vedanta

ANNUAL REPORT 2008

ENDURING VALUE THROUGH VALUES

Vedanta Resources plc is a London listed FTSE 100 diversified metals and mining group. Its principal operations are located throughout India, with further operations in Zambia and Australia. Vedanta produces aluminium, copper, zinc and lead and iron ore. It also has interests in commercial energy and is in the process of setting up a 2,400MW independent power plant.

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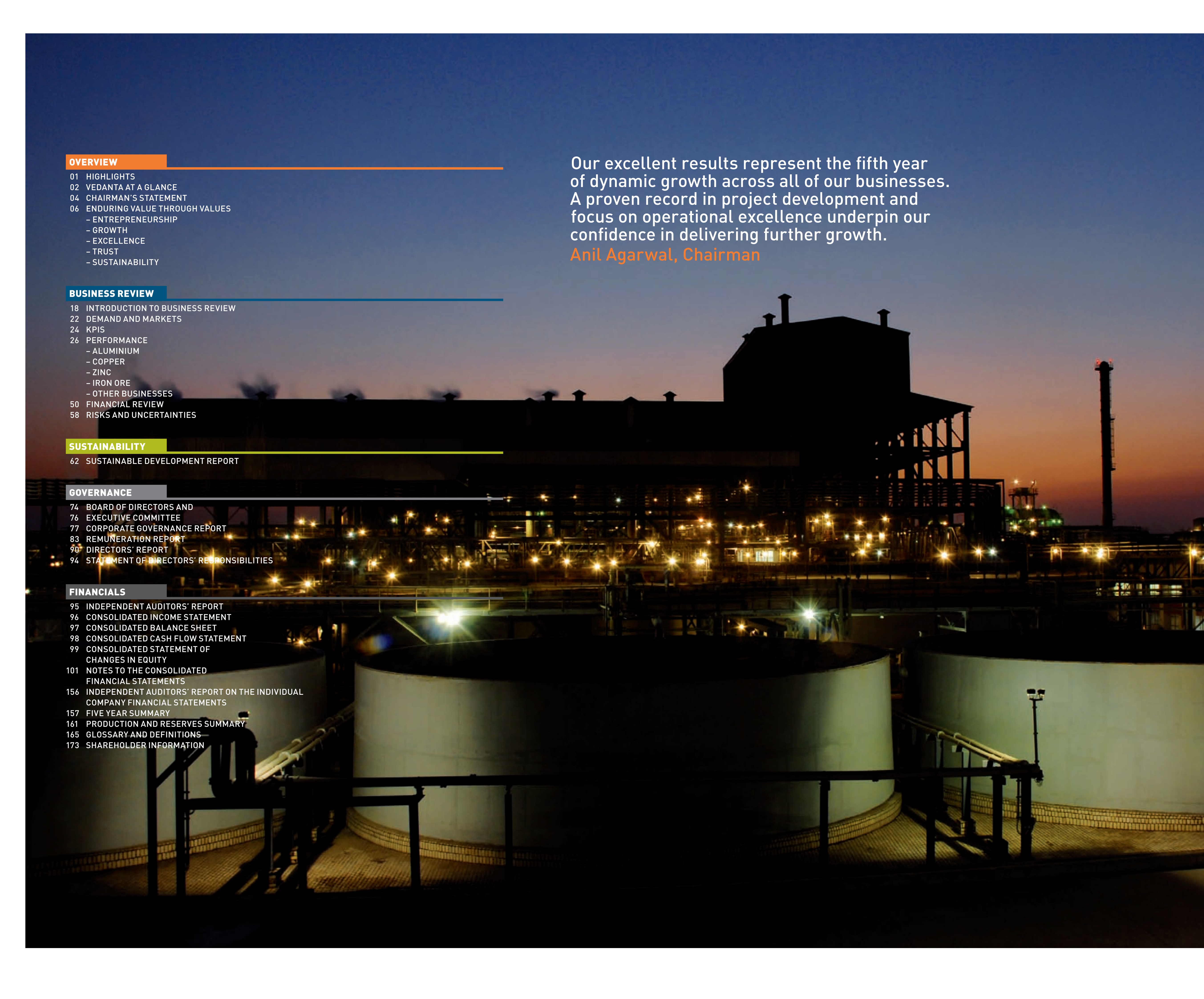

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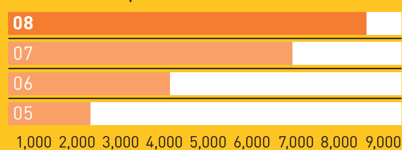
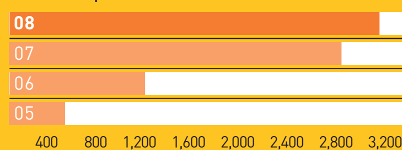
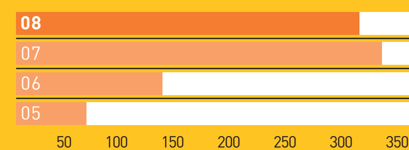
Our excellent results represent the fifth year of dynamic growth across all of our businesses. A proven record in project development and focus on operational excellence underpin our confidence in delivering further growth.

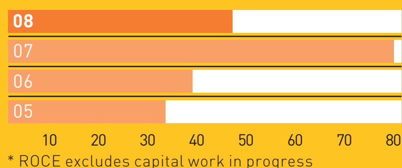
Anil Agarwal, Chairman

HIGHLIGHTS

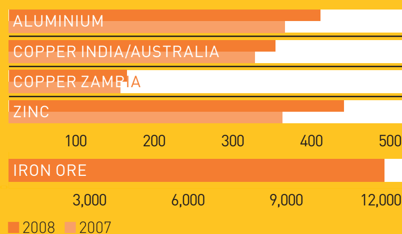


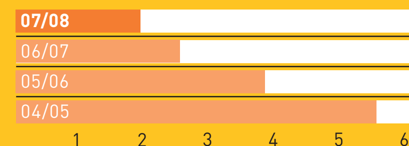






* ROCE excludes capital work in progress

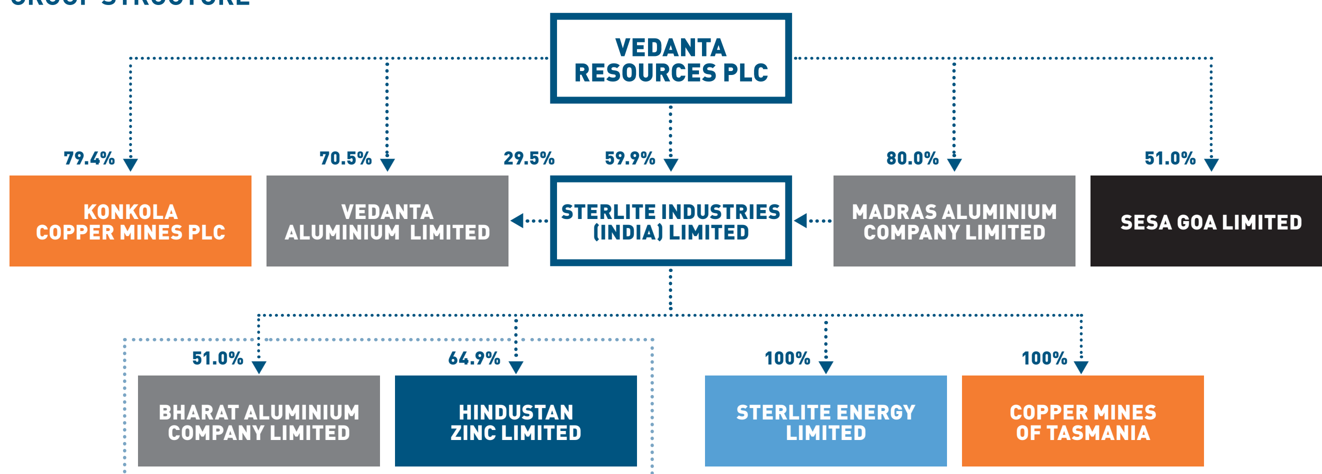




- **Another year of excellent financial performance**
  - Record revenues of **$8.2 billion** driven by higher volumes across all metals
  - Record EBITDA of **$3.0 billion** driven by excellent cost performance
  - Record free cash flow of **$2.2 billion**, up 47.0%
  - Basic EPS over **$3.0** per share
  - Strong balance sheet with net assets of **$9.2 billion**
  - Strong ROCE of **45.6%** (excluding project capital work in progress)
  - Final dividend proposed at **25 US cents** per share bringing full year dividend to **41.5 US cents** per share
- **Vedanta remains a unique investment story**
  - **$6.0 billion** of near term organic growth projects under implementation
  - Stable operating costs despite industry-wide pressures
  - Delivering projects ahead of schedule and within budget in a challenging industry environment

VEDANTA AT A GLANCE

GROUP STRUCTURE



Our principal operations are located in India, where we have a major market share in each of our main metals: aluminium, copper, zinc and lead. There are also substantial copper operations in Zambia and a copper mine in Australia.

