to a number of challenges during the operationalisation phase. These may include challenges around sourcing raw materials. | ↘ | Business model<br>Future performance<br>Liquidity<br>Reputation | We are in the process of commencing operationalisation of these facilities. We have received approval to convert three units at Jharsuguda from IPP to CPP effective April 2016. Ramp-up of the first line of 1.25 million tonnes at Jharsuguda-II smelter commenced from April 2016. The remaining two units of the BALCO power plant have been commissioned recently. The third unit of TSPL was also synchronised in Q4 FY2016. Pot ramp-up activities commenced at Korba II smelter in April 2016.<br>We continue our efforts to secure key raw material linkages for our Alumina/Aluminium business. Various infrastructure related challenges are being addressed.<br>A strong management team is in place and continues to work towards sustainable low cost of production, operational excellence and securing key raw material linkages.<br>Further details in connection with this are included in the Aluminium business section. |
| Challenges in production growth of Iron Ore business | While Goa iron ore production resumed in FY2016, the risk around the lifting of existing mining caps remains. | ↘ | Business model<br>Future performance<br>Liquidity<br>Reputation | We have resumed operations at our major mines. All mining plans have been approved by the Indian Bureau of Mines and the state Government allocations of mining caps are in line with the Supreme Court directive.<br>We continue to actively pursue the lifting of mining caps and additional allocation of production from the state Government. |
| Extension of production sharing contract of Cairn beyond 2020 or extension at less favourable terms | Cairn India has a 70% participating interest in Rajasthan Block. The production sharing contract (PSC) of Rajasthan Block runs until 2020. Challenges in the extension of the production sharing contract of Cairn (beyond 2020) or extension at less favourable terms may have implications. | → | Business model<br>Future performance<br>Liquidity<br>Solvency | We are in continuous dialogue with the Indian Government and relevant stakeholders. The production sharing contract has certain in-built options for extension; Cairn has already applied for an extension and the matter is being pursued with all stakeholders. |
| Discovery risk | The increased production rates from our growth-oriented operations places demand on exploration and prospecting initiatives to replace reserves and resources at a pace faster than depletion. A failure in our ability to discover new reserves, enhance existing reserves or develop new operations in sufficient quantities to maintain or grow the current level of our reserves could negatively affect our prospects. There are numerous uncertainties inherent in estimating ore and oil & gas reserves, and geological, technical and economic assumptions that are valid at the time of estimation. These may change significantly when new information becomes available. | → | Business model<br>Future performance | Our strategic priority is to add to our reserves and resources by extending resources at a faster rate than we deplete them, through a continuous focus on our drilling and exploration programme.<br>In order to achieve this we have developed an appropriate organisation and allocated adequate financial resources for exploration. International technical experts and agencies are working closely with our exploration team to build on this target.<br>We continue to work towards long-term supply contracts with mines to secure sufficient supply where required. |

↗ Achieved ↘ Not achieved → In progress

# Principal Risks continued

| Risk | Impact | Direction | Impact criteria | Mitigation |
|---|---|---|---|---|
| Transitioning of zinc and lead mining operations from open pit to underground mining | Our zinc and lead mining operations in India are transitioning from an open pit mining operation to an underground mining operation. Difficulties in managing this transition may result in challenges in achieving stated business milestones. | → | Future performance<br>Liquidity | A strong, separate empowered organisation is working towards ensuring a smooth transition from open pit to underground mining. We are working with internationally renowned engineering and technology partners on this project. There is a strong focus on safety aspects in the project.<br><br>Technical audits are being carried out by independent agencies.<br><br>Reputed contractors have been engaged to ensure completion of the project on indicated time lines. These mines will be developed using best-in-class technology and equipment and ensuring the highest level of productivity and safety.<br><br>We have inducted employees/contractors in our system having underground mining expertise. We are also sending our employees to overseas underground mines for skill development.<br><br>Stage gate process to review risks and remedy at multiple stages under way. Robust quality control procedures have also been implemented to check safety and quality of services/design/actual physical work.<br><br>Further, additional output from stage five as well as ramp-up from some of the mines is expected to smoothen out this transition. |
| Fluctuation in commodity prices (including oil) | Prices and demand for the Group's products are expected to remain volatile/uncertain and strongly influenced by global economic conditions. Volatility in commodity prices and demand may adversely affect our earnings, cash flow and reserves. | → | Business model<br>Future performance<br>Solvency<br>Liquidity | In order to mitigate the impact of falling commodity prices, a cost reduction programme is being pursued. Optimisation of operations to drive efficiencies and product mix optimisation are also being pursued. A structured cost reduction programme delivering transformational improvements will reset our cost base to the lowest possible level. We continue to focus on manpower rationalisation and deriving value out of procurement synergies across locations.<br><br>The Group has a well-diversified portfolio which acts as a hedge against fluctuations in commodities and delivers cash flows through the cycle. Vedanta considers exposure to commodity price fluctuations to be an integral part of the Group's business and its usual policy is to sell its products at prevailing market prices and not to enter into price hedging arrangements other than for businesses of custom smelting and purchased alumina, where back-to-back hedging is used to mitigate pricing risks. In exceptional circumstances we may enter into strategic hedging but only with prior approval of the Executive Committee.<br><br>The Group monitors the commodity markets closely to determine the effect of price fluctuations on earnings, capital expenditure and cash flows. The CFO Committee reviews all commodity-related risks and suggests necessary courses of action as needed by business divisions. Our focus is on cost control and cost reduction. |

↗ Achieved ↘ Not achieved → In progress

| Risk | Impact | Direction | Impact criteria | Mitigation |
|---|---|---|---|---|
| Currency exchange rate fluctuations | Our assets, earnings and cash flows are influenced by a variety of currencies due to the diversity of the countries in which we operate. Fluctuations in exchange rates of those currencies may have an impact on our financials.<br><br>Although the majority of the Group's revenue is tied to commodity prices that are typically priced by reference to the US dollar, a significant part of its expenses are incurred and paid in local currency. Moreover, Group borrowings are significantly denominated in US dollars while a large percentage of cash and liquid investments are held in other currencies, mainly in the Indian rupee. Any material fluctuations of these currencies against the US dollar could result in lower profitability or in higher cash outflows towards debt obligations. | → | Business model<br>Future performance<br>Solvency<br>Liquidity | Vedanta does not speculate in forex. We have developed robust controls in forex management to hedge currency risk liabilities on a back-to-back basis.<br><br>The CFO Committee reviews our forex-related matters periodically and suggests necessary courses of action as may be needed by businesses from time to time, and within the overall framework of our forex policy.<br><br>We seek to mitigate the impact of short-term movements in currency on the businesses by hedging short-term exposures progressively based on their maturity. However, large or prolonged movements in exchange rates may have a material adverse effect on the Group's businesses, operating results, financial condition and/or prospects.<br><br>At the time of borrowing decisions, appropriate sensitivity analysis is carried out for domestic borrowings vis-à-vis overseas borrowings.<br><br>Notes to the financial statements in the Annual Report give details of the accounting policy followed in the computation of currency translation impact. We continue to monitor the currency translation impact and highlight this separately in the financials to give an appropriate perspective. |
| Tax-related matters | Our businesses are in a tax regime and a change in any tax structure or any tax-related litigations may impact our profitability. | → | Solvency<br>Liquidity<br>Reputation | Vedanta has a robust organisation in place at business and Group level to handle tax-related matters. We engage, consult and take opinion from reputable tax consulting firms. Reliance is placed on appropriate legal opinion and precedence.<br><br>We continue to take appropriate legal opinions and actions on the tax matters to mitigate the impact of these actions on the Group and its subsidiaries. |
| Breaches in information/ IT security | Like many other global organisations, our reliance on computers and network technology is increasing. These systems could be subject to security breaches resulting in theft, disclosure or corruption of key/strategic information. Security breaches could also result in misappropriation of funds or disruptions to our business operations. A cyber security breach could have an impact on business operations. | ↗ | Future performance<br>Reputation | Appropriate organisation is in place at respective businesses for information and IT security.<br><br>At Group level, the Chief Information Security Officer (CISO) focuses on formulating necessary frameworks, policies, procedures and for leading any agreed Group-wide initiatives to mitigate risks. Various initiatives have been taken up to increase IT/cyber security controls.<br><br>We seek to manage cyber security risk through increased standards, ongoing monitoring of threats and awareness initiatives throughout the organisation. An IT system is in place to monitor logical access controls. We continue to carry out IT security reviews by experts periodically and improve IT security standards. |

↗ Achieved ↘ Not achieved → In progress

# Principal Risks continued

| Risk | Impact | Direction | Impact criteria | Mitigation |
|---|---|---|---|---|
| Political, legal and regulatory risk | We have operations in many countries around the globe, which have varying degrees of political and commercial stability. The political, legal and regulatory regimes in the countries we operate in may result in higher operating costs, restrictions such as the imposition or increase in royalties or taxation rates, export duty, impact on mining rights/bans and change in legislation pertaining to repatriation of money. We may also be affected by the political acts of governments, including resource nationalisation and legal cases in these countries over which we have no control. | → | Business model<br>Future performance<br>Reputation | The Company and its business divisions monitor regulatory and political developments on continuous basis. Our focus has been to communicate our responsible mining credentials through representations to government and industry associations.<br><br>We continue to demonstrate the Group's commitment to sustainability by proactive environmental, safety and CSR practices. We continue to actively engage with local community/media/NGOs on these matters.<br><br>We are SOX and SEC related compliant organisations. We have an online portal for compliance monitoring. Appropriate escalation and review mechanisms are in place. Competent in-house legal organisation exists at all the businesses and the legal teams have been strengthened with the induction of senior legal professionals at all businesses. SOP has been implemented across the businesses for compliance monitoring.<br><br>The contract management framework has been strengthened with the issue of boiler plate clauses across the Group which will form part of all contracts. All key contract types have been standardised. The involvement of the legal department in the decision-making process is being reinforced. A framework for monitoring against anti bribery and corruption guidelines is also in place. |

↗ Achieved ↘ Not achieved → In progress

| Risk | Impact | Direction | Impact criteria | Mitigation |
|---|---|---|---|---|
| Community relations | The continued success of our existing operations and future projects are in part dependent upon broad support and a healthy relationship with the respective local communities. Failure to identify and manage local concerns and expectations can have a negative impact on relations with local communities and therefore affect the organisation's reputation and social license to operate and grow. | → | Business model<br>Future performance<br>HSEC<br>Reputation | Establishing and maintaining close links with stakeholders is an essential part of our journey as a sustainable business.<br><br>The CSR approach to community programmes is governed by two key considerations: the needs of the local people and the development plan in line with the SDGs and also the CSR National Voluntary Guidelines of the Ministry of Corporate Affairs, Government of India as well as Section 135 of the Companies Act in India. We integrate CSR objectives with the Sustainable Development Goals set by the UN.<br><br>Our business leadership teams have periodic engagements with the local communities to establish relations based on trust and mutual benefit. Our businesses seek to identify and minimise any potentially negative operational impacts and risks through responsible behaviour – acting transparently and ethically, promoting dialogue and complying with commitments to stakeholders.<br><br>Establishing and maintaining close links with stakeholders is an essential part of our journey as a sustainable business. There are structured programmes on reducing water, energy and carbon consumption.<br><br>Our focus is on local consent prior to accessing resources. Structured community development programmes continue to operate at various locations.<br><br>The Board-level Corporate Social Responsibility Committee decides the focus areas of CSR activities, budget and programmes to be undertaken by businesses. We help communities identify their priorities through need assessment programmes and then work closely with them to design programmes that seek to make progress towards improvement in quality of life of the local communities.<br><br>Further details of the Group's CSR activities are included in the Sustainability section. |

↗ Achieved ↘ Not achieved → In progress

# Principal Risks continued

| Risk | Impact | Direction | Impact criteria | Mitigation |
|---|---|---|---|---|
| Health, safety and environment (HSE) | The resources sector is subject to extensive health, safety and environmental laws, regulations and standards. Evolving regulations, standards and stakeholder expectations could result in increased costs, litigation or threaten the viability of operations in extreme cases. | → | HSEC<br>Business model<br>Reputation | Health, safety and environment (HSE) is a high priority area for the organisation. Compliance with international and local regulations and standards, protecting our people, communities and the environment from harm and our operations from business interruptions are our key focus areas.<br><br>The Vedanta Board-level Sustainability Committee chaired by a Non-Executive Director and including the CEO as a member meets periodically to discuss HSE performance.<br><br>We have appropriate policies and standards in place to mitigate and minimise any HSE-related occurrences. Structured monitoring and a review mechanism and system of positive compliance reporting are in place.<br><br>The Company has implemented a set of standards to align its sustainability framework in line with international practices. A structured sustainability assurance programme continues to operate in the business divisions covering environment, health, safety, community relations and human rights aspects and to embed our commitment at the operational level.<br><br>HSE experts are also inducted from reputed Indian and global organisations to bring in best-in-class practices.<br><br>The businesses have an appropriate policy in place for occupational health-related matters supported by structured processes, controls and technology. Our operations ensure the issue of operational health and consequential potential risk/obligations are carefully handled. Depending on the nature of the exposure and surrounding risk, our operations have different levels of processes, controls and monitoring mechanisms. There is a strong focus on safety during project planning/execution with adequate thrust on contract workmen safety.<br><br>Fatal accidents and injury rates have declined. We are implementing programmes to eliminate fatalities and control injuries. Our leadership remains focused on a zero-harm culture across the organisation. Consistent application of 'Life-Saving' performance standards, the introduction of the making better risk decisions concept, quantitative risk assessments for critical risks and the formal identification of process safety risks with the focus on the implementation of controls are central to our improvement programme. We continue to improve on our safety investigations and follow-up processes. Further details of our HSE-related activities are included in the Sustainability section. |

↗ Achieved ↘ Not achieved → In progress

| Risk | Impact | Direction | Impact criteria | Mitigation |
|---|---|---|---|---|
| Talent/skill shortage risk | The Company's efforts to continue its growth and efficient operations will place significant demand on its management resources. Our highly skilled workforce and experienced management team are critical to maintaining its current operations, implementing its development projects and achieving longer-term growth. Any significant loss or diminution in the collective pool of Vedanta's executive management or other key team members could have a material effect on its businesses, operating results and future prospects. | → | Future performance<br>Reputation | We continue to invest in initiatives to widen our talent pool. This is a priority area for the Group. Our senior leadership is actively involved in development of the talent pool. We have a talent management system in place to identify and develop internal candidates for critical management positions and processes to identify suitable external candidates.<br><br>Our performance management system is designed to provide reward and remuneration structures and personal development opportunities to attract and retain key employees. A structured programme maps critical positions and ensures all such positions are filled with competent resources.<br><br>Our progressive HR policies and strong HR leadership have ensured that career progression, job rotation and job enrichment are focus areas for our businesses.<br><br>We have established the Mining Academy in Rajasthan to develop an employee pool with enhanced underground mining skills. We also have a structured programme to develop a technically proficient employee pool. |
| Loss of assets or profit due to natural calamities | Our operations may be subject to a number of circumstances not wholly within the Group's control. These include damage to or breakdown of equipment or infrastructure, unexpected geological variations or technical issues, extreme weather conditions and natural disasters, any of which could adversely affect production and/or costs. | → | Future performance<br>Reputation | Vedanta has taken appropriate Group insurance cover to mitigate this risk. We have appointed an external agency to review the risk portfolio and adequacy of this cover and to assist us in our insurance portfolio. Our underwriters are reputed institutions and have capacity to underwrite our risk. There is an established mechanism of periodic insurance review in place at all entities.<br><br>However, any occurrence not fully covered by insurance could have an adverse effect on the Group's business.<br><br>We continue to focus on the capability building within the Group. |
| The Group's reported results could be adversely affected by the impairment of assets | The change in carrying value of assets depends on various assumptions. The change in any of those assumptions may impact the useful life and its carrying value. | ↘ | Reputation | We maintain a close watch on various business drivers that could impact impairment assessment. There is continuous focus, monitoring and periodic review of our assets.<br><br>We also periodically review the assumptions, carry out testing and reassess the useful life of these assets with the help of reputed firms.<br><br>Vedanta reviews the carrying value of its assets and long-term price assumptions in light of the recent weakness in commodity and oil prices. Any impact of changes to these assumptions on the carrying values will be a non-cash charge reflected in the results for FY2016. This non-cash charge does not affect the cash generation capability of the business. With the completion of this review and subsequent decisions being taken as a fallout of the same, we expect this risk to be mitigated to a large extent. |

↗ Achieved ↘ Not achieved → In progress

## Sustainable Development

# Working Together,

### Our core purpose

Vedanta is a globally diversified natural resources company with low-cost operations. We empower our people to drive excellence and innovation to create value for our stakeholders. We demonstrate world-class standards of governance, safety, sustainability and social responsibility.

### Core Values

Trust / Entrepreneurship / Innovation / Excellence / Integrity / Respect / Care

### Sustainability highlights of the year

**2.25 million**[1]
beneficiaries of our community investment (FY2015: 4 million)

**US$37 million**
invested in community development (FY2015: US$42 million)

**42 million mt**
carbon footprint (FY2015: 39 million mt)

**0.46**[2]
lost time injury frequency rate (FY2015: 0.46)

**US$3.2 billion**
tax payments to exchequers (FY2015: US$4.6 billion)

**2,283**
full-time female employees (FY2015: 2,325)

1 Some beneficiaries may be enrolled in more than one project.
2 With the new ICMM definition it is 0.50.

**100%**
of sites conduct periodic medical examinations for employees (FY2015: 100%)

**4,176**
village meetings held (FY2015: 4,635)

**1.53 million**
Training hours delivered to all staff (FY2015: 1.23 million)

**0**
category 4 or 5 (severe) environmental incidents (FY2015: 0)

**50%**
Non-hazardous waste recycling rate: (FY2015: 55%)

**23%**
Water recycling rate (FY2015: 20%)

**42,240**
man hours training on Code of Business Conduct & Ethics (FY2015: 21,000 man hours)

### Sustainable development: integral to our business

Sustainable development is a core element of our guiding strategy and supports our growth as a diversified natural resources company. This includes the activities we undertake across our operation to ensure the health and safety of our people, how we make valuable economic and social contributions to the communities and regions where we operate and how we manage our environmental footprint.

This year we have shown good progress towards controlling both leading and lagging safety indicators and reducing our environmental impact on air, water and land use. The significant improvements and adoption of best practices in resource management, biodiversity and site closure practices have been recognised by awards such as the Confederation of Indian Industry (CII) – Sustainable Plus (Platinum rating), National Energy Conservation Award and Global IOD Awards for Excellence in Corporate Governance and Sustainability. These are testament to the focus Vedanta has towards environment sustainability and the improvements made.

### Strategy

Our approach is centred on four strategic pillars:

- **Responsible Stewardship | Safeguarding Synergies**
  Our stewardship approach to resources as against an ownership approach has translated into a culture of 'Zero Harm' which has been actively propagated across the organisation.
- **Building Strong Relationships | Aligning Interests**
  We actively engage with our stakeholders using systematic engagement plans to integrate their priorities in our growth strategy
- **Adding and Sharing Value | Nurturing Interdependencies**
  Along with being significant contributors to the national economy, we make it a point to be prime-movers of local economy and investors in priority areas of the nation.
- **Strategic Communications | Reinforcing Trust**
  The trust that local communities and national governments repose in us is essentially our license to operate. We continue to reinforce this trust through strategic and timely communication.

# Growing Together

Embedding sustainability into day-to-day business requires leadership from all levels, and ultimate accountability lies with the Vedanta Board. The Board oversees and reviews sustainability performance of the Group through its Sustainability Committee and Executive Committee. The Committees' Chairmen regularly update the Board on their progress. Our policies and guidance notes are available to all employees through the corporate website, subsidiary portals and through awareness training sessions.

Our model and framework is aligned to global best practice standards, including the United Nations Global Compact's (UNGC) ten principles, the International Finance Corporation, the International Council on Mining and Metals and the Organisation for Economic Co-operation and Development.

Underpinning the governance of sustainability across the Group is the Vedanta Sustainability Assurance Programme (VSAP), an internal sustainability risk management tool to ensure compliance with the Vedanta Sustainable Development Framework. Over the years the framework has been unifying our approach, our diverse geographies and businesses and bringing us closer to global standards. This year we have enhanced support for the sustainability programme, implementing a Group-wide SAP – Environment, Health and Safety (EHS) IT solution – the first in India to be implemented on this scale.




Visit our interactive online Sustainable Development Report 2015–16 at sd.vedantaresources.com/SustainableDevelopment2015-16

### Materiality

Each year, we review our sustainability priorities with our internal and external stakeholders and update our materiality matrix to guide our programmes for the year (for full details please refer to our online Sustainable Development Report 2015-16). Overall, our stakeholder priorities remained consistent with the previous year. Based on the material aspect, we identify the sustainability objectives and targets on which we report our performance every year.

### Sustainable Development Goals

In September 2015, the UN member states agreed on a set of 17 Sustainable Development Goals (SDGs), which represent the global agenda for equitable, socially inclusive, and environmentally sustainable economic development until 2030.

We strongly feel that natural resources companies like us have the potential to become leading partners in achieving the SDGs. Through our direct operations, we generate profits, employment and economic growth in low-income countries. And through partnerships with government and civil society, we ensure that benefits of mining extend beyond the life of the mine itself, so that the mining industry has a positive impact on the natural environment, climate change and social capital. This year we have also prioritised the SDGs based on our material issues as well as operational competency and are now in the process of chalking out target and action plans to address the relevant goals.

# Sustainable Development continued
## Responsible stewardship

| Objectives and targets FY2016 | Status | Details on performance FY2016 | FY2017 objectives and targets |
|---|---|---|---|
| **Occupational health and safety** | | | |
| Achieve zero fatal accidents. | ↘ | 12 fatalities (8 in India and 4 in Africa) | **Achieve zero fatal accidents.** |
| Re-establish LTIFR base performance as per recently released ICMM reporting guidelines and enable future reduction in LTIFR targets. | ↗ | All businesses updated their safety KPI definitions as per ICMM reporting guidelines. | **Focus on eliminating fatalities and reducing high potential incidents.** |
| Implement safety performance standards: >75% of critical elements in the standards to be implemented across the business. | ↘ | All businesses are implementing the safety performance standards and audits were initiated this year. The average score was 51%, with significant improvements shown later in the year. | **Implement safety performance standards: >75% of critical elements in the standards to be implemented across the business.** |
| Implement safety interactions at two businesses in addition to HZL. | ↗ | Safety interaction was included as a part of Leadership Safety Programme i.e. Managing Better Risk Decisions (MBRD) which was piloted at Vedanta Ltd – Jharsuguda and Sterlite Copper. | **Rolling out of Leadership Safety Programme i.e. Managing Better Risk Decisions in other businesses.** |
| Understanding occupational health risks – performing a baseline assessment across the Aluminium businesses. | ↗ | Baseline assessment exercise has been started at Vedanta Ltd's Aluminium operation. | **Performing baseline assessments for two other businesses.** |
| **Environment** | | | |
| Water savings: 2.39 MCM | ↗ | All businesses implemented their water resource management plan and planned initiatives leading to a water saving of 7.16 MCM. | **Water savings: 2.1 MCM** |
| Energy savings: 0.88 million GJ | ↗ | Internal benchmarking and technological process intervention has led to energy savings of 0.94 million GJ | **Energy savings : 1.5 million GJ** |
| Report on Scope 3 emissions by FY2016. | ↘ | Scope 3 data for business travel, employee commute, inbound logistic and outbound logistic is being tracked on a periodic basis, however we are working to increase the robustness of the data before publishing. | **To realign the Company Energy & Carbon Policy in line with COP 21 outcomes.** |
| By FY2016, all sites to have Biodiversity Management Plans (BMPs) in place. | → | We have made considerable progress in this regard. All our operations now have a formal BMP in place except Cairn India, KCM and Sesa Iron Ore, where work is in progress. | **Capacity building (selected professionals) on Biodiversity Management including Ecosystem services.** |
| Management of tailing and water storage facility | ↗ | Preliminary Tailing Risk Assessment completed across the Group. | **Independent expert to review the high priority facilities.** |
| Exploring opportunities and areas to increase the fly ash utilisation rate. | ↗ | Fly ash recycling rate has improved to 46% from 31% this year by recycling fly ash in applications such as road making, cement and brick making. | **To continue exploring opportunities and areas to increase the fly ash utilisation rate.** |

↗ Achieved ↘ Not achieved → In progress

## Code of Business Conduct and Ethics

Our Code of Business Conduct and Ethics (the Code) provides a set of principles to guide our employees, while our Sustainable Development Framework outlines best practice standards that drive improvement consistently across all operations.

The Code covers aspects from human rights, insider trading and political contributions; to competition, conflicts of interest and confidentiality. It provides guidelines for all businesses to assist employees in meeting high standards of personal and professional integrity. Training in our Code is mandatory for all new hires. This year we have delivered around 42,200 man hours of training in human rights as a part of the Code of Business Conduct and Ethics to all our employees and contractors. Under our Whistleblowing Policy, employees and external stakeholders are provided a mechanism (freephone number, email id and an online reporting portal) to anonymously report inappropriate behaviour.

## Health and safety

Safeguarding the well-being of our workforce is our highest priority and our objective is to embed a 'Zero Harm' culture in our businesses.

While we recognise that the natural resources industry is inherently risky, the drive to embed safety as a key part of our value system is fiercely advocated by both our Chairman and CEO, and will remain top of our agenda as we continue on the path to 'Zero Harm', one step at a time. We are saddened and disappointed to report 12 fatalities – 8 in India and 4 in Africa – and our LTIFR rose from 0.46 to 0.50 (per million man hours worked), although this was partially as a result of a change in methodology. This only serves to increase our determination to succeed and to integrate safety ownership into every level of the organisation, from boardroom to operations.

In addition to practical processes, such as mandatory report and learn reviews for high profile incidents, training and education remain vital tools for reinforcing and supporting the 'Zero Harm' message. The business units have implemented and put forward behavioural-based and technical programmes such as implementation of safety standards, job risk assessment and workshops introducing the concept of personal commitment not to ignore any unsafe act or condition. In FY2016, around 757,700 man hours of safety training were delivered to employees and contractors on subjects including working at height, permit to work, job safety analysis, first aid, incident reporting, safe behaviour and falls. We also focused on building a strong understanding of Vedanta Safety Performance Standards and Incident Investigation among our people. During the reporting year, 100% of sites conducted periodic medical examinations for all employees and contractors.


**1:** Ensuring zero-harm culture: BMM, Zinc International.

### Gearing up for Zero Harm

**Making better risk decisions**

Our Safety Leadership Transformation programme has been piloted and will empower line leaders to make better decisions by foreseeing the risks relevant to their routine and non-routine work profile and understanding the consequences associated with it.

Over 6,000 operational leaders across all sites from the COO to supervisors and including key contractors will be empowered through the programme. This is an ongoing programme and leadership training has already started on this.

**Life support during emergencies**

Hindustan Zinc Ltd installed 'refuge chambers' in its Rampura Agucha underground mine to guard the safety of workers during emergency situations. A refuge chamber is a life support solution capable of providing an oxygen supply and a $CO_2$ absorbing system for 36 hours. With this additional capacity, now there are four refuge chambers which can accommodate six people and two chambers which can accommodate 20 people at the mine.

**Tracking vehicles anytime, anywhere**

Fleet safety is one of the prime concerns in the mining industry. It is vital to monitor vehicle speed and administer a consequence management system for the violators. We have installed GPS trackers in the heavy motor vehicles at our Vedanta Ltd – Jharsuguda business. The tracker provides key information including the exact location of the vehicle, speed at which it is travelling, total distance covered and speed variation.

**Encouraging deeper ownership**

Single Point Accountability (SPA) is one of the driving forces of safety management at our Vedanta Ltd – Sterlite Copper business. A set of protocols, SPA is aimed at decentralising safety responsibility and encouraging individual accountability. Several awareness campaigns as well as reward mechanisms encourage employees to embrace SPA.

For more information about our occupational health and safety projects initiatives and impacts, approach and mitigation strategy, please refer to our online Sustainable Development Report 2015-16.

# Sustainable Development continued
## Responsible stewardship continued

### Environment
The mining of natural resources is a complex and intensive process that introduces environmental and social change and we strive to maintain the right balance between economic growth and sustainability.

By adopting world-leading practices, we aim to reduce and minimise the environmental impact of our operations. Our goal is to obtain ISO 14001 certification at all sites by this year and as of now 48 out of 52 operations are certified. Systems to reduce water and energy consumption, minimise land disturbance and waste production, contain pollution and conduct successful mine closures are in place. We are implementing Biodiversity Action Plans at all our sites and are also finding new and innovative ways to recycle waste from our operations, including fly ash, red mud, phosphor, gypsum etc.

We are proud to report zero serious environmental incidents over the year. We are continuing to implement our pledge to provide safe access to water, sanitation and hygiene for our workforce under the WASH initiative of the World Business Council for Sustainable Development to ensure all employees worldwide have better working conditions.

In line with our site closure plan strategy, we are starting the rehabilitation programme for the Lisheen mine that ceased production this year, in consultation with employees, local authorities and local environment groups.

Details on high impact environmental elements such as water, energy and climate change, biodiversity and waste management are covered below, however for more information about our environmental impact, approach and mitigation strategy, please refer to our online Sustainable Development Report 2015–16.

**Biodiversity**
Protecting biodiversity is an integral part of Vedanta's commitment to sustainable development. Our dedicated Biodiversity Policy and management standard advise how disruption to wildlife should be avoided, minimised or compensated for, from project scoping to site closure and beyond. Our aim is to achieve a minimum of No Net Loss (NNL) of biodiversity and Net Positive Gain (NPG) of biodiversity (in case any critical habitat is present) at all our operations.

### Harvesting plants at Gamsberg, South Africa
In continuation of our biodiversity measures, we relocated close to 80,000 plants to the Gamsberg Research and Rehabilitation Centre to help them survive a scant monsoon and a severe summer.

10,000 of the collected seeds were donated to SANBI-Karoo Desert in Worcester. We also donated plants to SANBI (Karoo Botanical Gardens – Worcester).

We apply the UN Environment Programme's Integrated Biodiversity Assessment Tool (IBAT) to screen for risk, followed by site-specific assessments to identify sensitive habitats, important bird areas and key biodiversity hot spots. The results of risk screening and assessments are applied to develop Biodiversity Management Plans (BMPs) for all our main sites. All the sites are now implementing BMPs at their operations.

**Water**
Our approach is outlined in our Water Policy and delivered through our Water Management Standard. We facilitate the integration of water management into decision-making processes for both new and existing projects, which helps ensure all necessary measures to avoid, minimise or, in some cases, compensate for the impacts of our projects.

The majority of our subsidiary businesses have a Water Resources Management Plan in place to eliminate, minimise, mitigate and manage impacts on water resources. Most of our operational processes have been designed to be 'zero discharge', where the generated waste water is treated and recycled for cooling and other applications. In addition to these initiatives, effluent and sewage treatment plants are installed at many locations for reusing water at primary locations. This year, total water conservation levels reached 7.16 million cubic metres (MCM), against a target of 2.39MCM for FY2016.

**Energy and climate change**
Climate change is a growing concern globally, and recent record temperature trends will likely accelerate this concern. As an extractive industry, we have a profound responsibility to respond to the planet's undisputed warming and to adapt to future changes. We feel this will require multiple solutions, including using innovative technology to improve energy efficiency and finding more carbon neutral solutions. It is vitally important that every country provides the right incentives for the development and communication of climate-friendly processes and practices. After the recently concluded Paris agreement on Climate Change

## Guinness Book of World Records plantation record at Mansa, India

Talwandi Sabo Power Limited (TSPL), a subsidiary of Vedanta, set a world record by planting 206,000 saplings in one hour on 30 October 2015 in Mansa, Punjab. Over 5,800 supporters from schools and surrounding villages and locals volunteered to make this feat possible on a 200-acre land area. Considering the small forest cover in Punjab, these additional trees will help improve biodiversity in the region and specifically in Mansa.

**Greenhouse gas emissions (mt. of $CO_2$ equivalent)**

| | FY2016 | | FY2015 | |
|---|---|---|---|---|
| Business | **Scope 1** | **Scope 2** | Scope 1 | Scope 2 |
| Zinc India | **4,465,507** | **218,265** | 4,379,361 | 160,924 |
| Zinc International | **58,176** | **607,948** | 53,483 | 703,955 |
| Copper India & Australia | **157,975** | **504,604** | 145,311 | 472,480 |
| Copper Africa | **189,676** | **14,865** | 107,597 | 5,460 |
| Aluminium India | **18,957,341** | **70,679** | 19,450,763 | 583,164 |
| Power sector | **12,388,002** | **17,073** | 8,993,299 | 2,188 |
| Oil & Gas sector | **1,506,798** | **115,943** | 1,401,860 | 47,387 |
| Iron Ore business | **1,857,613** | **18,227** | 1,784,050 | 6,813 |
| Others | **0** | **9,637** | | |
| | **39,581,088** | **1,577,241** | 36,315,724 | 1,982,371 |

(COP 21), we are working to formulate a Company strategy on climate change that is aligned with the Intended National Determined Contribution (INDC) for the countries in which we are operating.

Our Energy and Carbon Policy mandates that all subsidiary businesses must apply global best practice to minimise greenhouse gas (GHG) emissions and energy use, looking to energy management standards such as ISO 50001, and deploying the latest technology to optimise efficiencies. During FY2016, we conducted internal benchmarking on energy consumption among all our subsidiaries, and we are pleased to report that we met our energy targets over the year and saved 0.94 million GJ, consuming 405 million GJ.

**Clean energy**
As well as optimising our efficiencies, we also look to continuously evaluate our renewable energy portfolio in a cost effective manner for our operations. There is a constant focus on generating electricity from waste heat and becoming self-reliant for our power needs. The Vedanta businesses have installed in total 139MW capacity waste heat recovery boilers to enable greater efficiency in operational energy usage.

Our HZL subsidiaries have installed wind farms across five states in India that generate 273.5MW. All wind power generation has been registered under the Clean Development Mechanism (CDM) and 511.4 million units have been sold to the electricity grid in each state, an increase of 52.3% compared to 2012. HZL has also installed 200KW solar capacity on rooftops at the Udaipur and Chanderia smelters.

We register CDM projects with a potential CER's of 1.3 million units under the UNFCCC framework. Out of this we have accrued 0.4 million units in 2015-16. These projects are registered by the UN Framework Convention on Climate Change. In FY2016 we accrued around 0.42 million units.

We calculate and report greenhouse gas inventory i.e. Scope 1 (process emissions and other direct emissions) and Scope 2 (purchased electricity) as defined under the World Business Council for Sustainable Development (WBCSD) and World Resource Institute (WRI) GHG protocols. Please refer to our online Sustainable Development Report 2015–16.

**Waste**
We have a well-established Resource Use and Waste Management Technical Standard and supporting guidance notes. Our main priority is to reduce both the quantity and the toxicity of our waste, followed by recovery, re-use and recycling, with disposal in landfill or by incineration viewed as a last choice.

The main non-hazardous waste we generate includes fly ash (from captive and merchant power plants), red mud (aluminium refinery waste), jarosite/jarofix (from zinc smelting), slag, lime grit (process residues from smelters and aluminium refineries) and phosphor gypsum (phosphoric acid plant).

We generated around 11.9 million mt and recycled/re-used 5.9 million mt of non-hazardous waste in various gainful procedures such as brick and road making, cement manufacturing and filling of low lying areas etc. Hazardous waste was stored in a secure landfill and most of it was sold to authorised recyclers.

# Sustainable Development continued
## Building strong relationships

| Objectives and targets FY2016 | Status | Details on performance FY2016 | FY2017 objectives and targets |
|---|---|---|---|
| **Community relations and stakeholder engagement** | | | |
| All sites to complete need assessment and pilot studies on social audit for Indian business. | ↗ | Need-based assessment completed for all sites. The Social Impact assessment was completed for major Indian sites – Cairn India and HZL. | **Social Impact assessment studies to be continued for remaining sites.** |
| Roll-out of SAP-based programme management tool for community grievance development and stakeholder engagement. | ↗ | SAP – Stakeholder & Grievance Handling system rolled out. | **Implementation and utilisation rate for SAP system to be increased.** |
| Capacity building and refresher course – E-learning module on Code of Conduct to be implemented. | ↗ | E-learning module on Code of Conduct launched for all Indian operations. | **Ensuring 100% coverage of Code of Conduct training for all employees.** |

↗ Achieved ↘ Not achieved → In progress

### Stakeholder engagement
To ensure that we understand the expectations and align our interests, we regularly engage with our stakeholders, both internal and external, through a variety of different channels. This communication dovetails with the fourth pillar of our Sustainable Development Model – Strategic Communications. It helps us create synergies, combat misrepresentation, mitigate risks and reinforce our reputation.

### Human rights
We consider the respect of human rights to be a fundamental responsibility, particularly as the majority of our operations are in developing countries. Our policies and Code of Conduct follow international good practices such as the UN Guiding Principles and the OECD standards. There is zero tolerance of human rights violations at our operations and the use of child labour is a non-negotiable offence, whether direct or through a contractor.

Human rights training is an integral part of our Sustainability Framework, with around 42,200 man hours of training on human rights and Code of Conduct given in FY2016. We support collective bargaining and recognise unions, with systems for employee development, remuneration and grievance redress. As part of the Supplier Code of Conduct and our Supplier & Contractor Sustainability Management Policy we communicate our requirement for all suppliers to operate in compliance with all relevant legislation, follow our policies while executing work for, or on behalf of, Vedanta or on our sites, and adopt ethical good practices in line with the letter and spirit of our Supplier Code of Conduct.

The introduction of the Modern Slavery Act in the UK this year aims to tackle the issues of slavery and people trafficking and directs companies to ensure that these practices are not taking place, either in their own businesses or in their supply chains. We propose to incorporate our response to this in our Code of Business Conduct and Ethics, in our Human Rights Policy and in the verification and auditing programme for our supply chain.

## Our engagement approach

| Ask | Answer | Analyse | Align | Act |
|---|---|---|---|---|
| Our dialogue begins with questions to solicit feedback. Our stakeholders have access to a number of platforms to reach out to Vedanta personnel and voice concerns. | We disclose not just because we want to be heard, but because we are answerable. Equal attention is laid on providing a constructive response. | We have established a robust investigation process for complaints reported via the Whistleblowing Mechanism, Sustainability ID and Group Communications ID, involving senior management and other function personnel. | We work hand-in-hand with our stakeholders such as Governments, communities, industry bodies and NGOs, and align our goals and actions with high priority areas of the nation. The feedback of all engagements becomes part of our materiality identification exercise. | There is no stronger proof of commitment to the cause than demonstrable action. We back our words with acts that move the needle towards promised outcomes. |

Each business has developed stakeholder engagement plans and these are reviewed and revised on a regular basis. These stakeholders include communities, shareholders, investors, lenders, NGOs, suppliers, industry bodies and governments. The feedback of all these engagements becomes part of the materiality exercise and ultimately risk registers at site. The details on our engagements, material issues and our progress can be found in the online Vedanta Sustainable Development Report 2015-16.

1: Women stakeholder group meeting at Sterlite Copper – Tuticorin village.

# Sustainable Development continued
## Adding and sharing value

| Objectives and targets FY2016 | Status | Details on performance FY2016 | FY2017 objectives and targets |
|---|---|---|---|
| **Human resources** | | | |
| To include 1,000 eligible employees for the technical assessment. | ↗ | As part of the Technical ACT UP initiative, assessment of 937 eligible employees is complete. | **Institutionalising Technical ACT UP process across Vedanta Group companies.** |
| Phase II planned, covering the next 50 high potential stars for the intensive programme preparing the next generation talents for leadership roles. | → | Structured programme of 'Internal Growth Workshops Initiative' to identify new leaders in various functions across Group companies was initiated. So far in this programme, 100 new leaders have been identified and given significantly higher roles and responsibilities. | **Identification of high potential employees across Vedanta's professional population and development of next-generation talent. Focus on performance and measurement of top 150 leaders.** |
| Continue to focus on diversity with an objective of hiring 15% of women. | ↗ | More than 15% of women professionals joined Vedanta. | **Continue to focus on diversity with the same objective of 15% of total women hiring at a lateral and fresher level.** |
| 25% women representation at Vedanta Board level by FY2016. | ↘ | In this regard we have not met our target for women Directors; we continue to build on diversity in leadership roles and have made a number of senior female appointments during the year. | **33% women representation at Vedanta Board level by 2020.** |

↗ Achieved ↘ Not achieved → In progress

We understand that as a global company we have a broader role in society than just bringing resources to market. This is particularly true in the context of operating in the developing world. With operations primarily in India and Africa, we believe that the Group can and should add and share value to support the development of the economies and communities where we operate. Whilst we add value by discovering and processing natural resources so they can be used to produce the products society needs, we also drive economic impact in the form of payment of taxes and royalties, employees' wages and supplier contracts, in addition to direct contribution to community projects.

### Employees
Around 67,000 people work hard at Vedanta every day to make it the success that it is. Every single employee can expect to be inspired to meet their potential; to feel empowered and united under shared values.

It is beneficial for our business to hire people who understand the market and can engage effectively with contractors and suppliers. Ensuring managers are from the local area is particularly important in helping us relate to the issues faced by neighbouring communities, to connect our business and sustainability strategies. Over the reporting period, across our business, the total percentage of senior management who are locally hired is: India (97%), Australia (100%), Zambia (63%), Namibia (100%), Ireland (100%) and South Africa (56%). We believe that we must invest in developing and retaining key talent to drive innovation and efficiency within the business. In this regard, our attrition rate has remained stable and this year was reported at 5.38%.

With operations across four continents we work in a diverse organisation accommodating many different faiths, nationalities and ages. One constant area of focus is gender diversity and this year we initiated special recruitment drives to provide career advancement for women, including planned rotation through corporate functions which lead to an increase in the ratio of female employees to 9.4% of total employees as compared to 8.6% last year.

1: Flood relief materials distributed by Sterlite Copper.
2: Beneficiary of the solar light initiative in Barmer.

2

Our employees are one of our biggest assets and in addition to paying US$640 million in wages and benefits, we also invest in a number of areas to maintain a happy, healthy and motivated workforce.

Training and development are key. Every employee has the 'right to grow' and is part of an appraisal and reward system benefiting from the 1.53 million man hours of training we delivered across the Group. Technical capabilities are essential for our goal of operational excellence and around 1,000 employees joined our Technical ACT UP initiative, following a technical assessment. Nurturing our future leaders is also critical to our future success and we commenced Phase II of our high potential stars programme, selecting a further 50 from the next generation of talent for future leadership roles. So far in this programme, 100 new leaders have completed a structured training programme and are now in higher roles with broader responsibility.

## Communities

Our community investment strategy focuses on health, education, skills development and the environment, with a US$37 million contribution towards those priorities in FY2016, building hospitals, schools and infrastructure, developing employability skills and supporting community programmes, particularly in rural areas.

We are supporting the UN – Women Empowerment Principles and Sustainable Development Goals and have also completed a peer benchmarking study on our 'License to operate' in partnership with School of Public and Environment Affairs (SPEA), Indiana University.

Based on the needs assessments we conducted last year, two key areas of focus have been vocational youth training and education programmes for women and children. In this regard, to provide access to higher education, we run 16 schools and colleges, most of them close to our operations, and over 211,520 students studied here this year. We operate five centralised kitchens serving fresh, nutritious and delicious meals to around 95,000 children every day to support the Government's midday meal programme.

In rural households, due to scant financial resources, young boys and girls often lose out on educational opportunities. Vedanta addresses this issue by providing scholarships to girls who opt for higher education. This year, 724 such scholarships were granted. In addition to running 16 schools and colleges, we have set up 50 model Angandwadis – child care centres that now provide support for over 87,000 children. In line with the Prime Minister's Swachh Bharat vision, we have committed to build 50,000 toilets across Rajasthan.

## Society

We make a direct, positive economic contribution to national and state government budgets through the taxes and royalties we pay. Indirectly, we contribute towards developing industry sectors, infrastructure and skills. We do this in a number of ways, including through membership of industry organisations and international bodies. Protecting the environment also involves working closely with host governments and our investment in environmental protection and maintenance initiatives helps support government priorities.

We also make a broader contribution by providing some 67,000 direct and indirect employment opportunities and many times that is through secondary, supporting industries.

In FY2016, Vedanta contributed US$3.2 billion to host governments by way of taxes and royalties. This is detailed in our first Tax Transparency Report which reflects our proactive approach to transparency and greater accountability to our stakeholders (for more details please see the FY2016 Tax Transparency Report).

## Shareholders and lenders

### Dividend

Since our IPO in December 2003, we have maintained a progressive dividend policy. Over the years, our shareholders have seen a Total Shareholder Return of over 200% and we have paid a progressive dividend that was increased in nine out of ten years and held constant for one year. Over the last ten years, Vedanta has returned US$1.6 billion to shareholders, an average return of 8% per annum. In FY2016, the Board proposed a dividend of 30 US cents per equity share.

On 30 March 2016, Hindustan Zinc Limited declared a special Golden Jubilee dividend of 1200% i.e. INR24 (US$0.37) on an equity share of INR2 (US$0.03) each. This is the largest ever dividend paid by any company in the private sector in Indian history.

# Sustainable Development continued
## Strategic communications

In order to reflect the proactive communications with stakeholders, understand their needs, shape their expectations and share Vedanta's intentions, commitments and actions, we introduced strategic communications as the fourth pillar of our sustainable development model.

We are committed to complete transparency in our communications with all our stakeholders. The bedrock of our communication is how we engage with the communities and employees in and around our assets. This ensures harmony and sustains our social license to operate. To maintain the open dialogue, it is equally important to engage with the influencer communities which includes media, the local governments and the socially relevant investors. The Company is present across eight countries in four different continents. All these regions differ in terms of operational and geographic challenges, business environment, economic development, culture and stakeholder expectations. Together, we are One Organisation with One Vision.

Last year a comprehensive branding exercise was taken up to provide holistic and authentic 'One Vedanta' experience to stakeholders in all the ways they interact with the organisation. The logo refresh has also been adapted by all the divisions/ Group companies to align with the Company's goal of being a unifying brand across its global operations.

### Communicating constructively

**Communities**

Listening to the communities, understanding their concerns and resolving issues is key to pre-empting and avoiding social conflicts. We have adopted a dual approach to community engagement – we undertake focused CSR activities to create a positive social impact and ensure that the benefits of these activities are well communicated to the community and the linkage to Vedanta is well established. We also proactively engage with the communities to negate any trust deficit issues.


## Transforming the Anganwadi model Nandghar – the new-gen child care centre

**Challenge**

In India, the role of Anganwadi (child care centre) is critical in combating malnutrition, promoting pre and post-natal care, immunisation and early childhood education. Though the nation is home to over 1.37 million Anganwadis, their impact is far from what's desired. The need of the hour is to enhance the efficacy and efficiency of Anganwadis.

**Intervention**

Project Nandghar is designed in line with the Prime Minister of India's vision of Beti Bachao Beti Padhao, Digital India, Swachh Bharat and Skilling India.

With an aim to modernise the Anganwadi infrastructure in the country, Vedanta signed an MoU with the Ministry of Women and Child Development to construct 4,000 new-age Anganwadis across India.

Our model reimagines existing Anganwadis and enhances their role. To be developed in high-burden districts, they will be called Nandghars and shall be equipped with state-of-the-art infrastructure including access to nutritious food, clean water, sanitation and perennial solar power supply.

They will enhance capacity utilisation of the infrastructure by being an access point for primary healthcare and hosting women's skill development programmes in the free hours after the children's education.

**Highlights of Nandghar:**

Education
a. Smart Learning kit for children
b. Interactive e-learning

Nutrition
Supplementary nutrition to be provided to children from six months to six years, and to pregnant and lactating mothers

Primary healthcare
Each cluster of 25-30 Anganwadis to have a Medi-clinic and a Mobile Medical Unit, which will provide free OPDs, free medicines, and diagnostics for maternal and child care

Livelihoods
a. Hosting women's skill development programmes
b. Creation of micro enterprises and Self Help Groups (SHGs)

**Outcome**

To date, 100 Nandghars have become operational. Once all 4,000 Nandghars are constructed, over 400,000 children and women will benefit every year. With this endeavour, we hope to significantly transform the lives of women and children in rural India and impact the prosperity of villages at large.

**Promoting use of safe drinking water**
Vedanta has signed the WASH pledge and is committed to provide safe drinking water to all communities near its operations. With the objective of making people aware about the benefits of safe drinking water, Cairn India, along with its partners, organised an awareness programme at the Kharantiya, Bodwa and Seoniyala villages of Barmer District. The programme, organised at Government schools in the respective villages, was attended by students, teachers, villagers and panchayat members.

### Employees

Communication is vital for good human resource management. Engaging with the employees makes them more productive, better aligned and more committed. It also manifests in smooth and effective functioning of the organisation. We maintain an ongoing communication with our employees through multiple programmes at various levels with multiple communication tools such as HZL News, Yagna, EZines, internal newsletters and social media.

**Virtual town hall meeting**
A virtual town hall meeting was chaired by Vedanta Resources Founder and Chairman Anil Agarwal, where he spoke about his vision on the Company and the current market conditions.

The interactive session was held using a tele-presence and video conferencing system connecting 30 Vedanta locations in five countries. More than 5,000 employees from all Vedanta subsidiaries and businesses operating in different geographies participated in the meeting. Employees were encouraged to ask questions and the Chairman patiently and meticulously answered them all.

### Other stakeholders

Just like our employees and communities, we feel other stakeholders such as civil society, industry (supplier/customer), Government and the lending community like shareholders, investors and banks play an important role in shaping our sustainability and development agenda. In the mining industry, they are partners in the process of identifying and resolving the challenges. We engage with all these stakeholders in numerous ways and through various forums.


## Sustainable Development Day

Sustainability is at the core of all the business decisions and processes at Vedanta Resources. To showcase the Group's commitment to safety and sustainability as a key business imperative, Vedanta Resources plc, together with its subsidiaries, hosted its first Sustainable Development Day in London in July 2015.

Senior management from Vedanta Resources provided insights to socially relevant investors (SRIs) on how sustainability is embedded across Vedanta's global operations and updated them on the progress made in the past year during the event.

The team updated the audience how Vedanta is putting its sustainable development model into practice and also included case studies on sustainable development initiatives at Vedanta's Aluminium, Zinc International and KCM operations.

This was followed by a Q&A session which saw an active participation with investors sharing feedback, clarifying doubts and offering suggestions. The entire event was very well received – the participants not only recognised the virtue of organising this event but also the value of the positive impact being created by Vedanta.

**Leveraging industry platforms**
Mining Indaba is the world's largest mining investment conference and Africa's largest mining event. Vedanta first attended the Mining Indaba in 2013 with the objective of raising awareness about Vedanta in Africa. Since then, we have enlarged our presence and visibility at the conference. It provides us an excellent platform to engage with multiple stakeholders such as governments, investors, financial institutions, suppliers plus the media, which augurs well with our goal to expand our footprint in the continent.

**Exchanging ideas with partners**
Cairn India organised a CSR Partners' Conclave at Barmer in March 2016 to encourage partners to showcase milestone projects. The conclave featured an interactive cross-functional session where partners shared the challenges, lessons learnt and the best practices. Vibrant exchanges of ideas, suggestions for improvement and opportunities to bring about operational improvements were the hallmarks of the conclave.

**Investors and lenders**
Both investors and lenders seek return on their investment. Volatility in the commodity markets, increased competition and the resultant decrease in profit margin affects their returns. Thus, it is critical to communicate with them our plans, actions, outcomes and prospects, so that they can make informed investment decisions. While we continue to communicate with them through an array of statutory and proactive media vehicles, this year our parent Group has added a new focused engagement mechanism to communicate with SRIs – the Sustainable Development Day.

# Finance Review

## Key financial priorities: Leading to a stronger balance sheet

**1) Focus on cost savings and operational efficiency**

The Company deployed several measures to optimise cost spends. These included clean-sheet-costing for negotiations, alternate material, new sources of supply, tightening efficiency in logistics and quality control. Strong operational efficiencies, together with cost-saving and marketing initiatives, delivered US$325 million during FY2016.

**2) Generate and preserve cash, optimise capex**

In addition to opex and capex optimisation, the Company remains focused on generating cash across its businesses by reducing working capital through efficient initiatives. This resulted in the delivery of free cash flow (FCF) of c.US$1.7 billion during FY2016, amounting to FCF yield of 73% of EBITDA during FY2016 (FCF US$1.0 billion, FCF yield 28% in FY2015). Our priority is to deliver positive FCF at each segment.

**3) Deleveraging, refinancing and covenant protection**

The Company has made progress by completing refinancing of US$0.9 billion of the US$1.5 billion due to mature at Company level during FY2017. The Company successfully completed two rounds of bond buybacks amounting to US$556 million through tenders and market purchase routes to enhance investor confidence. Furthermore, the Company has commenced a third bond buyback programme during April 2016 through a market purchase route. As at 11 May 2016, US$130 million worth of bonds have been re-purchased under this programme.

The Company approached lenders and secured covenant modifications on bank loans at Vedanta Resources plc, to ensure compliance as on 31 March 2016 in this weak commodity price environment.

**4) Robust capital allocation**

The Company has prioritised capital for high-return, low-risk projects to preserve cash. The cash outflow on capex excluding capital creditors was US$566 million during FY2016 compared with US$1,531 million during FY2015.

**5) Group structure simplification**

A potential merger between Vedanta Limited and Cairn India was announced during the year which, if successfully completed, would simplify the Group structure.

## Consolidated operating profit summary before special items

(in US$ million, except as stated)

| Consolidated operating profit before special items | FY2016 | FY2015 | % change |
|---|---|---|---|
| Oil & Gas | **(255.9)** | 206.5 | – |
| Zinc | **886.8** | 1,129.0 | (21.5)% |
| India | **875.1** | 1,059.3 | (17.4)% |
| International | **11.7** | 69.7 | (83.2)% |
| Iron Ore | **10.9** | (10.9) | – |
| Copper | **106.9** | 38.4 | 178.4% |
| India/Australia | **304.3** | 229.4 | 32.7% |
| Zambia | **(197.4)** | (191.0) | – |
| Aluminium | **4.9** | 275.3 | (98.2)% |
| Power | **122.2** | 88.0 | 38.9% |
| Others | **5.4** | 9.2 | (41.3)% |
| **Total Group operating profit before special items** | **881.2** | 1,735.5 | (49.2)% |

## Executive summary: Stable performance in a challenging price scenario

Total revenue for the year was US$10.7 billion, compared with US$12.9 billion in the previous year. The decrease was primarily driven by lower Brent prices, and lower LME prices and premia across the metal businesses. The Company delivered EBITDA of US$2.3 billion, a decrease of 38% due to the negative impact of commodity and Brent prices, lower premium and higher profit petroleum. However, some of the downside was mitigated by a strong operational performance at Zinc India, ramp-up in power units, cost saving and marketing initiatives across the businesses, and helped by depreciation of the operating currencies against the US dollar. Average adjusted EBITDA margin for the year continues to remain strong at 28%.

The special items primarily relates to asset impairments of US$3.3 billion net of tax (US$5.2 billion gross of tax) in FY2016. This largely relates to the Oil & Gas business which was adversely impacted by the lower Brent price, down 28% during the year.

Excluding special items, profit before tax was lower at US$226 million, largely due to lower EBITDA, loss after tax was US$29 million with attributable loss after tax of US$393 million.

**a) Prices**

Operating profit before special items has been significantly impacted by the downturn in commodity prices across Vedanta's businesses. The Company considers exposure to commodity price fluctuations to be an integral part of the Group's business and its usual policy is to sell its products at prevailing market prices, and not to enter into price hedging arrangements other than for businesses of custom smelting and purchased alumina, where back-to-back hedging is used to mitigate pricing risks.

Oil & gas: Average Brent price for the year was US$47 per barrel, down by 44%, compared with US$85 per barrel during FY2015, reducing operating profit by US$737 million.

Zinc, lead and silver: Average zinc LME prices during FY2016 were down 16% to US$1,829 per tonne. Lead LME prices were down 13% to US$1,768 per tonne, and silver was down 16% to US$15.2 per ounce. Together, these reduced operating profits by US$367 million.

Aluminium: Average aluminium LME prices were down 16% to US$1,590 per tonne in FY2016, adversely affecting operating profit by US$225 million.

Copper: Average copper LME prices were down 21% to US$5,211 per tonne in FY2016, adversely affecting Zambian operating profit by US$146 million.

Others: Pig iron realisation was lower by 27% in FY2016, adversely affecting operating profit by US$40 million. Lower energy prices on the back of a weaker power market had an adverse effect of US$34 million.

These negative impacts totalled US$1,547 million, with a further US$379 million decrease due to lower premiums across zinc, aluminium and copper, and a higher discount at the Oil & Gas business. The combined fall in prices and premiums resulted in an adverse net price reduction of US$1,926 million.

**b) Direct raw material deflation**

Key input commodity prices, including alumina, coal, fuel and iron ore, softened significantly during FY2016, contributing US$123 million to operating profits on our purchases.

**Consolidated operating profit bridge before special items**
(in US$ million)

| | | |
|---|---|---|
| **Operating profit before special items for FY2015** | | 1,735.5 |
| **Market and regulatory: US$(2,167.8) million** | | |
| a) Prices | | (1,926.4) |
| LME | (777.2) | |
| Brent | (736.5) | |
| Premium | (379.2) | |
| Power rates | (33.5) | |
| b) Direct raw material deflation/(inflation) | | 123.0 |
| c) Foreign exchange movement | | 36.6 |
| Rupee depreciation | 167.4 | |
| ZAR and NAD depreciation | 41.2 | |
| Kwacha depreciation on local spend | 29.6 | |
| Kwacha depreciation on VAT receivable | (62.0) | |
| EBITDA translation[1] | (139.6) | |
| d) Profit petroleum to GoI at Cairn | | (186.9) |
| e) Regulatory changes | | (214.1) |
| **Operational: US$1,313.5 million** | | |
| f) Volume | | 186.5 |
| g) Cost-saving initiatives[2] | | 264.9 |
| Marketing initiatives | | 29.8 |
| h) Depreciation and amortisation | | 550.5 |
| i) Others including one-off expenses, technology and base change and allied businesses | | 281.8 |
| Operating profit before special items for FY2016 | | 881.2 |

1 Base year impact due to local functional currency depreciation.
2 In addition to the savings indicated in 'g' above, a further c.US$30 million on account of eliminated capex was also delivered.

**Information regarding exchange rates against the US dollar**

| | **Average FY2016** | Average FY2015 | % change (FY2016 vs FY2015) | **As at 31 March 2016** | As at 31 March 2015 |
|---|---|---|---|---|---|
| Indian rupee | **65.46** | 61.15 | 7% | **66.33** | 62.59 |
| South African rand | **13.78** | 11.06 | 25% | **14.83** | 12.10 |
| Zambian kwacha | **9.71** | 6.45 | 51% | **11.24** | 7.59 |

The Alumina Price Index (API) reduced from US$334 per mt in FY2015 to US$271 per mt in FY2016.

Import Coal Index (New Castle) reduced from US$68 per mt in FY2015 to US$55 per mt in FY2016

**c) Foreign exchange fluctuation**
Most of our operating currencies depreciated against the US dollar during FY2016. Weaker currencies are favourable to Vedanta, given the local cost base and US dollar-linked pricing in all our domestic markets. Together, net of translation, these increased operating profit by US$69 million.

The sharp depreciation of the Zambian kwacha adversely impacted operating profits by US$32 million, since our VAT receivable from the Zambian Government is designated in local currency. Net of all currency movements against the US dollar, operating profits increased by US$37 million.

**d) Profit petroleum to GoI at Cairn**
Profit petroleum outflow increased by US$187 million, driven by: US$142 million due to lower capex and opex spend during the period; US$45 million due to provision against past costs.

**e) Regulatory**
A Renewable Purchase Obligation (RPO) was introduced in 2010 by various state electricity regulation commissions. This made it mandatory for distribution companies, open access consumers and captive power producers to meet at least 5% of their total annual consumption of energy through renewable energy sources. Many companies in India had previously appealed against the order. Ultimately, the RPO regulations were appealed against in the Supreme Court. The Apex court upheld the validity of the regulations including captive power producers by an order dated 13 May 2015. Consequently, a provision of US$63 million has been made for the period FY2013-FY2015 for Vedanta's Aluminium, Zinc India and Copper India businesses. In addition, the RPO impact for the current period was US$16 million.

Other regulatory levies such as the increase in the clean energy cess on coal (US$32 million), electricity duties on captive power (US$22 million), increases in royalty rates including contributions towards the District Mineral Foundation (DMF) (US$70 million), increase in profit petroleum tranche in Rajasthan at DA2 block (US$8 million) and others together impacted the operating profit adversely by US$214 million during FY2016 compared to FY2015.

**f) Volumes**
There were higher production volumes across the businesses, primarily at Zinc India due to improved smelter efficiency and liquidation of inventories, and record annual production from Aluminium, Power, and Copper India. These contributed to increased operating profit, which was partially offset by lower volumes in Oil & Gas and Zinc International.

- Zinc India (positive US$154 million): Integrated zinc, lead and silver metal production increased year-on-year by 5%, 33% and 58% respectively, with improved smelter efficiency and liquidation of mined-metal inventories. There was a record refined integrated silver production of 13.6 million ounces due to higher volumes from the Sindesar Khurd mine.
- Iron Ore (positive US$39 million): Production and sales restarted in Goa during the year, after a suspension of over three years.
- Power (positive US$49 million): With commissioning of the remaining units at Talwandi Sabo and BALCO during 2016, our entire Power portfolio of 9,000MW (commercial and captive) is now operational.
- Cairn India (positive US$2 million): Production remains stable, primarily as a result of volume loss due to natural declines, which was almost offset by the successful EOR project at Mangala.
- Zinc International (negative US$84 million): Production was affected by the planned closure of the Lisheen mine in November 2015, a planned maintenance shutdown and partial industrial action at Skorpion.

Together, the above factors impacted operating profit before special items by US$187 million.

# Finance Review continued

### g) Cost-saving and marketing initiatives

Company-wide cost-saving initiatives and realisation improvements were launched during FY2016. An idea bank of 900+ initiatives across cost and price realisation in our businesses is being implemented in various areas including:

- Clean-sheet-based renegotiations – operations and maintenance contracts, mining contracts, capex contracts
- Optimising sourcing mix in key raw materials
- Logistics: multi-axle trucks, turnaround time, route optimisation
- Enhanced use of modern tendering methods like e-auction
- Consolidation of spend and reduction of vendors
- Developing go-to-market strategies around value-added products, customer base, new geography, long-term vs. short-term contract mix and expanding demand and usage of certain base metals with alternative usage.

These initiatives are ongoing and have yielded results in FY2016 with expectations for these initiatives to yield similar results in the future.

The reported savings are on a Total Cost of Ownership (TCO) methodology and do not include the benefits or extra spend due to input commodity inflation/deflation, regulatory or technology changes.

Unit costs across our businesses have been cut by various cost-saving initiatives and these contributed US$265 million. Various marketing initiatives to improve domestic market share, realisation of up-charge over benchmark premiums, and our product mix all increased operating profit by US$30 million. (In addition to the savings above, a further c.US$30 million savings on account of eliminated capex were also delivered.)

### h) Depreciation and amortisation

Depreciation reduced by US$146 million during FY2016 compared to FY2015. Of the total reduction, US$80 million was due to a full year impact of change in the useful life of assets across Vedanta's businesses effective H2 FY2015. This was in accordance with the Group's accounting policy and was based on technical studies performed by an independent external agency. A lower depreciation charge of US$28 million in the Oil & Gas business was primarily due to a reduction in planned capex spend due to the optimisation efforts. A depreciation charge lower by US$26 million in Skorpion Zinc was due to an increase in reserves and lower volumes.

### Income statement

(in US$ million, except as stated)

| | FY2016 | FY2015 | % change |
|---|---|---|---|
| Revenue | **10,737.9** | 12,878.7 | (16.6)% |
| EBITDA | **2,336.4** | 3,741.2 | (37.5)% |
| EBITDA margin (%) | **21.8%** | 29.1% | – |
| EBITDA margin without custom smelting (%) | **27.6%** | 38.0% | – |
| Special items | **(5,210.1)** | (6,744.2) | (22.7)% |
| Depreciation | **(1,108.4)** | (1,254.6) | (11.7)% |
| Amortisation | **(346.8)** | (751.1) | (53.8)% |
| Operating loss | **(4,328.9)** | (5,008.7) | (13.6)% |
| Operating profit without special items | **881.2** | 1,735.5 | (49.2)% |
| Net interest expense | **(582.6)** | (554.6) | 5.0% |
| Other gains/(losses) | **(72.5)** | (76.9) | (5.7)% |
| Loss before taxation | **(4,984.0)** | (5,640.2) | (11.6)% |
| Profit before taxation without special items | **226.1** | 1,104.0 | (79.5)% |
| Income tax expense – others | **(255.5)** | (352.6) | (27.5)% |
| Income tax credit – special items | **1,737.4** | 2,205.1 | (21.2)% |
| Effective tax rate without special items (%)[1] | **113.0%** | 31.9% | |
| Loss for the year | **(3,502.1)** | (3,787.7) | (7.5)% |
| Profit for the year without special items | **(29.4)** | 751.4 | – |
| Non-controlling interest | **(1,664.7)** | (1,989.1) | (16.3)% |
| Non-controlling interest without special items | **363.5** | 826.1 | (56.0)% |
| Attributable loss | **(1,837.4)** | (1,798.6) | 2.2% |
| Attributable loss without special items | **(392.9)** | (74.7) | – |
| Underlying attributable (loss)/profit | **(364.1)** | (38.9) | – |
| Basic (loss)/earnings per share (US cents per share) | **(665.8)** | (654.5) | – |
| (Loss)/earnings per share without special items (US cents per share) | **(142.4)** | (27.2) | – |
| Underlying (loss)/earnings per share (US cents per share) | **(131.9)** | (14.2) | – |

1 Effective tax rate 22.4% in FY2016 excluding HZL special dividend declared in March 2016.

The capitalisation of power units at Talwandi Sabo and BALCO, and aluminium pot ramp-ups at Korba-II (84 pots) and Jharsuguda-II (82 pots) have contributed to an increase in depreciation of c.US$25 million.

Amortisation charges were reduced by US$404 million during FY2016 compared to FY2015, driven by impairment in the Oil & Gas business in March 2015.

### i) Others

Current year items includes export income on the target plus the scheme recognised pursuant to a favourable Supreme Court Order in India (US$33 million) and a provision write-back at Copper Zambia (US$29 million), which contributed US$62 million to operating profit during FY2016.

Prior year items which did not recur in FY2016 include an unsuccessful exploration expense of US$122 million at Oil & Gas, provision for Power receivable by US$46 million and higher spend at Copper Australia by US$21 million, which contributed US$189 million to operating profit bridge over FY2015.

Together with the above one-off items and other cost deferments not listed above, partially offset by higher spend on Enhanced Oil Recovery (EOR) by US$57 million, contributed higher operating profit of US$282 million in FY2016 over the base year.

### Revenue

Overall revenue, as explained earlier, was down 17% to US$10,738 million compared with US$12,879 million in FY2015. The table on page 51 indicates the movement by segment.

The impact of LME, premia and currency movement was 21.9% year-on-year, which was partly offset by improved operational performance of 5.3% resulting in an overall revenue reduction by 16.6% year-on-year.

### EBITDA and EBITDA margin

EBITDA for FY2016 was down by 38% at US$2,336 million. This was primarily due to the reduction in Brent and LME prices (see the 'operating profit bridge before special items' for more details).

In FY2016 EBITDA margin was 22%, compared to 29% in FY2015. Adjusted EBITDA margin – excluding custom smelting operations – was 28% compared to 38% in FY2015.

The main margin contributors across key businesses were:

- Oil & Gas (62% to 43%) – driven by lower Brent, marginally offset by cost savings.
- Zinc International (31% to 17%) – lower LME prices and lower volumes.
- Copper Zambia (0% to -2%) – lower LME prices and local currency depreciation impact on VAT receivable, offset by improved volume and lower costs.
- Aluminium (20% to 6%) – lower LME prices and premiums, partially offset by cost savings and input commodity deflation.
- Power (26% to 28%) – volume ramp-up, partially offset by weaker power rates.
- Zinc India (51% to 47%) – higher volumes impacted by lower LME, premia and regulatory headwinds such as electricity duty, water cess, Renewable Power Obligation and the District Mineral Foundation.
- Improvement in smelting margins in Copper India with higher TC/RCs, reduced cost per tonne and improved volumes.

## Special items

Special items of US$5,210 million include a non-cash impairment charge of US$4,934 million (US$3,031 million net of tax) relating to the Oil & Gas business; US$228 million in the Iron Ore business relating to Liberian assets, US$18 million relating to Bellary assets in the Iron Ore business, US$8 million relating to the Copper Mine of Tasmania and a US$23 million charge for the Voluntary Retirement Scheme across the businesses.

The impairment in Oil & Gas was triggered by a further weakness in Brent price. The non-cash charge includes US$4,801 million (US$2,932 million net of tax) on the Rajasthan cash generating unit, which includes both producing and exploratory assets and US$133 million (US$99 million net of tax) on the other exploratory blocks. Key assumptions include the short-term oil price of US$41 per barrel gradually going up to long-term nominal price of US$70 per barrel in four years' time, increasing at 2.5% per annum. The assumptions selected were consistent with the various available analysts' pricing.

The Iron Ore business impairment charge of US$228 million arose on the Liberian assets in view of uncertainty in the iron ore price.

## Consolidated revenue – detail

(in US$ million, except as stated)

| | **FY2016** | FY2015 | Net revenue % change |
|---|---|---|---|
| Zinc | **2,502.5** | 2,943.9 | (15.0)% |
| India | **2,111.0** | 2,357.0 | (10.4)% |
| International | **391.5** | 586.9 | (33.3)% |
| Oil & Gas | **1,322.3** | 2,397.5 | (44.8)% |
| Iron Ore | **350.0** | 326.5 | 7.2% |
| Copper | **4,169.7** | 4,777.8 | (12.7)% |
| India/Australia | **3,197.2** | 3,700.7 | (13.6)% |
| Zambia | **972.5** | 1,077.1 | (9.7)% |
| Aluminium | **1,694.3** | 2,081.9 | (18.6)% |
| Power | **707.5** | 588.1 | 20.3% |
| Others[1] | **(8.4)** | (237.0) | (96.5)% |
| **Revenue** | **10,737.9** | 12,878.7 | (16.6)% |

1 Includes port business and eliminations of inter-segment sales which were lower in the current period.

## Consolidated EBITDA

The consolidated EBITDA[1] by sector is set out in the table below:
(in US$ million, except as stated)

| | **FY2016** | FY2015 | % change | Key drivers | **EBITDA margin % FY2016** | EBITDA margin % FY2015 |
|---|---|---|---|---|---|---|
| Oil & Gas | **570.4** | 1,476.8 | (61.4)% | Brent | **43.1%** | 61.6% |
| Zinc | **1,063.1** | 1,373.3 | (22.6)% | | **42.5%** | 46.6% |
| India | **995.0** | 1,192.5 | (16.6)% | LME | **47.1%** | 50.6% |
| International | **68.1** | 180.8 | (62.3)% | LME & volume | **17.4%** | 30.8% |
| Iron Ore | **73.4** | 31.4 | 133.7% | Ramp-up | **21.0%** | 9.6% |
| Copper | **318.7** | 277.2 | 15.0% | | **7.6%** | 5.8% |
| India/Australia | **336.6** | 281.0 | 19.8% | Volume | **10.5%** | 7.6% |
| Zambia | **(17.9)** | (3.8) | – | – | **(1.8)%** | (0.4)% |
| Aluminium | **106.7** | 415.5 | (74.3)% | LME | **6.3%** | 20.0% |
| Power | **196.3** | 153.8 | 27.6% | Ramp-up | **27.7%** | 26.2% |
| Others[2] | **7.8** | 13.2 | (40.9)% | | **-** | – |
| Total | **2,336.4** | 3,741.2 | (37.5)% | | **21.8%** | 29.1% |

1 Earnings before interest, taxation, depreciation, amortisation/impairment and special items.
2 Includes port business and elimination of inter-segment transactions.

Other special items include a charge of US$23 million for the Voluntary Retirement Scheme across the businesses and US$26 million on impairment of old idle assets at Bellary & Copper Mines of Tasmania.

## Net interest

Finance costs decreased by 8% to US$1,280 million in FY2016 (FY2015: US$1,387 million). This is due to the benefits of lower cost refinancing, the previous year impact of unamortised costs written off and using cash to repay convertible bonds in the Copper business during H2 FY2015. The average borrowing cost of the Group was 7.3% (7.5% in FY2015). The cost of rupee borrowing decreased by c.50 bps during FY2016 compared with FY2015 while the rates on foreign borrowings largely remained the same.

Investment revenue in FY2016 decreased to US$698 million (FY2015: US$833 million), mainly at Zinc India and Cairn India. This was driven by significant mark-to-market (MTM) gains accruing in the previous year in a falling interest rate environment in India, where most of the Group's cash and investments reside. The average post-tax return on investment of the Group was 7.2% (9.3% in FY2015).

The combination of lower finance costs and lower investment revenues led to an increase of US$28 million in net interest expense during FY2016.

# Finance Review continued

## Other gains and losses

Other gains and losses include the impact of mark-to-market (MTM) on foreign currency borrowings, primarily at Vedanta's Indian rupee denominated businesses and the restatement of MAT credit at the Oil & Gas business. Depreciation of the Indian rupee against the US dollar during FY2016 was 6% (62.59 to 66.33), against a 4% fall in FY2015 (60.10 to 62.59).

The resulting MTM cost in FY2016 was US$73 million (FY2015: US$77 million).

## Taxation

The effective tax rate (ETR) in FY2016 (excluding special items) was 113% compared to 32% during FY2015 driven by significantly higher Dividend Distribution Tax (DDT) owing to the special dividend declared by Zinc India in March 2016. Excluding incremental DDT, the effective tax rate was 33% during FY2016. This is driven by a lower tax rate in Zinc India due to tax efficient investment income partly offset by higher ETR in Cairn India driven by lower deferred tax liability creation given significantly lower exploration and development spend.

## Special items – tax

Tax special items include a credit of US$1,903 million relating to the corresponding non-cash impairment charge as explained above. In addition, the tax special items in FY2016 of US$174 million charge arose in Copper Zambia on restoration of deferred tax liabilities on mining operations at 30%; mineral processing activities at 35%; and changes in legislation restricting the use of past losses.

## Attributable (loss)/profit

The attributable loss before special items was US$393 million compared with a US$75 million loss in the previous year, mainly due to weak commodity prices and premiums, which resulted in lower EBITDA.

Higher tax and net interest expense were more than offset by lower depreciation and amortisation, partly mitigating attributable losses. The attributable loss (including special items) of US$1,837 million during FY2016 (FY2015: US$(1,799) million) was marginally higher, due to lower EBITDA driven by weak commodity prices partially offset by improved operational performance and the non-cash impairment in Oil & Gas and the Iron Ore business.

## Earnings per share

Basic EPS for the period was a loss of 665.8 US cents (FY2015: (654.5) US cents). Excluding the impact of special items and other gains and losses, the underlying EPS was a loss of 131.9 US cents per share (FY2015: (14.2) US cents).

## Fund flow

The Group generated free cash flow of US$1.7 billion, net debt reduced by US$1.1 billion and gross debt reduced by US$0.4 billion during FY2016. This was driven by temporary and sustainable working capital initiatives and optimisation of opex and capex.

The movement in fund flow in FY2016 is set out below.

Despite a reduction in EBITDA, free cash flow post-capex improved during FY2016 compared to FY2015. Key drivers were:

(a) Working capital movements: Temporary (US$902 million) and sustainable (US$263 million) working capital initiatives helped generate cash. The temporary initiatives included advance from customers, debtor non-recourse discounting and creditor payment cycle; part of these is expected to unwind in FY2017.

(b) Tax outflow: Lower Minimum Alternate Tax (MAT) outflow, primarily at the Oil & Gas business, driven by lower book profits.

(c) Growth and sustaining capex including capital creditors: Efficient capital allocation by prioritisation of capital to high-return, low-risk projects, primarily mining capex at Zinc India, EOR and gas-related projects in Oil & Gas, and a ramp-up at the Aluminium and Power businesses.

These positive effects were partly offset with higher net interest due to significant MTM income on bond investments which was recognised in the prior year. These gains accumulated due to softening interest rates and hence higher bond prices.

## Net debt

We remain focused on optimising our opex and capex, increasing free cash flow and reducing net debt. The increased FCF, as above, together with cost saving, resulted in reduced net debt amounting to US$7,329 million (31 March 2015: US$8,460 million). The Group's net gearing has increased from 41% to 52% with c.9% of this change relating to the non-cash impairments in the year and their corresponding effect on net assets.

## Debt maturity profile and refinancing

Gross debt as at 31 March 2016 was US$16,263 million (31 March 2015: US$16,668 million). The decrease in borrowings, used primarily to fund capital expenditure in Aluminium and Power projects, was more than offset by the reduction in borrowing at our Copper and Iron

## Fund flow

(in US$ million, except as stated)

| | | H1 FY2016 | H2 FY2016 | FY2016 | FY2015 |
|---|---|---|---|---|---|
| EBITDA | | 1,286 | 1,050 | **2,336** | 3,741 |
| Operating exceptional items | | 0 | (23) | **(23)** | (50) |
| Working capital movements | (a) | 1,029 | 136 | **1,165** | 131 |
| Changes in non-cash items | | 13 | 10 | **23** | 203 |
| Sustaining capital expenditure | (c) | (87) | (98) | **(185)** | (221) |
| Movements in capital creditors | | (132) | (78) | **(210)** | (288) |
| Sale of tangible fixed assets | | 3 | 7 | **10** | 26 |
| Net interest | | (245) | (245) | **(490)** | (362) |
| Tax paid | (b) | (140) | (215) | **(355)** | (602) |
| Expansion capital expenditure[1] | (c) | (432) | (134) | **(566)** | (1,531) |
| **Free cash flow** | | 1,295 | 410 | **1,705** | 1,047 |
| Acquisition of additional interest in subsidiaries | | 0 | 0 | **0** | (819) |
| Dividend paid to equity shareholders | | (111) | 0 | **(111)** | (171) |
| Dividend paid to non-controlling interests | | (166) | (159) | **(325)** | (340) |
| Sale/(purchase) of fixed assets investments | | 0 | 0 | **0** | – |
| Other movements[2] | | (95) | (42) | **(137)** | (258) |
| **Movement in net debt** | | 923 | 209 | **1,132** | (541) |

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

Ore businesses, and the devaluation of rupee-denominated borrowing.

Of our total gross debt of US$16.3 billion (excluding working capital loans of US$0.4 billion), debt at our subsidiaries is US$8.5 billion, with the balance in the holding company. The total undrawn credit limit was c.US$1.1 billion (including US$0.5 billion undrawn committed term facility) as at 31 March 2016. The future maturity profile of debt (in US$ billion) of Vedanta Resources plc is as mentioned in the table on this page.

We have been successful in refinancing our maturing debt through rollovers, new debt and repayments from internal accruals during the year, both at Vedanta plc and its subsidiaries.

**Vedanta plc**
The upcoming US$1.5 billion debt maturing at Vedanta plc is to be met through repayment of the intercompany loan by Vedanta Limited to Vedanta Resources plc (outstanding as on 31 March 2016: US$1.9 billion). Of this, US$950 million has already been repaid in April 2016. The remaining balance will be settled in early FY2017.

**Subsidiary**
Of the US$2.3 billion debt maturing during FY2017 (including a short-term loan of US$1.2 billion which will be rolled over in the normal process as in the past), we have already refinanced US$0.2 billion in April 2016, committed a term loan of US$0.5 billion and the remaining balance of US$0.4 billion will be met through a mix of various sources including cash and liquid investments of US$0.2 billion and other facilities which are in the process of being tied up and cash generation from operations.

Cash and liquid investments were US$8,937 million at 31 March 2016 (31 March 2015: US$8,210 million). Our cash and liquid investments portfolio continues to be conservatively invested in debt mutual funds, and in cash and fixed deposits with banks.

## Going concern
The Directors have considered the Group's cash flow forecasts for the next 12-month period from the date of signing of the financial statements ending 31 March 2016. Net debt has decreased by US$1,132 million in the financial year to US$7,329 million, with US$1,087 million of undrawn facilities at the balance sheet date. Further analysis of net debt is set out in Note 26 of the condensed financial statements and details of borrowings and facilities are set out on page 182. The Board is satisfied that the Group's forecasts and projections, taking into account reasonably possible changes in trading performance on cash flows and forecast covenant compliance, the transferability of cash within the Group, the flexibility the Group has over the timings of its capital expenditure and other uncertainties, show that the Group will be able to operate within the level of its current facilities for the foreseeable future. For these reasons the Group continues to adopt the going concern basis in preparing its financial statements. Management has recently renegotiated certain financial covenants, which have been modified until September 2018.

| Particulars | As at 31 March 2015 | **As at 31 March 2016** | FY2017 | FY 2018 | FY2019 | FY2020 | FY2021 | Beyond FY 2021 |
|---|---|---|---|---|---|---|---|---|
| Debt at Vedanta Resources plc | 7.8 | **7.5** | 1.5 | 1.0 | 2.6 | 0.4 | 0.1 | 1.9 |
| Debt at subsidiaries | 8.4 | **8.5** | 2.3 | 1.7 | 1.8 | 0.8 | 0.8 | 1.0 |
| **Total debt** | 16.2 | **16.0** | 3.8 | 2.7 | 4.4 | 1.3 | 0.9 | 2.9 |

## Longer-term viability statement
In accordance with paragraph C2.2 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Group's viability over a longer period than the 12 months required by the going concern assessment.

At Vedanta, the business planning process covers a one-year detailed plan with capital allocation and refinancing plans covering a longer period of up to three years. The planning process takes into consideration key assumptions, around commodity prices and exchange rates, cost and supply parameters for major inputs such as raw materials, labour and fuel; refinancing and a range of assumptions regarding volume ramp up, regulatory matters and the Group's cost-saving programme. To align with our internal financial modeling period and taking into account the current volatility in commodity markets, Vedanta has considered a three-year period of assessment appropriate for the longer-term viability statement.

To assess the Group's longer-term viability, additional robust stress testing has been undertaken, utilising the models used for the going concern exercise. The principal risks which were considered for stress testing, individually and in combination, are commodity price movements, delays in ramping up production and refinancing risks. These are considered severe but plausible and well beyond those expected in the normal course of business.