OPERATIONAL HIGHLIGHTS

ALUMINIUM

- Lanjigarh alumina refinery in operation
- Successfully tapped the first metal from Phase I (250 kt) of the 500 ktpa Jharsuguda Aluminium project, more than one year ahead of schedule; Phase II on track

COPPER

- Acquired the 28.4% minority stake in KCM; total holding increased to 79.4%
- $1.0 billion investment in Konkola Deeps Mining Project and Nchanga smelter on track

ZINC-LEAD

- 170 kt Chanderiya II Hydro zinc smelter and 88 kt zinc debottlenecking project successfully ramped up ahead of schedule; total production capacity now over 750 ktpa
- Capacity being expanded to 1,065 ktpa at an investment of $900.0 million
- Exploration success increased mine life to over 20 years at expanded capacity of over 1.0 million tonnes per annum
- On course to becoming the largest integrated zinc-lead producer in the world

IRON ORE

- Acquisition of Sesa Goa, India's largest producer-exporter of iron ore
- Delivered excellent growth and returns post acquisition
- Near term opportunity to increase iron ore production to 25.0 million tonnes

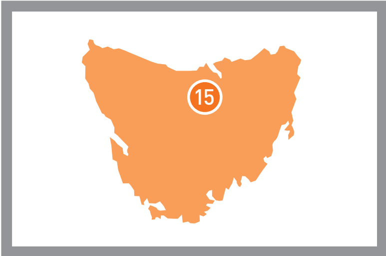
Aluminium
Copper
Iron ore
Zinc
Power
Projects under development
Captive power plant

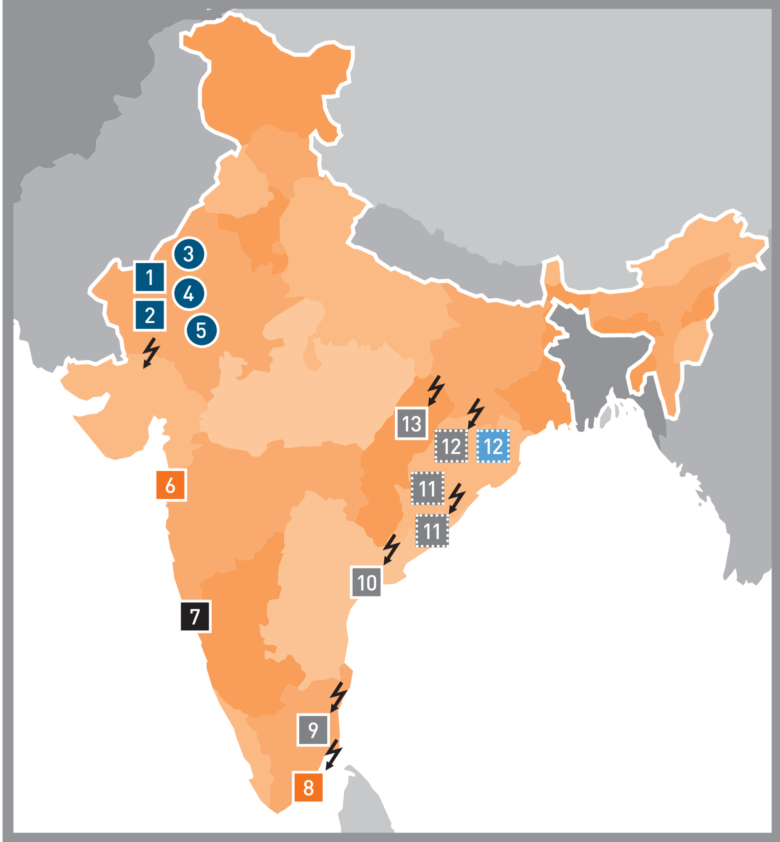
1 Debari smelter
2 Chanderiya smelters
3 Rampura-Agucha mine
4 Rajpura Dariba and Zawar mine
5 Sindesar Khurd mine
6 Silvassa refinery
7 Sesa Goa
8 Tuticorin smelter
9 MALCO
10 Vizag smelter
11 Lanjigarh mine and refinery (VAL)
12 Jharsuguda Aluminium (VAL) and Commercial Power project
13 Korba smelter
14 Konkola Deeps mine and KCM smelter and refinery
15 Mt. Lyell mine

INDIA

ZAMBIA

AUSTRALIA





CHAIRMAN'S STATEMENT

2008 was another excellent year for Vedanta. A significant increase in volumes across all our metals combined with productivity gains and stable operating costs delivered industry-leading growth and returns for our shareholders.

2008 HIGHLIGHTS

2008 was another excellent year for Vedanta. A significant increase in volumes across all our metals combined with productivity gains and stable operating costs delivered industry-leading growth and returns for our shareholders.

We continue to offer a unique investment story by delivering expansion projects ahead of schedule and within budget, in a challenging environment. We have significant near term organic growth projects across all of our businesses.

We achieved record revenues for the fifth consecutive year of $8.2 billion, up 26.0% over last year. EBITDA was in excess of $3.0 billion for the first time, with free cash flow of $2.2 billion, up 47.0%. We generated excellent returns for our shareholders, as evidenced by a strong ROCE of 45.6% and a TSR performance of 58.9% in FY 2008. Since our IPO, we have delivered a TSR growth of nearly 470.0%.

2008 STRATEGIC ACHIEVEMENTS

There were three significant strategic achievements in the year. In April 2007, we acquired a 51.0% stake in Sesa Goa, India's largest producer-exporter of iron ore, a commodity with attractive fundamentals. In June 2007, our Indian subsidiary, Sterlite Industries completed its US ADR offering, successfully raising $2.0 billion, the largest ever IPO by an Indian company in the US at that time. In April 2008, we completed the purchase of an additional 28.4% stake in KCM in line with our strategy of consolidating minorities.

At the time of our listing in 2003, we set out a four-pillar strategy to secure an industry-leading growth profile. We continued to make significant progress in 2008 against this strategy.

The **first** pillar of our strategy is to optimise the performance of our existing assets improving production and reducing costs. We made good progress this year with, for example, the substantial increase in our zinc-lead reserves and resources on the back of a strong exploration effort, the completion of the debottlenecking project in our Zinc business and the 17.0% increase in production in Sesa Goa. The overall result of several ongoing efficiency initiatives has helped maintain stability in operating costs and increase in productivity and volumes.

The **second** pillar of our strategy is to pursue organic growth opportunities. We are making excellent progress in our $8.8 billion investment programme to increase capacity in all our base metals to 1.0 million tonnes per annum. We are delivering projects at industry-leading benchmark capital costs, within budget and ahead of schedule.

We commissioned our 1.4 mtpa Lanjigarh alumina refinery in July 2007, the largest new refinery in India in over two decades. We successfully tapped the first metal from Phase I of the 500 ktpa Jharsuguda Aluminium project in May 2008, more than one year ahead of schedule, with Phase II on track. Our 170 kt zinc smelter at Chanderiya was commissioned in December 2007, three months ahead of schedule.

Our 7.5 million tonne Konkola Deeps expansion project and the 300,000 TPA Nchanga smelter project are on course for completion on schedule, which will significantly increase our total copper capacity and will improve the operational and financial performance of our Zambian operations.

We also recently announced expansion projects that will increase our total integrated zinc-lead capacity to 1,065,000 TPA, making us the world's largest integrated zinc-lead producer. This expansion is also expected to gradually increase our silver production from 2.8 million oz to over 16.1 million oz per annum.

In our commercial energy business, the 2,400 MW independent power project at Jharsuguda remains on track for progressive commissioning from September 2009.

Finally, we continue to evaluate additional organic growth opportunities. The abundance of bauxite and coal in India, combined with our proven track record in project delivery, presents an exciting growth opportunity.

The **third** pillar of our strategy is the consolidation of minorities and the further rationalisation of the Group structure. In April 2008, we successfully completed the acquisition of the 28.4% stake in KCM, taking our total shareholding in KCM to 79.4%. In respect of the acquisition of the Indian Government's stakes in BALCO and HZL, significant progress was achieved during the year and we anticipate a positive resolution soon.

The **fourth** pillar of our strategy is to leverage our established skills and seek additional investment opportunities. In April 2007, we acquired a 51.0% controlling stake in Sesa Goa, India's largest producer-exporter of iron ore, marking our entry into a bulk commodity that has attractive longer-term fundamentals. We have already delivered excellent growth and returns with this business and aim to grow Sesa Goa into a 25 million tonne producer of iron ore within the next few years.

PEOPLE

Driving our achievements and success is our dedicated and talented workforce of nearly 29,000 people. I would like to thank them for their superior efforts this year. We remain committed to continuing to provide a challenging and rewarding work environment for all our employees.

In April 2008, I announced that Kuldip Kaura will retire as Chief Executive on the completion of his term on 30 September 2008. He will be succeeded by MS Mehta, currently Chief Executive of our Zinc business. During the intervening period, MS Mehta will work closely with Kuldip to ensure a smooth transfer of responsibilities.

I would like to thank Kuldip, who has been a tremendous support to me during this phase of multifold growth and has played an instrumental role in the transformation of Vedanta into a well admired and robust organisation, ready to take on opportunities of the future.

I would also like to thank all my fellow Directors for their invaluable contribution to our decision making and the healthy and constructive direction and support they provide our management team.

SUSTAINABLE DEVELOPMENT

We see sustainable development and CSR matters as central to the way that we conduct our business and recognise that our obligations to society include ensuring that we manage our health, safety, environmental and social impacts, risks and opportunities effectively.

Our approach and engagement with communities within which we operate is holistic and robust. Our work encompasses 383 villages across India and Zambia, positively enhancing the quality of life of over 2.5 million people.

We conceived the 'Integrated Village Development Program' as a benchmark to address the sustainable and inclusive growth goals of the communities where we operate. This community development model is aligned to the Millennium Goals to best provide for a longer-term socio-economic impact and inclusive growth. It has been successfully implemented in 32 villages in Rajasthan and is now being implemented in both Lanjigarh and Jharsuguda.

The Public Private Partnership between the State Government of Rajasthan, Naandi Foundation and Hindustan Zinc to provide nutritious meals daily to nearly 200,000 children in Chittorgarh, Rajasthan is progressing splendidly. We are convinced that this tripartite social investment is one of the main factors contributing to widening primary education and intend to replicate this success story in Rajsamand district of Rajasthan, Chattisgarh and Orissa.

Our focus has also remained on achieving best practice in the management of the health and safety of our employees and contractors as well as impact upon the environment. I am particularly pleased to note significant progress in various areas including reductions in injury rates and improvements in specific water and energy consumption levels. Effective management of these areas is a management imperative and is the subject of regular and detailed scrutiny at all levels of management throughout our Group.

I am pleased with our achievements in sustainable development in the last year. Going forward, we aim to be an industry-leading company in this area and to work closely with all of our stakeholders.

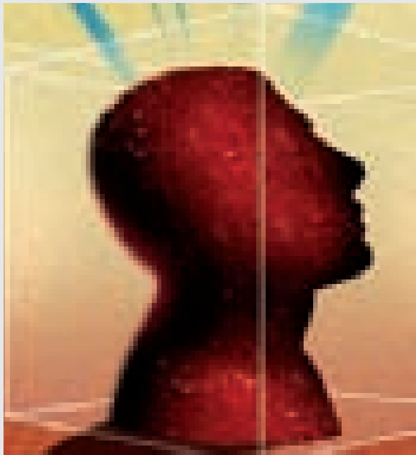
OUTLOOK

Global demand for metals continues to be strong and we are well placed to serve this growing demand. The industry faces challenges in terms of cost pressures and the ability to bring new capacities to production on time and within budget. We believe that we have an unrivalled track record in this challenging environment in our ability to deliver projects at global benchmark costs and aggressive timelines.

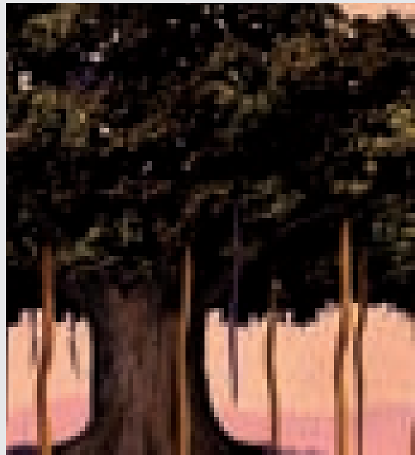
We will continue to build upon our 2008 achievements responsibly and I eagerly look forward to reporting on our progress on various initiatives in 2009.

ANIL AGARWAL
Chairman
15 May 2008

ENDURING VALUE THROUGH VALUES



ENTREPRENEURSHIP
SEE PAGE 08



GROWTH
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EXCELLENCE
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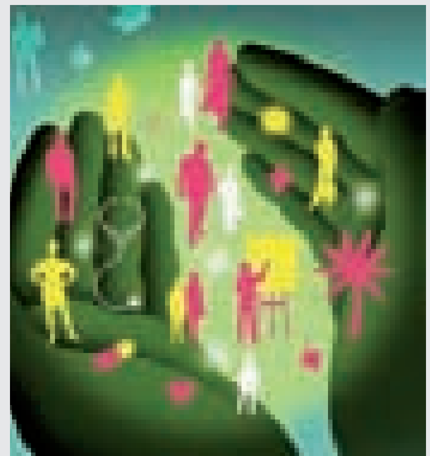
TRUST
SEE PAGE 14



SUSTAINABILITY
SEE PAGE 16

Al
Cu
$
Fe
£
€
Zn

ENTREPRENEURSHIP

En•tre•pre•neurship ã•trə•prə•nœr

To us, entrepreneurship means:

- Foreseeing and acting on opportunities
- Seeing value where others miss it
- Risk taking ability
- First mover advantage
- Unlocking the potential of our people

We foster an entrepreneurial spirit throughout our businesses and value the ability to foresee business opportunities early in the cycle and act on them swiftly. Whether it be developing organic growth projects, making strategic acquisitions or creating entrepreneurs from within, we ensure an entrepreneurial spirit at the heart of our workplace.

Our ability to translate an idea into reality within the shortest possible timeframe is critical to our rapid growth and diversification into new areas and commodities.

People are our most important asset and from day one we actively encourage them to seek new opportunities and pursue their goals.

We have fostered this entrepreneurial spirit amongst the individuals and communities who form a part of our entire value chain.

SESA GOA

STRATEGIC ACQUISITION OF SESA GOA IN APRIL 2007

ALUMINIUM PARK

FACILITATING AN ALUMINIUM PARK IN CHATTISGARH THROUGH A PUBLIC-PRIVATE PARTNERSHIP

IMPLEMENTATION OF A

$6.0 billion

GROWTH PIPELINE CURRENTLY UNDERWAY

GROWTH

Growth grōth

To us, growth is:
- Both profitable and sustainable
- A means to delivering value and not an end in itself
- Prosperity and increasing the quality of life

We continue to deliver industry-leading growth and generate significant value for our shareholders. Moreover, our organic growth pipeline is unrivalled and we are confident that we will continue to deliver significant growth for shareholders in the future. We have pursued growth across all our businesses and into new areas, always on the basis that value must be delivered.

We do not believe that we are the only beneficiary of our growth. We see growth as a means to increase the wealth and prosperity of our society at large. We clearly recognise the benefits that our growth brings to our key stakeholders and the communities in which we operate. Our growth has enabled us to significantly enhance the lives of hundreds of thousands of people in both India and Africa, and has helped to raise their living standards significantly.

54%
FIVE-YEAR COMPOUNDED GROWTH IN REVENUE

7.4X
INCREASE IN MARKET CAPITALISATION SINCE LISTING IN 2003*
*Between December 2003 and 15 May 2008

105%
FIVE-YEAR COMPOUNDED GROWTH IN ATTRIBUTABLE PROFITS

780+
SELF-HELP GROUPS IN THE COMMUNITIES WHERE WE OPERATE

EXCELLENCE

Ex•cel•lence eks•ə•ləns

To us, excellence means:

– Timely project implementation within budgets
– Optimising our assets
– Being a lowest cost producer
– Growing our resources

Achieving excellence in all that we do is our way of life. We consistently deliver projects ahead of time at industry-leading costs of construction and within budget. We are constantly focused on achieving a top decile cost of production in each of our businesses. To achieve this, we follow a culture of best practice benchmarking. Our 'tonne-for-tonne' exploration philosophy is to replace each tonne of ore mined out with at least one tonne of new resource. Equally important to us is achieving benchmarks in health, safety and environment standards.

It is our people who make all this possible. They benchmark our operations and identify opportunities for continuous improvement and projects with high potential. Without this commitment to excellence, we would not have been able to achieve our growth and expansion we have managed to date.

FIRST PHASE OF 500,000 TPA JHARSUGUDA ALUMINIUM SMELTER COMMISSIONED
ONE YEAR
AHEAD OF SCHEDULE

+98%
BENCHMARK COPPER RECOVERY

28.7 million
TONNES GROSS INCREASE TO ZINC-LEAD RESERVES AND RESOURCES IN 2008

TRUST

Trust trəst

To us, trust means:
- Always acting in a competent and responsible manner
- Building a culture of mutual respect based on trust across all stakeholders – investors, employees, suppliers, customers and communities
- Delivering on our promises

The trust that our stakeholders place in us is key to our success. We recognise that we must responsibly deliver on the promises we make to earn that trust. We constantly strive to meet stakeholder expectations of us and deliver ahead of expectations.

We always behave in a manner that is consistent and upholds our value system. Trust is also our stakeholder's belief that we will always act in a competent manner. We take feedback seriously and act upon it. We continuously work to improve ourselves and enhance our ability to deliver at all times.

We actively foster a culture of mutual trust in our interactions with our stakeholders and encourage an open dialogue which ensures mutual respect. We believe that this is part of being a good corporate citizen.

ACQUISITION OF

28.4%

STAKE IN KCM IN 2008

OVER

11,500

COMMUNITY YOUTH COVERED IN VOCATIONAL TRAINING PROGRAMMES

SUSTAINABILITY

Sus•tain•abi•lity sәs•tān•ә-bil´i-ti

To us, sustainability is:

- Integral to our business philosophy
- Providing a safe and healthy work environment
- Use of environment friendly technologies in our businesses
- Conservation of natural resources
- Socio-economic development of our communities

We practice sustainability within the framework of well defined governance structures and policies and with the demonstrated commitment of our management and employees. Our sustainability team comprises over 425 full time resources and over 600 extension workers.

We aim not only to minimise damage to the environment from our projects but to make a net positive impact on the environment wherever we work. We fully recognise the importance of including local communities and other key stakeholders in our development strategy to ensure that our impact is positive.

Rather than simply providing aid, we aim to create sustainable livelihood opportunities – improving the quality of life for society and contributing to the basics of life harmoniously. We believe that the principle of sustainability is a key component of conducting business in a responsible manner and it is a primary aim of Vedanta to operate as a good corporate citizen.

CII NATIONAL AWARD

STERLITE WON THE CII NATIONAL AWARD FOR EXCELLENCE IN ENERGY AND WATER MANAGEMENT

24% IMPROVEMENT IN LOST TIME INJURY FREQUENCY RATE IN 2008

NEARLY **1.5 million** PEOPLE PARTICIPATE IN OUR HEALTHCARE PROGRAMMES

2.5 million POSITIVELY IMPACTING OVER 380 VILLAGES AND 2.5 MILLION LIVES THROUGH COMMUNITY OUTREACH EFFORTS

INTRODUCTION TO BUSINESS REVIEW

Group revenues in FY 2008 were $8,203.7 million, an increase of 26.2% compared with the previous year. Production across all our metals and the newly acquired Iron Ore Business increased significantly in FY 2008.

SUMMARY
Group revenues in FY 2008 were $8,203.7 million, an increase of 26.2% compared with the previous year. Production across all our metals and the newly acquired Iron Ore Business increased significantly in FY 2008 as a result of better operational efficiencies, higher plant availability, improved mine management and the commissioning of the 170,000 tpa Chanderiya zinc expansion project and the first time contribution from Sesa Goa post acquisition. Sales also benefited from an increase in sales in domestic markets which generally yield higher contributions relative to export sales.

Operating costs were lower in all businesses except Copper-Zambia, despite ongoing cost pressures across the mining sector. This was achieved due to higher volumes, various improvements to enhance operational efficiencies and better by-product management. In the Copper-Zambia business, costs of production were higher compared with the previous year due to higher manpower costs, repair and maintenance costs and energy prices.

EBITDA at $3,010.4 million for FY 2008 includes $585.6 million from the new Iron Ore Business acquired during the year. Despite increased contribution from higher volumes and stable costs of production, EBITDA from our non-iron ore businesses was lower by $278.2 million compared with FY 2007, primarily due to the sharp appreciation of the Indian rupee against the US dollar by over 11.0%, lower LME zinc prices and lower TC/RC realisations. Volumes and costs contributed $300.0 million, which was more than offset by currency losses of $150.0 million, LME losses of $130.0 million, TC/RC realisation losses of $115.0 million and sales related losses of $180.0 million on account of hedging, lower TCs on zinc and lead concentrate sales and LME gains arising from the settlement of provisional to final prices in FY 2007 due to a sharp rise in LME prices in April and May 2006.

Our EBITDA margin was 36.7% compared with 41.6% in FY 2007, reflecting these factors and the change in business mix. The revenue and EBITDA mix in FY 2008 changed primarily due to an increase in contribution from the newly acquired Iron Ore business, which contributed 10.8% and 19.5% to Group revenues and EBITDA, respectively.

Our Aluminium business performed well with a production of 396,000 tonnes in FY 2008, our highest ever production and an increase of 12.8% compared with the previous year. This increase was primarily attributable to the increase in current density and current efficiency at our BALCO II smelter. Operating costs were lower in Indian rupee terms primarily due to better contribution from higher volumes and savings in procurement costs of carbon and other raw materials, partially offset by the general inflationary pressure on costs and higher coal prices.