The viability of the Group under these severe but plausible scenarios remained sound, taking into consideration the availability of mitigating actions within management's control, in particular flexibility in capital allocation, access to lines of credit and alternative sources of finance.

While it is impossible to foresee all risks, and the combinations in which they could manifest, based on the results of this assessment and taking into account the Group's current position and principal risks, the Directors have assessed the prospects of the Group, over the next three years, and have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a period of three years from 1 April 2016.

# Finance Review continued

## Balance sheet
(in US$ million, except as stated)

| | 31 March 2016 | 31 March 2015 |
|---|---|---|
| Goodwill | **16.6** | 16.6 |
| Intangible assets | **92.2** | 101.9 |
| Tangible fixed assets | **16,647.8** | 23,352.0 |
| Other non-current assets | **1,862.3** | 1,807.0 |
| Cash and liquid investments | **8,936.5** | 8,209.8 |
| Other current assets | **2,763.9** | 3,501.6 |
| **Total assets** | **30,319.3** | 36,988.9 |
| Gross debt | **16,263.3** | 16,667.8 |
| Other current and non-current liabilities | **7,203.5** | 8,063.7 |
| Shareholders' (deficit)/equity | **(712.8)** | 1,603.1 |
| Non-controlling interests | **7,565.3** | 10,654.3 |
| **Total equity** | **6,852.5** | 12,257.4 |
| **Total liabilities** | **30,319.3** | 36,988.9 |

## Covenants
The lending banks of Vedanta Resources plc have consented to certain changes requested by the Company to its covenants under the terms of the relevant debt facilities effective from 31 March 2016 until the period ending 30 September 2018. With this, the Company is in compliance with its covenants relating to all facilities for the testing period ending 31 March 2016.

## Credit rating
The downward pressure on metal and oil prices has impacted the Company's credit rating.

The rating agency Standard and Poor's (S&P) downgraded the Company's rating by three notches to 'B' from 'BB' during the year, with negative credit watch. Recently, following the special dividend declaration by Hindustan Zinc Limited, S&P removed the Company rating from 'Watch Negative', mainly on the removal of the refinancing risk. The Company rating was affirmed at 'B' with 'Stable' outlook.

During the year, the rating agency Moody's downgraded the Company's corporate family rating by four notches to 'B2' from 'Ba1', with outlook negative.

Shareholders' (deficit)/equity was US$(713) million at 31 March 2016 compared with US$1,603 million at 31 March 2015. This largely reflected the impact of the impairments and other special items of US$3,473 million; adverse currency translation impact due to depreciation of the operating currencies against US dollar (mainly, the Indian rupee) of US$379 million; the FY2015 dividend payment of US$111 million by Vedanta plc; and attributable loss before special items of US$393 million.

Non-controlling interests decreased to US$7,565 million at 31 March 2016 from US$10,654 million at 31 March 2015, due to the attributable loss to minority shareholders during the year, impact of the impairments, foreign currency movements and dividend payments to minorities.

## Tangible fixed assets
During the year, we invested US$751 million in property, plant and equipment, comprising US$566 million on our expansion and improvement projects and US$185 million spent on sustaining capital expenditure. Expansion project expenses were US$198 million in our Oil & Gas business at Cairn India; US$188 million at Zinc India; US$43 million in the Power business (mainly at Talwandi Sabo); US$108 million in our Aluminium business; and US$23 million at Zinc International.

## Contribution to Exchequer
We contributed US$3.2 billion to the Exchequer in FY2016 (US$4.6 billion in FY2015) through direct and indirect taxes, levies and royalties.

## Project capex

| Capex in progress | Status | Capex (US$m) | Spent up to March 2015 | Spent in FY2016 | Unspent as at 31 March 2016 |
|---|---|---|---|---|---|
| **Cairn India** | Flexibility in capex dependent on oil price and project return | 1,378 | 1,080 | 198 | 100 |
| **Total capex in progress – Oil & Gas** | | **1,378** | **1,080** | **198** | **100** |
| **Aluminium sector** | | | | | |
| BALCO – Korba-II 325ktpa smelter and 1,200MW power plant (4x300MW) | Smelter: 84 pots capitalised in September 2014 and further ramp-up commenced from 22 April. Power: All four units operational | 1,872 | 1818 | 71 | (17)[1] |
| Jharsuguda 1.25mtpa smelter | Ramp-up commenced: 82 pots capitalised in December 2015 and further ramp-up commenced from 1 April | 2,920 | 2,535 | 34 | 351 |
| **Aluminium sector total** | | **4,792** | **4,353** | **105** | **334** |
| **Power sector** | | | | | |
| Talwandi 1,980MW IPP | All three units commissioned | 2,150 | 2,011 | 43 | 96 |
| **Zinc sector** | | | | | |
| Zinc India (mines expansion) | Phase wise by FY2019 | 1,500 | 602 | 188 | 710 |
| Zinc International | | | | | |
| Gamsberg mining & milling project | To be completed by FY2018-19 | 400 | 5 | 16 | 379 |
| **Total capex** | | **10,220** | **8,051** | **550** | **1,619** |

| Capex flexibility | Status | Capex (US$m) | Spent up to March 2015 | Spent in FY2016 | Unspent as at 31 March 2016 |
|---|---|---|---|---|---|
| **Aluminium sector** | | | | | |
| Lanjigarh Refinery (Phase II) – 4mtpa | | 1,570 | 809 | 3 | 758 |
| **Copper sector** | | | | | |
| Tuticorin smelter 400ktpa | EC awaited | 367 | 129 | 3 | 235 |
| **Iron Ore** | | | | | |
| Iron Ore Liberia[2] | | 228 | 225 | 3 | 0 |
| **Zinc International** | | | | | |
| Skorpion refinery conversion | To be completed by FY2018-19 | 156 | 4 | 7 | 145 |
| **Total flexibility capex** | | **2,321** | **1,167** | **16** | **1,138** |

1 Overrun due to foreign currency variance.
2 This exploratory asset is currently impaired.

# Divisional Review

## Oil & Gas

# Our Oil & Gas division delivered positive free cash flow, maintaining tight fiscal discipline.

1

**“Against the backdrop of the lowest Brent crude prices for over a decade, we have been pleased that Rajasthan has performed strongly, and that our Mangala EOR – the world’s largest polymer programme – is now in full swing.**

Mayank Ashar, CEO, Oil & Gas

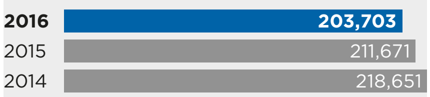
### Results

**During the year we achieved:**

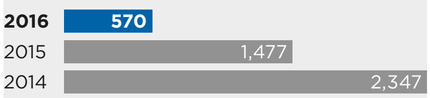
- Gross average production of 203,703boepd.
- Polymer injection in Mangala ramped up to 400kblpd, with EOR contribution average of 32kboepd in Q4.
- Successful execution of 20 well infill programme in Aishwariya.
- RDG average gas production at 27mmscfd surpasses estimates.

### Key metrics

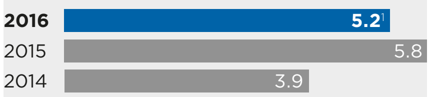
**Production – average daily gross operated production** (boepd)



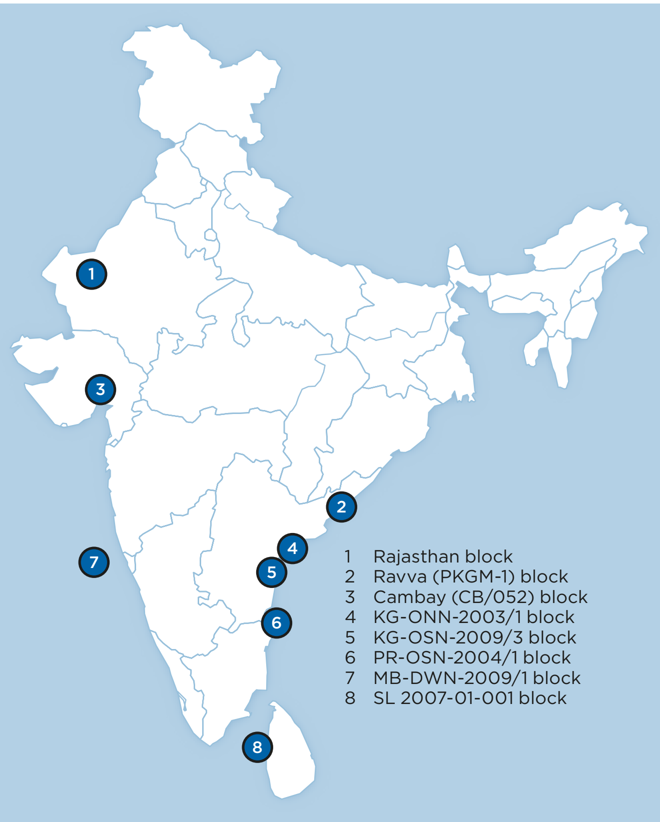

**EBITDA** (US$ million)




**Direct operating costs** (US$/bbl)




1 Water flood opex. Blended operating cost including EOR was US$6.5/boe.





**1:** Employees at Mangala processing terminal.

# Divisional Review
# Oil & Gas

## Production performance

| | Unit | FY2016 | FY2015 | % change |
|---|---|---|---|---|
| Gross production | Boepd | **203,703** | 211,671 | (3.8)% |
| Rajasthan | Boepd | **169,609** | 175,144 | (3.2)% |
| Ravva | Boepd | **23,845** | 25,989 | (8.2)% |
| Cambay | Boepd | **10,249** | 10,538 | (2.7)% |
| Oil | Bopd | **196,955** | 204,761 | (3.8)% |
| Gas | Mmscfd | **40.5** | 41.5 | (2.4)% |
| Net production – working interest | Boepd | **128,191** | 132,663 | (3.4)% |
| Oil | Bopd | **125,314** | 130,050 | (3.6)% |
| Gas | Mmscfd | **17.3** | 15.7 | 10.2% |
| Gross production | Mboe | **74.6** | 77.3 | (3.5)% |
| Working interest production | Mboe | **46.9** | 48.4 | (3.1)% |

## Prices

| | FY2016 | FY2015 | % change |
|---|---|---|---|
| Average Brent prices – US$/barrel | **47.5** | 85.4 | (44.4)% |

## Operations

Average gross production for FY2016 was 203,703 barrels of oil equivalent per day (boepd), which was 3.8% lower than the previous year. This represents c.25% of the domestic production in India. Lower reservoir performance at Bhagyam and a natural decline in the Mangala and Aishwariya fields in Rajasthan were the key reasons. The decline was partially offset by successful execution of the Enhanced Oil Recovery (EOR) project at Mangala, upside from infill wells at Aishwariya and reservoir management initiatives at Bhagyam. Ravva and Cambay block production declined by 8.2% and 2.7% respectively, due to natural decline.

Mangala EOR project, the world's largest polymer flood, has shown an exemplary performance. In February 2016, polymer injection ramped up to our target levels of 400,000 barrels of liquid per day, which along with production performance has reduced the risks significantly from the perspective of surface facilities, reservoir, polymer availability, and polymer mixing and transportation technology. The integrated drilling programme was completed for all the 93 new injection wells during the year as per plan. In October 2015, the central polymer facility was fully operational with all the four trains preparing polymer solution.

Gas development in the Raageshwari Deep Gas (RDG) field in Rajasthan continues to be a strategic priority. The Company continues to invest capex in the project, including further plans in FY2017. During FY2016, average gas production from RDG increased to 27mmscfd, higher than guidance provided last year, up 68% year-on-year, with an average Q4 production of 31mmscfd. This was achieved by a better than expected performance from the fracked well, and stabilised compressor operations that were installed at the Raageshwari and Viramgam terminals. In FY2016, the RDG project has shown robust progress with significantly higher volume than the previous year and will be continued in FY2017 in line with the project plan.

During the year, we commissioned the Salaya Bhogat Pipeline (SBPL), the storage terminal and the marine export facilities at Bhogat which provides an opportunity to expand customer base and realised better pricing.

## Prices

According to the International Energy Agency's Oil Market Report (January 2016), 2015 saw one of the highest volume increases in global oil production this century. For FY2016, the Brent crude oil price averaged US$47.5 per barrel with Q4 FY2016 at US$33.9 per barrel – the lowest level since 2005. Supply continued to grow faster than demand. This has led to a situation where commercial stock levels within the Organisation for Economic Co-operation and Development (OECD) are at a record high. As a result, crude oil prices started falling in late FY2015 and weakened further in FY2016. Lately, in April 2016, the prices have recovered from record lows due to the weakening US dollar and improved global growth sentiment.

Key factors adversely affecting the oil & gas market include the advent and resilience of shale oil production; increased oil production by members of the Organisation of the Petroleum Exporting Countries (OPEC); lack of production cuts (volume consensus) by OPEC and non-OPEC countries; and lower gross domestic product (GDP) growth globally. The decline in the benchmark Brent price was also followed by greater incentives for processing light grades. As a result, our crudes attracted higher discounts.

1: Employee at Rajasthan oil field.

## Financial performance
(in US$ million, except as stated)

| | FY2016 | FY2015 | % change |
|---|---|---|---|
| Revenue | **1,322.3** | 2,397.5 | (44.8)% |
| EBITDA | **570.4** | 1,476.8 | (61.4)% |
| EBITDA margin | **43.1%** | 61.6% | |
| Depreciation | **544.6** | 572.7 | (4.9)% |
| Acquisition related amortisation | **281.7** | 697.6 | (59.6)% |
| Operating profit | **(255.9)** | 206.5 | – |
| Share in Group operating profit (%) | **(29.0)%** | 11.9% | |
| Capital expenditure | **214.2** | 1080.1 | (80.2)% |
| Sustaining | **15.8** | – | – |
| Projects | **198.4** | 1,080.1 | (81.6)% |

## Financial performance
Revenue for the year was lower at US$1,322 million (after profit and royalty sharing with the Government of India), driven by weaker crude prices. As a result, EBITDA for FY2016 was lower by 61% at US$570 million. The Rajasthan water flood operating cost was reduced to US$5.2 per barrel compared to US$5.8 per barrel in the previous year, which is one of the lowest in the world. An increase in polymer injection volumes lifted blended operating cost to US$6.5 per barrel during FY2016.

In the Union Budget FY2017, oil cess, a tax on crude oil production, has effectively been reduced at the current price level from Rs4,500 per tonne to 20% ad valorem on realised price.

The Company has shown continued tight fiscal discipline and has actively renegotiated its existing contracts to improve prices and contain activities. The Company has realised a c.20% cost saving on polymer through ongoing interventions. We have also sourced 10MW power from the open access markets at 25% lower cost. Efficiencies, for instance, have improved at RDG gas with a reduction in both days per frac and also the per frac cost.

In FY2016, we invested US$214 million in capital expenditure, which primarily included Mangala Polymer Project, Raageshwari Deep Gas Project, Aishwariya infill, and exploration (appraisal, testing and seismic activities).

## Exploration and development
In FY2016, the Company started with working interest 2P reserves of 242mmboe and ended with working interest 2P reserves of 175mmboe. Excluding production, our working interest 2P reserves for the year declined by approximately 18mmboe due to project deferrals in the low oil price scenario. We made some additions from reservoir performance and projects in Aishwariya and offshore fields. This will reverse itself once price levels move up.

Since the recommencement of exploration in the Rajasthan block in 2013, the Company has discovered 1.7 billion boe of drilled and tested HIIP with an additional 0.45 billion boe drilled but yet to be tested. During this period, the Company has discovered 2C resources of 200 million boe in Rajasthan. During FY2016, activity continued to be focused upon appraisal of new discoveries and processing of the new 3D seismic data over high priority areas, in line with our re-phased exploration programme. Earlier in the year, oil was discovered in volcanic reservoirs, in three zones in well Raageshwari Deep North and in two zones in well Raageshwari Deep Main. The subsurface data pertaining to the deeper layers within the volcanic reservoirs in the Raageshwari area were analysed during the fourth quarter.

The 3D seismic acquisition programme continued in Rajasthan, with a total of 432 km² acquired during this year. The processing of newly acquired 3D seismic data is ongoing with a focus on identifying additional prospects that will act to replenish the exploration prospect inventory.

### Krishna-Godavari Basin Onshore – (BLOCK KG-ONN-2003/1)
Our joint venture partner and operator ONGC has submitted the FDP to the management committee for approval, initiating the JV approval process for the block.

### Krishna-Godavari Basin Offshore – (BLOCK KG-OSN-2009/3)
We continue to engage with the Ministry of Petroleum & Natural Gas for an extension contingent upon full life clearances. Phase-I expired on 8 March 2016. Interpretation of the new seismic volumes has resulted in identification of four prospects and a number of smaller leads over different play types.

Due to the current low oil price environment, the carrying value of Block KG-ONN-2003/1, Block KG-OSN-2009/3, South Africa (Block 1) and Block MB-DWN-2009/1 have been fully impaired as of March 2016.

## Outlook
We remain committed to maintaining a healthy cash flow post capex from our Oil & Gas business. In FY2017, Rajasthan production volumes will be broadly at FY2016 levels, with natural declines being offset by the EOR programme. In line with global peers, capex for FY2017 has been reduced to c.US$100 million, which will be invested 80% on development (primarily RDG Gas and Mangala EOR completion activities) and 20% in exploration.

We will continue investing in pre-development activities of our key projects in Core MBA fields, Barmer Hills and Satellite fields, to ensure project readiness for development with the rebound in oil prices. We maintain the flexibility to raise our capital investment as the oil price improves.

## Strategic priorities
- Generate healthy cash flows post capex.
- Consistent cash generation from core assets with focus on operating cost and efficient reservoir management.
- Continue investing in Raageshwari Deep Gas Project.
- Option for growth by capital investment in a pipeline of projects at Barmer Hill, Bhagyam and Aishwariya EOR to take advantage of any upswing in oil price.
- Resilience from robust balance sheet and world-class resource base.
- Capitalise on strengths – geology, technology, talent pool, strong partnerships and financial discipline.

# Divisional Review

## Zinc-Lead-Silver India

# Zinc India continued its transition to underground mining, whilst delivering record output.


“During the year, we achieved record production levels of integrated zinc, lead and silver, and delivered a strong mined metal production, primarily on account of conversion of mined metal inventory and enhanced smelter efficiencies.

Sunil Duggal, CEO, Zinc India

### Results

**During the year we achieved:**

- Mined metal production of 889kt, with refined metal production at highest level recorded.
- Lowest quartile cost position maintained.
- Paid special dividend of US$1.8 billion, the largest single dividend by any private sector company in India.

## Key metrics

**Production – zinc mined metal** (kt)

| | |
|---|---|
| **2016** | **889** |
| 2015 | 887 |
| 2014 | 880 |

**Production – refined zinc** (kt)

| | |
|---|---|
| **2016** | **759** |
| 2015 | 734 |
| 2014 | 749 |

**Production – refined lead** (kt)

| | |
|---|---|
| **2016** | **145** |
| 2015 | 127 |
| 2014 | 123 |

**Production – saleable silver** (moz)

| | |
|---|---|
| **2016** | **13.65** |
| 2015 | 10.53 |
| 2014 | 11.24 |

**R&R** (mt)

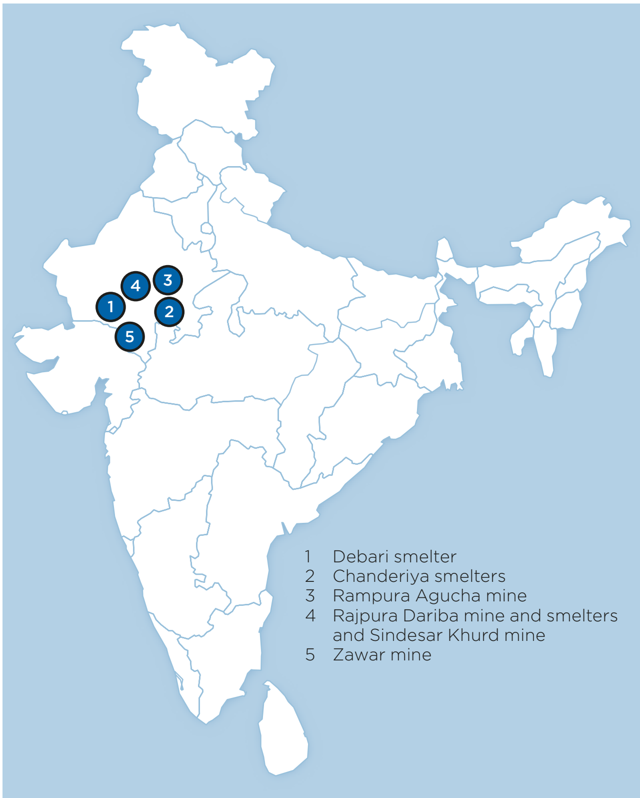
| | |
|---|---|
| **2016** | **389.9** |
| 2015 | 375 |
| 2014 | 365 |

**EBITDA** (US$ million)

| | |
|---|---|
| **2016** | **995** |
| 2015 | 1,192 |
| 2014 | 1,145 |

**Unit costs** (US$ per tonne)

| | |
|---|---|
| **2016** | **1,045** |
| 2015 | 1,093 |
| 2014 | 978 |




**1:** Chanderiya zinc smelting complex.

# Divisional Review
# Zinc-Lead-Silver India

## Production performance

| | FY2016 | FY2015 | % change |
|---|---|---|---|
| **Production (kt)** | | | |
| Total mined metal | **889** | 887 | 0.2% |
| Production – zinc | | | |
| Mined metal content | **744** | 774 | (3.9)% |
| Refined metal | **759** | 734 | 3.4% |
| Integrated | **759** | 721 | 5.3% |
| Custom | **-** | 13 | |
| Production – lead[1] | | | |
| Mined metal content | **145** | 113 | 28.3% |
| Refined metal | **145** | 127 | 14.2% |
| Integrated | **140** | 105 | 33.3% |
| Custom | **5** | 22 | (77.3)% |
| Production – silver (moz)[2] | **13.65** | 10.53 | 29.6% |
| Integrated | **13.56** | 8.56 | 58.4% |
| Custom | **0.09** | 1.97 | (95.4)% |

1 Excluding captive consumption of 7kt vs 8kt in FY2016 vs FY2015.
2 Excluding captive consumption of 1,108 thousand ounces vs 1,293 thousand ounces in FY2016 vs FY2015.

## Prices

| | FY2016 | FY2015 | % change |
|---|---|---|---|
| Average zinc LME cash settlement prices US$/t | **1,829** | 2,177 | (15.9)% |
| Average lead LME cash settlement prices US$/t | **1,768** | 2,021 | (12.5)% |
| Average silver prices US$/ounce | **15.2** | 18.1 | (16.0)% |

### Operations
Mined metal production for the full year was recorded at 889,000 tonnes, in line with the previous year. Production during the second half of FY2016 was lower than the first half of year, due mainly to reduced output from Rampura Agucha (RA) open pit, particularly in Q4 FY2016 as per the mine plan. This was partially offset by record production from all the underground mines, and in particular the Sindesar Khurd (SK) and Kayad mines, which also resulted in higher lead and silver volumes.

**1:** Load-haul-dump unit loading truck at Hindustan Zinc.

Sindesar Khurd has outperformed and achieved the target of 3.0 million tonnes of production in FY2016 ahead of plan. The current mining run rate is 3.75 million tonnes per annum, ahead of schedule. Consequently, silver production has also benefited from higher volumes from this mine and recorded integrated production of 13.56 ounces, with a 58% increase year-on-year.

Our Kayad mine surpassed the targeted production capacity of 1 million tonnes per annum during the quarter.

Rampura Agucha mine is in the midst of transition from open pit to underground mine production, with the underground project picking up pace after a slower than planned ramp up due to difficult geotech conditions. The main shaft has reached a depth of 860 metres (out of a planned depth of 950 metres) with completion of the north and south vent work. We also achieved a record decline development of 1,425 metres during the month of March 2016. However, to de-risk any potential delay in the development of Rampura Agucha underground project, the open cast mine deepening project, referred to as 'Stage V', is progressing satisfactorily.

Refined metal production during the year was the highest ever and higher than mined metal production primarily on account of conversion of existing mined metal inventory and enhanced smelter efficiencies. Integrated refined zinc, lead and silver metal production increased by 5%, 33% and 58% respectively over FY2015.

### Prices
Commodity prices weakened during FY2016 due to the stronger US dollar and the slowdown in the Chinese economy. However, zinc prices showed a degree of resilience during the first quarter of the year and recovered back to US$2,400 per tonne in May 2015, backed by better fundamentals – closure of mines and supply constraints. However, in line with global commodity cues, zinc prices fell below $1,600 per tonne during Q3 FY2016, the lowest in more than six years. LME zinc prices averaged US$1,829 per tonne during FY2016 compared to US$2,177 per tonne in FY2015, a decrease of 15.9%. Consequently, the spot prices have recovered to above US$1,800 per tonne.

Average prices for lead have weakened by 12.5% due to subdued Chinese consumption and lower demand.

Silver's average price also reduced significantly, by 16% in line with the general weakness in precious metals and on the back of a stronger US dollar. Zinc Benchmark Premium (the average of Shanghai, Zohar & Singapore) was lower during FY2016 at US$91 per tonne, compared to US$135 per tonne during FY2015.

### Unit costs

The unit cost of zinc production decreased by 4.4% to US$1,045 per tonne compared to FY2015. Excluding royalty, there was a 7.4% decline in cost at US$804 per tonne which is amongst the lowest quartile globally. The decrease was due mainly to higher volumes of integrated production, better smelter efficiencies, reduced coal and commodity prices, higher by-product credit and cost reduction initiatives. In FY2016, the unit cost of zinc production post silver credit was at c.US$500 per tonne (excluding royalty). The increased royalty rates impacted the unit cost of zinc production by c.US$57 per tonne. This and other regulatory headwinds, including renewal power obligations and electricity duty by US$36 per tonne, were partly offset by a 7% rupee depreciation during FY2016. Zinc India's zinc composite cost of production remains in the first quartile on the global cost curves position, according to the Wood Mackenzie Report for CY2016. Out of the total zinc unit cost of production of US$1,045 per tonne, total government levies were c.US$277 per tonne primarily due to royalty and District Mineral Fund (DMF).

With a focused objective of cost optimisation, the Company has deployed a clean-sheet-costing methodology to work on the existing contracts, and has further negotiated the cost spend across the businesses. We have also optimised the transport routes with faster turnarounds, exploring alternative ports to optimise spend. The cost of production excluding royalty is expected to remain stable during FY2017 even as we transition to a higher share of underground production as a result of various cost and efficiency initiatives.

On 1 September 2014, the Indian royalty rates for zinc rose from 8.4% to 10.0%, while lead royalties increased from 12.7% to 14.5%. These increased rates are among the highest in the world, and beyond other base metals. In addition, an amount equal to 30% of royalties was provided with effect from 12 January 2015 to contribute to the District Mineral Fund (DMF), and an amount equal to 2% of royalties for the National Mineral Exploration Trust (NMET).

### Financial performance

EBITDA in FY2016 was US$995 million, a decrease of 17% compared to FY2015. This decrease was primarily driven by lower zinc, lead and silver prices, and premia, as well as statutory headwinds in FY2016. However, these were partially offset by higher volumes, lower cost of production and the rupee depreciation.

The decline phase of both Rampura Agucha and Sindesar Khurd underground mines are in commercial production with their operating results recognised in the income statement.

### Unit costs

| | **FY2016** | FY2015 | % change |
|---|---|---|---|
| Unit costs[1] | | | |
| Zinc (US$ per tonne) | **1,045** | 1,093 | (4.4)% |
| Zinc (Excluding royalty) (US$ per tonne) | **804** | 868 | (7.4)% |

1 With IFRIC 20 impact.

### Financial performance

(in US$ million, except as stated)

| | **FY2016** | FY2015 | % change |
|---|---|---|---|
| Revenue | **2,111.0** | 2,357.0 | (10.4)% |
| EBITDA | **995.0** | 1,192.5 | (16.6)% |
| EBITDA margin (%) | **47.1%** | 50.6% | |
| Depreciation and amortisation | **119.9** | 133.2 | (10.0)% |
| Operating (loss)/profit before special items | **875.1** | 1,059.3 | (17.4)% |
| Share in Group operating profit (%) | **99.3%** | 61.0% | |
| Capital expenditure | **234.9** | 222.7 | 5.5% |
| Sustaining | **46.5** | 56.1 | (17.1)% |
| Growth | **188.4** | 166.6 | 13.1% |

### Projects

The announced mining projects, with the objective of reaching 1.2 million tonnes per annum, are progressing well and we expect to achieve the target within the next three years.

Zinc India's transition from open cast to underground mining continues. Open cast contributed 60% of production during FY2016, and historically it has accounted for about 80% of total metal in concentrate (MIC) production. Open cast will now be replaced progressively by underground mines, and by FY2021 all our production will be underground.

At Rampura Agucha open cast mine, work to deepen the pit by an additional 50 metres (referred to as 'Stage V') is progressing satisfactorily and has contributed towards de-risking any potential delay in the development of Rampura Agucha underground project.

At Sindesar Khurd, the shaft sinking project is ahead of schedule and reached the planned depth of 1.05 km with completion of the main shaft sinking work where development of associated infrastructure is also progressing well ahead of its timelines. Production from the shaft is expected to commence during the second half of FY2018.

At Zawar, the debottlenecking of the existing mill is progressing well, and the capacity will increase to 2.7 million tonnes per annum by year end.

The Company continues to allocate capex in zinc growth projects.

### Exploration

During the year, gross additions of 25.3mt were made to reserves and resources (R&R), prior to a depletion of 10.5mt. As of 31 March 2016, Zinc India's combined mineral resources and ore reserves were estimated to be 389.9 million tonnes, containing 36.1mt of zinc-lead metal and 1,007moz of silver. Overall mine life continues to be over 25 years.

### Outlook

In FY2017, mined metal production is expected to be marginally higher than FY2016, while refined integrated zinc metal production will be at a similar level to FY2016. Integrated lead and silver production will be higher on account of greater ore volumes from the Sindesar Khurd mine. Significant progress is expected in terms of mine development and ore production from the underground mine projects as we expect about 60% mined metal production from underground mines in FY2017. Similar to recent years, quarterly variations in production are expected due to waste and ore sequence at Rampura Agucha open cast mine partly offset by ramp up of underground mines. Production during the second half of the year will be much higher than the first half; in the first half, Q1 will be much lower than Q2. Volumes will gradually ramp up as the year progresses, as per the mine plan.

The cost of production (excluding royalties) is expected to remain stable with various efficiency improvement programmes and cost reduction initiatives aided by a benign commodity environment. This is despite the additional regulatory levies and lower average grades resulting from a change in the mining mix and transitioning to more underground production.

### Strategic priorities

- To progress the brownfield expansion of mines to achieve 1.2 million tonnes per annum of mined zinc-lead.
- Manage smooth transition from open-pit to underground mining at Rampura Agucha.
- Achieve the life extension of the Rampura Agucha open cast mine Stage V.
- Achieve cost reductions with various operational and commercial initiatives.
- Ramp up silver production volumes.
- Continue our focus on adding more reserves and resources than we deplete through exploration.

# Divisional Review

## Zinc International

# Zinc International is poised for the next exciting phase of its development.

1

"The year reflected the end of an era as we closed the Lisheen mine in Ireland and marked a new beginning as we broke ground on Gamsberg, the only active mining project in South Africa.

Deshnee Naidoo, CEO, Zinc International

### Results

**During the year we achieved:**

- Production of 226kt delivered.
- Safe, fully costed closure of the Lisheen mine after 17 years of operation.
- Pre-stripping and surface work at Gamsberg progressing.
- Capex on Gamsberg reduced to US$400 million.

### Key metrics

**Production – refined zinc** (kt)

| | |
|---|---|
| **2016** | **82** |
| 2015 | 102 |
| 2014 | 125 |

**Production – zinc-lead mined metal** (kt)

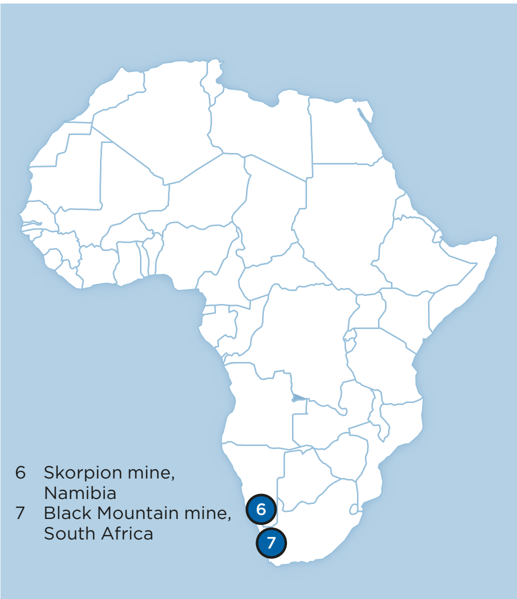
| | |
|---|---|
| **2016** | **144** |
| 2015 | 209 |
| 2014 | 239 |

**EBITDA** (US$ million)

| | |
|---|---|
| **2016** | **68** |
| 2015 | 180 |
| 2014 | 213 |

**Unit costs** (US$ per tonne)

| | |
|---|---|
| **2016** | **1,431** |
| 2015 | 1,393 |
| 2014 | 1,167 |

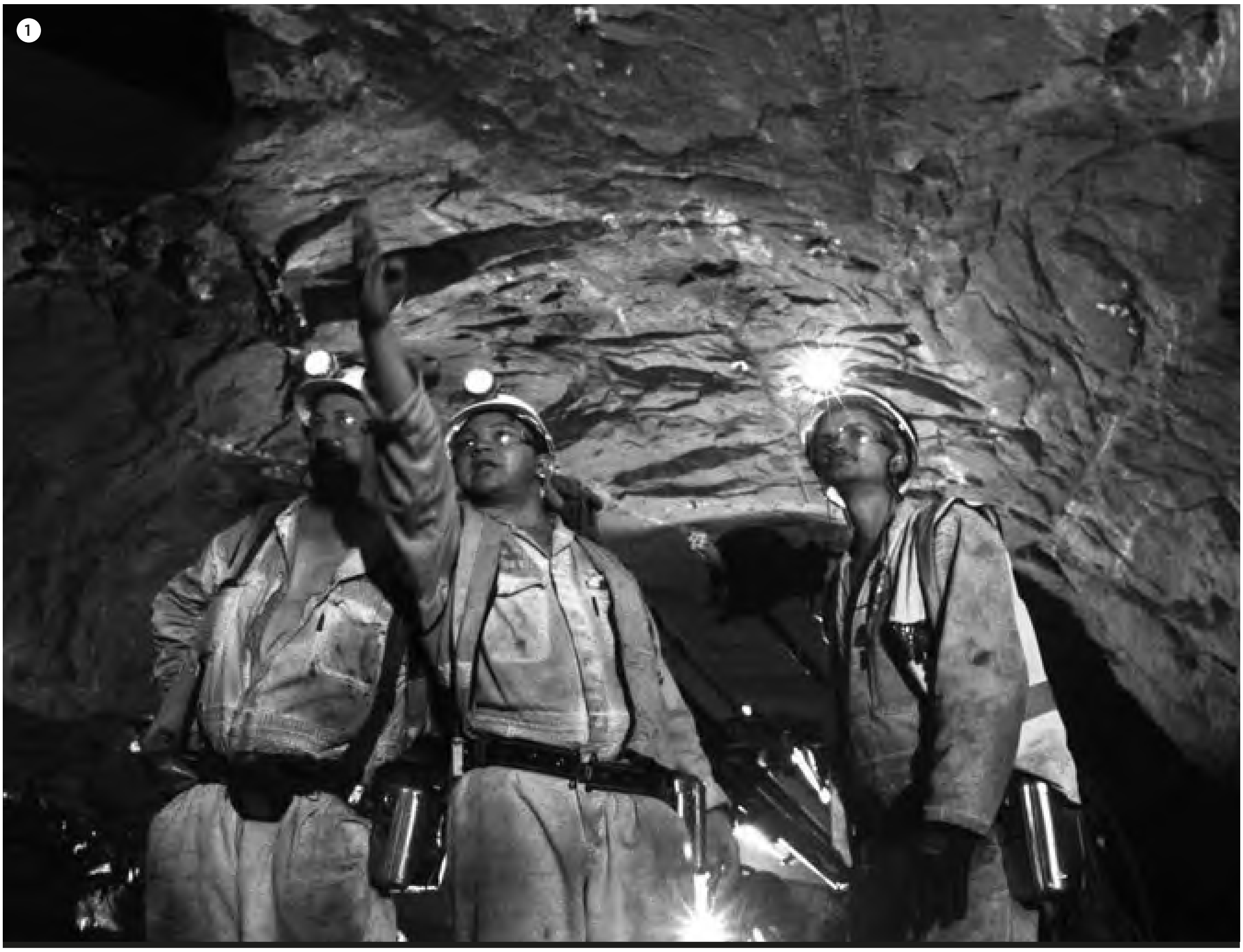




1 Lisheen had a safe, detailed and fully costed closure after 17 years of operation in November 2015.

**1:** Skorpion mine.

# Divisional Review
# Zinc International



1

### Production performance

| | FY2016 | FY2015 | % change |
|---|---|---|---|
| Total production (kt) | **226** | 312 | (27.6)% |
| **Production – mined metal (kt)** | | | |
| BMM | **63** | 59 | 6.8% |
| Lisheen | **81** | 150 | (46.0)% |
| Refined metal Skorpion | **82** | 102 | (19.6)% |

### Unit costs

| | FY2016 | FY2015 | % change |
|---|---|---|---|
| Zinc (US$ per tonne) CoP | **1,431** | 1,393 | 2.7% |

**1:** Engineers at Black Mountain underground mine.

### Financial performance
(in US$ million, except as stated)

| | FY2016 | FY2015 | % change |
|---|---|---|---|
| Revenue | **391.5** | 586.9 | (33.3)% |
| EBITDA | **68.1** | 180.8 | (62.3)% |
| EBITDA margin | **17.4%** | 30.8% | |
| Depreciation | **54.3** | 85.7 | (36.6)% |
| Acquisition related amortisation | **2.1** | 25.4 | (91.7)% |
| Operating profit before special items | **11.7** | 69.7 | (83.2)% |
| Share in Group operating profit (%) | **1.3%** | 4.0% | |
| Capital expenditure | **54.5** | 39.7 | 37.3% |
| Sustaining | **31.4** | 30.4 | 3.3% |
| Growth | **23.2** | 9.3 | – |

### Operations
Total production for FY2016 was 28% lower than in FY2015, due mainly to the closure of the Lisheen mine in Ireland in November 2015 after 17 years in operation, maintenance shutdown and partial industrial action at Skorpion. This was partially offset by higher volumes from Black Mountain Mines production.

At Skorpion, in Namibia, production was lower by 20,000 tonnes. The main causes were temporary industrial action during Q2 FY2016, the planned refinery maintenance extended shutdown in Q3 FY2016, a slower than anticipated ramp-up post the shutdown, and a decline in the mine grade. During Q4 FY2016 Skorpion production volumes were back to normal, following a planned maintenance shutdown in Q3 FY2016, and it recorded 27,000 tonnes in Q4 FY2016.

Production at BMM was 7% higher due to a 10% increase in mine volume, supported by a change in mining method from cut-and-fill to the more productive longhole mining.

### Unit costs
The unit cost of production increased to US$1,431 per tonne, 2.7% up from US$1,393 per tonne in FY2015. This was mainly driven by reduced volumes at Skorpion and Lisheen, increased waste stripping at the Skorpion mine and one-off plant maintenance costs at the Skorpion refinery. The increased cost was largely offset by local currency depreciation against the US dollar.

### Financial performance
EBITDA reduced by 62% to US$68 million for FY2016, due mainly to lower commodity prices as well as lower volumes.

### Projects
With the improved outlook on zinc price and reduction in the project capex envisaged at the Gamsberg mine on account of engineering improvements and renegotiations, we have decided to now accelerate the project. Consequently, the project will see a much higher level of capital allocation in FY2017.

Pre-start activities at the project site began in July 2015, by which stage BMM had obtained all regulatory and environmental permits in line with the relevant South African legislation. Pre-stripping and surface work to access the ore body is progressing in line with the re-phased plan. To date, we have excavated c.6.5 million tonnes of waste rock.

The first phase of the project is expected to have a life of mine of approximately 13 years, and there is significant potential for further expansion at the Gamsberg North deposit.

Gamsberg Phase 1 is expected to partially replace the production lost due to the closure of Lisheen, and restore production to over 300ktpa. The first ore production is planned for 2018 with 9 to 12-month ramp-up to full production. The engineering improvements and renegotiations resulted in lower project capex of US$400 million.

The Skorpion refinery conversion is under Detailed Feasibility Study (DFS). The basis engineering is in the final stage of evaluation and we are currently reviewing the capex and opex.

We continue to develop the project using a modular approach, with project execution carried out in a phased manner. This allows us to adapt the capital expenditure programme and increase the ramp-up as market conditions improve. The project IRR remains in mid-teens despite the current commodity price scenario, therefore developing it further remains attractive.

### Outlook
In FY2017 production volumes are expected to be c.170–190kt.

Cost of production is expected to reduce to c.$1,200–$1,300 per tonne, with continued focus on labour and equipment productivity improvements and cost reduction initiatives. Given the current economic climate, the business is in the process of optimising short-time mine plans while re-aligning the fixed cost base.

At Skorpion, the high wall pushback has been deferred in the light of current market conditions, and plans are currently underway to review various future options for mine life extension. Current reserves are at 5.2 million tonnes (at 9% grade).

At BMM, our focus continues to be around executing on the Gamsberg project. Further, near-mine resource potential is being explored to extend mine life along with other changes in the mining method.

### Strategic priorities
- Execution of the Gamsberg project (Phase 1) using a modular approach to project execution and development.
- Extending the mine life at Skorpion.
- Managing a world-class closure at the Lisheen mine site.

# Divisional Review

## Iron Ore

# Production ramp-up in our Iron Ore division positions us well for market recovery.


"We were the first company to restart mining operations in Goa following government approvals, and both the Karnataka and Goa mines are now operational. We are well positioned to benefit from our low cost of production and continuous efforts to further optimise costs in these volatile markets.

Kishore Kumar, CEO, Iron Ore

### Results

**During the year we achieved:**

- Production of 2.2mt in Goa and 30mt in Karnataka.
- Record production of pig iron at 654kt.
- Government engagement under way to increase mining cap going forward.

### Key metrics

**Production** (mt)

| | |
|---|---|
| **2016** | 5.2 |
| 2015 | 0.6 |
| 2014 | 1.5 |

**R&R – India** (mt)

| | |
|---|---|
| **2016** | 384 |
| 2015 | 337 |
| 2014 | 431 |

**EBITDA** (US$ million)

| | |
|---|---|
| **2016** | 73.4 |
| 2015 | 31.4 |
| 2014 | (24.2) |



**1:** Ammona plant at iron ore facility in Goa.

# Divisional Review
# Iron Ore

1


## Production performance

| | FY2016 | FY2015 | % change |
|---|---|---|---|
| **Production (dmt)** | | | |
| Saleable ore | **5.2** | 0.6 | |
| Goa | **2.2** | – | – |
| Karnataka | **3.0** | 0.6 | |
| Pig iron (kt) | **654** | 611 | 7.0% |
| **Sales (dmt)** | | | |
| Iron ore | **5.3** | 1.2 | |
| Goa[1] | **2.2** | – | – |
| Karnataka | **3.1** | 1.2 | |
| Pig iron (kt) | **663** | 605 | 9.6% |

1 Includes e-auction sales of 1.4 million tonnes during FY2016 and nil in FY2015.

## Operations

During August 2015, production recommenced in Goa after obtaining all necessary approvals to produce 5.4 million tonnes per annum of saleable ore. During the year, production was 2.2 million tonnes with sales of 2.2 million tonnes. Production was impacted by a transportation strike on account of rate negotiations; these were later resolved in March 2016 and we achieved an exit run rate of 0.8 million tonnes per month. Sales include 1.4 million tonnes of traded ore purchased from the e-auction.

At Karnataka, production was 3.0 million tonnes, achieved by fully utilising our environment clearance limit of 2.2 million tonnes and our opening crude ore inventory of 0.8 million tonnes.

**1:** Employees at pig iron facility.

### Financial performance
(in US$ million, except as stated)

| | FY2016 | FY2015 | % change |
|---|---|---|---|
| Revenue | **350.0** | 326.5 | 7.2% |
| EBITDA | **73.4** | 31.4 | – |
| EBITDA margin | **21.0%** | 9.6% | – |
| Depreciation | **26.8** | 35.8 | (25.1)% |
| Acquisition related amortisation | **35.7** | 6.5 | – |
| Operating profit/(loss) before special items | **10.9** | (10.9) | – |
| Share in Group operating profit (%) | **1.2%** | (0.6)% | |
| Capital expenditure | **13.2** | 36.9 | (64.2)% |
| Sustaining | **10.3** | 36.9 | (72.0)% |
| Growth | **2.8** | – | – |

A rigorous plan is being implemented, focusing on operational efficiency and commercial spend reduction.

As part of the Company's cost reduction initiatives, logistics contracts have been optimised across transportation routes, modes and rates. Iron ore sourcing from the nearby mines has been maximised along with plant team requirements to reduce the freight cost. Also, a change in the blend and mix of coking coal has contributed to better cost efficiency.

In view of the recession in iron ore prices and industry wide representation, export duty on less than 58% Fe has been reduced from 10% to nil effective from 1 March 2016 in the Union Budget FY2017.

During the year, production of pig iron ramped up from 611,000 tonnes last year to a record production of 654,000 tonnes, with available de-bottlenecked capacity of 785,000 tonnes.

### Prices
FY2016 witnessed a significant decline in prices on the back of rising supplies from Australia and Brazil, and slackening demand from China. Prices for 62Fe grade per tonne averaged US$42.6 (FOB), down 37% on FY2015. Corresponding 56Fe ore that we produce at Goa averaged US$32 per tonne in Q4 FY2016. In April 2016, the price has recovered following lower production forecast from the majors and uptick in the China demand scenario.

While global iron ore demand is projected to remain relatively flat, continued substitution in China of domestically produced iron ore with seaborne stocks is expected to result in a modest increase in international trade, some of which is already seen in April 2016 as mentioned above. Reflecting this, global iron ore trade is projected to increase by 1.3% a year between 2015 and 2021, to reach 1.6 billion tonnes.

Because of its logistical proximity to the port, along with inland waterways, Vedanta's Iron Ore business in Goa caters primarily to the global seaborne iron ore trade. Goan low grade exports are primarily destined for Chinese steel mills that are able to blend the low grades with other high grade expensive ores from Brazil or within China.

By contrast, the Iron Ore business in Karnataka caters primarily to the domestic steel industry in the state of Karnataka, which is located within a 200km radius of the mine. While current exports are subject to constraints due to Supreme Court instructions, the iron ore mine in Karnataka is logistically well connected to the port by good rail connections.

While the FOB price for 56Fe grade was US$32 per tonne for Q4 FY2016, the realisation for our Goa ore was lower given the 10% export duty for part of the period. Karnataka ex-works realisation was at c.US$14 per tonne for Q4 FY2016 as domestic prices are largely determined by the government mining companies and local demand and supply factors.

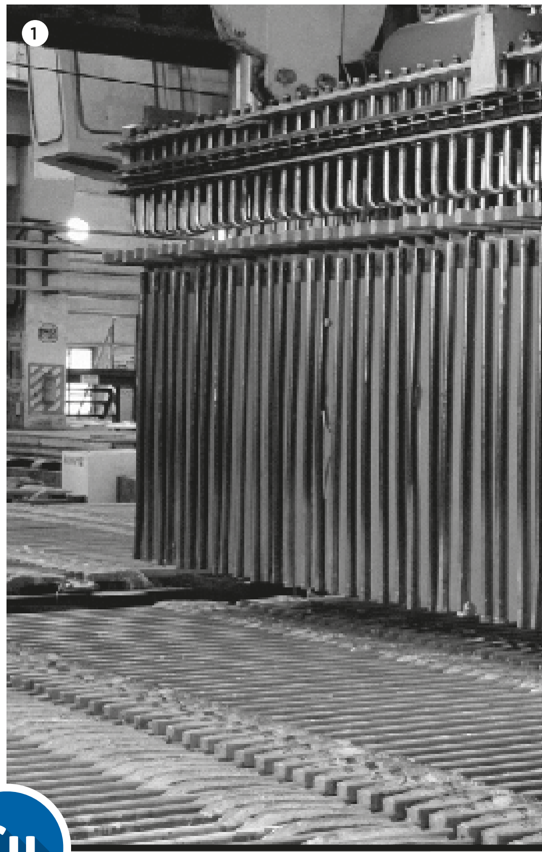
### Financial performance
EBITDA in FY2016 increased to US$73 million compared with US$31 million in FY2015, primarily due to the restarting of production at Goa and volume ramp-up. Due to considerable recession and uncertainties in the iron ore price, acquisition and exploration expenses of US$228 million incurred at Liberia, West Africa to date have been impaired in our books. Further, an impairment of US$18 million has been taken towards unused plant and machinery at Bellary, Karnataka.

### Outlook
The Company has been engaging with respective state governments to enhance the mining cap in Goa and Karnataka. The Expert Advisory Committee (EAC) at Goa has already recommended to the Supreme Court a higher cap of 30 million tonnes, increasing to 37 million tonnes (conditional on the successful completion of an environmental impact assessment) for the future, up from the current level of 20 million tonnes applicable to FY2016. Regarding Karnataka, the Company already has the mine plan which will enable a higher production from the current level of 2.3 million tonnes. We will follow the approval process for the same. We are also continuing to work towards resolving the matter of duplication of tax (Goa Permanent Fund & District Mineral Foundation), which is currently being heard by the Honourable Supreme Court.

The Company has signed the MOU with the Government of Jharkhand on 6 May 2016 for setting up a 1 million tonne pig iron and ductile pipe plant in the state.

### Strategic priorities
- To enhance environment clearance limits in Goa (in line with EAC recommendation) and Karnataka and ramp-up to full capacity.
- Focused cost reduction through various operational and commercial initiatives.
- Continue to work with Government to remove the duplication of taxes (Goa Permanent Fund and District Mineral Foundation).

# Divisional Review




## Copper India & Australia

# Strong operating performance at Copper India continues.

Cu

> “We saw record production of copper cathodes during the year, despite several outages and a flooding incident that temporarily hampered our progress. Higher volumes, higher treatment and refining charges and a lower cost of production all contributed to a strong set of results.
>
> P Ramnath, CEO, Copper India

### Results

**During the year we achieved:**

- Record copper cathode production at Tuticorin at 384,000 tonnes.
- Positioned in the second quartile of the cost curve with improving smelter recovery rates.

### Key metrics

**Production – copper cathodes** (kt)

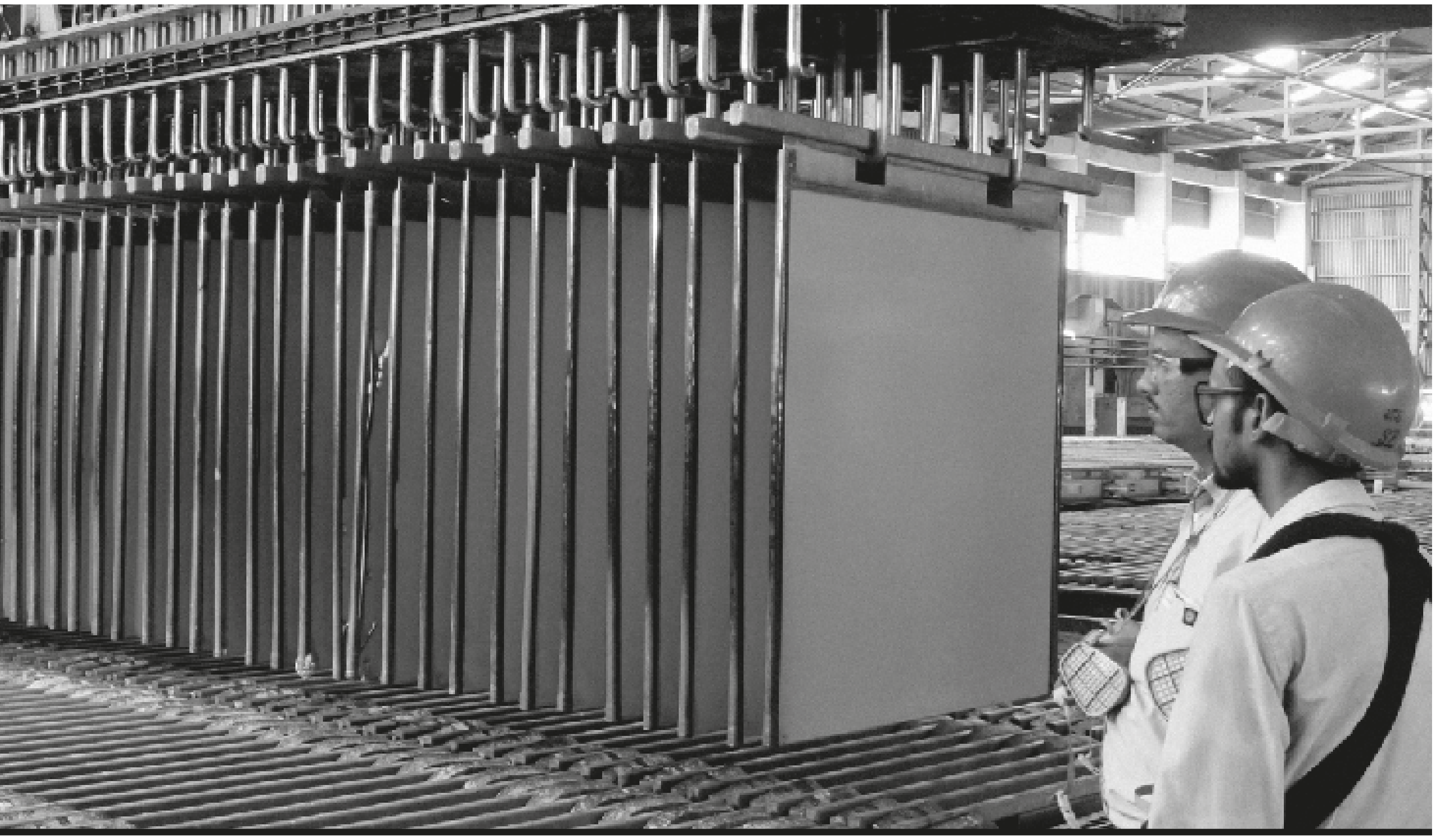
| | |
|---|---|
| **2016** | **384** |
| 2015 | 362 |
| 2014 | 294 |

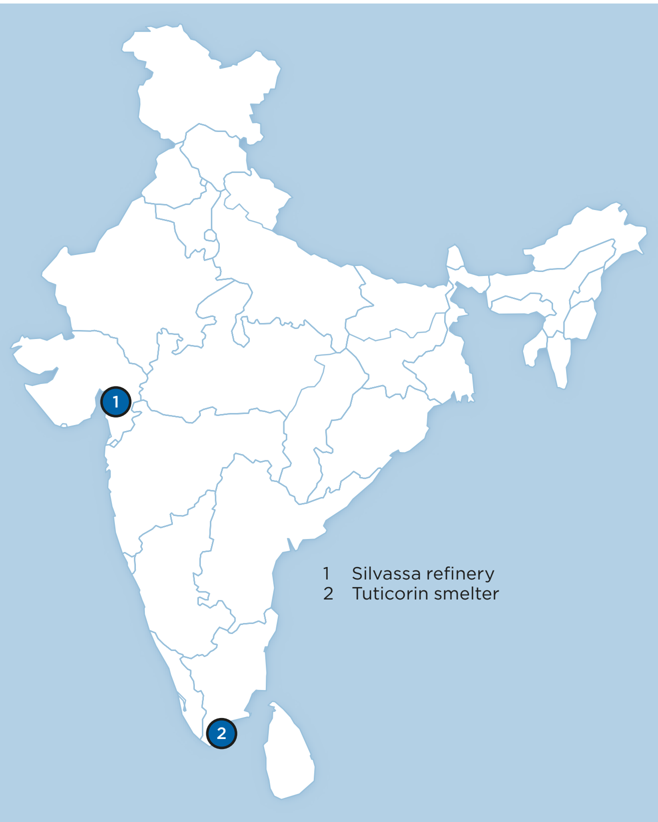
**EBITDA** (US$ million)

| | |
|---|---|
| **2016** | **337** |
| 2015 | 281 |
| 2014 | 197 |

**Unit costs** (US cents per lb)

| | |
|---|---|
| **2016** | **3.2** |
| 2015 | 4.2 |
| 2014 | 9.7 |







1 Under care and maintenance.

**1:** Employees at copper cellhouse.

# Divisional Review
# Copper India & Australia

## Production performance

| | FY2016 | FY2015 | % change |
|---|---|---|---|
| **Production (kt)** | | | |
| India – cathode | **384** | 362 | 6.1% |
| Australia – mined metal content | **–** | – | – |

## Prices

| | FY2016 | FY2015 | % change |
|---|---|---|---|
| Average LME cash settlement prices (US$ per tonne) | **5,211** | 6,558 | (20.5)% |
| Realised TC/RCs (US cents per lb) | **24.1** | 21.4 | 12.6% |

| | FY2016 | FY2015 | % change |
|---|---|---|---|
| Unit conversion costs (CoP) – (US cents per lb) | **3.2** | 4.2 | (23.8)% |

## Operations

FY2016 copper cathode production at Tuticorin was at a record level of 384,000 tonnes, despite a few unplanned outages during the year that included a three-day stoppage because of a flood incident due to heavy rains. The smelter is now producing at a normalised plant capacity level. FY2015 production was lower due to the biennial 23 days' planned maintenance shutdown in Q1 FY2015, therefore the year-on-year performance is not comparable.

The 160MW power plant at Tuticorin operated at a plant load factor of 71% (FY2015: 86%). This was lower than in FY2015 due to less off-take by Tamil Nadu Electricity Board (TNEB) due to higher availability of power from wind generators in the state; however, we were compensated at the rate of 20% of realisation, for the off-take below 85% of the contracted quantity. The state Government has also imposed a restriction on the supply of power outside the state.

**1:** Copper rods at Tuticorin.

### Financial performance
(in US$ million, except as stated)

| | FY2016 | FY2015 | % change |
|---|---|---|---|
| Revenue | **3,197.2** | 3,700.7 | (13.6)% |
| EBITDA | **336.6** | 281.0 | 19.8% |
| EBITDA margin | **10.5%** | 7.6% | |
| Depreciation and amortisation | **32.3** | 51.6 | (37.4)% |
| Operating profit before special items | **304.3** | 229.4 | 32.7% |
| Share in Group operating profit (%) | **34.5%** | 13.2% | |
| Capital expenditure | **17.6** | 29.6 | (40.5)% |
| Sustaining | **14.4** | 29.6 | (51.4)% |
| Growth | **3.2** | – | – |

In FY2016, phosphoric acid production was 199,000 tonnes, 5% higher compared to 189,000 tonnes in FY2015.

Our copper mine in Australia remains under extended care and maintenance since 2013. We continue to evaluate various options for its profitable restart.

### Prices
World production of copper is estimated to have risen 3.5% to 19.1mt in CY2015 while refined primary copper production is estimated to have totalled 18.9mt, 1.8% higher than the previous year. World copper usage, however, is essentially static at around 22.8mt, in line with the previous year. The copper market is still in an adjustment phase and remains over-supplied in the near term. Demand growth for Chinese copper has showed a structural slowdown at 3% in CY2015, compared to 7% growth in CY2014 and weighed on copper prices in CY2015 and at the start of 2016. The average copper price for the year was US$5,211 per tonne, which is lower by 20.5% compared with the previous year.

Treatment and refining charges (TC/RCs) for FY2016 remained strong, due to increased supply from new copper mines and smelting disruptions. The Company realised 24.1 US cents per lb during FY2016, higher by 12.6% (FY2015: 21.4 US cents per lb).

In concentrates, annual benchmark settlements for the year 2016 concluded at 97.35/9.73 TCs/RCs. This was around a 10% reduction on the previous year, mainly due to uncertainties surrounding mine projects as LME prices continued to fall. However, several new projects commenced full production in 2015 and further expected new mine production/expansion in 2016 will support higher concentrate availability in 2016. Global smelter production increases during the same period are not expected to keep pace with the mine production. This will ensure that the custom concentrate market in 2016 remains well supplied. The Company expects to realise over 22 US cents per lb for FY2017.

### Unit costs
At the Tuticorin smelter, the cost of production decreased from 4.2 US cents per lb to 3.2 US cents per lb, mainly due to higher volumes, lower input commodity costs (fuel and power) and higher by-product credits. We are positioned in the second quartile of the cost curve with ever-improving smelter recovery rates. These improved credits were due mainly to better sulphuric acids realisation in the domestic markets. The sulphuric acid markets are largely regional and dependent on local demand-supply dynamics. The realisation was healthy during the year due to the improved market and customer mix.

### Financial performance
EBITDA for FY2016 was US$337 million, higher than the US$281 million in the previous year. This increase was driven by higher volumes, higher TCs/RCs and lower costs of production. In addition, a one-off benefit of US$25 million has been recognised on account of the Target-Plus-Scheme (an export incentive scheme) that was operational in FY2005. This incentive scheme on incremental exports over the previous year was retrospectively withdrawn. After several years of litigation by the exporters, the Supreme Court ruled in their favour and the benefit was restored. This enabled us to recognise the income which will be collected as a refund from the Government during FY2017. Operating profit was US$304 million in FY2016, a 33% increase on the previous year's US$229 million.

A non-cash impairment charge of US$8 million on idle assets at Copper Mines of Tasmania was taken as a consequence of its extended care and maintenance.

### Outlook
Production is expected to remain above 400kt with over 10 days' planned maintenance activities scheduled in FY2017.

### Strategic priorities
- To sustain operating efficiencies, reducing our cost profile.
- Maximising TC/RC.
- Debottleneck existing capacity to 425ktpa and additional 400ktpa capacity expansion.

Divisional Review

## Copper Zambia

# The turnaround plan for KCM is making strong progress.


"We saw a much improved performance at Konkola, with volumes rising and costs falling. We are now targeting higher integrated and custom production in the coming year and focusing on innovation throughout our operations to achieve our long-term vision of 50 years of probable mine life.

Steven Din, CEO, Copper Zambia

### Key metrics

**Production – mined metal** (kt)

| | |
|---|---|
| **2016** | **123** |
| 2015 | 116 |
| 2014 | 128 |

**Production – finished copper** (kt)

| | |
|---|---|
| **2016** | **182** |
| 2015 | 169 |
| 2014 | 177 |

**EBITDA** (US$ million)

| | |
|---|---|
| **2016** | **(17.9)** |
| 2015 | (3.8) |
| 2014 | 156.3 |

**Unit costs** (US cents per lb)

| | |
|---|---|
| **2016** | **197.9** |
| 2015 | 257.7 |
| 2014 | 238.4 |


## Results

**During the year we achieved:**

- 23% increase in production at Konkola.
- Integrated cost of production reduced to US$187/lb.
- Cost savings of US$80 million delivered.

**1:** Employees at Konkola underground mine.

# Divisional Review
# Copper Zambia

## Production performance

| | FY2016 | FY2015 | % change |
|---|---|---|---|
| **Production (kt)** | | | |
| Total mined metal | **123** | 116 | 6.0% |
| Konkola | **49** | 40 | 22.5% |
| Nchanga | **18** | 24 | (25.0)% |
| Tailings Leach Plant | **55** | 52 | 5.8% |
| Finished copper | **182** | 169 | 7.7% |
| Integrated | **117** | 117 | – |
| Custom | **64** | 52 | 23.1% |

## Unit costs (integrated production)

| | FY2016 | FY2015 | % change |
|---|---|---|---|
| Unit costs (US cents per lb) excluding royalty | **197.9** | 257.7 | (23.2)% |
| Unit costs (US cents per lb) including royalty | **261.0** | 329.1 | (20.7)% |

## Operations

In FY2016, mined metal production of 123,000 tonnes was up 6% year-on-year.

Increased production was seen at the Konkola deep underground mine, up 22.5%, driven by improved mining rates on the southern part of the ore body, completion of rehabilitation works on 1-Shaft, and improved grade factor and concentrator recoveries. This improvement was offset by a 25% lower Nchanga production as open-pit waste stripping was carried out for the majority of the year at COP F&D and the underground mine was placed on care and maintenance in Q3 FY2016 in this low copper price scenario.

1: KDMP shaft.

### Financial performance
(in US$ million, except as stated)

| | FY2016 | FY2015 | % change |
|---|---|---|---|
| Revenue | **972.5** | 1,077.1 | (9.7)% |
| EBITDA | **(17.9)** | (3.8) | – |
| EBITDA margin | **(1.8)%** | (0.4)% | |
| Depreciation and amortisation | **179.5** | 187.2 | (4.1)% |
| Operating (loss)/profit before special items | **(197.4)** | (191.0) | 3.4% |
| Share in Group operating profit (%) | **(22.4)%** | (11.0)% | |
| Capital expenditure | **27.6** | 57.9 | (52.3)% |
| Sustaining | **27.6** | 57.9 | (52.3)% |
| Growth | **–** | – | – |

At the Tailings Leach Plant (TLP), production at 55,000 tonnes was 5.8% higher as benefits were realised from improved plant reliability and higher throughput of reclaimed dam material.

Integrated Finished Copper Production, year-on-year, was stable at 117,000 tonnes with the difference from mined metal moving to copper concentrate inventories.

Custom copper volumes at 64,000 tonnes were 23.1% higher year-on-year due mainly to higher throughput and availability of third party concentrates.

### Unit costs (integrated production)
The unit costs of production, excluding royalty, were down by 23% to 198 US cents per lb in FY2016 compared to 258 US cents per lb in FY2015. Excluding the impacts of increased power tariffs, the unrealised loss of a depreciating Kwacha on VAT receivables and other one-off provisions resulted in a 27% reduction in unit cost (excluding royalty) to 187 US cents per lb unit cost (excluding royalty). This was driven by improved production, sustained cost-saving initiatives including reducing the fixed cost, the suspension of the high-cost underground mine at Nchanga, the continuous renegotiation of commercial contracts and alternate sourcing for major bulk supplies.

On 17 February 2016, the cabinet of the Government of Zambia approved a new slab-based royalty system linked to copper prices. The Bill was approved by the Zambian parliament on 11 May 2016 and awaits approval from The Honourable President of Zambia. With this approval, the royalty rates would be effective from 1 April 2016 as referred below:
- 4% LME copper < US$4,500 per tonne;
- 5% LME copper between US$4,500 and US$6,000 per tonne; and
- 6% LME copper > US$6,000.

This is a progressive step taken by the government of Zambia to support the mining industry during the low commodity prices environment, given high cost structures in Zambia. The proposal will reduce total cash cost by US$120 per tonne, at the spot copper price of c.US$4,800.

### Financial performance
Revenue in FY2016 was lower at US$973 million compared with US$1,077 million in the previous year. This was mainly due to lower metal prices with a partial offset from increased volume. The EBITDA loss was reported at US$18 million. Excluding the impact of Kwacha depreciation on VAT receivable, EBITDA was US$44 million.

### Outlook
**Konkola underground mine**
The Konkola underground mine remains the focused priority for KCM. Work is under way to improve operating productivity levels, mobile fleet utilisation and to progress a deeper horizontal development level.

**Smelter and refinery**
Continuous improvement is seen as we step up production from third-party concentrates. A planned shutdown is scheduled in Q2 FY2017 with the intention of improving feed-rates by around 25%.

Increase in power price has a major adverse impact on operations at the refinery. As an alternative to power, KCM has explored the option to put oil-fired boilers for electrolyte heating. This would enable the refinery to ramp-up to production capacity and thereby make it viable.

**Nchanga operations**
At Nchanga, we are focused on sustaining and improving the operations at the Tailings Leach Plant by treating stockpiled refractory ore and old tailings. Restart possibilities are being investigated for the underground mine and these will be dependent on the prevailing copper price.

Full-year production is expected to ramp up during FY2017, to around 200,000–210,000 tonnes with integrated production of around 130,000–140,000 tonnes. Unit cost (excluding royalty) is expected to be in the range of 150–170 US cents per lb.

### Our strategic priorities
- A highly productive underground mine at Konkola with an additional horizontal development.
- A reliable Tailings Leach facility with potential to increase recoveries through the application of thermos-applications.
- Increased smelter utilisation from the processing of available third-party concentrates sourced from Zambia and the DRC.
- Sustained cost efficiencies through value-focused initiatives.

# Divisional Review

## Aluminium

# Operational excellence driving our Aluminium business forward.

> “We saw many positives, including record production, lower cost of production and with project approvals at Jharsuguda and Lanjigarh, we have started ramping-up volumes at noth Jharsuguda and Balco.

Abhijit Pati, CEO, Aluminium

### Key metrics

**Production – alumina** (kt)

| | |
|---|---|
| **2016** | **971** |
| 2015 | 977 |
| 2014 | 524 |

**Production – total aluminium** (kt)

| | |
|---|---|
| **2016** | **923** |
| 2015 | 877 |
| 2014 | 794 |

**EBITDA** (US$ million)

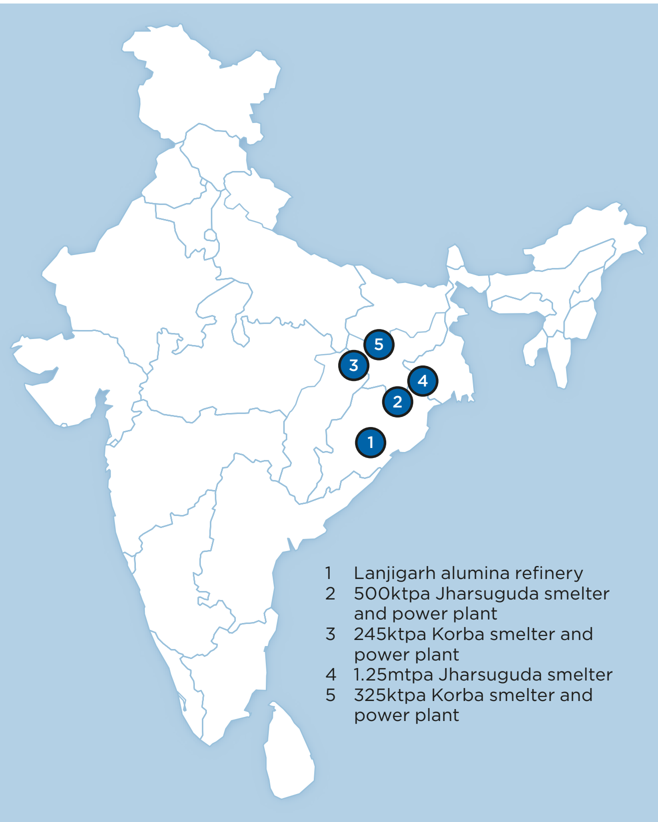
| | |
|---|---|
| **2016** | **107** |
| 2015 | 415 |
| 2014 | 287 |

**Unit costs – alumina** (US$ per tonne)

| | |
|---|---|
| **2016** | **315** |
| 2015 | 356 |
| 2014 | 358 |

**Unit costs – hot metal production** (US$ per tonne)

| | |
|---|---|
| **2016** | **1,572** |
| 2015 | 1,755 |
| 2014 | 1,658 |




## Results

**During the year we achieved:**

- Record production of 923kt.
- Approval for expansion of Lanjigarh refinery to 4mtpa received.
- Cost of production reduced by 10% to US$1,572.

**1:** Aluminium pot line at Jharsuguda.

# Divisional Review
# Aluminium

1: Employee at Aluminium casthouse.

### Production performance

| | FY2016 | FY2015 | % change |
|---|---|---|---|
| **Production (kt)** | | | |
| Alumina – Lanjigarh | **971** | 977 | (0.6)% |
| Aluminium – Jharsuguda-I | **516** | 534 | (3.4)% |
| Jharsuguda-II[1] | **76** | 19 | – |
| Aluminium – Korba-I | **257** | 253 | 1.6% |
| Korba-II[2] | **75** | 71 | 5.6% |
| **Total Aluminium** | **923** | 877 | 5.2% |

1 Including trial run production of 51kt in FY2016 vs 19kt in FY2015.
2 Including trial run production of 24kt in FY2015.

### Prices

| | FY2016 | FY2015 | % change |
|---|---|---|---|
| Average LME cash settlement prices (US$ per tonne) | **1,590** | 1,890 | (15.9)% |

### Unit costs
(US$ per tonne)

| | FY2016 | FY2015 | % change |
|---|---|---|---|
| Alumina cost (ex Lanjigarh) | **315** | 356 | (11.5)% |
| Aluminium hot metal production cost | **1,572** | 1,755 | (10.4)% |
| Jharsuguda CoP | **1,519** | 1,630 | (6.8)% |
| BALCO CoP | **1,659** | 1,961 | (15.4)% |

### Operations
The Lanjigarh alumina refinery produced 971,000 tonnes in FY2016.

In order to improve cost efficiencies, operations at the refinery were operated for seven months since September 2015 as a single stream operation with an annual capacity of 800,000 tonnes.

In FY2016, production was stable at the 500kt Jharsuguda-I and 245kt Korba-I smelters. The 1,250kt Jharsuguda-II smelter produced 76,000 tonnes during FY2016 with 82 pots operational. The 325kt Korba-II smelter produced 75,000 tonnes with 84 pots operational during the year.

In FY2016, both 300MW CPP units of the BALCO 600MW power plant at Korba were commissioned. The first 300MW CPP unit was capitalised on 1 December 2015 and the second 300MW CPP unit on 31 March 2016.

### Prices
Global Aluminium consumption rose by 4% to 56mt in CY2015, compared to CY2014. This growth was primarily driven by China where consumption was up 6.7%; in contrast, consumption outside of China grew by only 1.2% to 27.2mt. Supply has grown by 6% to 57.5mt in CY2015; however, production outside China was flat at 26mt, due to production cuts. World-wide, supply has outpaced the demand, which continues to put pressure on Aluminium price and premium. Specifically, China's consistently high production backed by subsidised power costs and Government-aided subsidies which resulted in higher exports to the rest of the world leading to higher stocks across the globe.

Average LME prices for Aluminium for the year fell to US$1,590 per tonne, a 15.9% decrease on the previous year's average price level of US$1,890 per tonne.

Aluminium Ingot Benchmark Main Japanese Port (MJP) premium during FY2016 was lower at US$119 per tonne compared to US$392 per tonne during FY2015, thus resulting in lower realisations for the Company.

### Unit costs
The Company has initiated various cost-saving projects to increase operational efficiencies and reduce commercial spend. The initiatives include opportunistically procuring the raw materials and using alternative vendors to reduce the spend; changing the specification of raw materials; renegotiating service contracts; and reducing logistics costs by optimising rake movements.

During FY2016, the cost of production of alumina was US$315 per tonne, 11.5% lower than in FY2015. The COP for H2 FY2016 was US$297 per tonne with single-stream operation (US$276 per tonne excluding high cost bauxite inventory).

In FY2016, total bauxite requirements of c.3.4 million tonnes were met from captive mines at BALCO, domestic sources and imports, approximately one third each. Higher volumes in FY2017 will be supported by laterite mining and increased supply from BALCO and domestic sources. The other key raw material, being coal, was sourced mainly from the combination of linkage coal allocation domestic e-auctions/ad-hoc allocation and imports. This mix was similar to FY2015, but will however change in FY2017 due to higher volumes with increased reliance on auction and imports given the fixed quantity of linkage coal allocation.

The cost of production of hot metal at Jharsuguda-I was US$1,511 per tonne, lower by 7.3% (FY2015: US$1,630 per tonne). The decrease was due to lower alumina prices, lower coal prices, rupee depreciation and the implementation of various cost-saving initiatives.

The cost of production at the 245kt Korba-I decreased by 15% to US$1,619 per tonne compared to FY2015. This fall was achieved through reduced coal prices, a lower alumina price, rupee depreciation and by implementing various cost-saving initiatives.

The high-cost rolled product facility at BALCO, which produced approximately 47,000 tonnes in FY2015, has been temporarily suspended, resulting in further cost savings. We continue to sell ingots and wire rods from BALCO.

## Financial performance

FY2016 EBITDA was lower by 74% at US$107 million, compared with US$416 million in the previous year. This was primarily due to lower LME prices and premia on metals, and a one-off charge of US$36 million for prior periods' Renewable Power Obligations. These were partially offset by input commodity deflation, rupee depreciation and cost-saving initiatives.

## Projects

### Lanjigarh refinery

The Company has prospecting licences for three laterite mines in Odisha and exploration is in progress. We expect to start production towards the end of H1 FY2017.

## Financial performance

(in US$ million, except as stated)

| | FY2016 | FY2015 | % change |
|---|---|---|---|
| Revenue | **1,694.3** | 2,081.9 | (18.6)% |
| EBITDA | **106.7** | 415.5 | (74.3)% |
| EBITDA margin | **6.3%** | 20.0% | |
| Depreciation and amortisation | **101.8** | 140.2 | (27.4)% |
| Operating profit before special items | **4.9** | 275.3 | – |
| Share in Group operating profit (%) | **0.6%** | 15.9% | |
| Capital expenditure | **118.9** | 142.0 | (16.3)% |
| Sustaining | **11.6** | 9.5 | 22.1% |
| Growth | **107.3** | 132.5 | (19.0)% |

We have received approvals for expansion of the Lanjigarh refinery to 4 million tonnes per annum. Hence, second stream operation has commenced at the Alumina refinery from April 2016, thus taking it to the debottlenecked capacity of 1.7–2.0 million tonnes per annum (contingent on bauxite quality). Further ramp-up to 4 million tonnes will be considered when we have further visibility on bauxite sources.

### Korba-II smelter

At the 325kt Korba-II smelter, pre-commissioning activities commenced for further ramp-up from 22 April 2016 with an additional 18 pots commissioned by the end of April 2016. With commissioning of the new 600MW CPP units complete, the 270MW CPP unit will be maintained as a back-up for Aluminium smelters.

### Jharsuguda-II smelter

On 27 January 2015, we received approval from the regulatory authority (Orissa Electricity Regulatory Commission) to use the power generated from three units of the 2,400MW (4 x 600MW) Jharsuguda power plant for captive use. This has enabled ramp-up of the 1.25 million tonnes per annum Jharsuguda-II smelter. Consequently, we have recommenced further ramp-up of the first pot line of 312.5kt since the FY2016 year end with an additional 49 pots commissioned by the end of April 2016.

We have started production at the Chotia coal mine during Q4 FY2016 after securing all the pending approvals.

## Outlook

### Volume and cost

In FY2017, Aluminium volume is expected to be in the range of 1.2 million tonnes, by ramping up the Korba-II smelter and the progressive ramp-up of three lines at the 1.25 million tonnes per annum Jharsuguda-II smelter. With continued focus on cost reduction, we expect to achieve hot metal cost below US$1,400 per tonne.

### Alumina

During FY2017, the Company has moved to double-stream operation to support the Aluminium pot ramp-ups. The main sources of bauxite will be a mix of mines at BALCO, and the balance will be met from laterite mines, other domestic sources and imports.

### Coal

Numerous initiatives are being taken to meet our coal requirements. We will source our overall coal mix from low-cost imports and auctioned coal to optimise the cost in FY2017. Imported coal prices softened by c.20% during FY2016. We are also looking to optimise our coal mix further by securing linkage coal through the auction route.

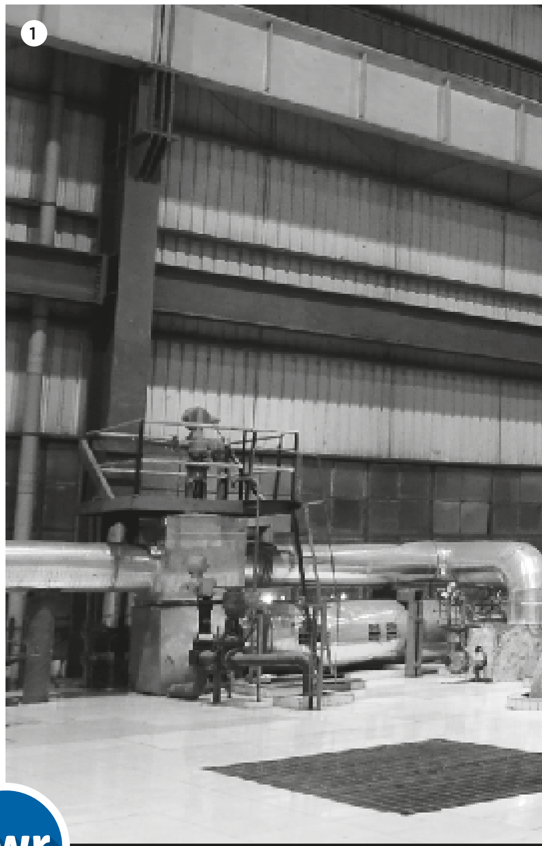
## Strategic priorities

- Full capacity ramp-up at Jharsuguda-II and Korba-II smelters.
- Laterite mining.
- Hot metal cost reduction by optimising raw material sourcing, and through various cost-reduction initiatives.
- Secure the captive alumina refinery feed to realise the full potential of cost efficiencies and to increase capacity utilisation.
- Lanjigarh refinery expansion to 6mpta.

# Divisional Review

## Power

# Our Power business is becoming a significant part of the portfolio.



> With power sales up 23% year-on-year, we have gone from strength to strength in power generation. In March, our full 9,000MW capacity came online, making Vedanta one of the largest generators of power in India.

Ajay Dixit, CEO, Power

### Key metrics

**Sales** (million kwh)

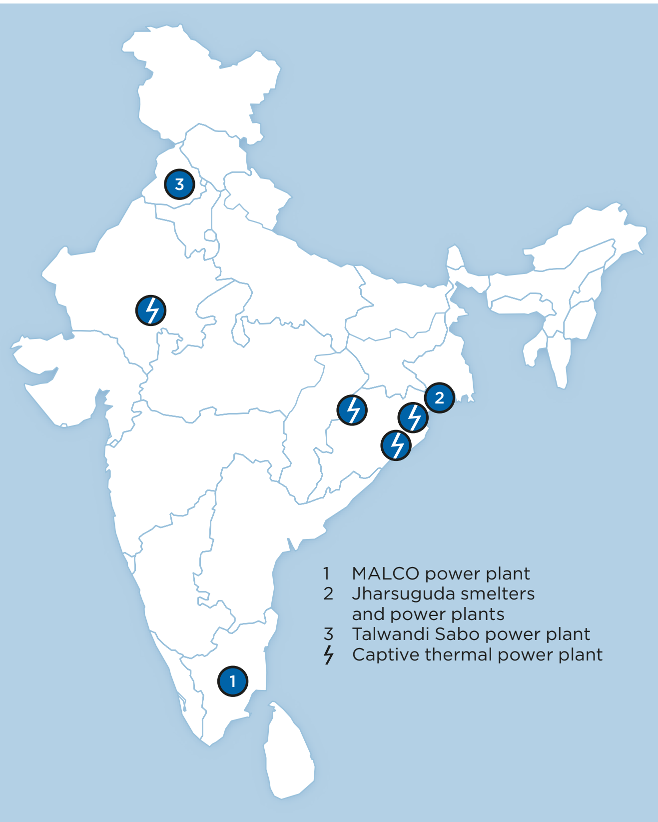
| | |
|---|---|
| **2016** | **12,121** |
| 2015 | 9,859 |
| 2014 | 9,374 |

**EBITDA** (US$ million)

| | |
|---|---|
| **2016** | **196** |
| 2015 | 153 |
| 2014 | 168 |

**Unit costs** (US cents/kwh)

| | |
|---|---|
| **2016** | **3.3** |
| 2015 | 3.5 |
| 2014 | 3.7 |




## Results

**During the year we achieved:**

- New units commissioned at Talwandi Sabo and BALCO with entire 9,000MW now operational.
- Operating units at Talwandi Sabo operated at over 80% availability.

**1:** Turbines at the 2,400MW Jharsuguda power plant.

# Divisional Review
# Power

1

## Production performance

| | FY2016 | FY2015 | % change |
|---|---|---|---|
| Total power sales (MU) | **12,121** | 9,859 | 22.9% |
| MALCO and HZL Wind Energy | **816** | 1,341 | (39.1)% |
| BALCO 270MW | **169** | 89 | 89.9% |
| 600MW | **1,025** | 10 | – |
| Talwandi Sabo (TSPL) | **2,792** | 1,213 | – |
| Talwandi Sabo (TSPL) plant availability factor (%) | **80%** | 46% | |
| Jharsuguda 2,400MW | **7,319** | 7,206 | 1.6% |

## Unit sales and costs

| | FY2016 | FY2015 | % change |
|---|---|---|---|
| Sales realisation (US cents/kwh)[1] | **4.5** | 5.3 | (15.1)% |
| Cost of production (US cents/kwh)[1] | **3.3** | 3.5 | (5.7)% |
| TSPL sales realisation (US cents/kwh)[2] | **6.6** | 7.2 | (8.3)% |
| TSPL cost of production (US cents/kwh)[2] | **5.4** | 6.4 | (15.6)% |

1 Excluding TSPL.
2 Volume based on Plant Availability Factor (PAF): FY2016 – 5,751MU and FY2015 – 1,897MU.

## Operations

In FY2016, power sales increased 23% year-on-year, due to the commissioning of additional units at TSPL and BALCO during the year. With these units, our entire 9,000MW of power capacity became operational as of March 2016.

At the Talwandi Sabo power plant, the second 660MW unit started commercial production in December 2015. The two operating units operated at 80% availability and supplied 2,792 million units to the Punjab State Electricity Board (PSEB). TSPL's Power Purchase Agreement with PSEB compensates according to the availability of the plant. The third 660MW unit was synchronised during March 2016 and is expected to achieve commercial production during Q1 FY2017.

**1:** Turbine generator at Talwandi Sabo.
**2:** Transhipping operations at port.

### Financial performance
(in US$ million, except as stated)

| | FY2016 | FY2015 | % change |
|---|---|---|---|
| Revenue | **707.5** | 588.1 | 20.3% |
| EBITDA | **196.3** | 153.8 | 27.6% |
| EBITDA margin | **27.7%** | 26.2% | |
| Depreciation and amortisation | **74.1** | 65.8 | 12.6% |
| Operating profit before special items | **122.2** | 88.0 | 38.9% |
| Share in Group operating profit (%) | **13.9%** | 5.1% | |
| Capital expenditure | **50.1** | 142.2 | (64.8)% |
| Sustaining | **7.6** | – | – |
| Project | **42.5** | 142.2 | (70.1)% |

The Jharsuguda 2,400MW power plant operated at a lower Plant Load Factor (PLF) of 39% during FY2016, due to a weak power market and power evacuation constraints for open access power sales. During FY2017, power from one 600MW unit is being supplied to the grid and the remaining 1,800MW (3 x 600MW) will supply power to the Jharsuguda-II smelter, with sales of surplus power on the open market. Accordingly, capacity utilisation is expected to increase significantly.

At BALCO, the first 300MW IPP unit of the 1,200MW power plant commenced commercial production in July 2015, and the second 300MW IPP unit achieved commercial production in March 2016.

### Unit sales and costs
Average power sale prices, excluding TSPL, were lower in FY2016 at 4.5 US cents per unit compared with 5.3 US cents per unit in the previous year due to lower demand.

During FY2016, average power generation costs excluding TSPL improved, falling to 3.3 US cents per unit compared with 3.5 US cents per unit in the previous year due to a lower coal cost.

Currently, power demand has been suppressed due to the financially stretched position of the distribution companies. With the new initiatives taken by Government (UJWAL Discom Assurance Yojna – 'UDAY') to encourage them to restructure their balance sheets, it is expected to create new demand for the power, thereby improving the health of the power industry. However, TSPL is not affected currently by sluggish power demand due mainly to its Case II business model as compensation is linked to availability of plant.

### Financial performance
EBITDA improved by 28% compared to FY2015, despite lower demand and softer power rates. This was due to additional power sold from the newly commissioned unit of the Talwandi Sabo power plant and BALCO.

### Outlook
During FY2017, we will continue to increase capacity utilisation at Jharsuguda and increase power sales with newly commissioned power units at Talwandi Sabo and BALCO.

### Strategic priorities
- Tie up all capacities under long or medium-term open access.
- Achieve over 90% availability.
- Achieve a successful outcome in regulatory matters.

2

## Port business

The Vizag General Cargo Berth (VGCB) operation remains stable. Despite the reduced coal imports driven by the weaker power market, dispatch tonnage increased marginally by 3% to 7.1 million tonnes (FY2015: 6.9 million tonnes) and generated an EBITDA of US$11 million. VGCB is one of the deepest coal terminals on the eastern coast of India, which enables docking of large Cape-size vessels.

# Board of Directors

L-R
Geoffrey Green
Navin Agarwal
Anil Agarwal
Tom Albanese
Euan Macdonald
Deepak Parekh
Aman Mehta
Katya Zotova

Committee membership key
† Audit Committee
✣ Nominations Committee
❖ Sustainability Committee
✱ Remuneration Committee

**Anil Agarwal, 63✣**
**Executive Chairman**

## Background and experience

Mr Agarwal founded the Group in 1976 and has over three decades of entrepreneurial and mining experience. He has helped to shape the Group's strategic vision and, under his leadership, Vedanta has grown from an Indian domestic miner into a global natural resources group with a world-class portfolio of large, diversified, structurally low-cost assets which are capable of generating strong cash flow.

Mr Agarwal is also a director of Sterlite Technologies Limited, Conclave PTC Limited and the Anil Agarwal Foundation.

## Date of appointment

Mr Agarwal was appointed to the Board in May 2003 and became the Executive Chairman in March 2005. Mr Agarwal is Chairman of the Nominations Committee.

**Navin Agarwal, 55**
**Executive Vice Chairman**

## Background and experience

Mr Agarwal has over 25 years of senior management experience within the Group and is currently the Chairman of the Company's principal subsidiary Vedanta Limited and Cairn India Limited. He is the Chairman of the Group's Human Resources Advisory Committee and has championed personnel training and development initiatives to grow the talent pipeline for senior management succession planning within the Group. He has also been instrumental in promoting a culture of continuous improvement in business processes and nurtured the Management Assurance practice across the Group. He is a member of the Procurement, Marketing and Sustainable Development and Communications Advisory Committees. Mr Agarwal was formerly the Chairman of the Executive Committee until 31 August 2013.

## Date of appointment

Mr Agarwal was appointed to the Board in November 2004 and became the Executive Vice Chairman in June 2005.

**Tom Albanese, 58 ❖**
**Chief Executive Officer**

## Background and experience

Mr Albanese is the Chief Executive Officer of Vedanta Resources plc, a leading global diversified resources company listed on the London Stock Exchange, with metals and mining, oil & gas and commercial power operations primarily in India and Africa. In addition, Tom is the Chief Executive Officer of Vedanta Limited and Chairman of Konkola Copper Mines, both subsidiaries of Vedanta Resources plc. Tom brings a wealth of mining experience from Rio Tinto, the second largest global diversified mining company, where he was appointed a member of the Rio Tinto Board in March 2006 and Chief Executive for the period beginning May 2007 to January 2013. From 2009 until June 2015, Tom served on the Board of Visitors for the Fuqua School of Business at Duke University in North Carolina. In August 2013, Tom was appointed onto the Board of Directors of Franco Nevada Corporation, a Toronto-based gold-focused royalty and metal streaming company with assets around the world. In March 2016, Tom was appointed as Co-Chair of the Confederation of Indian Industry (CII) National Committee on Mining for the year 2016–2017. Tom was conferred with the Mining Foundation of the Southwest 2009 American Mining Hall of Fame Award, for his dedication, knowledge, leadership and inspiration to his peers in the mining industry. Tom holds a Bachelor's degree in Mineral Economics and a Master's in Mining Engineering from the University of Alaska.

## Date of appointment

Mr Albanese was appointed to the Board in April 2014.

**Aman Mehta, 69† ✣ ✱**
**Senior Independent Director and Non-Executive Director**

## Background and experience

Mr Mehta is currently a non-executive director of Jet Airways (India) Limited, Tata Consultancy Services Limited, PCCW Limited, Wockhardt Limited, Max India Limited, Godrej Consumer Products Limited, Cairn India Limited and HKT Limited, Hong Kong. He is also a member of the Board of Governors of the Indian School of Business in Hyderabad, India. Mr Mehta had a long career spanning over three decades at Hong Kong and Shanghai Banking Corporation (HSBC) where he held a number of executive positions such as chairman and chief executive officer of HSBC USA Inc, deputy chairman of HSBC Bank, Middle East and chief executive officer of HSBC Asia Pacific, a position he held until his retirement. He was also previously a non-executive director of Raffle Holdings Ltd, ING Group N.V. and a director of the Indian Council for research on international economic relations. Mr Mehta has a degree in economics from Delhi University. His strong financial background and global executive experience have been beneficial in providing effective oversight through rigorous challenge to the Board and the Audit Committee.

## Date of appointment

Mr Mehta was appointed to the Board in November 2004 and is Chairman of the Audit Committee.

**Euan Macdonald, 76 ❖ † ✣ ✱**
**Non-Executive Director**
**Background and experience**
Mr Macdonald has extensive corporate and financial knowledge having previously spent over 20 years with SG Warburg, specialising in emerging market finance. From 1995 to 1999, Mr Macdonald was chairman of SBC Warburg India, responsible for the bank's activities in India, and from 1999 to 2001 he was executive vice chairman of HSBC Securities and Capital Markets, India. As Chairman of the Remuneration Committee, Mr Macdonald led the successful consultation with the Company's major shareholders on executive remuneration to better understand and address shareholder concerns. He has a degree in economics from Cambridge University and a Master's degree in finance and international business from Columbia Business School.

**Date of appointment**
Mr Macdonald was appointed to the Board in March 2005 and is Chairman of the Sustainability and Remuneration Committees.

**Geoffrey Green, 66 ✱**
**Non-Executive Director**
**Background and experience**
Mr Green was a partner of a leading international law firm, Ashurst LLP, from 1983 to 2013 and served as Ashurst's senior partner and chairman of its management board for ten years until 2008. He was subsequently appointed as head of the firm's expanding Asian practice from 2009 to 2013, based in Hong Kong. Mr Green is currently also the non-executive chairman of the Financial Reporting Review Panel, one of the main subsidiary bodies of the Financial Reporting Council. Mr Green has a wealth of knowledge in respect of UK corporate governance, regulatory and strategic matters, having been an adviser to several major UK listed companies and their boards on a wide variety of corporate and governance issues. He has a degree in law from Cambridge University and qualified as a solicitor at Ashurst LLP.

**Date of appointment**
Mr Green joined the Board in August 2012.

**Deepak Parekh, 72 † ✣**
**Non-Executive Director**
**Background and experience**
Mr Parekh is the chairman of Housing Development Finance Corporation, India's leading financial services conglomerate with a presence in banking, asset management, life insurance, general insurance, real estate, venture funds and education loans. He is the non-executive chairman of GlaxoSmithkline Pharmaceuticals and Siemens, in India. Mr Parekh also serves as a director on the boards of Exide, Mahindra & Mahindra, Indian Hotels and the international board of DP World in the UAE. In addition, he is on the advisory boards of several Indian and multinational corporations. Mr Parekh was the first international recipient of the Institute of Chartered Accounts in England and Wales outstanding achievement award in 2010.

**Date of appointment**
Mr Parekh joined the Board in June 2013.

**Ekaterina (Katya) Zotova, 38 ✣ ✱ ❖**
**Non-Executive Director**
**Background and experience**
Ms Zotova has a wide range of commercial experience in the oil & gas industry including strategy, portfolio management, finance and mergers and acquisitions. She is currently a Principal at L1 Energy LLP. Prior to this, Ms Zotova was Head of International Acquisitions and Divestments for Citigroup's oil & gas division focusing on oil majors and national oil companies. She has also previously held a variety of upstream commercial roles during a 14-year career at Royal Dutch Shell including Head of Portfolio Management for Upstream International. She has a summa cum laude degree in finance and management from the Academy of National Economy in Moscow and an MBA from Rotterdam School of Management/ Columbia Business School.

**Date of appointment**
Ms Zotova joined the Board in August 2014.

# Executive Committee

The Executive Committee oversees the Group's operations and implementation of the strategic initiatives which are set by the Board. It is led by Mr Albanese and comprises of the Executive Vice Chairman and the following members of senior management:

**Tarun Jain**
**Director of Finance and Director, Vedanta Limited**
Mr Jain joined the Group in 1984 and has over 32 years of executive experience in finance, accountancy, audit, taxation and corporate governance. He is responsible for corporate finance, business development and mergers and acquisitions at Vedanta Limited. Mr Jain is a graduate of the Institute of Cost and Works Accountants of India and a fellow of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India.

**DD Jalan**
**Chief Financial Officer and Whole Time Director, Vedanta Limited**
Mr Jalan is a Chartered Accountant and has over 38 years of well-rounded experience in financial management, corporate negotiation, financial control, business planning, due diligence, business development, treasury, capital raising, business restructuring, investor relations, commercial, taxation, people development and strategic planning. Prior to joining the Group in 2001, he was Executive Joint President of Birla Copper at the Aditya Birla Group. He is a fellow of the Institute of Chartered Accountants of India. He is also a recipient of the Best CFO Award from the Institute of Chartered Accountants of India (ICAI).

**Mayank Ashar**
**Managing Director and Chief Executive Officer of Cairn India Limited (Cairn India)**
Mr Ashar was appointed as the Managing Director and Chief Executive Officer of Cairn India in November 2014. He has a wealth of experience spanning over 36 years in the international oil & gas industry. He has previously held various senior management and top leadership roles in global organisations such as British Petroleum, Petro-Canada and Suncor Energy and was formerly President of Irving Oil Limited. During his career, Mr Ashar has helped to deliver industry-leading business results and demonstrated expertise in driving strategic growth, delivering operational efficiency and executing large, complex capital-intensive projects. In recognition of his operational excellence and large scale project management leadership in the oil sands with Suncor Energy, Mr Ashar was named as the Operations Executive of the Year by the Canadian Business Magazine in 2003. He has a Masters in engineering and an MBA from the University of Toronto, Canada. He also serves on the board of directors of Teck Resources Limited.

**Roma Balwani**
**President – Group Communications, Sustainability and Corporate Social Responsibility**
Ms Balwani was appointed as President – Group Communications, Sustainability and Corporate Social Responsibility in April 2014. Prior to joining the Group, she was Chief Communications Officer at Mahindra & Mahindra Limited. With over three decades of experience, she has won several Indian and international awards and accolades and she speaks at several summits on sustainable development and communications in India and overseas. Roma has the distinction of being included in the PR Week Global Power Book 2015, South East Asia and from the Holmes Global Report, USA, a recognition in the Global Influence 100. Recently she received the accolade of being one of the 100 Most Impactful Leaders in CSR at the World CSR Congress. Ms Balwani is a director of CMI FPE, and the Indian subsidiary of the Belgian company CMI. She also chairs the CSR committee as a board member.

**Mukesh Bhavnani**
**Group Legal Counsel and Chief Compliance Officer**
Mr Bhavnani was appointed as Group Legal Counsel and Chief Compliance Officer in April 2015. Prior to joining the Group, he was Group General Counsel and Company Secretary at Bharti Enterprises. He has over 38 years of senior management experience in legal, compliance, company secretarial and corporate affairs within organisations including Essar Group, Sony Entertainment, Max New York Life, Coca-Cola India and Godrej Group.

**Steven Din**
**Chief Executive Officer and Director, Konkola Copper Mines (KCM)**
Mr Din was appointed Chief Executive Officer of KCM in May 2014. He has over 20 years of experience in the natural resources industry, with over 15 years' experience in African mining and oil & gas. Prior to joining the Group, Mr Din was chief executive officer of Essar Minerals in Zimbabwe. Mr Din spent a large part of his mining career with Rio Tinto where he was managing director and president for Simandou in Guinea, managing director of Strategic Projects for Rio Tinto in Senegal and chief financial officer and executive director of Palabora Copper Mines in South Africa and senior vice president and chief financial officer for Rio Tinto Iron & Titanium based in London.

**Dilip Golani**
**Director, Management Assurance**
Mr Golani currently heads the Group's Management Assurance function. He previously headed the Sales and Marketing function at Hindustan Zinc Limited and the Group Performance Management function. Prior to joining the Group in April 2000, Mr Golani was part of the Unilever Corporate Audit team responsible for auditing the Unilever group companies in Central Asia, Middle East and Africa region. Earlier, he was responsible for managing operations and marketing functions for one of the export businesses at Unilever India. Mr Golani has over 25 years of experience and previously worked with Union Carbide India Limited and Ranbaxy Laboratories. Mr Golani has a degree in mechanical engineering and a postgraduate degree in industrial engineering and management from NITIE.

**Akhilesh Joshi**
**President – Global Zinc Business and Whole Time Director, Hindustan Zinc Limited (HZL)**
Mr Joshi is Head of Zinc operations in India, Africa and Ireland. He is also Head of Group Exploration and Group R&D services. He joined Hindustan Zinc Limited in 1976 and was appointed as Chief Executive Officer and Whole Time Director of HZL in February 2012. In October 2008, he became Chief Operating Officer and Whole Time Director of HZL. Mr Joshi is also the Director of Skill Council for the Mining Sector. Mr Joshi has a mining engineering degree from MBM Engineering College, Jodhpur and a postgraduate diploma in Economic Evaluation of Mining Projects from School of Mines, Paris. He is a recipient of many prestigious awards including the Government

of India's 'National Mineral Award, 2006' for his outstanding contribution in the field of Mining Technology, Business Today Group's 'Best CEO Award (Core Sector), 2013' and 'Lifetime Achievement Award, 2013' by the Indian Mining Engineering Journal. He was also presented with a Gold Medal by the Indian Institute of Metals and was felicitated by the Institution of Engineers (India) for his contribution to the field of mining industry in 2013.

**Rajagopal Kishore Kumar**
**Chief Executive Officer, Iron Ore**
Mr Kumar joined the Group in April 2003 and has held various executive roles including Chief Executive Officer of Sterlite Copper from 2007 to 2008, Chief Executive Officer of KCM from 2008 to 2011, Chief Executive Officer of Zinc International from 2011 to 2013 and Chief Executive Officer, Africa (Base Metals) from 2013 to 2015. He was appointed as Chief Executive Officer of the Group's Iron Ore businesses with effect from February 2015 and is leading the revival of profitable, low-cost iron ore mining operations in Goa and Karnataka as well as developing the Liberian project. Mr Kumar has nearly 32 years of experience and expertise in accountancy, commerce, marketing, supply chain management, mergers and acquisitions, human capital development, business turnaround and policy advocacy. Prior to joining the Group, Mr Kumar worked at Hindustan Lever Limited for 12 years.

**Abhijit Pati**
**Chief Executive Officer, Aluminium**
Mr Pati was appointed as Chief Executive Officer of the Group's Aluminium business in March 2015 and is responsible for the Jharsuguda Aluminium complex, Lanjigarh refinery and BALCO. He joined the Group in 2008 and, with his wealth of knowledge over 27 years in the industry, has been a significant driver of the Company's Aluminium growth. Mr Pati is a two-times gold medal holder and an honours graduate in Chemical Engineering from the prestigious Calcutta University and holds an MBA from IMI Delhi.

**M Siddiqi**
**Group Director, Projects**
Mr Siddiqi joined the Group in 1991 and, rising through several operational roles, he led the set-up of the Group's large Aluminium and Power projects, including BALCO smelters and captive power plants. He also played a key role in setting up the copper smelter at Tuticorin and the copper refinery at Silvassa. Prior to his appointment as Group Director of Projects he was Chief Executive Officer of the Group's Aluminium division. Prior to joining the Group, Mr Siddiqi held senior positions in Hindustan Copper Limited. He has over 38 years of industry experience. Mr Siddiqi has a mechanical engineering degree from the Indian Institute of Technology, New Delhi and a PG Diploma in Management from AIMA, New Delhi.

**Samir Cairae**
**Chief Executive Officer of Diversified Metals (India)**
Mr Cairae was appointed as CEO of Diversified Metals in January 2016. He provides operational and strategic leadership for Vedanta Limited's Aluminium, Copper India, Power and Iron Ore divisions in addition to Commercial and Asset optimisation functions. Prior to his appointment at Vedanta, Mr Cairae held various senior leadership positions in global operations at Lafarge and Schlumberger. He has a rich and varied experience of a mix of line and corporate roles in strategy, M&A, industrial operations, in managing industrial operations and business CEO roles in both growth and turnaround situations, in India, China, the Philippines and France and has led complex businesses, including listed companies. In his last role before joining Vedanta, he was heading the global industrial function for Lafarge's 150 cement operations in over 45 countries and was based in Paris. Mr Cairae holds a graduate degree in Electrical Engineering from the Indian Institute of Technology (IIT), Kanpur, and a Masters in Management from the Hautes Etudes Commerciales (HEC) School of Management, Paris.

**P Ramnath**
**Chief Executive Officer, Vedanta Limited – Copper Business**
Mr Ramnath joined the Company in September 2011 and is the Chief Executive Officer of Vedanta's Copper business in Tuticorin and Silvassa and Fujairah in the UAE and is also a board member for Malco Energy Limited, a subsidiary company of Vedanta Resources plc. Prior to joining the Company, he was the Chief Operating Officer of JK Paper Ltd. He has over 30 years of experience across many varied sectors which include chemicals, specialty chemicals, manufacturing and paper industries, including at Jubilant Life Sciences Ltd, Praxair India, SNF Ion Exchange Ltd, Bakelite Hylam Limited and Reliance Industries Limited. Mr Ramnath holds a Bachelor's degree in Chemical Engineering from Osmania University, Hyderabad and has a postgraduate diploma from the Indian Institute of Management, Bangalore.

**Sunil Duggal**
**Chief Executive Officer, Hindustan Zinc**
Mr Duggal joined the Company in August 2010 and has been a significant driver of Hindustan Zinc's growth over the years. His dedicated efforts on the sustainability front have created safety awareness and helped build a robust safety culture. His thrust in adopting best-in-class mining and smelting techniques, machineries, state-of-the-art environment friendly technologies, and mechanisation and automation of operational activities has added great value.

A results-oriented professional with experience of leading high performance teams, Mr Duggal has worked in leadership positions for more than 20 years. He has the ability to keep a level head at all times, nurture and grow a business, evaluate opportunities and risks, successfully drive efficiency and productivity whilst reducing costs and inefficiencies and deliver innovative solutions to challenges.

He is an electrical engineering graduate from Thapar Institute of Engineering & Technology, Patiala and is an Alumni of IMD, Lausanne – Switzerland and IIM, Kolkata. He is also the President of the Indian Lead Zinc Development Association.

**Ajay Kumar Dixit**
**Chief Executive Officer, Power**
Mr Dixit was appointed as CEO, Power for Vedanta Limited in May 2015. Prior to joining the Company, Mr Dixit worked at Siemens for almost 35 years, in various profiles in the industry and energy sectors before taking over as CEO – Energy sector for South Asia. At Vedanta, he is leading the power plant units vertical with a capacity of over 9GW and driving strategies to achieve the full potential of the business. Mr Dixit is an electrical engineer from Delhi College of Engineering.

# Corporate Governance Report

> I have long believed that good governance equals good business.

Anil Agarwal, Executive Chairman

### Dear fellow shareholder,

Earlier in this Annual Report I noted that global resources companies continued to face some significant challenges throughout the year and Vedanta Resources plc was no exception. However, in the last few years we have taken the view that when we are faced with such challenges that the best strategy to adopt has been to take a prudent and well considered approach that keeps both the long-term and the short-term needs of the business in balance.

As Chairman of the Board, I am committed to Vedanta Resources plc seeking to operate the highest standards of corporate governance. I am therefore delighted to introduce the Company's 2016 Corporate Governance Report, where we set out our approach to directing and controlling the activities of the Group. I believe it is our governance structures that underpin our ability to deliver our strategy.

### Vedanta business

In furtherance of the Group's strategy to simplify the Group structure I can advise that during the year the Group announced a merger between Cairn India and Vedanta Limited. This transaction is designed with the objective of furthering the Group's strategy while also aligning the interests between all shareholders for the creation of long-term sustainable value.

### Sustainability and safety

During the year, we have continued to make good progress on improving the Group's safety record and reaching a goal of becoming a zero-harm environment. With this objective in mind, the Group has made a conscious effort to strengthen the Sustainable Development Framework with the release of performance standards on safety and environment management. Despite all these good initiatives it is with regret that I announce that there were 12 fatalities throughout the year. To address the fatalities that happened during the year we will continue to focus on the robust implementation of our six safety standards alongside development for risk awareness and risk mitigation. In 2016 we will continue our efforts to improve our safety culture as advancing safety management remains a key priority for management for the year ahead.

### Board composition

As Chairman, I am responsible for leading the Company's Board of Directors (the Board or the Directors) and ensuring that it operates effectively to deliver long-term value for shareholders. A key part of this role is to ensure that the Board works collaboratively with the executive team, providing support and guidance to complement and enhance the work undertaken, constructively challenging management where necessary and exercising an appropriate level of rigorous enquiry and intellectual debate. This involves having Directors with the right balance of skills, experience and attributes, including a broad diversity of perspectives.

### Board changes

As discussed last year, Euan Macdonald and Mr Aman Mehta have served as Non-Executive Directors on the Board for over nine years and therefore as per the Code's requirements they were subject to a particularly rigorous review during the year to ensure that their tenure had not impeded their independence.

Euan Macdonald, having served 11 years on the Board, has decided to step down from the Board following the conclusion of the Company's Annual General Meeting in August 2016. On behalf of the Board, I would like to thank Mr Macdonald for his significant contribution to the Board during his tenure. The Board continues to be compliant with the UK Corporate Governance Code's independence recommendations with a total of eight directors, of whom five are independent.

Following a review by the Board and the Nominations Committee, the Board, on the recommendation of the Nominations Committee, on 11 May 2016 decided to appoint Mr Ravi Rajagopal as a Non-Executive Director effective from 1 July 2016. Mr Rajagopal will also become a member of the Audit Committee on the same date. I am very pleased that we have been able to attract such a high calibre individual in Mr Rajagopal and look forward to working with him. The Board, on the recommendation of the Nominations Committee, has requested that Mr Aman Mehta be invited to stay as a Non-Executive Director for a further year. Following the Company's internal Board evaluation I can advise that Mr Mehta continues to be independent and provides informed debate to the Board and Committee meetings.

### Diversity

The Board has previously highlighted that it is an advocate of diversity in the boardroom and a supporter of Lord Davies' target set in 2011, which was 25%, subsequently revised in 2015 to 33%, of all Board positions being filled by women by 2020. The Board will endeavour in reaching the target set by Lord Davies and we have made progress towards that objective with the appointment of Ms Zotova. We are aware that we can do more in respect of this and it remains a key priority of the Board to make further appointments based on merit taking into account the diversity and other requirements of the Board and candidates' skills and experience.

The Board also recognises the importance of encouraging diversity in all forms, including gender, as well as developing employees across the Group to provide for future succession to management roles. We continue to build on diversity in leadership roles within the natural resources sector and have made a number of senior female appointments during the year, including the Senior Vice President & Group Taxation Head, General Counsel (Cairn), Head of Corporate Social Responsibility (HZL), Head of Communications (Iron Ore Business) and Financial Controller (Iron Ore Business). Further information on our progress is given in the Nominations Committee Report on (pages 111 to 113).

### Talent development and senior management succession planning

Our people are our biggest asset for the delivery of business results and long-term shareholder value. As I stated last year, the continued investment in our people is critical to our future success, and with this in mind the 'Leadership Connect Programme' was launched where we made remarkable progress with focus on leadership development of individuals through assessments and coaching. In line with our philosophy, the Group initiated 'Internal Growth Workshops' which has focused on promoting internal talent into leadership roles. The Internal Growth Workshops have so far identified 100 new leaders who have taken up significantly higher roles and responsibilities; this includes 13 women professionals across the businesses. In addition, the Executive team has been significantly strengthened and strong foundations have been laid to deliver superior performance for the Group.

### Board effectiveness and evaluation

Each year the Board undertakes a formal evaluation of its effectiveness. This year we undertook this process internally (see page 101 for further details of the outcome of the review). The Board evaluation consisted of targeted questionnaires and any issues raised as a result of the Board evaluation were addressed and an action plan was formulated to strengthen our Board processes. Further information on the processes and outcome of the Board evaluation is provided within this report on page 101.

### Accountability

The Board over the last couple of years has focused on ensuring that the views presented in our Annual Report are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy, and that the business continues to operate as a going concern.

### Annual General Meeting

The Company's 2016 Annual General Meeting will be held at 3.00pm on 5 August 2016 at Ironmongers' Hall and I would encourage you to attend and participate in the meeting.

In this report we provide an overview of the work of the Board and its Committees and our governance framework, which incorporates our Code of Conduct and sets the tone for the way we work both in respect of relationships between colleagues and with our customers and suppliers.

Yours sincerely,

**Anil Agarwal**
**Executive Chairman**
11 May 2016

# Corporate Governance Report continued
## Compliance with the UK Corporate Governance Code

### The UK Corporate Governance Code (the Code)
Vedanta Resources plc is required, under the UK Listing Rules, to comply with the UK Corporate Governance Code (the Code) published by the Financial Reporting Council (the FRC) for the year ended 31 March 2016. The latest revision of the Code was published by the FRC in September 2014, together with Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and is applicable to reporting periods beginning on or after 1 October 2014. The Code is available on the Financial Reporting Council's website at https://www.frc.org.uk/corporate/ukcgcode.cfm

The Company is required to report on how it has applied the main principles of good governance in relation to leadership and effectiveness of the Board, remuneration, accountability and relations with shareholders as set out in the Code. This Corporate Governance Report provides details of our approach to governance, our policies, processes and structures and explains how we have complied with the main principles of the Code. Further details of how the Company has applied the provisions of the Code are also contained in the reports of each Board Committee and the Directors' Remuneration Report.

In the latest edition of the Code there is now a requirement to include additional statements by the Directors in respect of the longer-term viability of the Company and that the Company has a robust assessment of the principal risks facing the Company. These new requirements are addressed in the new Viability Statement that follows the Finance Review on page 53.

Disclosures on share capital and related matters as required by the Disclosure and Transparency Rules (DTR 7.2.6) may be found in the Directors' Report on pages 129 to 134.

### Statement of compliance with the Code
It is the Board's view that the Company has, throughout the financial year ended 31 March 2016, fully complied with all the provisions of the Code, with the exception of the following:

#### Code Provision A.3.1
Mr Anil Agarwal was appointed as Executive Chairman in 2005. Mr Agarwal was the founder of the businesses of Vedanta Resources and steered the growth of the Group since its inception in 1976 including the flotation of Vedanta Resources plc on the London Stock Exchange. This meant that Mr Agarwal did not meet the independence criteria as defined in the Code on his appointment in 2005 because he was previously the Chief Executive and, through Volcan Investments Limited (Volcan), members of his family have a controlling interest in the Company. Mr Agarwal is pivotal in helping to achieve the strategic objectives of Vedanta through his skills in seeking out value creating acquisitions and projects. In addition, the fact that he dedicates himself full time to his role of Executive Chairman enables him to balance his executive duties with providing leadership to the Board. As Executive Chairman Mr Agarwal encourages debate and challenge and sets high ethical standards. For these reasons the Board is unanimously of the opinion that his continued involvement in an executive capacity is important to the success of the Group.

#### Code Provision B.1.1
Two of the Company's Non-Executive Directors, Messrs Aman Mehta and Euan Macdonald have served on the Board for over nine years and Mr Mehta also serves as a Non-Executive Director on the Board of Cairn India Limited. As a consequence, the Board was mindful of the risk of their independence becoming compromised and undertook a particularly rigorous assessment of their independence and potential for conflicts of interest. Mr Mehta does not have any business relationship with the Group other than his directorship at Cairn India and Vedanta Resources plc. As he absents himself from discussions in the event of any conflict of interest and continues to actively participate in Board discussions and provides robust challenge to management, the Board concluded that his independent judgement was not compromised and he remained impartial. Mr Macdonald does not have any business relationship with the Group and is not involved in any transaction or circumstance that would interfere with the exercise of his independent judgement in carrying out the responsibilities of a Director. Accordingly, the Board is satisfied that the tenure of Messrs Mehta and Macdonald does not affect their ability to exercise independent judgement or act in the best interests of the Group and has determined them to be independent.

#### Code Provision B.2.1
By virtue of the size of its shareholding in the Company, Volcan Investments Limited (Volcan) is a controlling shareholder for the purposes of the Listing Rules and was required to enter into an agreement with the Company to ensure compliance with the independence provisions as set out in the Listing Rules (Relationship Agreement). Under the Relationship Agreement, Volcan will be consulted on all appointments to the Board. The Nominations Committee therefore works collaboratively with Volcan when making appointments to the Board and, to this extent, differs from the process set out in Code Provision B.2.1 which stipulates that the Nominations Committee should lead the process for Board appointments.

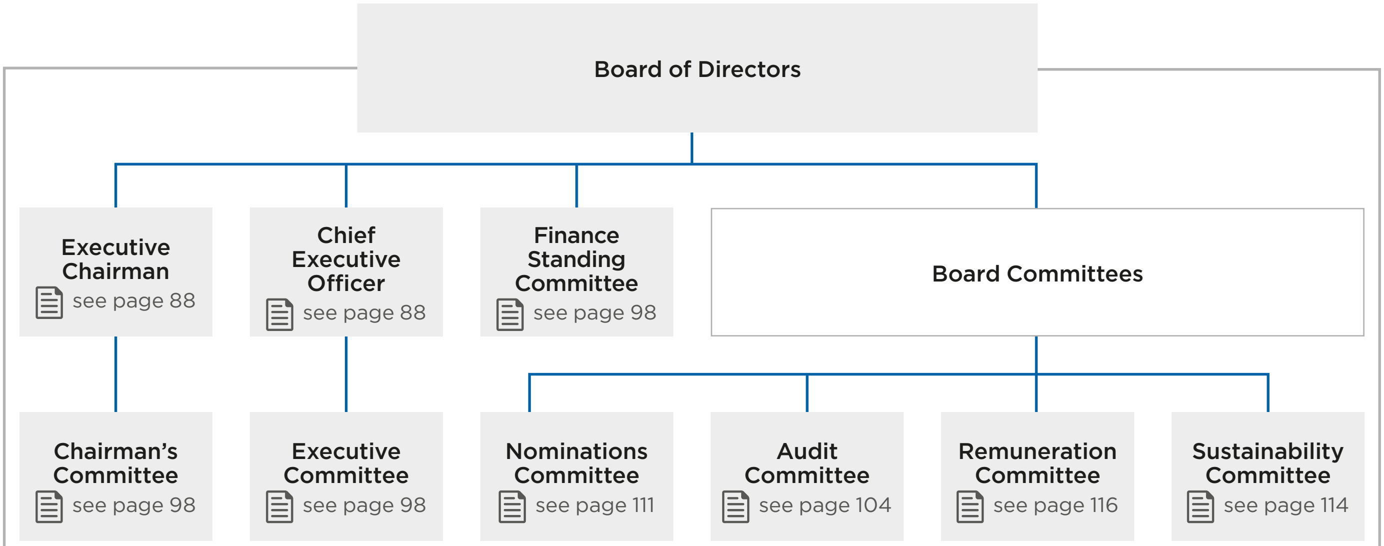
### Leadership and the role of the Board
The Company is headed by a strong and effective Board of Directors which is collectively accountable to shareholders for promoting the long-term success of the Group through the creation and delivery of sustainable shareholder value. The Board does this by setting strategic priorities and risk appetite, ensuring that adequate resources are available for the attainment of the Group's objectives and reviewing management's performance in delivering the strategy.

The Board has a scheduled formal programme of meetings to ensure that it can allocate sufficient time to key areas which enables the Board to plan meetings appropriately and to use Board members' time more effectively. The Board reviews its schedule of reserved matters regularly. The formal schedule of reserved matters is replicated in internal delegation of authorities within the Group that enables the operating businesses to operate with flexibility while ensuring that strategic matters are always considered and decided upon by the Board.

As part of its decision-making processes the Board considers the long-term consequences of its decisions, the interests of various stakeholders including employees, the impact of the Group's operations on the environment and the need to maintain high standards of business. This is achieved through a prudent and robust risk management framework and internal controls and strong governance processes.

## Corporate governance framework

The relationship between the shareholders, the Board, Board Committees and Management Committees and the reporting structure as shown below forms the backbone of the Group's corporate governance framework.




**Role of the Board**

- Provide entrepreneurial leadership and set strategic direction for the Group
- Review the Group's risk environment and set risk appetite
- Approve the Group's business plans and capital expenditure budgets
- Assess adequacy of financial and human resources to attain strategic objectives
- Monitor delivery of strategic objectives by management
- Support management in their delivery of objectives
- Provide constructive challenge to management on assumptions
- Provide oversight of risk management and internal control framework
- Engage with and report to shareholders on business performance
- Engage with and report to other stakeholders on their areas of concern

# Corporate Governance Report continued

## Compliance with the UK Corporate Governance Code continued

### Duties of the Board

The duties of the Board are set out in its terms of reference, including those matters specifically reserved for decision by the Board. The Board's terms of reference include:

- Approval of the Group's annual and half-year reports and financial statements;
- Declaration of the interim dividend and the recommendation of the final dividend;
- Approval of any material restructuring or reorganisation of the Group;
- Approval of major capital expenditure projects in excess of defined thresholds;
- Approval of major acquisitions and disposals of assets in excess of defined thresholds;
- Approval of a variety of major decisions that are determined by their nature to have a significant likely impact for the Group; and
- Approval of any appointments to or removals from the Board of Directors.

The Board's terms of reference also set out those matters which must be reported to the Board, such as details of fatalities within the Group and the adoption or material amendment to the Group policies relating to business conduct, environment and health and safety.

### Board culture

**Debate**

- Open discussions
- Consultative processes
- Encouragement to question
- Constructive challenge
- Collective decision-making

**High ethical standards**

- Supported by sound governance policies such as Code of Business Conduct and Ethics

**Entrepreneurial spirit**

- Seeking out new business opportunities and acquisitions
- Underpinned by strong risk management framework and internal control systems

**Professional approach**

- Different skill sets of Board members
- Excellent relationships between Board members

**Board membership**

At the date of this report, the Board is comprised of eight members. This includes the Executive Chairman, Executive Vice Chairman, Chief Executive Officer and five independent Non-Executive Directors. Accordingly, our Board is comprised of Directors from differing international backgrounds combined with a wide range of professional and sector-specific experience. This ensures that we have a balanced Board with the right skills and experience to contribute fully to effective decision-making. The Board regards each of the five Non-Executive Directors as being fully independent in character and judgement (see page 99).

The Board has adopted a policy, consistent with the UK Corporate Governance Code, under which all Directors must seek re-election by shareholders annually, if they wish to remain on the Board. The Board believes that annual re-election promotes and supports accountability to shareholders. Annual re-election means effectively that Directors are subject to an annual appraisal. The Board, on the recommendation of the Nominations Committee, makes an informed decision as to whether it will endorse a retiring Director for re-election. Accordingly, Directors are re-elected by ordinary resolution at the Company's AGM.

In 2014, the Financial Conduct Authority (FCA) published amendments to the Listing Rules, which included changes affecting premium listed companies with a controlling shareholder. This means that the independent Non-Executive Directors of the Company must be elected or re-elected by a majority of votes cast by all shareholders. Therefore, at the forthcoming Annual General Meeting, the resolutions for the election or re-election of the independent Non-Executive Directors will be taken on a poll and passed only if a majority of votes cast by independent shareholders in addition to a majority of the votes cast by all shareholders being in favour.

### Division of responsibilities

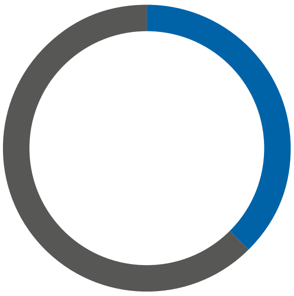
There is a clear division between the functioning of the Board in providing effective oversight and the executive responsibility for the operation of the Company's business. The Board has an established policy which prescribes how it discharges its mandate. This policy sets out the roles and responsibilities of the Executive Chairman, Executive Vice Chairman, Chief Executive Officer, Senior Independent Director and Non-Executive Directors.

**The role of the Executive Chairman**

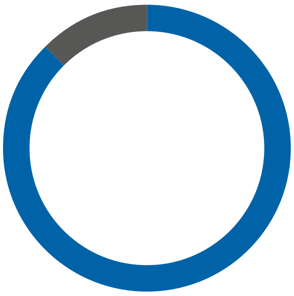
The Executive Chairman is responsible for:

- Leading the Board and ensuring that it has the resources required to function effectively;
- Developing succession plans for Board appointments for Board approval;
- Helping to identify strategic priorities to enhance shareholder value;
- Formulating strategic plans for the Board's consideration and approval;
- Identifying new business opportunities in line with the strategic plans approved by the Board;

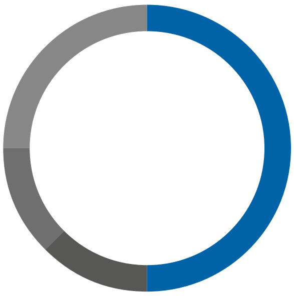
**Board balance**



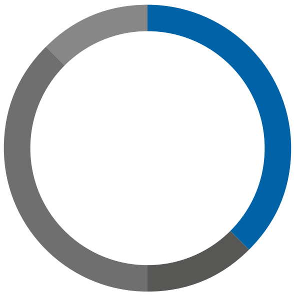

**Gender split of Directors**




**Nationalities of Directors**




**Board experience**



- Engaging with the Company's shareholders and other stakeholders such as governments, communities and employees to ensure that an appropriate balance is maintained between the various interests;
- Providing leadership to the senior management team;
- Upholding the highest standards of integrity, probity and governance at Board level and throughout the Group;
- Facilitating active engagement by all Directors and fostering an environment in which Non-Executive Directors can freely provide constructive challenge;
- Evaluating the performance of the Board, Board Committees and individual Directors and acting on the results of such evaluation;
- Reviewing the training needs of the Directors for the fulfilment of their duties; and
- Ensuring that new Directors participate in a full, formal and tailored induction programme.

**The role of the Executive Vice Chairman**

The Executive Vice Chairman supports the Executive Chairman in his leadership of the Board and is responsible for:

- Supporting the Executive Chairman in ensuring that the Board functions effectively;
- Supporting the Executive Chairman in identifying new business opportunities;
- Supporting the development of the Group's Oil & Gas strategy;
- Supporting the development of the Group's corporate structure to greater align strategic priorities and enhance shareholder value;
- Guiding the execution of the Group's HR strategy and talent management;
- Providing oversight of the development of top talent throughout the Group; and
- Strengthening the Group's procurement capability and focusing management attention on critical areas.

**The role of the Chief Executive Officer**

The Chief Executive Officer is responsible for:

- Ensuring effective implementation of Board decisions;
- Developing operational business plans for Board approval;
- Providing leadership to the senior management team for the delivery of the Group's operational business plans following Board approval;
- Providing oversight and management of all of the Group's operations, business activities and performance including environmental, social, governance, health and safety, sustainability, investor relations and external communications;
- Managing the Group's risk profile in line with the risk appetite set by the Board;
- Ensuring that prudent and robust risk management and internal control systems are in place throughout the Group;
- Recommending annual budgets to the Board for approval;
- Making recommendations to the Remuneration Committee on remuneration policy and executive remuneration;
- Supporting the Executive Chairman in maintaining effective communications with various stakeholders;
- Maintaining a close working relationship with the Chairman; and
- Leading the Executive Team.

**The role of the Senior Independent Director**

The Senior Independent Director plays a key role in achieving a balance between the Company's Executive and Non-Executive Directors. He is responsible for:

- Providing a channel of communication between the Executive Chairman and the Non-Executive Directors;
- Acting as an intermediary for shareholders who wish to raise concerns that they have been unable to resolve through the normal channels of communication;
- Acting as a sounding board for the Executive Chairman and serving as an intermediary for the Non-Executive Directors where necessary;
- Meeting with the Non-Executive Directors at least once a year to appraise the Executive Chairman's performance and on such other occasions as are deemed appropriate; and
- Availability to meet with a range of shareholders when requested, to develop a better understanding of their issues and concerns and reporting the outcomes of such meetings at subsequent Board meetings.

**The role of the Non-Executive Directors**

The Non-Executive Directors are responsible for helping to develop the Company's strategy and providing rigorous, objective and constructive challenge to create accountability and drive performance. Between them the current Non-Executive Directors have the appropriate balance of skills, experience, knowledge and independent judgement gained through experience in a variety of business factors. The responsibilities of the Non-Executive Directors include:

- Helping management to develop the Company's strategic objectives by drawing on their own business and commercial experience and challenging assumptions;
- Scrutinising management's performance in delivering against the strategy;
- Satisfying themselves on the integrity of financial information and ensuring that risk and control systems are robust; and
- Determining appropriate levels of remuneration, succession planning and participating in the appointment of Executive Directors.

The Board considers that each of the Non-Executive Directors has the following attributes:

- Time to undertake the responsibilities of the role;
- Unquestioned honesty and integrity;
- An ability to provide strategic thought to the relevant matters;
- An ability to manage and consider materiality and risk tolerance as key considerations in decision-making; and
- Experience of managing in the context of uncertainty, and an understanding of the risk environment of the Group, including the potential for risk to impact on health and safety, environment, community, reputation, regulatory market and financial performance.

The Executive Directors bring additional perspectives to the Board through a deeper understanding of the Group's business and day-to-day operations.

# Corporate Governance Report continued
## Compliance with the UK Corporate Governance Code continued

### Board Committees
The Board delegates certain responsibilities to Board Committees which operate within their defined terms of reference. The main Board Committees are the Audit, Nominations, Remuneration and Sustainability Committees (together, the Board Committees).

The Board's four formal committees have formally delegated duties and responsibilities and their terms of reference are available on the Company's website at www.vedantaresources.com or by request to the Company Secretary. Each committee's terms of reference are reviewed annually to ensure that they comply with current legal and regulatory requirements, reflect best corporate practice and improvements in the way the committees are managed. Each committee's Chairman reports formally to the Board after each committee meeting. Additionally, from time to time, the committees submit reports and recommendations to the Board on any matter which they consider significant to the Group.

The Board members are authorised to obtain legal or other professional advice as necessary at the expense of the Company, to secure the attendance of external advisers at their meetings and to seek information from any employee of the Company in order to perform their duties. Under the terms of reference of each of the Board Committees only the members of each committee have the right to attend committee meetings. However, other Directors, management and advisers may attend meetings at the invitation of the Committee chair. The Group Company Secretary acts as the secretary to the Board, Audit, Nominations and Remuneration Committees while the President – Group Communications, Sustainability and Corporate Social Responsibility acts as the secretary to the Sustainability Committee.

The Group maintains appropriate Directors' and Officers' liability insurance on behalf of, and provides individual indemnities to, the Directors and Company Secretary, which complies with the provisions of Section 234 of the Companies Act 2006.

### The Executive Committee
The Executive Committee acts as a conduit between management and the Board and during the year ended 31 March 2016 comprised of the Executive Vice Chairman, the Chief Executive Officer and members of senior management whose biographies are given on pages 90 to 91. The Executive Committee meets monthly and is responsible for implementing strategic plans formulated by the Board, allocating resources in line with delegated authorities and monitoring the operational and financial performance of the Group. The Executive Committee therefore has a key role in putting the Board's plans and policies into action. The Chief Executive Officer, Mr Albanese, keeps the Board informed of the Executive Committee's activities through his standing reports to the Board.

### The Finance Standing Committee
The Finance Standing Committee is an ad-hoc sub-committee to which authority is delegated by the Board for approval of certain matters such as routine bank and financing issues. It comprises five members: Executive Chairman, Executive Vice Chairman, Chief Executive Officer, Chief Financial Officer and Director of Finance. The Company Secretary provides an update on the Finance Standing Committee meetings to the Board at the subsequent Board meeting and the minutes of all Finance Standing Committee meetings are reviewed by the Board.

### Chairman's Committee
The Chairman's Committee meets monthly and comprises of Messrs Anil Agarwal, who chairs the Chairman's Committee, Navin Agarwal, Tom Albanese, Tarun Jain and DD Jalan. The Committee is a management committee which was established to support the review of businesses in more detail in order to minimise costs of the functioning of the Board and ensure that the business of the Board and its Committees is properly planned and aligned with management. The Chairman's Committee provides a forum for the Chief Executive Officer to report to the Executive Chairman on the Company's operational performance and key issues impacting performance and for the members to deliberate on how best to align performance with the strategic objectives set by the Board.

### How the Board operates
The Board meets on a regular basis and met formally on six occasions during the year, of which four were scheduled Board meetings and two were called at short notice. As well as formal meetings, written resolutions are passed with the approval of the whole Board on routine matters as required in order to facilitate efficient decision making. In addition, ad-hoc discussions take place between the Directors on a variety of topics throughout the year. The Non-Executive Directors, led by the Senior Independent Director, also met during the year without the Executive Directors present to appraise the Executive Chairman's performance amongst other matters.

### Strategy development
During the year, a separate meeting was held by the Directors to consider and test the long-term strategy of the Company. At this strategy meeting, the Board considered its strategic direction in light of external factors such as regulatory environments and commodity market developments and agreed its strategic focus and priorities for the year ahead.

The Executive Chairman, assisted by the Company Secretary, is responsible for ensuring that the Board receives accurate, timely and clear information on all relevant matters in order to make informed decisions and discharge its duties. Directors are provided with regular detailed briefings on the Group's businesses, the markets within which it operates and the overall economic environment and updates on fiscal policy changes. Prior to a Board meeting the Board also routinely receives detailed information on business and financial performance, ongoing projects, fundraising initiatives, activities of the Board Committees and investor relations, with presentations and verbal updates given by the Executive Directors and senior management as appropriate.

At the request of the Directors, the Chief Executive Officer also provides a monthly report to the Board on key operational issues and other matters of importance to the Group.

### Board activities during the year
- Consolidation and simplification of Group structure; this was further achieved with the proposed merger between Cairn India and Vedanta Limited;
- Regularly reviewing strategy in the light of socio-economic and political developments;
- Consideration of the Group's Oil & Gas strategy in low oil price environments;
- Review of the Group's Aluminium and Power strategy;
- Review of the business turnaround strategy of the Group's African Copper business KCM;
- Review of the business of the Group's Australian Copper business CMT;

- Review of the Iron Ore operations in Goa;
- Monitoring the Group's health and safety record and initiatives to promote a zero-harm environment;
- Reviewing the progress of the Group's major capital projects;
- Monitoring the operational performance of the Group against the business plan for the year through production updates from the heads of the operating subsidiaries;
- Sustained operational excellence and cost efficiencies;
- Monitoring the financial performance of the Group and the financing of debt, currency hedging and covenant compliance;
- Sustainable development and linkage of initiatives to license to operate philosophy;
- Coal block auctions by the Government of India;
- Focus on talent management and senior management succession planning, and further increase diversity of talent pipeline;
- Review of strategy in respect of the hire of contractors across the Group;
- Focus on reviewing the composition of the Board and succession planning for the appointment of Non-Executive Directors;
- Review of corporate governance updates in relation to the proposed audit tender and mandatory audit firm rotation rules by the Competition Commission and the EU respectively;
- Reviewing project proposals and approving Group capital expenditure in excess of applicable thresholds;
- Reviewing and approval of the Group's business plan for the year ahead;
- Reducing costs, maximising cash flow from operations and managing the business within prudent funding constraints;
- Reviewing and approving the Company's preliminary announcement of its financial results, the Annual Report and Accounts and half-year report;
- Receiving updates on major litigation and their impact on the Group; and
- Ensuring that shareholders, staff and other stakeholders understand and are aligned with the revised strategy.

## Board attendance

The Company requires its Directors to attend all meetings of the Board and any Board Committees on which they serve and to devote sufficient time to the Company's business. To help enable this, scheduled Board and Committee meetings are arranged at least a year in advance to allow Directors to manage other commitments. If a Director is unable to attend a meeting because of exceptional circumstances, he or she still receives the papers and other relevant information in advance of the meeting and has the opportunity to discuss with the relevant Chair or the Company Secretary any matters he or she wishes to raise and to follow up on the decisions taken at the meeting. The Chairman, Chief Executive and Company Secretary are always available to discuss issues relating to meetings or other matters with the Directors.

The Directors are also required to disclose their other time commitments and seek the agreement of the Executive Chairman prior to accepting any additional appointments in order to ensure that they have sufficient time to fulfil their role as a Director. The Company's Non-Executive Directors are expected to spend a minimum of 20 days per annum on the Company's business with greater time commitment during periods of heightened strategic and commercial activity as set out in their letters of appointment. The Non-Executive Directors' letters of appointment are available on request from the Company Secretary.

The attendance of the Directors at Board meetings held during the year is shown in the following table and the Directors' attendance at Board Committee meetings is provided in the respective Board Committee reports.

| Name | Date of appointment | Attendance at Board meetings | Percentage attendance |
|---|---|---|---|
| **Executive Directors** | | | |
| Anil Agarwal[1] | 16 May 2003 | 5/6 | 83% |
| Navin Agarwal | 24 November 2004 | 6/6 | 100% |
| Tom Albanese | 1 April 2014 | 6/6 | 100% |
| **Non-Executive Directors** | | | |
| Aman Mehta | 24 November 2004 | 6/6 | 100% |
| Euan Macdonald | 23 March 2005 | 6/6 | 100% |
| Geoffrey Green | 1 August 2012 | 6/6 | 100% |
| Deepak Parekh[2] | 1 June 2013 | 5/6 | 83% |
| Katya Zotova | 1 August 2014 | 6/6 | 100% |

1 Mr Agarwal was unable to attend one meeting of the Board due to a prior commitment and the meeting being called at short notice.
2 Mr Parekh was unable to attend one meeting of the Board due to a prior commitment and the meeting being called at short notice.

## Board independence

In accordance with the Code, it is the Company's policy that at least half the Board excluding the Executive Chairman comprises of independent Non-Executive Directors to ensure that an appropriate balance is maintained between Executive and Non-Executive Directors for effective governance and no individual or small group of Directors can dominate the decision-making process. The Board undertakes an evaluation of each Director's independence on appointment, annually prior to recommending their re-election by shareholders, as well as when any Director's circumstances change and warrant a re-evaluation.

During the year, the Board also considered the independence of Mr Geoffrey Green due to his current role as Chair of the Financial Reporting Review Panel and determined that there were no conflicts of interest arising out of the appointment.

Two of the Company's Non-Executive Directors, Messrs Aman Mehta and Euan Macdonald, have served on the Board for over nine years and their independence was therefore subject to a particularly rigorous review. As Mr Mehta also serves as Non-Executive Director on the Board of Cairn India Limited, the Board considered the potential conflicts of interest arising from that appointment. As Mr Mehta absents himself from discussions in the event of any conflict of interest and continues to actively participate in Board discussions and provides robust challenge to management, the Board concluded that his independent judgement was not compromised and he remains impartial. Mr Macdonald does not have any business relationship with the Group and is not involved in any transaction or circumstance that would interfere with the exercise of his independent judgement in carrying out the responsibilities of a Director. Accordingly, the Board concluded that the tenure of Messrs Mehta and Macdonald does not materially affect their ability to exercise independent judgement or act in the best interests of the Group.

Following the review of the Non-Executive Directors' independence, the Board has determined that all of the current Non-Executive Directors are independent and free from any relationship or circumstance that could affect or appear to affect their independent judgement.

# Corporate Governance Report continued
## Compliance with the UK Corporate Governance Code continued

Board succession planning has been at the forefront of Board considerations during the year due to Mr Macdonald and Mr Mehta having served on the Board for over nine years. Euan Macdonald, having served 11 years on the Board, has decided to step down from the Board following the conclusion of the Company's Annual General Meeting in August 2016. The Board, on the recommendation of the Nominations Committee, has appointed Mr Ravi Rajagopal as a Non-Executive Director effective from 1 July 2016 and as a member of the Audit Committee effective from the same date. The Board, on the recommendation of the Nominations Committee, has invited Mr Aman Mehta to stay for a further year subject to shareholder approval at the Company's 2016 Annual General Meeting.

### Directors' conflicts of interest
The Board has an established procedure for the disclosure of interests and other related matters in line with published guidance and the Companies Act 2006. Each Director must promptly disclose actual or potential conflicts and any changes to the Board which are noted at each Board meeting. The Board considers and authorises potential or actual conflicts as appropriate. Directors with a conflict do not participate in the discussion or vote on the matter in question. These procedures have proved to be effective during the year under review. Related party transactions, which include those in respect of any Director, are disclosed in Note 39 on pages 209 to 210.

Mr Geoffrey Green's consultancy role with Ashurst LLP finished on 30 April 2015. The fees paid to Ashurst LLP during the year amounted to US$276,038 (2015: US$344,179).

As part of our annual review process, during the Board meeting held on 3 November 2015, we reviewed and considered all situations entered in the Conflicts Register and the Board is satisfied that the independence of those Directors who have external board appointments has not been compromised.

### External appointments
Non-Executive Directors including the Chairman may serve on a number of other boards provided they continue to demonstrate commitment to their role. The Nominations Committee reviews the extent of the Non-Executive Directors' other commitments throughout the year. The Board is satisfied that each Non-Executive Director commits sufficient time to their duties in relation to the Company.

The Board is also supportive of the Executive Directors accepting non-executive directorships of other companies in order to widen their experience and knowledge for the benefit of the Company. Accordingly, subject to the agreement of the Board, Executive Directors are permitted to accept one external non-executive board appointment and to retain any fees paid to them.

### Directors' engagement terms
The Board has adopted a policy that Non-Executive Directors' terms of engagement should provide for a maximum initial term of three years terminable at any time by three months' written notice from either party. It is the Board's policy not to extend the aggregate period of service for any Non-Executive Director beyond nine years and any progress to extend a Non-Executive Director's service beyond six years will be the subject of a rigorous review and will take into account the need for progressive refreshing of the Board. The Chairman and Chief Executive Officer are employed under service agreements which are terminable on six months' written notice for the Chairman and three months' written notice for the Chief Executive Officer by either party. Copies of the letters of appointment will be on display at the AGM, together with the Executive Directors' service agreements and are generally available at the Company's registered office.

### Relationship Agreement
The Relationship Agreement which had originally been entered into at the time of admission of the Company's shares to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange plc's main market for listed securities (Listing) in 2003 between the Company and its majority shareholder, Volcan, and was subsequently amended in December 2011, was reviewed and updated again in November 2014 in order to ensure compliance with the revised Listing Rules for the protection for minority shareholders which came into force in May 2014.

The principal purpose of the Relationship Agreement is to ensure that the Group is able to carry on business independently of Volcan, the Agarwal family and their associates and that all agreements and transactions between the Company, on the one hand, and Volcan and/or any of its respective Group undertakings and/or persons acting in concert with it or its Group undertakings, on the other hand, will be at arm's length and on a normal commercial basis. Under the terms of the Relationship Agreement, Volcan, the Agarwal family and their associates will not take any action that would prevent the Company from complying with its obligations under the Listing Rules. Furthermore, the Board and Nominations Committee will at all times consist of a majority of Directors who are independent of Volcan and the Agarwal family. While the Remuneration and Audit Committees shall at all times comprise solely of Non-Executive Directors, Volcan is entitled to nominate for appointment as Director such number of persons as is one less than the number of Directors who are independent of Volcan, the Agarwal family and their associates. As the Board is comprised of a majority of independent Non-Executive Directors and Vedanta's ability to operate independently of Volcan is protected by the Relationship Agreement, the Board considers that there are adequate safeguards for the protection of minority shareholder interests.

The Audit Committee is responsible for reviewing matters arising in relation to the Relationship Agreement and related party transactions on behalf of the Board. During the year, there were no contracts of significance between the Company, or its subsidiary undertakings, and the controlling shareholder. The Company has complied with the independence provisions in the Relationship Agreement and so far as the Company is aware, the controlling shareholder and any of its associates have complied with the independence provisions and the procurement obligation included in the Relationship Agreement.

### Induction, training and development
The Board is committed to the ongoing development of its employees and Directors. On appointment to the Board, each Director undergoes a comprehensive induction programme which is tailored to their individual needs but is intended to provide an introduction to the Group's operations and the challenges and risks faced. New Directors also receive an overview of their duties, corporate governance policies and Board processes.

To assist Directors in the performance of their duties, there are procedures in place to provide them with appropriate and timely information, including receiving information between meetings regarding Group business development and financial performance. Where appropriate, additional training and updates on particular issues are provided.

During the year, the Board received briefings on changes on narrative reporting and new regulations which included an update on the Market Abuse Regulations and the Modern Slavery Act.

The Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed. The Company Secretary is also responsible for advising the Board through the Chairman on governance matters. The Directors also have access to the Company's professional advisers whom they can consult where necessary for the discharge of their duties.

During the year, the Directors received legal and regulatory updates on corporate governance developments and presentations from senior management on the Oil & Gas and Aluminium businesses. The Chairman also conducts regular review meetings and workshops with the businesses on a monthly basis.

## Board evaluation

The effectiveness of the Board is of paramount importance to the overall success of the Group and the Company undertakes a formal and rigorous annual evaluation of the Board and its committees. An internal Board evaluation process was facilitated this year by the Executive Chairman, supported by the Company Secretary. The process was carefully structured but pragmatic, designed to bring about genuine debate of issues that were relevant and assist in identifying any areas for improvement. It entailed the completion of tailored questionnaires on the performance of the Board, its committees and its Executive and Non-Executive Directors.

The findings from the evaluation exercise were discussed with the Executive Chairman and reviewed by the whole Board before a set of actions were agreed. The feedback from the Directors suggested that the underlying processes of the Board and its committees were operating well overall with a collaborative and professional relationship between the Directors.

The actions which were agreed following the Board and committee evaluations include:

### Board composition

The search for new Non-Executive Directors would continue as part of the Board succession planning process to (a) encourage more women on the Board; (b) refresh the composition of the Board Committees.

### Strategic discussion

The Board will dedicate additional time specifically to consider, develop and test the Group's strategy, particularly in light of the difficult operating environments and volatile markets.

### Operational

Management will focus on delivering stability to the Group in a difficult operating environment through capital rephrasing, cost management initiatives, exercising financial and fiscal prudence, continuing the simplification of the Group's financial structure and focus on deleveraging, focus on safety and linkage of corporate social responsibility initiatives to the Group's license to operate.

### Board orientation and induction

The induction programme for new Directors will be reviewed and strengthened to provide the Directors with a better understanding of their role and responsibilities, the Group's businesses and the operational challenges faced.

### Board administration

The Company will review its arrangements for the administration of Board and committee meetings, including the Board meeting materials and minutes.

### Executive Chairman's performance

The Executive Chairman's performance was evaluated by the Non-Executive Directors, led by the Senior Independent Director, and the conclusions of the evaluation were fed back to the Executive Chairman with a number of actions to be completed over the year ahead.

## Accountability

### Financial and business reporting

The Directors present a fair, balanced and understandable assessment of the Company's position and prospects.

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

1) Financial information supplied by subsidiary companies and consolidated at central level:
   - Management accounts are prepared on a monthly basis and reviewed by the Executive Committee;
   - Management accounts are reviewed by the Board at least quarterly;
   - Performance is monitored against key performance indicators throughout the financial year and forecasts are updated as appropriate; and
   - Annual operational budgets are prepared by each operating subsidiary and consolidated into a Group Budget which is reviewed and approved by the Board.

2) External auditor assurance:
   - Full-year audit and interim reviews are carried out on the published financial statements.

3) Review by the Audit Committee of:
   - Year-end reporting plans;
   - Legal, tax and accounting issues;
   - Consideration of the financial statements and disclosures in accordance with financial reporting standards; and
   - Going concern and viability statement with supporting cash flow, liquidity and funding forecasts.

4) The Internal Audit function provides an independent assurance in respect of processes, physical verification and management information system accuracy for operating companies.

5) Review by the Audit Committee and the Board of the preliminary and half-year announcements, the Annual Report and Accounts and any other announcements including financial information.

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

### The Board

- Sets 'risk appetite'
- Reviews significant reported risks

# Corporate Governance Report continued
## Compliance with the UK Corporate Governance Code continued

**The Audit Committee**
- Reviews the effectiveness of internal control/risk systems and reports to the Board
- Reviews the risk matrix, significant risks, status of risks and mitigating factors
- Considers and approves remedial actions where appropriate
- Reviews action plans put in place to mitigate risks
- Reviews significant findings reported by the internal audit function, Management Assurance Services (MAS)
- Reviews internal audit plans
- Assesses the effectiveness of the internal audit function
- Reviews whistleblower reports presented by MAS
- Advises the Board on fair, balanced and understandable financial statements

**Management Assurance Services (MAS)**
- Plans and carries out internal audits through arrangements with leading international accounting and audit firms
- Recommends improvements to the Group's internal control system
- Reviews compliance with Group policies and procedures
- Facilitates the update of the risk matrix
- Reviews findings in respect of the risk management and internal control framework with senior management and reports to the Audit Committee
- Investigates whistleblower cases

The head of MAS attends all the Vedanta Executive Committee and Audit Committee meetings. During the year, the MAS team supported the respective business teams at Vedanta Limited and its subsidiaries in their compliance with the US Sarbanes-Oxley Act 2002 requirements (the Act), including documenting internal controls as required by section 404 of the Act. The effectiveness of internal controls is assessed by Vedanta's own administration and certified by independent auditors, as set forth in the Act.

### Risk management and internal control
The Board is responsible for setting the Group's risk appetite and determining the nature and extent of the risks it is willing to take to achieve its strategic objectives. The Directors also have ultimate responsibility for ensuring that the Group maintains a robust system of internal control to provide them with reasonable assurance that all information within the business and for external publication is adequate. Authority for detailed monitoring of the internal control and risk management framework is delegated to the Audit Committee which reports to the Board regularly within the remit of its role.

The Group's risk management framework is designed to be a simple, consistent and clear mechanism for managing and reporting risks of the Group's businesses to the Board. Risk management is embedded in all critical business activities, functions and processes. The framework helps the organisation meet its objectives through alignment of operating controls to the mission and vision of the Group.

Management systems, organisational structures, processes, standards and code of conduct together form the system of internal control that govern how the Group conducts its business and manages the associated risks.

The Group has a multi-layered risk management framework aimed at effectively mitigating the various risks which its businesses are exposed to in the course of their operations as well as in their strategic actions. Risks are identified at the individual business level for existing operations as well as for ongoing projects through a consistently applied methodology, using the Turnbull matrix.

Risks are continually reviewed with formal discussion on risk management taking place at business level review meetings at least once in a quarter. The respective businesses review the risks, change in the nature and extent of the major risks since the last assessment, control measures established to mitigate the risk and further action plans. The control measures stated in the risk matrix are also periodically reviewed by the business management teams to verify their effectiveness.

These meetings are chaired by business chief executive officers and attended by chief risk officers, senior management and functional heads. Risk officers have been formally nominated at all operating businesses as well as at Group level and whose role is to create awareness of risks at senior management level and to develop a risk management culture within the businesses. They play an important role in ensuring that the organisation sustains its risk management initiatives and that the Group's risk management framework matures and grows with the organisation. Risk mitigation plans form an integral part of the key performance indicators for process owners.

The Audit Committee aids the Board in this process by reviewing the actions taken by management to identify risks, assess any changes in the Group's risk exposure, reviewing risk control measures and by approving remedial actions, where appropriate.

The Audit Committee is in turn supported by the Group Risk Management Committee (GRMC) which helps the Audit Committee in evaluating the design and operating effectiveness of the risk mitigation programme and the control systems. The Group Risk Management Committee, comprising of the Group CEO, Group CFO, Director of Finance, Director of Management Assurance and the Group Head of HSE, meets every quarter. GRMC discusses key events impacting the risk profile, emerging risks and progress against the planned actions amongst other things.

Our approach to risk management and systems of internal control is aligned to the recommendations in the FRC's revised guidance issued in September 2014.

The Board-level risk appetite has been defined taking into consideration the Group's risk tolerance level and with clear linkages to its strategic priorities. The risk appetite forms the basis of the Board's assessment and prioritisation of each risk based on its impact on the business operations. A risk scale consisting of qualitative and quantitative factors has been defined to facilitate a consistent assessment of the risk exposure across the Group. This scale is also aligned to the Board's overall risk appetite.

In addition to the above structure, other key risk governance and oversight committees include the following:
- Group Treasury Risk Management Committee has an oversight on the treasury-related risks. This committee comprises of the Group Chief Financial Officer, business CFOs, Group Head of Treasury and Treasury Heads at respective businesses.
- Group Capex Sub-Committee which evaluates the risks while reviewing any capital investment decisions as well as institutes a risk management framework in expansion projects.
- Sustainability Committee which reviews sustainability-related risks. This committee is chaired by a Non-Executive Director and is attended by the Chief Executive Officer, and has other business leaders as its members.

As stated above, every business division in the Group has developed its own risk matrix of Top 20 risks which is reviewed at business management committee level. In addition, business divisions have also developed their own risk registers depending on size of operations and number of subsidiary business units/locations. Full details of principal risks and uncertainties are contained in the strategic report on pages 26 to 35.

A consistently applied methodology is used to identify risks to operations and projects at the operating subsidiary level. MAS have arrangements with leading international accounting and audit firms excluding the Group's external auditor for carrying out internal audits within the Group.

This element has been an important component of the overall internal control process by which the Board obtains assurance. The scope of work, authority and resources of MAS are regularly reviewed by the Audit Committee. The responsibilities of MAS include recommending improvements in the control environment and reviewing compliance with the Group's philosophy, policies and procedures. The planning of internal audit is approached from a risk perspective. In preparing the internal audit plan, reference is made to the Group's risk matrix, inputs are sought from senior management, project managers and Audit Committee members and reference is made to past audit experience, financial analysis and the current economic and business environment.

Each of the Group's principal subsidiaries has in place procedures to ensure that sufficient internal controls are maintained. These procedures include a monthly meeting of the relevant management committee and quarterly meeting of the Audit Committee of that subsidiary. Any adverse findings are reported to the Audit Committee. The Chairman of the Audit Committee may request MAS and/or the external auditor to focus their audit work and report to him on specific areas of risk identified by the risk management and internal control framework. At a Group level, the findings by MAS are presented monthly to the Executive Committee and to the Audit Committee periodically.

The Executive Committee and Audit Committee regularly review reports related to the Group's internal control framework in order to satisfy the internal control requirements of the Code (Internal Control: Revised Guidance for Directors) and section 404 of the Sarbanes-Oxley Act 2002. Due to the limitations inherent in any system of internal control, this system is designed to meet the Group's particular needs and the risks to which it is exposed rather than eliminate risk altogether. Consequently it can only provide reasonable and not absolute assurance against material misstatement or loss.

In line with best practice, the Board has reviewed the internal control system in place during the year and up to the date of the approval of this report. The Board's review includes the Audit Committee's report on the risk matrix, significant risks and actions put in place to mitigate these risks. This review ensures that the internal control system remains effective. Where weaknesses are identified as a result of the review, new procedures are put in place to strengthen controls and these are in turn reviewed at regular intervals. Every risk has an owner who is responsible for ensuring that controls are put in place to mitigate the risk.

### Communications with shareholders

The Company values communication with its shareholders and actively engages with them on a wide range of issues to ascertain their views. The Company maintains an ongoing dialogue and schedule of meetings with institutional investors, analysts, brokers and fund managers which is attended by the Chief Executive Officer and managed by the Investor Relations team. During the year, in order to further promote engagement with the Company's investor community, a Capital Markets Day was held in London and attended by several members of the Executive Committee and senior management to provide a corporate and financial overview of the Group and updates on the key businesses by the respective business leaders.

A Sustainable Development Investor Day has been planned for 2016 to enhance engagement with the Company's stakeholders on sustainability and corporate social responsibility matters.

The main channels of communication with the investment community are through the Executive Chairman, Chief Executive Officer, Chief Financial Officer and Director of Investor Relations. Upon request the Senior Independent Director and other Non-Executive Directors are available to meet with major investors to discuss any specific issues. The Board is also kept abreast of shareholder sentiment and views on various issues through periodic detailed investor relations reports to the Board.

Routine engagement activities include:
- Press releases to the market and media on key developments throughout the year;
- Regular meetings between the Chief Executive Officer, Chief Financial Officer and institutional investors, analysts and brokers;
- Site visits by institutional investor representatives, analysts and brokers to the Group's major operations;
- Ongoing dialogue with shareholders and other interested parties by email, letters and meetings arranged through the Investor Relations and Group Communications teams; and
- A wide range of information on the Company and its operations which is made available on the Company's website, including the Annual Report and Accounts, half yearly results, sustainability report, market announcements, press releases, share price and links to subsidiary company websites.

The Board also welcomes the opportunity to communicate with the Company's shareholders at the Annual General Meeting, leading to full and frank discussions on a variety of topics of interest to shareholders. All of the Directors attend the AGM in order to answer questions from shareholders. The 2016 AGM will be held at 3.00pm on 5 August 2016 at The Ironmongers' Hall, Shaftesbury Place, London EC2Y 8AA. Further details are given in the Notice of Meeting accompanying this Annual Report, including the business to be considered at the meeting. The notice is sent out at least 20 business days before the AGM. Voting at the AGM on all resolutions is by poll on a one share, one vote basis and the results of votes cast for, against and abstentions are available on the Group's website following the meeting. The Board believes that voting by poll allows the views of al shareholders to be taken into account regardless of whether or not they can attend the meeting and shareholders are actively encouraged to register their votes electronically in advance of the meeting.

# Audit Committee Report

> “The Audit Committee's remit falls into four main areas: financial reporting, risk and the internal control environment, and oversight of the external and internal audit processes.

Aman Mehta, Chairman, Audit Committee

Strong corporate governance and risk management is a key part of Vedanta's business model and the Board and the Audit Committee (the Committee) continue to be focused on maintaining high standards of governance and risk management across the Group. The Audit Committee oversees the financial reporting process in order to ensure that the information provided to its shareholders is fair, balanced and understandable and allows assessment of the Company's position, performance, business model and strategy.

I am pleased to confirm on behalf of the Committee that the 2016 Annual Report and Financial Statements are considered fair, balanced and understandable in terms of the form and content of the strategic, governance and financial information presented therein.

Following a competitive tender process, a resolution to appoint the auditor, Ernst & Young LLP, as auditor of Vedanta Resources plc for the year ending 31 March 2017 will be proposed at the forthcoming Annual General Meeting. This follows the mandatory tendering requirements in the UK in accordance with provisions of the Competition and Markets Authority (CMA). Deloitte LLP had been the Group's auditors since its listing on the London Stock Exchange in 2003 and will resign as the Company's external auditor following the completion of the external audit of the financial statements for the year ending 31 March 2016. The Board of Vedanta would like to thank Deloitte LLP for high quality audit services provided to the Group.

## Membership and attendance

The Audit Committee comprises the following independent Non-Executive Directors, who met on four occasions during the year. Meetings are scheduled to allow sufficient time for discussions of key topics and to enable early identification and resolution of risks and issues.

| | Number of meetings attended | Percentage attendance |
|---|---|---|
| Aman Mehta, Chairman | 4/4 | 100% |
| Euan Macdonald | 4/4 | 100% |
| Deepak Parekh | 4/4 | 100% |

Mr Mehta has been Audit Committee Chairman since 24 November 2004. As shown in his biography on page 88, Mr Mehta has had extensive executive and non-executive experience with a strong financial background in large listed companies. The Board is therefore satisfied that Mr Mehta has recent and relevant financial experience as is required by the UK Corporate Governance Code. In his role as Chairman he is supported by Committee members who bring a wide range and depth of financial and commercial experience across various industries. The collective knowledge, skills, experience and objectivity of the Committee enables us to work effectively and to probe and challenge management.

## Governance

The Audit Committee assists the Board in the discharge of its responsibility for maintaining and monitoring the integrity of the Group's financial statements, assessing the effectiveness of the Group's system of risk management and internal controls and the independence and objectivity of the external auditor. Whilst the Committee has very specific responsibilities as set out in its terms of reference, it serves a much greater purpose in reassuring its shareholders that their interests are properly protected in respect of the financial management and reporting, on which the Committee regularly reports to the Board. The Committee has delegated responsibility to oversee the Company's procedures and systems in relation to risk management and internal control that is adopted by the Company.

In order to carry out its duties effectively, the Audit Committee receives high quality and detailed information from management and the internal and external auditor which is reviewed regularly, discussed and challenged by the Audit Committee as required.

In respect of the year ended 31 March 2016, the Committee reviewed the Group's financial results, including significant financial reporting estimates and judgements, as well as the financial disclosures in the interim management statements, monitored the Group's system of internal control and management of the Group's risks and oversaw the relationship with the external auditor and with the internal audit function. This year, the Committee put its external audit out to tender as part of the changes to the Code and the new FRC requirements and considered the process through which the Company would make its first long-term viability statement in the Annual Report and Accounts.

## Responsibilities of the Audit Committee

The Board has established formal and transparent arrangements for considering how they should apply the corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the Company's external auditors.

The Audit Committee's remit falls into four main areas: financial reporting, risk and the internal control environment, and oversight of the external and internal audit processes. The main responsibilities of the Audit Committee are to:

- Monitor the integrity of the financial statements, including the Group's annual and half-year results;
- Where requested by the Board, review the content of the Annual Report and Accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- Establish and review the process by which the Company makes its viability statement;
- Review the Group's internal controls and risk management systems and consider the effectiveness of these systems;
- Make recommendations to the Board concerning the appointment of the external auditor;

- Review the independence of the external auditor;
- Review the scope of internal audit work;
- Develop the Group's policy in relation to the provision of non-audit services by the external auditor and monitoring thereof;
- Discuss with the external auditor the nature and scope of the audit;
- Approve the remuneration of the external auditor;
- Consider any matters arising in respect of the Relationship Agreement and related party transactions;
- Monitor the activities and effectiveness of the internal audit function and consider its reports;
- Review the Group's arrangements for its employees to raise concerns through its whistleblowing policy;
- Monitor anti-bribery policies and procedures;
- Review reports from the audit committees of the Group's main subsidiary companies confirming that there are no material adverse issues that are likely to impact the Group;
- Review annually the Committee's own performance, constitution and terms of reference;
- Report to the Board on how the Committee has discharged its responsibilities;
- Receive reports from management and the external auditor on accounting, financial reporting, regulatory and taxation issues;
- Consider impairment reviews performed by management;
- Review the basis for preparing the Group accounts on a going concern basis;
- Review, and challenge where necessary, the actions and judgements of management, in relation to the interim and annual financial statements before submission to the Board;
- Review the Company's plans for business continuity; and
- Review the Company's plans for the prevention and detection of fraud, bribery and corruption.

The full terms of reference for the Audit Committee can be found on the Company's website at www.vedantaresources.com and are also available on request from the Company Secretary.

### Operation of the Audit Committee

The Audit Committee meets at least four times a year based on appropriate times in the financial reporting calendar. The Executive Directors, Chief Financial Officer, Director of MAS, other members of the senior management team and the external auditor regularly attend meetings at the invitation of the Audit Committee to report on issues and facilitate discussions with the external auditor. The Audit Committee meets with representatives from the external auditor without management being present bi-annually. The Chairman of the Audit Committee regularly reports to the Board on the Audit Committee's activities. The Committee's agenda is based on its remit outlined above as appropriate to the stage in the reporting cycle. The external auditor attends meetings of the Audit Committee to ensure effective communication of matters relating to the audit.