The Lanjigarh alumina refinery produced 267,000 tonnes alumina out of a single stream operation, feeding our captive requirements. We successfully commenced commissioning Phase I of the 500,000 tpa Jharsuguda aluminium smelter, more than one year ahead of schedule and tapped the first metal in May 2008. Phase I of 250,000 tonnes capacity will be progressively commissioned during FY 2009.

The production of cathodes at our Copper – India/Australia business was 339,000 tonnes in FY 2008, our highest ever production and an increase of 8.3% compared with FY 2007. We achieved a record average annual recovery of 98.1% as a result of various initiatives to enhance operational efficiencies. Despite the pressure on gross conversion costs due to higher energy prices, net conversion costs were significantly reduced to 1.8 US cents per lb in FY 2008 from 6.1 US cents per lb in FY 2007 due to higher recoveries and the contribution from our sulphuric acid business. TC/RC realisations which were 15.7 US cents per lb in FY 2008 remained lower as expected due to market conditions.

The cathode production at our Copper – Zambia business was 150,000 tonnes in FY 2008, an increase of 5.6% compared with FY 2007. The production of 62,000 tonnes from the tailing leach plant in FY 2008 was consistent throughout the year and increased 51.2% compared with FY 2007 as a result of continuous improvement initiatives and operational efficiencies. We have taken a series of measures to improve the mine output which includes pre-stripping of open-pit mines, improved development at underground mines and refurbishment of equipment. Operating costs remained under pressure due to higher manpower costs, higher energy prices, lower mine production and higher expenditure on equipment refurbishment. Work on the Konkola Deeps mine expansion project is progressing well to achieve our target of completing the mid-shaft loading station by mid-2009. The Nchanga smelter expansion project remains on track for commissioning by mid-FY 2008.

The performance of our Zinc business was excellent, with the highest ever mined metal and refined metal production in FY 2008, an increase of 9.1% and 22.4% respectively compared with FY 2007. The new Chanderiya II Hydro zinc smelter was commissioned in December 2007, three months ahead of schedule, achieving its rated capacity within the very first quarter of its commissioning. The production of lead and silver were also higher in FY 2008, primarily due to higher output from the Ausmelt plant and better recoveries. Operating costs were lower in Indian rupee terms due to higher operational efficiencies, increase in volumes and

FY 2008 PERFORMANCE HIGHLIGHTS

Summary performance in FY 2007 is set out in the table below.

(in $ million, except as stated)	FY 2008	FY 2007	% change
REVENUES			
Aluminium	**1,140.2**	993.4	14.8
Copper	**4,221.9**	3,569.3	18.3
– India/Australia	**3,118.8**	2,553.4	22.1
– Zambia	**1,103.1**	1,015.9	8.6
Zinc	**1,941.4**	1,888.1	2.8
Iron ore	**888.9**	–	–
Others	**11.3**	51.4	(78.0)
	8,203.7	6,502.2	26.2
EBITDA			
Aluminium	**380.7**	415.4	(8.4)
Copper	**667.3**	833.9	(20.0)
– India/Australia	**327.2**	365.6	(10.5)
– Zambia	**340.1**	468.3	(27.4)
Zinc	**1,380.1**	1,453.9	(5.1)
Iron ore	**585.6**	–	–
Others	**(3.3)**	(0.2)	–
	3,010.4	2,703.0	11.4
OPERATING PROFIT			
Aluminium	**307.0**	358.4	(14.3)
Copper	**535.5**	746.6	(28.3)
– India/Australia	**284.9**	333.3	(14.5)
– Zambia	**250.6**	413.3	(39.4)
Zinc	**1,333.0**	1,402.8	(5.0)
Iron ore	**420.0**	–	–
Others	**6.8**	(0.3)	–
Unallocated corporate expenses	**(9.9)**	(1.6)	–
	2,592.4	2,505.9	3.5
EBITDA MARGIN			
Aluminium	**33.4%**	41.8%	N/A
Copper	**15.8%**	23.4%	N/A
– India/Australia	**10.5%**	14.3%	N/A
– Zambia	**30.8%**	46.1%	N/A
Zinc	**71.1%**	77.0%	N/A
Iron ore	**65.9%**	–	N/A
Group	**36.7%**	**41.6%**	**N/A**

INTRODUCTION TO BUSINESS REVIEW
CONTINUED

The ongoing exploration programme at HZL has yielded significant success with an increase of 28.7 million tonnes to its reserves and resources, prior to a depletion of 5.8 million tonnes in FY 2008.

better sulphuric acid realisations, which were partially offset by higher energy prices and general inflationary pressures.

The ongoing exploration programme at HZL has yielded significant success with an increase of 28.7 million tonnes to its reserves and resources, prior to a depletion of 5.8 million tonnes in FY 2008. Contained zinc-lead metal has increased by 4.0 million tonnes, prior to a depletion of 0.6 million tonnes during the same period. Total reserves and resources at 31 March 2008 were 232.3 million tonnes containing 27.5 million tonnes of zinc-lead metal.

We successfully completed our 88,000 tpa zinc debottlenecking project two months ahead of schedule, increasing our total metal production capacity to 754,000 ktpa.

We acquired Sesa Goa, India's largest producer-exporter of iron ore in April 2007. Sesa produced 12.4 million tonnes of iron ore on a 12-month basis, its highest ever and an increase of 17.0% compared with FY 2007, primarily as a result of comprehensive improvement programmes to enhance operational efficiencies and matching shipments. Our attributable production

post acquisition was 11.5 million tonnes. During FY 2008, we improved the ratio of our spot sales to long-term contract ratio as a result of placing all our incremental production in the spot markets and undertaking various marketing initiatives.

Work on the 2,400 MW independent power plant at Jharsuguda is progressing well and the project is on schedule for progressive commissioning from December 2009.

Capital employed (excluding project capital work in progress) increased from $2,328.7 million to $4,105.8 million, an increase of $1,777.1 million. This was primarily due to the acquisition of the Iron Ore business and the capitalisation of the Chanderiya II Hydro zinc smelter more than offsetting the reduction in working capital. The increase in capital employed, together with the fall in zinc LME prices and the appreciation of the Indian rupee and change in profit mix contributed to a reduction in ROCE (excluding project capital work in progress) to 45.6% in FY 2008, compared with 78.5% in FY 2007, despite significant benefits arising from improvements in operational efficiencies and higher volumes.

We generated record free cash flows of $2,216.9 million in FY 2008, an increase of $712.7 million compared with FY 2007, primarily due to reduction in working capital. Free cash flow to EBITDA for FY 2008 was 73.6% compared with 55.6% in FY 2007.

We continued our programme of consolidating our holding in our major subsidiaries with the acquisition of ZCI's 28.4% stake in KCM in April 2008 for a consideration of $213.2 million.

DEMAND AND MARKETS

ALUMINIUM
World primary aluminium consumption increased to 38.0 million tonnes in CY 2007 or 9.5%, from 34.7 million tonnes in CY 2006, primarily due to increased demand from China which accounted for over 30.0% of global consumption in this period. Consumption is expected to grow at similar levels in the coming year due to higher levels of demand from China and other emerging markets. Global aluminium production increased to 38.2 million tonnes in CY 2007 or 11.0%, from 34.0 million tonnes in CY 2006 and is expected to reach c42.0 million tonnes in CY 2008 due to rapid implementation of new capacity projects in India, China, Middle East, Russia and South America.

The majority of aluminium produced in India is consumed in the electrical, transportation, building and construction and packaging industries. Indian demand for primary aluminium increased at a compound annual growth rate of 13.0% between CY 2002–2007 on the back of high demand from the electrical, construction and transportation sector. Electrical applications continue to be the largest end-use sector in India, consuming approximately 36.0% of aluminium production in CY 2007 as a result of the continuing drive to provide electricity throughout the country. Transport is also a major consumer, contributing approximately 22.0% of demand, although the average aluminium use in Indian-made automobiles is still approximately one-third of that in western-made automobiles. The demand in India is likely to be robust on the back of strong GDP growth and will grow at similar levels.

COPPER
Global refined copper consumption increased to 17.9 million tonnes in CY 2007 or 2.3% from 17.5 million tonnes in CY 2006, driven mainly by Asian demand, including China, which accounted for 47.0% of global demand and grew 8.4% in this period. Global refined copper consumption is expected to grow to 19.4 million tonnes in CY 2008 on the back of strong demand from Asia. Asia is currently the fastest growing copper market in the world and is expected to grow even more strongly, dominated by use of copper in electric wires and cables.

Global refined copper production increased to 18.1 million tonnes in CY 2007 or 4.6%, from 17.3 million tonnes in CY 2006. Global production is expected to further increase to 18.9 million tonnes in CY 2008, primarily due to the commissioning of new smelters mainly in China, Africa, India and Japan.

In India, refined copper consumption increased at a compound annual growth rate of 11.0% between CY 2002–2007. It was supported by strong growth in user segments such as winding wires, power cables and other applications in construction, infrastructure and alloy

segments. Refined copper consumption in India is expected to grow in line with GDP growth.

ZINC

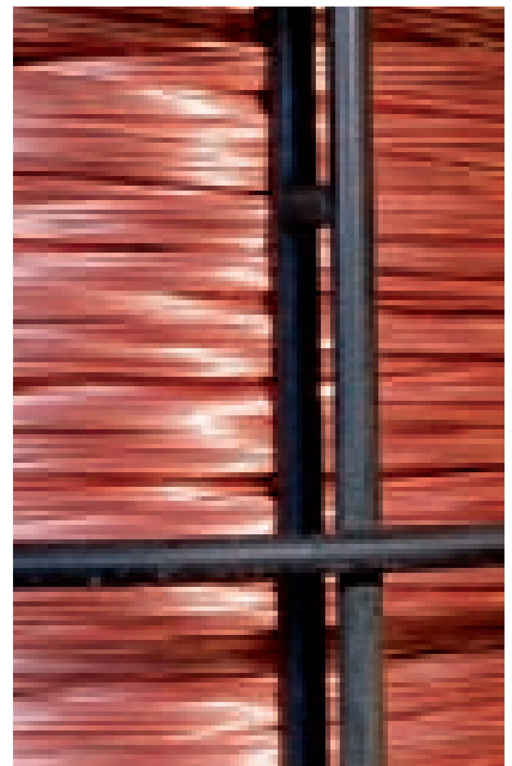
Global zinc consumption increased to 11.5 million tonnes in CY 2007 or 2.7%, from 11.2 million tonnes in CY 2006, fuelled by strong demand growth in Asia which accounted for almost half of global demand and grew 7.7% in CY 2007. Global zinc consumption is expected to grow to 11.9 million tonnes in CY 2008 at similar rates fuelled by double-digit growth in China, India and other emerging markets. The key growth driver is demand from the steel galvanizing market, which is growing primarily due to robust demand from the automotive and automotive parts industries.