### Audit Committee activities during the year

The main areas covered by the Audit Committee during the year are summarised below:

| Area of responsibility | Activities |
|---|---|
| **Financial reporting**<br>It is one of the Audit Committee's key duties to monitor the integrity of the Company's financial statements. As part of this process it reviews in detail the preliminary results statements, the Annual Report and Accounts and half-year report. The appropriateness of accounting polices used is considered, accounting judgements are reviewed and the external audit findings discussed. Details of financial reporting procedures in place are given on page 101 of the Corporate Governance Report. | • Review and approval of preliminary announcement, Annual Report and financial statements;<br>• Review of key significant issues for year-end audit (further detail on pages 108 and 109);<br>• Six-monthly reviews of significant accounting issues and receipt of reports on key accounting issues;<br>• Review and approval of the half-year report;<br>• Discussions on impairment reviews;<br>• Review of pending tax issues;<br>• Review of Audit Committee Report for the Annual Report and Accounts;<br>• Review of legal cases to ensure appropriate provisions are made and disclosed;<br>• Review of the going concern and the viability statement basis for the preparation of the financial statements including working capital forecasts, monthly projections and funding requirements. |
| **Internal controls, risk management and governance**<br>Details of the Company's internal control and risk management processes are discussed on pages 101 to 103. The Audit Committee reviews these processes and output from the regular review of risks carried out during the year by the internal audit function. | • Internal audit review including reviews of the internal control framework, changes to the control gradings within the Group and whistleblowing cases;<br>• Review of the Group's risk management infrastructure, risk profile, significant risks, risk matrix and resulting action plans;<br>• Review of reports from subsidiary company audit committees;<br>• Review of feedback from the performance evaluation of the Audit Committee;<br>• Review of new regulatory requirements in respect of putting the Company's external audit contract out to tender;<br>• Review of the new Code requirements in respect of the new viability statement;<br>• Reviewing the Group's cyber security controls;<br>• Receiving updates on the implementation of the Vedanta Code of Business Conduct and Ethics and UK Bribery Act training across the Group. |

# Audit Committee Report continued

| Area of responsibility | Activities |
| --- | --- |
| **The audit and external auditor** | • Review of the significant audit risks with the external auditor during interim review and year-end audit;<br>• Consideration of external audit findings and review of significant issues raised;<br>• Review of key audit issues and management's report;<br>• Review of the materiality figure for the external audit;<br>• Review of the independence of the external auditor and the provision for non-audit services;<br>• Performance evaluation of the external auditor and recommendation for appointment of the external auditor;<br>• Consideration of the external audit fee;<br>• Review of the management representation letter;<br>• Review of the audit plan, scope of the 2016 external audit of the financial statements and key risk areas for the 2016 audit;<br>• Review of the new Code requirements in relation to the proposed audit tender and mandatory audit firm rotation rules by the Competition Commission and the EU respectively;<br>• External audit re-tender process. |
| **Internal audit** | • Review of internal audit observations and monitoring of implementation of any corrective actions identified;<br>• Review of the performance of the internal audit function;<br>• Review of 2015–2016 internal audit plan;<br>• Review of the Group's anti-bribery policy and its implementation. |
| **Fraud and whistleblowing** | • Receiving reports on fraud and monitoring the effectiveness of the whistleblowing policy to ensure that it remains robust and fit for purpose;<br>• Review of whistleblower cases. |

## Annual Report review

At the request of the Board, the Audit Committee considered whether the 2016 Annual Report and Accounts was fair, balanced and understandable and whether it provided the necessary information for shareholders and stakeholders to assess the Company's performance, business model and strategy. Such assessments are provided in the Chairman's and Chief Executive Officer's statements and the strategic report of this Annual Report. The Audit Committee and the Board are satisfied that the Annual Report and Accounts meet this requirement as both positive and negative developments in the year were considered at length. In justifying this statement the Audit Committee has considered the robust process which operates in creating the Annual Report and Accounts, including:

- Evaluation and verification of the inputs from the business functions, to include the well-established financial reporting system within Vedanta to ensure accuracy and consistency;
- Progress through various levels of review, including review by the Executive Committee and senior management across the Group;
- Consideration is given to the completeness of the information and to ensuring that there are no significant omissions to enable shareholders to assess the Company's performance;
- Management Assurance Services conduct internal audit reviews with conclusions and recommendations presented to the Audit Committee;
- Revisions to regulatory requirements are considered and incorporated;
- Advice is also received by the Audit Committee from external advisers in order to make the recommendation to the Board that the Annual Report and Accounts as a whole is fair, balanced and understandable;
- Members of the Audit Committee receive an advance draft of the Annual Report, enabling them to assess and challenge whether the various reports within the Annual Report are consistent and in line with their understanding of the business;
- A meeting of the Audit Committee is held to formally review and sign-off the draft Annual Report; and
- A meeting of the Board is held to review and provide final sign-off.

## Whistleblowing procedure

All Vedanta employees, regardless of position, are expected to observe high ethical standards. Each employee is expected to follow the Vedanta Code of Business Conduct and Ethics, and employees in key positions are required to complete the Annual Code of Conduct Certification form. The annual certification process reinforces our commitment to ethical practices and Code of Business Conduct and Ethics, promoting an ethical culture.

The Group's Whistleblower Policy forms part of the Code of Business Conduct and Ethics and supports the Group's aim of working to the highest ethical standards. The policy allows employees of the Company, its subsidiaries and all external stakeholders to raise issues of concern in confidence.

As per the Whistleblower Policy adopted by various businesses in the Group, all complaints are reported to the Director – MAS who is independent of operating management and the businesses. Dedicated email addresses and a centralised database have been created to facilitate the receipt of complaints and for ease of reporting. The Company has a 24x7 ethics helpline where employees can place anonymous complaints against ethics violations as per the policy of the Company. All employees and stakeholders can register their integrity-related concerns either by calling on a freephone number or by writing on the web-based portal. The hotline also provides multiple local language options.

Following an investigation, established cases are brought to the Group Ethics Committee for decision making. This Committee brings uniformity and consistency in the decision-making process following investigation of the reported incidents. All cases are taken to their logical closure. A summary of cases along with the outcome of the investigations and actions taken is presented periodically to the audit committees of respective businesses as well as at Group level.

The Group Ethics Committee is comprised of Mr Akhilesh Joshi, Mr Dilip Golani, Mr Abhijit Pati, Mr Mukesh Bhavnani, Ms A Sumathi and Suresh Bose.

### Fraud and UK Bribery Act

The Company is committed to the elimination of fraud, with each suspected case thoroughly investigated and concluded. The Audit Committee reviews the actions taken by management in the elimination of fraudulent practices and to promote ethical working practices.

During the year, the Audit Committee was made aware that the Government authorities in India, following certain investigations, have filed a charge sheet in a court in New Delhi in which an employee of CIL was charge sheeted as an accused along with employees of some other companies not connected with the Group. Hearings in that matter are taking place. Cairn India has in place a comprehensive compliance programme and controls and follows the highest levels of integrity in the conduct of its businesses.

Nevertheless, Cairn India has undertaken a further review of its controls in light of the allegations made on the matter. Amongst other measures, Cairn India has ensured that its internal controls such as the Code of Business Ethics, Anti Bribery Corruption Management Policy and Security protocols across the organisation are regularly reviewed and reinforced through mandatory e-learning modules for all employees and workshops are arranged for senior management and other employees. Employee communications on these controls are released periodically across the organisation, to create further awareness.

### External auditor

The Audit Committee is pivotal in monitoring the performance of the external auditor and the Group's relationship with the external auditor. Details of how this is achieved are set out below:

### The audit process

A detailed audit plan (the Audit Plan) is prepared by the external auditor, Deloitte LLP (Deloitte), which is reviewed by the Audit Committee. The Audit Plan sets out the audit scope, key audit risks identified, materiality issues, the client team working on the audit and the audit timetable. The audit scope covers the significant components of the audit and audit plans for each component and geographical location. Each of the key audit risks and the external auditor's response on how it will investigate these risks is considered by the Audit Committee.

### Significant issues

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income, expenses and disclosures of contingent liabilities at the date of these financial statements and the reported amount of revenues and expenses for the years presented. The Committee reviews whether the Group's accounting policies are appropriate, and management's estimate and judgements applied in the financial statements are reasonable. The Committee also focused on the disclosures made in the financial statements. The views of statutory auditors on these significant issues were also considered by the Committee.

# Audit Committee Report continued

The significant issues that were considered by the Audit Committee emerging from the audit process are outlined below:

| Significant issues | How these issues were addressed |
|---|---|
| Impairment assessment of:<br>• Rajasthan producing assets within the Oil & Gas business<br>• Copper operations in Zambia<br>• Alumina refinery assets at Lanjigarh<br>• Iron Ore business at Goa and Karnataka<br><br>More information is provided in Note 2(b) and Note 5 to the financial statements | Impairment assessment of Rajasthan producing assets within the Oil & Gas business is considered a significant issue considering the significant decline in the crude oil prices, prevailing discount of Rajasthan crude and adverse long-term impact of revise cess charge. The Committee has reviewed the significant assumptions including the oil price and the discount rate. An impairment charge of US$1,143.5 million has been recognised against these assets.<br><br>Impairment assessment of copper operations in Zambia is considered a significant issue considering the challenging price environment, rising electricity costs and other operational challenges. The significant assumptions of commodity prices, increase in production and discount rate were reviewed by the Committee.<br><br>The partly complete Lanjigarh refinery expansion programme within the Aluminium business unit has got regulatory approvals this year to expand unconditionally up to 4mtpa. Impairment assessment of Alumina refinery assets at Lanjigarh is considered a significant issue due to delays in obtaining local bauxite mining approvals/gaining access to local bauxite. The significant assumption of timing of approval/gaining access to local bauxite was put through a stress test by the Committee and other assumptions of discount rates and commodity prices were reviewed by the Committee.<br><br>The mining operations at Karnataka and Goa were resumed towards the end of February 2015 and October 2015 respectively. The significant assumptions of commodity prices and the cap on mining were reviewed by the Committee.<br><br>The Committee was also informed that the impairment assessment approach and assumptions are consistent across all business segments. With the existence of sufficient headroom over carrying value of assets it was concluded that no impairment is required for Lanjigarh assets and Goa and Karnataka Iron Ore assets. |
| Impairment assessment of evaluation and exploration (E&E) assets:<br>• Oil & Gas business<br>• Iron Ore business in Liberia<br><br>More information is provided in Note 2(b) and Note 5 to the financial statements | Considering the significant downward pressure on oil prices, prevailing discount of Rajasthan crude and adverse long-term impact of revise cess charge, the impairment of E&E assets is considered a significant issue. The significant assumptions including for oil prices and the discount rate were reviewed by the Committee.<br><br>An impairment charge of US$3,790.7 million has been recognised against Oil & Gas and E&E assets primarily relating to the Rajasthan block.<br><br>Considering the suspension of exploration in Liberia, low iron ore prices, geo-political factors and no plans for any substantive expenditure resulting in continued uncertainty in the project, an impairment charge of US$227.6 million has been recognised. |
| Revenue recognition across the business:<br>• Provisional pricing for sale of goods<br>• Oil & Gas revenue<br>• Power tariff with GRIDCO | The Committee reviewed the process and compliance around the Group's revenue recognition policy and its consistent application. The Committee also sought management's view on revenue recognition principles. The Committee was satisfied that the cut-off procedures, transfer of risks and process followed for the pricing of goods were consistent and it concluded that these risks have been mitigated. Further receivable from GRIDCO (which is under appeal following a tariff determination assessment by the Orissa Electricity Regulatory Commission) was assessed by the Committee together with revenue recognition in terms of the requirements of IAS 18. The tariff determination basis was also supported by an opinion from external legal counsel. |

| Significant issues | How these issues were addressed |
|---|---|
| Litigation, environmental and regulatory risks.<br><br>Refer to Note 38 to the financial statements | A comprehensive legal paper was placed before the Committee for its consideration. The mitigating factors were discussed by the Committee with senior management. The Committee also reviewed the probable, possible and remote analysis carried out by management and disclosure of contingent liabilities in the financial statements. In all significant disputes management's assessment was supported by legal opinions from external legal counsel. |
| Taxation.<br><br>Additional information on these matters is disclosed in Note 38 to the financial statements | A comprehensive tax paper outlining taxation disputes in respect of withholding taxes following past acquisitions, eligibility of tax incentives and output taxes and other matters was placed before the Committee for its consideration. The Committee discussed these tax issues and reviewed the assessment of probable, possible and remote analysis and the process followed by management. The contingent liability disclosure was also reviewed by the Committee. In certain cases, views of tax experts supporting management's assessment was also provided to the Committee. |

## External audit

As detailed in last year's Annual Report, in line with the requirements of the Code, the external audit services for the financial year ending 31 March 2017 were put up for tender in 2015. The timing of the competitive tender process was aligned with the rotation of the external audit contracts of the Group's Indian subsidiaries in order to enhance the effectiveness of the process and smoothen the transition.

## Tender process

- The tender process involved members of the Audit Committee, Executive Directors, the Chief Financial Officer and Corporate Secretarial team.
- A request for a proposal document was developed in consultation with the Chairman of the Audit Committee and the Chief Financial Officer.
- Access was given to the Data room, wherein access to the various documents was provided.
- A presentation on various businesses, internal audit, risk management framework, IT systems and controls was made by the senior management teams and a site visit to one of the Zinc locations was organised, to enable the firms to gain an understanding and gather all the information required to submit a proposal.
- Following a review and evaluation of submissions by the tender team, the firms were invited to present to the Audit Committee, the Chief Financial Officer and other senior management team members.

## Criteria

The Audit Committee's criteria for evaluation was developed based on team experience, credentials, audit quality, industry experience, technical expertise and audit approach.

Following the conclusion of the formal tender process, the Board announced its intention to recommend to shareholders, for approval at the 2016 AGM, the appointment of Ernst & Young LLP as the Group's auditor.

Vedanta confirms compliance during the year with the provisions of the Competition and Markets Authority Order on mandatory tendering and audit committee responsibilities.

## Auditor independence

The Audit Committee is responsible for reviewing the external auditor's independence and assessing their continued effectiveness. The Audit Committee and the Board place great emphasis on the objectivity of the external auditor. The current external auditor, Deloitte LLP, has been the Company's auditor since its listing in 2003.

There are two aspects to the external auditor independence that the Audit Committee monitors.

First, in accordance with the Auditing Practices Board Ethical Standards, Deloitte has to implement rules and requirements such that none of its employees working on our audit can hold any shares in Vedanta Resources plc. Deloitte is also required to tell us about any significant facts and matters that may reasonably be thought to bear on its independence or on the objectivity of the lead partner and the audit team. The lead partner must change every five years.

Secondly, the Committee considers and approves all the fees that it pays for audit, audit-related and non-audit services from Deloitte. Deloitte is prohibited from providing certain services to the Group, such as operational consulting, internal audit services and strategic planning support, as it is felt that these types of services could impede their independence. Furthermore, auditor independence is also safeguarded by limiting the value of non-audit services performed by the external auditor.

A key part of ensuring the independence of the external auditor is to have in place robust policies concerning matters that may affect their independence. The Company has in place policies on:

- The independence and objectivity of the external auditor;
- Employment of former employees of the external auditor; and
- Appointment of the external auditor for non-audit services.

# Audit Committee Report continued

## Performance of the external auditor

During the year, the Audit Committee reviewed the effectiveness of Deloitte LLP using a survey comprising a range of questions covering objectivity, quality and efficiency. The Audit Committee concluded that the results of the survey were positive and considered that they continue to provide a high quality audit.

## Appointment of the external auditor

Following a competitive tender process, a resolution to appoint the auditor, Ernst & Young LLP, as auditor of Vedanta Resources plc for the year ending 31 March 2017 will be proposed at the forthcoming Annual General Meeting. This follows the mandatory tendering requirements in the UK in accordance with provisions of the Competition and Markets Authority (CMA). Deloitte LLP had been the Group's auditors since its listing on the London Stock Exchange in 2003 and will resign as the Company's external auditor following the completion of the external audit of the financial statements for the year ending 31 March 2016. The Board of Vedanta would like to thank Deloitte LLP for high quality audit services provided to the Group.

## Provision of non-audit services by the external auditor

The Group's policy on the provision of non-audit services by the external auditor specifies certain services which the external auditor is prohibited from undertaking in order to safeguard their objectivity and independence. This includes work relating to the financial statements that will ultimately be subject to audit and the provision of internal audit services. The policy also identifies those services which the external auditor is permitted to deliver to the Group. These include tax advisory services, and work on mergers, acquisitions and disposals. Of the permitted services any assignment in excess of US$100,000 may only be awarded to the external auditor with the prior approval of the Audit Committee.

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

## The year ahead

In addition, the Audit Committee's objectives for the forthcoming year include:

- Implement findings from Board evaluation process; and
- Focus on oversight of anti-bribery policies and procedures.

**Aman Mehta**
Chairman, Audit Committee
11 May 2016

# Nominations Committee Report

> The Nominations Committee is responsible for reviewing the composition of the Board to ensure the right mix of skills, experience, diversity and independence is present.

Anil Agarwal, Chairman, Nominations Committee

The Committee is primarily responsible for leading the process for Board appointments and for keeping under review the balance of skills, experience, independence, knowledge and diversity, including gender, on the Board to ensure the orderly evolution of the membership of the Board and its committees. In identifying and nominating candidates for approval by the Board, the Committee continues to take account of the Board's aims in relation to diversity, while ensuring that the right people with the right range of skills and experience are on the Board and in senior management positions in the coming years.

This Nominations Committee report provides details of the role and responsibilities of the Nominations Committee and the work it has undertaken during the year.

### Membership and attendance

The Nominations Committee comprises the following Directors and they met on two occasions during the year.

| | Number of meetings attended | Percentage attendance |
|---|---|---|
| Anil Agarwal, Chairman | 2/2 | 100% |
| Euan Macdonald | 2/2 | 100% |
| Aman Mehta | 2/2 | 100% |
| Deepak Parekh | 2/2 | 100% |
| Katya Zotova | 2/2 | 100% |

The Board considers that the composition and effective operation of the Board is a critical component for the delivery of long-term shareholder value. The Nominations Committee is responsible for reviewing the composition of the Board to ensure the right mix of skills, experience, diversity and independence is present. It also plays a key role in ensuring the development of talent within the Group.

### Responsibilities of the Nominations Committee

The responsibilities of the Nominations Committee are set out in its terms of reference which can be found on the Company's website at www.vedantaresources.com and are also available on request from the Company Secretary. The main responsibilities of the Nominations Committee are to:

- Review the structure, size and composition of the Board, including the skills, experience and diversity of its members and recommend changes to the composition that are deemed necessary;
- Review the policy in respect of diversity on the Board and consider Board composition in light of the benefits of diversity, including gender;
- Consider candidates for appointment as either Executive or Non-Executive Directors and plan for succession, in particular to the positions of Chairman and Chief Executive Officer;
- Prepare a description of the role and capabilities required for appointments to the Board;
- Identify suitable candidates for appointment to the Board and its committees and consider the use of external advisers to facilitate the search for candidates from a wide range of backgrounds;
- Recommend to the Board whether to reappoint a Non-Executive Director either at the end of their term of office or when put forward for re-election, having regard to their performance and ability to continue to contribute to the Board. The Nominations Committee will confer with Volcan in this respect under the terms of the Relationship Agreement;
- Ensure any appointees have sufficient time to undertake their role;
- Report formally to the Board on how the Committee has discharged its responsibilities; and
- Monitor the Group's compliance with corporate governance guidelines.

### Operation of the Nominations Committee

The Committee is chaired by the Chairman of the Company and the members of the Committee are all independent Non-Executive Directors as is a requirement of the Code. If a matter was to be discussed at the Committee that concerned the Chairman then he would leave the meeting and one of the other Directors would chair the meeting. Other Executive Directors and members of the senior management team may attend meetings at the invitation of the Committee as appropriate. The Chairman of the Nominations Committee provides an update to the Board in respect of the Committee's activities.

### Nominations Committee performance evaluation

As part of the Board's annual performance review, an assessment of the Committee's performance was commenced on 11 May 2016, in respect of the year ended 31 March 2016. The results of the performance assessment were presented and discussed at the 11 May 2016 Board meeting.

# Nominations Committee Report continued

## Nominations Committee activities during the year

The focus this year has continued to be on issues of diversity, succession planning and Board composition due to the Nominations Committee's awareness of the tenure of its Non-Executive Directors. Both the Nominations Committee and the Board have discussed at length the need for refreshing of the Board.

The main areas of activity of the Nominations Committee during the year are summarised below:

| Area of responsibility | Item |
|---|---|
| **Board composition and succession planning** | • Review of skills, experience and diversity and approving key search criteria for recruitment of new Non-Executive Directors;<br>• Continued engagement of search consultancy to aid in recruitment process;<br>• Review of candidates and recommendation of the appointment of a new Non-Executive Director;<br>• Keeping under review potential candidates to address gender balance on the Board;<br>• Review of succession planning for executive management. |
| **Governance** | • Considering the results of the Nominations Committee's annual evaluation;<br>• Approval of disclosures in the Nominations Committee report in the Company's Annual Report. |
| **Non-Executive Director independence** | • Review of the independence of each of the Non-Executive Directors prior to recommending their reappointment by shareholders at the Annual General Meeting. |

## Recruitment process

When considering new appointments to the Board, the Nominations Committee reviews the balance of skills, experience and diversity on the Board to identify those criteria which are determined to be key to strengthening the effectiveness of the Board. These criteria form the basis of the search for new appointments to the Board. During the year, the Nominations Committee had appointed independent board recruitment agency, RG Executive Search, to conduct a global search for new Non-Executive Directors to succeed Messrs Mehta and Macdonald, who have served on the Board for over nine years. RG Executive Search was provided with a brief to identify candidates that had relevant experience of the extractive industries. The brief also requested the inclusion of more female candidates on candidate shortlists to address the lack of gender diversity on the Board and meet the aspirational target of achieving 33% of women on the Board by 2016. While the Nominations Committee is committed to addressing the gender imbalance, the Board is of the view that any appointments to the Board should be based on merit rather than to fulfil targets. The appointment of Ms Zotova has gone some way to addressing the gender imbalance on the Board, however the Board recognises the fact that more needs to be done. RG Executive Search has no other connection with the Group other than to provide recruitment consultancy services to the Nominations Committee.

The search for additional Board candidates is ongoing and it is expected that further appointments will be made in due course.

## Succession planning

As part of the Board's succession planning arrangements, the Nominations Committee had initiated a review of the composition of the Board during the year, assisted by an independent board recruitment agency. The recruitment agency had identified a shortlist of candidates based on a job profile that the Nominations Committee had compiled. Upon the recommendation of the Nominations Committee, on 11 May 2016 the Board decided to appoint Mr Ravi Rajagopal as a Non-Executive Director effective from 1 July 2016 and as a member of the Audit Committee effective from the same date. Euan Macdonald, having served on the Board for over nine years, has decided to step down from the Board following the conclusion of the Company's 2016 Annual General Meeting. The Board, on the recommendation of the Nominations Committee, has invited Mr Aman Mehta to serve for a further year subject to shareholder approval at the Company's 2016 Annual General meeting. Tom Albanese, Chief Executive Officer, has continued the leadership review to assess the current leadership of the businesses and identify potential successors as part of a drive to have the right leadership in place for the delivery of the Group's strategic objectives.

During the year the Nominations Committee also looked at the composition of the Sustainability Committee. The Board, on the recommendation of the Nominations Committee, decided to appoint Katya Zotova as a member of the Sustainability Committee effective from 1 December 2015.

### Talent development and senior management succession planning

Our people are our biggest asset for the delivery of business results and long-term shareholder value. As I stated last year, the continued investment in our people is critical to our future success, and with this in mind the 'Leadership Connect Programme' was launched where we made remarkable progress with focus on leadership development of individuals through assessments and coaching. In line with our philosophy, the Group initiated 'Internal Growth Workshops' which focused on promoting internal talent into leadership roles. The Internal Growth Workshops have so far identified 100 new leaders who have taken up significantly higher roles and responsibilities; this includes 13 women professionals across the businesses. In addition, the Executive team has been significantly strengthened and strong foundations have been laid to deliver superior performance for the Group.

### Diversity

The Board supports the importance of having diversity of thought and representation on its Board and it is one of the Nominations Committee's tasks to ensure that this is achieved. Board diversity has been considered from a number of aspects, including, but not limited to, age, gender, race and ethnic origin, cultural and educational background. The Board has a wide range of knowledge and expertise including mining, oil & gas, corporate finance, banking, diplomacy and governance and the law. In terms of gender, the Company's diversity policy has an aspirational target of achieving a minimum of 33% women on the Board by 2020 taking into account Lord Davies' revised recommendations in 2015. While we have made some progress towards this target following Ms Zotova's appointment, we acknowledge that more needs to be done and this remains a top priority for the Nominations Committee. The Nominations Committee is also addressing the lack of gender diversity across its employee population and feels that it is essential to overcome the reasons for lack of female representation to date. These have included the fact that Vedanta operates within a traditionally male-dominated industry. Furthermore, due to cultural constraints and the remote geographical location of some of our operations, we face a number of challenges in addressing the gender balance within the Group. Women currently comprise 9% of the overall employee population within the Group, whereas the percentage of female representation across the Group's professional population is 11%. In order to achieve our target for women on the Board, we ensure that female candidates are considered routinely as part of the recruitment process.

We also actively encourage and monitor the progress of women in senior positions throughout the Group. Initiatives this year included reviewing the barriers to women with children in returning to work. By supporting equal opportunities we will ensure that the pool of women from which management can be drawn will increase.

### The year ahead

The Nominations Committee's objectives for the coming year are:

- Review progress made on nurturing talent and improving the gender balance within the Group;
- Continued focus on succession planning for the Board in order to ensure a balance of skills, experience and diversity;
- A commitment to increasing the participation of women across all levels of the business, not least the Board of Directors; and
- Appointment of additional Non-Executive Directors to succeed Messers Mehta and Macdonald.

**Anil Agarwal**
**Chairman, Nominations Committee**
11 May 2016

# Sustainability Committee Report

" This report provides details of the role and responsibilities of the Sustainability Committee and the work it has undertaken during the year.

Euan Macdonald, Chairman, Sustainability Committee

The resources that are mined not only contribute to the growth of nations but are essential for developing host communities. Sustainability is a core element of Vedanta's strategy and supports its growth as a diversified natural resources company. Vedanta's Sustainable Development Model and the framework embedded in the operations is helping the Company ensure a long-term, sustainable future for our business operations, meeting their growth targets, and creating long-term value for all stakeholders.

I am saddened to report that we lost 12 of our colleagues this year. There is no excuse for this and management is very committed to eliminating fatalities. We have shown good improvement towards controlling both leading and lagging indicators, and I assure the Board that we are committed to do much more to achieve zero fatalities. Vedanta has implemented and put forward behavioural-based and technical programmes such as implementation of safety standards, job risk assessment and training workshops, personal commitment to not ignore any unsafe act or condition, among other initiatives, which I believe will show good results.

This year, the Company maintained its focus on reducing its environmental impact on air, water and land use. The significant improvements and adoption of best practices in resource management, biodiversity and site closure practices along with awards like CII – Sustainable Plus platinum label, National Energy Conservation Award and Global IOD Awards for Excellence in Corporate Governance and Sustainability are testament to the focus and improvement Vedanta has towards environment sustainability.

Vedanta believes in the free, prior and informed consent right of the community and the Sustainability Committee believes that transparent communication with civil society is essential to enlighten all stakeholders on Vedanta's business operations and community expectations. I am delighted to see that the Company, upon the Committee's suggestion, is engaging with wider groups both at corporate and business levels, and organised its maiden Sustainable Development Day in London, and NGO and partners meet in India and Africa implementing the local stakeholder engagement plans at businesses.

I continue to be inspired by the dedicated efforts of the Vedanta team; listening to their ideas is invaluable. Vedanta's success has been built not just by executives in boardrooms but by talented people across the Group who are eager to use innovation and technology to showcase their mettle.

Climate change is a rapidly growing concern globally, and recent record temperature trends will likely accelerate this concern. We feel this will require multiple solutions, including the innovative technology to improve energy efficiency and find more carbon neutral solutions. It is vitally important that every country provides the right incentives for the development and diffusion of climate-friendly processes and practices. Vedanta has met its energy savings target this year and is on a continuing journey to improve all aspects of sustainable development. I look forward to reviewing the Company's enhanced approach toward climate change.

I would also like to welcome Katya Zotova, who joined the Vedanta Sustainability Committee this year. She brings a wealth of oil & gas sector experience and her perspective will be invaluable as we go forward on this journey.

### Membership and attendance

The Sustainability Committee comprises the following Directors and met on four occasions during the year.

| | Number of meetings attended | Percentage attendance |
|---|---|---|
| Euan Macdonald, Chairman | 4/4 | 100% |
| Tom Albanese | 3/4 | 75% |
| Kishore Kumar | 4/4 | 100% |
| Katya Zotova | 1/1 | 100% |
| Roma Balwani (Member Secretary) | 4/4 | 100% |

### Responsibilities of the Sustainability Committee

The responsibilities of the Sustainability Committee are set out in its terms of reference which are available on the Company's website www.vedantaresources.com or from the Company Secretary. The President – Group Communication, Sustainable Development and CSR acted as secretary of the Committee and the Group's subsidiary companies' chief executives or their representatives were invited to attend the meetings.

The main responsibilities of the Sustainability Committee are:

- To advise on sustainability policies and framework, clearly setting out the commitments of the Group to manage matters of sustainable development effectively;
- To review and approve targets for sustainability performance and report to the Board with respect to their appropriateness and assess progress towards achieving those targets;
- To recommend initiatives required to institutionalise a sustainability culture through involvement of leadership, employees and communities at all levels;
- To review and report to the Board, the performance of the Group and the Group companies with respect to the implementation of the Vedanta Sustainability Framework through the Sustainability Assurance Programme so that sustainability and reputation related risks are assessed, controlled and managed effectively; and
- To approve the Sustainable Development Report prior to publication.

## Sustainability Committee activities during the year

The main areas of activity of the Sustainability Committee during the year are summarised below:

| Area of responsibility | Item |
|---|---|
| **Sustainability framework** | • Review the progress made on the development of the sustainability model and framework;<br>• Review the implementation of the action plan emerging from Vedanta's Sustainability Assurance Programme (VSAP);<br>• Review and approve sustainable development objectives and targets;<br>• Review and approve sustainable development initiatives, charters and partnerships. |
| **Health and safety** | • Review of Group safety incidents and performance;<br>• Overseeing the implementation of action plans with respect to fatal accidents;<br>• Review of Occupational Health & Safety interventions. |
| **Environment** | • Overseeing the Group's initiatives for reduction in specific water and energy consumption;<br>• Review of carbon benchmarking and RPO obligation;<br>• Review of fly ash management plan;<br>• Review of biodiversity initiatives and action plans. |
| **System development and performance reporting** | • Review of performance evaluation of the Sustainability Committee and review of terms of reference;<br>• Review and approval of Sustainable Development Report 2014–15. |
| **Community relation and engagement** | • Review of sustainable development goals and UK Modern Slavery Act;<br>• Overseeing the implementation of strategic CSR projects – Model Anaganwadi etc;<br>• Review the progress on the Group's Human Rights programme and initiatives;<br>• Review of important stakeholder engagements. |

Details on each of the above initiatives can be found in the Company's Sustainable Development Report 2015–16 and on the Company's website at http://sustainabledevelopment.vedantaresources.com.

**Euan Macdonald**
**Chairman, Sustainability Committee**
11 May 2016

# Remuneration Committee Report

**Dear Shareholder,**
On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2016. The report sets out details of the Remuneration Policy, which received shareholder approval in 2014 (and is restated here for ease of reference), together with our Annual Report on Remuneration which details the remuneration paid to the Directors last year and the intended application of the policy for the current financial year.

The mining and oil & gas industries have experienced a challenging year as commodity prices have remained depressed. While some individual commodity markets experienced limited recovery, overall trading conditions remained difficult. Against this background, Vedanta Resources' performance was commendable, with some significant operational and financial milestones achieved during the financial year 2015-16; however, the Group's overall financial performance was impacted by these external forces. While we navigated through these tough market conditions, our management priorities focused on the need for making the business more efficient and resilient.

- **Financial Performance:**
  In FY2016, we commenced Iron Ore operations and continued to expand capacity at Aluminium and Power while maintaining a disciplined approach to capital expenditure and focus on cost optimisation across our operations. These steps, together with a low requirement for new capital expenditure, helped to mitigate the effects of a depressed world market for commodities.

  Against this backdrop, our results show that this disciplined approach and careful balance sheet management has delivered robust results. Despite lower revenues and EBITDA, driven primarily by lower commodity prices, we maintained EBITDA margins and reduced our gearing. Strong generation of free cash flow enabled us to reduce overall debt levels.

- **Stakeholder management and regulatory development initiatives:**
  The Board's executive team led various initiatives aimed at improvements in the Group's governance model. We also continued to make progress on influencing the regulatory environment in which we operate.

- **Sustainability and safety scorecard:**
  Safety and sustainability remain a key priority for the Board and the Company as a whole. We continue to maintain our good track record in managing health and environment performance. There were no significant environmental incidents during FY2016 and no significant health-related observations in the same period. While the leading indicators such as lost time injuries frequency rate per million man hours worked have shown an improving trend, we are committed in our efforts to achieving our objective of zero-harm, which is an integral part of our strategic priorities.

  Talent development remains an important focus area and significant initiatives have been taken in this regard.

Business performance for the year was evaluated against the measures and targets set, and resulted in a bonus payout of 37.06% of maximum for the Executive Chairman, Executive Vice Chairman and Group CEO (details are provided in the relevant part of the Annual Report on Remuneration).

At the AGM, shareholders will be asked to vote on an amendment to our share plans. Historically our plans have contained two overall limits on dilution: one limiting overall dilution to 10% of share capital in ten years in respect of all plans; and a second limit operating within this, restricting dilution under executive plans to 5% in ten years. Given the wide use of share-based remuneration in the Group the distinction between executive plans and wider plans is not a helpful one and we are seeking to remove the inner limit and simply operate within the 10% limit.

We hope that we will receive your support for this resolution and for the Annual Report on Remuneration at the forthcoming AGM.

Yours sincerely,

**Euan Macdonald**
**Chairman of the Remuneration Committee**

# Directors' Remuneration Policy Report

The Company's Remuneration Policy was put to a vote at the 2014 AGM and was approved by 99.93% of shareholders. There is no requirement to vote on the policy in 2016 unless any changes to the policy are proposed, and the Committee does not intend to make any such changes at this time. The policy is set out for information only; the chart showing remuneration scenarios on page 120 has been updated to reflect the intended implementation of the policy for 2016.

### Policy overview

The key objective of the Group's broad remuneration policy is to ensure that competitive and fair awards are linked to key deliverables and are also aligned with market practice and shareholders' expectations.

The Committee ensures that remuneration policies and practices are designed to attract, retain and motivate the Executive Directors and the senior management group, while focusing on the delivery of the Group's strategic and business objectives. The Committee is also focused on aligning the interests of the Executive Directors and the senior management group with those of shareholders, to build a sustainable performance culture.

When setting remuneration for the Executive Directors, the Committee takes into account the business performance, developments in the natural resources sector and, considering that the majority of the Group's operations are based in India, similar information for high-performing Indian companies.

The Committee has set remuneration taking into consideration both UK and Indian market practice to ensure it is globally competitive as the Executive Directors are based in India (with the exception of Mr Anil Agarwal, who is UK-based), along with the majority of the Group's professional management team. The Committee also considers the inflation rates prevalent in UK and India in the setting of remuneration.

The Committee recognises that financial performance of the Company is heavily influenced by macro-economic considerations such as commodity prices and exchange rate movements. These factors are therefore taken into consideration when setting executive remuneration.

### How the views of shareholders are taken into account

The Committee considers the AGM to be an opportunity to meet and communicate with investors and considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. This feedback, plus any additional feedback received during any meetings from time to time, is then considered as part of the Company's annual review of remuneration policy.

In addition, the Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be proposed to the remuneration policy. Details of votes cast for and against the resolution to approve last year's remuneration report and any matters discussed with shareholders during the year are set out in the Annual Report on Remuneration.

### How the views of employees are taken into account

In setting the policy for Executive Directors' remuneration, the Committee considers the pay and employment conditions across the Group, including annual base compensation increases across the general employee population and the overall spend on annual bonuses. Employees may be eligible to participate in the annual bonus arrangement and receive awards under the ESOP or LTIP. Opportunities and performance metrics may vary by employee level with specific business metrics incorporated where possible.

The Committee does not formally consult with employees in respect of the design of the Executive Directors' remuneration policy, although the Committee will keep this under review.

# Directors' Remuneration Policy Report continued

## Summary of the remuneration policy for Directors

The following table sets out the key aspects of the remuneration policy for Directors:

| Element of pay | Purpose and link to strategy | Operation | Maximum opportunity | Performance measures |
|---|---|---|---|---|
| **Base compensation**[1] | Reflects individual's experience and role within the Group.<br><br>Reward for performance of everyday activities. | The Committee reviews base compensation annually, taking account of the scale of responsibilities, the individual's experience and performance.<br><br>Changes are implemented with effect from 1 April each year.<br><br>Base compensation is paid in cash on a monthly basis.<br><br>Base compensation is typically set with reference to a peer group of UK-listed mining comparator companies. Comparisons are also made against positions of comparable status, skill and responsibility in the metals and mining industries globally, and in the manufacturing and engineering industries more generally. | There is no prescribed maximum annual increase. Base compensation increases are applied in line with the annual review and are competitive within the UK and Indian market and internationally for comparable companies. The Committee is also guided by the general increase for the employee population but on occasions may need to recognise, for example, development in role and/or change in responsibility. | Business and individual performance are considered when setting base compensation. |
| **Taxable benefits** | To provide market competitive benefits. | Benefits vary by role and are reviewed periodically.<br><br>Benefits are set in line with local market practices. | The value of benefits is based on the cost to the Company and is not pre-determined. | n/a |
| **Pension** | To provide for sustained contribution and contribute towards retirement planning. | Directors receive pension contributions into their personal pension plan or local provident scheme.<br><br>Contribution rates are set in line with local market practices. | Annual contribution of up to 15% of base compensation for the Executive Vice Chairman and 20% of base compensation for the Chief Executive Officer.<br><br>The Executive Chairman does not receive post-retirement benefits. | n/a |

| Element of pay | Purpose and link to strategy | Operation | Maximum opportunity | Performance measures |
|---|---|---|---|---|
| **Annual bonus** | Incentivises executives to achieve specific, predetermined goals during the financial year. | 50% paid in cash and 50% deferred into shares which will vest 40% after the first year, and 30% after the second and third years, subject to continued employment.<br><br>Determined by the Committee after year-end, based on performance against the pre-determined financial and non-financial metrics.<br><br>Not pensionable.<br><br>Clawback provisions apply for overpayments due to misstatement or error and other circumstances. | Up to 150% of base compensation per annum. | The bonus is measured against a balanced scorecard of performance metrics. At least 50% of the bonus potential will be based on financial performance and the remainder of the bonus potential will be based on operational, strategic and sustainability measures.<br><br>The Committee has the ability to adjust the bonus outturn if it believes that the outturn is not reflective of the Group's underlying performance or warranted based on the Health, Safety and Environment (HSE) record. |
| **Performance Share Plan (PSP)** | Encourage and reward strong performance aligned to the interests of shareholders. | Annual grant of nominal-cost options which vest after three years, subject to Company performance and continued employment. There is an additional holding period of two years post-vesting.<br><br>Clawback provisions apply for overpayments due to misstatement or error and other circumstances. | Up to 150% of base compensation per annum. | PSP awards are subject to a performance condition based on relative total shareholder return (TSR).<br><br>30% of an award will vest for achieving median performance, increasing pro-rata to full vesting for the achievement of stretch performance targets.<br><br>The Committee has the ability to adjust the PSP outturn if it believes that the outturn is not reflective of the Group's underlying performance or warranted based on the HSE record. |
| **Share ownership guidelines** | To increase alignment between executives and shareholders. | Executive Directors are required to retain any vested shares (net of tax) under the Group's share plans until the guideline is met.<br><br>Any new Executive Director will have a period of five years from recruitment or promotion to the Board to build up their shareholding to the required level. | 200% of base compensation for Executive Directors[2] | n/a |

# Directors' Remuneration Policy Report continued

| Element of pay | Purpose and link to strategy | Operation | Maximum opportunity | Performance measures |
|---|---|---|---|---|
| **Non-Executive Directors' fees** | To attract and retain high calibre Non-Executive Directors through the provision of market competitive fees. | Fees are paid in cash.<br><br>Fees are determined based on the significant travel and time commitments, the risk profile of the Company and market practice for similar roles in international mining groups. | As for the Executive Directors, there is no prescribed maximum annual increase. The Committee is guided by the general increase for the employee population but on occasions may need to recognise, for example, development in role and/or change in responsibility. | Business and individual performance are considered when setting fees. |

1 Base compensation includes base salary plus fixed cash allowances and statutory benefits, which are a normal part of the fixed remuneration package for employees in India.
2 A similar requirement but with a lower salary multiple applies to members of the Executive Committee.

## Selection of performance metrics

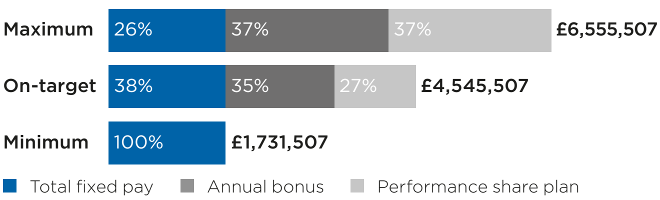
The annual bonus is based against a balanced scorecard of financial, operational, sustainability and strategic metrics. The mix of targets will be reviewed each year by the Committee to ensure that they remain appropriate to reflect the priorities for the Group in the year ahead. A sliding scale of targets is set to encourage continuous improvement and challenge the delivery of stretch performance.

The PSP is based on relative TSR performance, which provides an external assessment of the Company's performance against the market. It also aligns the rewards received by executives with the returns received by shareholders. A sliding scale of challenging performance targets is set. The Committee will review the choice of performance measures and the appropriateness of the performance targets prior to each PSP grant. The Committee reserves the discretion to set different targets for future awards, without consulting with shareholders, providing that, in the opinion of the Committee, the new targets are no less challenging in light of the circumstances at the time than those used previously. The targets for awards granted under this remuneration policy are set out for shareholder approval in the Annual Report on Remuneration.

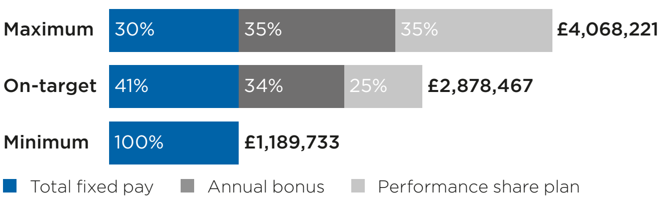
## Remuneration scenarios for Executive Directors

The charts below illustrate how the Executive Directors' remuneration packages vary at different levels of performance under the ongoing policy, which will apply from 1 April 2016.

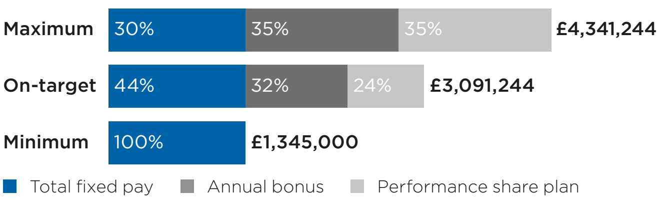
**Executive Chairman** Total remuneration (£000)




**Executive Vice Chairman** Total remuneration (£000)




**Chief Executive Officer** Total remuneration (£000)




Notes
1 Base compensation levels are based on those applying on 1 April 2016 (converted at a rate of INR98.7645 : £1).
2 The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ending 31 March 2016.
3 The value of pension receivable by the Executive Vice Chairman and Chief Executive Officer in FY2017 is taken to be 15% and 20% of base compensation respectively.
4 The on-target level of bonus is assumed to be two-thirds of the maximum annual bonus opportunity.
5 The on-target level of the PSP is assumed to be 50% of the face value of the award at grant.
6 Share price movement and dividend accrual have not been incorporated into the values shown above.

### Approach to recruitment and promotions

The remuneration package for a new Executive Director – i.e. base compensation, taxable benefits, pension, annual bonus and long-term incentive awards – would be set in accordance with the terms of the Company's prevailing approved remuneration policy at the time of appointment and would reflect the experience of the individual.

The base compensation for a new executive may be set below the normal market rate, with phased increases over the first few years, as the executive gains experience in their new role. Annual bonus potential will be limited to 150% of base compensation and long-term incentives will be limited to 150% of base compensation per annum.

In addition, the Committee may offer additional cash and/or share-based elements when it considers these to be in the best interests of the Company (and therefore shareholders) to take account of remuneration relinquished when leaving the former employer and would reflect the nature, time horizons and performance requirements attaching to that remuneration.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue, provided that they are put to shareholders for approval at the earliest opportunity.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses and continuing allowances as appropriate.

For the appointment of a new Chairman or Non-Executive Director, the fee arrangement would be set in accordance with the approved remuneration policy at that time.

### Service contracts for Executive Directors

The Committee reviews the contractual terms for new Executive Directors to ensure these reflect best practice.

Mr Anil Agarwal is employed under a contract of employment with the Company for a rolling term but which may be terminated by not less than six months' notice. Provision is made in Mr Anil Agarwal's contract for payment to be made in lieu of notice on termination which is equal to base compensation.

Mr Navin Agarwal has a letter of appointment with the Company which is a rolling contract and may be terminated by giving six months' notice. Mr Navin Agarwal has a service agreement with Vedanta Limited which expires on 31 July 2018, with a notice period of three months or base compensation in lieu thereof.

Mr Tom Albanese has a separate letter of appointment with the Company and Vedanta Limited on a fixed three-year term which expires on 31 March 2017, but which may be terminated by not less than three months' notice. Provision is made in Mr Albanese's contract for payment to be made in lieu of notice on termination which is equal to three months' base compensation and benefits.

It is the Group's policy that the notice period in the Directors' service contracts does not exceed 12 months.

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

### Payments for loss of office

The Executive Directors' service contracts provide for pay in lieu of notice in respect of base compensation, as set out above.

The annual bonus may be payable with respect to the period of the financial year served although it will be pro-rated for time and paid at the normal payout date. Any share-based entitlements granted to an Executive Director under the Company's share plans will be determined based on the relevant plan rules.

The default treatment under the PSP is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, ill-health, disability, retirement or other circumstances at the discretion of the Committee, 'good leaver' status may be applied. For good leavers, awards will normally vest on the original vesting date, subject to the satisfaction of the relevant performance conditions at that time and reduced pro-rata to reflect the proportion of the performance period actually served. However, the Committee has discretion to determine that awards vest at an earlier date and/or to disapply time pro-rating, although it is envisaged that this would only be applied in exceptional circumstances. Any such incidents, where discretion is applied by the Committee, will be disclosed in the next year's Annual Report on Remuneration.

The default treatment for deferred annual bonus awards is that any outstanding awards lapse on cessation of employment. However, in certain 'good leaver' circumstances (as described under the PSP above) awards will normally vest in full on the original vesting date.

In determining whether an executive should be treated as a good leaver or not, the Committee will take into account the performance of the individual and the reasons for their departure.

In the event of a change of control all unvested awards under the deferred annual bonus and long-term incentive arrangements would vest, to the extent that any performance conditions attached to the relevant awards have been achieved. The award will, other than in exceptional circumstances, be pro-rated for the period of the financial year served.

### Letters of appointment for Non-Executive Directors

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

### Legacy arrangements

For avoidance of doubt, in approving this Directors' Remuneration Policy Report, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the vesting of past share awards) that have been disclosed to and approved by shareholders in this and previous Remuneration Reports. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

# Annual Report on Remuneration

This part of the report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and 9.8.6R of the UK's Listing Rules. The Annual Report on Remuneration will be put to an advisory shareholder vote at the 2016 AGM. The information on pages 123 to 127 has been audited.

### Membership of the Remuneration Committee

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

| Name | Meetings attended | Percentage attendance |
|---|---|---|
| Euan Macdonald (Chairman) | 4/4 | 100% |
| Aman Mehta | 4/4 | 100% |
| Geoffrey Green | 4/4 | 100% |
| Katya Zotova[1] | 3/4 | 75% |

1 Ms Zotova was unable to attend one meeting which was organised at short notice.

The Committee's responsibilities are set out in its terms of reference, which are available on the Company's website at www.vedantaresources.com or on request from the Company Secretary. The Committee's terms of reference were reviewed during the year, and no further amendments have been made in the year ended 31 March 2016.

The Committee's responsibilities primarily include:

- Setting the Group's overall policy on executive and senior management remuneration;
- Determining the remuneration packages for individual Executive Directors, including base compensation, performance-based short and long-term incentives, pensions and other benefits;
- Approving the design and operation of the Company's share incentive schemes; and
- Reviewing and determining the terms of the service agreements of the Executive Directors.

### Advisers to the Committee

The Committee retained New Bridge Street (NBS), a trading name of Aon plc, to provide independent advice on remuneration matters. NBS is a signatory to the Remuneration Consultants Group's Code of Conduct, which requires its advice to be objective and impartial. NBS does not provide any other services to the Company. Other pay information for employees below Board level is provided to the Company by Aon in India. The Committee considers that this enables a global perspective to be achieved. Where relevant, NBS reviews the work of Aon India to ensure that the advice is appropriate for a UK plc context and internally consistent. The Committee has reviewed the operating processes in place at NBS and is satisfied that the advice it receives is objective and independent. The Committee considers various external reports from NBS on remuneration in the UK as well as India to provide detailed insights that aid remuneration decisions. The fees paid to NBS in respect of work carried out in 2015-16 were £127,800. In addition, advisers to the Committee during the year and their roles are set out below.

- Mr Suresh Bose (Head of Group HR) and Mr Manoj Kumar Sharma (Group Head of Total Rewards) advise the Committee on general remuneration policies and practices followed in India and the global market, Executive Directors' remuneration and benefits and remuneration policy applicable to the wider employee population within the Group.
- The Executive Directors provide input on remuneration packages for the senior management group to ensure parity amongst senior management in different businesses but at similar roles. Executive Directors may attend meetings at the invitation of the Committee but no Director is present during discussions of their own remuneration.
- Ernst & Young LLP review and confirm the Company's TSR performance in respect of the Long-Term Incentive Plan. Ernst & Young also provide tax and internal audit services to the Group.

### Statement of shareholder voting

At the 2015 Annual General Meeting, a resolution was proposed to shareholders to approve the Directors' Remuneration Report for the year ended 31 March 2015. This resolution was passed with the following votes from shareholders:

| | Annual Report on Remuneration |
|---|---|
| Votes cast in favour | 230,735,321 (98.93%) |
| Votes cast against | 2,500,000 (1.07%) |
| Total votes cast | 233,235,321 |
| Abstentions | 90,058 |

During the year, the Committee wrote to the Company's major shareholders to consult on a potential removal of the inner limit on diluting within our share plans. The majority of shareholders approached were comfortable with the proposal, which will be subject to a resolution at the forthcoming AGM.

## Directors' remuneration earned in 2015-16 (Audited)

The table below summarises Directors' remuneration received during the year ended 31 March 2016 and the prior year for comparison.

| | | Base compensation including salary or fees £000 | Taxable benefits £000 | Pension £000 | Annual bonus £000[8] | Long-term incentives £000 | Total £000[9] |
|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | |
| Anil Agarwal[1] | 2015-16 | 1,608 | 124 | – | 894 | – | 2,625 |
| | 2014-15 | 1,608 | 129 | – | 897 | – | 2,634 |
| Navin Agarwal[2,3,7] | 2015-16 | 969 | 67 | 153 | 533 | – | 1,723 |
| | 2014-15 | 968 | 53 | 153 | 533 | – | 1,707 |
| Tom Albanese[4,7] | 2015-16 | 1,000 | 90 | 251 | 556 | – | 1,897 |
| | 2014-15 | 1,000 | 95 | 215 | 372 | – | 1,682 |
| **Non-Executive Directors[6]** | | | | | | | |
| Geoffrey Green | 2015-16 | 95 | – | – | – | – | 95 |
| | 2014-15 | 95 | – | – | – | – | 95 |
| Euan Macdonald | 2015-16 | 140 | – | – | – | – | 140 |
| | 2014-15 | 140 | – | – | – | – | 140 |
| Aman Mehta[5] | 2015-16 | 140 | – | – | – | – | 140 |
| | 2014-15 | 140 | – | – | – | – | 140 |
| Deepak Parekh | 2015-16 | 102 | – | – | – | – | 102 |
| | 2014-15 | 102 | – | – | – | – | 102 |
| Katya Zotova (appointed 1 August 2014) | 2015-16 | 112 | – | – | – | – | 112 |
| | 2014-15 | 68 | – | – | – | – | 68 |

Notes
1 Mr Anil Agarwal's taxable benefits in kind include provision of medical benefits, car and fuel in the UK for business purposes.
2 For the financial year ended 31 March 2016, Mr Navin Agarwal received a Vedanta Limited salary of INR85,618,845 excluding medical and leave travel allowances, Vedanta Resources plc fees of £85,000, Hindustan Zinc Limited fees of INR300,000 and Commission of INR10,00,000 and Cairn India Limited fees of INR400,000.
3 Mr Navin Agarwal's taxable benefits in kind include housing and related benefits, and use of a car and driver.
4 Mr Tom Albanese's taxable benefits in kind include housing and related benefits, and use of a car and driver in India and medical benefits in UK.
5 The fee paid to Mr Aman Mehta does not include the fees of £85,204 paid by Cairn India Limited.
6 Non-Executive Directors are reimbursed for expenses incurred while on Company business. No other benefits are provided to Non-Executive Directors.
7 All of the Group's pension schemes are based on cash contribution and do not confirm an entitlement to a defined benefit. Pension contributions are made into the Deputy Executive Chairman and Chief Executive Officer's personal pension schemes (or local provident fund) and will become payable on retirement, normally at age 58. The Executive Chairman does not receive pension benefits.
8 Amounts shown for 2015-16 relate to the payment of the annual bonus for the year ended 31 March 2016. 50% of the annual bonus figures shown in the table are paid in cash and the balance 50% is deferred in shares. Details of this payment are set out in the relevant sections of the report.
9 The exchange rate applicable as at 31 March 2016 was INR98.7645 to £1, and at 31 March 2015 was INR98.5614 to £1.

# Annual Report on Remuneration continued

## Annual bonus

The annual bonus for the 2015-16 financial year was based on performance against a balanced scorecard of financial and sustainability measures and strategic projects. Performance against these targets is set out below:

| | Annual bonus – 2015-16 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Factors | Parameters | Weighting as a percentage of total bonus | Actual achieved (US$m) | Threshold performance hurdle (33% of maximum payable) | On-target performance hurdle (70% of maximum payable) | Achievement Percentage | Payout (% of parameter) | Payout % as per weightage |
| Financial performance[1] | EBITDA | 30.00% | 2,336 | | 3,731 | 62.60% | | |
| | Free cash flow[2] | 30.00% | 804 | | 949 | 84.66% | | |
| | Sub-total financial (as per scheme) | 60.00% | | 70% | 100.00% | 73.63% | 37.76% | 22.66% |
| Sustainability and safety scorecard[3] | Sustainability | 7.50% | Score as per scorecard of the group under this parameter | | | 67.62% | 67.62% | 5.07% |
| | Safety | 7.50% | | | | 24.42% | 24.42% | 1.83% |
| Personal/strategic objectives | Stakeholder management and regulatory | 25.00% | Parameters: PSC extension, divestment of Government Share, simplification of group structure, iron ore export duty and bauxite supply | | | 30.00% | 30.00% | 7.50% |
| **Total** | | 100.00% | Payout as a percentage of maximum payout opportunity | | | | | 37.06% |
| **Payout** | | 150.00% | Paid as a percentage of base pay (calculated as per total score) | | | | | 55.59% |

1 For financial performance, a weighted achievement of both the elements is considered for assessing the threshold and for arriving at the payout – 70% achievement of Business Plan targets is considered as threshold which entails 33% of the payout opportunity with 70% payout for 100% achievement and stretching to 100% of payout opportunity at 120% achievement of the Targets. For other elements, payout is prorated with respect to performance levels increasing to full payment at stretch performance.

2 For business performance assessment reported free cash flow of US$1,705 million is adjusted with temporary working capital initiatives of US$826 million and Buyer's credit movement of US$76 million.

3 The sustainability as well as safety performance score is the group average score calculated based on the scorecard, which includes resource use and management, stakeholder engagement and management, compliance and training, incident investigation, fatality and change management.

For determining the bonus, the business performance for the year has been evaluated in terms of the metrics approved for the year 2015-16. Following evaluation against the set metrics, the achievement of targets is 37.06% of the maximum, and subsequently a bonus of 55.59% of salary is proposed for the Executive Chairman, Executive Vice Chairman and Group CEO. The bonus payment in relation to performance in the 2015-16 financial year will be payable 50% in cash and 50% in shares under the  Deferred Share Bonus Plan.

## Performance Share Plan awards granted and vested during the year

The following award was granted to the Executive Directors on 30 December 2015 under the PSP Scheme:

| | Type of award | Basis of award granted (% of base compensation) | Share price at date of grant | Number of shares over which award was at granted | Face value of award (£000) |
|---|---|---|---|---|---|
| Anil Agarwal | Nominal-cost option | 46% | £2.717 | 275,000 | 747 |
| Navin Agarwal | Nominal-cost option | 37% | £2.717 | 130,000 | 353 |
| Tom Albanese | Nominal-cost option | 54% | £2.717 | 200,000 | 543 |

The performance condition attached to the above award is based on Vedanta Resources' Relative TSR against the comparator group of industry peers over a three-year period starting from the grant date. 30% of the awards will vest at median performance, with full vesting for upper quintile performance.

Performance is measured against two comparator groups, reflecting the business mix and a geographic focus of Vedanta Resources – one which contains other global resources companies and a second which comprises other large Indian companies.

- Global resources group (75% weighting) – Anglo American, BHP Billiton, Rio Tinto, Glencore Xstrata, Vale, Antofagasta, Grupo Mexico, Hindalco, Alcoa, Dragon Oil (until delisting), Boliden, First Quantum, Petrofac and Tullow Oil
- Indian companies group (25% weighting) – Reliance Industries Ltd, NMDC Ltd, Coal India Ltd, National Aluminium Co Ltd, ONGC and Ultratech Cement Limited

## Share plan awards

The table below shows the Directors' interests in the Company's share plans:

| | | 31 March 2015 Number of shares | Granted in 2015-16 Number of shares | Vested in 2015-16 Number of shares | Lapsed in 2015-16 Number of shares | 31 March 2016 Number of shares | Exercise price US cents | Award price £ | Earliest/ latest exercise date |
|---|---|---|---|---|---|---|---|---|---|
| **Anil Agarwal** | | | | | | | | | |
| 24 September 2012 | ESOP[1] | 9,000 | – | 9,000 | – | – | 0.1 | 10.56 | 24 Sep 13– 16 Mar 16 |
| 17 November 2014 | PSP | 225,000 | – | – | – | 225,000 | 0.1 | 8.09 | 16 Nov 17– 16 May 18 |
| 30 December 2015 | PSP | – | 275,000 | – | – | 275,000 | 0.1 | 2.717 | 29 Dec 18– 29 Jun 19 |
| 4 January 2016 | DSBP | – | 68,661 | – | – | 68,661 | 0 | 6.534 | 22 May 16– 22 May 18 |
| **Navin Agarwal** | | | | | | | | | |
| 24 September 2012 | ESOP[1] | 6,120 | – | 6,120 | – | – | 0.1 | 10.56 | 24 Sep 13– 16 Mar 16 |
| 17 November 2014 | PSP | 140,000 | – | – | – | 140,000 | 0.1 | 8.09 | 17 Nov 17– 17 May 18 |
| 30 December 2015 | PSP | – | 130,000 | – | – | 130,000 | 0.1 | 2.717 | 30 Dec 18– 30 Jun 19 |
| 4 January 2016 | DSBP | – | 60,362 | – | – | 60,362 | 0 | 4.435 | 12 Aug 16– 12 Aug 18 |
| **Tom Albanese** | | | | | | | | | |
| 17 November 2014 | PSP | 170,000 | – | – | – | 170,000 | 0.1 | 8.09 | 17 Nov 17– 17 May 18 |
| 30 December 2015 | PSP | – | 200,000 | – | – | 200,000 | 0.1 | 2.717 | 30 Dec 18– 30 Jun 19 |
| 4 January 2016 | DSBP | – | 41,939 | – | – | 41,939 | 0 | 4.435 | 12 Aug 16– 12 Aug 18 |
| **Total** | | **550,120** | **775,962** | **15,120** | **0** | **1,310,962** | | | |

1 The ESOP 2012 third-year options have vested for Mr Anil Agarwal as well as Mr Navin Agarwal but they have not exercised the same. The time period of exercise has been extended by one month until mid-June 2016 for all the employees, post which the options will lapse.

# Annual Report on Remuneration continued

## External appointments

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

Mr Tom Albanese is a non-executive director at Franco-Nevada Corporation where he is entitled to retain any remuneration paid to him. His compensation for this position in 2015 was CA$83,105 (this figure is inclusive of fees earned as well as the share-based awards granted). None of the other Executive Directors currently receive fees for non-executive appointments with other companies.

## Directors' interests in ordinary shares

The interests of the Directors in the shares of the Company as at the year end are set out below.

| | Beneficially owned at 31 March 2015 or on appointment | Beneficially owned at 31 March 2016 or on departure | Outstanding LTIP, ESOP and DSBP Awards (not subject to performance) | Shareholding as a % of base compensation[3] | Shareholding requirement met? |
|---|---|---|---|---|---|
| Anil Agarwal[1] | 187,488,102 | 187,488,102 | – | 39,993% | Yes |
| Anil Agarwal[2] | 123, 240 | 123, 240 | 77,661 | | |
| Navin Agarwal[2,4] | 249,300 | 249,300 | 66,482 | 88% | No |
| Tom Albanese | 82,700 | 82,700 | 41,939 | 28% | No |
| Geoffrey Green | – | – | – | n/a | n/a |
| Euan Macdonald | – | – | – | n/a | n/a |
| Aman Mehta | – | – | – | n/a | n/a |
| Deepak Parekh | – | – | – | n/a | n/a |
| Katya Zotova | | | | | |

1 Mr Anil Agarwal's holding of 187,488,102 Vedanta ordinary shares are registered in the name of Volcan Investments Limited, which is a company owned by a family trust.
2 Mr Anil Agarwal and Mr Navin Agarwal each held nominee shares in direct and indirect subsidiaries. These holdings are non-beneficial.
3 Based on a share price of £3.43 as at 31 March 2016.
4 51,660 shares are held by Navin Agarwal's son and wife as well, which were purchased from the market in March 2015.

No changes in the above Directors' interests have taken place between 31 March 2016 and the date of this report.

## Payments to past Directors (Audited)

No payments were made to past Executive Directors during the year ended 31 March 2016.

## Payments for loss of office (Audited)

No payments were made in respect of loss of office during the year ended 31 March 2016.

## Percentage change in remuneration levels

The table below shows the movement in base compensation, taxable benefits and annual bonus for the Executive Chairman between the 2014-15 and 2015-16 financial years, compared to that for the average employee.

| | % change |
|---|---|
| **Executive Chairman** | |
| Base compensation | nil% |
| Taxable benefits | –4% |
| Bonus | –0.35% |
| **Average per employee** | |
| Base compensation | 7% |
| Taxable benefits | 7% |
| Bonus | 5% |

## Relative importance of the spend on pay

The table below shows the movement in spend on staff costs between the 2014-15 and 2015-16 financial years, compared to dividends.

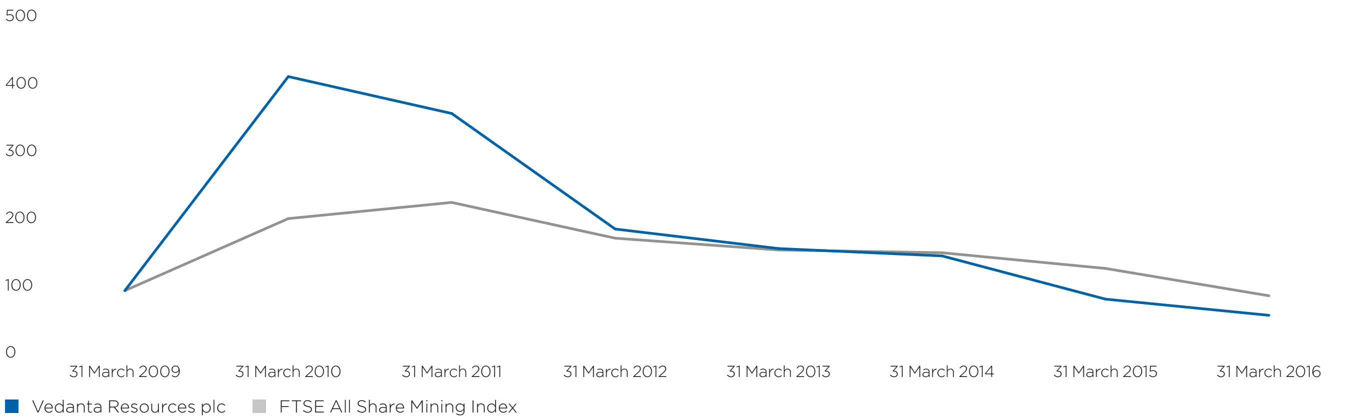
| US$ million | 2014-15 | 2015-16 | % change |
|---|---|---|---|
| Staff costs | 812.6 | 635.8 | –22% |
| Number of staff[1] | 27,717 | 25,536 | –7.9% |
| Dividends | 171.4 | 110.8 | -35.06% |

1 The number of staff is average number of employees during the year.

## Performance graph and Executive Chairman pay

The graph below shows the TSR in respect of the Company over the last five financial years, compared with the TSR for the FTSE All Share Mining Index. The FTSE All Share Mining Index was chosen as it is the most relevant to compare the Company's performance against its peers.

**Total shareholder return** (£)




Source: Thomson Reuters

This graph shows the value, by 31 March 2016, of £100 invested in Vedanta Resources plc on 31 March 2009 compared with the value of £100 invested in the FTSE All Share Mining Index. The other points plotted are the values at intervening financial year-ends.

The total remuneration figures for the Executive Chairman during each of the last six financial years are shown in the table below. The Executive Chairman's remuneration is shown since he is the highest-paid Executive Director. Consistent with the calculation methodology for the single figure for total remuneration, the total remuneration figure includes the total annual bonus and long-term incentive award based on that year's performance. The annual bonus payout and long-term incentive award vesting level as a percentage of the maximum opportunity are also shown for each of these years.

| | Year ending 31 March | | | | | | |
|---|---|---|---|---|---|---|---|
| £000 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015[2] | 2016[2] |
| LTIP/ESOP vesting (%) | n/a[1] | 40% | n/a[1] | 36% | nil% | nil% | nil% |
| Annual bonus (%) | 30% | 43% | 39% | 40% | 44% | 37.2% | 37.06% |
| Total remuneration | £1,378 | £2,066 | £2,010 | £2,556 | £2,376 | £2,634 | £2,625 |

1 Due to the timings of long-term incentive grants, there were no awards with performance periods ending during these financial years.
2 The performance achievement regarding the award granted during the year 2015 and 2016 is yet to be evaluated as the performance period has not yet completed for both the grants.

## Remuneration decisions taken in respect of the financial year ending 31 March 2017

### Base compensation

In setting base compensation for 2016-17, the Committee considered external market data and the increase in base compensation for the senior management group and the workforce generally, where the average increase across the Group will be 7%. However, this increase is very much confined to middle and junior management employees. There will be no pay increase for other senior executives. Similarly, this increase will not apply to the Executive Directors and, accordingly, base compensation will be as follows:

| | Base compensation from 1 April 2015 £000 | Base compensation from 1 April 2016 £000 | % increase |
|---|---|---|---|
| Anil Agarwal | 1,608 | 1,608 | Nil |
| Navin Agarwal[1] | 968 | 969 | Nil |
| Tom Albanese | 1,000 | 1,000 | Nil |

1 The Base Pay for Mr Navin Agarwal as represented last year was inclusive of pension and other social security benefits, which has been mentioned exclusive of those elements this year and is in line with the details presented on page 123. There is no change in the base pay, owing to nil increment for FY2015-16, the incremental change of £1,000, is attributed to exchange rate fluctuation and amendment in sitting fees and commission paid to him from Cairn India and HZL.

# Annual Report on Remuneration continued

### Annual bonus awards to be granted in 2016-17

The annual bonus opportunity will be 150% of base compensation for Messrs Anil Agarwal, Navin Agarwal and Tom Albanese. The annual bonus will be based on the following metrics.

| Factor | Parameter | Weightage |
|---|---|---|
| Financial performance (against target)[1] | EBITDA | 30% |
| | Free cash flow | 30% |
| Personal objectives | Sustainability and safety scorecard | 15% |
| | Strategic objectives | 25% |

1 For financial performance, a weighted achievement of both the elements is considered for assessing the threshold and for arriving at the payout – 70% achievement of Business Plan targets is considered as threshold which delivers 33% of the payout opportunity with 70% payout for achievement of the target performance and stretching to 100% of payout opportunity at 120% achievement of the targets.

The Committee has chosen not to disclose, in advance, the performance targets for the forthcoming year as these include items which the Committee considers commercially sensitive. Full retrospective disclosure of the targets and performance against them will be seen in next year's Annual Remuneration on Report.

### PSP awards to be granted in 2016-17

The Executive Directors' 2016 PSP opportunity will be 150% of base compensation. The 2016-17 award will be subject to the following performance conditions:

| Performance condition | Threshold target (30% vesting) | Stretch target (100% vesting) | End measurement point |
|---|---|---|---|
| Relative TSR vs a bespoke group of companies | Median | Upper quintile | Final three months of the performance period i.e. three months to 31 March 2019 |

The performance condition attached to the above award is based on Vedanta Resources' Relative TSR against the comparator group of industry peers. 30% of the awards will vest at median performance, with full vesting for upper quintile performance.

As set out within the Remuneration Policy, a holding period will be attached to vested PSP awards, requiring the vested shares to be held (net of tax) for a further two years.

### Non-Executive Directors' fees

As detailed in the Remuneration Policy, fees for the Non-Executive Directors are determined by the Board, based on the significant travel and time commitments, the risk profile of the Company and market practice for similar roles in international mining groups. A summary of current fees is as follows:

| | 2015-16 £000 | 2016-17 £000 |
|---|---|---|
| **Board membership** | | |
| Non-Executive Director | 85 | 85 |
| Senior Independent Non-Executive Director | 18 | 18 |
| **Committee membership** | | |
| Audit Committee Chairman | 20 | 20 |
| Remuneration Committee Chairman | 17.5 | 17.5 |
| Nominations Committee Chairman | – | – |
| Sustainability Committee Chairman | 20 | 20 |
| Member of Audit Committee | 10 | 10 |
| Member of Remuneration Committee | 10 | 10 |
| Member of Nominations Committee | 7.5 | 7.5 |
| Member of Sustainability Committee | 10 | 10 |

### Approval of the Directors' Remuneration Report

The Directors' Remuneration Report, including both the Directors' Remuneration Policy Report and Annual Remuneration on Report, was approved by the Board on 10 May 2016.

**Euan Macdonald**
**Chairman of the Remuneration Committee**

# Directors' Report



## Purpose of the Directors' report

The Directors are pleased to present their annual report on the business of the Group, together with the financial statements and auditor's report, for the year ended 31 March 2016.

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

The table below sets out where key information can be found across the Annual Report in compliance with Listing Rule 9.8.4.

| Subject | Section in the Annual Report |
|---|---|
| Dividend recommended during the year | See page 171 of the consolidated financial statements |
| Capital structure (details of the issued share capital) | See page 203 of the consolidated financial statements |
| Directors | See page 96 of the corporate governance report detailing the Directors who served during the year<br><br>Biographical details of the Directors of the Company are set out on pages 88 to 89<br><br>Details of Directors' interests, including interests in the Company's shares, are disclosed in the Directors' Remuneration Report on page 126 |
| The Vedanta Employee Benefit Trust (the Trust) | Details of the shares held by the Trust may be found in the Directors' report on page 131 |
| Vedanta Resources plc Long-Term Incentive Plan (LTIP) | Details of the Group's LTIP are set out on page 195 of the consolidated financial statements and also on page 125 of the Annual Report on Remuneration |
| Greenhouse Gas (GHG) Emissions | All disclosures on the Group's greenhouse gas emissions, as is required to be disclosed under Schedule 7 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulation 2008 (pursuant to the Act, Strategic Report and Director's Report Regulations 2013) are contained in the business review on page 41 |
| Political donations and expenditure | Details of any political donations paid during the year are disclosed in the Directors' report, which can be found on page 131 |
| Risk factors and principal risks | Details on risk factors and principal risks are located in the strategic report which can be found on page 26 |
| Additional unaudited information | |
| Board statement in respect of Relationship Agreement with the controlling shareholder | Corporate Governance report (page 100) |

# Directors' Report continued

## Strategic report
The strategic report has been prepared in accordance with the Companies Act 2006 (the Act) which requires the Company to set out a fair review of the business of the Group during the financial year, including an analysis of the position of the Group at the end of the financial year and the trends and factors likely to affect the future development, performance and position of the business. The strategic report can be found on pages 1 to 93.

## Corporate governance
In accordance with the Financial Conduct Authority's Disclosure and Transparency Rules (DTR) 7.2.1 the disclosures required by DTR7.2.2R to DTR7.2.5 and DTR7.2.7 may be found in the corporate governance report on pages 92 to 128. The corporate governance report is incorporated into this Directors' report by reference. Information referred to in DTR7.2.6 is located in this Directors' report.

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

## Review of business, future developments and important post balance sheet events
A review of the business and future developments of the Group is presented in the strategic report. Events since the balance sheet date are summarised in Note 43 on page 211 of the financial statements.

## Greenhouse gas emissions reporting
Disclosures required in respect of carbon dioxide emissions may also be found in the strategic report on page 41.

| Business | GHG Intensity Ratio 2015-16 | 2014-15 |
|---|---|---|
| Zinc India | **2,219** | 1,926 |
| Zinc International | **1,701** | 1,290 |
| Copper India & Australia | **398** | 350 |
| Copper Africa | **210** | 105 |
| Aluminium India | **11,231** | 9,622 |
| Power Sector | **17,546** | 13,386 |
| Oil & Gas Sector | **1,361** | 541 |
| Iron Ore Business | **5,360** | 5,477 |
| | **3,903** | 2,941 |

We calculate and report greenhouse gas inventory i.e. Scope 1 (process emissions and other direct emissions) and Scope 2 (purchased electricity) as defined under the World Business Council for Sustainable Development (WBCSD) and World Resource Institute (WRI) GHG protocols. Our GHG intensity has increased primarily due to a fall in our revenue and an increase in our absolute GHG emissions due to addition and ramping-up of our power plants at TSPL, Aluminium and Power operations.

## Dividends
The Directors recommend a final dividend for the year ended 31 March 2016 of 30 US cents per ordinary share (2015: 40.0 US cents per ordinary share). Subject to shareholders approving this recommendation at the Annual General Meeting on 5 August 2016, the final dividend will be paid on 12 August 2016 to shareholders on the register of members as at 8 July 2016.

## Directors
The names, dates of appointment, specific responsibilities and biographical details of the Company's current Board of Directors are shown on pages 88 to 89 and details of the Directors who held office during the year ended 31 March 2016 are shown in the corporate governance report on page 96. Details of the remuneration of the Directors, their interests in the shares of the Company and service contracts, are contained in the Directors' Remuneration Report on pages 116 to 128.

## Appointment and replacement of Directors
The Company's Articles of Association (the Articles) specify that the minimum number of Directors of the Company, unless determined by ordinary resolution, shall be two. There is no limit on the maximum number of Directors. The Company or the Board may appoint any person to be a Director. Any Director appointed by the Board shall hold office only until the next general meeting and is then eligible for election by the shareholders.

In accordance with the UK Corporate Governance Code, all Directors will retire and submit themselves for re-election at the Company's forthcoming Annual General Meeting. Details of Directors' contracts or letters of appointment are included in the Directors' Remuneration Policy Report. The performance of each Director was reviewed and it was found that each of them continues to make an effective and valuable contribution to the deliberations of the Board and demonstrates commitment to the role. The performance of the Chairman was reviewed by the Senior Independent Director.

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

### Rights under employee share schemes
The Sanne Trust Company Limited, as Trustee of the employee trust, held 102,414 shares of the issued share capital of the Company as at 31 March 2016 on trust for the benefit of its employees for the deferred share plan. The voting rights in relation to these shares are exercised by the Trustee and there are no restrictions on the exercise of the voting or the acceptance of any offer relating to, those shares. The Trust agreed to waive its rights to receive dividends payable on these shares.

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

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

### Employees
Information on the Group's employees and its policies with respect to employees can be found in the Sustainable Development report on pages 44 to 45.

### Political donations
It is the Board's policy that neither Vedanta nor any of its subsidiary companies outside India may, under any circumstances, make donations or contributions to political organisations. Subsidiaries in India may make political donations or contributions as this is customary in India and permitted under local legislation. In exceptional circumstances, if political donations or contributions are deemed necessary in the United Kingdom and European Union for legitimate business reasons, they will not be made without the approval of the Board and shareholders at a general meeting. Any political donations made in India will be disclosed in the Company's Annual Report. The Company and its subsidiaries did not make any political donations during the financial year ended 31 March 2016 (2015: Nil).

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

### Material shareholdings
As at 31 March 2016 and 7 June 2016, the Company had received notifications of control of 3% or more over the Company's total voting rights and capital in issue as set out below:

| Name of holder | Nature of holding | Number of ordinary shares of US$0.10 each | Percentage of total voting rights |
|---|---|---|---|
| Volcan Investments Limited | Indirect | 187,488,102 | 69.62% |
| Standard Life Investment (Holdings Limited) | Indirect | 24,193,662 | 9% |
| Viktor Falk | Direct | 8,340,408 | 3.096% |

1 The voting rights at 31 March 2016 were 269,410,987 ordinary shares (net of treasury shares and shares held in Global Depositary Receipt).

### Articles of Association, share capital and voting rights
The following description summarises certain provisions in the Company's Articles of Association (the Articles) and applicable English law concerning companies. This is a summary only and the relevant provisions of the Act, or the Articles, should be consulted if further information is required. Copies of the Company's current Articles are available for inspection at the Company's registered office during normal business hours (Saturdays, Sundays and public holidays excepted). They are also available from Companies House and the Company's website at www.vedantaresources.com.

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

### Share capital
As at 31 March 2016 the issued share capital of the Company was comprised of 300,522,798 ordinary shares of 10 US cents each and 50,000 deferred shares of £1 each.

### Rights and obligations attaching to shares
The rights and obligations attaching to the ordinary and deferred shares are set out in the Articles. Details of the authorised and issued share capital together with movements in the Company's issued share capital during the year are shown in Note 33 of the financial statements.

6,904,995 ordinary shares of 10 US cents each were issued on the conversion of certain convertible bonds issued by one of the Company's subsidiaries. These 6,904,995 ordinary shares are held through a Global Depository Receipt and carry no voting rights. Apart from the above, each ordinary share carries the right to one vote at general meetings of the Company. Holders of deferred shares are not entitled to attend, speak or vote at any general meeting of the Company, nor are they entitled to the payment of any dividend or to receive notice of general meetings.

Further details of the rights attaching to the deferred shares are set out in the Articles and summarised in Note 33 of the financial statements.

# Directors' Report continued

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

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

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

With the exception of restrictions on the transfer of unpaid shares and ordinary shares held under the Company's employee share incentive plans while the shares are subject to the rules of the plans, there are no restrictions on the transfer rights attaching to the Company's ordinary shares or the transfer of securities in the Company.

No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions in the transfer of securities or voting rights.

### Issue of shares
The powers of the Company's Directors are subject to relevant legislation and, in certain circumstances (including in relation to the issue or buying back by the Company of its shares), are subject to authority being given to the Directors by shareholders in general meeting. At the Company's 2016 Annual General Meeting, shareholders will be asked to renew the Directors' authority to allot new securities. Details are contained in the 2016 Notice of Annual General Meeting (Notice of AGM).

Subject to the provisions of the Act, the Company has authority under its Articles to allot new shares in the Company. Such authority would be exercised having regard to the Statement of Principles published by the Pre-emption Group.

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

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

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

### Dividend waiver
There have been no arrangements applicable under which a shareholder agreed to waive future dividends during the year ended 31 March 2016.

### Purchase of the Company's own shares
The Directors had authority, under a shareholders' resolution dated 1 August 2015, to make market purchases of up to approximately 10% of the Company's ordinary shares.

The authority expires at the conclusion of the Company's 2016 Annual General Meeting or on 1 October 2016, whichever is the earlier. A resolution to obtain a further authority will be proposed at the 2016 Annual General Meeting. During the year the Company did not purchase any shares under its previously announced share buyback programme.

As at 31 March 2016, the Company held a total of 24,206,816 ordinary shares in treasury, equivalent to 8.05% (2015: 8.07%) of the issued share capital.

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

1 The US$1.25 billion 5.50% guaranteed convertible bonds (current outstanding US$1,131.5 million) issued in July 2009 and the US$883 million 4.0% guaranteed convertible bonds (current outstanding US$8.1 million) issued in March 2010, where a change of control gives investors the option to require the issuer to redeem their bonds at the principal amount, together with any accrued and unpaid interest, or convert their bonds at an adjusted exchange price for a certain period following the relevant event.
2 The US$750 million 6.75% bonds due in 2016, US$750 million 9.5% bonds due in 2018, US$1,200 million 6% bonds due in 2019, US$900 million 8.25% bonds due in 2021 and US$500 million 7.125% bonds due in 2023 where a change of control requires the Company to make an offer to purchase all of the outstanding bonds at 101% of the principal amount together with any accrued and unpaid interest with a rating decline.
3 In the financing arrangements for the acquisition of Cairn India Limited and various other financing facilities entered into by the Group where a change of control gives the majority lenders the right to declare the loans immediately payable.

All of the Company's employee share incentive plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions and pro rata reduction as may be applicable under the rules of the employee share incentive plans.

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

### Disclosure of information to auditors

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

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he/she has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Appointment of auditor

Following a competitive tender process, a resolution to appoint the auditor Ernst & Young LLP, as auditor of Vedanta Resources plc for the year ending 31 March 2017 will be proposed at the forthcoming Annual General Meeting. This follows the mandatory tendering requirements in the UK in accordance with provisions of the Competition and Markets Authority (CMA). Deloitte LLP had been the Group's auditor since its listing on the London Stock Exchange in 2003 and will resign as the Company's external auditor following the completion of the external audit of the financial statements for the year ending 31 March 2016. The Board of Vedanta would like to thank Deloitte LLP for high quality audit services provided to the Group.

### Policy on derivatives and financial instruments

An explanation of the Group's financial management objectives and policies together with details of the Group's exposure to price risk, credit risk, liquidity and cash flow risk and foreign currency risk appears in Note 29 to the financial statements.

### Share allotments

During the year, there has not been any allotment for cash of equity securities otherwise than to holders of the Company's equity shares and which has not been authorised by the Company's shareholders.

### Share placing

The Company has not participated in any share placing during the year ended 31 March 2016.

### Directors' emoluments

Details of the Directors' emoluments and any waiver are included in the Directors' Remuneration Report on page 123.

### Long-term incentive scheme

Details of the long-term incentive scheme operated by the Company are included in the Directors' Remuneration Report on page 125.

### Relationship Agreement with the Company's controlling shareholder

Details of the Relationship Agreement between the Company and its controlling shareholder, Volcan Investments Limited, are provided on page 100. During the year, there have been no contracts of significance between the Company or any of its subsidiaries and the controlling shareholder.

### Going concern

The Directors have considered the Group's cash flow forecasts for the next 12-month period from the date of signing of the financial statements ending 31 March 2016. Net debt has decreased by US$1,132 million in the financial year to US$7,329 million, with US$1,093 million of undrawn facilities at the balance sheet date. Further analysis of net debt is set out in Note 26 to the condensed financial statements and details of borrowings and facilities are set out in Note 24. The Board is satisfied that the Group's forecasts and projections, taking into account reasonably possible changes in trading performance on cash flows and forecast covenant compliance, the transferability of cash within the Group, the flexibility the Group has over the timings of its capital expenditure and other uncertainties, show that the Group will be able to operate within the level of its current facilities for the foreseeable future. For these reasons the Group continues to adopt the going concern basis in preparing its financial statements. Management has recently renegotiated certain financial covenants, which have been modified until September 2018.

### Longer-term viability statement

In accordance with paragraph C2.2 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Group's viability over a longer period than the 12 months required by the going concern assessment.

At Vedanta, the business planning process covers a one-year detailed plan with capital allocation and refinancing plans covering a longer period of up to three years. The planning process takes into consideration key assumptions around commodity prices and exchange rates, cost and supply parameters for major inputs such as raw materials, labour and fuel, refinancing and a range of assumptions regarding volume ramp up, regulatory matters and the Group's cost-saving programme. To align with our internal financial modelling period and taking into account the current volatility in commodity markets, Vedanta has considered a three-year period of assessment appropriate for the longer-term viability statement.

To assess the Group's longer-term viability, additional robust stress testing has been undertaken, utilising the models used for the going concern exercise. The principal risks which were considered for stress testing, individually and in combination, are commodity price movements, delays in ramping up production and refinancing risks. These are considered severe but plausible and well beyond those expected in the normal course of business.

The viability of the Group under these severe but plausible scenarios remained sound taking into consideration the availability of mitigating actions within management's control, in particular flexibility in capital allocation, access to lines of credit and alternative sources of finance.

# Directors' Report continued

While it is impossible to foresee all risks, and the combinations in which they could manifest, based on the results of this assessment and taking into account the Group's current position and principal risks, the Directors have assessed the prospects of the Group, over the next three years, and have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a period of three years from 1 April 2016.

## Annual General Meeting

The 13th Annual General Meeting of the Company will be held on 5 August 2016 at 3.00pm at Ironmongers' Hall, Shaftesbury Place, London EC2Y 8AA. The Notice convening the Annual General Meeting accompanies this Annual Report and sets out details of the business to be considered thereof.

## Responsibility statement

Each Director confirms to the best of his/her knowledge that:

- the Group and parent Company accounts, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report, Directors' report and governance report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

By order of the Board.

Signed on behalf of the Board

**Deepak Kumar**
Company Secretary
11 May 2016

Vedanta Resources plc
5th Floor
6 St Andrew Street
London EC4A 3AE
Registered in England Number 4740415

# Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent Company financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:
- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Responsibility statement

We confirm that to the best of our knowledge:
- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 11 May 2016 and is signed on its behalf by:

**Tom Albanese**
**Chief Executive Officer**
11 May 2016

**D D Jalan**
**Chief Financial Officer**
11 May 2016

# Independent Auditor's Report
## To the Members of Vedanta Resources plc

### Opinion on financial statements of Vedanta Resources plc

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, and the related notes 1 to 59. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 "Reduced Disclosure Framework".

### Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1 to the financial statements and the directors' statement on the longer-term viability of the group contained within the strategic report on page 53.

We have nothing material to add or draw attention to in relation to:

- the directors' confirmation on pages 133 to 134 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 28 to 35 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the directors' explanation on page 133 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

### Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

### Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

The risks identified below are the same risks as in the prior year.

| Risk | How the scope of our audit responded to the risk |
|---|---|
| **Impairment of property, plant and equipment (PP&E) assets**<br>The group has recognised PP&E assets with a net book value of US$16,647.8 million at 31 March 2016 after recording impairments of US$5,187.0 million in 2016, principally in relation to Cairn of which US$4,018.3 million relates to E&E assets (discussed further below) and US$1,168.7 million to other PP&E.<br><br>The assessment of the recoverable amount of PP&E requires management to exercise judgement around complex areas, as described in the group's critical accounting judgements in note 1 to the financial statements, specifically:<br>• the Rajasthan producing assets within the Oil & Gas business following a significant decrease in oil prices;<br>• the partially complete Lanjigarh expansionary programme within the Aluminium business unit received certain clearances in the year, however remained on hold during the year due to the challenges in obtaining locally-sourced bauxite;<br>• the operations in Goa and Karnataka within the Iron Ore business unit as a result of lower iron ore prices and statewide production caps in place; and<br>• the KCM operations in Zambia following lower copper prices and continuing operational challenges, including significantly higher electricity prices.<br><br>For more information see notes 2b, 5 and 17 in the financial statements that provide further details and disclosures to this matter. | We have:<br>• Obtained and assessed the inputs into management's assessment as to whether indicators of impairment exist specifically, in relation to the Rajasthan producing assets, the Lanjigarh expansionary project, the Iron Ore operations in Goa and Karnataka and the KCM copper operations in Zambia;<br>• obtained and assessed the valuation models used to determine the higher of value in use or fair value less cost of disposal of the relevant asset by challenging the key assumptions made by management in relation to these models, including:<br>– the expected timings of approvals and renewal of licenses, holding discussions with management, reviewing regulatory approvals and reviewing any correspondence relating to potential changes in the economic terms;<br>– source of reserve and production estimates;<br>– resources to reserves conversion ratios where applicable;<br>– exchange rates; and<br>– operating and capital expenditure estimates<br>by reference to independent third party evidence and consultation with operational management;<br>• benchmarking and analysis of commodity, oil & gas price assumptions against forward curves and analyst data;<br>• recalculated and benchmarked discount rates applied to third party evidence and involvement of Deloitte valuation specialists;<br>• testing the mechanical accuracy of the models used; and<br>• assessed whether assumptions had been determined and applied on a consistent basis across the Group. |
| **Impairment of evaluation and exploration (E&E) assets**<br>Following significant downward pressure on oil, gas and other commodity prices, which are a key assumption in the valuation of the recoverable value of E&E assets, impairment of E&E assets has been a specific area of focus for the FY16 audit.<br><br>The net book value of E&E assets at 31 March 2016 is US$1,471.4 million after the group has written off E&E assets totalling US$4,018.3 million in the year, following the low commodity pricing environment and reassessment of capital allocation priorities. US$1,180.0 million of net book value relates to the Rajasthan oil field which is accounted for as one Cash Generating Unit.<br><br>The assessment of the carrying value of E&E assets requires management to exercise judgement around complex areas, as described in the group's critical accounting judgements in note 1 to the financial statements. Economic value can often be difficult to determine given the relatively early stages of development. The areas of judgement include the group's intention to proceed with a future work programme for a prospect or license, the likelihood of license renewal or extension and the success of drilling and geological analysis.<br><br>For more information see notes 2b, 5 and 17 in the financial statements that provide further details and disclosures to this matter. | We evaluated management's assessment of the impairment indicators on its E&E assets with reference to the criteria of IFRS 6 Exploration for and Evaluation of Mineral Resources and the group's successful efforts accounting policy (see page 158). In 2016, the group has reconsidered its exploration strategy and locations for future exploration focus in the context of a lower oil and commodity price environment and the availability of capital in these circumstances.<br><br>Our procedures included understanding the Group's ongoing E&E activity, by participating in meetings with operational and finance management at all key locations and obtaining evidence including reviewing minutes of board and executive committee meetings, confirmations of budget allocation, the results of on-going appraisal activity and the licensing status to assess E&E assets.<br><br>Where indicators of impairment were identified, we determined whether management provided in full for the projects that are not expected to proceed or valuations were performed where the projects are progressing but the carrying value may not be fully recoverable.<br><br>Where valuations were prepared, we challenged the key assumptions using the same approach as described under the impairment of PPE assets above. |

# Independent Auditor's Report continued
## To the Members of Vedanta Resources plc

| Risk | How the scope of our audit responded to the risk |
|---|---|
| **Revenue recognition**<br>IAS 18 *Revenue* and the Group's revenue recognition policy permits revenue to be recognised only when the significant risks and rewards of ownership have transferred from the seller to the buyer.<br><br>The risk is related to:<br>• the determination of the point of risk and reward transfer, particularly where this is different to the point of invoicing;<br>• incorrect valuation of provisionally priced sales (where the pricing is only finalised based on market prices subsequent to the balance sheet date);<br>• the value of regulated sales, and the resulting year-end receivable of US$98 million, made to the Grid Corporation of Odisha Limited ("Gridco") where a dispute regarding the interpretation of the tariff agreement is pending appellate tribunal resolution; and<br>• the calculation of Cairn's oil & gas sales on an entitlement basis.<br><br>For more information see notes 2a and 4 in the financial statements that provide further details and disclosures to this matter. | We have reviewed the application of the Group's revenue recognition policy and:<br>• on a sample basis, reviewed the terms of sales agreements to conclude on the point at which risk and reward transfer takes place;<br>• selected sales made pre and post year end, agreeing the date of revenue recognition to third party support, such as bills of lading, to confirm they have been recognised in the correct period;<br>• recalculated the value of provisional pricing adjustments and validating the assumptions used to third party data where possible;<br>• challenged management in respect of whether the Gridco trade receivables are recoverable through the review of state regulatory commission and the appellate tribunal rulings, and review of the underlying power purchase agreements, receipts in the year and the external legal opinions received; and<br>• reviewed the terms of Cairn's profit sharing agreements and tested the underlying cost recovery and profit petroleum calculations. This included reviewing the ageing of current unapproved costs and through sample testing ensuring that costs were in accordance with pre-approved Operational Committee work orders and prepared in accordance with requisite approval requirements. |
| **Litigation, environmental and regulatory risk**<br>As is the norm in extractive industries, there are a significant number of legal claims in the Group and a risk exists that the Group may not have adequately provided for liabilities or disclosed contingent liabilities. The Group has recognised provisions of US$97 million and disclosed contingent liabilities of US$889 million in respect of ongoing legal matters. There is also a risk of the Group's reputation being brought into disrepute resulting in financial and reputational damage.<br><br>The Group continues to be involved in a high number of legal claims. It is not unusual for claims to remain outstanding for a number of years, with the regulatory environment becoming increasingly complex and regulators focusing on the environmental and social impacts. These ongoing claims, environmental and regulatory enquiries require management to exercise judgement in determining the need for a provision or disclosure. These can give rise to a threat to the future operations as well as the Group's current financial performance and reputation.<br><br>For more information see notes 30, 38 and 42 in the financial statements that provide further details and disclosures to these matters. | We have:<br>• reviewed management's legal paper and challenged their assessment of the probability of success in these cases, the magnitude of any potential loss and their conclusions reached through discussions with the head of legal and operational management;<br>• inspected external legal opinions (where considered necessary) and other evidence that supports factual information in management's responses;<br>• focused our procedures on the terms and conditions of mining licenses and performed procedures to gain assurance over the compliance and validity of significant mining licenses and environmental clearances;<br>• we have assessed the appropriateness of provisions and considered the impact of the procedures performed above on the financial statements and whether the disclosures therein are in accordance with IAS 37 *Provisions, contingent liabilities and contingent assets*. |

| Risk | How the scope of our audit responded to the risk |
|---|---|
| **Taxation**<br>There is a risk that the Group's aggregated taxation exposure in all jurisdictions, including the exposure to withholding taxes following past acquisitions, financing and transfer pricing arrangements, sales taxes and recognition of deferred taxation assets and liabilities, may not have been adequately valued and disclosed in the financial statements due to the complexities, timescales for resolution and the need to negotiate with various tax authorities.<br><br>In the prior year, Cairn India received an order from the Indian Tax Authority for an amount of US$3,277.4 million relating to withholding taxes not paid on the acquisition of Cairn India by the previous owner, Cairn Energy plc.<br><br>At 31 March 2016, US$620.2 million has been recognised as a deferred taxation liability, US$1,255.4 million has been recognised as a deferred taxation asset and US$18.5 million has been recognised as a net current tax receivable and a US$361.7 milion non-current tax receivable, with a total tax credit of US$1,481.9 million recorded in the consolidated income statement.<br><br>For more information see notes 12, 31 and 38 in the financial statements that provide further details and disclosures to these matters. | We reviewed the potential taxation exposures within the Group and, through discussions with the Group's taxation department, the tax specialists within the audit team and review of relevant documentation, including external legal advice and correspondence with tax authorities, we evaluated the appropriateness of the provisions raised and contingent liability disclosures. We have obtained the forecast utilisation of deferred tax assets, which have been recognised as part of deferred tax, on a legal entity basis and independently assessed whether the forecasts support the recognition of these assets.<br><br>We considered, in the context of our tax specialists' prior experience of similar issues, the Group's exposure to withholding taxes following past acquisitions, the current tax exposure following the Group's internal restructuring, transfer pricing arrangements and deferred taxation assets and liabilities recognised to assess whether these matters were appropriately reflected and disclosed in the financial statements. We have reviewed the tax disclosures with reference to IAS 12 *Income Taxes*. |

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 108 to 109.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

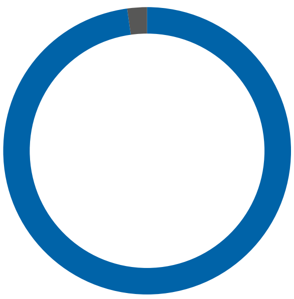
We determined materiality for the group to be US$40 million (2015: US$50 million), which is approximately 5% of normalised three year profit before tax (2015: 5% of normalised profit before tax), and below 1% (2015: 1%) of equity. The use of a normalised three year profit before tax is a change to our approach last year, when materiality was based on the normalised 2015 profit before tax only. This change of approach was determined to be appropriate given the current volatility in commodity prices and their impact on the current year performance and the cyclical nature of the mining industry. Profit before tax has been normalised by adjusting for specific one-off items: the impairment charges recognised on the PP&E and E&E assets during the year following a significant decrease in commodity and oil & gas prices. Normalised profit before tax is considered a more appropriate and less volatile measure reflecting the underlying scale of the Group.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of US$800,000 (2015: US$1.0 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## An overview of the scope of our audit

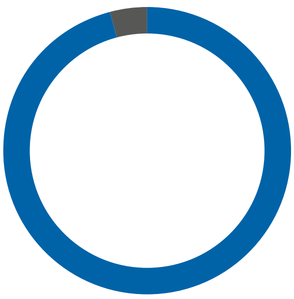
Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused our group audit scope primarily on the audit work at 17 locations (2015: 16 locations). 13 of these were subject to a full audit, whilst the remaining 4 were subject to an audit of specified account balances where the extent of our

**Normalised profit before tax** (%)



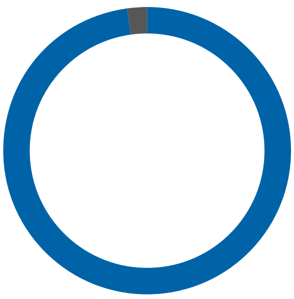
98% Full scope
2% Specific procedures

**Total revenue** (%)



96% Full scope
4% Specific procedures

**Net assets** (%)



98% Full scope
2% Specific procedures

# Independent Auditor's Report continued
## To the Members of Vedanta Resources plc

testing was based on our assessment of the risks of material misstatement and of the materiality of the group's operations at those locations (2015: 12 and 4 respectively). An additional location was scoped in in the current year as a result of the lower materiality.

These 17 locations represent the principal business units and account for 98% (2015: 94%) of the Group's net assets, 96% (2015: 100%) of the Group's revenue and 98% (2015: 91%) of the Group's normalised profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the 17 locations was executed at levels of materiality between US$18 million and US$22 million (2015: US$22.5 million and US$27.5 million), as applicable to each individual entity.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The group audit team continued to follow a programme of planned visits that has been designed so that the Senior Statutory Auditor or a senior member of the group audit team visits significant locations where the group audit scope was focused at least once every five years. At each six month reporting date we include the component audit partners and teams in our team briefing, discuss their risk assessment, and review documentation of the findings from their work.

### Opinion on other matters prescribed by the Companies Act 2006
In our opinion:
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception
#### Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

#### Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

#### Corporate Governance Statement
Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

#### Our duty to read other information in the Annual Report
Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:
- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

### Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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

### Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Christopher Thomas (Senior statutory auditor)**
**for and on behalf of Deloitte LLP**
Chartered Accountants and Statutory Auditor
London, United Kingdom
11 May 2016

# Consolidated Income Statement

| (US$ million except as stated) | Note | Year ended 31 March 2016 Before special items | Special items | Total | Year ended 31 March 2015 Before special items | Special items | Total |
|---|---|---|---|---|---|---|---|
| Revenue | 4 | 10,737.9 | – | 10,737.9 | 12,878.7 | – | 12,878.7 |
| Cost of sales | | (9,241.1) | – | (9,241.1) | (10,463.9) | – | (10,463.9) |
| **Gross profit** | | **1,496.8** | **-** | **1,496.8** | **2,414.8** | **-** | **2,414.8** |
| Other operating income | | 101.7 | – | 101.7 | 104.0 | – | 104.0 |
| Distribution costs | | (223.8) | – | (223.8) | (245.2) | – | (245.2) |
| Administrative expenses | | (493.5) | – | (493.5) | (538.1) | – | (538.1) |
| Special items | 5 | – | (5,210.1) | (5,210.1) | – | (6,744.2) | (6,744.2) |
| **Operating profit/(loss)** | | **881.2** | **(5,210.1)** | **(4,328.9)** | **1,735.5** | **(6,744.2)** | **(5,008.7)** |
| Investment revenue | 6 | 697.8 | – | 697.8 | 832.6 | – | 832.6 |
| Finance costs | 7 | (1,280.4) | – | (1,280.4) | (1,387.2) | – | (1,387.2) |
| Other gains and (losses) [net] | 8 | (72.5) | – | (72.5) | (76.9) | – | (76.9) |
| **Profit/(loss) before taxation (a)** | | **226.1** | **(5,210.1)** | **(4,984.0)** | **1,104.0** | **(6,744.2)** | **(5,640.2)** |
| Tax credit – special items | 12 | – | 1,737.4 | 1,737.4 | – | 2,205.1 | 2,205.1 |
| Net tax expense – others | 12 | (255.5) | – | (255.5) | (352.6) | – | (352.6) |
| **Net tax credit/(expense) (b)** | 12 | **(255.5)** | **1,737.4** | **1,481.9** | **(352.6)** | **2,205.1** | **1,852.5** |
| **(Loss)/profit for the year from continuing operations (a+b)** | 9 | **(29.4)** | **(3,472.7)** | **(3,502.1)** | **751.4** | **(4,539.1)** | **(3,787.7)** |
| **Attributable to:** | | | | | | | |
| Equity holders of the parent | | (392.9) | (1,444.5) | (1,837.4) | (74.7) | (1,723.9) | (1,798.6) |
| Non-controlling interests | | 363.5 | (2,028.2) | (1,664.7) | 826.1 | (2,815.2) | (1,989.1) |
| **Profit/(loss) for the year from continuing operations** | | **(29.4)** | **(3,472.7)** | **(3,502.1)** | **751.4** | **(4,539.1)** | **(3,787.7)** |
| **Loss per share (US cents)** | | | | | | | |
| Basic loss per ordinary share | 13 | (142.4) | (523.4) | (665.8) | (27.2) | (627.3) | (654.5) |
| Diluted loss per ordinary share | 13 | (142.4) | (523.4) | (665.8) | (27.2) | (627.3) | (654.5) |

# Consolidated Statement of Comprehensive Income

| (US$ million) | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| **Loss for the year from continuing operations** | **(3,502.1)** | **(3,787.7)** |
| **Income and expenses recognised directly in equity:** | | |
| **Items that will not be reclassified subsequently to income statement:** | | |
| Remeasurement of net defined benefit plans | 8.0 | (14.0) |
| Tax effects on items recognised directly in equity | (2.5) | 4.6 |
| **Total (a)** | **5.5** | **(9.4)** |
| **Items that may be reclassified subsequently to income statement:** | | |
| Exchange differences arising on translation of foreign operations | (810.2) | (582.0) |
| Gain in fair value of available-for-sale financial assets (Note 18) | 2.3 | 2.1 |
| Loss in fair value of cash flow hedges deferred in reserves | (24.5) | (27.4) |
| Tax effects arising on cash flow hedges deferred in reserves | (2.8) | 0.8 |
| Gain in fair value of cash flow hedges transferred to income statement | (3.0) | (17.8) |
| Tax effects arising on cash flow hedges transferred to income statement | 1.6 | 6.0 |
| **Total (b)** | **(836.6)** | **(618.3)** |
| **Other comprehensive loss for the year (a+b)** | (831.1) | (627.7) |
| **Total comprehensive loss for the year** | **(4,333.2)** | **(4,415.4)** |
| Attributable to: | | |
| Equity holders of the parent | (2,223.6) | (2,089.8) |
| Non-controlling interests | (2,109.6) | (2,325.6) |
| **Total comprehensive loss for the year** | **(4,333.2)** | **(4,415.4)** |

# Consolidated Balance Sheet

| (US$ million) | Note | As at year ended 31 March 2016 | As at year ended 31 March 2015 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill | 15 | 16.6 | 16.6 |
| Intangible assets | 16 | 92.2 | 101.9 |
| Property, plant and equipment | 17 | 16,647.8 | 23,352.0 |
| Financial asset investments | 18 | 6.5 | 4.2 |
| Non-current tax assets | | 361.7 | 394.0 |
| Other non-current assets | 19 | 237.9 | 156.0 |
| Financial instruments (derivatives) | 29 | 0.8 | 0.2 |
| Deferred tax assets | 31 | 1,255.4 | 1,252.6 |
| | | **18,618.9** | **25,277.5** |
| **Current assets** | | | |
| Inventories | 20 | 1,365.8 | 1,605.7 |
| Trade and other receivables | 21 | 1,344.3 | 1,839.2 |
| Financial instruments (derivatives) | 29 | 18.3 | 16.6 |
| Current tax assets | | 35.5 | 40.1 |
| Liquid investments | 22 | 8,508.2 | 7,856.1 |
| Cash and cash equivalents | 23 | 428.3 | 353.7 |
| | | **11,700.4** | **11,711.4** |
| **Total assets** | | **30,319.3** | **36,988.9** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Short-term borrowings | 24 | (3,726.6) | (3,179.2) |
| Convertible bonds | 28 | (587.2) | – |
| Trade and other payables | 27a | (5,876.1) | (4,730.0) |
| Financial instruments (derivatives) | 29 | (67.7) | (45.7) |
| Retirement benefits | 33 | (4.9) | (12.7) |
| Provisions | 30 | (132.1) | (140.8) |
| Current tax liabilities | | (17.0) | (74.2) |
| | | **(10,411.6)** | **(8,182.6)** |
| **Net current assets** | | **1,288.8** | **3,528.8** |
| **Non-current liabilities** | | | |
| Medium and long-term borrowings | 24 | (11,949.5) | (12,385.6) |
| Convertible bonds | 28 | – | (1,103.0) |
| Trade and other payables | 27b | (223.5) | (194.3) |
| Financial instruments (derivatives) | 29 | (1.2) | (0.1) |
| Deferred tax liabilities | 31 | (620.2) | (2,588.7) |
| Retirement benefits | 33 | (61.6) | (61.9) |
| Provisions | 30 | (187.4) | (203.4) |
| Non-equity non-controlling interests | 25 | (11.9) | (11.9) |
| | | **(13,055.3)** | **(16,548.9)** |
| **Total liabilities** | | **(23,466.9)** | **(24,731.5)** |
| **Net assets** | | **6,852.4** | **12,257.4** |

# Consolidated Balance Sheet continued

| (US$ million) | Note | As at year ended 31 March 2016 | As at year ended 31 March 2015 |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 35 | 30.1 | 30.0 |
| Share premium | | 201.5 | 198.5 |
| Treasury shares | | (557.2) | (556.9) |
| Share-based payment reserve | 32 | 29.9 | 27.4 |
| Convertible bond reserve | | 6.0 | 38.4 |
| Hedging reserve | | (87.7) | (74.7) |
| Other reserves | | (1.4) | 339.9 |
| Retained earnings | | (334.0) | 1,600.5 |
| Equity attributable to equity holders of the parent | | (712.8) | 1,603.1 |
| Non-controlling interests | 36 | 7,565.2 | 10,654.3 |
| **Total equity** | | **6,852.4** | **12,257.4** |

Financial statements of Vedanta Resources plc, registration number 4740415, were approved by the Board of Directors on 11 May 2016 and signed on their behalf by:

**Tom Albanese**
**Chief Executive Officer**

# Consolidated Cash Flow Statement

| (US$ million) | Note | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|---|
| **Operating activities** | | | |
| Loss before taxation | | (4,984.0) | (5,640.2) |
| **Adjustments for:** | | | |
| Depreciation and amortisation | | 1,455.2 | 2,005.7 |
| Investment revenue | | (697.8) | (832.6) |
| Finance costs | | 1,280.4 | 1,387.2 |
| Other gains and (losses) | | 72.5 | 76.9 |
| Loss on disposal of property, plant and equipment | | 1.5 | 4.6 |
| Write-off of unsuccessful exploration costs | | 4.5 | 128.7 |
| Share-based payment charge | | 15.6 | 28.6 |
| Impairment of mining reserves and assets | | 5,187.0 | 6,694.4 |
| Other non-cash items | | 2.7 | 40.8 |
| **Operating cash flows before movements in working capital** | | **2,337.6** | **3,894.1** |
| Decrease in inventories | | 163.7 | 40.0 |
| (Increase)/decrease in receivables | | 343.3 | (134.5) |
| Increase in payables | | 657.4 | 225.2 |
| **Cash generated from operations** | | **3,502.0** | **4,024.8** |
| Dividends received | | 0.3 | 0.3 |
| Interest income received | | 633.1 | 587.7 |
| Interest paid | | (1,268.4) | (1,334.0) |
| Income taxes paid | | (354.7) | (601.7) |
| Dividends paid | | (110.6) | (171.3) |
| **Net cash inflow from operating activities** | | **2,401.7** | **2,505.8** |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment and intangibles | | (872.4) | (2,289.1) |
| Proceeds on disposal of property, plant and equipment | | 10.0 | 25.7 |
| Sale/(purchase) of liquid investments | 26 | (999.9) | 671.7 |
| **Net cash used in investing activities** | | **(1,862.3)** | **(1,591.7)** |
| **Cash flows from financing activities** | | | |
| Issue of ordinary shares | | 0.1 | 0.2 |
| Purchase of shares under DSBP scheme | | (0.9) | |
| Dividends paid to non-controlling interests of subsidiaries | | (325.5) | (340.4) |
| Acquisition of additional interests in subsidiaries/share buyback by subsidiary | | – | (819.1) |
| Decrease in short-term borrowings | 26 | (1,022.1) | (818.8) |
| Proceeds from long-term borrowings | 26 | 2,383.2 | 3,748.1 |
| Repayment of long-term borrowings | 26 | (958.0) | (2,698.0) |
| Buyback of convertible bond | | (523.6) | – |
| **Net cash used in financing activities** | | **(446.8)** | **(928.0)** |
| **Net increase/(decrease) in cash and cash equivalents** | 26 | 92.6 | (13.9) |
| Effect of foreign exchange rate changes | 26 | (18.0) | (1.8) |
| Cash and cash equivalents at beginning of year | | 353.7 | 369.4 |
| **Cash and cash equivalents at end of year** | 23 & 26 | **428.3** | **353.7** |

# Consolidated Statement of Changes in Equity

| (US$ million) | Attributable to equity holders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital (Note 35) | Share premium | Treasury shares | Share-based payment reserves | Convertible bond reserve | Hedging reserve | Other reserves[1] | Retained earnings | Total | Non-controlling interests | Total equity |
| **At 1 April 2015** | **30.0** | **198.5** | **(556.9)** | **27.4** | **38.4** | **(74.7)** | **339.9** | **1,600.5** | **1,603.1** | **10,654.3** | **12,257.4** |
| Loss for the year | – | – | – | – | – | – | – | (1,837.4) | (1,837.4) | (1,664.7) | (3,502.1) |
| Other comprehensive loss for the year | – | – | – | – | – | (13.0) | (373.2) | – | (386.2) | (444.9) | (831.1) |
| **Total comprehensive loss for the year** | **–** | **–** | **–** | **–** | **–** | **(13.0)** | **(373.2)** | **(1,837.4)** | **(2,223.6)** | **(2,109.6)** | **(4,333.2)** |
| Acquisition of shares under DSBP scheme | – | – | (0.3) | – | – | – | – | (0.6) | (0.9) | – | (0.9) |
| Convertible bond transfer (Note 28) | – | – | – | – | (24.6) | – | – | 24.6 | – | – | – |
| Conversion of bond into equity | 0.0 | 3.0 | – | – | (0.1) | – | – | – | 2.9 | – | 2.9 |
| Convertible bond buyback | – | – | – | – | (7.7) | – | – | 5.1 | (2.6) | – | (2.6) |
| Transfers[1] | – | – | – | – | – | – | 31.9 | (31.9) | – | – | – |
| Dividends paid/ payable (Note 14) | – | – | – | – | – | – | – | (110.6) | (110.6) | (979.5) | (1,090.1) |
| Exercise of LTIP awards | 0.1 | – | – | (13.1) | – | – | – | 13.1 | 0.1 | – | 0.1 |
| Recognition of share-based payment (Note 32) | – | – | – | 15.6 | – | – | – | – | 15.6 | – | 15.6 |
| Others[3] | – | – | – | – | – | – | – | 3.2 | 3.2 | – | 3.2 |
| **At 31 March 2016** | **30.1** | **201.5** | **(557.2)** | **29.9** | **6.0** | **(87.7)** | **(1.4)** | **(334.0)** | **(712.8)** | **7,565.2** | **6,852.4** |

| (US$ million) | Attributable to equity holders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital (Note 35) | Share premium | Treasury shares | Share-based payment reserves | Convertible bond reserve | Hedging reserve | Other reserves[1] | Retained earnings | Total | Non-controlling interests | Total equity |
| **At 1 April 2014** | **29.8** | **198.5** | **(556.9)** | **46.9** | **80.1** | **(50.4)** | **471.6** | **3,790.8** | **4,010.4** | **13,964.4** | **17,974.8** |
| Loss for the year | – | – | – | – | – | – | – | (1,798.6) | (1,798.6) | (1,989.1) | (3,787.7) |
| Other comprehensive loss for the year | – | – | – | – | – | (24.3) | (266.9) | – | (291.2) | (336.5) | (627.7) |
| **Total comprehensive loss for the year** | **–** | **–** | **–** | **–** | **–** | **(24.3)** | **(266.9)** | **(1,798.6)** | **(2,089.8)** | **(2,325.6)** | **(4,415.4)** |
| Convertible bond transfer (Note 28) | – | – | – | – | (41.7) | – | – | 41.7 | – | – | – |
| Transfers[1] | – | – | – | – | – | – | 135.2 | (135.2) | – | – | – |
| Dividends paid (Note 14) | – | – | – | – | – | – | – | (171.3) | (171.3) | (340.4) | (511.7) |
| Additional investment in subsidiary/share buyback by subsidiary | – | – | – | – | – | – | – | (175.0) | (175.0) | (644.1) | (819.1) |
| Exercise of LTIP awards | 0.2 | – | – | (48.1) | – | – | – | 48.1 | 0.2 | – | 0.2 |
| Recognition of share-based payment (Note 32) | – | – | – | 28.6 | – | – | – | – | 28.6 | – | 28.6 |
| **At 31 March 2015** | **30.0** | **198.5** | **(556.9)** | **27.4** | **38.4** | **(74.7)** | **339.9** | **1,600.5** | **1,603.1** | **10,654.3** | **12,257.4** |

## Other reserves comprise[1]

| (US$ million) | Currency translation reserve | Merger reserve[2] | Investment revaluation reserve | General reserves | Total |
|---|---|---|---|---|---|
| **At 1 April 2014** | **(1,612.7)** | **4.4** | **1.2** | **2,078.7** | **471.6** |
| Exchange differences on translation of foreign operations | (263.8) | – | – | – | (263.8) |
| Gain in fair value of available-for-sale financial assets | – | – | 1.4 | – | 1.4 |
| Remeasurements | – | – | – | (4.5) | (4.5) |
| Transfer from retained earnings[1] | – | – | – | 135.2 | 135.2 |
| **At 1 April 2015** | **(1,876.5)** | **4.4** | **2.6** | **2,209.4** | **339.9** |
| Exchange differences on translation of foreign operations | (378.7) | – | – | – | (378.7) |
| Gain in fair value of available-for-sale financial assets | – | – | 1.5 | – | 1.5 |
| Remeasurements | – | – | – | 4.0 | 4.0 |
| Transfer from retained earnings[1] | – | – | – | 31.9 | 31.9 |
| **At 31 March 2016** | **(2,255.2)** | **4.4** | **4.1** | **2,245.3** | **(1.4)** |

1 Transfer to general reserve during the year ended 31 March 2016 and 31 March 2015 includes US$31.9 million and US$30.0 million of debenture redemption reserve respectively.
2 The merger reserve arose on incorporation of the Company during the year ended 31 March 2004. The investment in Twin Star had a carrying amount value of US$20.0 million in the accounts of Volcan. As required by the Companies Act 1985, Section 132, upon issue of 156,000,000 ordinary shares to Volcan, Twin Star's issued share capital and share premium account have been eliminated and a merger reserve of US$4.4 million arose, being the difference between the carrying value of the investment in Twin Star in Volcan's accounts and the nominal value of the shares issued to Volcan.
3 Others: US$3.2 million of tax refund received on appropriatoin of reserves in BALCO.

# Notes to the Financial Statements

## 1. Presentation of financial statements

**General information**

Vedanta Resources plc (the Company) is a company incorporated and domiciled in the United Kingdom and is a London listed diversified global natural resources major. The Group produces aluminium, copper, zinc, lead, silver, iron ore, oil & gas and commercial energy. Vedanta has operations in India, Zambia, Namibia, South Africa, Ireland, Liberia and Australia. These financial statements are presented in US dollars being the functional currency of the Company and all values are rounded to one decimal of the nearest million except where other otherwise indicated.

**Compliance with applicable law and IFRS**

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

**Basis of preparation**

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, available-for-sale financial assets, liquid investments and defined benefit pension obligations that have been measured at fair value as per the principles of Fair value measurement under IFRS 13.

The following standards have been issued but not yet effective up to the date of authorisation of these financial statements (and in some cases had not yet been adopted by EU):

**IFRS 9 – Financial Instruments**

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 – Financial Instruments. The standard reduces the complexity of the current rules on financial instruments as mandated in IAS 39. IFRS 9 has fewer classification and measurement categories as compared to IAS 39 and has eliminated the categories of held to maturity, available for sale and loans and receivables. Further it eliminates the rule based requirement of segregating embedded derivatives and tainting rules pertaining to held to maturity investments. For an investment in an equity instrument which is not held for trading, IFRS 9 permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss. It requires the entity, which chooses to measure a liability at fair value, to present the portion of the fair value change attributable to the entity's own credit risk in the other comprehensive income. IFRS 9 replaces the 'incurred loss model' in IAS 39 with an 'expected credit loss' model. The measurement uses a dual measurement approach, under which the loss allowance is measured as either 12 month expected credit losses or lifetime expected credit losses. The standard also introduces new presentation and disclosure requirements. The effective date for adoption of IFRS 9 is annual periods beginning on or after 1 January 2018, though early adoption is permitted.

**IFRS 15 – Revenue from Contracts with Customers**

IFRS 15 – Revenue from Contracts with Customers outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard replaces most current revenue recognition guidance, including industry-specific guidance. The core principle of the new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively including service revenues and contract modifications and improve guidance for multiple-element arrangements. The new standard will come into effect for the annual reporting periods beginning on or after 1 January 2018 with early application permitted.

**IFRS 16 – Leases**

IFRS 16 – Leases specifies recognition, measurement and disclosure criteria for leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The new standard will come into effect for the annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted if IFRS 15 – Revenue from Contracts with Customers has also been applied.

Teh following other standards, improvements and amendments to the standards have been issued up to the date of authorisation of these financial statements.

- IFRS 14 – Regulatory Deferral Accounts
- Amendments to IAS 1: Disclosure Initiative
- Annual Improvements to IFRSs: 2012-2014 Cycle
- Amendments to IAS 27: Equity method in separate financial statements
- Amendments to IAS 16 and IAS 41: Bearer plants
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 7: Statement of cash flows on disclosure initiative
- Amendments to IAS 12: 'Income taxes' on Recognition of deferred tax assets for unrealised losses
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities: Applying the Consolidation Exemption

The Group is evaluating the requirements of these standards, improvements and amendments and has not yet determined the impact on the consolidated financial statements.

## 1. Presentation of financial statements continued

### Adoption of new and revised standards and pronouncements

The Group has adopted, with effect from 1 April 2015, the following new amendment and pronouncements. Their adoption has not had any significant impact on the amounts reported in the financial statements.

Amendments to IAS 19: Defined benefit plans: Employee Contributions

Annual improvements to IFRSs: 2010-2012 Cycle

Annual improvements to IFRSs: 2011–2013 Cycle

The Group has not early adopted any other amendments, standards or interpretations that have been issued but are not yet effective.

### 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 Strategic Report.

### Parent Company financial statements

The financial statements of the parent Company, Vedanta Resources plc, incorporated in United Kingdom, have been prepared in accordance with FRS 101 and UK company law. The Company Balance Sheet is presented in Note 46.

## 2(a) Accounting policies

### (i) Basis of consolidation

#### Subsidiaries

The consolidated financial information incorporates the results of the Company and all its subsidiaries (the Group), being the companies that it controls. Control is evidenced where the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power is demonstrated through existing rights that give the ability to direct relevant activities, which significantly affect the entity returns.

The financial statements of subsidiaries are prepared for the same reporting year as the parent Company. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with accounting policies used by the Group.

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

For acquisitions of additional interests in subsidiaries, where there is no change in control, the Group recognises a reduction to the non-controlling interest of the respective subsidiary with the difference between this figure and the cash paid, inclusive of transaction fees, being recognised in equity. In addition, upon dilution of controlling interests the difference between the cash received from sale or listing of the subsidiary shares and the increase to non-controlling interest is also recognised in equity. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-company 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.

#### Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is considered when there is contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

### (ii) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and 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 or services have been provided. This is usually when the title passes to the customer as per the contract.

Certain of the Group's 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.

# Notes to the Financial Statements continued

## 2(a) Accounting policies continued

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

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

Revenue from the sale of power is recognised when the electricity is supplied and measured based on contractually agreed tariff rates as approved by the electricity regulatory authorities.

Revenues from sale of material by-products are recognised when the significant risks and rewards of ownership of the goods sold are transferred to the customer.

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.

### (iii) Special items

Special items are those items that management considers, by virtue of their size or incidence (including but not limited to impairment charges and acquisition and restructuring related costs), should be disclosed separately to ensure that the financial information allows an understanding of the underlying performance of the business in the year, so as to facilitate comparison with prior periods. Also tax charges related to Special items and certain one-time tax effects are considered Special. Such items are material by nature or amount to the year's result and require separate disclosure in accordance with IAS 1 paragraph 97. The determination as to which items should be disclosed separately requires a degree of judgement.

### (iv) 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 acquisition method. The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair value at the acquisition date, except certain assets and liabilities required to be measured as per the applicable standards.

The identifiable assets, liabilities and contingent liabilities of a subsidiary, a joint arrangement or an associate, which can be measured reliably, are recorded at their provisional fair values at the date of acquisition. The difference between the fair value of the consideration transferred (including contingent consideration and previously held non-controlling interests) and the Group's share of the fair value of the identifiable net assets on acquisition is recognised as goodwill. Goodwill arising on acquisitions is reviewed for impairment at least 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.

Any non-controlling interest in an acquiree is measured at fair value or as the non-controlling interest's proportionate share of the acquiree's identifiable net assets, excluding goodwill. This accounting choice is made on a transaction-by-transaction basis.

Acquisition expenses are charged to the income statement.

If the Group acquires a group of assets or equity in a company that does not constitute a business combination in accordance with IFRS 3 Business Combinations (2008 revised), the cost of the acquired group of assets or equity is allocated to the individual identifiable assets acquired based on their relative fair value.

### (v) Intangible assets

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses, if any. The Group determines the amortisation period as the period over which the future economic benefits will flow to the Group after taking into account all relevant facts and circumstances. Amortisation method, residual values and estimated useful life of intangible assets are reviewed annually or more frequently if events or changes in circumstances indicate a potential impairment. The Group does not have any indefinite life intangible assets.

Intangible assets arising out of service concession arrangements are accounted for as intangible assets where the Company has a contractual right to charge users of services when the projects are completed and is measured at the cost of such construction services completed. Such assets are amortised on a straight line basis over the balance of license period, usually between 3 to 30 years.

### (vi) Property, plant and equipment

#### Relating to mineral assets – Mining properties and leases

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.

**2(a) Accounting policies** continued

When a decision is taken that a mining property is viable for commercial production (i.e. when the Group determines that the mining property will provide sufficient and sustainable returns relative to the risk and decides to proceed with the development), all further pre-production primary development expenditure other than land, buildings, plant and equipment is capitalised as part of the cost of the mining property until the mining property is capable of commercial production. From that point, capitalised mining properties and lease costs are amortised on a unit-of-production basis over the total estimated remaining commercial reserves of each property or group of properties.

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

Exploration and evaluation expenditure incurred after obtaining the right to mine or the legal right to explore, is capitalised as property, plant and equipment and stated at cost less any impairment. Exploration and evaluation assets are transferred to the appropriate category of property, plant and equipment when the technical feasibility and commercial viability has been determined. Exploration and evaluation assets are assessed for impairment and impairment loss, if any, is recognised prior to reclassification. Exploration and evaluation expenditure incurred prior to obtaining the mining right or the legal right to explore is expensed as incurred.

Exploration expenditure includes all direct and allocated indirect expenditure associated with finding specific mineral resources which includes depreciation and applicable operating costs of related support equipment and facilities and other costs of exploration activities:

- Acquisition costs – costs associated with acquisition of licenses and rights to explore, including related professional fees.
- General exploration costs – costs of surveys and studies, rights of access to properties to conduct those studies (e.g. costs incurred for environment clearance, defence clearance, etc.), and salaries and other expenses of geologists, geophysical crews and other personnel conducting those studies.
- Costs of exploratory drilling and equipping exploratory and appraisal wells.

The stripping cost incurred during the production phase of a surface mine is deferred to the extent the current period stripping cost exceeds the average period stripping cost over the life of mine and recognised as an asset if such cost provides a benefit in terms of improved access to ore in future periods and certain criteria are met. Deferred stripping costs are included in mining properties within property, plant and equipment and disclosed as a part of mining properties. After initial recognition, the stripping activity asset is depreciated on a unit of production method over the expected useful life of the identified component of the ore body.

In circumstances where a mining property is abandoned, the cumulative capitalised costs relating to the property are written off in the period in which it occurs i.e. when the Group determines that the mining property will not provide sufficient and sustainable returns relative to the risks and the Group decides not to proceed with the mine development.

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

**Relating to oil & gas assets – Exploration and evaluation assets and developing/producing assets**

For oil & gas assets a successful efforts based accounting policy is followed. Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the income statement. Expenditure incurred on the acquisition of a license interest is initially capitalised on a license-by-license basis. Costs are held, are not amortised or depreciated, within exploration and evaluation assets until such time as the exploration phase on the license area is complete or commercial reserves have been discovered.

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

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

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

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

# Notes to the Financial Statements continued

## 2(a) Accounting policies continued

**Other property, plant and equipment**

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

**(vii) 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 and depreciation commences (see below). Costs associated with the commissioning of an asset and any obligatory decommissioning costs are capitalised where the asset is available for use but incapable of operating at normal levels until a period of commissioning has been completed. Revenue generated from production during the trial period is capitalised. Borrowing costs and certain foreign exchange gains or losses are in certain circumstances capitalised in the cost of the asset under construction. This policy is set out under 'Borrowing Costs'.

**(viii) Depreciation and amortisation**

**Relating to mining properties**

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

**Relating to oil & gas assets**

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

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

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

**Others**

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 and administration | 30–60 years |
| Plant and machinery | 15–40 years |
| Office equipment and fixtures | 5–10 years |
| Motor vehicles | 8–10 years |

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

Major overhaul costs are depreciated over the estimated life of the economic benefit to be 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.

## 2(a) Accounting policies continued

### (ix) Impairment

#### Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the consolidated statements of income. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in the consolidated statements of comprehensive income is transferred to the consolidated statements of income on recognition of impairment. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the consolidated statements of income. For available-for-sale financial assets that are equity securities, the change in fair value is recognised directly in the consolidated statements of comprehensive income.

The allowance accounts in respect of trade and other receivables are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

#### Non-financial assets

Impairment charges and reversals are assessed at the level of cash-generating units. A cash-generating unit (CGU) is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Formal impairment tests are carried out annually for goodwill. In addition, formal impairment tests for all assets are performed when there is an indication of impairment. The Group conducts an internal review of asset values annually, which is used as a source of information to assess for any indications of impairment or reversal of previously recognised impairment losses. External factors, such as changes in expected future prices, costs and other market factors are also monitored to assess for indications of impairment or reversal of previously recognised impairment losses.

If any such indication exists then an impairment review is undertaken, the recoverable amount is calculated, as the higher of fair value less costs of disposal and the asset’s value in use.

Fair value less costs of disposal is the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general. Fair value for mineral and oil & gas assets is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted at an appropriate post tax discount rate to arrive at the net present value.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. The cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. Value in use is determined by applying assumptions specific to the Group’s continued use and cannot take into account future development. These assumptions are different to those used in calculating fair value and consequently the value in use calculation is likely to give a different result to a fair value calculation.

The carrying amount of the CGU is determined on a basis consistent with the way the recoverable amount of the CGU is determined. The carrying amount includes the deferred tax liability recognised in the fair value of the assets acquired in a business combination.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised in the income statement.

Any reversal of the previously recognised impairment loss is limited to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.

# Notes to the Financial Statements continued

## 2(a) Accounting policies continued

### Exploration and evaluation assets

In assessing whether there is any indication that an exploration and evaluation asset may be impaired, the Company considers, as a minimum, the following indications

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale; and
- reserve information prepared annually by external experts.

When a potential impairment is identified, an assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash-generating unit) to which the exploration and evaluation assets is attributed. Exploration areas in which reserves have been discovered but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is under way or planned. To the extent that capitalised expenditure is no longer expected to be recovered, it is charged to the income statement.

### (x) Non-current assets held for sale and discontinued operations

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

### (xi) 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.

### (xii) Inventories

Inventories and work-in-progress are stated at the lower of cost and net realisable value.

Cost is determined on the following basis:

- 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; except at Cairn where stores and spares are valued on a FIFO 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.

### (xiii) Taxation

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

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

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

- tax payable on the future remittance of the past earnings of subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future;
- deferred income tax is not recognised on the impairment of goodwill 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 which, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- deferred tax assets are recognised only to the extent that it is more likely than not that they will be recovered.

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

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

## 2(a) Accounting policies continued

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

**(xiv) Retirement benefit schemes**

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

For defined benefit schemes the cost of providing benefits under the plans is determined each year separately for each plan using the projected unit credit method by independent qualified actuaries.

Actuarial gains and losses arising in the year are recognised in other comprehensive income and are not recycled to the income statement.

Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into current service cost, past service cost, net interest expense or income and remeasurement.

Current service cost and past service costs is recognised within cost of sales and administrative expenses. Net interest expense or income is recognised within finance costs.

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.

**(xv) 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 with the assistance of 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.

**(xvi) 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.

**(xvii) Restoration, rehabilitation and environmental costs**

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mine or oil fields. Costs arising from the decommissioning of plant and other site preparation work are provided for based on their discounted net present value, with a corresponding amount being capitalised at the start of each project. The amount provided for is recognised, 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.

**(xviii) Operating leases**

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

# Notes to the Financial Statements continued

## 2(a) Accounting policies continued

**(xix) Finance leases**

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

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

**(xx) 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 with the exception of KCM and Cairn which has a US dollar functional currency as that is the currency of primary economic environment in which it operates. In the financial statements of individual Group companies, transactions in currencies other than the functional currency are translated into the functional currency at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in other currencies are translated into the functional currency at exchange rates prevailing on the balance sheet date.

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

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

On disposal of entities with a different functional currency to the Company's functional currency, the deferred cumulative exchange differences recognised in equity relating to that particular operation are reclassified to the income statement.

**(xxi) Financial asset investments**

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

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

Investments in equity instruments are recorded in non-current assets unless they are expected to be sold within one year.

**(xxii) Liquid investments**

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

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

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

**(xxiii) 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.

**(xxiiii) Trade receivables**

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. An allowance for impairment of 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.

**(xxv) Trade payables**

Trade payables are stated at their nominal value.

## 2(a) Accounting policies continued

### (xxvi) Bills of exchange payable

The Group enters into arrangements whereby financial institutions make direct payments to suppliers for raw materials and project materials. The financial institutions are subsequently repaid by the Company at a later date providing working capital timing benefits. These are normally settled up to 12 months (for raw materials) and up to 36 months (for project materials). Where these arrangements are for raw materials with a maturity of up to 12 months, the economic substance of the transaction is determined to be operating in nature and these are recognised as Bills of exchange (under trade and other payables). Where these arrangements are for project materials with a maturity up to 36 months, the economic substance of the transaction is determined to be financing in nature, and these are classified as projects buyers' credit within borrowings in the statement of financial position.

### (xxvii) Equity instruments

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

### (xxviii) 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 netted against the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### (xxix) 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 at the date of issuance 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 of the principal amount. The embedded derivative, a financial liability, represents the value of the option that bondholders have to convert into ordinary shares. At inception the embedded derivative is recorded at fair value and the remaining balance, after deducting a share of issue costs, is recorded as the debt component. Subsequently, the debt component is measured at amortised cost and the embedded derivative is measured at fair value at each balance sheet date with the change in the fair value recognised in the income statement. The embedded derivative and the debt component are disclosed together and the current/non-current classification follows the classification of the debt component which is the host contract.

### (xxx) Borrowing costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time that the assets are substantially ready for their intended use in accordance with the Group policy which is when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available out of money borrowed specifically to finance a project, the income generated from such short-term investments is also capitalised to reduce the total capitalised borrowing cost.

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

Capitalisation of interest on borrowings related to construction or development projects is ceased when substantially all the activities that are necessary to make the assets ready for their intended use are complete or when delays occur outside of the normal course of business.

### (xxxi) Available for sale financial assets

Listed equity shares and debt instruments held by the Group that are traded in an active market are classified as being available for sale (AFS) financial assets and are stated at fair value. Unrealised gains and losses on financial asset investments are recognised directly in equity. On disposal or impairment of the investments, the gains and losses in equity are recycled to the income statement. Dividends received from investees accounted for as equity instruments are recognised in the income statement when the right to receive the payment is established.

### (xxxii) Financial instruments fair valued through profit and loss

#### Held for trading financial assets

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

#### Derivative financial instruments

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

Derivative financial instruments are initially recorded at their fair value on the date of the derivative transaction and are re-measured at their fair value at subsequent balance sheet dates. The resultant gains or losses are recognised in the income statement unless these are designated as effective hedging instruments.

# Notes to the Financial Statements continued

## 2(a) Accounting policies continued

**(xxxiii) Hedge accounting**

The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement. The hedged item is recorded at fair value and any gain or loss is recorded in the income statement and is offset by the gain or loss from the change in the fair value of the derivative.

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

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

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 the income statement.

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 the host contracts and the host contracts are not carried at fair value with unrealised gains or losses recognised in the income statement.

**(xxxiv) Held-to-maturity financial assets**

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

## 2(b) Critical accounting judgement and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions, that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosures of contingent assets and liabilities at the date of these consolidated financial statements and the reported amounts of revenues and expenses for the years presented. Actual results may differ from these estimates under different assumptions and conditions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods affected. The Group considers the following areas as the key sources of estimation uncertainty:

**(i) Oil & gas reserves**

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

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

Changes in reserves as a result of factors such as production cost, recovery rates, grade of reserves or commodity prices could impact the depreciation rates, carrying value of assets and environmental and restoration provisions.

**(ii) Carrying value of exploration and evaluation fixed assets**

Where a project is sufficiently advanced the recoverability of IFRS 6 Exploration assets are assessed by comparing the carrying value to higher of fair value less cost of disposal or value in use. Change to the valuation of exploration assets is an area of judgement. Further details on the Group's accounting policies on this are set out in the accounting policy above. The amounts for exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain.

Details of impairment charge and the assumptions used are disclosed in Note 5.

## 2(b) Critical accounting judgement and estimation uncertainty continued

### (iii) Carrying value of developing/producing oil & gas assets

Management perform impairment tests on the Group's developing/producing oil & gas assets where indicators of impairment are identified in accordance with IAS 36.

The impairment assessments are based on a range of estimates and assumptions, including:

| Estimates/assumptions | Basis |
|---|---|
| **Future production** | proved and probable reserves, resource estimates and, in certain cases, expansion projects |
| **Commodity prices** | management's best estimate benchmarked with external sources of information, to ensure they are within the range of available analyst forecast |
| **Discount to price** | management's best estimate based on historical prevailing discount |
| **Extension of PSC** | assumed that PSC for Rajasthan block would be extended until 2030 on the same commercial terms |
| **Discount rates** | cost of capital risk-adjusted for the risk specific to the asset/CGU |

Other key assumptions in the impairment models based on management expectations are that government approval will be received for new projects and projects will be successfully implemented as planned.

Any subsequent changes to cash flows due to changes in the above mentioned factors could impact the carrying value of the assets.

Details of impairment charge and the assumptions used are disclosed in Note 5.

### (iv) Mining properties and leases

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

Management performs impairment tests when there is an indication of impairment. The impairment assessments are based on a range of estimates and assumptions, including:

| Estimates/assumptions | Basis |
|---|---|
| **Future production** | proved and probable reserves, resource estimates (with an appropriate conversion factor) considering the expected permitted mining volumes and, in certain cases, expansion projects |
| **Commodity prices** | management's best estimate benchmarked with external sources of information, to ensure they are within the range of available analyst forecast |
| **Exchange rates** | management's best estimate benchmarked with external sources of information |
| **Discount rates** | cost of capital risk-adjusted for the risk specific to the asset/CGU |

Details of impairment charge are disclosed in Note 5.

### (v) Useful economic lives and impairment of other assets

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

### (vi) Assessment of impairment at Lanjigarh Refinery

During the year, the Group has received the necessary approvals for expansion of the Lanjigarh refinery to 4 million tonnes per annum (mtpa). Approval for expansion from 4mtpa to 6mtpa is dependent upon certain conditions.

Accordingly, second stream operation has commenced in Alumina refinery from April 2016 thus, taking it to the debottlenecked capacity of 1.7–2.0mtpa (contingent on bauxite quality). Further ramp up to 4mtpa will be considered after tying up the local bauxite sources. The Group has considered the delay in tying up local bauxite sources as an indication of impairment. Hence, the Group has reviewed the carrying value of its property, plant and equipment at Lanjigarh as at balance sheet date, estimated the recoverable amounts of these assets and concluded that there was no impairment because the recoverable amount (estimated based on fair value less cost of disposal) exceeded the carrying amounts.

# Notes to the Financial Statements continued

## 2(b) Critical accounting judgement and estimation uncertainty continued

The key assumptions and estimates used in determining the fair value less cost of disposal of these assets were:

- The State of Odisha has abundant bauxite resources and under the terms of the Memorandum of Understanding (MOU) with the Government of Odisha, management is confident that bauxite will be made available in the short to medium term. The Company has entered into agreements with various suppliers internationally and domestically to ensure the availability of bauxite to run its refinery. In the initial years, the Company has assumed that bauxite will be purchased from third party suppliers in India and other countries, until the bauxite is sourced from own mines.
- The State of Odisha has taken certain measures including reservation of areas for mining operations or undertaking prospecting and constitution of Ministerial Committee for formulation of policy for supply of ores to Odisha based industries on long-term basis. GOI has amended the existing MMDR Act. The major change is in the process of grant of concessions i.e. from first come, first served basis to more transparent process of auction and to expedite the grant process.
- Management expects that the conditions for construction of the Alumina refinery beyond 4mtpa will be fulfilled and it is assumed that the final unconditional approval for the expansion of the refinery would be received for commencement of production by fiscal 2020.
- The Government of Odisha has cancelled all the old reservations for mine allotment and has formed a more transparent process of auction of mines under the MMDR Act, which will improve the chances of local bauxite availability.

Management expects that the mining approvals for various local bauxite mines will be received. The Group carries out impairment assessment for carrying value of these assets, every half year and challenges these assumptions.

The Group has carried out a sensitivity analysis on the key variables including delay in obtaining bauxite mining approval, appreciation of rupee against US dollar, discount rate and London Metal Exchange aluminium prices. The most significant variable is the estimated timeframe for obtaining regulatory approval for the mining and/or gaining access to local bauxite. The sensitivity analysis indicates that even if regulatory approvals for mines/access to local bauxite are delayed by a year, the recoverable amount is still expected to exceed the carrying value and costs. As at 31 March 2016 the carrying amount of property, plant and equipment related to Alumina refinery operations at Lanjigarh and related mining assets is US$1,079.0 million (31 March 2015: US$1,165 million).

### (vii) Assessment of impairment of Karnataka and Goa iron ore mines

#### Karnataka mining

The mining ban in Karnataka was lifted on 17 April 2013 and the mining operations resumed in December 2013. The mining operations were suspended since August 2014 pending environment clearances. On execution of Mining Lease Deed and final forest clearance, the operations were resumed towards the end of February 2015. Currently the permissible extraction capacity is fixed at 2.29mtpa which is based on lowest of Reserves and Resources (R&R) capacity, dumping capacity and road capacity as assessed by Indian Council of Forestry Research and Education. Subsequently, based on reassessment of R&R and other factors, the modified mining plan has been submitted to Indian Bureau of Mines in March 2016 for enhancement of production to 6mtpa. Management has estimated the recoverable amounts of these assets considering the increase in the extraction capacity in FY2017.

A delay of one year in increase in the allocated capacity would result in reduction in the recoverable amount by approximately 1% and the recoverable amount would continue to be sufficiently in excess of the carrying value.

The carrying value of assets as at 31 March 2016 is US$145.6 million (31 March 2015: US$168.1 million).

#### Goa mining

The Ministry of Environment and Forest revoked its earlier order which had kept the environment clearances for iron ore mines in Goa in abeyance. The State Government has issued a mining policy and has lifted the ban on iron ore mining in Goa. The Group has been allocated with an interim annual mining quantity of 6.9 million tonnes per annum (mtpa) (out of the total interim mining cap of 20mtpa for FY2016) of saleable ore.

The Expert Committee, constituted by the Supreme Court of India for conducting the Macro-Environmental Impact Assessment study on the ceiling of annual extraction of iron ore mining in Goa has recommended the enhancement of the mining cap to 30mtpa. This has been recommended to be further enhanced to 37mtpa after the review of the Macro-Environmental Impact Assessment and augmenting the carrying capacity. The report is pending for consideration of the Supreme Court. Post the Supreme Court clearance, the State Government will allocate the limits. It has been assumed that the allocation will be made based on the proportionate share of the current EC limits.

The mining operations resumed in October 2015. Management has estimated the recoverable amounts of these assets considering the mining cap of 30mtpa in FY2017 and 37mtpa from FY2018 and onwards.

A delay of one year in increase in the mining cap to 30mtpa and 37mtpa would result in a reduction in the recoverable amount by approximately 4% and the recoverable amount would continue to be sufficiently in excess of the carrying value.

The carrying value of assets as at 31 March 2016 is US$643.9 million (31 March 2015: US$736.3 million).

Management has reviewed the carrying value of Karnataka and Goa mining assets as at the balance sheet date, estimated the recoverable amounts of these assets and concluded that there was no impairment as the recoverable amount (estimated based on fair value less costs of disposal) exceeded the carrying amounts.

The Group has also carried out a sensitivity analysis on key variables including delay in increase in the mining cap, movement in iron ore prices, discount rate and appreciation of rupee against US dollar. Based on the sensitivity analysis, the recoverable amount is still expected to exceed the carrying value.

## 2(b) Critical accounting judgement and estimation uncertainty continued

**(viii) Assessment of impairment at Western Cluster Limited (WCL)**
The project in Liberia is at exploratory stage and considering the low iron ore prices and volatility, geo-political factors and no immediate plans for any substantive expenditure, the Group has impaired these assets fully.

Details of impairment charge are disclosed in Note 5.

**(ix) Assessment of impairment at Konkola Copper Mines (KCM)**
The KCM operations in Zambia have experienced the challenging price environment, rising electricity cost and other operational challenges. Due to these factors, the Group has reviewed the carrying value of its property, plant and equipment at KCM as at balance sheet date, estimated the recoverable amounts of the assets and concluded that there was no impairment because the recoverable amount (estimated based on fair value less costs of disposal) exceeded the carrying amounts.

The Group has also carried out a sensitivity analysis on key variables like movement in copper prices, discount rate and increase in production. Based on the sensitivity analysis, the recoverable amount is still expected to exceed the carrying value.

The carrying value of assets as at 31 March 2016 is US$1,744.9 million (31 March 2015: US$2,010.3 million).

**(x) 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 an annual basis on the basis of closure plans and the estimated discounted costs of dismantling and removing these facilities and the costs of restoration are capitalised as soon as the obligation to incur such costs arises. A corresponding provision is created on the liability side. The capitalised asset is charged to the income statement over the life of the operation through the depreciation of the asset 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. 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.

**(xi) 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 especially when taken in the context of the legal environment in India. The actual cash outflows may take 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. This is set out in Note 30.

**(xii) Contingencies and commitments**
In the normal course of business, contingent liabilities may arise from litigation, taxation and other claims against the Group. Where it is management's assessment that the outcome cannot be reliably quantified or is uncertain, the claims are disclosed as contingent liabilities unless the likelihood of an adverse outcome is remote. Such liabilities are disclosed in the notes but are not provided for in the financial statements.

While considering the possible, probable and remote analysis of taxation, legal and other claims, there is always a certain degree of judgement involved pertaining to the application of the legislation which in certain cases is supported by views of tax experts and/or earlier precedents in similar matters. Although there can be no assurance regarding the final outcome of the legal proceedings, the Group does not expect them to have a materially adverse impact on the Group's financial position or profitability. These are set out in Note 38 and Note 42.

**(xiii) The HZL and BALCO call options**
The Group had exercised its call option to acquire the remaining 49% interest in BALCO and 29.5% interest in HZL. The Government of India has, however, contested the validity of the options and disputed their valuation performed in terms of the relevant agreements, the details of which are set out in Note 39. In view of the lack of resolution on the options, the non-response to the exercise and valuation request from the Government of India, the resultant uncertainty surrounding the potential transaction and the valuation of the consideration payable, the Group considers the strike price of the options to be at fair value, accordingly, the value of the option would be nil, and hence, the call options have not been recognised in the financial statements.

## 3. Segment information

The Group is a diversified natural resources group engaged in exploring, extracting and processing minerals and oil & gas. We produce zinc, lead, silver, copper, aluminium, iron ore, oil & gas and commercial power and have presence across India, South Africa, Namibia, Ireland, Australia and Liberia. The Group is also in the business of port operations in India.

The Group's reportable segments defined in accordance with IFRS 8 are as follows:
- Zinc-India
- Zinc-International
- Oil & Gas
- Iron Ore
- Copper-India/Australia
- Copper-Zambia
- Aluminium
- Power

# Notes to the Financial Statements continued

## 3. Segment information continued

The components not meeting the quantitative threshold for reporting are being reported as 'Others'.

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. Business segment financial data includes certain corporate costs, which have been allocated on an appropriate basis. Inter-segment sales are charged based on prevailing market prices.

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 2016 and 31 March 2015. Items after operating profit are not allocated by segment.

**(a) Reportable segments**

**Year ended 31 March 2016**

| (US$ million) | Zinc-India | Zinc-International | Oil & Gas | Iron Ore | Copper-India/Australia | Copper-Zambia | Aluminium | Power | Total reportable segment | Elimination/Others | Total operations |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **REVENUE** | | | | | | | | | | | |
| Sales to external customers | 2,111.0 | 391.5 | 1,322.3 | 341.8 | 3,196.8 | 966.7 | 1,692.3 | 691.7 | 10,714.1 | 23.8 | 10,737.9 |
| **Inter-segment sales**[3] | – | – | – | 8.2 | 0.4 | 5.8 | 2.0 | 15.8 | 32.2 | (32.2) | – |
| **Segment revenue** | **2,111.0** | **391.5** | **1,322.3** | **350.0** | **3,197.2** | **972.5** | **1,694.3** | **707.5** | **10,746.3** | **(8.4)** | **10,737.9** |
| **Segment result** | | | | | | | | | | | |
| **EBITDA**[1] | 995.0 | 68.1 | 570.4 | 73.4 | 336.6 | (17.9) | 106.7 | 196.3 | 2,328.6 | 7.8 | 2,336.4 |
| **Depreciation and amortisation**[2] | | | | | | | | | | | (1,455.2) |
| Special items (Note 5) | | | | | | | | | | | (5,210.1) |
| **Operating loss** | | | | | | | | | | | **(4,328.9)** |
| Investment revenue | | | | | | | | | | | 697.8 |
| Finance costs | | | | | | | | | | | (1,280.4) |
| Other gains and (losses) (net) | | | | | | | | | | | (72.5) |
| **LOSS BEFORE TAXATION** | | | | | | | | | | | **(4,984.0)** |
| Segments assets | 8,034.7 | 544.3 | 7,391.5 | 1,432.2 | 1,351.8 | 2,208.7 | 5,915.1 | 3,205.9 | 30,084.2 | 88.1 | 30,172.3 |
| Unallocated assets | | | | | | | | | | | 147.1 |
| **TOTAL ASSETS** | | | | | | | | | | | **30,319.4** |
| Segment liabilities | (1,290.4) | (191.7) | (1,018.2) | (1,213.7) | (766.5) | (1,461.0) | (6,912.8) | (3,324.2) | (16,178.5) | (56.0) | (16,234.5) |
| Unallocated liabilities | | | | | | | | | | | **(7,232.4)** |
| **TOTAL LIABILITIES** | | | | | | | | | | | **(23,466.9)** |
| **Other segment information** | | | | | | | | | | | |
| Additions to property, plant and equipment and intangible assets | 239.9 | 58.5 | 214.3 | 14.8 | 18.4 | 27.6 | 119.6 | 50.3 | 743.4 | 7.3 | 750.7 |
| Depreciation and amortisation | (119.9) | (56.4) | (826.3) | (62.5) | (32.3) | (179.5) | (101.8) | (74.1) | (1,452.8) | (2.4) | (1,455.2) |
| Impairment losses (Note 5) | | | (4,934.2) | (245.2) | (7.6) | | | | | | (5,187.0) |

1 EBITDA is a non-IFRS measure and represents operating profit/(loss) before special items, depreciation, amortisation, interest and tax.
2 Depreciation and amortisation is also provided to the chief operating decision maker on a regular basis.
3 Transfer prices for inter-segment sales are on an arm's length basis in a manner similar to transactions with third parties. However, inter-segment sales at BALCO amounting to US$6.6 million for the year ended 31 March 2016 (31 March 2015: Nil), is at cost.

## 3. Segment information continued
Year ended 31 March 2015

| (US$ million) | Zinc-India | Zinc-International | Oil & Gas | Iron Ore | Copper-India/Australia | Copper-Zambia | Aluminium | Power | Total reportable segment | Elimination/Others | Total operations |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **REVENUE** | | | | | | | | | | | |
| Sales to external customers | 2,357.0 | 586.9 | 2,397.5 | 311.4 | 3,682.7 | 883.5 | 2,078.1 | 552.8 | 12,849.9 | 28.8 | 12,878.7 |
| **Inter-segment sales**[3,4] | – | – | – | 15.1 | 18.0 | 193.6 | 3.8 | 35.3 | 265.8 | (265.8) | – |
| **Segment revenue** | **2,357.0** | **586.9** | **2,397.5** | **326.5** | **3,700.7** | **1,077.1** | **2,081.9** | **588.1** | **13,115.7** | **(237.0)** | **12,878.7** |
| **Segment result** | | | | | | | | | | | |
| **EBITDA**[1] | 1,192.5 | 180.8 | 1,476.8 | 31.4 | 281.0 | (3.8) | 415.5 | 153.8 | 3,728.0 | 13.2 | 3,741.2 |
| **Depreciation and amortisation**[2] | | | | | | | | | | | (2,005.7) |
| Special items (Note 5) | | | | | | | | | | | (6,744.2) |
| **Operating loss** | | | | | | | | | | | **(5,008.7)** |
| Investment revenue | | | | | | | | | | | 832.6 |
| Finance costs | | | | | | | | | | | (1,387.2) |
| Other gains and (losses) (net) | | | | | | | | | | | (76.9) |
| **LOSS BEFORE TAXATION** | | | | | | | | | | | **(5,640.2)** |
| Segments assets[5] | 7,356.8 | 694.1 | 12,948.8 | 1,924.3 | 1,357.8 | 2,387.1 | 6,304.6 | 3,584.7 | 36,558.2 | 58.4 | 36,616.6 |
| Unallocated assets | | | | | | | | | | | 372.3 |
| **TOTAL ASSETS** | | | | | | | | | | | **36,988.9** |
| Segment liabilities[5] | (277.9) | (253.0) | (3,105.7) | (1,329.8) | (1,286.6) | (1,474.2) | (5,171.6) | (2,388.5) | (15,287.3) | (113.9) | (15,401.2) |
| Unallocated liabilities | | | | | | | | | | | (9,330.3) |
| **TOTAL LIABILITIES** | | | | | | | | | | | **(24,731.5)** |
| **Other segment information** | | | | | | | | | | | |
| Additions to property, plant and equipment and intangible assets | 217.7 | 34.4 | 1,079.6 | 42.1 | 29.7 | 58.2 | 148.9 | 140.3 | 1,750.9 | 1.1 | 1,752.0 |
| Depreciation and amortisation | (133.2) | (111.1) | (1,270.3) | (42.3) | (51.6) | (187.2) | (140.2) | (65.8) | (2,001.7) | (4.0) | (2,005.7) |
| Impairment losses (Note 5) | – | – | (6,642.1) | – | – | (52.3) | – | – | (6,694.4) | – | (6,694.4) |

1 EBITDA is a non-IFRS measure and represents operating profit/(loss) before special items, depreciation, amortisation, interest and tax.
2 Depreciation and amortisation is also provided to the chief operating decision maker on a regular basis.
3 Transfer prices for inter-segment sales are on an arm's length basis in a manner similar to transactions with third parties. However, inter-segment sales at BALCO amounting to US$6.6 million for the year ended 31 March 2016 (31 March 2015: Nil), is at cost.
4 Previous year amounts have been reclassified to ensure consistency.
5 During the year ended 31 March 2016, consequent to certain power facilities at a subsidiary being commissioned for the generation and sale of commercial power, assets (US$349.2 million) and liabilities (US$48.6 million) in respect of capital work-in-progress for the previous year relating to the generation and sale of commercial power has been reclassified from the 'Aluminium' segment to the 'Power' segment as this more accurately reflects the segment breakdown.

# Notes to the Financial Statements continued

## 3. Segment information continued

### (b) Geographical segmental analysis

The Group's operations are located in India, Zambia, Namibia, South Africa, Liberia, Ireland, Australia and UAE. The following table provides an analysis of the Group's sales by region in which the customer is located, irrespective of the origin of the goods.

| (US$ million) | Year ended 31 March 2016 | Percentage | Year ended 31 March 2015 | Percentage |
|---|---|---|---|---|
| India | 6,773.9 | 63.1% | 7,872.0 | 61.1% |
| China | 527.9 | 4.9% | 1,314.2 | 10.2% |
| Far East Asia | 902.5 | 8.4% | 1,168.4 | 9.1% |
| Middle East | 1,075.1 | 10.0% | 1,143.7 | 8.9% |
| Europe | 345.3 | 3.2% | 643.3 | 5.0% |
| Africa | 91.1 | 0.8% | 192.3 | 1.5% |
| Asia Others | 725.3 | 6.8% | 118.9 | 0.9% |
| UK | 103.9 | 1.0% | 2.2 | 0.0% |
| Others | 192.9 | 1.8% | 423.7 | 3.3% |
| **Total** | **10,737.9** | **100.0%** | **12,878.7** | **100.0%** |

The following is an analysis of the carrying amount of non-current assets, and additions to property, plant and equipment, analysed by the country in which the assets are located. No material non-current assets are located in the United Kingdom and no significant additions to property, plant and equipment have been made there.

| (US$ million) | Carrying amount of non-current assets[1] | | Additions to property, plant and equipment | |
|---|---|---|---|---|
| | As at 31 March 2016 | As at 31 March 2015 | Year ended 31 March 2016 | Year ended 31 March 2015 |
| Australia | 4.4 | 13.4 | 2.6 | 3.8 |
| India | 14,752.9 | 20,996.2 | 651.7 | 1,635.7 |
| Zambia | 1,863.3 | 1,905.4 | 27.6 | 58.2 |
| Namibia | 119.7 | 128.5 | 35.4 | 21.5 |
| Ireland | 6.7 | 37.7 | – | 12.7 |
| South Africa | 254.0 | 335.9 | 23.1 | 5.9 |
| Sri Lanka | – | – | 7.3 | 2.7 |
| Other | – | 213.6 | 3.0 | 11.5 |
| **Total** | **17,001.0** | **23,630.7** | **750.7** | **1,752.0** |

1 Non-current assets do not include deferred tax assets, non-current tax assets and derivative assets.

### Information about major customer

Included in revenue from the Oil & Gas segment are revenues of US$663.1 million (year ended 31 March 2015: US$1,393.2 million), which arose from sales to the Group's largest customer; sales to this customer were more than 10% in the previous year. No customer contributed 10% or more to the Group's revenue during the year ended 31 March 2016.

## 4. Total revenue

| (US$ million) | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| Revenue from sales of goods | 10,737.9 | 12,878.7 |
| Other operating income | 101.7 | 104.0 |
| Investment revenue | 697.8 | 832.6 |
| **Total** | **11,537.4** | **13,815.3** |

## 5. Special items

| (US$ million) | Year ended 31 March 2016 Special items | Tax effect of special items/ special tax items | Special items after tax | Year ended 31 March 2015 Special items | Tax effect of special items/ special tax items | Special items after tax |
|---|---|---|---|---|---|---|
| Impairment of oil & gas assets[1a] | (4,934.2) | 1,903.3 | (3,030.9) | (6,642.1) | 2,138.0 | (4,504.1) |
| Impairment of mining reserves and assets | | | | | – | |
| Iron ore[1b] | (245.2) | – | (245.2) | – | – | – |
| Copper[1c,d] | (7.6) | – | (7.6) | (52.3) | – | (52.3) |
| **Total impairment charge** | **(5,187.0)** | **1,903.3** | **(3,283.7)** | **(6,694.4)** | **2,138.0** | **(4,556.4)** |
| Voluntary retirement schemes (redundancy costs)[2] | (23.1) | 7.9 | (15.2) | – | – | – |
| Provision for receivables[7] | – | – | – | (36.6) | 12.5 | (24.1) |
| Provision for investment in coal blocks[3] | – | – | – | (5.4) | 1.8 | (3.6) |
| Acquisition and restructuring related costs[4] | – | – | – | 0.4 | – | 0.4 |
| Provision for contractor dispute[5] | – | – | – | (8.2) | – | (8.2) |
| Special tax item[6] | – | (173.8) | (173.8) | – | 52.8 | 52.8 |
| **Special items** | **(5,210.1)** | **1,737.4** | **(3,472.7)** | **(6,744.2)** | **2,205.1** | **(4,539.1)** |

1a During the year ended 31 March 2016, the Group has recognised impairment charge on its oil & gas assets of US$4,934.2 million mainly relating to Rajasthan block, triggered by the significant fall in the crude oil prices, prevailing discount of Rajasthan crude and adverse long-term impact of revised cess. Of this charge, US$1,143.5 million has been recorded against oil & gas properties and US$3,790.7 million against exploratory and evaluation assets. The valuation remains dependent on price and further deterioration in long-term prices may result in additional impairment.

For oil & gas properties, CGUs identified are on the basis of a production sharing contract (PSC) level as it is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

The recoverable amount of the CGU, US$2,204.0 million (March 2015: US$5,825.5 million), was determined based on the fair value less costs of disposal approach, a level-3 valuation technique in the fair value hierarchy, as it more accurately reflects the recoverable amount based on our view of the assumptions that would be used by a market participant. This is based on the cash flows expected to be generated by the projected oil or natural gas production profiles up to the expected dates of cessation of production sharing contract (PSC)/cessation of production from each producing field based on current estimates of reserves and risked resources. Reserves assumptions for fair value less costs of disposal discounted cash flow tests consider all reserves that a market participant would consider when valuing the asset, which are usually broader in scope than the reserves used in a value-in-use test. Discounted cash flow analysis used to calculate fair value less costs of disposal uses assumption for oil price of US$41 per barrel for FY2017 (March 2015: US$70 per barrel) and the long-term nominal price of US$70 per barrel (March 2015: US$84 per barrel) derived from a consensus of various analyst recommendations. Thereafter, these have been escalated at a rate of 2.5% per annum. The cash flows are discounted using the post-tax nominal discount rate of 11.00% (March 2015: 10.32%) derived from the post-tax weighted average cost of capital.

The impairment loss relates to the Oil & Gas business reportable segments, however this has been shown as special items and does not form part of the segment result for the purpose of segment reporting.

During the year ended 31 March 2015, the Group has recognised impairment charge on oil & gas assets of US$6,642.1 million mainly relating to Rajasthan block and Sri Lanka block, triggered by the significant fall in the crude oil prices. Of this charge, US$2,162.1 million has been recorded against oil & gas properties and US$4,480.0 million against exploratory and evaluation assets. The impairment charge of US$4,480.0 million also includes US$778.1 million impairment charge relating to exploratory wells in Sri Lanka, as the development of hydrocarbons in the said block is not commercially viable at the current prices.

1b During the year ended 31 March 2016, the Group has recognised US$227.5 million impairment charge in respect of the exploratory assets in West Africa (Western Cluster, Liberia) on account of low iron ore prices, geo-political factors and no plans for any substantive expenditure resulting in continued uncertainty in the project and relates to US$17.7 million impairment charge in the carrying amount of idle assets grouped under assets under construction at Bellary, Karnataka in India.

1c During the year ended 31 March 2016, the Group has recognised US$7.6 million impairment charge relating to its operation in the Copper Mines of Tasmania Pty Ltd, Australia on account of extended care and maintenance, lower copper prices and continued uncertainty in start-up of operations.

1d During the year ended 31 March 2015, the Group has recognised US$52.3 million impairment charge relating to underground assets in Nchanga in Konkola Copper Mines Plc on account of suspension of operations and the fall in the copper prices. Of this charge, US$47.2 million has been recorded against mining property and leases and US$5.1 million against plant and equipment.

2 US$23.1 million incurred under a Group-wide voluntary retirement initiative across various Group entities.
3 Relates to provision recognised in respect of expenditure incurred on cancelled coal blocks allotted to Company's subsidiaries, pursuant to the order of the Supreme Court of India.
4 Acquisition related costs include reversal of excess provision for costs of Group simplification and restructuring and other acquisition related costs classified as special items in previous year.
5 Relates to a provision recognised following a dispute with a mining contractor at KCM Zambia.
6 As a result of amendments to the Zambian Mining Tax regime, effective from 1 January 2015, the tax rate on integrated mining operations (excluding custom smelting mineral processing activities) was reduced from 30% to 0%. The deferred tax liability in relation to mining operations was therefore reversed during the year ended 31 March 2015, resulting in a net credit to the income statement of US$52.8 million. Consequent to the subsequent amendments to the Zambian Mining Tax regime, effective from 1 July 2015 the tax rate on mining operations has been restored from 0% to 30%. Further, the set off of carried forward losses relating to mining operations has been restricted to a maximum of 50% of the income for the year. Accordingly, a total deferred tax charge of US$173.8 million resulting from the amendments has been recognised under 'Special tax items' during the year ended 31 March 2016, increase as compared to reversal in previous year is mainly on account of restriction placed on maximum loss which can be set off in a particular year.
7 In respect of iron ore mining at Goa, the Supreme Court has ruled that, out of the sale proceeds of inventory of excavated ore lying unsold, the leaseholder would be paid only the average cost of excavation. However, the carrying value includes the amortisation based on the fair value of mining reserves determined at the time of acquisition. Consequently, the excess of the carrying value of receivables over the net realisable value has been written off.

# Notes to the Financial Statements continued

## 6. Investment revenue

| (US$ million) | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| Interest income on loans and receivables | 26.4 | 29.3 |
| Interest income on cash and bank balances | 124.6 | 139.9 |
| Change in fair value of financial assets held for trading realised and unrealised | 541.3 | 656.9 |
| Dividend income on financial assets held for trading | 0.3 | 0.3 |
| Dividend income on available for sale investment | 0.1 | – |
| Foreign exchange gain on cash and liquid investments | 5.1 | 6.2 |
| | **697.8** | **832.6** |

## 7. Finance costs

| (US$ million) | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| Interest on loans, overdrafts and bonds (a) | 1,101.3 | 1,116.8 |
| Coupon interest on convertible bonds (Note 28) | 62.4 | 86.8 |
| Accretive interest on convertible bonds (Note 28) | 28.7 | 76.6 |
| Total interest charge on convertible bonds (b) | 91.1 | 163.4 |
| Other borrowing and finance costs (c) | 160.3 | 194.1 |
| **Total interest cost (a+b+c)** | **1,352.7** | **1,474.3** |
| Unwinding of discount on provisions (Note 30) | 13.5 | 36.8 |
| Net interest on defined benefit arrangements (Note 33) | 10.4 | 9.2 |
| Capitalisation of borrowing costs (Note 17)[1] | (75.6) | (133.1) |
| Gain on buy back of convertible bond | (20.6) | – |
| | **1,280.4** | **1,387.2** |

1 All borrowing costs are capitalised using rates based on specific borrowings with the interests ranging between 1.9% to 12.2% per annum.