Global zinc production increased to 11.2 million tonnes in CY 2007 or 6.7%, from 10.5 million tonnes in CY 2006, and is expected to further increase to 12.1 million tonnes in CY 2008 due to commissioning of new smelters.

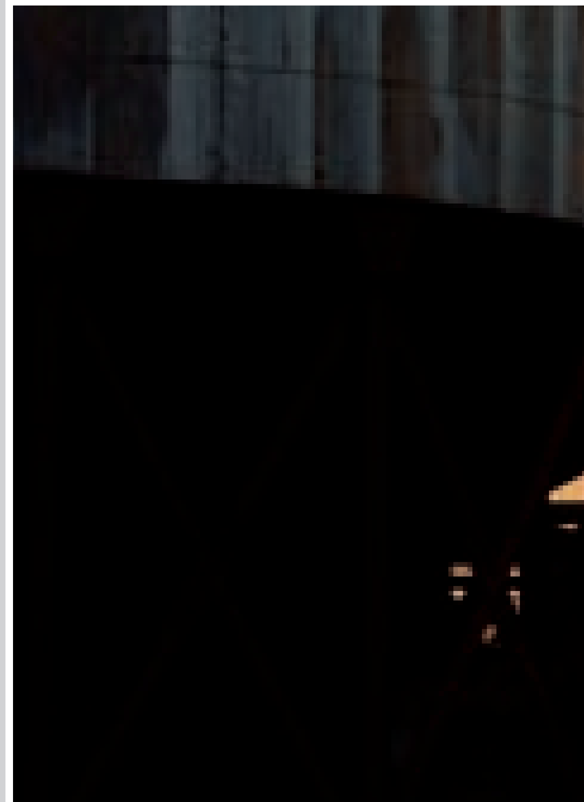
Consumption of refined zinc in India increased at a compound annual growth rate of 8.0% between CY 2002–2007, primarily driven by demand by the galvanising sector, which currently accounts for an estimated 61.0% of total consumption. Galvanising is primarily applicable for sheet, tube and structural products. Applications in the construction and infrastructure sector are also increasing which will boost the overall demand growth in the Indian market.

IRON ORE

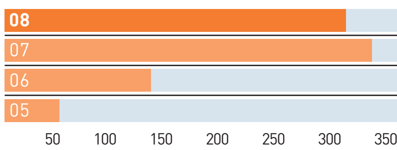
Total sea borne demand for iron ore was estimated at 788.0 million tonnes in CY 2007, an increase of 10.4% over 714.0 million tonnes in CY 2006, due to the growth in Chinese steel production. Sea borne supply was 774.0 million tonnes in CY 2007, an increase of 7.6% over 719.0 million tonnes in CY 2006. Sea borne demand is forecast to remain robust and grow to c840.0 million tonnes with supply expected to remain tight, in CY 2008.



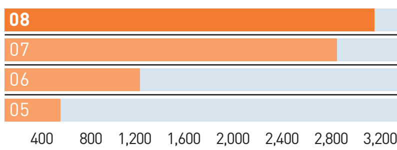
KEY PERFORMANCE INDICATORS



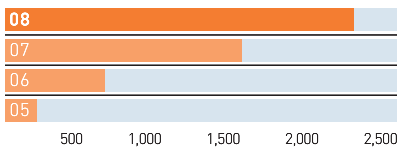
UNDERLYING EPS US CENTS



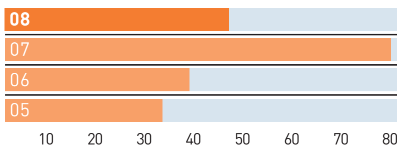
EBITDA $ MILLION



FREE CASH FLOW $ MILLION

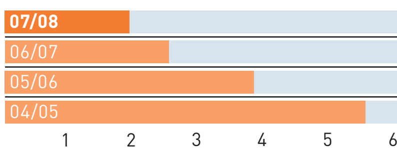


ROCE* %



* ROCE excludes capital work in progress

SAFETY LTIFR



STRATEGIC OBJECTIVE	KEY PERFORMANCE INDICATOR
Shareholder value creation	Underlying earnings per share
	EBITDA
	Free cash flow
	Return on capital employed (ROCE %)
Safety	Lost time injury frequency rate
Communities	
People	

DESCRIPTION	RESULTS
Net profit attributable to equity shareholders and is stated before special items and their attributable tax and minority interest impacts. By producing a stream of profits and EPS we will be able to pay a progressive dividend to our shareholders. EPS growth also demonstrates the management of our capital structure.	303.9 US cents per share in FY 2008 against 327.0 US cents per share in FY 2007 due to the impact of additional issue of shares by Sterlite to outside interests and change in its profit mix.
EBITDA is a factor of volumes, prices and cost of production. This measure is calculated by adjusting operating profit for special items plus depreciation and amortisation. Our objective is to take advantage of our low cost base and achieve the best possible margins across the Businesses.	EBITDA of $3,010.4 million in FY 2008 against $2,703.0 million in FY 2007.
This represents net cash flows before financing activities and investing activities in expansion projects and dividends pay out by Vedanta. This measure ensures that the profit generated by our assets is reflected by cash flow in order to fund the future growth and development of the Group.	Free cash flow increase to $2,216.9 million in FY 2008 against $1,504.2 million in FY 2007.
This is calculated on the basis of operating profit before special items and net of tax as a ratio of capital invested in operations as at the balance sheet date and excludes investment in project capital work in progress. The objective is to earn consistently a return (net of tax) above the weighted average cost of capital to ensure that capital is invested efficiently and this indicator measures the efficiency of our productive capital.	ROCE of 45.6% in FY 2008 against 78.5% in FY 2007. The reduction is on account of higher capital employed arising from the large investment in mining properties of Goa and commission of projects during the year.
The number of lost time injuries per million man hours worked.	LTIFR is 1.91 in 2008 against 2.51 in 2007.
Please see the narrative on page 65.	
Please see the narrative on page 64-65 describing the Group's Human resources principles.	

PERFORMANCE
ALUMINIUM

We commenced commissioning of Phase I of the Jharsuguda aluminium smelter in May 2008 with first metal tapping, one year ahead of schedule. Our primary products are aluminium ingots, rods and rolled products.

BUSINESS OVERVIEW

Our Aluminium business comprises three companies, BALCO, MALCO and VAL. BALCO is a partially integrated aluminium producer with two bauxite mines, one refinery, two smelters, a fabrication facility and two captive power plants at Korba in central India. MALCO is a fully integrated producer with two bauxite mines, a captive power plant and refining, smelting and fabrication facilities at Mettur in southern India. VAL is a fully integrated alumina and aluminium producer with a 1.4 mtpa alumina refinery and a 500,000 tpa aluminium smelter together with their associated captive power plants. The Lanjigarh alumina refinery has started production from a single stream operation. We commenced commissioning of Phase I of the Jharsuguda aluminium smelter in May 2008 with first metal tapping, one year ahead of schedule. Our primary products are aluminium ingots, rods and rolled products.

The performance of our Aluminium business in FY 2008 is set out in the table below.

(in $ million, except as stated)	FY 2008	FY 2007	% change
Production volumes (kt)			
– Alumina – Korba and Mettur	**291**	299	(2.7)
– Alumina – Lanjigarh	**267**	–	–
– Aluminium	**396**	351	12.8
Average LME cash settlement prices ($ per tonne)	**2,620**	2,663	(1.6)
Average exchange rate (INR per $)	**40.2413**	45.2857	(11.1)
Unit costs			
– Aluminium – $ per tonne	**1,771**	1,630	8.7
– Aluminium – INR per tonne	**71,258**	73,806	(3.5)
– BALCO plant (other than Alumina) – $ per tonne	**805**	740	8.8
– INR per tonne	**32,385**	33,497	(3.3)
Revenue	**1,140.2**	993.4	14.8%
EBITDA	**380.7**	415.4	(8.4%)
EBITDA margin	**33.4%**	41.8%	N/A
Operating profit	**307.0**	358.4	(14.3%)

PRODUCTION PERFORMANCE

The production of 396,000 tonnes of aluminium in FY 2008 was our highest ever and an increase of 12.8% compared with production in FY 2007. Aluminium production at 102,000 tonnes in the last quarter of FY 2008 was the highest ever quarterly production. This increase in production is primarily attributable to an increase in current density and current efficiency at our BALCO II smelter. We have started the debottlenecking of the new Korba smelter by increasing the current density progressively to a final level of 340 KA. With various improvement measures undertaken, both power plants at Korba performed well and achieved their highest ever production.

We also commenced production from the first stream of the Lanjigarh refinery and produced 267,000 tonnes of calcined alumina during FY 2008. Alumina production in the last quarter was 124,000 tonnes, the highest achieved so far in a quarter, meeting our captive requirements.

UNIT COSTS

Unit costs of production in Indian rupee terms, the currency in which a majority of costs are incurred, were reduced marginally by 3.5% to INR 71,258 per tonne (or $1,771 per tonne) compared with the previous year, despite general inflationary pressures. Savings in procurement costs of carbon and other raw materials were partially offset by higher coal costs used in producing captive power. Due to the significant appreciation of the Indian rupee against the US dollar by more than 11.0%, the reported cost of production in FY 2008 is higher at $1,771 per tonne, up from $1,630 per tonne in FY 2007.

The unit costs of the BALCO II smelter, other than alumina, in Indian rupee terms was INR 32,385 per tonne ($805 per tonne), lower by 3.3% compared with the previous year due to savings in procurement costs and efficiency improvements which were partially offset by the impact of higher coal costs. The reported cost of production is higher in US dollar terms at $805 per tonne due to significant appreciation of the Indian rupee against US dollar.

With the softening of alumina prices in the global markets, consumption costs of alumina for the BALCO II smelter were reduced to INR 34,982 per tonne ($869 per tonne) or by 18.4% in Indian rupee terms.

SALES

We improved our penetration of the domestic market, selling 302,000 tonnes in FY 2008 or 76.0% compared with 74.0% in FY 2007, benefiting contribution vis-à-vis exports. We continue to develop export markets in South-East Asia, the Middle East and Europe and achieved export volumes close to 94,000 tonnes in FY 2008, consistent with the previous year.