## 8. Other gains and (losses) (net)

| (US$ million) | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| Gross foreign exchange losses | (103.7) | (80.8) |
| Qualifying exchange losses capitalised (Note 17) | 10.1 | 14.4 |
| Net foreign exchange gains and losses | **(93.6)** | **(66.4)** |
| Change in fair value of financial liabilities measured at fair value | (0.9) | (1.1) |
| Net (loss)/gain arising on qualifying hedges and non-qualifying hedges | 22.0 | (9.4) |
| | **(72.5)** | **(76.9)** |

## 9. Loss for the year has been stated after charging/(crediting):

| (US$ million) | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| Depreciation and amortisation | 1,455.2 | 2,005.7 |
| Costs of inventories recognised as an expense | 3,708.0 | 3,905.0 |
| Auditor's remuneration for audit services | 2.4 | 2.5 |
| Research and development | 0.8 | 0.8 |
| Net loss/(profit) on disposal of property, plant and equipment | 1.5 | 4.6 |
| Provision for receivables | – | 80.4 |
| Impairment of mining reserves and assets | 252.8 | 52.3 |
| Impairment of oil & gas assets | 4,934.2 | 6,642.1 |
| Staff costs | 639.7 | 812.8 |
| Foreign exchange gains and losses[1] | 106.1 | 82.8 |

1 Includes foreign exchange losses on non-operational monetary items of US$93.6 million (31 March 2015: US$66.4 million), and on operational monetary items of US$17.6 million (31 March 2015: US$22.6 million). It also includes foreign exchange gain on cash and liquid investments of US$5.1 million (31 March 2015: US$6.2 million).

## 10. Auditor's remuneration

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

| (US$ million) | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| Fees payable to the Company's auditor for the audit of Vedanta Resources plc annual accounts | 0.6 | 0.6 |
| The audit of the Company's subsidiaries pursuant to legislation | 1.8 | 1.9 |
| **Total audit fees** | **2.4** | **2.5** |
| Fees payable to the Company's auditor and their associates for other services to the Group | | |
| Other services pursuant to legislation[1] | 1.4 | 1.4 |
| Tax services[2] | 0.4 | 0.4 |
| Corporate finance services[3] | 0.7 | 0.5 |
| Other services[4] | 0.2 | 0.2 |
| **Total non-audit fees** | **2.7** | **2.5** |
| **Total fees paid to the Company's auditor** | **5.1** | **5.0** |
| Audit fees payable to other auditors of the Group's subsidiaries | 0.3 | 0.4 |
| Non-audit fees payable to other auditors of the Group's subsidiaries | 0.2 | 0.1 |
| **Total fees paid to other auditors** | **0.5** | **0.5** |

1 Other services pursuant to legislation principally comprise assurance services, being quarterly reviews of the Group's subsidiaries' results and the half year review of the Group's results.
2 Tax services principally comprise certification and assurance services as required by Indian and overseas tax regulations.
3 Corporate finance services principally comprise Group simplification and other acquisition related certifications. These assurance-related services are ordinarily provided by the auditor.
4 Includes certification related services.

## 11. Employee numbers and costs

**Average number of persons employed by the Group in the year**

| Class of business | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| Zinc | 6,780 | 7,428 |
| – India | 4,935 | 5,439 |
| – International | 1,845 | 1,989 |
| Iron Ore | 3,034 | 3,465 |
| Copper | 8,273 | 8,710 |
| – India/Australia | 1,058 | 1,185 |
| – Zambia | 7,215 | 7,525 |
| Aluminium | 5,266 | 5,932 |
| Power | 334 | 358 |
| Oil & Gas | 1,527 | 1,684 |
| Other | 321 | 140 |
| | **25,535** | **27,717** |

**Costs incurred during the year in respect of employees and Executive Directors**

| (US$ million) | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| Salaries and wages | 575.8 | 733.8 |
| Defined contribution pension scheme costs (Note 33) | 30.1 | 30.7 |
| Defined benefit pension scheme costs (Note 33) | 18.2 | 19.7 |
| Share-based payments charge | 15.6 | 28.6 |
| | **639.7** | **812.8** |

# Notes to the Financial Statements continued

## 12. Tax

| (US$ million) | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| **Current tax:** | | |
| UK Corporation tax | 1.5 | (19.3) |
| Foreign tax | | |
| – India | 538.5 | 562.7 |
| – Zambia | 0.0 | 1.0 |
| – Australia | 0.0 | (0.1) |
| – Africa and Europe | 4.5 | 22.1 |
| – Other | (7.8) | 4.4 |
| | **536.7** | **570.8** |
| **Deferred tax: (Note 31)** | | |
| Deferred tax impact on impairment of oil & gas assets (Note 5) | (1,903.3) | (2,138.0) |
| Deferred tax charge/(reversal) due to change in tax regime in Zambia (Note 5) | 173.8 | (52.8) |
| Deferred tax others | (289.1) | (232.5) |
| | **(2,018.6)** | **(2,423.3)** |
| **Net tax credit**[1] | **(1,481.9)** | **(1,852.5)** |
| Effective tax rate[2] | 29.7% | 32.8% |

1 Includes tax credit on special items and tax credit – special items of US$1,737.4 million during the year ended 31 March 2016 (31 March 2015: US$2,205.1 million).
2 Effective tax rate excluding special items, tax credit on special items, and dividend distribution tax of 3.1% during the year ended 31 March 2016 (31 March 2015: 25.7%).

The deferred tax expense recycled from equity to the income statement is US$1.6 million (2015: US$6.0 million).

### Tax expense

| (US$ million) | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| Tax effect of special items (Note 5) | (1,911.2) | (2,152.3) |
| Special tax item – deferred tax charge/(reversal) due to change in tax regime in Zambia (Note 5) | 173.8 | (52.8) |
| **Net tax credit – special items** | **(1,737.4)** | **(2,205.1)** |
| Tax expense – others | 255.5 | 352.6 |
| **Net tax (credit)/expense** | **(1,481.9)** | **(1,852.5)** |

### Deferred tax recognised in the income statement:

| (US$ million) | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| Accelerated capital allowances (including fair value adjustments) | (1,281.6) | (2,634.1) |
| Unutilised tax losses[1] | (479.7) | 440.2 |
| Other temporary differences[2] | (257.3) | (229.4) |
| | **(2,018.6)** | **(2,423.3)** |

1 US$236.8 million has been reclassified from unutilised tax losses to other temporary differences for the year ended 31 March 2015.
2 Includes MAT credit (net) US$175.7 million for the period ended 31 March 2016 (31 March 2015: US$321.2 million).

No deferred tax has been recognised in respect of temporary differences associated with investments in subsidiaries where the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The aggregate amount of temporary differences associated with such investments in subsidiaries is represented by the contribution of those investments to the Group's retained earnings and amounted to US$7,098.1 million (2015: US$5,768.3 million).

## 12. Tax continued

A reconciliation of income tax expense applicable to accounting profit/(loss) before tax at the Indian statutory income tax rate to income tax expense/(credit) at the Group's effective income tax rate for the year ended 31 March 2016 is as follows:

| (US$ million) | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| **Accounting loss before tax** | **(4,984.0)** | **(5,640.2)** |
| At Indian statutory income tax rate of 34.61% (2015: 33.99%) | (1,724.9) | (1,917.1) |
| Unrecognised tax losses | 224.2 | 107.6 |
| Disallowable expenses/other permanent differences | (72.0) | 86.5 |
| Dividend distribution tax | 248.5 | 68.1 |
| Non-taxable income | (111.4) | (73.0) |
| Impact of tax rate difference | 67.5 | 118.8 |
| Impact of change in tax regime[1] | 201.9 | (52.8) |
| Tax holiday and similar exemptions | (311.0) | (238.8) |
| Adjustments in respect of previous years | (4.7) | 48.2 |
| **At effective income tax rate of 29.7% (2015: 32.8%)** | **(1,481.9)** | **(1,852.5)** |

1 Includes US$173.8 million (31 March 2015: US$(52.8) million) due to change in tax regime in Zambia (Note 5) and US$28.1 million due to change in Indian statutory rate from 33.99% to 34.61%.

Certain businesses of the Group within India are eligible for specified tax incentives in the form of tax exemptions. Most of such tax exemptions are relevant for the companies operating in India. These are briefly described as under:

### The location-based exemption

In order to boost industrial and economic development in undeveloped regions, provided certain conditions are met, profits of newly established undertakings located in certain areas in India may benefit from a tax holiday. Such a tax holiday works to exempt 100% of the profits for the first five years from the commencement of the tax holiday, and 30% of profits for the subsequent five years. This deduction is available only for units established up to 31 March 2012. However, such undertaking would continue to be subject to the Minimum Alternative tax (MAT).

The Group has such types of undertakings at Haridwar and Pantnagar, which are part of Hindustan Zinc Limited (Zinc India). In the current year, Haridwar and Pantnagar units are eligible for deduction at 30% and 100% of taxable profits respectively. For the next financial year, both would be eligible for deduction at 30% of taxable profits.

### Sectoral benefit – power plants

To encourage the establishment of certain power plants, provided certain conditions are met, tax incentives exist to exempt 100% of profits and gains for any 10 consecutive years within the 15-year period following commencement of the power plant's operation. The Group currently has total operational capacity of 8.4GW of thermal based power generation facilities and wind power capacity of 274MW. However, such undertakings generating power would continue to be subject to the MAT provisions.

The Group has power plants which benefit from such deductions, at various locations of Hindustan Zinc Limited (where such benefits have been drawn), Talwandi Sabo Power Limited, Vedanta Limited and Bharat Aluminium Company Limited (where no benefit has been drawn).

### Sectoral benefit – oil & gas

Provided certain conditions are met, profits of newly constructed industrial undertakings engaged in the oil & gas sector may benefit from a deduction of 100% of the profits of the undertaking for a period of seven consecutive years. This deduction is only available to blocks licensed prior to 31 March 2011. However, such businesses would continue to be subject to the MAT provisions.

In the Group, Cairn India Limited benefits from such deductions. Current year is the last year for claiming such benefit.

In addition, the subsidiaries incorporated in Mauritius are eligible for tax credit to the extent of 80% of the applicable tax rate on foreign source income.

The total effect of such tax holidays and exemptions was US$311.0 million for the year ended 31 March 2016 (31 March 2015: US$238.8 million).

## 13. Earnings per share

Basic earnings per share (EPS) 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.

Weighted average number of treasury shares, 24,231,160 (2015: 24,206,816), outstanding during the year are excluded from the total outstanding shares for the calculation of EPS.

# Notes to the Financial Statements continued

### 13. Earnings per share continued

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options and the Group's convertible bonds). The following reflects the income and share data used in the basic and diluted earnings per share computations:

| (US$ million) | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| **Net loss attributable to equity holders of the parent** | **(1,837.4)** | **(1,798.6)** |

**Loss per share based on loss for the year**

**Basic/diluted loss per share on loss for the year**

| (US$ million except as stated) | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| Loss for the year attributable to equity holders of the parent (US$ million) | (1,837.4) | (1,798.6) |
| Weighted average number of shares of the Company in issue (million) | 276.0 | 274.8 |
| **Loss per share on loss for the year (US cents per share)** | **(665.8)** | **(654.5)** |

The effect of 6.8 million (2015: 4.0 million) potential ordinary shares, which relate to share option awards under the LTIP scheme, on the attributable loss for the year is anti-dilutive and thus these shares are not considered in determining diluted loss per share.

The loss for the year would be decreased if holders of the convertible bonds in Vedanta exercised their right to convert their bond holdings into Vedanta equity. The impact on loss for the year of this conversion would be the reduction in interest payable on the convertible bond.

The adjustment in respect of convertible bonds has an anti-dilutive impact on earnings and is thus not considered in determining diluted EPS.

**Loss per share based on underlying loss for the year (non-GAAP)**

Underlying earnings is an alternative earnings measure, which the management considers to be a useful additional measure of the Group's performance. The Group's underlying loss is the loss for the year after adding back special items, other losses/(gains) [net] (Note 8) and their resultant tax (including taxes classified as special items) and non-controlling interest effects. This is a non-GAAP measure.

| (US$ million) | Note | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|---|
| Loss for the year attributable to equity holders of the parent | | (1,837.4) | (1,798.6) |
| Special items | 5 | 5,210.1 | 6,744.2 |
| Other (gains)/losses [net] | | 72.5 | 76.9 |
| Tax and non-controlling interest effect of special items (including taxes classified as special items) and other losses/(gains) | | (3,809.3) | (5,061.4) |
| **Underlying attributable loss for the year** | | **(364.1)** | **(38.9)** |

**Basic/diluted loss per share on underlying loss for the year (non-GAAP)**

| (US$ million except as stated) | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| Underlying loss for the year (US$ million) | (364.1) | (38.9) |
| Weighted average number of shares of the Company in issue (million) | 276.0 | 274.8 |
| **Loss per share on underlying loss for the year (US cents per share)** | **(131.9)** | **(14.2)** |

The effect of 6.8 million (2015: 4.0 million) potential ordinary shares, which relate to share option awards under the LTIP scheme, on the underlying attributable loss for the year is anti-dilutive and thus these shares are not considered in determining diluted underlying loss per share.

## 14. Dividends

| (US$ million) | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| Amounts recognised as distributions to equity holders: | | |
| **Equity dividends on ordinary shares:** | | |
| Final dividend for 2014-15: 40.0 US cents per share (2013-14: 39.0 US cents per share) | 110.6 | 107.5 |
| Interim dividend paid during the year: Nil (2014-15: 23.0 US cents per share) | – | 63.8 |
| | **110.6** | **171.3** |
| Proposed for approval at AGM | | |
| Equity dividends on ordinary shares: | | |
| Final dividend for 2015-16: 30.0 US cents per share (2014-15: 40 US cents per share) | 82.8 | 110.8 |

## 15. Goodwill

| (US$ million) | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| Cost (gross carrying amount) | 16.6 | 16.6 |
| Accumulated impairment losses | – | – |
| **Net carrying amount at 31 March** | **16.6** | **16.6** |

Goodwill is allocated for impairment testing purposes to the following cash-generating units (CGUs). The allocation of goodwill to CGUs is as follows:

- US$12.2 million Copper India.
- US$4.4 million arising on acquisition of Goa Energy Limited.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The Company has undertaken an impairment review of goodwill of US$16.6 million as at 31 March 2016. The carrying amount of goodwill allocated to the relevant cash-generating unit is considered to be insignificant in comparison with the total carrying value of the cash-generating unit. The carrying amount of goodwill was evaluated using the higher of fair value less cost of disposal (FVLCD) or value in use based on discounted future cash flows of the entities to which the goodwill pertains and comparing this to the total carrying value of the relevant cash-generating units. It was determined that the carrying amount of goodwill is not impaired and nor was impairment indicated following a reasonably possible change in a key assumption.

# Notes to the Financial Statements continued

## 16. Intangible assets

Intangible assets include Port concession rights to operate a general cargo berth for handling coal at the outer harbour of the Visakhapatnam port on the east coast of India, rights to use treated water from a sewage treatment plant at Zinc India operations and software licenses.

| (US$ million) | Port concession rights[1] | Others[2] | Total |
|---|---|---|---|
| **Cost** | | | |
| **As at 1 April 2014** | **99.9** | **14.8** | **114.7** |
| Addition | 0.8 | 4.7 | 5.5 |
| Foreign exchange differences | (4.0) | (0.9) | (4.9) |
| **As at 1 April 2015** | **96.7** | **18.6** | **115.3** |
| Addition | 0.0 | 2.8 | 2.8 |
| Foreign exchange differences | (5.2) | (1.6) | (6.8) |
| **As at 31 March 2016** | **91.5** | **19.8** | **111.3** |
| **Accumulated amortisation** | | | |
| **As at 1 April 2014** | **3.5** | **2.6** | **6.1** |
| Charge for the year | 3.6 | 3.9 | 7.5 |
| Foreign exchange differences | 0.2 | (0.4) | (0.2) |
| **As at 1 April 2015** | **7.3** | **6.1** | **13.4** |
| Charge for the year | 3.5 | 3.2 | 6.7 |
| Foreign exchange differences | (0.4) | (0.6) | (1.0) |
| **As at 31 March 2016** | **10.4** | **8.7** | **19.1** |
| **Net book value** | | | |
| As at 1 April 2014 | 96.4 | 12.2 | 108.6 |
| As at 1 April 2015 | 89.4 | 12.5 | 101.9 |
| **As at 31 March 2016** | **81.1** | **11.1** | **92.2** |

1 Vizag General Cargo Berth Private Limited (VGCB), a special purpose vehicle, was incorporated for the coal berth mechanisation and upgrades at Visakhapatnam port. VGCB is owned by Vedanta Limited and Leighton Welspun Contractors Private Limited (Leighton) in the ratio of 99.99:0.01 as on 31 March 2016 (99.99:0.01 as on 31 March 2015). Leighton has agreed to sell its shares in VGCB to Vedanta Limited. The project is to be carried out on a design, build, finance, operate, transfer basis and the concession agreement between Visakhapatnam port and VGCB was signed in June 2010. In October 2010, VGCB was awarded with the concession after fulfilling conditions stipulated as a precedent to the concession agreement. Visakhapatnam port has provided, in lieu of license fee an exclusive license to VGCB for designing, engineering, financing, constructing, equipping, operating, maintaining, and replacing the project/project facilities and services. The concession period is 30 years from the date of the award of the concession. The capacity of the upgraded berth would be 10.18mmtpa and that the Vishakhapatnam port would be entitled to receive 38.10% share of the gross revenue as royalty. VGCB is entitled to recover a tariff from the user(s) of the project facilities and services as per its tariff notification. The tariff rates are linked to the Wholesale Price Index (WPI) and would accordingly be adjusted as specified in the concession agreement every year. The ownership of all infrastructure assets, buildings, structures, berths, wharfs, equipment and other immovable and movable assets constructed, installed, located, created or provided by VGCB at the project site and/or in the port's assets pursuant to concession agreement would be with VGCB until expiry of this concession agreement. The cost of any repair, replacement or restoration of the project facilities and services shall be borne by VGCB during the concession period. VGCB has to transfer all its rights, titles and interest in the project facilities and services free of cost to Visakhapatnam port at the end of the concession period.

2 Others include right to use of sewage treatment plant at Zinc India which is amortised over 25 years. The carrying value was US$7.7 million as on 31 March 2016 (31 March 2015: US$7.7 million). It also includes software licenses which are amortised over a period of three years.

## 17. Property, plant and equipment

| (US$ million) | Mining property and leases | Leasehold land and buildings | Freehold land and buildings | Plant and equipment[1] | Assets under construction | Oil & Gas properties | Exploratory and evaluation assets | Others | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| **At 1 April 2014** | **3,174.4** | **160.5** | **1,174.3** | **9,934.5** | **6,257.5** | **8,237.0** | **10,273.8** | **154.6** | **39,366.6** |
| Additions | 25.8 | 11.1 | 44.2 | 212.3 | 372.8 | 865.0 | 204.2 | 16.6 | 1,752.0 |
| Transfers | 66.0 | – | 134.7 | 996.5 | (1,291.4) | 533.7 | (439.7) | 0.2 | – |
| Unsuccessful exploration costs | – | – | – | – | – | – | (128.7) | – | (128.7) |
| Disposals | (7.2) | (0.7) | (0.3) | (37.4) | (0.6) | – | – | (0.3) | (46.5) |
| Foreign exchange differences | (133.3) | (2.4) | (62.5) | (390.8) | (226.3) | – | (1.9) | (24.0) | (841.2) |
| **At 1 April 2015** | **3,125.7** | **168.5** | **1,290.4** | **10,715.1** | **5,112.0** | **9,635.7** | **9,907.7** | **147.1** | **40,102.2** |
| Additions | 121.1 | 0.1 | 20.8 | 129.0 | 249.7 | 134.5 | 79.9 | 15.6 | 750.7 |
| Transfers | 11.7 | (4.2) | 333.7 | 1,313.0 | (1,673.8) | – | – | 19.6 | – |
| Unsuccessful exploration costs | – | – | – | – | – | – | (4.5) | – | (4.5) |
| Disposal[4] | (490.4) | (7.5) | (0.1) | (184.1) | – | – | – | – | (682.1) |
| Foreign exchange differences | (152.6) | (3.4) | (93.3) | (551.8) | (278.7) | – | – | (32.8) | (1,112.6) |
| **At 31 March 2016** | **2,615.5** | **153.5** | **1,551.5** | **11,421.2** | **3,409.2** | **9,770.2** | **9,983.1** | **149.5** | **39,053.7** |
| **Accumulated depreciation, amortisation and impairment** | | | | | | | | | |
| **At 1 April 2014** | **1,629.6** | **58.2** | **198.9** | **3,203.9** | **28.8** | **3,157.4** | **14.3** | **32.0** | **8,323.1** |
| Charge for the year | 103.6 | 1.8 | 45.9 | 544.4 | – | 1,258.1 | – | 44.4 | 1,998.2 |
| Impairment of assets (Note 5) | 47.2 | – | – | 5.1 | – | 2,162.1 | 4,480.0 | – | 6,694.4 |
| Disposal[4] | (2.0) | – | (0.2) | (23.2) | – | – | – | (0.1) | (25.5) |
| Foreign exchange differences | (82.9) | (0.3) | (15.5) | (123.2) | – | – | (0.7) | (17.4) | (240.0) |
| **At 1 April 2015** | **1,695.5** | **59.7** | **229.1** | **3,607.0** | **28.8** | **6,577.6** | **4,493.6** | **58.9** | **16,750.2** |
| Charge for the year | 155.9 | 1.7 | 35.4 | 433.6 | – | 817.9 | – | 4.0 | 1,448.5 |
| Impairment of assets (Note 5) | – | – | – | 7.6 | 17.6 | 1,143.5 | 4,018.3 | – | 5,187.0 |
| Disposal[4] | (490.4) | (6.6) | – | (173.6) | – | – | – | – | (670.6) |
| Foreign exchange differences | (60.1) | (0.5) | (26.2) | (198.5) | – | – | – | (23.9) | (309.2) |
| **At 31 March 2016** | **1,300.9** | **54.3** | **238.3** | **3,676.1** | **46.4** | **8,539.0** | **8,511.9** | **39.0** | **22,405.9** |
| **Net book value** | | | | | | | | | |
| At 1 April 2014 | 1,544.8 | 102.3 | 975.4 | 6,730.6 | 6,228.7 | 5,079.6 | 10,259.5 | 122.6 | 31,043.5 |
| At 1 April 2015 | 1,430.2 | 108.8 | 1,061.3 | 7,108.1 | 5,083.2 | 3,058.1 | 5,414.1 | 88.2 | 23,352.0 |
| **At 31 March 2016** | **1,314.6** | **99.2** | **1,313.2** | **7,745.1** | **3,362.8** | **1,231.2** | **1,471.2** | **110.5** | **16,647.8** |

1 Plant and equipment include refineries, smelters, power plants and related facilities. Other tangible fixed assets include office equipment and fixtures, and light vehicles. At 31 March 2016, land with a carrying value of US$132.5 million (31 March 2015: US$125.9 million) was not depreciated.
2 During the year ended 31 March 2016, interest and foreign exchange losses capitalised was US$85.7 million (31 March 2015: US$147.5 million).
3 Certain property, plant and equipment are pledged as collateral against borrowings, the details related to which have been described in Note 24 on Borrowings.
4 Subsequent to end of life of mines in Lisheen, US$585.0 million has been removed from gross block and US$580.7 million from accumulated depreciation.

# Notes to the Financial Statements continued

## 18. Financial asset investments

Financial asset investments are required to be classified and accounted for as either available-for-sale or fair value through profit or loss. The Group only has financial asset investments classified as available-for-sale.

### Available-for-sale investments

| (US$ million) | **Year ended 31 March 2016** | Year ended 31 March 2015 |
|---|---|---|
| **At 1 April** | 4.2 | 1.7 |
| Movements in fair value | 2.3 | 2.1 |
| Exchange difference | – | 0.4 |
| **At 31 March** | **6.5** | **4.2** |

Financial assets investment represents quoted investments in equity shares that present the Group with an opportunity for returns through dividend income and gains in value. These securities are held at fair value based on market prices. These are classified as non-current as on 31 March 2016.

## 19. Other non-current assets

| (US$ million) | **As at 31 March 2016** | As at 31 March 2015 |
|---|---|---|
| Deposits, advances and other receivables due after one year | **237.9** | **156.0** |

## 20. Inventories

| (US$ million) | **As at 31 March 2016** | As at 31 March 2015 |
|---|---|---|
| Raw materials and consumables | 852.4 | 975.8 |
| Work-in-progress | 385.3 | 486.0 |
| Finished goods | 128.1 | 143.9 |
| | **1,365.8** | **1,605.7** |

Inventories with a carrying amount of US$758.1 million (2015: US$801.8 million) have been pledged as security against certain bank borrowings of the Group.

Inventory held at net realisable value amounted to US$142.8 million (2015: US$154.3 million). The write down of inventories amounted to US$53.7 million (2015: US$50.6 million).

## 21. Trade and other receivables

| (US$ million) | **As at 31 March 2016** | As at 31 March 2015 |
|---|---|---|
| Trade receivables | 406.6 | 555.0 |
| Amounts due from related parties (Note 39) | 2.7 | 4.9 |
| Prepayments | 34.4 | 31.0 |
| Deposits with Governments | 277.8 | 281.3 |
| Other receivables | 622.8 | 967.0 |
| | **1,344.3** | **1,839.2** |

The credit period given to customers ranges from zero to 90 days. Other receivables primarily include excise balances, customs balances, advances to suppliers and claims receivables.

## 22. Liquid investments

| (US$ million) | As at 31 March 2016 | As at 31 March 2015 |
|---|---|---|
| Bank deposits[1] | 530.3 | 1,850.1 |
| Other investments | 7,977.9 | 6,006.0 |
| | **8,508.2** | **7,856.1** |

1 Includes US$28.2 million (2015: US$29.8 million) of bank deposits at Jharsuguda Aluminium that is restricted in use as it relates to security deposits as directed by courts in relation to a relief claim filed by a vendor (Note 38).

Bank deposits are made for periods of between three months and one year depending on the cash requirements of the companies within the Group and earn interest at the respective deposit rates.

Other investments include mutual fund investments which are recorded at fair value with changes in fair value reported through the income statement. Liquid investments do not qualify for recognition as cash and cash equivalents due to their maturity period and risk of change in value of the investments.

## 23. Cash and cash equivalents

| (US$ million) | As at 31 March 2016 | As at 31 March 2015 |
|---|---|---|
| Cash at bank and in hand | 217.2 | 211.6 |
| Short-term deposits[1] | 211.1 | 142.1 |
| | **428.3** | **353.7** |

1 Includes US$44.8 million (2015: US$66.5 million) of cash held in short-term deposit accounts that is restricted in use as it relates to unclaimed dividends, closure costs and future redundancy payments.

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

## 24. Borrowings

| (US$ million) | As at 31 March 2016 | As at 31 March 2015 |
|---|---|---|
| Bank loans | 11,587.9 | 11,474.9 |
| Bonds | 4,074.6 | 4,075.4 |
| Other loans | 13.6 | 14.5 |
| **Total** | **15,676.1** | **15,564.8** |
| Borrowings are repayable as: | | |
| Within one year (shown as current liabilities) | 3,726.6 | 3,179.2 |
| More than one year | 11,949.5 | 12,385.6 |
| **Total** | **15,676.1** | **15,564.8** |

At 31 March 2016, the Group had available US$1,087.3 million (2015: US$1,208.2 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The Group facilities are subject to certain financial and non-financial covenants. During the current year ended 31 March 2016, the Group has agreed with the lenders for a moratorium period for testing of certain financial covenants and relaxed level for others. Certain of these financial covenants will be reset to their original levels beginning March 2019. The primary covenants which must be complied with include fixed charge cover ratio, net borrowing to EBITDA ratio, total net assets to borrowings ratio and net interest expense to EBITDA ratio. The principal loans held by Group companies at 31 March 2016 were as follows:

**Vedanta Resources plc**

**Long-term bonds**

In July 2008, the Company issued US$500.0 million bonds bearing a coupon rate of 8.75% and US$750.0 million bonds bearing a coupon rate of 9.50%. US$500.0 million bonds due in January 2014 were duly paid. US$750.0 million bonds are due for repayment in July 2018. As at 31 March 2016, the amount outstanding is US$750.0 million (2015: US$750.0 million).

In July 2011, the Company issued US$750.0 million bonds bearing a coupon rate of 6.75% and US$900.0 million bonds bearing a coupon rate of 8.25%. The same is due for repayment in June 2016 and June 2021 respectively. Out of US$750.0 million bond due in June 2016, US$7 million has been bought back in December 2015. As at 31 March 2016, the amount outstanding is US$1,643.0 million (2015: US$1,650.0 million).

# Notes to the Financial Statements continued

## 24. Borrowings continued

In June 2013, the Company issued US$1,200 million bonds bearing a coupon rate of 6% and US$500.0 million at a coupon rate of 7.125%. The same is due for repayment in January 2019 and May 2023. As at 31 March 2016, the amount outstanding is US$1,700.0 million (2015: US$1,700.0 million).

All the above bonds are issued 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 Regulations pursuant to the Securities Act. The bonds are unsecured and are currently rated BB (-) by Standard & Poor's and Ba3 by Moody's.

### Term loan

In December 2010, the Company availed a facility from the ICICI Bank for US$180.0 million bearing an interest rate of three month GBP LIBOR plus 385 basis points. The first instalment of US$90.0 million due in December 2014 was duly repaid and the balance US$90.0 million was duly repaid in December 2015.

In January 2011, the Company availed a facility from ICICI Bank for US$150.0 million bearing an interest rate of three month US$LIBOR plus 389 basis points. The same is repayable as US$75.0 million in January 2016 and the balance US$75.0 million in January 2017. US$75.0 million facility has been duly repaid in January 2016. As at 31 March 2016, the amount outstanding is US$75.0 million (2015: US$150.0 million).

In July 2011, the Company availed a facility from ICICI Bank for US$500.0 million bearing an interest rate of three month US$LIBOR plus 390 basis points. The same is repayable as US$250.0 million in January 2018 and the balance US$250.0 million in July 2018. As at 31 March 2016, the amount outstanding is US$500.0 million (2015: US$500.0 million).

In March 2013, the Company entered into a three-year facility agreement with Deutsche Bank as an agent for an amount of US$185.0 million bearing an interest rate of US$LIBOR plus 315 basis points. The same has been duly repaid in March 2016.

In March 2013, the Company entered into two facility agreements with ICICI Bank for an amount of US$170.0 million and US$180.0 million. The loans bear interest rates of US$LIBOR plus 430 basis points and US$LIBOR plus 427 basis points respectively. Of the said loan US$170.0 million is repayable in three annual instalments beginning April 2018 (the first instalment being 20% and the balance two instalments being 40% each) and US$180.0 million facility is repayable in three equal annual instalments beginning February 2017. As at 31 March 2016, the amount outstanding is US$350.0 million (2015: US$350.0 million).

In April 2013, the Company entered into a Standby Letter of Credit agreement arranged by Axis Bank for an amount of US$150 million bearing an interest rate at three month US$LIBOR plus 290 basis points. The facility is repayable in two equal annual instalments in April 2017 and April 2018. As at 31 March 2016, the amount outstanding is US$148.5 million (2015: US$148.5 million).

In October 2013, the Company entered into a syndicated facility agreement with Standard Chartered Bank as facility agent for borrowing up to US$500 million bearing an interest rate of US$LIBOR plus 357 basis points. The same is repayable as two equal instalments of US$250.0 million each in October 2017 and January 2018. As at 31 March 2016, the amount outstanding is US$500.0 million (2015: US$500.0 million).

In November 2013, the Company entered into a two-year Revolving Credit Facility arranged by The Royal Bank of Scotland and Standard Chartered Bank for borrowing up to US$100 million at an interest rate of US$LIBOR plus 250 basis points. The same was duly repaid in August 2015.

In December 2013, the Company entered into a facility agreement with Bank of India for borrowing up to US$100 million at an interest rate of US$LIBOR plus 357 basis points. The same is repayable in two equal instalments of US$50.0 million each in October 2017 and January 2018. As at 31 March 2016, the amount outstanding is US$100.0 million (2015: US$100.0 million).

In March 2014, the Company has entered into a US$500 million syndicated facility agreement with Axis Bank as the lead arranger. The facility bears an interest rate of US$LIBOR plus 352 basis points. The facility was fully drawn in September 2014. The same is repayable as US$100.0 million in December 2018, US$150.0 million in March 2019 and US$250.0 million in September 2019. As at 31 March 2016, the amount outstanding is US$500.0 million (2015: US$500.0 million).

In March 2015, the Company entered into a facility agreement with State Bank of India for US$350 million. Out of said facility US$100 million bears an interest rate of US$LIBOR plus 370 basis points and is repayable in March 2020. US$250.0 million bears an interest rate of US$LIBOR plus 403 basis points repayable in two instalments of US$100 million and US$150 million in June 2021 and June 2022 respectively. As at 31 March 2016, the amount outstanding is US$350.0 million (2015: US$25.0 million).

In January 2016, the Company entered into a facility agreement with State Bank of India for US$300.0 million. Out of which US$120.0 million bears an interest rate of US$LIBOR plus 450 basis points and is repayable in February 2022. Balance US$180.0 million bears an interest rate of 454 basis points. As at 31 March 2016, the amount outstanding is US$300.0 million.

**24. Borrowings** continued

**Twin Star Mauritius Holdings Limited (TMHL)**

**Term loan**

In May 2013, the Group tied up a term loan facility of US$1,200 million borrowed by TMHL through a syndicate of banks with Standard Chartered Bank (SCB) as facility agent to partly refinance US$2,664 million drawn to meet the funding requirements for the acquisition of 28.5% stake in Cairn India Limited in December 2011. The facility bears an interest rate of LIBOR plus 275 basis points and is due for repayment in four equal annual instalments starting June 2015. The facility of US$2,664 million due for repayment as US$1,350.0 million in June 2013 and US$1,314.4 million in December 2014 was fully prepaid in June 2013. The first instalment due in June 2015 has been duly repaid. As at 31 March 2016, the amount outstanding is US$900.0 million (2015: US$1,200.0 million).

In August 2014, the Group tied up a US$500 million facility with Standard Chartered Bank and First Gulf Bank PJSC of which $250 million is under a commodity murabaha structure (Islamic financing) and balance US$250 million is under a conventional loan structure. Out of the said facility US$287.5 million bears an interest rate of LIBOR plus 275 basis points with an average maturity of about five years from the date of first drawdown in August 2014 and balance amount of US$212.5 million bears an interest rate of LIBOR plus 340 basis points with an average maturity of about six years from the date of first drawdown in August 2014. US$25.0 million has been duly repaid during the current year. As at 31 March 2016, the amount outstanding is US$475.0 million (2015: US$500.0 million).

**Vedanta Limited**

**Term loan**

In March 2014, Jharsuguda Aluminium had availed a facility of US$287.5 million from Axis Bank at an average interest rate of bank base rate plus 25 basis points per annum. In May 2014, the said facility was further enhanced by US$32.0 million. The same was down sold to the following banks:

a) Axis Bank – US$39.9 million at an average interest rate of bank base rate plus 25 basis points per annum. The facility is secured by first charge by way of mortgage/pledge of movable/immovable all present and future fixed assets of the Aluminium division for the project. The same was repayable as US$32.0 million in February 2017 and US$7.9 million in February 2018. As at 31 March 2015, the amount outstanding was US$39.9 million and the same has been duly prepaid.

b) Bank of India – US$79.9 million at an average interest rate of bank base rate plus 25 basis points per annum. The facility is secured by first charge by way of mortgage/pledge of movable/immovable all present and future fixed assets of the Aluminium division for the project. The same was repayable as US$32.0 million in February 2017, US$32.0 million in February 2018 and US$15.9 million in February 2019. As at 31 March 2015, the amount outstanding was US$79.9 million and the same has been duly prepaid.

c) Corporation Bank – US$79.9 million at an average interest rate of bank base rate plus 25 basis points per annum. The facility is secured by first charge by way of mortgage/pledge of movable/immovable all present and future fixed assets of the Aluminium division for the project. The same was repayable as US$12.0 million in February 2017, US$27.9 million in February 2018 and US$40.0 million in February 2019. As at 31 March 2015, the amount outstanding was US$79.9 million and the same has been duly prepaid.

d) Syndicate Bank – US$79.9 million at an average interest rate of bank base rate plus 25 basis points per annum. The facility is secured by first charge by way of mortgage/pledge of movable/immovable all present and future fixed assets of the Aluminium division for the project. The same was repayable as US$12.0 million in February 2017, US$27.9 million in February 2018 and US$40.0 million in February 2019. As at 31 March 2015, the amount outstanding was US$79.9 million and the same has been duly prepaid.

e) Vijaya Bank – US$39.9 million at an average interest rate of bank base rate plus 25 basis points per annum. The facility is secured by first charge by way of mortgage/pledge of movable/immovable all present and future fixed assets of the Aluminium division for the project. The same was repayable as US$7.9 million in February 2017, US$16.0 million in February 2018 and US$16.0 million in February 2019. As at 31 March 2015, the amount outstanding was US$39.9 million and the same has been duly prepaid.

During the year, Jharsuguda Aluminium has acquired a facility for US$301.5 million from Axis Bank at an average rate of bank base rate plus 30 basis points per annum. The same is down sell to the following banks:

a) Axis Bank – US$150.8 million at an average interest rate of bank base rate plus 30 basis points per annum. The facility is secured by first pari passu charge by way of i) a first pari passu charge by way of hypothecation on the entire moveable fixed assets (including WIP) of the project, both present and future ii) mortgage by deposit of documents of title of the land pertaining to the fixed assets. The aforesaid mortgages/charges shall in all respects rank pari passu inter se amongst the rupee lenders and amongst all existing lenders and future lenders having first charge on the security without any preference or priority to one over the other or others. The same is repayable in quarterly instalments till December 2030. As at 31 March 2016, the amount outstanding is US$150.0 million.

b) State Bank of Hyderabad – US$30.2 million at an average interest rate of bank base rate plus 5 basis points per annum. The facility is secured by a first pari passu charge by way of hypothecation on the entire moveable fixed assets (including WIP) of the project, both present and future; and mortgage by deposit of documents of title of the land pertaining to the fixed assets. The same is repayable in quarterly instalments till December 2030. As at 31 March 2016, the amount outstanding is US$30.0 million.

c) Vijaya Bank – US$75.4 million at an average interest rate of bank base rate plus 15 basis points per annum. The facility is secured by a first pari passu charge by way of hypothecation on the entire moveable fixed assets (including WIP) of the project, both present and future; and mortgage by deposit of documents of title of the land pertaining to the fixed assets. The same is repayable in quarterly instalments till December 2030. As at 31 March 2016, the amount outstanding is US$75.0 million.

d) State Bank of Patiala – US$45.2 million at an average interest rate of bank base rate plus 15 basis points per annum. The facility is secured by a first pari passu charge by way of hypothecation on the entire moveable fixed assets (including WIP) of the project, both present and future; and mortgage by deposit of documents of title of the land pertaining to the fixed assets. The same is repayable in quarterly instalments till December 2030. As at 31 March 2016, the amount outstanding is US$45.0 million.

# Notes to the Financial Statements continued

### 24. Borrowings continued

In July 2014, Jharsuguda Aluminium has availed a facility of US$753.8 million from State Bank of India (SBI) at a floating interest rate of SBI base rate plus 30 basis points. The facility is secured by creating first pari passu charge by way of hypothecation of the movable fixed assets and mortgage on immovable fixed assets of the Aluminium division, both present and future. The same is repayable in quarterly instalments up to December 2022. As at 31 March 2016, the amount outstanding is US$716.1 million (2015: US$692.2 million).

In April 2014, Jharsuguda Aluminium has availed a facility of US$301.5 million from Bank of Baroda at a floating interest rate of bank base rate plus 10 basis points. The facility is secured by creating first pari passu charge by way of hypothecation of the movable fixed assets and mortgage on immovable fixed assets of the Aluminium division, both present and future. The same is repayable in quarterly instalments up to December 2020. As at 31 March 2016, the amount outstanding is US$268.3 million (2015: US$316.3 million).

In April 2014, Jharsuguda Aluminium has availed a facility of US$301.5 million from Bank of India at a floating interest rate of bank base rate plus 15 basis points. The facility is secured by creating first pari passu charge by way of hypothecation of the movable fixed assets and mortgage on immovable fixed assets of the Aluminium division, both present and future. The same is repayable in quarterly instalments up to September 2020. As at 31 March 2016, the amount outstanding is US$257.0 million (2015: US$304.4 million).

In April 2014, Jharsuguda Aluminium has availed a facility of US$75.4 million from State Bank of Bikaner & Jaipur at a floating interest rate of bank base rate plus 5 basis points. The facility is secured by creating first pari passu charge by way of hypothecation of the movable fixed assets and mortgage on immovable fixed assets of the Aluminium division, both present and future. The same is repayable in quarterly instalments up to December 2020. As at 31 March 2016, the amount outstanding is US$67.1 million (2015: US$79.1 million).

In April 2014, Jharsuguda Aluminium has availed a facility of US$154.6 million from Syndicate Bank at a floating interest rate of bank base rate. The facility is secured by creating first pari passu charge by way of hypothecation of the movable fixed assets and mortgage on immovable fixed assets of the Aluminium division, both present and future. The same is repayable in quarterly instalments up to December 2020. As at 31 March 2016, the amount outstanding is US$137.5 million (2015: US$162.1 million).

In April 2014, Jharsuguda Aluminium has availed a facility of US$150.8 million from Union Bank of India at a floating interest rate of bank base rate plus 25 basis points. The facility is secured by creating first pari passu charge by way of hypothecation of the movable fixed assets and mortgage on immovable fixed assets of the Aluminium division, both present and future. The same is repayable in quarterly instalments up to December 2020. As at 31 March 2016, the amount outstanding is US$133.4 million (2015: US$157.4 million).

In December 2013, Jharsuguda 2,400MW power plant has availed a facility of US$59.4 million from Canara Bank at an interest rate of 9.75% per annum. In August 2014, this facility has further been enhanced by US$90.5 million. The facility is secured by way of mortgage and charge on all the immovable properties, both present and future, of Jharsuguda 2,400MW power plant except IPP Agricultural Land and a second charge by way of pledge on all the movable fixed assets of the Power division. The loan is repayable in 16 quarterly instalments from end of quarter starting after the moratorium period up to December 2018. As at 31 March 2016, the amount outstanding is US$103.6 million (2015: US$149.8 million).

In March 2016, Jharsuguda Aluminium has availed a facility of US$188.4 million from State Bank of India at a floating interest rate of bank base rate plus 20 basis points. The facility is secured by aggregate of the net fixed assets of the Aluminium division and the Lanjigarh Expansion project reduced by the outstanding borrowings having first pari passu charge on the fixed assets of the Aluminium division and the Lanjigarh Expansion Project. The same is repayable in quarterly instalments up to March 2025. As at 31 March 2016, the amount outstanding is US$188.4 million.

In November 2015, Iron Ore Sesa has availed a facility of US$72.4 million from Corporation Bank at a floating interest rate of 9.65%. The facility is secured by creating first pari passu charge by way of hypothecation of the movable fixed assets and mortgage on immovable fixed assets of the Aluminium division, both present and future. The same is repayable in quarterly instalments up to December 2020. As at 31 March 2016, the amount outstanding is US$67.1 million (2015: US$36.0 million).

#### Short-term loans

In January 2015, Jharsuguda Aluminium availed a short-term borrowing facility in the form of export packing credit from Bank of America at an average rate 9.30% per annum. These loans were obtained to meet the working capital requirements. The same is repayable in June 2016. As at 31 March 2016, the amount outstanding is US$95.0 million (2015: US$32.0 million).

In October 2014, Jharsuguda Aluminium availed a short-term borrowing facility in foreign currency in the form of pre shipment/export packing credit from Bank of America at an average rate of LIBOR plus 65-70 basis points. These loans were obtained to meet the working capital requirements. This was repayable as US$32.6 million in April 2015 and US$14.6 million in May 2015. The same has been duly repaid.

Iron Ore Sesa obtained a short-term borrowing facility in foreign currency in the form of pre shipment/export packing credit from various banks at an average rate of 9.39%. These loans were obtained to meet the working capital requirements of the Iron Ore. As at 31 March 2016, the amount outstanding is US$57.4 million (2015: US$36.0 million).

## 24. Borrowings continued

### Non-convertible debentures (NCDs)

In October 2008, Jharsuguda Aluminium has issued NCDs of US$66.6 million to the Life Insurance Corporation of India at a rate of 11.5% per annum. These NCDs are secured and have the first pari passu charge over the identified assets (including land and buildings) of the issuer to the extent of 1.33 times of the issued amount. These NCDs are repayable in three equal annual instalments starting October 2013. The first two instalments due for repayment of US$22.2 million each were paid in October 2013 and October 2014 respectively. The balance instalment of US$22.2 million was due for repayment in October 2015 and the same has been duly repaid.

In December 2012, April 2013, July 2013 and August 2016 Vedanta Limited had issued NCDs in three tranches for US$75.4 million, US$376.9 million, US$180.9 million and US$301.5 million with an interest rate of 9.24%, 9.10%, 9.17% and 9.70% per annum respectively. Out of the total NCDs US$180.9 million are secured by way of mortgage on the immovable property of Vedanta Limited situated at Sanaswadi in the state of Maharashtra and also by way of pledge on the movable fixed assets of Jharsuguda Aluminium division with a security cover of 1.25 times on the face value of outstanding NCDs at all time during the tenure of the NCDs. The balance NCDs of US$753.8 million are secured by way of mortgage on the immovable property of Vedanta Limited situated at Sanaswadi in the state of Maharashtra and also by way of pledge on the movable fixed assets of Jharsuguda 2,400MW power plant with a security cover of 1.25 times on the face value of outstanding NCDs at all time during the tenure of the NCDs. Of the total outstanding NCDs, US$75.4 million is repayable in December 2022, US$376.9 million in April 2023, US$180.9 million in July 2023 and US$301.5 million in August 2020. All NCDs, except for US$301.5 million issued in August 2016, have put and call option respectively at the end of five years from the respective date of allotment. As at 31 March 2016, the amount outstanding is US$934.7 million (2015: US$671.0 million).

In October, November and December 2012, Vedanta Limited had also issued NCDs in three tranches for US$75.4 million each per tranche with an interest rate of 9.24%, 9.40% and 9.40% per annum respectively. These NCDs are secured by way of mortgage on the immovable property of Vedanta Limited situated at Sanaswadi in the state of Maharashtra and also by way of pledge on the movable fixed assets of Jharsuguda 2,400MW power plant with a security cover of 1.25 times on the face value of outstanding NCDs at all time during the tenure of the NCDs. Of the total outstanding NCDs, US$75.4 million is repayable in October 2022, US$75.4 million in November 2022 and US$75.4 million in December 2022. The NCDs have put and call option respectively at the end of five years from the respective date of allotment of the NCDs. As at 31 March 2016, the amount outstanding is US$226.1 million (2015: US$239.6 million).

In October 2014, Iron Ore Sesa has also issued NCDs of US$226.1 million with an interest rate of 9.36% per annum. These NCDs are secured by way of mortgage on the immovable property of Vedanta Limited situated at Tuticorin in the state of Tamil Nadu and also by way of first ranking pari passu charge over 'movable fixed assets' in relation to Vedanta Limited's Iron Ore Sesa business (pig iron and met coke assets) and power plant assets located in Goa and the Copper plant assets located at Tuticorin with a security cover of 1.25 times on the face value of outstanding NCDs at all times during the tenure of the NCDs. These NCDs are redeemable in two instalments as US$147.0 million in October 2017 and US$79.1 million in December 2017. As at 31 March 2016, the amount outstanding is US$226.1 million (2015: US$239.7 million).

### External commercial borrowing

During the year ended 31 March 2015, Jharsuguda Aluminium External Commercial Borrowing from Axis Bank of US$500.0 million was refinanced by ICICI Bank and SCB at an interest rate of US$LIBOR plus 170 basis points (prior to refinancing at an interest rate of US$LIBOR plus 400 basis points) having a subservient charge on all present and future movable assets of the Aluminium division. The repayment is to be made in three equal instalments starting from April 2015. The first instalment of US$200.0 million has been duly repaid. As at 31 March 2016, the amount outstanding is US$300.0 million (2015: US$500.0 million).

During the year ended 31 March 2013, a part of intercompany borrowing from Welter Trading Limited was refinanced through Axis Bank. This has been further refinanced from Standard Chartered Bank for US$44.5 million at an interest rate of US$LIBOR plus 129 basis points (prior to refinancing at an interest rate of US$LIBOR plus 360 basis points) having a subservient charge on all present and future movable assets of Jharsuguda Aluminium. The entire loan was repayable in July 2015 and the same has been duly repaid.

### Project buyers' credit

Jharsuguda Aluminium had extended credit terms relating to purchases of property, plant and equipment bearing an average interest rate of LIBOR plus 24-55 basis points. These are secured by all of the fixed assets of Jharsuguda Aluminium, immovable or movable, present and future, on a pari passu basis with other term lenders and with priority over other creditors. Project buyers' credit have an average maturity of May 2015. As at 31 March 2015, the amount outstanding was US$2.0 million and the same has been duly repaid.

### Commercial papers

During the year, Jharsuguda 2,400MW power plant has issued commercial paper to various asset management companies bearing an average coupon rate of 9.6% for funding project payables. As at 31 March 2016, the amount outstanding is US$395.7 million (2015: US$180.5 million).

During the year, Iron Ore Sesa has issued commercial papers for periods ranging up to one year bearing an average interest rate of 9.5%. These commercial papers are used to meet working capital requirements of the Iron Ore division and are repayable in the next financial year. As at 31 March 2016, the outstanding balance was US$112.3 million (2015: US$380.2 million).

During the year, Vedanta Limited has issued commercial paper to various asset management companies bearing an average coupon rate of 9.19% and are repayable in the next financial year. As at 31 March 2016, the amount outstanding is US$392.0 million.

# Notes to the Financial Statements continued

## 24. Borrowings continued

### KCM

A term loan facility of US$820 million (2015: US$820 million) has been obtained by KCM from Standard Bank. The term loan facility is made up of three tranches: US$300 million ('Facility A'), US$120 million ('Facility A1') and US$400 million ('Facility B') drawn down on various dates with the last amount drawn in June 2014. The facility was restructured in 2014. The facility was repayable in 16 quarterly instalments starting in June 2015. But during this year we restructured the loan again with Standard Bank and got a moratorium period for testing of financial covenants. First testing will be done on 30 September 2017. The loan is secured against the fixed assets of KCM and a corporate guarantee from Vedanta Resources plc for the amount equivalent to the total outstanding loan. Interest is payable quarterly at LIBOR plus 350 basis points for Facility A and A1 and US$LIBOR plus 300 basis points for Facility B. The facility is repayable in tranches with Facility A and A1 in 11 quarterly instalments commencing from 30 September 2016 and Facility B is repayable in 14 quarterly instalments commencing from 31 March 2017. As at 31 March 2016, the amount outstanding is US$569.1 million (2015: US$710.9 million).

A general short-term banking facility incorporating multiple sub-facilities amounting to US$30 million (31 March 2015: US$50 million) was provided by Stanbic Bank. The facility was revolved on 1 June 2011. Interest is payable monthly at three month US$LIBOR plus 350 basis points. The facility is repayable strictly on demand. The tenure for the facility is 12 months. The amount drawn as at 31 March 2016 under this facility is US$14 million (2015: US$27.8 million).

A general short-term banking facility incorporating multiple sub-facilities amounting to US$50 million (2015: US$50 million) was provided by Standard Chartered Bank. The facility was revolved on 26 May 2011. The facility bears an interest rate of US$LIBOR plus 300 basis points. The facilities are repayable strictly on demand. The tenure for the facility is 12 months. As at 31 March 2016, the amount outstanding is US$50.0 million (2015: US$50.0 million).

A general short-term banking facility incorporating multiple sub-facilities amounting to US$40 million (2015: US$40 million) was provided by Barclays Bank Zambia Plc. The facility bears an interest rate of three month US$LIBOR plus 250 basis points payable monthly. The facilities are repayable strictly on demand. The tenure for the facility is 12 months. As at 31 March 2016, the amount outstanding is US$32.81 million (2015: US$13.8 million).

### BALCO

#### NCDs

In November 2008, BALCO issued NCDs of US$75.4 million to the Life Insurance Corporation of India at a rate of 12.25% per annum. These NCDs are secured and have the first pari passu charge on the fixed assets of BALCO including land and buildings. These NCDs were repayable in three equal instalments in November 2013, November 2014 and November 2015. All three instalments have been duly repaid.

In May 2013, BALCO issued NCDs of US$75.4 million to Kotak Mahindra Bank, Axis Bank Limited and Wipro Limited at an interest rate of 8.58% per annum (Series–I) and 8.60% per annum (Series–II). These NCDs are secured and have the first pari passu charge on the fixed assets of BALCO. These NCDs are repayable in two equal instalments in November 2015 and May 2016. The first instalment has been duly repaid. As at 31 March 2016, the amount outstanding is US$37.7 million (2015: US$79.9 million).

In August 2014, BALCO issued NCDs of US$75.4 million to banks and financial institutions arranged by Deutsche Bank at an interest rate of 10.25% per annum. These NCDs are secured and have the first pari passu charge on the fixed assets of BALCO. These NCDs are repayable in August 2017. As at 31 March 2016, the amount outstanding is US$75.4 million (2015: US$79.9 million).

#### Project buyers' credit

BALCO has extended credit terms relating to the purchase of property, plant and equipment at an average interest rate of US$LIBOR plus 107 basis points. Project buyers' credits have an average maturity of November 2016. As at 31 March 2016, the amount outstanding is US$58.1 million (2015: US$59.6 million).

#### External commercial borrowings

In August 2011, BALCO has obtained an External Commercial Borrowing loan from State Bank of India, London of US$200 million at an interest rate of six month US$LIBOR plus 290 basis points secured by first pari passu charges on all the fixed assets (excluding land) of BALCO projects both present and future along with secured lenders. The above loan is repayable in three equal annual instalments starting August 2016. As at 31 March 2016, the amount outstanding is US$200.0 million (2015: US$200.0 million).

In September 2015, BALCO has also obtained an External Commercial Borrowing loan from ICICI Bank Dubai of US$50.0 million at an interest rate of three month US$LIBOR plus 240 basis points secured by first pari passu charge on all movable fixed assets including plant and machinery related to 1,200MW Power project and 3.25 LTPA Smelter projects both present and future along with secured lenders. The facility is repayable as US$13.0 million in August 2019, US$14.0 million in August 2020 and US$23.0 million in August 2021. As at 31 March 2016, the amount outstanding is US$50.0 million.

#### Rupee term loan

During the year, BALCO has availed rupee term loan of US$75.4 million from Dena Bank at pricing of bank base rate plus 50 basis points. The facility is secured against movable fixed assets (excluding coal block assets) of BALCO. The facility has a maturity of eight years and is repayable in 28 quarterly instalments post moratorium period of one year. As at 31 March 2016, the amount outstanding is US$75.4 million.

During the year, BALCO has availed rupee term loan of US$45.2 million from State Bank of India at pricing of bank base rate plus 50 basis points. The facility is secured against movable fixed assets (excluding coal block assets) of BALCO. The facility has a maturity of eight years and is repayable in 28 quarterly instalments post moratorium period of one year. As at 31 March 2016, the amount outstanding is US$45.2 million.

## 24. Borrowings continued

During the year, BALCO has availed rupee term loan of US$22.6 million from State Bank of Mysore at pricing of bank base rate plus 50 basis points. The facility is secured against movable fixed assets (excluding coal block assets) of BALCO. The facility has a maturity of eight years and is repayable in 28 quarterly instalments post moratorium period of one year. As at 31 March 2016, the amount outstanding is US$22.6 million.

During the year, BALCO has availed rupee term loan of US$30.2 million from State Bank of Patiala at pricing of bank base rate plus 50 basis points. The facility is secured against movable fixed assets (excluding coal block assets) of BALCO. The facility has a maturity of eight years and is repayable in 28 quarterly instalments post moratorium period of one year. As at 31 March 2016, the amount outstanding is US$30.2 million.

During the year, BALCO has availed rupee term loan of US$22.6 million from South Indian Bank at pricing of bank base rate plus 25 basis points. The facility is secured against movable fixed assets (excluding coal block assets) of BALCO. The facility has a maturity of eight years and is repayable in 28 quarterly instalments post moratorium period of one year. As at 31 March 2016, the amount outstanding is US$22.6 million.

During the year, BALCO has availed rupee term loan of US$45.0 million from UCO Bank at pricing of bank base rate plus 50 basis points. The facility is secured against movable fixed assets (excluding coal block assets) of BALCO. The facility has a maturity of eight years and is repayable in 28 quarterly instalments post moratorium period of one year. As at 31 March 2016, the amount outstanding is US$45.0 million.

#### Commercial paper

In March 2016, BALCO has issued commercial paper bearing an average coupon rate of 9.89% per annum to various asset management companies for the funding of project loan repayment and other payables. As at 31 March 2016, the amount outstanding is US$79.1 million (2015: US$317.1 million).

### Talwandi Sabo

#### NCDs

In December 2010 and January 2011, Talwandi Sabo has issued NCDs of US$226.13 million to ICICI Bank at a rate of 9.8% per annum. These NCDs are secured by first pari passu charge on the assets of Talwandi Sabo both present and future, with an unconditional and irrevocable corporate guarantee by Vedanta Limited. These NCDs have tenure of 13 years and are repayable in 12 equal instalments after 10 years after allotment. These NCDs have a call option, five years after allotment. The call option has been exercised and the NCDs have been duly repaid.

In September 2014 (four tranches), November 2014, March 2015 and April 2015, Talwandi Sabo has also issued NCDs of US$226.1 million in five tranches of US$18.1 million, US$27.1 million, US$30.2 million, US$49.0 million and US$101.8 million respectively at an interest rate of 9.60% per annum, 9.70% per annum, 9.27% per annum, 8.91% and 8.91% per annum respectively, to various asset management companies for fresh project funding and repayment of loan. These NCDs are secured by first pari passu charge on the assets of Talwandi Sabo both present and future, with an unconditional and irrevocable corporate guarantee by Vedanta Limited. These NCDs are repayable in tranches as US$18.1 million, US$27.1 million, US$30.2 million in November 2017 and balance US$150.8 million in April 2018. As at 31 March 2016, the amount outstanding is US$226.1 million (2015: US$131.8 million).

#### Term loan

In September 2014, Talwandi Sabo has availed a rupee term loan facility of US$75.4 million from Kotak Mahindra Bank Limited at an interest rate of 10.10% per annum. The facility is secured by first pari passu charge on the assets of Talwandi Sabo both present and future, with an unconditional and irrevocable corporate guarantee by Vedanta Limited. The facility is repayable as first 50% of the loan amount in 24 equal quarterly instalments starting from December 2015 and balance 50% of the loan amount in March 2021. As at 31 March 2016, the amount outstanding is US$68.7 million (2015: US$79.9 million).

In December 2015, Talwandi Saboo has availed a rupee term loan facility of US$301.5 million from the State Bank of India at an interest rate of SBI base rate plus 50 basis points (which is at present effective 9.80% per annum). The facility is secured by pari passu charge on the assets of Talwandi Sabo both present and future, with an unconditional and irrevocable corporate guarantee by Vedanta Limited. The facility is repayable in 48 quarterly instalments starting in June 2018. As at 31 March 2016, the amount outstanding is US$283.4 million.

#### Project buyers' credit

Talwandi Sabo has accessed buyers' credit in respect of purchase of capital goods at an average rate of six month US$LIBOR plus 136 basis points. The average maturity of the project buyers' credit is May 2017. As at 31 March 2016, the amount outstanding is US$165.6 million (2015: US$177.1 million).

#### Commercial paper

During the year, Talwandi Sabo has issued commercial paper to various asset management companies for the funding of project loan repayment bearing an average coupon rate of 9.5% per annum. As at 31 March 2016, Talwandi Sabo had an outstanding balance of US$361.1 million (2015: US$417.0 million).

# Notes to the Financial Statements continued

## 24. Borrowings continued

### VGCB

#### NCDs

In May 2013, VGCB has issued NCDs of US$47.9 million to IDFC Limited at a rate of 9% per annum to refinance the existing term loan from Axis Bank. These NCDs are secured by 1.1 times on the face value of outstanding debentures, by way of charge on the fixed assets of VGCB at all time during the currency of the debentures. Debentures have tenure of three years with put and call option at the end of the second year. During this year, the call and put option has been exercised on US$33.9 million bonds and has been duly repaid. As at 31 March 2016, the amount outstanding is US$11.3 million (2015: US$47.9 million).

#### Project buyers' credit

VGCB has accessed buyers' credit in respect of purchase of capital goods at an average rate of six month US$LIBOR plus 145 basis points. The average maturity of the project buyers' credit is May 2017. As at 31 March 2016, the amount outstanding is US$18.3 million (2015: US$18.3 million).

## 25. Non-equity non-controlling interests

As at 31 March 2016, non-equity non-controlling interests amounts to US$11.9 million, being deferred shares in KCM held by ZCCM. The deferred shares have no voting rights or rights to KCM's dividends, but are entitled on a winding up to a return of up to US$0.99 per share once all of KCM's ordinary shares have received a distribution equal to their par value and any share premium created on their issue and which remains distributable to them.

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

## 26. Movement in net debt[1]

| | | | | Debt due within one year | Debt due after one year | | |
|---|---|---|---|---|---|---|---|
| (US$ million) | Cash and cash equivalents | Liquid investments | Total cash and liquid investments | Debt carrying value | Debt carrying value | Debt-related derivatives[2] | Total net debt |
| **At 1 April 2014** | **369.4** | **8,568.5** | **8,937.9** | **(4,358.5)** | **(12,512.7)** | **13.8** | **(7,919.5)** |
| Cash flow | (13.9) | (671.7) | (685.6) | 818.8 | (1,050.1) | – | (916.9) |
| Other non-cash changes[3] | – | 250.8 | 250.8 | 294.8 | (46.7) | (16.1) | 482.8 |
| Foreign exchange differences | (1.8) | (291.5) | (293.3) | 65.7 | 120.9 | – | (106.7) |
| **At 1 April 2015** | **353.7** | **7,856.1** | **8,209.8** | **(3,179.2)** | **(13,488.6)** | **(2.3)** | **(8,460.3)** |
| Cash flow | 92.6 | 999.9 | 1,092.5 | 1,022.1 | (901.6) | – | 1,213.0 |
| Other non-cash changes[3] | – | 59.4 | 59.4 | (2,280.6) | 2,195.6 | 0.3 | (25.3) |
| Foreign exchange differences | (18.0) | (407.2) | (425.2) | 123.9 | 245.1 | – | (56.2) |
| **At 31 March 2016** | **428.3** | **8,508.2** | **8,936.5** | **(4,313.8)** | **(11,949.5)** | **(2.0)** | **(7,328.8)** |

1 Net debt being total debt reduced by cash and cash equivalents and liquid investments, as carried at fair value under IAS 32 and 39.
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 mark to market of embedded derivatives, interest accretion on convertible bonds and amortisation of borrowing costs for which there is no cash movement and reclassification between debt due within one year and debt due after one year. It also includes US$59.5 million (2015: US$250.8 million) of fair value movement in investments.

## 27. Trade and other payables

### (a) Current trade and other payables

| (US$ million) | **As at 31 March 2016** | As at 31 March 2015[3] |
|---|---|---|
| Trade payables | 2,155.8 | 2,258.9 |
| Bills of exchange | 1,500.0 | 1,512.4 |
| Accruals and deferred income | 38.3 | 22.8 |
| Advance from customers[1] | 396.8 | – |
| Dividend payable to NCI | 536.3 | – |
| Dividend tax payable | 311.2 | – |
| Other trade payables[2] | 937.7 | 935.9 |
| | **5,876.1** | **4,730.0** |

Non-interest bearing trade payables are normally settled on 60 to 90-day terms.

Interest bearing trade and other payables amount to US$1,500.0 million (2015: US$1,567.5 million).

## 27. Trade and other payables continued

Bills of exchange are interest-bearing liabilities and are normally settled within a period of 12 months. These represent arrangements whereby operational suppliers of raw materials are paid by financial institutions, with the Company recognising the liability for settlement with the institutions at a later date.

The fair values of the trade and other payables are not materially different from the carrying values presented.

### (b) Non-current trade and other payables

| (US$ million) | As at 31 March 2016 | As at 31 March 2015 |
|---|---|---|
| Advance from customers[1] | 150.5 | – |
| Other trade payables[2] | 73.0 | 194.3 |
| | **223.5** | **194.3** |

1 Advances from customers include amounts received under long-term supply agreements. The advance payment plus a fixed rate of return will be settled by supplying copper over a period up to 24 months under an agreed delivery schedule as per the terms of the respective agreements. As these are contracts that the Group expects, and has the ability, to fulfil through delivery of a non-financial item, these are recognised as advances from customers and will be released to the income statement as copper is delivered under the agreements. The portion of the advance that is expected to be settled within the next 12 months has been classified as a current liability.
2 Other trade payables primarily comprise amounts withheld as retentions, payable to suppliers of capital projects after satisfactory completion of contractual commissioning period, which are payable after the completion of commissioning. The fair value of the non-current trade payables are not materially different from the carrying values presented.
3 Prior year trade and other payables of US$331.6 million have been reclassified from accruals to trade and other payables to better reflect the nature of these costs.

## 28. Convertible bonds

| (US$ million) | As at 31 March 2016 | As at 31 March 2015 |
|---|---|---|
| A. VRJL | 579.9 | 1,096.4 |
| B. VRJL II | 7.3 | 6.6 |
| | **587.2** | **1,103.0** |

**A.** Vedanta Resource Jersey Limited (VRJL) issued 5.5% US$1,250 million guaranteed convertible bonds on 13 July 2009. The bonds are first convertible into exchangeable redeemable preference shares to be issued by VRJL, which will then be automatically exchanged for ordinary shares of Vedanta Resources plc. The bondholders have the option to convert at any time from 24 August 2009 to 6 July 2016. Conversion options exercised before 15 August 2012 were convertible at US$36.48 per share. Conversion options exercised on or after 15 August 2012 were convertible at US$35.58 per share.

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.

If the notes have not been converted, they will be redeemed at the option of the issuer on or at any time after 28 July 2013, subject to the conditions as part of the issue. Bondholders had exercised put option on 14 July 2014, accordingly bonds with a face value US$113.8 million (9.1% of total face value) were redeemed during the year ending 31 March 2015.

During the year, in October 2015, the Company received notice from bondholders with a face value of US$3 million to exercise the option to convert the bonds into equity shares of Vedanta Resources plc in accordance with the provisions of the Offer circular dated 9 July 2009. During the year ended 31 March 2016 US$3 million of bonds were converted into 93,341 equity shares of Vedanta Resources plc. The carrying value of bond on the date of conversion was US$2.9 million.

During the year, in January 2016 and February 2016, the Company bought back the convertible bonds of a face value of US$549.3 million and carrying value of US$541.6 million from market for a consideration of US$522.4 million. The buyback consideration including buyback cost of US$1.2 million has been split between the liability and equity. Accordingly, US$2.6 million has been debited to convertible bond reserve and net gain of US$20.7 million has been recognised in the income statement.

| (US$ million) | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| **Opening liability** | 1,096.4 | 1,177.1 |
| Effective interest cost | 90.1 | 97.3 |
| Conversion of convertible bonds | (2.9) | – |
| Repayment of convertible bonds | – | (113.8) |
| Buy back of convertible bonds | (541.6) | – |
| Coupon interest paid/accrued | (62.1) | (64.2) |
| **Closing liability** | **579.9** | **1,096.4** |

The interest charged for the year is calculated by applying an effective interest rate of 8.2% (March 2015: 8.7%).

The fair value of the convertible bond as at 31 March 2016 is US$573.1 million (March 2015: US$1,056.9 million).

# Notes to the Financial Statements continued

## 28. Convertible bonds continued

**B.** Vedanta Resource Jersey II Limited (VRJL-II) issued 4.0% US$883 million guaranteed convertible bonds on 30 March 2010. The bonds are first convertible into exchangeable redeemable preference shares to be issued by VRJL-II, which will then be automatically exchanged for ordinary shares of Vedanta Resources plc. The bondholders have the option to convert at any time from 10 May 2010 to 23 March 2017. Conversion options exercised before 15 August 2012 were convertible at US$51.9251 per share. Conversion options exercised on or after 15 August 2012 are convertible at US$50.646 per share, as per the terms of offering circular.

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.

Bondholders exercised the put option in March 2015, resulting in redemption of US$65.1 million bonds during the year ending 31 March 2015. The maturity of the remaining bonds is March 2017.

At the inception the net proceeds of the convertible issue was split between the liability element and a derivative component, representing the fair value of the embedded option to convert the liability into equity of the Company. The latter was not recorded within equity due to the existence of partial cash settlement terms within the bond which prevent the adoption of compound financial instrument accounting.

| (US$ million) | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| **Opening liability** | 6.6 | 65.7 |
| Effective interest cost | 1.0 | 8.9 |
| Repayment of convertible bonds | – | (65.1) |
| Coupon interest paid/accrued | (0.3) | (2.9) |
| **Closing liability** | **7.3** | **6.6** |

The interest charged for the year is calculated by applying an effective interest rate of 15.1% (2015: 15.0%).

The fair value of the convertible bond as at 31 March 2016 was US$7.3 million (March 2015: US$7.8 million).

**C.** Vedanta Limited issued 4% US$500 million convertible bonds (denominated in US dollars) on 29 October 2009 which were due on 30 October 2014. The bonds are convertible into American Depository Share (ADS) to be issued by Vedanta Limited. 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. Pursuant to the effectiveness of Group simplification scheme in August 2014 conversion rate has changed to 25.7213 ADSs for every US$1,000 principal amount of notes which is equal to a conversion price of approximately US$38.88 per ADS. Vedanta has the option (subject to the terms of the bond) to redeem the convertible bond at any time after 4 November 2012.

Vedanta Limited had also issued 5% US$500 million convertible bonds (denominated in US dollars) on 30 October 2009 and due on 31 October 2014. The bonds are convertible into ordinary shares of Vedanta Limited. 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. Vedanta Limited has the option (subject to certain conditions) to redeem the convertible bond at any time after 30 October 2012. As the functional currency of Vedanta Limited 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 its 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).

These convertible bonds were repaid during the year ended 31 March 2015.

The following table shows the movements in the Vedanta Limited bonds during the year on an aggregated basis:

| (US$ million) | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| Opening liability | – | 678.7 |
| Effective interest cost | – | 57.2 |
| Coupon interest paid | – | (19.8) |
| Repayment of FCCBs | – | (716.1) |
| **Closing liability** | **–** | **–** |

The interest charged for the year is calculated by applying an effective interest rate of nil (March 2015: 12.7%) for 4% US$500 million convertible notes and nil (March 2015: 19.1%) for 5% US$500 million convertible notes.

## 28. Convertible bonds continued

**Summary of convertible bond movements:**

| | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| Opening liability | 1,103.0 | 1,921.5 |
| Effective interest cost | 91.1 | 163.4 |
| Coupon interest paid/accrued | (62.4) | (86.8) |
| Repayment of bonds | – | (895.1) |
| Conversion of convertible bonds | (2.9) | – |
| Buy back of convertible bonds | (541.6) | – |
| **Closing liability** | **587.2** | **1,103.0** |

## 29. Financial instruments

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

| (US$ million) | As at 31 March 2016 | As at 31 March 2015 |
|---|---|---|
| **Financial assets** | | |
| At fair value through profit or loss | | |
| – Held for trading (Note 22) | 7,977.9 | 6,006.0 |
| At fair value through profit or loss/designated for hedging | | |
| Financial instruments (derivatives) | 19.1 | 16.8 |
| Loan and receivables | | |
| Bank deposits (Note 22) | 530.3 | 1,850.1 |
| Cash and cash equivalents | 428.3 | 353.7 |
| – Trade and other receivables | 854.7 | 1,132.6 |
| – Other non-current assets | 69.2 | 129.8 |
| Available-for-sale investments | | |
| – Financial asset investments held at fair value | 6.5 | 4.2 |
| **Total** | **9,886.0** | **9,493.2** |
| **Financial liabilities** | | |
| At fair value through profit or loss/designated for hedging | | |
| – Financial instruments (derivatives) | (68.9) | (45.8) |
| Financial liabilities at amortised cost | | |
| – Trade and other payables | (4,921.6) | (4,808.2) |
| – Borrowings[1] | (16,263.3) | (16,667.8) |
| **Total** | **(21,253.8)** | **(21,521.8)** |

1 Includes amortised cost liability portion of convertible bonds US$587.2 million (2015: US$1,103.3 million).

IFRS 13 requires additional information regarding the methodologies employed to measure the fair value of financial instruments which are recognised or disclosed in the financial statements. These methodologies are categorised per the standard as:

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

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

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

# Notes to the Financial Statements continued

## 29. Financial instruments continued

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

| (US$ million) | As at 31 March 2016 Level 1 | As at 31 March 2016 Level 2 |
|---|---|---|
| **Financial assets** | | |
| At fair value through profit or loss | | |
| – Held for trading | 6,840.7 | 1,137.2 |
| – Financial instruments (derivatives) | 3.2 | 15.9 |
| Available-for-sale investments | | |
| – Financial asset investments held at fair value | 6.5 | – |
| **Total** | **6,850.4** | **1,153.1** |
| **Financial liabilities** | | |
| At fair value through profit or loss/designated for hedging | | |
| – Financial instruments (derivatives) | (2.1) | (66.8) |
| **Total** | **(2.1)** | **(66.8)** |

| | As at 31 March 2015[1] Level 1 | As at 31 March 2015[1] Level 2 |
|---|---|---|
| **Financial assets** | | |
| At fair value through profit or loss | | |
| – Held for trading | 6,725.3 | 1,130.8 |
| – Financial instruments (derivatives) | – | 16.8 |
| Available-for-sale investments | | |
| – Financial asset investments held at fair value | 4.2 | – |
| **Total** | **6,729.5** | **1,147.6** |
| **Financial liabilities** | | |
| At fair value through profit or loss/designated for hedging | | |
| – Financial instruments (derivatives) | – | (45.8) |
| **Total** | **–** | **(45.8)** |

1 Held for trading disclosure at 31 March 2015 has been restated to appropriately disclose the bonds valued using inputs other than quoted price as Level 2 rather than Level 1.

There were no transfers between Level 1 and Level 2 during the year. No financial assets or liabilities that are measured at fair value were Level 3 fair value measurements.

The fair value of borrowings is US$15,118.2 million (2015: US$16,457.7 million), classified under Level 2 of fair value hierarchy. For all other financial instruments, the carrying amount is either the fair value, or approximates to 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 to fair value.

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

The fair value of the embedded derivative liability of the convertible bond has been calculated using the Black-Scholes model with market assumptions.

### Derivative instruments and risk management

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

The Group's documented risk management policies act as an effective tool in mitigating the various financial risks to which the businesses are exposed 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 (the latter covered in Note 34).

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. The Audit Committee is aided by the CFO Committee and the Risk Management Committee, which meets regularly to review risks as well as the progress against the planned actions. Key business decisions are discussed at the monthly meetings of the CFO Committee and 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.

## 29. Financial instruments continued

### 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 supplemented by regular internal audits.

The investment portfolio is independently reviewed by CRISIL Limited and our portfolio has been rated as 'Very Good', meaning highest safety.

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.

### 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. The commodity price risk in the import of copper concentrate and alumina is hedged on back-to-back basis ensuring no price risk for the business. Entities with integrated operations aim to achieve the monthly average of the commodity prices for sales realisation. Hedging is used primarily as a risk management tool to secure future cash flows in cases of high volatility by entering into forward contracts or similar instruments. The hedging activities are subject to strict limits set out by the Board and to a strictly defined internal control and monitoring mechanism. Decisions relating to hedging of commodities are taken at the Executive Committee level and with clearly laid down guidelines for their implementation by the subsidiaries.

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

The Group is also exposed to the movement of international crude oil price and the discount in the price of Rajasthan crude oil to Brent price.

### 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/RCs, improving operational efficiencies, minimising conversion cost, generating a premium over LME on sale of finished copper, sale of by-products and from achieving import parity on domestic sales. Hence, mismatches in quotational periods are managed to ensure that the gains or losses are minimised. The Group hedges this variability of LME prices through forward contracts 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.

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.

KCM is largely an integrated copper producer and whenever hedging is done it is with an intention to protect the Group from price fluctuations in copper. KCM also does hedging for its custom smelting operations in line with the Group's policy on custom smelting at Tuticorin, as explained above.

### Aluminium

The requirement of the primary raw material, alumina, is partly met from own sources and the rest is purchased primarily on negotiated price terms. Sales prices are linked to the LME prices. At present the Group on selective basis hedges the aluminium content in imported alumina to protect its margins.

The Group also enters into hedging arrangements for its aluminium sales to realise month of sale LME prices.

### Zinc and lead

The sales prices are linked to the LME prices. The Group also enters into hedging arrangements for its zinc and lead sales to realise month of sale LME prices.

### Iron ore

The Group sells its iron ore production from Goa on the prevailing market prices and from Karnataka through e-auction route as mandated by State Government of Karnataka in India.

# Notes to the Financial Statements continued

## 29. Financial instruments continued

### Provisionally priced financial instruments

On 31 March 2016, the value of net financial liabilities linked to commodities (excluding derivatives) accounted for on provisional prices was a liability of US$416.3 million (2015: liability of US$689.9 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 2016.

Set out below is the impact of a 10% increase in LME prices on profit/(loss) for the year and total equity as a result of changes in value of the Group's commodity financial instruments as at 31 March 2016:

| (US$ million except as stated) Commodity price sensitivity | Closing LME as at 31 March 2016 US$ | Effect on profit/(loss) of a 10% increase in the LME 31 March 2016 (US$ million) | Effect on total equity of a 10% increase in the LME 31 March 2016 (US$ million) |
|---|---|---|---|
| Copper | 4,855.5 | (44.5) | (44.5) |
| Zinc | 1,785.0 | 0.2 | 0.2 |
| Lead | 1,704.5 | 0.6 | 0.6 |

| (US$ million except as stated) Commodity price sensitivity | Closing LME as at 31 March 2015 US$ | Effect on profit/(loss) of a 10% increase in the LME 31 March 2015 (US$ million) | Effect on total equity of a 10% increase in the LME 31 March 2015 (US$ million) |
|---|---|---|---|
| Copper | 6,050 | (62.2) | (62.2) |
| Zinc | 2,075 | 0.2 | 0.2 |
| Lead | 1,808 | – | – |

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. A 10% decrease in LME prices would have an equal and opposite effect on the Group's financial instruments.

Further, the impact of a 10% increase in closing copper LME for provisionally priced copper concentrate purchased at Vedanta Limited Copper division custom smelting operations is US$50.0 million (2015: US$69.2 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. 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, together with undrawn fund based committed facilities of US$1,087.3 million, and cash and liquid investments of US$8,936.5 million as at 31 March 2016, are expected to be sufficient to meet the liquidity requirement of the Group in the near future.

The Group's current corporate family ratings from Standard & Poor's and Moody's are B and B2 respectively, with Stable outlook from Standard & Poor's and Negative outlook from Moody's. These ratings reflect the rating agencies' actions during the year on the companies in the resource sector taking into consideration current market conditions. The Group strives to maintain a healthy liquidity, gearing ratio and retains flexibility in the financing structure to alter the ratio when the need arises (see Note 34 for further details).

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

### At 31 March 2016

| (US$ million) Payment due by period | < 1 year | 1–2 years | 2–5 years | > 5 years | Total |
|---|---|---|---|---|---|
| Trade and other payables | 4,885.5 | – | 29.9 | 6.2 | 4,921.6 |
| Bank and other borrowings[1] | 4,711.2 | 3,434.4 | 7,645.5 | 3,388.3 | 19,179.4 |
| Convertible bonds[1] | 595.5 | – | – | – | 595.5 |
| Derivative liabilities | 67.8 | 1.1 | – | – | 68.9 |
| **Total** | **10,260.0** | **3,435.5** | **7,675.4** | **3,394.5** | **24,765.4** |

1 Includes contractual interest payment based on interest rate prevailing at the end of the reporting period.

## 29. Financial instruments continued

**At 31 March 2015**

| (US$ million) Payment due by period | < 1 year | 1–2 years | 2–5 years | > 5 years | Total |
|---|---|---|---|---|---|
| Trade and other payables | 4,509.0 | 229.3 | 63.0 | 6.9 | 4,808.2 |
| Bank and other borrowings[1] | 4,171.8 | 2,981.0 | 8,730.4 | 3,476.1 | 19,359.3 |
| Convertible bonds[1] | 65.8 | 1,161.5 | – | – | 1,227.3 |
| Derivative liabilities | 45.8 | – | – | – | 45.8 |
| **Total** | **8,792.4** | **4,371.8** | **8,793.4** | **3,483.0** | **25,440.6** |

1 Includes contractual interest payment based on interest rate prevailing at the end of the reporting period.

At 31 March 2016, the Group had access to funding facilities (both fund based and non-fund based) of US$18,140.7 million, of which US$1,087.3 million is fund based and US$716.2 million is non-fund based, was not yet drawn, as set out below.

| (US$ million) Funding facilities | **Total facility** | **Drawn** | **Undrawn** |
|---|---|---|---|
| Less than 1 year | 6,104.2 | 4,310.0 | 1,794.2 |
| 1–2 years | 2,642.7 | 2,642.7 | – |
| 2–5 years and above | 9,393.8 | 9,384.5 | 9.3 |
| **Total** | **18,140.7** | **16,337.2** | **1,803.5** |

At 31 March 2015, the Group had access to funding facilities (both fund based and non-fund based) of US$18,981.5 million of which US$1,208.2 million was fund based and US$969.7 million was non-fund based, was not yet drawn, as set out below.

| (US$ million) Funding facilities | Total facility | Drawn | Undrawn |
|---|---|---|---|
| Less than 1 year | 5,270.9 | 3,189.5 | 2,081.4 |
| 1–2 years | 3,265.4 | 3,265.4 | – |
| 2–5 years and above | 10,445.2 | 10,348.7 | 96.5 |
| **Total** | **18,981.5** | **16,803.6** | **2,177.9** |

'Fund based' facilities represent contractual agreements for financial institutions to provide cash, such as cash credit limits and term loans, whereas 'non-fund based' facilities only give rise to an obligation to provide cash in certain circumstances, such as bank guarantees and letters of credit.

### (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. Exposures on foreign currency loans are managed through the foreign exchange hedging policy, which is reviewed periodically to ensure that the risk from fluctuating currency exchange rates is appropriately managed. Natural hedges available in the business are identified at each entity level and hedges are placed only for the net exposure. Short-term net exposures are hedged progressively based on their maturity. Longer exposures beyond one year for trade and other current account transactions are reviewed and hedges taken accordingly. However, all new exposures on account of long-term borrowing are being hedged.

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

| | **At 31 March 2016** | | At 31 March 2015 | |
|---|---|---|---|---|
| (US$ million) | **Financial assets** | **Financial liabilities** | Financial assets | Financial liabilities |
| US$ | 1,260.9 | 12,519.9 | 1,362.1 | 14,216.3 |
| INR | 8,524.6 | 8,502.5 | 8,019.4 | 7,151.8 |
| Kwacha | 0.8 | 120.9 | 1.3 | 38.9 |
| AUD | 0.4 | 9.3 | 0.7 | 9.7 |
| CAD | – | 0.1 | – | 0.3 |
| EURO | 46.6 | 47.4 | 75.6 | 59.0 |
| ZAR | 18.3 | 18.6 | 14.8 | 21.8 |
| NAD | 5.0 | 5.0 | 9.8 | 23.2 |
| Others | 29.4 | 30.1 | 9.5 | 0.8 |
| **Total** | **9,886.0** | **21,253.8** | **9,493.2** | **21,521.8** |

# Notes to the Financial Statements continued

**29. Financial instruments** continued

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 USD (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/(loss) and equity arising as a result of the revaluation of the Group's foreign currency financial instruments:

| (US$ million) | 31 March 2016<br>Closing exchange rate | Effect of 10% strengthening of US dollar on net earnings | Effect of 10% strengthening of US dollar on total equity |
|---|---|---|---|
| INR | 66.3329 | (191.1) | (230.2) |
| Kwacha | 7.5811 | (10.1) | (10.1) |

| (US$ million) | 31 March 2015<br>Closing exchange rate | Effect of 10% strengthening of US dollar on net earnings | Effect of 10% strengthening of US dollar on total equity |
|---|---|---|---|
| INR | 62.5908 | (192.3) | (236.1) |
| Euro | 0.9271 | 0.7 | 0.7 |

The sensitivities are based on financial assets and liabilities held at 31 March 2016 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. A 10% depreciation of the US dollar would have an equal and opposite effect on the Group's financial instruments.

### (c) Interest rate risk

At 31 March 2016, the Group's net debt of US$7,328.8 million (2015: US$8,460.3 million net debt) comprises cash, cash equivalents and liquid investments of US$8,936.5 million (2015: US$8,209.8 million) offset by debt of US$16,263.3 million (2015: US$16,667.8 million) and debt derivative liability of US$2.0 million (2015: liability of US$2.3 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 2016, 48.0% (2015: 50.2%) of the total debt was at a fixed rate and the balance was at a floating rate. The USD floating rate debt is linked to US dollar LIBOR and INR floating rate debt to Bank's base rate. The Group also aims to opt for a higher proportion of long-term debt to fund growth projects to extend its maturity profile. The Group invests cash and liquid investments in short-term deposits and debt mutual funds, some of which generate a tax-free return, to achieve the Group's goal of maintaining liquidity, carrying manageable risk and achieving satisfactory returns.

Floating rate financial assets are largely mutual fund investments which have debt securities as underlying assets. The returns from these financial assets are linked to market interest rate movements; however the counterparty invests in the agreed securities with known maturity tenure and return and hence has manageable risk. Additionally, the investments portfolio is independently reviewed by CRISIL Limited, and our investment portfolio has been rated as 'Very Good', meaning highest safety.

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

| | At 31 March 2016 | | | | At 31 March 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| (US$ million) | Floating rate financial assets | Fixed rate financial assets | Equity investments | Non-interest bearing financial assets | Floating rate financial assets | Fixed rate financial assets | Equity investments | Non-interest bearing financial assets |
| Financial assets | 6,334.0 | 2,601.8 | 6.5 | 924.6 | 5,419.6 | 2,820.1 | 4.2 | 1,232.5 |
| Derivative assets | – | – | – | 19.1 | – | – | – | 16.8 |
| **Total financial assets** | **6.334.0** | **2,601.8** | **6.5** | **943.7** | **5,419.6** | **2,820.1** | **4.2** | **1,249.3** |

## 29. Financial instruments continued

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

| (US$ million) | At 31 March 2016 Floating rate financial liabilities | At 31 March 2016 Fixed rate financial liabilities | At 31 March 2016 Non-interest bearing financial liabilities | At 31 March 2015 Floating rate financial liabilities | At 31 March 2015 Fixed rate financial liabilities | At 31 March 2015 Non-interest bearing financial liabilities |
|---|---|---|---|---|---|---|
| Financial liabilities | 8,454.3 | 9,294.2 | 3,436.4 | 8,711.9 | 9,506.7 | 3,257.4 |
| Derivative liabilities | – | – | 68.9 | 2.3 | – | 43.5 |
| **Total financial liabilities** | **8,454.3** | **9,294.2** | **3,505.3** | **8,714.2** | **9,506.7** | **3,300.9** |

The weighted average interest rate on the fixed rate financial liabilities is 8.15% (2015: 8.3%) and the weighted average period for which the rate is fixed is 2.4 years (2015: 3.0 years).

Considering the net debt position as at 31 March 2016 and the investment in bank deposits, corporate bonds 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 analysis below has 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% change in interest rate of borrowings on profit/(loss) and equity and represents management's assessment of the possible change in interest rates.

### At 31 March 2016

| (US$ million) Change in interest rates | Effect on loss for the year | Effect on total equity |
|---|---|---|
| 0.5% | 42.3 | 42.3 |
| 1.0% | 84.5 | 84.5 |
| 2.0% | 169.1 | 169.1 |

### At 31 March 2015

| (US$ million) Change in interest rates | Effect on loss for the year | Effect on total equity |
|---|---|---|
| 0.5% | 41.5 | 41.5 |
| 1.0% | 82.9 | 82.9 |
| 2.0% | 165.9 | 165.9 |

### (d) Credit risk

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

The Group has clearly defined policies to mitigate counterparty risks. Cash and liquid investments are held primarily in debt schemes of mutual funds, bonds and bank deposits 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 the Group's businesses, trade receivables are spread over a number of customers with no significant concentration of credit risk. During the year ended 31 March 2016 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 2015, other than the exception of a single customer in our Oil & Gas business, no single customer accounted for 10% or more of the Group's net sales or for any of the Group's primary businesses. 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 gross exposure to credit risk at 31 March 2016 is US$9,886.0 million (2015: US$9,493.2 million).

Of the year end trade and other receivable balance the following, though overdue, are expected to be realised in the normal course of business and, hence, are not considered impaired as at 31 March 2016:

| (US$ million) | **2016** | 2015 |
|---|---|---|
| Less than 1 month | 49.8 | 39.1 |
| Between 1–3 months | 74.3 | 49.1 |
| Between 3–12 months | 98.1 | 40.3 |
| Greater than 12 months | 86.3 | 62.5 |
| **Total** | **308.5** | **191.0** |

# Notes to the Financial Statements continued

## 29. Financial instruments continued

Receivables amounting to Nil (31 March 2015: US$43.8 million), of the Power division of the Group have been impaired primarily as a result of an ongoing dispute in relation to a tariff agreement with a power supply company.

### Derivative financial instruments

The fair value of all derivatives is separately recorded on the balance sheet within other financial assets (derivatives) and other financial liabilities (derivatives), current and non-current. In addition, the derivative component of certain convertible bonds is shown as part of the overall convertible bond liability (Note 28). 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 2016, recorded within financial instruments (derivative), is as follows:

| | As at 31 March 2016 | | As at 31 March 2015 | |
|---|---|---|---|---|
| (US$ million) | Liability | Asset | Liability | Asset |
| **Current** | | | | |
| **Cash flow hedges** | | | | |
| – Commodity contracts | (0.9) | 0.2 | – | 2.5 |
| – Forward foreign currency contracts | (8.3) | 5.5 | (0.6) | – |
| Hedge of net investment in foreign operations | – | – | – | 7.9 |
| **Fair value hedges** | | | | |
| – Commodity contracts | – | 0.1 | (1.7) | 3.8 |
| – Forward foreign currency contracts | (37.4) | 1.3 | (20.1) | 1.6 |
| – Other (foreign currency swap) | – | – | (2.2) | – |
| **Non-qualifying hedges** | | | | |
| – Commodity contracts | (1.2) | 2.9 | (1.5) | 0.8 |
| – Forward foreign currency contracts | (19.7) | 8.3 | (11.2) | 0.0 |
| – Interest rate swap | – | – | (8.2) | – |
| – Other (foreign currency swap) | (0.2) | 0.0 | (0.2) | – |
| **Total** | **(67.7)** | **18.3** | **(45.7)** | **16.6** |
| **Non-current** | | | | |
| **Fair value hedges** | | | | |
| – Forward foreign currency contracts | (1.2) | 0.8 | (0.1) | 0.2 |
| **Total** | **(1.2)** | **0.8** | **(0.1)** | **0.2** |
| **Grand total** | **(68.9)** | **19.1** | **(45.8)** | **16.8** |

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

The cash flows related to the majority of cash flow hedges above are expected to occur during the year ended 31 March 2017 and consequently may impact the income statements for that year depending upon the change in the commodity prices and foreign exchange rate movements.

### Non-qualifying hedges

The majority of these derivatives comprise interest rate swaps and foreign currency forward contracts 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 foreign currency forward contracts taken to hedge currency exposure on purchase of raw materials and capital imports.

## 29. Financial instruments continued

### Hedging reserve reconciliation

| (US$ million) | Hedging reserves | Non-controlling interests | Total |
|---|---|---|---|
| **At 1 April 2014** | **(50.4)** | **(37.2)** | **(87.6)** |
| Amount recognised directly in equity | (17.1) | (9.5) | (26.6) |
| Amount transferred to income statement | (7.4) | (4.4) | (11.8) |
| Changes in non-controlling interests | (3.9) | 3.9 | – |
| Exchange difference | 4.1 | 2.5 | 6.6 |
| **At 1 April 2015** | **(74.7)** | **(44.7)** | **(119.4)** |
| Amount recognised directly in equity | (17.2) | (10.1) | (27.3) |
| Amount transferred to income statement | (0.8) | (0.7) | (1.5) |
| Exchange difference | 5.0 | 2.9 | 7.9 |
| **At 31 March 2016** | **(87.7)** | **(52.6)** | **(140.3)** |

## 30. Provisions

| (US$ million) | Restoration, rehabilitation and environmental | KCM copper price participation | Other | Total |
|---|---|---|---|---|
| **At 1 April 2014** | **306.5** | **89.3** | **28.9** | **424.7** |
| (Released)/charged to income statement | (26.9) | (1.4) | 0.9 | (27.4) |
| Unwinding of discount | 31.8 | 5.0 | – | 36.8 |
| Cash paid | (7.5) | (1.0) | (1.4) | (9.9) |
| Change in estimates | (66.1) | – | – | (66.1) |
| Exchange differences | (12.9) | – | (1.0) | (13.9) |
| **At 1 April 2015** | **224.9** | **91.9** | **27.4** | **344.2** |
| Charged to income statement | 3.4 | – | 1.7 | 5.1 |
| Unwinding of discount (note 7) | 10.3 | 2.5 | 0.7 | 13.5 |
| Cash paid | (43.9) | – | (0.7) | (44.6) |
| Exchange differences | (3.0) | 7.6 | (3.3) | 1.3 |
| **At 1 April 2016** | **191.7** | **102.0** | **25.8** | **319.5** |
| Current 2016 | 17.5 | 102.0 | 12.6 | 132.1 |
| Non-current 2016 | 174.2 | – | 13.2 | 187.4 |
| | **191.7** | **102.0** | **25.8** | **319.5** |
| Current 2015 | 37.3 | 91.6 | 11.9 | 140.8 |
| Non-current 2015 | 187.6 | 0.3 | 15.5 | 203.4 |
| | **224.9** | **91.9** | **27.4** | **344.2** |

### Restoration, rehabilitation and environmental

The provisions for restoration, rehabilitation and environmental liabilities represent the management's best estimate of the costs which will be incurred in the future to meet the Group's obligations under existing Indian, Australian, Zambian, Namibian, South African and Irish law and the terms of the Group's mining and other licenses and contractual arrangements. These amounts, calculated by considering discount rates within the range of 2% to 9%, become payable on closure of mines and are expected to be incurred over a period of one to 15 years. Within India, the principal restoration and rehabilitation provisions are recorded within Cairn India where a legal obligation exists relating to the oil & gas fields, where costs are expected to be incurred in restoring the site of production facilities at the end of the producing life of an oil field. The Group recognises the full cost of site restoration as a liability when the obligation to rectify environmental damage arises.

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production from a producing field.

### KCM copper price participation

During the year ended 31 March 2013, the Group and ZCCM-IH agreed a final settlement for the copper price participation liability. The total amount to be paid is US$119.7 million to be settled in 16 instalments with the first instalment starting on 31 December 2012 and last instalment on 30 September 2016. The total liability that remains outstanding is US$102.0 million as at 31 March 2016. The liability recognised has been discounted at 11.00% to take into account the expected timings of the various payments and recognised as a liability of US$94.4 million (2015: US$91.9 million).

### Other

Other includes provision on post retirement medical benefits. The expected period of utilisation is 18 years.

# Notes to the Financial Statements continued

## 31. Deferred tax

The Group has accrued significant amounts of deferred tax. The majority of the deferred tax liability represents accelerated tax relief for the depreciation of capital expenditure and the depreciation on fair value uplifts created on acquisitions, net of losses carried forward by Vedanta Limited (post the reorganisation) and MAT credits carried forward in Cairn India and Hindustan Zinc.

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

**Provided – deferred tax liabilities/(assets)**

| (US$ million) | As at 31 March 2016 | As at 31 March 2015 |
|---|---|---|
| Accelerated capital allowances | 2,164.2 | 3,478.3 |
| Unutilised tax losses | (749.8) | (445.1) |
| Other temporary differences | (2049.6) | (1,697.1) |
| | **(635.2)** | **1,336.1** |
| Disclosed as: | | |
| Deferred tax liability | 620.2 | 2,588.7 |
| Deferred tax asset | (1,255.4) | (1,252.6) |
| | **(635.2)** | **1,336.1** |

**Unrecognised deferred tax assets**

| (US$ million) | As at 31 March 2016 | As at 31 March 2015 |
|---|---|---|
| Unutilised business losses | (585.2) | (342.2) |
| Unabsorbed depreciation | (203.2) | (116.6) |
| Capital losses | (42.4) | (12.8) |
| **Total** | **(830.8)** | **(471.6)** |

The above relates to the tax effect on US$1,239.0 million (2015: US$1,088.3 million) of unutilised tax losses of the Company, VRP, VRHL and VRJ2 which have no expiry period; US$986.4 million (2015: US$827.2 million) unutilised tax losses of Twin Star Mauritius Holdings Limited; US$110.6 million unutilised tax losses of Westglobe Ltd (WL); which are subject to the Mauritius tax regime and can be carried forward for a period of five years; US$54.9 million of unutilised tax losses and non-refundable R&D tax credits of Copper Mines of Tasmania, which can be carried forward indefinitely under the Australian tax regime; US$515.4 million of unutilised tax losses of Konkola Copper Mines which can be carried forward for 10 years under the Zambian tax regime and US$297.7 million (2015: US$344.3 million) of unabsorbed depreciation for Malco Energy Limited (MEL); US$250.8 million of unutilised tax losses and unabsorbed depreciation for Talwandi Sabo Power Ltd (TSPL); US$143.0 million of unutilised capital losses of Hindustan Zinc Ltd (HZL); US$40.7 million of unutilised capital losses of Vedanta Ltd (VEDL); US$41.1 million of unutilised tax losses and unabsorbed depreciation for Vizag General Cargo Berth Pvt Ltd (VGCB) which are subject to the Indian tax regime. Pursuant to the Indian tax regime, unutilised business tax losses expire eight years from the period in which the losses arise and unabsorbed depreciation can be carried forward indefinitely. No deferred tax asset has been recognised on these unutilised tax losses and tax credits as there is no evidence that sufficient taxable profit will be available in the future against which they can be utilised by the respective entities.

**Deferred tax asset**

| (US$ million) | As at 31 March 2016 | As at 31 March 2015 |
|---|---|---|
| **At 1 April** | **1,252.6** | **1,223.7** |
| Reclassification | (10.1) | – |
| Credited to income statement | 96.8 | 45.8 |
| Credited/(charged) directly to equity | 1.3 | (0.3) |
| Foreign exchange differences | (85.2) | (16.6) |
| **At 31 March** | **1,255.4** | **1,252.6** |

The Group has US$2,274.6 million of unutilised tax losses in Vedanta Limited, BALCO, KCM and MAT credits of US$1,966.8 million carried forward in Hindustan Zinc, Vedanta Limited and Cairn India which are subject to the Indian tax regime. Under the Indian tax regime, unutilised tax losses expire eight years from the period in which the losses arise and unabsorbed depreciation can be carried forward indefinitely. MAT credits expire 10 years from the period in which the credits arise.

## 31. Deferred tax continued

Deferred tax assets in the Group have been recognised to the extent there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse.

### Deferred tax liability

| (US$ million) | As at 31 March 2016 | As at 31 March 2015 |
|---|---|---|
| **At 1 April** | **2,588.7** | **4,960.1** |
| Reclassification | (10.1) | – |
| Credited to income statement[1] | (1,921.8) | (2,377.5) |
| Charged/(credited) directly to equity | 2.5 | (6.5) |
| Foreign exchange differences | (39.1) | 12.6 |
| **At 31 March** | **620.2** | **2,588.7** |

1 Including deferred tax credit of US$1,903.3 million (2015: US$2138.0 million) related to impairment of Oil & Gas assets at Cairn (Note 5).

## 32. 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. In 2014, the Board introduced a Performance Share Plan (PSP) which is the primary arrangement under which share-based incentives are provided to the Executive Directors and the wider management group. In 2015, the Board also introduced a Deferred Share Bonus Plan (DSBP).

### The Vedanta Resources Long-Term Incentive Plan (the LTIP) and Employee Share Ownership Plan (the ESOP) and Performance Share Plan (the PSP)

The maximum value of shares that can be conditionally awarded to an Executive Director in a year is 150% of annual salary. In respect of Mr Navin Agarwal and Mr Tom Albanese, salary means the aggregate of their salary payable by Vedanta and their CTC payable by Vedanta Limited. The maximum value of shares that can be awarded to members of the wider management group is calculated by reference to the grade average CTC and individual grade of the employee. The performance conditions attaching to outstanding awards are as follows:

- PSP – 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 grant date. The extent to which an award vests will depend on the Company's TSR rank against a group or groups of peer companies at the end of the performance period and as moderated by the Remuneration Committee.

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

### Vedanta's TSR performance against comparator group

| | (% of award vesting) |
|---|---|
| Below median | – |
| At median | 30 |
| At or above upper quartile | 100 |

- The performance condition is measured by taking the Company's TSR over the three months immediately preceding the date of grant and over the three months immediately preceding the end of the performance period, and comparing its performance with that of the comparator group or groups. 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 outperformed a group of industry peers, provides a reasonable alignment of the interests of the Executive Directors and the wider management group with those of the shareholders.
- Initial awards under the PSP were granted on 17 November 2014, 1 January 2015 and subsequently on 30 December 2015. The exercise price of the awards is 10 US cents per share and the performance period is three years, with no re-testing being allowed.
- ESOP – measured in terms of business performance set against business plan for the financial year comprising operational deliverables, enabler parameters and sustainability performance specific to each company. The vesting schedule is graded over three years and varies from company to company with a minimum vesting of 30% triggering at either 80% or 85% business score. In another tranche, the vesting schedule is staggered over a period of three years from the date of grant, with 70% vesting based on the achievement of business performance and the remaining 30% based on continued employment with the Group until the end of the third year.
- Initial awards under ESOP were granted on 24 September 2012 with further awards being made on 16 May 2013. The exercise price of the awards is 10 US cents per share and the performance period is one year.
- The exercise period is six months from the date of vesting.

# Notes to the Financial Statements continued

## 32. Share-based payments continued

- LTIP – 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 grant date. The extent to which an award vests will depend on the Company's TSR rank against a group of peer companies (Adapted Comparator Group) at the end of the performance period and as moderated by the Remuneration Committee. The vesting schedule is shown in the table below, with adjusted straight-line vesting in between the points shown and rounded down to the nearest whole share.

**Vedanta's TSR performance against adapted comparator group**

| | (% of award vesting) |
|---|---|
| Below median | – |
| At median | 40 |
| At or above upper quartile | 100 |

The performance condition 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 outperformed a group of companies chosen to represent the mining sector, provides a reasonable alignment of the interests of the Executive Directors and the wider management group with those of the shareholders.

Initial awards under the LTIP were granted on 26 February 2004. As on 31 March 2015 the awards outstanding are the awards issued on 1 August 2011, 1 October 2011, 1 January 2012 and 1 April 2012. The exercise price of the awards is 10 US cents per share and the performance period is three years, with no re-testing being allowed.

- The Vedanta Resources Deferred Share Bonus Plan (the DSBP) – In 2015, Vedanta introduced the DSBP, with initial awards being made in May 2015 and August 2015. Under the plan, a portion of the annual bonus is deferred into shares and the awards granted under this scheme are not subject to any performance conditions only on service conditions being met. The vesting schedule is staggered over a period of two or three years. In case of DSBP, the shares are purchased from open market and allotted to employees, officers and Directors. As on 31 March, the options outstanding under the DSBP scheme are 231,437.

In general, the awards will be settled in equity. The awards are accounted for in accordance with the requirements applying to equity-settled share-based payment transactions. The fair value of each award on the day of grant is equal to the average of the middle market quotations of its share price for five dealing days before the grant date.

Further details on these schemes are available in the Remuneration Report of the Annual Report.

The details of share options for the year ended 31 March 2016 and 31 March 2015 are presented below:

| Year of grant | Exercise date | Exercise price US cents per share 1 April 2015 | Options outstanding | 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 2016 |
|---|---|---|---|---|---|---|---|---|
| 2011 | 1 July 2014–1 January 2015 | 10 | 600 | – | – | – | (600) | – |
| 2011 | 1 August 2014–1 February 2015 | 10 | 118,527 | – | (15,120) | – | (103,407) | – |
| 2011 | 1 October 2014–1 April 2015[1] | 10 | 5,000 | – | – | (1,800) | – | 3,200 |
| 2012 | 1 January 2015–1 July 2015[1] | 10 | 7,000 | – | – | (4,200) | – | 2,800 |
| 2012 | 1 April 2015–1 September 2015[1] | 10 | 97,800 | – | (37,850) | (58,190) | – | 1,760 |
| 2012 | 24 September 2013–24 March 2016[1] | 10 | 368,952 | – | (19,515) | – | (274,687) | 74,750 |
| 2013 | 16 May 2014–16 November 2016 | 10 | 1,302,785 | – | (159,288) | – | (361,500) | 781,997 |
| 2014 | 17 November 2017–17 May 2018 | 10 | 5,335,500 | – | (677,171) | – | – | 4,658,329 |
| 2015 | 1 January 2018–1 July 2018 | 10 | – | 21,500 | – | – | – | 21,500 |
| 2015 | 30 December 2018–30 June 2019 | 10 | – | 5,484,575 | (65,733) | – | – | 5,418,842 |
| | | | **7,236,164** | **5,506,075** | **(974,677)** | **(64,190)** | **(740,194)** | **10,963,178** |

1 The exercise period of the schemes expiring before 31 March 2016 has been extended up to June 2016.

## 32. Share-based payments continued

| Year of grant | Exercise date | Exercise price US cents per share 1 April 2014 | Options outstanding | 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 2015 |
|---|---|---|---|---|---|---|---|---|
| 2011 | 1 January 2014–1 July 2014 | 10 | 2,700 | – | – | (1,620) | (1,080) | – |
| 2011 | 1 April 2014–1 October 2014 | 10 | 67,500 | – | – | (41,380) | (26,120) | – |
| 2011 | 1 July 2014–1 January 2015 | 10 | 16,500 | – | (5,000) | (6,900) | (4,000) | 600 |
| 2011 | 1 August 2014–1 February 2015 | 10 | 2,185,550 | – | (77,550) | (1,365,934) | (623,539) | 118,527 |
| 2011 | 1 October 2014–1 April 2015 | 10 | 5,000 | – | – | – | – | 5,000 |
| 2012 | 1 January 2015–1 July 2015 | 10 | 7,000 | – | – | – | – | 7,000 |
| 2012 | 1 April 2015–1 September 2015 | 10 | 97,800 | – | – | – | – | 97,800 |
| 2012 | 24 September 2013–24 March 2016 | 10 | 2,380,748 | – | (41,238) | (1,586,513) | (384,045) | 368,952 |
| 2013 | 16 May 2014–16 October 2016 | 10 | 3,754,550 | – | (188,047) | (1,899,849) | (363,869) | 1,302,785 |
| 2014 | 17 November 2017–17 May 2018 | 10 | – | 5,485,000 | (149,500) | – | – | 5,335,500 |
| | | | 8,517,348 | 5,485,000 | (461,335) | (4,902,196) | (1,402,653) | 7,236,164 |

In the year ended 31 March 2016, 974,677 options lapsed in total and 740,194 options exercised. As at 31 March 2016, 10,963,178 options remained outstanding and 82,510 options were exercisable at the year end. The weighted average share price for the share options exercised during the year ended 31 March 2016 was GBP4.1 (year ended 31 March 2015: GBP8.9). The weighted average maturity period for the options outstanding as on 31 March 2016 is 31 months (31 March 2015: 33 months).

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 on a straight-line basis over the vesting period.

The fair values were calculated using the Stochastic valuation model with suitable modifications to allow for the specific performance conditions of the respective schemes. The inputs to the model include the share price at date of grant, exercise price, expected volatility, expected dividends, expected term 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 return indices over the period to date of grant that is commensurate with the performance period of the award. The volatilities of the industry peers have been modelled based on historical movements in the return indices over the period to date of grant which is also commensurate with the performance period for the option. The history of return indices is used to determine the volatility and correlation of share prices for the comparator companies and is needed for the Stochastic valuation model to estimate their future TSR performance relative to the Company's TSR performance. All options are assumed to be exercised immediately after vesting.

The assumptions used in the calculations of the charge in respect of the PSP/ESOP awards granted during the year ended 31 March 2016 and 31 March 2015 are set out below:

| | **Year ended 31 March 2016 PSP December 2015** | Year ended 31 March 2015 PSP November 2014 |
|---|---|---|
| Number of instruments | 5,484,575 | 5,485,000 |
| Exercise price | US$0.10 | US$0.10 |
| Share price at the date of grant | GBP2.72 | GBP8.09 |
| Contractual life | 3 years | 3 years |
| Expected volatility | 55.9% | 35.5% |
| Expected option life | 3 years | 3 years |
| Expected dividends | 9.93% | 4.62% |
| Risk free interest rate | 0.91% | 0.90% |
| Expected annual forfeitures | 10% p.a. | 10% p.a. |
| Fair value per option granted | GBP1.95/GBP0.79 | GBP6.98/GBP3.00 |

The Group recognised total expenses of US$15.6 million and US$28.6 million related to equity-settled share-based payment transactions in the year ended 31 March 2016 and 31 March 2015 respectively.

# Notes to the Financial Statements continued

## 33. Retirement benefits

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

### (a) Defined contribution schemes

#### Indian pension schemes

#### Central Recognised Provident Fund

The Central Recognised 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% (limited to a maximum contribution of 30% in case of the Iron Ore segment) of the salary of the employee.

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

#### Superannuation

Superannuation, another pension scheme applicable in India, is applicable only to executives in grade M4 and above. However, in case of the Cairn India Group and Iron Ore segment, the benefit is applicable to all executives. In Cairn India, it is applicable from the second year of employment. Certain companies hold policies with the Life Insurance Corporation of India (LIC), to which they contribute a fixed amount relating to superannuation, and the pension annuity is met by the LIC as required, taking into consideration the contributions made. Accordingly, this scheme has been accounted for on a defined contribution basis and contributions are charged directly to the income statement.

#### Pension Fund

The Pension Fund was established in 1995 and is managed by the Government of India. 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 9.5% of the employee's gross remuneration where the employee is covered by the industrial agreement and 12.5% 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 of 5% to the KCM Pension Scheme and the member makes monthly contribution of 5%.

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, the member is entitled to receive his accrued pension. The member is allowed to commute his/her accrued pension subject to certain rules and regulations.

The Group has no additional liability beyond the contributions that it makes. Accordingly, this scheme has been accounted for on a defined contribution basis and contributions are charged directly to the income statement.

#### Skorpion Zinc Provident Fund, Namibia

The Skorpion Zinc Provident Fund is a defined contribution fund and is compulsory to all full-time employees under the age of 60. Company contribution to the fund is a fixed percentage of 9% per month of pensionable salary, whilst the employee contributes 7% with the option of making additional contributions, over and above the normal contribution, up to a maximum of 12%.

Normal retirement age is 60 years and benefit payable is the member's fund credit which is equal to all employer and employee contributions plus interest. The same applies when an employee resigns from Skorpion Zinc. The Fund provides disability cover which is equal to the member's fund credit and a death cover of two times annual salary in the event of death before retirement. Current membership total is 908.

The Group has no additional liability beyond the contributions that it makes. Accordingly, this scheme has been accounted for on a defined contribution basis and contributions are charged directly to the income statement.

#### Black Mountain Mining (Pty) Limited, South Africa pension and provident funds

Black Mountain Mining (Pty) Ltd has two retirement funds, both administered by Alexander Forbes, a registered financial service provider. Both funds form part of the Alexander Forbes umbrella fund and are defined contribution funds.

Membership of both funds is compulsory for all permanent employees under the age of 60.

## 33. Retirement benefits continued

**Lisheen Mine, Ireland Pension Funds**

Lisheen Pension Plan is for all employees. Lisheen pays 5% and employees pay 5% with the option to make Additional Voluntary Contributions (AVCs) if desired. Executive contributions are 15% by Lisheen and a minimum of 5% by the employee with the option to make AVCs if desired. Death benefit is three times salary for employees and four times salary for executives. Pension and life cover ceases at 65. On wind up of the pension schemes, the benefits will be paid out to the remaining members in accordance with the scheme rules and Irish Revenue tax regulations.

The Group has no additional liability beyond the contributions that it makes. 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 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.

**Vedanta Limited**

The Iron Ore, Aluminium and Copper divisions of Vedanta Limited contributed to the LIC Fund based on an actuarial valuation every year. Vedanta Limited's Gratuity scheme is accounted for on a defined benefit basis. The latest actuarial valuation was performed as at 31 March 2016 using the projected unit credit actuarial method.

**BALCO**

All employees who are scheduled to retire on or before 31 March 2016 are being paid by BALCO. The Gratuity scheme is accounted for as a defined benefit scheme for all employees scheduled to retire after 31 March 2016. A provision is recognised based on the latest actuarial valuation which was performed as at 31 March 2016 using the projected unit actuarial method. At that date the fund was in deficit.

**HZL**

HZL contributes to the LIC fund 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 2016 using the projected unit actuarial method. At that date the fund was in deficit.

**MEL**

MEL contributed to the LIC fund based on an actuarial valuation every year. The MEL Gratuity scheme is accounted for on a defined benefit basis. The latest actuarial valuation was performed as at 31 March 2016 using the projected unit credit actuarial method.

**TSPL**

TSPL contributes to the LIC based on an actuarial valuation. Liabilities with regard to the Gratuity scheme are fully provided in the balance sheet and are determined by actuarial valuation as at the balance sheet date and as per gratuity regulations for TSPL. The latest actuarial valuation was performed as at 31 March 2016 using the projected unit actuarial method.

**Cairn**

Cairn contributes to the LIC fund based on an actuarial valuation every year. Cairn India Group's Gratuity scheme is accounted for on a defined benefit basis. The latest actuarial valuation was performed as at 31 March 2016 using the projected unit actuarial method. At that date the fund was in deficit.

**Zambia**

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

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

As at 31 March 2016, membership of pension schemes across Vedanta Limited, BALCO, HZL, TSPL, KCM and Cairn stood at 22,534 employees (31 March 2015: 24,456). The deficits, principal actuarial assumptions and other aspects of these schemes are disclosed in further detail in notes (d) and (e) below.

# Notes to the Financial Statements continued

## 33. Retirement benefits continued

### (c) Pension scheme costs

Contributions of US$66.5 million and US$nil in respect of defined benefit schemes were outstanding and prepaid respectively as at 31 March 2016 (2015: US$74.6 million and US$nil respectively).

Contributions to all pension schemes in the year ending 31 March 2017 are expected to be around US$5.0 million (actual contribution during the year ended 31 March 2016: US$9.7 million).

| (US$ million) | **Year ended 31 March 2016** | Year ended 31 March 2015 |
|---|---|---|
| Defined contribution pension schemes | 30.1 | 30.7 |
| Defined benefit pension schemes | 18.2 | 19.7 |
| **Total expense** | **48.3** | **50.4** |

### (d) Principal actuarial assumptions

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

| | MALCO | | BALCO | | Sterlite Copper | | HZL | | KCM | | Jharsuguda Aluminium | | Iron Ore Sesa | | Cairn | | TSPL | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Particulars | **Mar 16** | Mar 15 | **Mar 16** | Mar 15 | **Mar 16** | Mar 15 | **Mar 16** | Mar 15 | **Mar 16** | Mar 15 | **Mar 16** | Mar 15 | **Mar 16** | Mar 15 | **Mar 16** | Mar 15 | **Mar 16** | Mar 15 |
| Discount rate | 8.0% | 7.8% | 8.0% | 9.0% | 8.0% | 7.8% | 8.0% | 7.8% | 24.0% | 22.5% | 8.0% | 7.8% | 8.0% | 7.8% | 8.0% | 7.8% | 8.0% | 7.8% |
| Salary increases | 5.5% | 5.0% | 5.0% | 5.0% | 5.5% | 5.3% | 5.5% | 5.5% | 5.0% | 5.0% | 6.0% | 6.0% | 7.0% | 7.0% | 10.0% | 10.0% | 5.5% | 5.5% |
| Actual number of employees | 71 | 76 | 2,498 | 3,059 | 1,067 | 1,078 | 4,646 | 5,286 | 7,230 | 7,281 | 2,393 | 2,738 | 2,860 | 3,821 | 1,482 | 1,569 | 238 | 211 |

In India, the mortality tables used assume that a person aged 60 at the end of the balance sheet date has a future life expectancy of 19 years.

Assumptions regarding mortality for Indian entities are based on mortality table of 'Indian Assured Lives Mortality (2006-2008)' published by the Institute of Actuaries of India.

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

| | **31 March 2016** | | | | | | | | | 31 March 2015 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (US$ million) | **MALCO & TSPL** | **BALCO** | **Sterlite Copper** | **HZL** | **KCM** | **Jharsuguda Aluminium** | **Iron Ore Sesa** | **Cairn** | **Total** | MALCO & TSPL | BALCO | Sterlite Copper | HZL | KCM | Jharsuguda Aluminium | Iron Ore Sesa | Cairn | Total |
| Fair value of pension scheme assets | 0.1 | – | 2.9 | 27.6 | – | 1.6 | 5.6 | 5.7 | 43.5 | 0.3 | – | 2.5 | 26.8 | – | 1.5 | 9.0 | 4.9 | 45.0 |
| Present value of pension scheme liabilities | (0.2) | (15.3) | (3.6) | (29.5) | (45.6) | (1.8) | (5.2) | (8.8) | (110.0) | (0.3) | (20.8) | (3.5) | (35.8) | (39.8) | (2.4) | (9.3) | (7.7) | (119.6) |
| Deficit in pension scheme recognised in balance sheet | (0.1) | (15.3) | (0.7) | (1.9) | (45.6) | (0.2) | 0.4 | (3.1) | (66.5) | – | (20.8) | (1.0) | (9.0) | (39.8) | (0.9) | (0.3) | (2.8) | (74.6) |
| Deferred tax | 0.0 | 5.3 | 0.2 | 0.6 | 15.8 | 0.1 | (0.2) | 1.0 | 22.8 | – | 7.1 | 0.3 | 3.1 | 13.5 | 0.3 | 0.1 | 1.0 | 25.4 |
| **Net pension liability** | **(0.1)** | **(10.0)** | **(0.5)** | **(1.3)** | **(29.8)** | **(0.1)** | **0.2** | **(2.1)** | **(43.7)** | **–** | **(13.7)** | **(0.7)** | **(5.9)** | **(26.3)** | **(0.6)** | **(0.2)** | **(1.8)** | **(49.2)** |

## 33. Retirement benefits continued

### (f) Amounts recognised in income statement in respect of defined benefit pension schemes:

| | 31 March 2016 | | | | | | | | | 31 March 2015 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (US$ million) | MALCO & TSPL | BALCO | Sterlite Copper | HZL | KCM | Jharsuguda Aluminium | Iron Ore Sesa | Cairn | Total | MALCO & TSPL | BALCO | Sterlite Copper | HZL | KCM | Jharsuguda Aluminium | Iron Ore Sesa | Cairn | Total |
| Current service cost | 0.0 | 0.4 | 0.2 | 1.4 | 4.0 | 0.3 | 0.5 | 1.0 | 7.8 | 0.1 | 0.5 | 0.2 | 2.0 | 6.2 | 0.3 | 0.6 | 0.6 | 10.5 |
| Net interest cost | 0.0 | 1.3 | 0.1 | 0.3 | 8.4 | 0.1 | 0.1 | 0.1 | 10.4 | 0.0 | 1.6 | 0.2 | 0.5 | 6.4 | 0.0 | 0.2 | 0.3 | 9.2 |
| **Total charge to income statement** | 0.0 | 1.7 | 0.3 | 1.7 | 12.4 | 0.4 | 0.6 | 1.1 | 18.2 | 0.1 | 2.1 | 0.4 | 2.5 | 12.6 | 0.3 | 0.8 | 0.9 | 19.7 |

### (g) Amounts recognised in the Statement of Comprehensive Income:

| | 31 March 2016 | | | | | | | | | 31 March 2015 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (US$ million) | MALCO & TSPL | BALCO | Sterlite Copper | HZL | KCM | Jharsuguda Aluminium | Iron Ore Sesa | Cairn | Total | MALCO & TSPL | BALCO | Sterlite Copper | HZL | KCM | Jharsuguda Aluminium | Iron Ore Sesa | Cairn | Total |
| Actuarial gains/(losses) on defined benefit obligation | (0.1) | 0.5 | 0.0 | (2.0) | (6.7) | 0.5 | (0.2) | (0.1) | (8.1) | 0.1 | 3.7 | 0.5 | 6.2 | 2.8 | 0.6 | 0.4 | (0.1) | 14.2 |
| Actuarial (gains)/losses on plan asset | – | – | – | 0.1 | – | 0.0 | (0.2) | – | (0.1) | (0.1) | – | – | – | – | – | (0.1) | – | (0.2) |
| **Remeasurement of the net defined benefit liability (asset)** | (0.1) | 0.5 | 0.0 | (1.9) | (6.7) | 0.5 | (0.4) | (0.1) | (8.0) | – | 3.7 | 0.5 | 6.2 | 2.8 | 0.6 | 0.3 | (0.1) | 14.0 |

### (h) Movements in the present value of defined benefit obligations

The movement during the year ended 31 March 2016 of the present value of the defined benefit obligation was as follows:

| | 31 March 2016 | | | | | | | | | 31 March 2015 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (US$ million) | MALCO & TSPL | BALCO | Sterlite Copper | HZL | KCM | Jharsuguda Aluminium | Iron Ore Sesa | Cairn | Total | MALCO & TSPL | BALCO | Sterlite Copper | HZL | KCM | Jharsuguda Aluminium | Iron Ore Sesa | Cairn | Total |
| **At 1 April** | (0.2) | (20.8) | (3.4) | (35.8) | (39.8) | (2.4) | (9.5) | (7.7) | (119.6) | (0.1) | (21.2) | (3.5) | (29.4) | (35.5) | (1.7) | (9.8) | (7.5) | (108.7) |
| Current service cost | (0.0) | (0.4) | (0.2) | (1.4) | (4.0) | (0.3) | (0.5) | (1.0) | (7.8) | (0.1) | (0.5) | (0.2) | (2.0) | (6.2) | (0.3) | (0.6) | (0.6) | (10.5) |
| Gratuity benefits paid | 0.0 | 7.1 | 0.2 | 7.2 | 3.2 | 0.5 | 3.8 | 0.4 | 22.4 | – | 5.7 | 0.9 | 4.4 | 4.3 | 0.2 | 1.0 | 0.6 | 17.1 |
| Interest cost of scheme liabilities | (0.0) | (1.3) | (0.3) | (2.6) | (8.4) | (0.2) | (0.6) | (0.4) | (13.8) | (0.1) | (1.6) | (0.3) | (2.6) | (6.6) | (0.1) | (0.9) | (0.3) | (12.5) |
| Remeasurement gains/(losses) | (0.1) | 0.5 | 0.0 | (2.0) | (6.7) | 0.5 | (0.2) | (0.1) | (8.1) | 0.1 | (3.7) | (0.5) | (6.2) | (2.8) | (0.6) | (0.5) | (0.0) | (14.2) |
| Exchange difference | 0.1 | (0.4) | 0.1 | 5.2 | 10.0 | 0.1 | 1.9 | (0.1) | 16.9 | | 0.5 | 0.2 | – | 7.0 | 0.1 | 1.3 | 0.1 | 9.2 |
| **At 31 March** | **(0.2)** | **(15.3)** | **(3.6)** | **(29.4)** | **(45.7)** | **(1.8)** | **(5.1)** | **(8.9)** | **(110.0)** | **(0.2)** | **(20.8)** | **(3.4)** | **(35.8)** | **(39.8)** | **(2.4)** | **(9.5)** | **(7.7)** | **(119.6)** |

### (i) Movements in the fair value of plan assets

| (US$ million) | As at 31 March 2016 | As at 31 March 2015 |
|---|---|---|
| **At 1 April** | **45.0** | **45.8** |
| Contributions received | 9.7 | 4.0 |
| Benefits paid | (12.2) | (6.6) |
| Remeasurements | 0.1 | 0.2 |
| Interest income | 3.4 | 3.3 |
| Foreign exchange differences | (2.5) | (1.7) |
| **At 31 March** | **43.5** | **45.0** |

# Notes to the Financial Statements continued

## 33. Retirement benefits continued

### (j) Five year history

Defined benefit pension plan

| (US$ million) | As at 31 March 2016 | As at 31 March 2015 | As at 31 March 2014 | As at 31 March 2013 | As at 31 March 2012 |
|---|---|---|---|---|---|
| Experience losses arising on scheme liabilities | (8.1) | (14.2) | (5.0) | (6.9) | (7.0) |
| Difference between expected and actual return on plan assets | 0.1 | 0.2 | 0.8 | 0.6 | – |
| Fair value of pension scheme assets | 43.5 | 45.0 | 45.8 | 46.2 | 47.8 |
| Present value of pension scheme liabilities | (110.0) | (119.6) | (108.7) | (112.9) | (106.9) |
| Deficits in the schemes | **(66.5)** | **(74.6)** | **(62.9)** | **(66.7)** | **(59.1)** |

### (k) Sensitivity analysis

Below is the sensitivity analysis determined for significant actuarial assumptions for the determination of defined benefit obligations and based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period while holding all other assumptions constant.

| (US$ million) | Increase/ (decrease) in defined benefit obligation |
|---|---|
| **Discount rate** | |
| Increase by 0.50% | (2.0) |
| Decrease by 0.50% | 2.4 |
| **Salary increase** | |
| Increase by 0.50% | 2.0 |
| Decrease by 0.50% | (1.9) |

The above sensitivity analysis may not be representative of the actual benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

### (l) Risk analysis

The Group is exposed to a number of risks in the defined benefit plans. The most significant risks pertaining to defined benefits plans and management estimation of the impact of these risks are as follows:

**Investment risk**

Most of the Indian defined benefit plans are funded with Life Insurance Corporation of India. The Group does not have any liberty to manage the fund provided to Life Insurance Corporation of India.

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to Government of India bonds for the Group's Indian operations. If the return on plan asset is below this rate, it will create a plan deficit.

**Interest risk**

A decrease in the interest rate on plan assets will increase the plan liability.

**Longevity risk/life expectancy**

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and at the end of the employment. An increase in the life expectancy of the plan participants will increase the plan liability.

**Salary growth risk**

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. An increase in the salary of the plan participants will increase the plan liability.

## 34. Capital management

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

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

## 34. Capital management continued

The Group monitors capital using a gearing ratio, being the ratio of net debt as a percentage of total capital.

| (US$ million) | As at 31 March 2016 | As at 31 March 2015 |
|---|---|---|
| Total equity | 6,852.4 | 12,257.4 |
| Net debt | 7,328.8 | 8,460.3 |
| **Total capital** | **14,181.2** | **20,717.7** |
| Gearing | 51.7% | 40.8% |

The increase in the gearing ratio compared to the 2015 ratio is primarily due to a decrease in total equity pursuant to the impairment charge on oil & gas assets of US$3,030.9 million (net of deferred tax of US$1,903.3 million) (Note 5).

## 35. Share capital

| | At 31 March 2016 | | At 31 March 2015 | |
|---|---|---|---|---|
| Authorised | 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 | – | 50,000 | – |
| | **400,050,000** | **40.0** | **400,050,000** | **40.0** |

| | At 31 March 2016 | | At 31 March 2015 | |
|---|---|---|---|---|
| Ordinary shares issued and fully paid | Number | US$ million | Number | US$ million |
| Ordinary shares of 10 US cents each | 300,522,798 | 30.1 | 299,868,180 | 30.0 |
| Deferred shares of £1 each | 50,000 | – | 50,000 | – |
| | **300,572,798** | **30.1** | **299,918,180** | **30.0** |

During the year ended 31 March 2016, the Company issued 561,277 shares at face value of 10 US cents per share to the employees pursuant to the Vedanta LTIP and ESOP schemes (2015: 1,686,045 shares) and 93,341 shares were issued on the conversion of a convertible bond issued by one of the Group's subsidiaries.

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.

As on 31 March 2016, 6,904,995 ordinary shares which were issued on the conversion of certain convertible bonds issued by one of the Group's subsidiaries are held through a Global Depositary Receipts and carry no voting rights.

At 31 March 2016, the total number of treasury shares held was 24,309,230 (2015: 24,206,816).

## 36. Non-controlling interests (NCI)

The Group consists of a parent Company, Vedanta Resources plc, incorporated in UK and a number of subsidiaries held directly and indirectly by the Group which operate and are incorporated around the world. Note 44 to the financial statements lists details of the interests in the subsidiaries.

Non-controlling interests that are material to the Group relate to Hindustan Zinc Limited (HZL), Cairn India Limited (Cairn) and Vedanta Limited.

As at 31 March 2016, NCIs hold an economic interest of 59.20%, 62.36% and 37.15% respectively in HZL, Cairn and Vedanta Limited. The respective NCI holdings in 2015 were 59.20%, 62.36% and 37.15% respectively.

Principal place of business of HZL, Cairn and Vedanta Limited is in India (refer to Note 44).

# Notes to the Financial Statements continued

## 36. Non-controlling interests (NCI) continued

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

| (US$ million) Particulars | Year ended 31 March 2016 HZL | Cairn | Vedanta Limited | Others[1] | Total | Year ended 31 March 2015 HZL | Cairn | Vedanta Limited[2] | Others[1] | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Profit/(loss) attributable to NCI | 706.8 | (1,982.9) | 342.6 | (731.2) | (1,664.7) | 813.8 | (2,608.9) | 74.7 | (268.7) | (1,989.1) |
| Equity attributable to NCI | 3,344.9 | 4,756.3 | 2,257.0 | (2,793.0) | 7,565.2 | 4,310.9 | 6,903.6 | 2,199.9 | (2,760.1) | 10,654.3 |
| Dividends paid/payable to NCI | (825.7) | (55.3) | (98.5) | – | (979.5) | (107.8) | (165.4) | (67.2) | – | (340.4) |

1 Others consist of investment subsidiaries of Vedanta Limited and other individual non-material subsidiaries.
2 For principal activities, country of incorporation and the immediate holding company of the above subsidiaries refer to Note 44.

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below is on a 100% basis and before inter-company eliminations:

| (US$ million) Particulars | As at 31 March 2016 HZL | Cairn | Vedanta Limited | As at 31 March 2015 HZL | Cairn | Vedanta Limited |
|---|---|---|---|---|---|---|
| Non-current assets | 2,346.8 | 3,516.9 | 11,541.6 | 2,193.2 | 10,407.1 | 11,502.0 |
| Current assets | 5,591.8 | 5,128.4 | 3,586.3 | 5,305.9 | 3,794.8 | 1,614.8 |
| Current liabilities | (2,266.8) | (746.2) | (5,238.0) | (267.9) | (957.4) | (3,576.3) |
| Non-current liabilities | (21.6) | (272.0) | (3,814.6) | (22.1) | (2,148.3) | (3,732.2) |
| **Net assets** | **5,650.2** | **7,627.1** | **6,075.3** | **7,209.1** | **11,096.2** | **5,808.3** |

| Particulars | Year ended 31 March 2016 HZL | Cairn | Vedanta Limited | Year ended 31 March 2015 HZL | Cairn | Vedanta Limited |
|---|---|---|---|---|---|---|
| Revenue | 2,132.4 | 1,322.3 | 4,541.0 | 2,385.8 | 2,397.5 | 5,290.4 |
| Profit/(loss) for the year | 1,193.9 | (3,179.8) | 922.1 | 1,360.8 | (4,193.4) | 199.1 |
| Other comprehensive income/(loss) | 1.9 | 0.1 | (27.5) | (5.7) | – | (37.2) |

The effect of changes in ownership interests in subsidiaries that did not result in a loss of control is as follows:

| (US$ million) | Year ended 31 March 2016 HZL | Cairn | Vedanta Limited | Others | Total |
|---|---|---|---|---|---|
| Changes in NCI due to buyback and investment | – | – | – | – | – |

| | Year ended 31 March 2015 HZL | Cairn | Vedanta Limited | Others | Total |
|---|---|---|---|---|---|
| Changes in NCI due to buyback and investment | (197.2) | (531.5) | (83.3) | 167.9 | (644.1) |

## 37. Joint arrangements

### Joint operations

The Group's principal license interests in the Oil & Gas business are joint operations. The principal license interests are as follows:

| Oil & Gas blocks/fields | Area | Participating interest |
|---|---|---|
| **Operated blocks** | | |
| Ravva block | Krishna Godavari | 22.50% |
| CB-OS/2 – Exploration | Cambay Offshore | 60.00% |
| CB-OS/2 – Development and production | Cambay Offshore | 40.00% |
| RJ-ON-90/1 – Exploration | Rajasthan Onshore | 100.00% |
| RJ-ON-90/1 – Development and production | Rajasthan Onshore | 70.00% |
| PR-OSN-2004/1 | Palar Basin Offshore | 35.00% |
| KG-OSN-2009/3 | Krishna Godavari Offshore | 100.00% |
| MB-DWN-2009/1[1] | Mumbai Deep Water | 100.00% |
| South Africa Block[1] | Orange Basin South Africa Offshore | 60.00% |
| **Relinquished block** | | |
| SL 2007-01-001[2] | North West Sri Lanka Offshore | 100.00% |
| **Non-operated block** | | |
| KG-ONN-2003/1[3] | Krishna Godavari Onshore | 49.00% |

1 Intended to be relinquished in the next year.
2 Relinquished on 15 October 2015.
3 Operatorship has been transferred to Oil and Natural Gas Corporation (ONGC) with effect from 7 July 2014.

## 38. 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;
- oil & gas commitments;
- mining commitments arising under production sharing agreements; and
- completion of the construction of certain assets.

| (US$ million) | As at 31 March 2016 | As at 31 March 2015 |
|---|---|---|
| Capital commitments contracted but not provided | 1,289.3 | 1,973.7 |

Commitments primarily related to the expansion projects:

| | As at 31 March 2016 | As at 31 March 2015 |
|---|---|---|
| HZL | 296.7 | 274.4 |
| Jharsuguda Aluminium | 470.2 | 508.6 |
| Jharsuguda 2,400MW power plant | 32.3 | 33.7 |
| BALCO | 47.8 | 69.5 |
| Talwandi Sabo | 71.8 | 96.1 |
| Sterlite Copper | 207.1 | 220.8 |
| Cairn | 41.5 | 602.0 |
| BMM | 58.1 | – |
| Others | 5.5 | – |
| **Total** | **1,231.0** | **1,805.1** |

### 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 2016, US$384.6 million of guarantees were advanced to banks, suppliers etc. in the normal course of business (2015: US$365.4 million). The Group has also entered into guarantees and bonds advanced to the customs authorities in India of US$154.8 million relating to the export and payment of import duties on purchases of raw material and capital goods including export obligations (2015: US$228.9 million).

#### Cairn PSC guarantee to Government

The Group has provided a parent Company guarantee for the Cairn India Group's obligation under the Production Sharing Contract (PSC).

# Notes to the Financial Statements continued

## 38. Commitments, guarantees and contingencies continued

Cairn India have provided various other guarantees under the Cairn India Group's bank facilities for the Cairn India Group's share of minimum work programme commitments of US$13.1 million outstanding as of 31 March 2016 (2015: US$15.6 million).

### Export obligations

The Indian entities of the Group have export obligations of US$2,200.5 million (2015: US$2,688.0 million) on account of concessional rates of import duty paid on capital goods under the Export Promotion Capital Goods Scheme and under the Advance License 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$349.1 million (2015: US$429.1 million), reduced in proportion to actual exports, plus applicable interest.

### Contingencies

#### MEL claims with Tamil Nadu Electricity Board (TNEB)

TNEB is claiming US$16.3 million from MEL for an electricity self-generation levy for the period from May 1999 to June 2003. This claim has arisen since the commissioning of MEL's captive power plant in 1999. The Company has sought an exemption from the application of this levy from the Government of Tamil Nadu. The application is under consideration. Meanwhile, the Madras High Court has in its recent order, remitted back the case to the State of Tamil Nadu, to take a decision afresh on the representation for grant of tax exemption on consumption of electricity and directed to pass a detailed speaking order. MEL has accordingly represented before the Government of Tamil Nadu Energy Secretary, Government of Tamil Nadu vide his letter dated 20 March 2013 denied the exemption citing various reasons and asked MEL to remit US$15.7 million. MEL moved to the High Court of Madras and a stay was granted on the same.

#### 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$53.3 million. These notices alleged unlawful occupation and unauthorised mining of associated minerals other than zinc and lead at HZL's Rampura Agucha, Rajpura Dariba and Zawar mines in Rajasthan during the period from July 1968 to March 2006. HZL believes that the claim becoming an obligation of the Company is unlikely and thus no provision has been made in the financial statements. HZL has filed writ petitions in the High Court of Rajasthan in Jodhpur and has obtained a stay in respect of these demands.

#### Richter and Westglobe: income tax

The Group through its subsidiaries Richter Holdings Limited (Richter) and Westglobe Limited (Westglobe) in 2007 acquired the entire stake in Finsider International Company Limited based in the United Kingdom. In October 2013, the Indian Tax Authorities (Tax Authorities) have served an order on Richter and Westglobe for alleged failure to deduct withholding tax on capital gain on the indirect acquisition of shares in April 2007. The Tax Authorities determined the liability for such non-deduction of tax as US$132.1 million in the case of Richter and US$88.0 million in the case of Westglobe, comprising tax and interest. Being aggrieved, Richter and Westglobe filed appeals before the first appellate authority. Writ petitions were filed in the High Court of Karnataka challenging the constitutional validity of retrospective amendments made by the Finance Act 2012 and in particular the imposition of obligations to deduct tax on payments made against an already concluded transaction. These Writs are pending for disposal before Division Bench. The hearing of the said Writ is due on 10 June 2016. Richter and Westglobe believe that they are not liable for such withholding tax and intend to defend the proceedings.

#### Cairn India: income tax

In March 2014, Cairn India received a show cause notice from the Indian Tax Authorities (Tax Authorities) for not deducting withholding tax on the payments made to Cairn UK Holdings Limited (CUHL) UK, for acquiring shares of Cairn India Holdings Limited (CIHL), as part of their internal reorganisation. The Tax Authorities have stated in the said notice that a short-term capital gain has accrued to CUHL on transfer of the shares of CIHL to Cairn India, in financial year 2006-2007, on which tax should have been withheld by the Company. Pursuant to this various replies were filed with the Tax Authorities.

After hearings, the Income Tax Authority, during March 2015, have issued an order by holding Cairn India as 'assessee in default' and asked to pay such demand totalling US$3,089.7 million (including interest of US$1,544.8 million). Cairn India has filed its appeal before the Appellate Authority CIT (Appeals) and filed a fresh Writ petition before Delhi High Court wherein it raised several points for assailing the aforementioned order. The hearing of the said Writ is due on 4 August 2016.

The Company has issued a Notice of arbitration to the Government of India by invoking Bilateral Investment Promotion Treaty between the UK and India.

#### Vedanta Limited: contractor claim

Shenzhen Shandong Nuclear Power Construction Co. Limited (SSNP) subsequent to terminating the EPC contract invoked arbitration as per the contract alleging non-payment of their dues towards construction of a 210MW co-generation power plant for 6mtpa expansion project, and filed a claim of US$248.1 million. SSNP also filed a petition under Section 9 of the Arbitration and Conciliation Act, 1996 before the Bombay High Court praying for interim relief. The Bombay High Court initially dismissed their petition, but on a further appeal by SSNP, the Division Bench of the Bombay High Court directed Jharsuguda Aluminium to deposit a bank guarantee for an amount of US$27.8 million as a security, being a prima facie representation of the claim, until arbitration proceedings are completed. Jharsuguda Aluminium has deposited a bank guarantee of equivalent amount. Management is of the opinion that this claim is not valid under the terms of the contract with SSNP and it is unlikely that SSNP can legally sustain the claim and, accordingly, no provision is considered necessary.

## 38. Commitments, guarantees and contingencies continued

### Ravva joint venture arbitration proceedings: Base Development Cost

In case of Cairn, Ravva joint venture had received a claim from the Ministry of Petroleum and Natural Gas, Government of India (GOI) for the period from 2000 to 2005 for US$129.0 million for an alleged underpayment of profit petroleum to the Indian Government, out of which, the Group's share will be US$29.0 million plus potential interest at applicable rate (LIBOR plus 2% as per PSC). This claim relates to the Indian Government's allegation that the Ravva JV had recovered costs in excess of the Base Development Costs (BDC) cap imposed in the PSC and that the Ravva JV had also allowed these excess costs in the calculation of the Post Tax Rate of Return (PTRR). Joint venture partners initiated the arbitration proceedings and Arbitration Tribunal published the Award on 18 January 2011 at Kuala Lumpur, allowing claimants (including the Group) to recover the development costs spent to the tune of US$278.0 million and disallowed over run of US$22.3 million spent in respect of BDC along with 50% legal costs reimbursable to the joint venture partners. The High Court of Kuala Lumpur dismissed Government of India's application of setting aside the part of the Award on 30 August 2012 with costs. However, GOI appealed before the Court of Appeal against the High Court's order and the Court of Appeal dismissed the GOI's appeal on 27 June 2014. However, GOI still preferred to challenge the same before the Federal Court, Kuala Lumpur and their Leave to Appeal is pending. GOI has also issued Show Cause Notice on this matter which Cairn has replied to and also filed an application for enforcement of Award before Delhi High Court as an abundant caution.

### Ravva joint venture arbitration proceedings: ONGC Carry

Cairn is involved in a dispute against GOI relating to the recovery of contractual costs in terms of calculation of payments that contractor party was required to make in connection with the Ravva field.

The Ravva production sharing contract obliges the contractor party to pay proportionate share of ONGC's exploration, development, production and contract costs in consideration for ONGC's payment of costs related to construction and other activities it conducted in Ravva prior to the effective date of the Ravva production sharing contract (the ONGC Carry). The question as to how the ONGC Carry is to be recovered and calculated, along with other issues, was submitted to an international arbitration Tribunal in August 2002 which rendered a decision on the ONGC Carry in favour of the contractor party whereas four other issues were decided in favour of GOI in October 2004 (Partial Award).

The GOI then proceeded to challenge the ONGC Carry decision before the Malaysian courts, as Kuala Lumpur was the seat of the arbitration. The Federal Court of Malaysia, which adjudicated the matter on 11 October 2011, upheld the Partial Award. Per the decision of the Arbitral Tribunal in the Partial Award, the contractor party and GOI were required to arrive at a quantification of the sums relatable to each of the issues under the Partial Award. Also, the arbitral Tribunal retained the jurisdiction for determination of any remaining issues in the matter.

Pursuant to the decision of the Federal Court, the contractor party approached the Ministry of Petroleum and Natural Gas (MoPNG) to implement the Partial Award while reconciling the statement of accounts as outlined in the Partial Award in 2004. GOI failed to implement the Partial Award by way of reconciling accounts as provided in the Partial Award ever since the Federal Court of Malaysia adjudicated in Cairn and other joint operator partners' favour.

However, the MoPNG on 10 July 2014 proceeded to issue a show cause notice alleging that since the Partial Award has not been enforced, profit petroleum share of GOI has been short-paid. MoPNG threatened to recover that amount from the sale proceeds payable by the oil marketing companies to the contractor party. The contractor party replied to the show cause notice taking various legal contentions. On 9 March 2015 a personal hearing took place between MoPNG and the contractor party, whereby the contractor party expressed their concerns against such alleged unilateral recoveries and filed further written submissions on 12 March 2015.

As the Partial Award did not quantify the sums, therefore, the contractor party approached the same arbitral Tribunal to pass a final award in the subject matter since it had retained the jurisdiction to do so. The Arbitral Tribunal has been reconstituted and the determination of final award is sub-judice before it. While Cairn does not believe the GOI will be successful in its challenge, if the arbitral award is reversed and such reversal is binding, Cairn could be liable for approximately US$63.9 million.

### Proceedings related to the imposition of entry tax

BALCO and Vedanta Limited have challenged the constitutional validity of the local statute in Chattisgarh and Orissa respectively, levying entry tax on the entry of goods brought into the States from outside and other notifications, as being in violation of certain provisions of the Indian Constitution. The challenges are pending in the Supreme Court to be heard by a Constitution Bench taking into account diverse opinion of various High Courts and the same is listed on 11 May 2016. BALCO paid the entry tax of US$30.6 million under protest to the state government of Chhattisgarh until 31 March 2015. Vedanta Limited was directed by the Supreme Court on 3 February 2010 to deposit a sum of US$0.6 million and a further amount on a monthly basis until the matter is actually disposed. These amounts have been paid under protest. In a related matter in respect of challenging the levy of entry tax on imported goods, the Supreme Court on 9 April 2013 directed 50% of the entry tax amount accrued until 30 September 2012. The amount of US$21.0 million (as on 31 March 2015) has been deposited in accordance with the order of the Supreme Court. Total claims from Vedanta Limited are of US$112.5 million (2015: US$103.3 million).

Additionally, for entry tax in SEZ, GOO has finally come out with SEZ policy 2015 exempting entry tax levy on SEZ operations which were recently notified in December 2015. We have applied for the issuance of an eligibility certificate to IPICOL for availing entry tax exemption; however, an operational guideline is pending to be issued by the industry department. The declaration of SEZ policy being a recent development after the filing of a petition before court, hence Vedanta is trying to bring out the same before the Court by filing an affidavit separately for appreciation of the court in the coming hearing.

# Notes to the Financial Statements continued

## 38. Commitments, guarantees and contingencies continued

**TSPL**

TSPL has entered into a long-term Power Purchase Agreement (PPA) with Punjab State Power Corporation Limited (PSPCL) for supply of power. Due to delay in fulfilment of certain obligations by PSPCL as per the PPA, other related reasons and force majeure events, there has been a delay in implementation/completion of the project as compared to the PPA timelines. TSPL has received notices of claims from PSPCL seeking payment of Liquidated Damages (LD) maximum of US$50.9 million each for delay in commissioning of Unit I, II and III, totalling US$152.9 million.

During the year, PSPCL invoked the Performance Bank Guarantee of US$24.1 million to recover the LD on account of delay in COD of Unit I. TSPL filed a petition at Punjab State Electricity Regulatory Commission (PSERC) for adjudication of above dispute. TSPL had also filed a civil writ petition before the High Court of Punjab and Haryana against the bank guarantee invocation, which was disposed with a direction to refer the matter to PSERC for adjudication while granting stay. Further, PSERC vide order dated 22 October 2014 directed the matter to be settled through arbitration and allowed the stay on encashment of the bank guarantee until further orders. PSPCL has preferred an appeal in Appellate Tribunal for Electricity (APTEL) against the PSERC order and APTEL had, on 12 May 2015, disposed the matter with a direction that the matter will be heard by way of arbitration. The arbitration proceedings are in the early stages. The Group has been legally advised by its advisers who have opined that such claims for LD from PSPCL are unsustainable. Recently, Appellate Tribunal for Electricity has, in a separate petition, before it by TSPL has adjudicated that coal is an absolute obligation of PSPCL and it needs to enter into a Fuel Supply Agreement and assign to TSPL. In light of the delay by PSPCL in entering into the Fuel Supply Agreement, the claims of PSPCL are further unsustainable.

**Miscellaneous disputes – Vedanta Limited, HZL, MEL, BALCO, Cairn, Lisheen, VRJL and VRJII**

The Group is subject to various claims and exposures which arise in the ordinary course of conducting and financing its business from the income tax, excise, indirect tax authorities and others. These claims and exposures mostly relate to the assessable values of sales and purchases or to incomplete documentation supporting the companies' returns or other claims.

The approximate value of claims against the Group companies excluding claims shown above total US$1,182.3 million (2015: US$1,005.0 million), of which US$14.9 million (2015: US$29.3 million) is included as a provision in the balance sheet as at 31 March 2016 (including claims of US$646.3 million in respect of income tax assessments out of which US$2.1 million is included as a provision in the balance sheet as at 31 March 2016).

The Group considers that it can take steps such that the risks can be mitigated and that there are no significant unprovided liabilities arising.

**Operating lease commitments: as lessee**

Operating leases are in relation to the office premises, office equipment and other assets, some of which are cancellable and some are non-cancellable. There is an escalation clause in the lease agreements during the primary lease period. There are no restrictions imposed by lease arrangements and there are no sub leases. There are no contingent rents. The total of the future minimum lease payments under non-cancellable leases are as follows:

| (US$ million) Particulars | As at 31 March 2016 | As at 31 March 2015 |
|---|---|---|
| Within one year of the balance sheet date | 3.9 | 4.9 |
| Within two to five years from the balance sheet date | 0.4 | 5.6 |
| **Total** | **4.3** | **10.5** |

Lease payments recognised as expenses during the year ended 31 March 2016, on non-cancellable leases, is US$8.1 million (31 March 2015: US$3.9 million).

## 39. 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 2016.

**Sterlite Technologies Limited (STL)**

| (US$ million) | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| Sales to STL | 140.4 | 126.0 |
| Recovery of expenses | 0.2 | 0.0 |
| Purchases | 1.1 | 2.9 |
| Net interest received | 0.2 | 0.6 |
| Net amounts receivable at year end | 0.2 | 3.7 |
| Net amounts payable at year end | 1.4 | – |
| Dividend income | 0.0 | – |

## 39. Related party transactions continued

Sterlite Technologies Limited is related by virtue of having the same controlling party as the Group, namely Volcan. Pursuant to the terms of the Shared Services Agreement dated 5 December 2003 entered into by the Company and STL, the Company provides 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 2016, the commercial services provided to STL were performed by certain senior employees of the Group on terms set out in the Shared Services Agreement. The services provided to STL in this year amounted to US$0.02 million (2015: US$0.02 million).

### Vedanta Foundation

During the year US$0.5 million was paid to the Vedanta Foundation (2015: US$0.7 million).

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

### Sesa Goa Community Foundation Limited

Following the acquisition of erstwhile Sesa Goa Limited, the Sesa Goa Community Foundation Limited, a charitable institution, became a related party of the Group on the basis that key management personnel of the Group have significant influence on the Sesa Goa Community Foundation Limited. During the year ended 31 March 2016, US$0.4 million (2015: US$0.4 million) was paid to the Sesa Goa Community Foundation Limited.

### Sterlite Iron and Steel Limited

| (US$ million) | **Year ended 31 March 2016** | Year ended 31 March 2015 |
|---|---|---|
| Loan balance receivable | 0.7 | 1.1 |
| Net amount receivable at year end (including interest) | 1.8 | 1.8 |
| Net interest received | 0.1 | 0.2 |

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

### Vedanta Medical Research Foundation

| (US$ million) | **Year ended 31 March 2016** | Year ended 31 March 2015 |
|---|---|---|
| Donation | 2.7 | 0.7 |

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

### Volcan Investments Limited

| (US$ million) | **Year ended 31 March 2016** | Year ended 31 March 2015 |
|---|---|---|
| Net amount receivable at the year end | 0.2 | 0.4 |
| Recovery of expenses | 0.3 | 0.3 |
| Dividend paid | 75.0 | 115.6 |

Volcan Investments Limited is a related party of the Group by virtue of being an ultimate controlling party of the Group.

A bank guarantee has been provided by the Group on behalf of Volcan in favour of Income tax department, India as collateral in respect of certain tax disputes of Volcan. The guarantee amount is US$17.3 million (2015: US$18.4 million).

### Ashurst LLP

| (US$ million) | **Year ended 31 March 2016** | Year ended 31 March 2015 |
|---|---|---|
| Services received during the year | 0.1 | 0.4 |

Ashurst LLP is a related party of the Group on the basis that an independent Director of the Group was a partner in the legal firm Ashurst LLP during the year ended 31 March 2016. It ceased to be a related party from 1 May 2015 onwards.

# Notes to the Financial Statements continued

## 39. Related party transactions continued

**Employees Provident Fund Trust**

Details of transactions during the year with post-retirement trusts:

| (US$ million) | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| BALCO Employees Provident Fund Trust | 1.7 | 2.2 |
| Hindustan Zinc Ltd. Employee Contributory Provident Fund Trust | 5.0 | 5.2 |
| Sesa Group Employees Provident Fund | 2.4 | 2.6 |
| Sesa Resources Limited Employees Provident Fund | 0.3 | 0.3 |
| Sesa Mining Corporation Limited Employees Provident Fund | 0.3 | 0.4 |

**Remuneration of key management personnel**

| (US$ million) | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| Short-term employee benefits | 20.0 | 15.9 |
| Post-employment benefits | 0.9 | 0.8 |
| Share-based payments | 2.3 | 2.5 |
| | **23.2** | **19.2** |

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise).

**Other related party[1]**

| (US$ million) | Year ended 31 March 2016 | Year ended 31 March 2015 |
|---|---|---|
| Salary paid | 1.1 | 1.0 |
| Interest bearing salary advance[2] | – | 1.5 |

1 Close relative of the Executive Chairman.
2 Since repaid.

In addition to the above, sitting fees and commission of US$34,371 (2015: US$39,250) was also paid.

## 40. Share transactions – call options

**(a) HZL**

Pursuant to the Government of India's policy of divestment, in April 2002 the Company acquired 26% equity interest in HZL from the Government of India. Under the terms of the Shareholder's Agreement (SHA), the Group had two call options to purchase all of the Government of India's shares in HZL at fair market value. The Group exercised the first call option on 29 August 2003 and acquired an additional 18.9% of HZL's issued share capital. The Company also acquired an additional 20% of the equity capital in HZL through an open offer, increasing its shareholding to 64.9%. The second call option provides the Group the right to acquire the Government of India's remaining 29.5% share in HZL. This call option is subject to the right of the Government of India to sell 3.5% of HZL shares to HZL employees. The Group exercised the second call option on 21 July 2009. The Government of India disputed the validity of the call option and has refused to act upon the second call option. Consequently, the Company invoked arbitration which is in the early stages. The next date of the hearing is scheduled for 20 August 2016. Meanwhile, the Government of India, without prejudice to the position on the put/call option issue, has received approval from the Cabinet for divestment and the Government is looking to divest through the auction route.

**(b) BALCO**

Pursuant to the Government of India's policy of divestment, in March 2001 the Company acquired 51% equity interest in BALCO from the Government of India. Under the terms of the SHA, the Group has a call option to purchase the Government of India's remaining ownership interest in BALCO at any point from 2 March 2004. The Group exercised this option on 19 March 2004. However, the Government of India has contested the valuation and validity of the option and contended that the clauses of the SHA violate the (Indian) Companies Act, 1956 by restricting the rights of the Government of India to transfer its shares and that as a result such provisions of the SHA were null and void. In the arbitration filed by the Group, the arbitral tribunal by a majority award rejected the claims of the Group on the grounds that the clauses relating to the call option, the right of first refusal, the 'tag-along' rights and the restriction on the transfer of shares violate the (Indian) Companies Act, 1956 and are not enforceable. The Group has challenged the validity of the majority award in the High Court of Delhi and sought for setting aside the arbitration award to the extent that it holds these clauses ineffective and inoperative. The Government of India also filed an application before the High Court of Delhi to partially set aside the arbitral award in respect of certain matters involving valuation. The matter is currently scheduled for hearing by the Delhi High Court on 28 July 2016. Meanwhile, the Government of India, without prejudice to its position on the put/call option issue, has received approval from the Cabinet for divestment and the Government is looking to divest through the auction route.

### 40. Share transactions – call options continued

On 9 January 2012, the Group offered to acquire the Government of India's interests in HZL and BALCO for the INR equivalent of US$2,356.5 million and US$271.1 million, respectively. This offer was separate from the contested exercise of the call options, and the Group proposed to withdraw the ongoing litigations in relation to the contested exercise of the options should the offer be accepted. To date, the offer has not been accepted by the Government of India and, therefore, there is no certainty that the acquisition will proceed.

The Group continues to include the shareholding in the two companies HZL and BALCO, in respect of which the Group has a call option as non-controlling interest.

### 41. Konkola Copper Mines: value added tax

In earlier years, Zambia Revenue Authority (ZRA) had raised an assessment demand related to output tax amounting to K4.71 billion (US$600 million at the time). The assessment covered the years 2011, 2012 and the first quarter of 2013 and claimed non-submission of documentary evidence as required under Rule 18 of the Value Added Tax Rules to prove an export and claim it as zero rated sales. As a consequence, all sales of products that were zero rated in the returns became standard rated by this assessment. After a series of deliberations, submission of the requisite documents by KCM, followed by an independent audit by ZRA, the assessment demand has now been set aside.

Additionally, KCM has US$129 million receivable on account of value added tax on inputs that are receivable from the Zambian Government. KCM has submitted all the requisite documents and is in full compliance as per the previous Rule 18. There are precedents where other companies have received refunds of such amounts from the Government on submission of documents. Further, effective February 2015, Rule 18 has been amended by allowing exporters to submit transit documents issued by the customs authority in the country of transit of the goods instead of import certificates from the country of destination, as proof of export for purposes of VAT zero rating.

The discharge of assessment demand and amendment to Rule 18 will make it easier to collect the refunds. The Group believes that it will receive a refund of the entire amount and there is no objective evidence of uncertainty around collectability.

### 42. Cairn merger update

The Board of Directors of the Company and Cairn India Limited at their respective meetings held on 14 June 2015 had approved the Scheme of Arrangements (the Scheme) between the Company and Cairn India Limited and their respective shareholders and creditors, subject to regulatory and other approvals. On 10 September 2015, BSE Limited and the National Stock Exchange of India Limited has issued the 'No adverse observation' letter to the Scheme.

### 43. Subsequent events

In March 2016, the Company has announced a third bond buyback programme through market purchase route. Post the balance sheet date and up to the date of approval of the financial statements it has bought back bonds worth US$129.7 million.

### 44. List of subsidiaries

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

| Subsidiaries | Principal activities | The Company's economic percentage holding 31 March 2016 | The Company's economic percentage holding 31 March 2015 | Country of incorporation | Immediate holding company | Immediate percentage holding 31 March 2016 | Immediate percentage holding 31 March 2015 |
|---|---|---|---|---|---|---|---|
| **Direct subsidiaries of the parent Company** | | | | | | | |
| Vedanta Resources Holding Limited (VRHL) | Holding company | 100.00% | 100.00% | United Kingdom | VR plc | 100.00% | 100.00% |
| Vedanta Resources Jersey Limited (VRJL) | Investment company | 100.00% | 100.00% | Jersey (CI) | VR plc | 100.00% | 100.00% |
| Vedanta Resources Jersey II Limited (VRJL-II) | Investment company | 100.00% | 100.00% | Jersey (CI) | VR plc | 100.00% | 100.00% |
| Vedanta Finance (Jersey) Limited (VFJL) | Investment company | 100.00% | 100.00% | Jersey (CI) | VR plc | 100.00% | 100.00% |
| Vedanta Jersey Investments Limited (VJIL) | Investment company | 100.00% | 100.00% | Jersey (CI) | VR plc | 100.00% | 100.00% |
| **Indirect subsidiaries of the parent Company** | | | | | | | |
| Vedanta Limited | Copper smelting, iron ore mining, aluminium mining, refining and smelting, power generation | 62.85% | 62.85% | India | Twin Star | 46.53% | 46.53% |

# Notes to the Financial Statements continued

| Subsidiaries | Principal activities | The Company's economic percentage holding 31 March 2016 | 31 March 2015 | Country of incorporation | Immediate holding company | Immediate percentage holding 31 March 2016 | 31 March 2015 |
|---|---|---|---|---|---|---|---|
| Bharat Aluminium Company Limited (BALCO) | Aluminium mining and smelting | 32.05% | 32.05% | India | Vedanta Limited | 51.00% | 51.00% |
| Copper Mines of Tasmania Pty Limited (CMT) | Copper mining | 62.85% | 62.85% | Australia | MCBV | 100.00% | 100.00% |
| Fujairah Gold FZC[1] | Gold and silver processing | 62.85% | 62.85% | UAE | MEL | 97.96% | – |
| Hindustan Zinc Limited (HZL) | Zinc and mining and smelting | 40.80% | 40.80% | India | Vedanta Limited | 64.92% | 64.92% |
| Monte Cello BV (MCBV) | Holding company | 62.85% | 62.85% | Netherlands | Vedanta Limited | 100.00% | 100.00% |
| Monte Cello Corporation NV (MCNV) | Holding company | 100.00% | 100.00% | Curacao | Twin Star | 100.00% | 100.00% |
| Konkola Copper Mines PLC (KCM) | Copper mining and smelting | 79.42% | 79.42% | Zambia | VRHL | 79.42% | 79.42% |
| Sesa Resources Limited (SRL) | Iron ore | 62.85% | 62.85% | India | Vedanta Limited | 100.00% | 100.00% |
| Sesa Mining Corporation Limited | Iron ore | 62.85% | 62.85% | India | SRL | 100.00% | 100.00% |
| Thalanga Copper Mines Pty Limited (TCM) | Copper mining | 62.85% | 62.85% | Australia | MCBV | 100.00% | 100.00% |
| Twin Star Holdings Limited (Twin Star) | Holding company | 100.00% | 100.00% | Mauritius | VRHL | 100.00% | 100.00% |
| MALCO Energy Limited (MEL) | Power generation | 62.85% | 62.85% | India | Vedanta Limited | 100.00% | 100.00% |
| Richter Holding Limited (Richter) | Investment company | 100.00% | 100.00% | Cyprus | VRCL | 100.00% | 100.00% |
| Westglobe Limited | Investment company | 100.00% | 100.00% | Mauritius | Richter | 100.00% | 100.00% |
| Finsider International Company Limited | Investment company | 100.00% | 100.00% | United Kingdom | Richter | 60.00% | 60.00% |
| Vedanta Resources Finance Limited (VRFL) | Investment company | 100.00% | 100.00% | United Kingdom | VRHL | 100.00% | 100.00% |
| Vedanta Resources Cyprus Limited (VRCL) | Investment company | 100.00% | 100.00% | Cyprus | VRFL | 100.00% | 100.00% |
| Welter Trading Limited (Welter) | Investment company | 100.00% | 100.00% | Cyprus | VRCL | 100.00% | 100.00% |
| Lakomasko B.V. | Investment company | 62.85% | 62.85% | Netherlands | THL Zinc Holding B.V. | 100.00% | 100.00% |
| THL Zinc Ventures Limited | Investment company | 62.85% | 62.85% | Mauritius | Vedanta Limited | 100.00% | 100.00% |
| Twin Star Energy Holdings Limited (TEHL) | Holding company | 62.85% | 62.85% | Mauritius | BFM | 100.00% | 100.00% |
| THL Zinc Limited | Investment company | 62.85% | 62.85% | Mauritius | THL Zinc Ventures Ltd | 100.00% | 100.00% |
| Sterlite (USA) Inc. | Investment company | 62.85% | 62.85% | USA | Vedanta Limited | 100.00% | 100.00% |
| Talwandi Sabo Power Limited | Power generation | 62.85% | 62.85% | India | Vedanta Limited | 100.00% | 100.00% |
| Konkola Resources plc[2] | Holding company | – | 100.00% | United Kingdom | VRHL | – | 100.00% |
| Twin Star Mauritius Holdings Limited (TMHL) | Holding company | 62.85% | 62.85% | Mauritius | TEHL | 100.00% | 100.00% |

| Subsidiaries | Principal activities | The Company's economic percentage holding | | Country of incorporation | Immediate holding company | Immediate percentage holding | |
|---|---|---|---|---|---|---|---|
| | | **31 March 2016** | 31 March 2015 | | | **31 March 2016** | 31 March 2015 |
| THL Zinc Namibia Holdings (Pty) Limited (VNHL) | Mining and exploration | 62.85% | 62.85% | Namibia | THL Zinc Ltd | 100.00% | 100.00% |
| Skorpion Zinc (Pty) Limited (SZPL) | Acquisition of immovable and movable properties | 62.85% | 62.85% | Namibia | VNHL | 100.00% | 100.00% |
| Namzinc (Pty) Limited (SZ) | Mining | 62.85% | 62.85% | Namibia | SZPL | 100.00% | 100.00% |
| Skorpion Mining Company (Pty) Limited (NZ) | Mining | 62.85% | 62.85% | Namibia | SZPL | 100.00% | 100.00% |
| Amica Guesthouse (Pty) Ltd | Accommodation and catering services | 62.85% | 62.85% | Namibia | SZPL | 100.00% | 100.00% |
| Rosh Pinah Healthcare (Pty) Ltd | Leasing out of medical equipment and building and conducting services related thereto | 43.37% | 43.37% | Namibia | SZPL | 69.00% | 69.00% |
| Black Mountain Mining (Pty) Ltd | Mining | 43.13% | 43.13% | South Africa | THL Zinc Ltd | 74.00% | 74.00% |
| THL Zinc Holding BV | Investment company | 62.85% | 62.85% | Netherlands | Vedanta Limited | 100.00% | 100.00% |
| Lisheen Mine Partnership | Mining partnership firm | 62.85% | 62.85% | Ireland | VLML | 50.00% | 50.00% |
| Pecvest 17 Proprietary Ltd. | Investment company | 62.85% | 62.85% | South Africa | THL Zinc Ltd | 100.00% | 100.00% |
| Vedanta Lisheen Holdings Limited (VLHL) | Investment company | 62.85% | 62.85% | Ireland | THL Zinc Holding BV | 100.00% | 100.00% |
| Vedanta Exploration Ireland Limited | Exploration company | 62.85% | 62.85% | Ireland | VLHL | 100.00% | 100.00% |
| Vedanta Lisheen Mining Limited (VLML) | Mining | 62.85% | 62.85% | Ireland | VLHL | 100.00% | 100.00% |
| Killoran Lisheen Mining Limited | Mining | 62.85% | 62.85% | Ireland | VLHL | 100.00% | 100.00% |
| Killoran Lisheen Finance Limited | Investment company | 62.85% | 62.85% | Ireland | VLHL | 100.00% | 100.00% |
| Lisheen Milling Limited | Manufacturing | 62.85% | 62.85% | Ireland | VLHL | 100.00% | 100.00% |
| Vizag General Cargo Berth Private Limited | Infrastructure | 62.85% | 62.85% | India | Vedanta Limited | 99.99% | 99.99% |
| Paradip Multi Cargo Berth Private Limited | Infrastructure | 46.51% | 46.51% | India | Vedanta Limited | 74.00% | 74.00% |
| Sterlite Ports Limited (SPL) | Investment company | 62.85% | 62.85% | India | Vedanta Limited | 100.00% | 100.00% |
| Maritime Ventures Private Limited | Infrastructure | 62.85% | 62.85% | India | SPL | 100.00% | 100.00% |
| Sterlite Infraventures Limited | Investment company | 62.85% | 62.85% | India | Vedanta Limited | 100.00% | 100.00% |
| Bloom Fountain Limited (BFM) | Investment company | 62.85% | 62.85% | Mauritius | Vedanta Limited | 100.00% | 100.00% |
| Western Cluster Limited | Mining company | 62.85% | 62.85% | Liberia | BFM | 100.00% | 100.00% |
| Sesa Sterlite Mauritius Holdings Limited | Investment company | 100.00% | 100.00% | Mauritius | VRHL | 100.00% | 100.00% |
| Vedanta Finance UK Limited | Investment company | 100.00% | 100.00% | United Kingdom | Welter | 100.00% | 100.00% |

# Notes to the Financial Statements continued

| Subsidiaries | Principal activities | The Company's economic percentage holding 31 March 2016 | 31 March 2015 | Country of incorporation | Immediate holding company | Immediate percentage holding 31 March 2016 | 31 March 2015 |
|---|---|---|---|---|---|---|---|
| Valliant (Jersey) Limited | Investment company | 100.00% | 100.00% | Jersey (CI) | VRJL-II | 100.00% | 100.00% |
| Cairn India Limited | Oil & gas exploration, and production | 37.64% | 37.64% | India | TMHL | 34.43%[3] | 39.41% |
| Cairn India Holdings Limited | Investment company | 37.64% | 37.64% | Jersey | Cairn India Limited | 100.00% | 100.00% |
| Cairn Energy Holdings Limited | Investment company | 37.64% | 37.64% | Scotland | Cairn India Holdings Limited | 100.00% | 100.00% |
| Cairn Energy Hydrocarbons Ltd | Exploration and production | 37.64% | 37.64% | Scotland | Cairn India Holdings Limited | 100.00% | 100.00% |
| Cairn Exploration (No.7) Limited[4] | Exploration and production | 37.64% | 37.64% | Scotland | Cairn India Holdings Limited | 100.00% | 100.00% |
| Cairn Exploration (No.6) Limited[2] | Exploration and production | 37.64% | 37.64% | Scotland | Cairn India Holdings Limited | 100.00% | 100.00% |
| Cairn Exploration (No.2) Limited | Exploration and production | 37.64% | 37.64% | Scotland | Cairn India Holdings Limited | 100.00% | 100.00% |
| Cairn Energy Gujarat Block 1 Limited | Exploration and production | 37.64% | 37.64% | Scotland | Cairn India Holdings Limited | 100.00% | 100.00% |
| Cairn Energy Discovery Limited | Exploration and production | 37.64% | 37.64% | Scotland | Cairn India Holdings Limited | 100.00% | 100.00% |
| Cairn Energy Australia Pty Limited | Investment company | 37.64% | 37.64% | Australia | Cairn India Holdings Limited | 100.00% | 100.00% |
| Cairn Energy India Pty Limited | Exploration and production | 37.64% | 37.64% | Australia | Cairn Energy Australia Pty Limited | 100.00% | 100.00% |
| CIG Mauritius Holdings Private Limited | Investment company | 37.64% | 37.64% | Mauritius | Cairn India Limited | 100.00% | 100.00% |
| CIG Mauritius Private Limited | Investment company | 37.64% | 37.64% | Mauritius | CIG Mauritius Holding Private Limited | 100.00% | 100.00% |
| Cairn Lanka Private Limited | Exploration and production | 37.64% | 37.64% | Sri Lanka | CIG Mauritius Pvt Ltd | 100.00% | 100.00% |
| Cairn South Africa Pty Limited | Exploration and production | 37.64% | 37.64% | South Africa | Cairn Energy Hydrocarbons Limited | 100.00% | 100.00% |

1 Pursuant to additional capital infusion in FG by MEL during the year ended 31 March 2016. Immediate percentage holding as of 31 March 2015 was 98% held by CMT.
2 Dissolved during the year ended 31 March 2016.
3 Pursuant to transfer of 4.98% of TMHL holdings in Cairn India to Vedanta Limited.
4 Dissolved subsequently on 19 April 2016.