FINANCIAL PERFORMANCE

FY 2008 witnessed growth in production volumes, resulting in an increase in contribution. Our costs of production were lower in Indian rupee terms due to procurement and operational efficiencies, which were partially offset by an increase in coal costs. Despite positive developments in volumes and costs, EBITDA for FY 2008 was $380.7 million, lower by 8.4% compared with FY 2007, primarily due to the significant appreciation of the Indian rupee against the US dollar by more than 11.0% and marginally lower average LME prices.

PROJECTS

JHARSUGUDA ALUMINIUM SMELTER

We commenced commissioning of the first phase of Jharsuguda aluminium smelter of 250,000 tonnes in May 2008, one year ahead of schedule. Work on the second phase of 250,000 tonnes and captive power plant is progressing on track for commissioning as per schedule.

LANJIGARH ALUMINA REFINERY

With regards to environmental clearances for the bauxite mines, we are now progressing as per the directions provided by the Honourable Supreme Court of India. We are hopeful of a positive early resolution of the matter.

WORLD RECORD TIME TO

Inside the new 500KT Jharsuguda smelter

13 Al

A milestone was achieved in May 2008 with the commissioning of the first phase of the 500,000 tonne aluminium smelter at Jharsuguda, ONE YEAR ahead of schedule. This feat was possible due to a superlative team effort and several decisions affecting the project's timeliness, quality, safety and cost to built. The technology used in building this new smelter simply replicated the earlier successfully implemented and proven GAMI technology at our 245,000 tonne Korba plant with the same vendors who build this smelter being reengaged.

A balanced sourcing approach for all key equipment, with world class and proven overseas and indigenous suppliers, was adopted to ensure timely delivery. This also involved directly sourcing fabricated structures instead of performing onsite fabrication thereby saving time. Multiple agencies were appointed to start project construction simultaneously across the different civil structures. Critical infrastructure construction including roads and drains was started and completed at the outset to ensure the smooth movement of material and uninterrupted construction during the monsoon season.

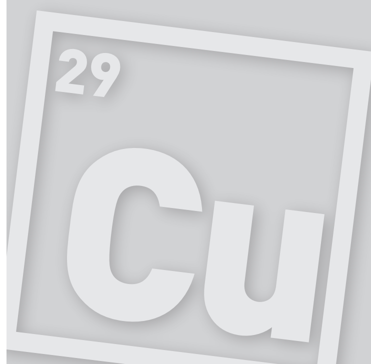
BVQI, an independent global agency, monitored the construction with regard to the quality and safety aspects. A regular awareness programme was conducted onsite and it was ensured that all vendors appointed individual safety stewards. Sustainable development initiatives were implemented for the local community in the areas of education, health and livelihood. The local populace was extensively employed and this helped garner the support of the local community and administration for this project.

These factors lead to the successful commissioning of the Jharsuguda smelter, a year ahead of schedule.

COMPLETION

PERFORMANCE
COPPER

Our Copper business comprises three major operations – Sterlite's custom smelting operations in India, CMT's mining operations in Australia and the KCM operations in Zambia. Sterlite is the leading copper producer in India.



COPPER – INDIA/AUSTRALIA

The performance of our Copper – India/Australia business in FY 2008 is set out below.

(in $ million, except as stated)	FY 2008	FY 2007	% change
Production volumes (kt)			
– Mined metal content	**28**	28	–
– Cathode	**339**	313	8.3
– Rod	**225**	178	26.4
Average LME cash settlement prices ($ per tonne)	**7,588**	6,984	8.6
Average exchange rate (INR per $)	**40.2413**	45.2857	(11.1)
Unit conversion costs			
– US cents per lb	**1.8**	6.1	(70.5)
– INR per tonne	**1,563**	6,090	(74.3)
Realised TC/RCs (US cents per lb)	**15.7**	31.1	(49.5)
Revenue	**3,118.8**	2,553.4	22.1
EBITDA	**327.2**	365.6	(10.5)
EBITDA margin	**10.5%**	14.3%	–
Operating profit	**284.9**	333.3	(14.5)

BUSINESS OVERVIEW

Our Copper business comprises three major operations – Sterlite's custom smelting operations in India, CMT's mining operations in Australia and the KCM operations in Zambia. Sterlite is the leading copper producer in India. Sterlite's copper operations include a smelter, refinery, phosphoric acid plant, sulphuric acid plant and copper rod plant at Tuticorin in southern India, a refinery and two copper rod plants at Silvassa in western India. In addition, we own the Mt. Lyell copper mine at Tasmania in Australia, which provides 7–8.0% of our copper concentrate requirements at Sterlite. KCM is largely an integrated copper producer operating three copper mines, a smelter, a refinery and a tailings leach plant in Zambia.

PRODUCTION PERFORMANCE

Production of cathodes at our Copper-India/Australia business was 339,000 tonnes in FY 2008, our highest ever and an increase of 8.3% compared with FY 2007. Average copper recovery in FY 2008 was significantly improved by 0.6% to 98.1%. During the year, we recorded our best quarterly production of 91,000 tonnes. We expect to improve on this in a consistent manner as a result of various initiatives.

Our Tuticorin smelter will remain under planned maintenance shutdown from 22 May 2008 for a period of 22 days. Post this shutdown, the current campaign life of 24 months will be increased to 30 months.

The production of copper rods increased to 225,000 tonnes in FY 2008, an increase of 26.4% compared with FY 2007, in view of increased demand.

Mined metal production at our Australian mines was consistent at 28,000 tonnes in FY 2008. CMT supplies approximately 7–8.0% of our total concentrate requirements of the Indian copper smelting operations.

UNIT COSTS

The net unit conversion costs which comprise costs of smelting and refining have reduced significantly to 1.8 US cents per lb in FY 2008 from 6.1 US cents per lb in FY 2007. While gross costs of production were under pressure primarily due to higher power costs incurred at the liquid fuel based captive power plant, net costs of production were significantly lower due to improved recovery of copper and

contribution from by-products including sulphuric acid.

TC/RC

TC/RCs for the year were 15.7 US cents per lb, in line with the market trend and our earlier projections. We were largely insulated from volatility in the spot market since a large part of our total concentrate requirement was sourced through long-term contracts with mines as well as captive supplies from our CMT operations. Based on long-term settlements at lower terms compared with the previous year and current market conditions, we expect TC/RCs to be lower in FY 2009.

SALES

Sales in the domestic market increased substantially to 157,000 tonnes in FY 2008, an increase of 34.2% compared with FY 2007, giving us better contribution vis-à-vis exports. This increase was primarily due to growth in the domestic electrical and power sector. Exports fell to 180,000 tonnes due to an increase in volumes sold in the domestic market.

FINANCIAL PERFORMANCE

A strong operating performance – an 8.3% increase in production volumes and lower unit costs of production as a result of improved recoveries, better by-product management and contribution from the phosphoric acid and precious metal business – was more than offset by weaker TC/RCs and the appreciation of the Indian rupee against the US dollar by more than 11.0%. Consequently EBITDA for FY 2008 was $327.2 million, lower by 10.5% compared with FY 2007.

The copper smelter at Tuticorin achieved a recovery of 97.6% in 2007. Sterlite's management however believed that there was potential to surpass this and achieve a higher recovery level. A team was formed to identify opportunities by which they could achieve a record level and surpass earlier achievements. A diagnostic study was undertaken to identify the root causes for recovery and remedial solutions were initiated to improve recovery productivity. This included installing new equipment at the plants and elimination of dust carry over to the effluent stream by means of installation of a high efficiency electro static precipitator.

The operations team also discovered that copper loss in the slag was poor due to blend issues. The team collected this slag and recycled it into the smelter, thereby improving recovery. The operations team also engaged in vacuum collection of fly dusts which provided appreciable benefit. Further more, losses due to revert handling were kept low throughout the year through enforcement of operational controls. A continuous focus by the smelter planning cell on the concentrate blend assays also kept the slag losses under tight control.

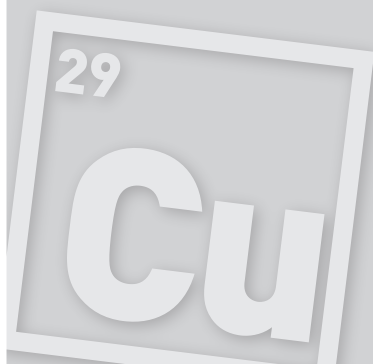
These measures lead to an appreciable improvement in copper recovery to 98+% in 2008. The smelter team is confident of scaling new heights in copper recovery in the years to come.

ACHIEVING OUR POTENTIAL

Catode stripping at Tuticorin copper refinery

PERFORMANCE
COPPER CONTINUED

Work at the Nchanga smelter expansion project remains on track with erection and pre-commissioning activities in full swing for commissioning by mid-2008.



COPPER-ZAMBIA

The performance of our Copper-Zambia business in FY 2008 is set out below.

(in $ million, except as stated)	FY 2008	FY 2007	% change
Production volumes (kt)			
– Mined metal content	**76**	84	(9.5)
– Cathode	**150**	142	5.6
Average LME cash settlement prices ($ per tonne)	**7,588**	6,984	8.6
Unit costs – US cents per lb	**191.5**	173.6	10.3
Revenue	**1,103.1**	1,015.9	8.6
EBITDA	**340.1**	468.3	(27.4)
EBITDA margin	**30.8%**	46.1%	–
Operating profit	**250.6**	413.3	(39.4)

PRODUCTION PERFORMANCE

Cathode production in FY 2008 at our Copper-Zambia business was 150,000 tonnes compared with 142,000 tonnes in FY 2007, an increase of 5.6% primarily due to an increase in production from the tailings leach plant. As a result of continuous improvement initiatives and operational efficiencies, the production from the tailings leach plant in FY 2008 was consistent throughout the year and was substantially higher at 62,000 tonnes in FY 2008, an increase of 51.2% compared with the production of 41,000 tonnes in FY 2007. Production during the last quarter suffered a setback in the month of January 2008 due to a national power grid failure, which took three weeks to progressively restore operations to normality. We are now taking appropriate measures to ensure back-up power supply.

Mined metal production in FY 2008 at 76,000 tonnes was lower due to several reasons which are being addressed by a series of measures including pre-stripping of open-pit mines, improved underground mine development, better plant availability/refurbishment of equipment and organisation development in terms of self-contained operating teams, training, capability building and incentivisation. These measures give us greater confidence that we will achieve better production from our mines and consequently from smelters.