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 has power over the subsidiaries, is exposed or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries.

## 45. Ultimate controlling party

At 31 March 2016, the ultimate controlling party of the Group was Volcan, which is controlled by persons related to the Executive Chairman, Mr Anil Agarwal. Volcan is incorporated in the Bahamas, and does not produce Group accounts.

## 46. Company balance sheet

| (US$ million) | Note | 31 March 2016 | 31 March 2015 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 48 | 0.2 | 0.3 |
| Investments in subsidiaries | 49 | 1,226.3 | 1,226.3 |
| Investment in preference shares of subsidiaries | 50 | 4.7 | 1.7 |
| Financial asset investment | 51 | 0.1 | 0.1 |
| | | **1,231.3** | **1,228.4** |
| **Current assets** | | | |
| Debtors due within one year | 52 | 505.5 | 422.7 |
| Debtors due after one year | 52 | 4,683.9 | 5,066.8 |
| Investments | 53 | 28.1 | 33.2 |
| Cash at bank and in hand | | 0.6 | 0.1 |
| | | **5,218.1** | **5,522.8** |
| **Creditors: amounts falling due within one year** | | | |
| Trade and other creditors | 54 | (104.3) | (97.2) |
| External borrowings | 54 | (742.7) | (270.4) |
| Loan from subsidiary | 54 | (600.3) | – |
| Derivative liability | 54 | – | (2.0) |
| | | **(1,447.3)** | **(369.6)** |
| **Net current assets** | | **3,770.8** | **5,153.2** |
| **Total assets less current liabilities** | | **5,002.1** | **6,381.6** |
| **Creditors: amounts falling due after one year** | | | |
| Loan from subsidiary | 55 | (278.0) | (1,430.2) |
| External borrowings | 55 | (4,220.0) | (4,345.7) |
| | | **(4,498.0)** | **(5,775.9)** |
| **Net assets** | | **504.1** | **605.7** |
| **Capital and reserves** | | | |
| Called up share capital | 56 | 30.1 | 30.0 |
| Share premium account | 56 | 201.5 | 198.5 |
| Share-based payment reserve | 56 | 29.9 | 27.4 |
| Convertible bond reserve | 56 | 10.8 | 38.4 |
| Other reserves | 56 | (2.2) | (2.2) |
| Treasury shares | 56 | (490.6) | (490.6) |
| Profit and loss account | 56 | 724.6 | 804.2 |
| **Equity shareholders' funds** | 56 | **504.1** | **605.7** |

The financial statements of Vedanta Resources plc, registration number 4740415, were approved by the Board of Directors on 11 May 2016 and signed on its behalf by:

**Tom Albanese**
**Chief Executive Officer**

# Notes to the Financial Statements continued

## 47. Company accounting policies

### Basis of accounting

Vedanta Resources plc (the Company) has transitioned from UK Generally Accepted Accounting Practice (UK GAAP) to Financial Reporting Standard 101 'Reduced disclosure framework' (FRS 101), for all periods presented. The Company meets the definition of a qualifying entity under FRS 101 issued by the Financial Reporting Council. Accordingly, in the year ended 31 March 2016 the Company has changed its accounting framework from pre-2015 UK GAAP to FRS 101 and has, in doing so, applied the requirements of IFRS 1.6–33 and related appendices.

These financial statements have been prepared in accordance with FRS 101.

The Company balance sheet and related notes have been prepared under the historical cost convention and in accordance with Financial Reporting Standards 100 'Application of financial reporting requirements' (FRS 100) and FRS 101.

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The (loss)/profit after tax for the year of the Company amounted to US$(8.0) million (2015: profit US$284.7 million).

These financial statements are presented in US dollars, being the functional currency of the Company.

The change in the basis of preparation has not materially altered the recognition and measurement requirements previously applied in accordance with UK GAAP. Consequently, the principal accounting policies are unchanged from the prior year. The change in basis of preparation has enabled the Company to take advantage of all the available disclosure exemptions permitted by FRS 101 in the financial statements because the Group presents the exempted information in the consolidated Group financial statements. There have been no other material amendments to the disclosure requirements previously applied in accordance with UK GAAP, except disclosure of the related party transactions.

### Significant accounting policies

#### Investments in subsidiaries

Investments in subsidiaries represent equity holdings in subsidiaries except preference shares, 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.

#### Cash and cash equivalents

Cash in the balance sheet comprises of cash at bank and cash in hand.

#### 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.

#### Currency translation

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

#### Tangible fixed assets

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

#### Deferred taxation

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

#### Share-based payments

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

## 47. Company accounting policies continued

### Borrowings

Interest bearing loans are recorded at the net proceeds received i.e. net of direct transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on 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 bond issued by VRJL and VRJL-II (Note 54) are accounted for as a compound instrument. The gross proceeds (net of issue costs) were lent to the Company by VRJL and VRJL-II. The equity component has been recognised in a separate reserve of the Company and is not subsequently remeasured. The recognition of the equity component by the Company acts to reduce the payable to VRJL and VRJL-II which arises once the gross proceeds are borrowed. The liability component is held at amortised cost. The interest expensed on the liability component is calculated by applying an effective interest rate. The difference between interest expensed and interest paid is added to the carrying amount of the liability component.

The bonds are first convertible into preference shares of the issuer having a principal value of $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 8 of FRS 101 in respect of these parent Company financial statements. Full disclosures are provided in Note 29 to the financial statements of the Group for the period ended 31 March 2016.

### Derivative financial instruments

Derivative financial instruments are initially recorded at their fair value on the date of the derivative transaction and are re-measured 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.

### 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 Group financial statements, which include a consolidated cash flow statement. Accordingly, the Company does not present an individual Company cash flow statement.

### Financial guarantees

Guarantees issued by the Company on behalf of other Group companies are designated as 'Insurance Contracts'. Accordingly, these are shown as contingent liabilities (Note 57).

### Debtors

Debtors are stated at their nominal value as reduced by appropriate allowance for estimated irrecoverable amounts. An allowance for impairment for debtors is made where there is an indication of a reduction in the recoverability of the carrying value of the debtor.

### Creditors

Creditors are stated at their nominal value.

# Notes to the Financial Statements continued

## 48. Company tangible fixed assets

| (US$ million) | |
|---|---|
| Cost | |
| **At 1 April 2014** | **2.3** |
| Additions | 0.0 |
| At 31 March 2015 | 2.3 |
| Additions | 0.0 |
| **At 31 March 2016** | **2.3** |
| Accumulated depreciation | |
| **At 1 April 2014** | **1.6** |
| Charge for the period | 0.4 |
| At 31 March 2015 | 2.0 |
| Charge for the period | 0.1 |
| **At 31 March 2016** | **2.1** |
| Net book value | |
| At 1 April 2014 | 0.7 |
| At 31 March 2015 | 0.3 |
| **At 31 March 2016** | **0.2** |

## 49. Investments in subsidiaries

| (US$ million) | |
|---|---|
| Cost | |
| At 1 April 2014 | 1,061.8 |
| **At 1 April 2015** | **1,226.3** |
| **At 31 March 2016** | **1,226.3** |

At 31 March 2016, the Company held 157,538,524 shares in Vedanta Resources Holdings Limited (VRHL) (March 2015: 157,538,524 shares), being 100% of VRHL's issued equity share capital. The Company also held one deferred share in VRHL (March 2015: one). At 31 March 2016, the Company held two shares in Vedanta Finance Jersey Limited (VFJL) (March 2015: two), two shares in Vedanta Resources Jersey Limited (VRJL) (March 2015: two), two shares in Vedanta Resources Jersey II Limited (VRJL-II) (March 2015: two), two shares in Vedanta Jersey Investment Limited (VJIL) (March 2015: two), being 100% of its issued equity share capital.

VRHL is an intermediary holding company incorporated in the United Kingdom (Note 44) and registered in England and Wales. VFJL, VRJL, VJIL and VRJL-II are companies, registered and incorporated in Jersey, established to raise funds for the Vedanta Group.

## 50. Investment in preference shares of subsidiaries

| (US$ million) | |
|---|---|
| Fair value | |
| **At 1 April 2015** | **1.7** |
| Additions | 3.0 |
| Disposal | – |
| **At 31 March 2016** | **4.7** |
| **At 1 April 2014** | **1.7** |
| Additions | – |
| Disposal | – |
| **At 31 March 2015** | **1.7** |

As at 31 March 2016, the Company held 47 preference shares in Vedanta Resources Jersey Limited (VRJL) (31 March 2015: 17 preference shares).

During the year, VRJL received notice from the bondholders to exercise the option to convert US$3,000,000 bonds into equity shares of the Company in accordance with the provisions of the Offer circular and accordingly 30 preference shares with a nominal value of US$100,000 each were issued by VRJL to the Company.

## 51. Financial asset investment

| (US$ million) | |
|---|---|
| Fair value | |
| **At 1 April 2015** | **0.1** |
| Fair value movement | – |
| **At 31 March 2016** | **0.1** |
| **At 1 April 2014** | **0.1** |
| Fair value movement | – |
| **At 31 March 2015** | **0.1** |

The investment relates to an equity investment in the shares of Victoria Gold Corporation. At 31 March 2016, the investment in Victoria Gold Corporation was revalued and no gain or loss (2015: no gain/loss) was recognised in equity.

## 52. Company debtors

| (US$ million) | 31 March 2016 | 31 March 2015 |
|---|---|---|
| Amounts due from subsidiary undertakings | 5,188.4 | 5,485.6 |
| Prepayments and accrued income | 0.5 | 3.5 |
| Other taxes | 0.5 | 0.4 |
| **Total** | **5,189.4** | **5,489.5** |
| Debtors due within one year | 505.5 | 422.7 |
| Debtors due after one year | 4,683.9 | 5,066.8 |
| **Total** | **5,189.4** | **5,489.5** |

**Amounts due from subsidiary undertakings**
At 31 March 2016, the Company had loans due from VRHL of US$1,737.4 million (2015: US$1,507.5 million) which represented the funds being loaned to other Group companies for funding the subsidiaries. Out of the total loan, US$579.2 million bears interest at six month US$LIBOR plus 350 basis points, US$500 million at 5.8%, US$31.2 million at 5.9%, US$47 million at 9.7%, and US$580.0 million at US$LIBOR plus 367 basis points.

At 31 March 2016, the Company had a loan of US$3,069.6 million (2015: US$3,590.5 million) from Vedanta Resources Jersey II Limited. Out of the total loan US$119.2 million bears interest at US$LIBOR plus 357 basis points, US$1,413.0 million at 7.45%, US$1,200 million at 6.50%, US$107.4 million at LIBOR plus 300 basis points, US$60 million at 3.15%, US$63.1 million at 7.25% and US$106.9 million at six month US$LIBOR plus 430 basis points.

In addition to the loans, the Company was owed US$372.1 million of accrued interest from VRHL and Vedanta Resources Jersey II Limited (2015: US$323.3 million) and US$9.3 million (2015: US$64.3 million) other receivables from Group companies.

## 53. Company current asset investments

| (US$ million) | 31 March 2016 | 31 March 2015 |
|---|---|---|
| Bank term deposits | 28.1 | 33.2 |
| **Total** | **28.1** | **33.2** |

## 54. Company creditors: amounts falling due within one year

| (US$ million) | 31 March 2016 | 31 March 2015 |
|---|---|---|
| Accruals | (104.3) | (97.2) |
| External borrowings | (742.7) | (270.4) |
| Loan from subsidiary | (600.3) | – |
| Derivative liability | – | (2.0) |
| **Total** | **(1,447.3)** | **(369.6)** |

# Notes to the Financial Statements continued

### 54. Company creditors: amounts falling due within one year continued

The external borrowings as at 31 March 2016 represent 6.75% non-convertible bond of US$750 million repayable in June 2016. During the year, the Company bought back US$7 million worth of these bonds from open market. As at 31 March 2016, loans from subsidiaries included a loan of US$1,140.3 million from VRJL relating to its issue of US$1,250 million convertible bonds (bond issued in July 2009). In March 2015, as the final maturity was in July 2016, the above loan was classified in amounts falling due after one year and during the year the same was transferred from amounts due after one year to amounts falling due within one year (2015: US$1,110.5 million). During the year, the Company bought back from the market these bonds of face value of US$549.3 million for a consideration of US$522.4 million. The carrying value of this bond as on 31 March 2016 is US$533.5 million and accrued coupon interest is US$6.5 million. On maturity of these bought back convertible bonds, there will not be any cash exchange between the Company and its subsidiary, VRJL, but a set off of the Company's bought back amount of the bond and inter-co liability towards this convertible bond. Accordingly, the carrying value of the bought back bond amount along with accrued interest i.e. US$540 million has been reduced from the inter-co loan outstanding amount of US$1,140.3 million from the subsidiary, VRJL.

During the year ended 31 March 2016, interest was charged at the effective interest rate of 8.2% (March 2015: 8.27%).

### 55. Company creditors: amounts falling due after one year

| (US$ million) | **31 March 2016** | 31 March 2015 |
|---|---|---|
| Loan from subsidiary | (278.0) | (1,430.2) |
| External borrowings | (4,220.0) | (4,345.7) |
| **Total** | **(4,498.0)** | **(5,775.9)** |

Loans from subsidiaries include a loan of US$22.2 million due to Richter Holdings Limited and US$255.8 million to Vedanta Finance UK Limited. As at 31 March 2015, the loan from subsidiaries included US$1,110.5 million due to VRJL (as discussed in Note 54).

Of the US$1,250 million non-convertible bond issued during 2008, US$500 million was repaid in January 2014 and the remaining US$750 million 9.5% bonds are due for repayment in July 2018.

In July 2011, the Company issued US$750 million, 6.75% bonds due June 2016, and US$900 million, 8.25% bonds due June 2021. As at 31 March 2015, the outstanding amount under this facility was US$1,650.0 million. During the year, the Company bought back US$7 million 6.75% bonds due June 2016 from the open market, and the outstanding amount of US$743 million has been shown under creditors falling due within one year and balance US$900 million in creditors falling due after one year.

In April 2013, the Company entered into a Standby Letter of Credit agreement arranged by Axis Bank for an amount of US$150 million at a commission of 1% per annum payable quarterly. The facility is funded by Bank of India to the extent of US$148.5 million and bears interest rate at three month US$LIBOR plus 290 basis points. The facility is repayable in two equal annual instalments starting April 2017. As at 31 March 2016, the outstanding amount under this facility is US$148.5 million.

In June 2013, the Company issued US$1,200 million, 6.00% bonds due January 2019, and US$500 million, 7.125% bonds due May 2023.

In December 2013, the Company entered into a facility agreement with Bank of India for borrowing up to US$100 million at an interest rate of US$LIBOR plus 357 basis points repayable to the extent of 50% in October 2017 and the balance in January 2018. As at 31 March 2016, the outstanding amount under this facility is US$100 million.

In March 2015, the Company entered into a facility agreement with State Bank of India for borrowing up to US$350 million. US$100 million is repayable in March 2020 and bears interest at a rate of US$LIBOR plus 370 basis points. US$250 million bears interest at a rate of US$LIBOR plus 403 basis points repayable in two instalments, being US$100 million and US$150 million at the end of 72 and 84 months respectively after initial utilisation. As at 31 March 2016, the outstanding amount under this facility is US$350 million.

In January 2016, the Company entered into a facility agreement with State Bank of India for borrowing up to US$300 million. US$120 million is repayable in February 2022 and bears interest at a rate of US$LIBOR plus 450 basis points. US$180 million is repayable in February 2023 and bears interest at a rate of US$LIBOR plus 460 basis points. As at 31 March 2016, the outstanding amount under this facility is US$300 million.

## 56. Company reconciliation of movement in equity shareholders' funds

| (US$ million) | Share capital (Note 35) | Share premium | Share-based payment reserve | Convertible bond reserve | Treasury shares | Retained earnings | Other reserves | Total |
|---|---|---|---|---|---|---|---|---|
| **Equity shareholders' funds at 1 April 2015** | **30.0** | **198.5** | **27.4** | **38.4** | **(490.6)** | **804.2** | **(2.2)** | **605.7** |
| Loss for the year | – | – | – | – | – | (8.0) | – | (8.0) |
| Dividends paid (Note 14) | – | – | – | – | – | (111.3)[1] | – | (111.3)[1] |
| Exercise of LTIP awards (Note 32) | 0.1 | – | (13.1) | – | – | 13.1 | – | 0.1 |
| Recognition of share-based payments (Note 32) | – | – | 15.6 | – | – | – | – | 15.6 |
| Gift to Employee Benefit Trust | – | – | – | – | – | (0.9) | – | (0.9) |
| Exercise of conversion of bonds | 0.0 | 3.0 | – | (0.1) | – | – | – | 2.9 |
| Convertible bond transfer (Note 28) | – | – | – | (27.5) | – | 27.5 | – | – |
| **Equity shareholders' funds at 31 March 2016** | **30.1** | **201.5** | **29.9** | **10.8** | **(490.6)** | **724.6** | **(2.2)** | **504.1** |

1 Total dividends of US$111.3 million includes a dividend of US$0.7 million paid to a separate investment trust which is consolidated in the Group's financial statements with that element of dividends paid by the Company being eliminated (refer Note 14).

| (US$ million) | Share capital (Note 35) | Share premium | Share-based payment reserve | Convertible bond reserve | Treasury shares | Retained earnings | Other reserves | Total |
|---|---|---|---|---|---|---|---|---|
| Equity shareholders' funds at 1 April 2014 | 29.8 | 198.5 | 46.9 | 80.1 | (490.6) | 601.0 | (2.2) | 463.5 |
| Profit for the year | – | – | – | – | – | 284.7 | – | 284.7 |
| Dividends paid (Note 14) | – | – | – | – | – | (171.3) | – | (171.3) |
| Exercise of LTIP awards (Note 32) | 0.2 | – | (48.1) | – | – | 48.1 | – | 0.2 |
| Recognition of share-based payments (Note 32) | – | – | 28.6 | – | – | – | – | 28.6 |
| Convertible bond transfer (Note 28) | – | – | – | (41.7) | – | 41.7 | – | – |
| **Equity shareholders' funds at 31 March 2015** | 30.0 | 198.5 | 27.4 | 38.4 | (490.6) | 804.2 | (2.2) | 605.7 |

## 57. Company contingent liabilities

- The Company has guaranteed US$1,250 million convertible bonds issued by VRJL (2015: US$1,250 million), of the above US$113.8 million was repaid pursuant to exercise of put option during the year ended 31 March 2015. During the year, the Company bought back US$549.3 million of these bonds from open market. See Note 28 to the financial statements for further details on the convertible bonds.
- The Company has given a corporate guarantee to Konkola Copper Mines for an amount of US$897 million.
- The Company has guaranteed US$883 million convertible bonds issued by VRJL-II (2015: US$883 million). During the year ended 31 March 2015 and 31 March 2014, US$65.1 million and US$809.8 million respectively was repaid to the bondholders on exercise of put option. See Note 28 to the financial statements for further details on the convertible bonds.
- The Company has guaranteed US$170 million for a loan facility entered by Valliant Jersey Limited with ICICI Bank and US$180 million for loan facility entered by Vedanta Finance Jersey Limited with ICICI Bank.
- The Company has guaranteed US$500 million for a syndicated facility agreement entered by Welter Trading Limited with Standard Chartered Bank as facility agent.
- The Company has guaranteed US$500 million for a loan facility entered by Monte Cello NV with ICICI Bank.
- The Company has guaranteed US$150 million for a loan facility entered by Twin Star Holdings Limited with ICICI Bank. During the year ended 31 March 2016, US$90 million was repaid under this facility.
- The Company has guaranteed US$80 million for a revolving credit facility entered by Twin Star Holdings Limited with National Bank of Abu Dhabi PJSC.
- The Company has guaranteed US$500 million for a syndicated facility entered by Twin Star Holdings Limited with Axis Bank as lead arranger and facility agent.
- The Company has guaranteed US$1,200 million for a syndicated facility entered by Twin Star Mauritius Holdings Limited with Standard Chartered Bank as facility agent. During the year ended 31 March 2016, US$300 million was repaid under this facility.
- The Company has guaranteed US$500 million for a loan facility entered by Twin Star Mauritius Holdings Limited with Standard Chartered Bank and First Gulf Bank PJSC of which US$250 million is under a commodity murabaha structure (Islamic financing) and the balance US$250 million is under a conventional loan structure. During the year ended 31 March 2016, US$25 million was repaid under this facility.
- The Company has guaranteed US$1,250 million for a loan facility entered by its subsidiaries THL Zinc Limited with Cairn India Holdings Limited (intercompany loan).
- The Company has guaranteed US$900 million for a loan facility entered by its subsidiaries Twin Star Mauritius Holdings Limited with Fujairah Gold FZC (intercompany loan).
- The Company has provided a guarantee for the Cairn India Group's obligation under the Production Sharing Contract (PSC).

# Notes to the Financial Statements continued

## 58. Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with wholly owned subsidiaries. Transactions entered into and trading balances outstanding at 31 March with other related parties are as follows:

| (US$ million) Name of company | Relationship | Nature of transaction | **2016** | 2015 |
|---|---|---|---|---|
| Vedanta Limited | Subsidiary | Management fees charged | 5.0 | 5.0 |
| Konkola Copper Mines Plc | Subsidiary | Management and guarantee fees charged | 2.8 | 2.3 |
| Cairn India Limited | Subsidiary | Management fees charged | 6.5 | 15.5 |
| Sterlite Technologies Limited | Related party | Management fees charged | 0.0 | 0.0 |
| Volcan Investments Limited | Holding company | Dividend paid | 75.0 | 115.6 |
| Vedanta Limited | Subsidiary | Receipt of service | 0.4 | 0.4 |
| Vedanta Limited | Subsidiary | Payment of expenses | 0.1 | 0.4 |
| Vedanta Limited | Subsidiary | Recovery against share option expense | 11.3 | 22.9 |
| Konkola Copper Mines Plc | Subsidiary | Recovery against share option expense | 1.5 | 1.4 |
| Copper Mines of Tasmania Pty Limited | Subsidiary | Recovery against share option expense | 0.1 | 0.0 |
| Fujariah Gold FZC | Subsidiary | Recovery against share option expense | 0.4 | 0.2 |
| Vedanta Lisheen Holdings Limited | Subsidiary | Recovery against share option expense | 0.0 | 0.6 |
| Namzinc Pty Limited | Subsidiary | Recovery against share option expense | 0.0 | 0.6 |
| Black Mountain Mining (Pty) Limited | Subsidiary | Recovery against share option expense | 0.7 | 1.1 |
| Western Cluster Limited | Subsidiary | Recovery against share option expense | 0.0 | 0.2 |
| Twin Star Mauritius Holdings Limited | Subsidiary | Reimbursement of expenses | 0.0 | 0.0 |
| Twin Star Energy Holdings Limited | Subsidiary | Reimbursement of expenses | 0.0 | 0.0 |
| THL Zinc Limited | Subsidiary | Reimbursement of expenses | 0.0 | – |
| THL Zinc Ventures Limited | Subsidiary | Reimbursement of expenses | 0.0 | – |
| Ashurst LLP (was related up to 30 April 2016) | Related party | Receipt of service | 0.1 | 0.4 |

### Outstanding balances

| (US$ million) Name of company | Relationship | Nature of transaction | **2016** | 2015 |
|---|---|---|---|---|
| Vedanta Limited | Subsidiary | (Payable)/Receivable | (3.9) | 29.1 |
| Konkola Copper Mines Plc | Subsidiary | Receivable | 2.3 | 7.2 |
| Cairn India Limited | Subsidiary | Receivable | 1.2 | 2.7 |
| Sterlite Technologies Limited | Related party | Receivable | 0.0 | 0.0 |
| Copper Mines of Tasmania Pty Limited | Subsidiary | Receivable | 0.7 | 0.6 |
| Fujariah Gold FZC | Subsidiary | Receivable | 0.6 | 0.2 |
| Vedanta Lisheen Holdings Limited | Subsidiary | (Payable)/Receivable | (0.0) | 0.2 |
| Namzinc Pty Limited | Subsidiary | Receivable/(Payable) | 0.0 | (0.0) |
| Black Mountain Mining (Pty) Limited | Subsidiary | Receivable | 1.0 | 0.3 |
| Western Cluster Limited | Subsidiary | Receivable | 0.2 | 0.2 |
| Twin Star Mauritius Holdings Limited | Subsidiary | Receivable | 0.0 | 0.0 |
| Twin Star Energy Holdings Limited | Subsidiary | Receivable | 0.0 | 0.0 |
| THL Zinc Limited | Subsidiary | Receivable | 0.0 | – |
| THL Zinc Ventures Limited | Subsidiary | Receivable | 0.0 | – |
| Monte Cello BV | Subsidiary | (Payable) | (1.0) | (1.0) |

## 59. Company share-based payment

The Company had certain LTIP awards outstanding as at 31 March 2016. See Note 32 to the financial statements for further details on these share-based payments.

# Five Year Summary

### Summary consolidated income statement

| (US$ million except as stated) | **Year ended 31 March 2016** | Year ended 31 March 2015 | Year ended 31 March 2014[1] | Year ended 31 March 2013 | Year ended 31 March 2012 |
|---|---|---|---|---|---|
| **Revenue** | **10,737.9** | **12,878.7** | **12,945.0** | **14,640.2** | **14,005.3** |
| **EBITDA** | **2,336.4** | **3,741.2** | **4,491.2** | **4,908.9** | **4,026.3** |
| Depreciation and amortisation | (1,455.2) | (2,005.7) | (2,203.1) | (2,337.2) | (1,408.4) |
| Special items | (5,210.1) | (6,744.2) | (138.0) | (41.9) | (230.2) |
| **Operating profit** | **(4,328.9)** | **(5,008.7)** | **2,150.1** | **2,529.8** | **2,387.7** |
| Share in consolidated profit of associate | – | – | – | – | 92.2 |
| **Profit before interest and taxation** | **(4,328.9)** | **(5,008.7)** | **2,150.1** | **2,529.8** | **2,479.9** |
| Net finance (costs)/investment revenues | (655.1) | (631.5) | (1,032.0) | (806.1) | (734.5) |
| **Profit before taxation** | **(4,984.0)** | **(5,640.2)** | **1,118.1** | **1,723.7** | **1,745.4** |
| Net tax credit/(expense) | 1,481.9 | 1,852.5 | (128.7) | (46.1) | (516.7) |
| **Profit after taxation** | **(3,502.1)** | **(3,787.7)** | **989.4** | **1,677.6** | **1,228.7** |
| Non-controlling interests | 1,664.7 | 1,989.1 | (1,185.4) | (1,515.6) | (1,168.9) |
| **Profit attributable to equity shareholders in parent** | **(1,837.4)** | **(1,798.6)** | **(196.0)** | **162.0** | **59.8** |
| Dividends | (110.6) | (171.3) | (162.5) | (153.5) | (144.0) |
| **Retained (loss)/profit** | **(1,948.0)** | **(1,969.9)** | **(358.5)** | **8.5** | **(84.2)** |
| **Basic earnings per share (US cents per share)** | | | | | |
| On profit for the financial year | (665.8) | (654.5) | (71.7) | 59.4 | 21.9 |
| On underlying profit for the financial year | (131.9) | (14.2) | 14.7 | 134.8 | 142.2 |
| Dividend per share (US cents per share) | 30.0 | 63.0 | 61.0 | 58.0 | 55.0 |

1 Restated, refer Note 1.

| (US$ million except as stated) | **31 March 2016** | 31 March 2015 | 31 March 2014 | 31 March 2013 | 31 March 2012 |
|---|---|---|---|---|---|
| Goodwill | 16.6 | 16.6 | 16.6 | 16.6 | 16.6 |
| Intangible assets | 92.2 | 101.9 | 108.6 | – | – |
| Property, plant and equipment | 16,647.8 | 23,352.0 | 31,043.5 | 33,132.6 | 34,141.8 |
| Financial asset investments | 6.5 | 4.2 | 1.7 | 2.4 | 209.6 |
| **Total** | **16,763.1** | **23,474.7** | **31,170.4** | **33,151.6** | **34,368.0** |
| Stocks | 1,365.8 | 1,605.7 | 1,742.5 | 1,965.6 | 1,704.1 |
| Debtors | 1,344.3 | 1,839.2 | 1,739.9 | 1,706.0 | 1,795.9 |
| Cash and liquid investments | 8,936.5 | 8,209.8 | 8,937.9 | 7,981.7 | 6,885.3 |
| **Total** | **11,646.6** | **11,654.7** | **12,420.3** | **11,653.3** | **10,385.3** |
| Short-term borrowings | (4,313.8) | (3,179.2) | (4,358.5) | (4,400.1) | (4,151.6) |
| Other current liabilities | (6,097.8) | (5,003.4) | (4,931.5) | (4,810.2) | (3,995.6) |
| **Total current liabilities** | **(10,411.6)** | **(8,182.6)** | **(9,290.0)** | **(9,210.3)** | **(8,147.2)** |
| **Net current assets** | **1,288.8** | **3,528.8** | **3,541.9** | **2,639.8** | **2,415.0** |
| **Total assets less current liabilities** | **19,907.7** | **28,806.3** | **36,084.3** | **36,751.4** | **37,330.9** |
| Long-term borrowings | (11,949.5) | (13,488.6) | (12,512.7) | (12,192.7) | (12,803.8) |
| Other long-term liabilities | (224.7) | (194.4) | (230.7) | (260.2) | (196.1) |
| Provisions and deferred tax assets | (869.2) | (2,854.0) | (5,354.2) | (5,417.6) | (6,356.0) |
| **Total long-term liabilities** | **(13,043.4)** | **(16,537.0)** | **(18,097.6)** | **(17,870.5)** | **(18,899.5)** |
| Equity non-controlling interests | (7,565.3) | (10,654.3) | (13,964.4) | (14,467.7) | (13,768.9) |
| Non-equity non-controlling interest | (11.9) | (11.9) | (11.9) | (11.9) | (11.9) |
| **Net assets attributable to the equity holders of the parent** | **(712.8)** | **1,603.1** | **4,010.4** | **4,401.3** | **4,650.6** |

# Five Year Summary continued

## Turnover

| (US$ million) | **2016** | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Zinc | 2,502.5 | 2,943.9 | 2,856.8 | 3,060.5 | 3,206.8 |
| India | 2,111.0 | 2,357.0 | 2,195.4 | 2,263.3 | 2,316.1 |
| International | 391.5 | 586.9 | 661.4 | 797.2 | 890.7 |
| Oil & Gas | 1,322.3 | 2,397.5 | 3,092.8 | 3,223.4 | 882.5 |
| Iron Ore | 350.0 | 326.5 | 267.1 | 442.5 | 1,690.9 |
| Copper | 4,169.7 | 4,777.8 | 4,676.2 | 5,733.9 | 5,915.0 |
| India/Australia | 3,197.2 | 3,700.7 | 3,404.8 | 3,991.1 | 4,205.2 |
| Zambia | 972.5 | 1,077.1 | 1,271.4 | 1,742.8 | 1,709.8 |
| Aluminium | 1,694.3 | 2,081.9 | 1,785.4 | 1,837.8 | 1,873.5 |
| Power | 707.5 | 588.1 | 621.7 | 669.0 | 458.3 |
| Other | (8.4) | (237.0) | (355.0) | (326.9) | (21.7) |
| **Group** | **10,737.9** | **12,878.7** | **12,945.0** | **14,640.2** | **14,005.3** |

## EBITDA

| (US$ million) | **2016** | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Zinc | 1,063.1 | 1,373.3 | 1,358.4 | 1,477.0 | 1,610.8 |
| India | 995.0 | 1,192.5 | 1,145.0 | 1,182.5 | 1,244.8 |
| International | 68.1 | 180.8 | 213.4 | 294.5 | 366.0 |
| Oil & Gas | 570.4 | 1,476.8 | 2,347.0 | 2,440.3 | 713.0 |
| Iron Ore | 73.4 | 31.4 | (24.2) | 84.9 | 721.4 |
| Copper | 318.7 | 277.2 | 354.2 | 476.4 | 685.9 |
| India/Australia | 336.6 | 281.0 | 197.9 | 219.1 | 298.0 |
| Zambia | (17.9) | (3.8) | 156.3 | 257.3 | 387.9 |
| Aluminium | 106.7 | 415.5 | 287.3 | 202.6 | 182.5 |
| Power | 196.3 | 153.8 | 168.4 | 228.5 | 122.0 |
| Other | 7.8 | 13.2 | 0.1 | (0.8) | (9.3) |
| **Group** | **2,336.4** | **3,741.2** | **4,491.2** | **4,908.9** | **4,026.3** |

## EBITDA margin

| (%) | **2016** | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Zinc | 42.5 | 46.6 | 47.5 | 48.3 | 50.2 |
| India | 47.1 | 50.6 | 52.2 | 52.2 | 53.7 |
| International | 17.4 | 30.8 | 32.3 | 36.9 | 41.1 |
| Oil & Gas | 43.1 | 61.6 | 75.9 | 75.7 | 80.8 |
| Iron Ore | 21.0 | 9.6 | (9.1) | 19.2 | 42.7 |
| Copper | 7.6 | 5.8 | 7.6 | 8.3 | 11.6 |
| India/Australia | 10.5 | 7.6 | 5.8 | 5.5 | 7.1 |
| Zambia | (1.8) | (0.4) | 12.3 | 14.8 | 22.7 |
| Aluminium | 6.3 | 20.0 | 16.1 | 11.0 | 9.7 |
| Power | 27.7 | 26.2 | 27.2 | 34.2 | 26.6 |
| **Group** | **21.8** | **29.1** | **34.7** | **33.5** | **28.7** |

## Production

| ('000 tonnes) | **2016** | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Aluminium | 923 | 877 | 794 | 774 | 676 |
| BALCO | 332 | 324 | 252 | 247 | 246 |
| Jharsuguda Aluminium[1] | 592 | 553 | 542 | 527 | 430 |
| Copper | 566 | 531 | 471 | 569 | 526 |
| Sterlite Copper | 384 | 362 | 294 | 353 | 326 |
| KCM | 182 | 169 | 177 | 216 | 200 |
| Iron Ore (wmt) | 5,630 | 667 | 1,577 | 4,212 | 15,598 |
| Zinc total | 841 | 836 | 874 | 822 | 904 |
| HZL | 759 | 734 | 749 | 677 | 759 |
| Skorpion | 82 | 102 | 125 | 145 | 145 |
| Zinc and Lead MIC | 144 | 209 | 239 | 280 | 299 |
| BMM | 63 | 59 | 67 | 87 | 85 |
| Lisheen | 81 | 150 | 172 | 193 | 214 |
| (million boe) | | | | | |
| Oil & Gas – gross production | 74.6 | 77.3 | 79.8 | 74.9 | 20.5 |
| Oil & Gas – working interest | 46.9 | 48.4 | 50.1 | 46.7 | 12.1 |

1 Including trial run production of 51kt in 2016.

## Cash costs of production

| (US cents/lb) | **2016** | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Aluminium – BALCO Plant-I | 73.5 | 86.4 | 80.8 | 86.2 | 87.2 |
| BALCO Plant-I (other than Alumina) | 46.7 | 55.1 | 49.1 | 52.8 | 53.3 |
| Aluminium – BALCO Plant-II | 81.4 | 98.4 | | | |
| BALCO Plant-II (other than Alumina) | 54.3 | 66.9 | | | |
| Aluminium – Jharsuguda Aluminium | 68.9 | 73.9 | 72.6 | 84.8 | 99.2 |
| Copper – Sterlite Copper | 5.7 | 6.4 | 9.7 | 8.7 | 0.0 |
| Copper – KCM | 197.9 | 257.7 | 238.4 | 255.1 | 236.8 |
| Zinc including royalty – HZL | 47.4 | 49.6 | 44.7 | 44.5 | 45.8 |
| Zinc without royalty – HZL | 36.5 | 39.4 | 37.4 | 37.1 | 37.8 |
| Zinc COP – Skorpion | 73.8 | 70.1 | 56.7 | 54.5 | 57.8 |
| Zinc COP – BMM | 62.7 | 74.3 | 52.2 | 54.3 | 63.8 |
| Zinc COP – Lisheen | 56.7 | 52.8 | 50.1 | 42.8 | 41.9 |
| Oil & Gas (Opex) (US$/boe) | 6.5 | 6.2 | 4.1 | 3.5 | 4.4 |

## Cash costs of production in INR

| (INR/mt) | **2016** | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Aluminium – BALCO Plant-I | 106,013 | 116,448 | 107,728 | 103,526 | 92,143 |
| BALCO (other than Alumina) | 67,413 | 74,258 | 65,430 | 63,433 | 56,344 |
| Aluminium – BALCO Plant-II | 117,497 | 132,675 | – | – | – |
| BALCO (other than Alumina) | 78,378 | 90,147 | – | – | – |
| Aluminium – Jharsuguda Aluminium | 99,408 | 99,676 | 96,893 | 101,779 | 104,892 |
| Copper – Sterlite Copper | 8,203 | 8,639 | 12,994 | 10,704 | (3) |
| Zinc including royalty | 68,408 | 66,805 | 59,561 | 53,446 | 48,423 |
| Zinc without royalty | 52,629 | 53,071 | 49,834 | 44,550 | 40,003 |

# Five Year Summary continued

## Capital expenditure

| (US$ million) | **2016** | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Sustaining | 184.9 | 221.4 | 321.6 | 390.2 | 386.2 |
| Expansion | 565.8 | 1,530.8 | 1,424.7 | 2,019.1 | 2,398.2 |
| **Total capital expenditure** | **750.7** | **1,752.2** | **1,746.3** | **2,409.3** | **2,784.4** |

## Net cash/(debt)

| (US$ million) | **2016** | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Zinc | 5,414.5 | 5,073.3 | 4,513.6 | 4,243.7 | 3,779.9 |
| India | 5,317.7 | 4,936.6 | 4,344.6 | 4,044.8 | 3,573.8 |
| International | 96.8 | 136.7 | 169.0 | 198.9 | 206.1 |
| Oil & Gas | 3,239.7 | 2,856.9 | 3,911.9 | 3,102.4 | 1,552.7 |
| Iron Ore | (459.4) | (634.3) | (512.1) | (744.2) | (563.6) |
| Copper | (494.4) | (705.0) | (882.3) | (1,244.0) | (588.0) |
| India/Australia | 132.2 | 32.5 | (159.0) | (492.8) | 120.6 |
| Zambia | (626.6) | (737.5) | (723.3) | (751.2) | (708.6) |
| Aluminium | (4,131.0) | (4,068.2) | (3,204.0) | (4,311.9) | (4,082.4) |
| Power | (1,801.8) | (1,576.6) | (737.0) | (696.2) | (1,156.3) |
| Other | (9,096.4) | (9,406.4) | (11,009.5) | (8,965.4) | (9,006.7) |
| **Group** | **(7,328.8)** | **(8,460.3)** | **(7,919.5)** | **(8,615.6)** | **(10,064.4)** |

## Gearing

| (%) | **2016** | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Gearing** | 51.7 | 40.8 | 30.6 | 31.4 | 35.3 |

## Group free cash flow

| (US$ million) | **2016** | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Group free cash flow after capital creditors** | 2,270.6 | 2,578.0 | 2,695.0 | 3,534.7 | 2,533.8 |
| **Group free cash flow after project capex** | 1,704.8 | 1,047.3 | 1,269.9 | 1,515.6 | 135.6 |

## Capital employed

| (US$ million) | **2016[1]** | 2015[1] | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| **Capital employed** | 22,019.4 | 25,271.9 | 25,894.3 | 27,476.7 | 28,483.9 |

## ROCE

| (%) | **2016[1]** | 2015[1] | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| ROCE | 6.2 | 8.7 | 14.9 | 17.5 | 11.3 |

1 Before impairment.

# Production and Reserves Summary

## Copper

### Copper production summary

| Facility | Product | **Year ended 31 March 2016 mt** | Year ended 31 March 2015 mt |
|---|---|---|---|
| Tuticorin | Copper anode | 387,016 | 361,839 |
| | Sulphuric acid | 1,070,786 | 1,006,692 |
| | Phosphoric acid | 198,779 | 189,353 |
| | Copper cathode | 201,864 | 194,019 |
| | Copper rods | 68,685 | 53,400 |
| Silvassa | Copper cathode | 182,183 | 168,353 |
| | Copper rods | 142,115 | 116,939 |
| KCM | Copper cathode | 181,673 | 168,923 |

### Copper mining summary

| | | Ore mined | | Copper concentrate | | Copper in concentrate | |
|---|---|---|---|---|---|---|---|
| Mine | Type of mine | **31 March 2016 mt** | 31 March 2015 mt | **31 March 2016 mt** | 31 March 2015 mt | **31 March 2016 mt** | 31 March 2014 mt |
| Mt Lyell (CMT) | Underground | – | – | – | – | – | – |
| Konkola (KCM) | Underground | 4,737,667 | 5,615,327 | 238,492 | 214,095 | 67,501 | 64,592 |

### Copper mine resource and reserve summary

| | | Resources | | | | Reserves | |
|---|---|---|---|---|---|---|---|
| Mine | Type of mine | Measured and indicated million mt | Copper grade % | Inferred million mt | Copper grade % | Proved and probable reserves million mt | Copper grade % |
| Mt Lyell (CMT) | Underground | 29.9 | 1.08 | 21.7 | 1.06 | – | – |
| Konkola (KCM) | Underground | 160.2 | 1.97 | 315.0 | 3.18 | 255.2 | 1.29 |

Resources are additional to reserves.

## Aluminium, alumina and bauxite

### Aluminium production summary

| Company | **Year ended 31 March 2016 mt** | Year ended 31 March 2015 mt |
|---|---|---|
| BALCO | 331,618 | 323,921 |
| Jharsuguda Aluminium | 591,725 | 553,338 |

### Alumina production summary

| Company | **Year ended 31 March 2016 mt** | Year ended 31 March 2015 mt |
|---|---|---|
| Jharsuguda Aluminium | 970,893 | 976,915 |

### Bauxite production summary

| Company | **Year ended 31 March 2016 mt** | Year ended 31 March 2015 mt |
|---|---|---|
| BALCO – Mainpat | 455 | – |
| BALCO – Bodai Daldali | 1,033,300 | 860,710 |

# Production and Reserves Summary continued

### Bauxite mine resource and reserve summary

| Mine | Resources: Measured and indicated million mt | Resources: Aluminium grade % | Resources: Inferred million mt | Resources: Aluminium grade % | Reserves: Proved and probable reserves million mt | Reserves: Aluminium grade % |
|---|---|---|---|---|---|---|
| BALCO | | | | | | |
| Mainpat | 7.3 | 46.7 | 0.8 | 46.3 | 4.2 | 44.5 |
| Bodai-Daldali | 3.7 | 47.8 | 0.7 | 47.2 | 1.9 | 45.7 |
| **Total BALCO** | **11.0** | **47.1** | **1.5** | **46.7** | **6.1** | **44.9** |
| MALCO | | | | | | |
| Kolli Hills and Yercaud | 0.8 | 44.0 | | | 0.2 | 43.0 |

Resources are additional to reserves.

## Zinc and lead

### Zinc and lead production summary

| Company | **Year ended 31 March 2016 mt** | Year ended 31 March 2015 mt |
|---|---|---|
| HZL | | |
| Zinc | 758,938 | 733,803 |
| Lead | 144,919 | 127,143 |

### Zinc and lead mining summary

#### a) Metal mined and metal concentrate

| Mine | Type of mine | Ore mined: **31 March 2016 mt** | Ore mined: 31 March 2015 mt | Zinc concentrate: **31 March 2016 mt** | Zinc concentrate: 31 March 2015 mt | Lead concentrate: **31 March 2016 mt** | Lead concentrate: 31 March 2015 mt | Bulk concentrate: **31 March 2016 mt** | Bulk concentrate: 31 March 2015 mt |
|---|---|---|---|---|---|---|---|---|---|
| Rampura Agucha[1] | Open cut | 5,241,214 | 5,823,320 | 1,179,362 | 1,279,420 | 109,631 | 98,693 | – | – |
| Rampura Agucha | Underground | 223,521 | | | | | | | |
| Rajpura Dariba | Underground | 668,777 | 573,284 | 59,054 | 43,359 | 15,784 | 10,647 | 8,941 | 9,832 |
| Sindesar Khurd | Underground | 2,969,587 | 1,910,055 | 176,761 | 126,952 | 92,611 | 61,630 | – | – |
| Zawar | Underground | 1,349,850 | 1,056,000 | – | – | – | – | 102,987 | 74,186 |
| **Total** | | **10,452,949** | **9,362,659** | **1,415,177** | **1,449,731** | **218,026** | **170,970** | **111,928** | **84,018** |

1 Includes development ore MT from Kayar.

#### b) Metal in concentrate (MIC)

| Mine | Type of mine | Zinc concentrate: **31 March 2016 mt** | Zinc concentrate: 31 March 2015 mt | Lead concentrate: **31 March 2016 mt** | Lead concentrate: 31 March 2015 mt |
|---|---|---|---|---|---|
| Rampura Agucha | Open cut and underground | 588,188 | 656,472 | 63,165 | 58,680 |
| Rajpura Dariba | Underground | 31,793 | 25,363 | 7,327 | 5,387 |
| Sindesar Khurd | Underground | 91,016 | 65,071 | 49,232 | 32,409 |
| Zawar | Underground | 33,275 | 27,424 | 24,929 | 16,277 |
| **Total** | | **744,272** | **774,330** | **144,653** | **112,753** |

## Zinc and lead mine resource and reserve summary

### Zinc India

| Mine | Resources: Measured and indicated million mt | Zinc grade % | Lead grade % | Inferred million mt | Zinc grade % | Lead grade % | Reserves: Proved and probable reserves million mt | Zinc grade % | Lead grade % |
|---|---|---|---|---|---|---|---|---|---|
| Rampura Agucha | 14.8 | 15.2 | 2.0 | 37.9 | 9.4 | 2.3 | 51.1 | 14.0 | 1.8 |
| Rajpura Dariba | 22.8 | 6.9 | 2.3 | 26.6 | 6.7 | 1.9 | 9.3 | 6.3 | 1.6 |
| Zawwar | 26.2 | 4.7 | 1.8 | 56.1 | 4.8 | 2.6 | 9.5 | 3.4 | 1.7 |
| Kayad | 1.7 | 12.3 | 1.8 | 0.4 | 7.6 | 1.3 | 3.9 | 13.4 | 1.8 |
| Sindesar Khurd | 23.6 | 4.7 | 2.8 | 52.7 | 3.9 | 2.1 | 33.2 | 4.7 | 3.2 |
| Bamnia Kalan | 5.4 | 4.5 | 1.6 | 14.7 | 3.7 | 1.8 | – | – | – |
| **Total** | **94.4** | **7.0** | **2.2** | **188.4** | **5.7** | **2.2** | **107.1** | **9.5** | **2.2** |

Resources are additional to reserves.

### Zinc International

| Mine | Resources: Measured and indicated million mt | Zinc grade % | Lead grade % | Inferred million mt | Zinc grade % | Lead grade % | Reserves: Proved and probable reserves million mt | Zinc grade % | Lead grade % |
|---|---|---|---|---|---|---|---|---|---|
| Skorpion | 2.1 | 9.59 | – | 1.4 | 9.14 | – | 5.2 | 9.00 | – |
| BMM | | | | | | | | | |
| – Deeps | 11.2 | 2.70 | 3.00 | – | – | – | 6.9 | 2.81 | 3.00 |
| – Broken Hill | – | – | – | – | – | – | – | – | – |
| – Swartberg | 25.9 | 0.48 | 2.25 | 3.3 | 0.40 | 2.28 | 2.6 | 0.60 | 3.20 |
| – Gamsberg | 97.9 | 6.20 | 0.54 | 64.4 | 7.81 | 0.52 | 53.2 | 6.63 | 0.51 |

Resources are additional to reserves.

## Zinc production summary

| Company | **Year ended 31 March 2016 mt** | Year ended 31 March 2015 mt |
|---|---|---|
| Skorpion | 82,029 | 102,188 |

## Zinc and lead mining summary

### a) Metal mined and metal concentrate

| Mine | Type of mine | Ore mined: **31 March 2016 mt** | 31 March 2015 mt | Zinc concentrate: **31 March 2016 mt** | 31 March 2015 mt | Lead concentrate: **31 March 2016 mt** | 31 March 2015 mt |
|---|---|---|---|---|---|---|---|
| Skorpion | Underground | 1,241,327 | 1,344,272 | – | – | – | – |
| BMM | Underground | 1,579,633 | 1,437,562 | 59,006 | 54,445 | 48,091 | 45,129 |
| Lisheen | Underground | 752,749 | 1,362,776 | 135,611 | 244,354 | 14,371 | 30,956 |
| **Total** | | **3,573,709** | **4,144,610** | **194,617** | **298,799** | **62,462** | **76,085** |

# Production and Reserves Summary continued

b) Metal in concentrate (MIC)

| Mine | Type of mine | Zinc in concentrate 31 March 2016 mt | Zinc in concentrate 31 March 2015 mt | Lead in concentrate 31 March 2016 mt | Lead in concentrate 31 March 2015 mt |
|---|---|---|---|---|---|
| BMM | Underground | 29,272 | 27,022 | 34,114 | 32,142 |
| Lisheen | Underground | 71,825 | 130,897 | 8,726 | 19,265 |
| **Total** | | **101,097** | **157,919** | **42,840** | **51,407** |

## Iron ore

### Iron ore production summary

| Company | **Year ended 31 March 2016 million dmt** | Year ended 31 March 2015 million dmt |
|---|---|---|
| **Vedanta Limited** | | |
| Saleable iron ore | 5.2 | 0.3 |
| Goa | 2.0 | – |
| Karnataka | 3.0 | 0.3 |
| Orissa | – | – |
| Dempo | 0.2 | – |

### Iron ore resource and reserve summary

| Mine | Resources: Measured and indicated million mt | Resources: Iron ore grade % | Resources: Inferred million mt | Resources: Iron ore grade % | Reserves: Proved and probable reserves million mt | Reserves: Iron ore grade % |
|---|---|---|---|---|---|---|
| Iron Ore Sesa | 161.9 | 50.7 | 28.2 | 54.5 | 193.6 | 55.4 |

Comprises mines that Vedanta Limited owns or has rights to.

During the year ended 31 March 2016, the Group recognised an impairment charge in respect of the exploratory assets in West Africa (Western Cluster, Liberia) on account of low iron ore prices, geo-political factors and no plans for any substantive expenditure resulting in continued uncertainty in the project. Therefore, the Company did not get certification of reserves and resources for the current period.

## Cairn India

Cairn India Group's gross reserve estimates are updated at least annually based on the forecast of production profiles, determined on an asset-by-asset basis, using appropriate petroleum engineering techniques. The estimates of reserves and resources have been derived in accordance with the Society for Petroleum Engineers 'Petroleum Resources Management System (2007)'. The changes to the reserves are generally on account of future development projects, application of technologies such as enhanced oil recovery techniques and true up of the estimates. The management's internal estimates of hydrocarbon reserves and resources at the period end, based on the current terms of the PSCs, are as follows:

| Particulars | Gross proved and probable hydrocarbons initially in place (mmboe) 31 March 2016 | Gross proved and probable hydrocarbons initially in place (mmboe) 31 March 2015 | Gross proved and probable reserves and resources (mmboe) 31 March 2016 | Gross proved and probable reserves and resources (mmboe) 31 March 2015 | Net working interest proved and probable reserves and resources (mmboe) 31 March 2016 | Net working interest proved and probable reserves and resources (mmboe) 31 March 2015 |
|---|---|---|---|---|---|---|
| Rajasthan MBA fields | 2,208 | 2,208 | 496 | 545 | 347 | 382 |
| Rajasthan MBA EOR | – | – | 225 | 226 | 158 | 158 |
| Rajasthan Block other fields | 4,189 | 3,833 | 471 | 505 | 330 | 353 |
| Ravva fields | 706 | 684 | 39 | 47 | 9 | 11 |
| CBOS/2 fields | 215 | 220 | 23 | 24 | 9 | 9 |
| Other fields | 481 | 481 | 74 | 74 | 36 | 36 |
| **Total** | **7,799** | **7,426** | **1,328** | **1,421** | **889** | **949** |

Cairn India Group's net working interest proved and probable reserves is as follows:

| | Proved and probable reserves | | Proved and probable reserves (developed) | |
|---|---|---|---|---|
| | Oil (mmstb) | Gas (bscf) | Oil (mmstb) | Gas (bscf) |
| **Reserves as of 1 April 2014**[1] | **261.98** | **71.26** | **168.22** | **18.27** |
| Additions/revision during the year | 5.63 | 20.79 | 25.66 | 11.38 |
| Production during the year | 47.67 | 5,72 | 47.67 | 5.72 |
| **Reserves as of 31 March 2015**[2] | **219.94** | **86.33** | **146.21** | **23.93** |
| Additions/revision during the year | (13.83) | (24.96) | 44.42 | 10.85 |
| Production during the year | 45.91 | 6.32 | 45.91 | 6.32 |
| **Reserves as of 31 March 2016**[3] | **160.20** | **55.05** | **144.73** | **28.46** |

1 Includes probable oil reserves of 84.23mmstb (of which 32.08mmstb is developed) and probable gas reserves of 51.70bscf (of which 9.15bscf is developed).
2 Includes probable oil reserves of 67.81mmstb (of which 23.43mmstb is developed) and probable gas reserves of 62.71bscf (of which 7.03bscf is developed).
3 Includes probable oil reserves of 40.05mmstb (of which 27.31mmstb is developed) and probable gas reserves of 29.80bscf (of which 5.81bscf is developed).

mmboe = million barrels of oil equivalent
mmstb = million stock tank barrels
bscf = billion standard cubic feet
1 million metric tonnes = 7.4mmstb
1 standard cubic metre = 35.315 standard cubic feet
MBA = Mangala, Bhagyam & Aishwarya
EOR = Enhanced Oil Recovery

### Source of information
In respect of all businesses, the information has been certified by a geologist on behalf of Group management.

### Basis of preparation
Ore reserves and mineral resources reported herein comply with the 'Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves', other than those relating to Konkola Copper Mines plc (KCM) which complies with the South African Code for Reporting of Mineral Reserves and Mineral Resources (the SAMREC Code). The former code is prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists, and Minerals Council of Australia, and is commonly referred to as the 'JORC Code'. As at the date of this document, the editions of the JORC and SAMREC Codes in force are dated December 2004 and March 2000, respectively. The JORC and SAMREC Codes recognise a fundamental distinction between resources and reserves.

The terms and definitions in the SAMREC Code are consistent with those used in the JORC Code with minor differences in terminology – the JORC Code uses the term Ore Reserve whilst the SAMREC Code uses the term Mineral Reserve. For the purposes of ore and mineral resources reported herein, the term ore resources have been used throughout.

Oil & gas reserves and resources have been prepared according to the Petroleum Resources Management Systems (PRMS) approved in March 2007 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers.

Mineral resources are based on mineral occurrences quantified on the basis of geological data and an assumed cut-off grade, and are divided into Measured, Indicated and Inferred categories reflecting decreasing confidence in geological and/or grade continuity. The reporting of resource estimates carries the implication that there are reasonable prospects for eventual economic exploitation. An Ore or Mineral Reserve is the economically mineable part of a Measured or Indicated Mineral Resource. It includes the effect of dilution and losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, need to have been carried out and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors.

These assessments demonstrate at the time of reporting that extraction could be reasonably justified. Ore Reserves are sub-divided in order of decreasing confidence into Proved Ore Reserves and Probable Ore Reserves.

The Measured and Indicated mineral resources have been reported as being inclusive of those mineral resources modified to produce the ore reserves, in addition to the ore reserves. The resource and reserve estimates provided herein comply with the resource and reserve definitions of the JORC Code, other than those relating to KCM which comply with the SAMREC Code.

# Glossary and Definitions

**5S**
A Japanese concept laying emphasis on housekeeping and occupational safety in a sequential series of steps as Sort (Seiri); Set in Order (Seiton); Shine (Selso); Standardise (Seiketsu); and Sustain (Shitsuke)

**Adapted Comparator Group**
The new comparator group of companies used for the purpose of comparing TSR performance in relation to the LTIP, adopted by the Remuneration Committee on 1 February 2006 and replacing the previous comparator group comprising companies constituting the FTSE Worldwide Mining Index (excluding precious metals)

**AE**
Anode effects

**AGM or Annual General Meeting**
The Annual General Meeting of the Company which is scheduled to be held at 3.00pm, UK time, on 5 August 2016

**Aluminium Business**
The Aluminium business of the Group, comprising of its fully integrated bauxite mining, alumina refining and aluminium smelting operations in India, and trading through the Bharat Aluminium Company Limited and Jharsuguda Aluminium (a division of Vedanta Limited), in India

**Articles of Association**
The Articles of Association of Vedanta Resources plc

**Attributable Profit**
Profit for the financial year before dividends attributable to the equity shareholders of Vedanta Resources plc

**BALCO**
Bharat Aluminium Company Limited, a company incorporated in India

**BMM**
Black Mountain Mining Pty

**Board or Vedanta Board**
The Board of Directors of the Company

**Board Committees**
The committees reporting to the Board: Audit, Remuneration, Nominations, and Health, Safety and Environment, each with its own terms of reference

**Businesses**
The Aluminium Business, the Copper Business, the Zinc, Lead, Silver, Iron Ore, Power and Oil & Gas business together

**Cairn India Group**
Cairn India Limited and its subsidiaries

**Capex**
Capital expenditure

**Capital employed**
Net assets before net (debt)/cash

**Cash tax rate**
Current taxation as a percentage of profit before taxation

**Cents/lb**
US cents per pound

**CEO**
Chief Executive Officer

**CFO**
Chief Financial Officer

**CII**
Confederation of Indian Industries

**CLZS**
Chanderiya lead and zinc smelter

**$CO_2$**
Carbon dioxide

**CMT**
Copper Mines of Tasmania Pty Limited, a company incorporated in Australia

**Combined Code or the Code**
The Combined Code on Corporate Governance published by the Financial Reporting Council in June 2008 and updated from time to time.

**Company financial statements**
The audited financial statements for the Company for the year ended 31 March 2016 as defined in the Independent Auditor's Report on the individual Company Financial Statements to the members of Vedanta Resources plc

**Company or Vedanta**
Vedanta Resources plc

**Convertible bonds**
$1,250 million 5.5% guaranteed convertible bonds due 2016, issued by a wholly owned subsidiary of the Company, Vedanta Resource Jersey Limited (VRJL) and guaranteed by the Company, the proceeds of which are to be applied for to support its organic growth pipeline, to increase its ownership interest in its subsidiaries and for general corporate purposes

$883 million 4.0% guaranteed convertible bonds due 2017, issued by a wholly owned subsidiary of the Company, Vedanta Resource Jersey II Limited (VRJL-II) and guaranteed by the Company, the proceeds of which are to be applied for to refinance debt redemptions and for general corporate purposes

**Copper Business**
The Copper business of the Group, comprising:
- a copper smelter, two refineries and two copper rod plants in India, trading through Vedanta Limited, a company incorporated in India;
- one copper mine in Australia, trading through Copper Mines of Tasmania Pty Limited, a company incorporated in Australia; and
- an integrated operation in Zambia consisting of three mines, a leaching plant and a smelter, trading through Konkola Copper Mines PLC, a company incorporated in Zambia

**CREP**
Corporate responsibility for environmental protection

**CRISIL**
CRISIL Limited is a rating agency incorporated in India

**CRRI**
Central Road Research Institute

**CSR**
Corporate social responsibility

**CTC**
Cost to company, the basic remuneration of executives in India, which represents an aggregate figure encompassing basic pay, pension contributions and allowances

**CY**
Calendar year

**DDT**
Dividend distribution tax

**Deferred shares**
Deferred shares of £1.00 each in the Company

**DFS**
Detailed feasibility study

**DGMS**
Director General of Mine Safety in the Government of India

**Directors**
The Directors of the Company

**DMF**
District Mineral Fund

**DMT**
Dry metric tonne

**Dollar or $**
United States dollars, the currency of the United States of America

**DRs**
Depositary receipts of 10 US cents, issuable in relation to the $725 million 4.6% guaranteed convertible bonds due 2026

**EAC**
Expert advisory committee

**EBITDA**
Earnings before interest, taxation, depreciation, goodwill amortisation/impairment and special items

**EBITDA interest cover**
EBITDA divided by gross finance costs excluding accretive interest on convertible bonds, unwinding of discount on provisions, interest on defined benefit arrangements less investment revenue

**EBITDA margin**
EBITDA as a percentage of turnover

**EBITDA margin excluding custom smelting**
EBITDA margin excluding EBITDA and turnover from custom smelting of Copper India, Copper Zambia and Zinc India businesses

**Economic holdings or economic interest**
The economic holdings/interest are derived by combining the Group's direct and indirect shareholdings in the operating companies. The Group's economic holdings/interest is the basis on which the attributable profit and net assets are determined in the consolidated accounts

**E&OHSAS**
Environment and occupational health and safety assessment standards

**E&OHS**
Environment and occupational health and safety management system

**EPS**
Earnings per ordinary share

**ESOP**
Employee share option plan

**ESP**
Electrostatic precipitator

**Executive Committee**
The Executive Committee to whom the Board has delegated operational management. It comprises of the Executive Directors and the senior management of the Group

**Executive Directors**
The Executive Directors of the Company

**Expansion capital expenditure**
Capital expenditure that increases the Group's operating capacity

**Financial statements or Group financial statements**
The consolidated financial statements for the Company and the Group for the year ended 31 March 2016 as defined in the Independent Auditor's Report to the members of Vedanta Resources plc

**Free Cash Flow**
Cash flow arising from EBITDA after net interest, taxation, sustaining and capital expansion expenditure, movements in capital creditors and working capital movements

**FY**
Financial year i.e. April to March

**GAAP, including UK GAAP and Indian GAAP**
Generally Accepted Accounting Principles, the common set of accounting principles, standards and procedures that companies use to compile their financial statements in their respective local territories

**GDP**
Gross domestic product

**Gearing**
Net debt as a percentage of capital employed

**GJ**
Giga joule

**Government or Indian Government**
The Government of the Republic of India

**Gratuity**
A defined contribution pension arrangement providing pension benefits consistent with Indian market practices

**Gross finance costs**
Finance costs before capitalisation of borrowing costs

**Group**
The Company and its subsidiary undertakings and, where appropriate, its associate undertaking

**HIIP**
Hydrocarbons initially in place

**HSE**
Health, safety and environment

**HZL**
Hindustan Zinc Limited, a company incorporated in India

**IAS**
International Accounting Standards

**ICMM**
International Council on Mining and Metals

**IFRIC**
IFRS Interpretations Committee

# Glossary and Definitions continued

**IFRS**
International Financial Reporting Standards

**INR**
Indian rupees

**Interest cover**
EBITDA divided by finance costs

**Iron Ore Sesa**
Iron Ore division of Vedanta Limited, comprising of iron ore mines in Goa and Karnataka in India

**ISO 9001**
An international quality management system standard published by the International Organisation for Standardisation

**ISO 14001**
An international environmental management system standard published by the International Organisation for Standardisation

**Jharsuguda 2,400MW Power Plant**
Power division of Vedanta Limited, comprising of a 2,400MW power plant in Jharsuguda in Odisha in India

**Jharsuguda Aluminium**
Aluminium division of Vedanta Limited, comprising of aluminium refining and smelting facilities at Jharsuguda and Lanjigarh in Odisha in India

**KCM or Konkola Copper Mines**
Konkola Copper Mines PLC, a company incorporated in Zambia

**KDMP**
Konkola deep mining project

**Key Result Areas or KRAs**
For the purpose of the remuneration report, specific personal targets set as an incentive to achieve short-term goals for the purpose of awarding bonuses, thereby linking individual performance to corporate performance

**KLD**
Kilo litres per day

**KPIs**
Key performance indicators

**Kwh**
Kilowatt hour

**Kwh/d**
Kilowatt hour per day

**LIBOR**
London inter bank offered rate

**LIC**
Life Insurance Corporation

**Listing or IPO (Initial Public Offering)**
The listing of the Company's ordinary shares on the London Stock Exchange on 10 December 2003

**Listing particulars**
The listing particulars dated 5 December 2003 issued by the Company in connection with its Listing or revised listing filed in 2011

**Listing Rules**
The listing rules of the Financial Services Authority, with which companies with securities that are listed in the UK must comply

**LME**
London Metals Exchange

**London Stock Exchange**
London Stock Exchange plc

**Lost time injury**
An accident/injury forcing the employee/contractor to remain away from his/her work beyond the day of the accident

**LTIFR**
Lost time injury frequency rate: the number of lost time injuries per million man hours worked

**LTIP**
The Vedanta Resources Long-Term Incentive Plan or Long-Term Incentive Plan

**MALCO**
The Madras Aluminium Company Limited, a company incorporated in India

**Management Assurance Services (MAS)**
The function through which the Group's internal audit activities are managed

**MAT**
Minimum alternative tax

**MBA**
Mangala, Bhagyam, Aishwarya

**MIC**
Metal in concentrate

**MIS**
Management information system

**MOEF**
The Ministry of Environment & Forests of the Government of the Republic of India

**mt or tonnes**
Metric tonnes

**MU**
Million units

**MW**
Megawatts of electrical power

**NCCBM**
National Council of Cement and Building Materials

**Net (debt)/cash**
Total debt after fair value adjustments under IAS 32 and 39, cash and cash equivalents and liquid investments

**NGO**
Non-governmental organisation

**NIHL**
Noise induced hearing loss

**Non-Executive Directors**
The Non-Executive Directors of the Company

**NMET**
National Mineral Exploration Trust

**OECD**
Organisation for Economic Co-operation and Development

**OHSAS 18001**
Occupational Health and Safety Assessment Series (standards for occupational health and safety management systems)

**Oil & Gas business**
The Group's subsidiary, Cairn India Limited is involved in the business of exploration, development and production of oil & gas

**ONGC**
Oil and Natural Gas Corporation Limited, a company incorporated in India

**OPEC**
Organisation of the Petroleum Exporting Countries

**Ordinary shares**
Ordinary shares of 10 US cents each in the Company

**PBT**
Profit before tax

**PFC**
Per fluorocarbons

**PHC**
Primary health centre

**PPE**
Personal protective equipment

**Provident Fund**
A defined contribution pension arrangement providing pension benefits consistent with Indian market practices

**PSC**
A 'production sharing contract' by which the Government of India grants a license to a company or consortium of companies (the Contractor) to explore for and produce any hydrocarbons found within a specified area and for a specified period, incorporating specified obligations in respect of such activities and a mechanism to ensure an appropriate sharing of the profits arising there from (if any) between the Government and the Contractor

**Recycled water**
Water released during mining or processing and then used in operational activities

**Relationship Agreement**
The agreement dated 5 December 2003 between the Company, Volcan Investments Limited and members of the Agarwal family that regulates the ongoing relationship between them, the principal purpose of which is to ensure that the Group is capable of carrying on business independently of Volcan, the Agarwal family and their associates

**Return on Capital Employed or ROCE**
Profit before interest, taxation, special items, tax effected at the Group's effective tax rate as a percentage of Capital Employed

**The Reward Plan**
The Vedanta Resources Share Reward Plan, a closed plan approved by shareholders on Listing in December 2003 and adopted for the purpose of rewarding employees who contributed to the Company's development and growth over the period leading up to Listing in December 2003

**RO**
Reverse osmosis

**SA 8000**
Standard for Social Accountability based on international workplace norms in the International Labour Organisation (ILO) conventions and the UN's Universal Declaration of Human Rights and the Convention on Rights of the Child

**SBU**
Strategic Business Unit

**Senior management group**
For the purpose of the remuneration report, the key operational and functional heads within the Group

**SEWT**
Sterlite Employee Welfare Trust, a long-term investment plan for Sterlite senior management

**The Share Option Plan**
The Vedanta Resources Share Option Plan, a closed plan approved by shareholders on Listing in December 2003 and adopted to provide maximum flexibility in the design of incentive arrangements over the long term

**SHGs**
Self help groups

**SID**
Senior Independent Director

**$SO_2$**
Sulphur dioxide

**Special items**
Items which derive from events and transactions that need to be disclosed separately by virtue of their size or nature

**SPM**
Suspended particulate matter. Fine dust particles suspended in air

**Sterling, GBP or £**
The currency of the United Kingdom

**Sterlite Copper**
Copper Division of Vedanta Limited comprising of a copper smelter, two refineries and two copper rod plants in India

**STL**
Sterlite Technologies Limited, a company incorporated in India

**Superannuation Fund**
A defined contribution pension arrangement providing pension benefits consistent with Indian market practices

**Sustaining capital expenditure**
Capital expenditure to maintain the Group's operating capacity

**TCM**
Thalanga Copper Mines Pty Limited, a company incorporated in Australia

**TC/RC**
Treatment charge/refining charge being the terms used to set the smelting and refining costs

**TGS**
Tail gas scrubber

**TGT**
Tail gas treatment

**TLP**
Tail Leaching Plan

# Glossary and Definitions continued

**tpa**
Metric tonnes per annum

**TPM**
Tonnes per month

**TSPL**
Talwandi Sabo Power Limited, a company incorporated in India

**TSR**
Total shareholder return, being the movement in the Company's share price plus reinvested dividends

**Turnbull Guidance**
The revised guidance on internal control for directors on the Combined Code issued by the Turnbull Review Group in October 2005

**Twin Star**
Twin Star Holdings Limited, a company incorporated in Mauritius

**Twin Star Holdings Group**
Twin Star and its subsidiaries and associated undertaking

**Underlying EPS**
Underlying earnings per ordinary share

**Underlying profit**
Profit for the year after adding back special items and other gains and losses and their resultant tax and non-controlling interest effects

**US cents**
United States cents

**Vedanta Limited (formerly known as Sesa Sterlite Limited/Sesa Goa Limited)**
Vedanta Limited, a company incorporated in India engaged in the business of copper smelting, iron ore mining, aluminium mining, refining and smelting and energy generation

**VFD**
Variable frequency drive

**VFJL**
Vedanta Finance (Jersey) Limited, a company incorporated in Jersey

**VGCB**
Vizag General Cargo Berth Private Limited, a company incorporated in India

**Volcan**
Volcan Investments Limited, a company incorporated in the Bahamas

**VRCL**
Vedanta Resources Cyprus Limited, a company incorporated in Cyprus

**VRFL**
Vedanta Resources Finance Limited, a company incorporated in the United Kingdom

**VRHL**
Vedanta Resources Holdings Limited, a company incorporated in the United Kingdom

**VSS**
Vertical Stud Söderberg

**Water used for primary activities**
Total new or make-up water entering the operation and used for the operation's primary activities; primary activities are those in which the operation engages to produce its product

**WBCSD**
World Business Council for Sustainable Development

**ZCCM**
ZCCM Investments Holdings plc, a company incorporated in Zambia

**ZCI**
Zambia Copper Investment Limited, a company incorporated in Bermuda

**ZRA**
Zambia Revenue Authority

# Shareholder Information

Shareholder interests as at 31 March 2016

| | 2016 | 2015 |
|---|---|---|
| Number of shareholders: | | 2,158 |
| Number of shares in issue: | | 300,522,798 |

## By size of holding

| | Shareholders % | | Shares % | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| 500 and under | **52.13** | 52.58 | **0.08** | 0.09 |
| 501 to 1,000 | **13.30** | 13.78 | **0.07** | 0.08 |
| 1,001 to 10,000 | **21.83** | 21.53 | **0.51** | 0.56 |
| 10,001 to 100,000 | **8.34** | 7.71 | **2.13** | 2.08 |
| 100,001 to 1,000,000 | **3.38** | 3.31 | **7.88** | 7.41 |
| Over 1,000,000 | **1.02** | 1.09 | **89.32** | 89.77 |
| | **100.00** | 100.00 | **100.00** | 100.00 |

## Annual General Meeting

The AGM will be held on 5 August 2016 at 3.00pm at Ironmongers' Hall, Shaftesbury Place, London EC2Y 8AA. The Notice of Annual General Meeting and the Form of Proxy are enclosed with this Report. The Notice of Annual General Meeting can also be found on the Vedanta Group website (www.vedantaresources.com).

## Electronic shareholder communications

Vedanta Resources plc uses its website (www.vedantaresources.com) as its primary means of communication with its shareholders provided that the individual shareholder has agreed or is deemed to have agreed that communications may be sent or supplied in that manner. Electronic communications allow shareholders to access information instantly as well as helping Vedanta Resources plc reduce its costs and its impact on the environment. Shareholders can sign up for electronic communications via Computershare's Investor Centre website at www.investorcentre.co.uk. Shareholders that have consented or are deemed to have consented to electronic communications can revoke their consent at any time by contacting the Company's Registrar.

## Company website

The Company's half year and annual reports and results announcements are available on the website at www.vedantaresources.com. Shareholders can also access the latest information about the Company and press announcements as they are released, together with details of future events and who to contact for further information.

## Registrar

For information about the AGM, shareholdings and dividends and to report changes in personal details, shareholders should contact:

**Computershare Investor Services PLC**
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
United Kingdom

Telephone: +44 (0) 870 707 1388
Email: web.queries@computershare.co.uk

Computershare provide a free self-service website, Investor Centre, through which you can view your share balance, change your address, view your dividend payment and tax information and update your payment instructions. For further information, visit www.investorcentre.co.uk.

## Beware of share fraud

Shareholders should be very wary of any unsolicited calls or correspondence offering to buy or sell shares at a discounted price. These calls are typically from fraudsters operating 'boiler rooms'. Boiler rooms use increasingly sophisticated means to approach investors and often leave their victims out of pocket. If you are concerned that you may have been targeted by fraudsters please contact the FCA Consumer Helpline on 0800 111 6768.

## Currency option and dividend mandate

Shareholders wishing to receive their dividend in UK pounds sterling should complete and return to the Registrar a Currency Election Form. In order for the Currency Option and Dividend Mandate to be effective for the 2016 final dividend, the completed forms must be received by the Registrar by 11 July 2016.

The Registrar can also arrange for the dividend to be paid directly into a shareholder's UK bank account. To take advantage of this facility, please contact Computershare who will provide a Dividend Mandate Form. Please complete and return the form to the Registrar by 11 July 2016. This arrangement is only available in respect of dividends paid in UK pounds sterling. Consequently, you may only take advantage of this arrangement if you have also completed a Currency Election Form and returned it to the Registrar by 11 July 2016. If you have already completed and returned a Currency Election Form and/or a Dividend Mandate Form, you need take no further action. Currency election and dividend mandate forms are also available online through the Investor Centre service www.investorcentre.co.uk.

## Financial calendar

**Dividend payments**

| | |
|---|---|
| Ex-dividend date | 7 July 2016 |
| Record date | 8 July 2016 |
| 2015 final ordinary dividend payable | 12 August 2016 |

**Other dates**

| | |
|---|---|
| Annual General Meeting | 5 August 2016 |
| 2017 half year results announced | 5 November 2016 |

**Cautionary statement about forward-looking statements**

Certain statements made in this document constitute "forward-looking statements". In this context, forward-looking statements can be identified by the use of words such as "expects", "anticipates", "intends", "plans", "predicts", "assurance", "assumes", "aim", "hope", "risk", "estimates", "believes", "seeks", "may", "should" or "will" or the negative thereof or other similar expressions that are predictive or indicative of future events. All statements other than statements of historical facts included in this document, including, without limitation, those regarding the Group's expectations, intentions and beliefs concerning, amongst other things, the Group's results of operations, financial position, growth strategy, prospects, dividend policy and the industries in which the Group operates, are forward-looking statements.

Forward–looking statements, by their nature, involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Group and its Directors, which may cause the actual results, performance, achievements, dividends of the Group or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements contained in this document speak only as of the date of this document. As such, forward-looking statements are no guarantee of future performance.

Except as required by applicable regulations or by law, the Group does not undertake to publicly update any forward-looking statement whether as a result of new information or future events and expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any changes in its expectations or any change in events, conditions or circumstances on which any such statement is based.

# Notes

# Notes

# Contacts

**Investor Relations**
For investor enquiries, please contact:

**Mr Ashwin Bajaj**
**Director, Investor Relations**
Vedanta Resources plc
16 Berkeley Street
London
W1J 8DZ
Telephone: +44 (0) 20 7659 4732 (London)
+91 22 6646 1531 (Mumbai)
Email: ir@vedanta.co.in

**Registered office**
Vedanta Resources plc
5th Floor
6 St Andrew Street
London
EC4A 3AE

**Company Secretary**
**Deepak Kumar**

**Head office**
16 Berkeley Street
London
W1J 8DZ
Telephone: +44 (0) 20 7499 5900
Fax: +44 (0) 20 7491 8440

**Registered number**
4740415

**Auditors**
**Deloitte LLP**
2 New Street Square
London
EC4A 3BZ

**Solicitors**
**Ashurst LLP**
Broadwalk House
5 Appold Street
London
EC2A 2HA

**Latham & Watkins LLP**
99 Bishopsgate
London
EC2M 3XF

Printed on RePrint Matt 60% Recycled FSC Certified Environment Friendly Paper

**Designed and produced by Emperor**
www.emperordesign.co.uk +44 (0)20 7729 9090

**Vedanta Resources plc**
5th Floor, 16 Berkeley Street
London W1J 3DZ
Tel: +44 (0) 20 7499 5900
Fax: +44 (0) 20 7491 8440

vedantaresources.com