UNIT COSTS

Unit costs of production at 191.5 US cents per lb in FY 2008 were higher compared with FY 2007 and were impacted by higher energy prices, manpower costs, lower production and higher expenditure on refurbishment of equipment for improvement in mining and plant efficiencies. The investments incurred during FY 2008 are expected to yield better performance from the

mining equipment and an improvement in plant efficiencies.

FINANCIAL PERFORMANCE

Despite the contribution of higher production volumes by 5.6% and increase in LME, EBITDA for FY 2008 of $340.1 million was lower than EBITDA of $468.3 million recorded in FY 2007, primarily due to higher unit costs of production, lower mining output and LME gains arising from settlement of provisional to final prices in FY 2007 due to sharp rise of LME prices in April and May 2006.

PROJECTS

Work on the Konkola Deeps mine expansion project is progressing well with sinking of main hoisting shaft to 435 metres out of the 1,130 metres required to achieve our target of completing the mid-shaft loading station by mid-2009, earlier than planned. Work at the Nchanga smelter expansion project remains on track with erection and pre-commissioning activities in full swing for commissioning by mid-2008.

PROJECT EXECUTION

The Project Team at Konkola identified an innovative approach to the prestigious Konkola Deeps Mining Project through which they will be able to not only advance ore delivery and commencement of KCM's revenue stream by early 2009 but also augment the final ore output from the earlier envisaged 6 mtpa to 7.5 mtpa on final project completion.

Commencing underground mining operations in 1956, the Konkola mine currently produces approximately 2 mtpa of copper ore using its existing production shafts and accessing ore up to a depth of 1000 meters.

Construction of another big vertical shaft system to augment annual ore production as well as access the vast reserves of ore lying between 1,000 to 1,500 metres is a dream that is fast becoming reality now.

The project construction commenced using the earlier conceived concepts and the team optimised these to facilitate early and enhanced ore delivery through innovative alternatives including concurrent surface and sub-surface shaft sinking and a mid-shaft loading station at a depth of 1,000 metres to enable early ore hoisting.

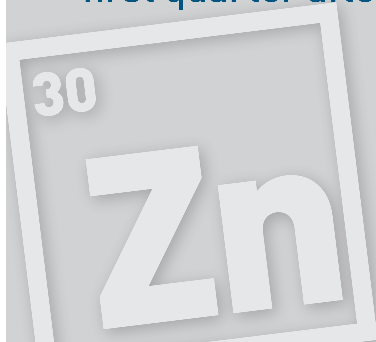
The project execution is progressing well with 450 meters of sink to the mid-shaft level already completed and the first Jumbo winder commissioned and put to use for accelerated sinking. Other auxiliary shafts, infrastructure & utility work are on track and mine development is being aggressively accelerated to double up the ore output in 2009.

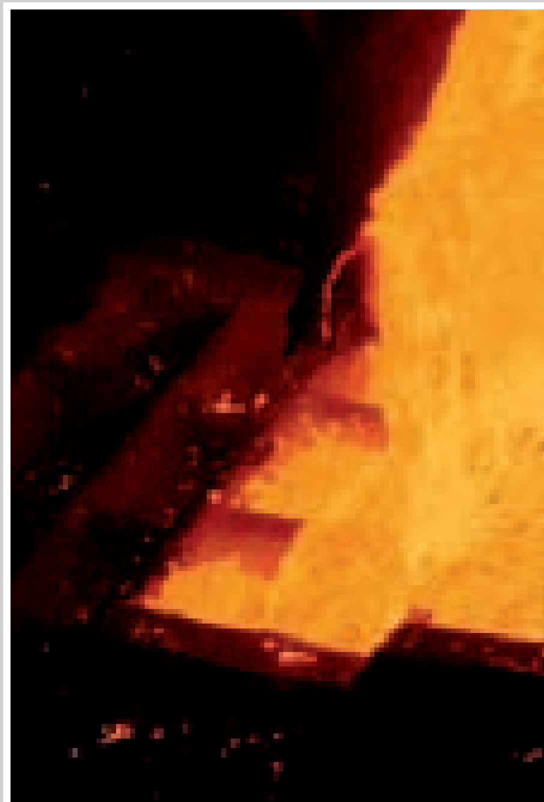
Shaft sinking at Konkola

EXPERTISE IN ACTION

PERFORMANCE
ZINC

The new 170 ktpa Chanderiya Hydro II zinc smelter was commissioned in December 2007, three months ahead of its schedule. The production ramp-up has been excellent and the plant achieved its rated capacity within the very first quarter after its commissioning.





BUSINESS OVERVIEW

Our Zinc business is operated by HZL, India's largest integrated zinc-lead producer. HZL's zinc operations include three lead-zinc mines, three zinc smelters, one lead smelter and one lead-zinc smelter in the state of Rajasthan in north-west India and one zinc smelter in the state of Andhra Pradesh in south-east India.

PRODUCTION PERFORMANCE

Mined metal production from all our mines was 551,000 tonnes in FY 2008, an increase of 9.1% over FY 2007, primarily as a result of continuous improvement measures undertaken at all our mines.

The new 170 ktpa Chanderiya Hydro II zinc smelter was commissioned in December 2007, three months ahead of its schedule. The production ramp-up has been excellent and the plant achieved its rated capacity within the very first quarter after its commissioning. The above ramp-up enabled us to achieve total refined zinc metal production in FY 2008 of 426,000 tonnes, up by 22.4% compared with 348,000 tonnes in FY 2007, with our highest ever quarterly zinc metal production of 135,000 tonnes in the last quarter of FY 2008. The Chanderiya Hydro 1 smelter is also operating at its rated capacity and achieved the landmark LME registration for its zinc metal during FY 2008.

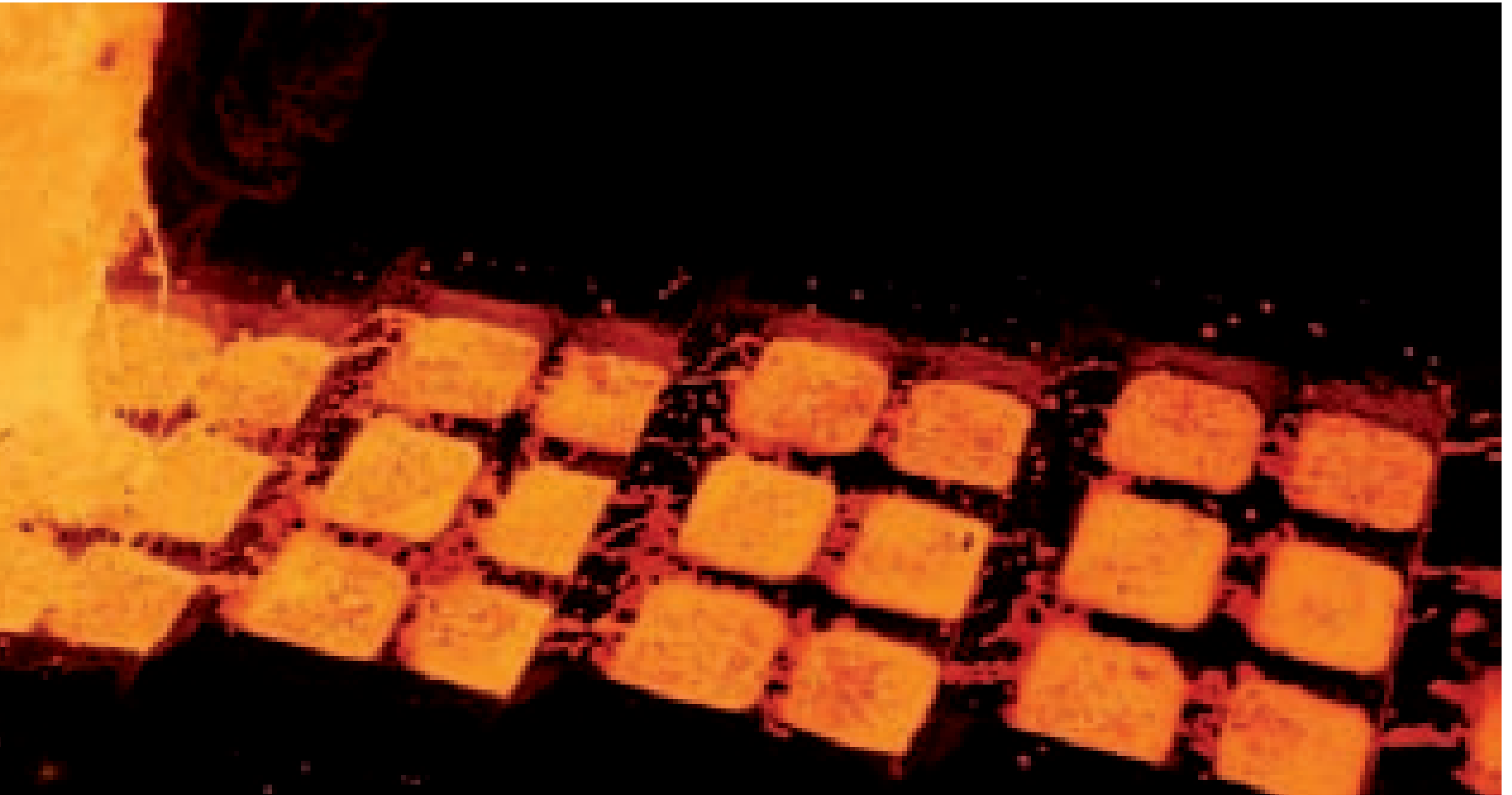
The performance of our Copper – Zambia business in FY 2008 is set out below.

(in $ million, except as stated)	FY 2008	FY 2007	% change
Production volumes – Zinc (kt)			
– Mined metal content	**551**	505	9.1
– Refined metal	**426**	348	22.4
Product volumes – Lead (kt)			
– Mined metal content	**78**	67	16.4
– Refined metal	**58**	45	28.9
Production volumes – Saleable silver (million troy ounces)	**2.58**	1.65	56.4
Average LME cash settlement prices ($ per tonne)	**2,992**	3,581	(16.4)
Average exchange rate (INR per $)	**40.2413**	45.2857	(11.1)
Unit costs			
– Zinc – $ per tonne	**884**	862	2.6
– INR per tonne	**35,590**	39,023	(8.8)
– Zinc (Other then royalty) – $ per tonne	**686**	606	13.2
– INR per tonne	**27,625**	27,435	0.7
Revenue	**1,941.4**	1,888.1	2.8
EBITDA	**1,380.1**	1,453.9	(5.1)
EBITDA margin	**71.1%**	77.0%	–
Operating profit	**1,333.0**	1,402.8	(5.0)

The production of lead during FY 2008 was 58,000 tonnes compared with FY 2007 production of 45,000 tonnes, an increase of 28.9%, with our highest ever quarterly lead metal production of 17,000 tonnes recorded in the last quarter of FY 2008. The increase was primarily due to production from the Ausmelt plant which is now stabilised.

The saleable production of silver during FY 2008 was our highest ever at 2.58 million troy ounces compared with FY 2007 production of 1.65 million troy ounces, an increase of 56.4%. This increase was primarily due to improvement in silver recoveries and higher production from the Ausmelt plant.

The Chanderiya pyro-smelter with approximate annual output of 90,000 tonnes is expected to undergo a planned plant maintenance and upgradation shutdown for about 45 days in the second quarter of FY 2009. Consequently, production volumes are likely to be lower by 12,000 tonnes.



EXPLORATION

Ongoing exploration activities at HZL have yielded significant success with an increase of 28.7 million tonnes to its reserves and resources, prior to a depletion of 5.8 million tonnes in FY 2008. Contained zinc-lead metal has increased by 4.0 million tonnes, prior to a depletion of 0.6 million tonnes during the same period. Total reserves and resources at 31 March 2008 were 232.3 million tonnes containing 27.5 million tonnes of zinc-lead metal. The reserves and resources position has been independently reviewed and certified as per JORC standard.

The success of exploration has primarily been in the Sindesar Khurd and Rampura Agucha mines. The sustained exploration and aggressive drilling programme at Sindesar Khurd mine has successfully augmented the resource base to the current level of 37.0 million tonnes, making it the second largest ore body in HZL's portfolio after Rampura Agucha, with potential for further additions, through ongoing exploration. In FY 2008, the drilling programme increased the strike length, by 300 metres, to 1,600 metres averaging 5.8% zinc, 3.8% lead and 215 ppm silver.

At Rampura Agucha, 28,000 metres of drilling in 32 holes were carried out to outline mineralisation below a depth of 550 metres. Of these, 29 holes intersected ore widths with significant grades averaging 15.5% zinc and 2.0% lead. Reserves and resources at Rampura Agucha have increased to 107.3 million tonnes at 31 March 2008.

The Group's exploration philosophy has been to replace every tonne of ore mined with at least one tonne of resource. HZL has increased its exploration focus, through a team of 40 geologists employing the latest geophysical, geochemical and GIS technologies and high speed deep drilling equipment. This has resulted in the addition of 110.7 million tonnes of reserves and resources, before depletion of 22.1 million tonnes, in the last five years.

UNIT COSTS

Unit costs of production in FY 2008 excluding royalties measured in Indian rupee terms, the currency in which a majority of the costs are incurred were stable at INR 27,625 per tonne compared with FY 2007, due to higher operational efficiencies, increase in volumes and better realisation of by-products which were offset by higher energy prices and general inflationary pressures. However due to the significant appreciation of the Indian rupee against US dollar, reported costs excluding royalties were higher at $686 per tonne in FY 2008. Royalties, which are LME-linked, were $198 per tonne in FY 2008 compared with $256 per tonne in FY 2007.

THE FASTEST GLOBAL

View from Chanderiya II cell house control room

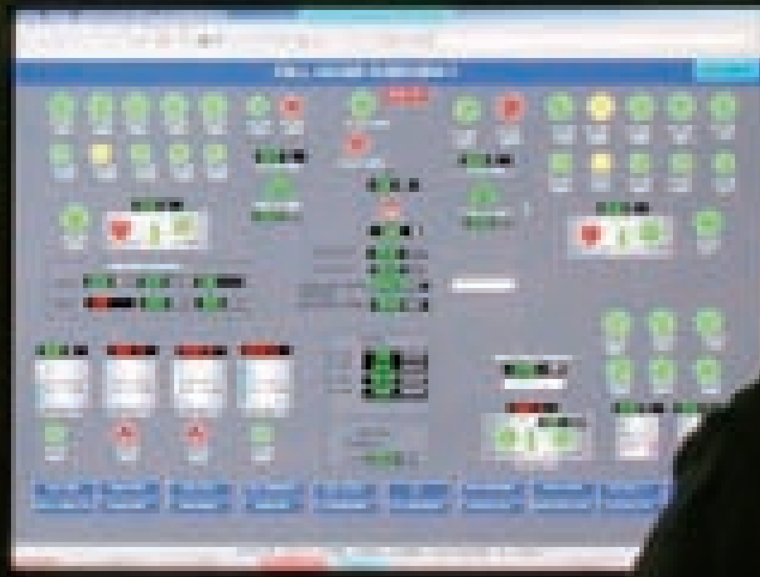
30
Zn

The Chanderiya Hydro II zinc smelter achieved the fastest commissioning in the entire history of the zinc industry globally – within 20 months of project ground breaking. The additional focus of this project was to achieve a DREAM RAMP UP and HZL successfully achieved the smoothest ramp up to rated capacity and quality within ten days of the smelter start up.

HZL charted out Phase II of its expansion to increase capacity to 670,000 tpa of metal by 2008. The key learning from the earlier Phase I expansion were collated after several sessions of intense brainstorming and made available to the entire team. A Commissioning Champion was nominated nearly one year in advance of the actual start up of operations.

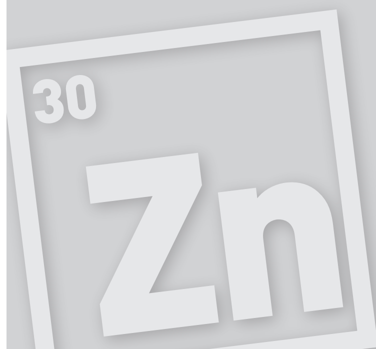
The operating team was thoroughly trained and their knowledge enhanced through formal on-the-job training. To make the whole process robust, the people were taken through a series of tests to enhance their understanding of the smelter operations. Mock situations were simulated with operators made to react to adverse situations and checked for adherence to standard operating procedures. In addition, over 50 operators and maintenance engineers were also trained overseas.

A stringent process of cold commissioning with handover and takeover protocols was implemented between the projects and commissioning teams. Most important of all was the single unified voice across the entire team to make the Fastest Commissioning and Dream Ramp Up happen – the driving force behind the team's determination and enthusiasm.



SMELTER COMMISSIONING

We successfully completed our 88,000 tpa zinc debottlenecking project at HZL's Chanderiya and Debari smelters two months ahead of schedule, increasing our total metal production capacity to 754,000 ktpa.



SALES

We sold 338,000 tonnes of zinc metal in the domestic markets during FY 2008, an increase of 65.7% compared with FY 2007, by improving sales to major domestic customers thereby generating better contribution vis-à-vis exports. Consequently, exports were limited to 88,000 tonnes of zinc metal in FY 2008, down 39.3% compared with FY 2007. In addition to refined zinc metal, we also sold 232,000 dry metric tonnes of zinc concentrate and 65,000 dry metric tonnes of lead concentrate, in FY 2008.

FINANCIAL PERFORMANCE

Despite a 22.4% increase in production volumes and stable operating costs, EBITDA in FY 2008 was lower at $1,380.1 million compared with FY 2007 primarily due to the significant reduction in LME zinc prices by 16.4% and the appreciation of the Indian rupee against the US dollar by more than 11.0%.

PROJECTS

We successfully completed our 88,000 tpa zinc debottlenecking project at HZL's Chanderiya and Debari smelters two months ahead of schedule, increasing our total metal production capacity to 754,000 ktpa.

In line with achieving our stated production capacity goal of 1.0 million tonnes per annum and supported by our strong reserves and resources position as discussed earlier, we recently announced expansion projects at HZL that will take our total integrated zinc-lead capacity to 1,065,000 tonnes per annum with fully integrated mining and captive power generation capacities, thereby making it the world's largest integrated zinc-lead producer by 2010. Two brown field smelter projects, which will increase the production capacities of zinc and lead by 210,000 kt and 100,000 kt respectively, will be undertaken at Rajpura Dariba in Rajasthan, India.

We also expect to increase our silver production from the current levels of nearly 2.6 million ounces per year to a level of approximately over 16.1 million ounces per year in the form of silver and silver bearing residue. A large part of this increase would be from the Sindesar Khurd mine where silver occurrences are approximately at levels of 200 ppm and from improved recoveries in the new smelters.

To support the increased smelting capacities, HZL will expand its ore production capacity at the Rampura Agucha mine from 5 mtpa to 6 mtpa. Ore production at the Sindesar Khurd mine will be increased from 0.3 mtpa to 1.5 mtpa. HZL will also start mining activity at the Kayar mine which will have a production capacity of 0.3 mtpa.

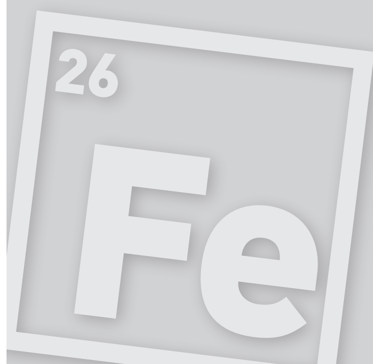
In line with the Group's philosophy of being a fully self-reliant producer of power, a captive thermal power plant with a capacity of 160 MW will also be built at Rajpura Dariba.

The zinc and lead smelters as well as the 160 MW captive power plant and the Rampura Agucha mine expansion will be complete by mid-2010. The expansions at the Sindesar Khurd and Kayar mines will be completed in phases by early 2012.

The total investment in these projects is estimated at $900.0 million. This investment includes the cost of the smelters, captive power facilities, mine development and shaft sinking and other infrastructure. The expansion will utilise the same technology and project management skills that successfully delivered the Chanderiya II expansion project ahead of schedule.

PERFORMANCE
IRON ORE

We successfully integrated Sesa Goa into our fold. Sesa Goa has set itself an ambitious growth vision and has taken several initiatives towards implementing this plan.



BUSINESS OVERVIEW

In April 2007, we acquired a 51.0% controlling stake in Sesa Goa, India's largest private sector producer-exporter of iron ore. Sesa Goa is engaged in the exploration, mining and processing of iron ore. Sesa Goa's mining operations are located in the iron ore rich Indian states of Goa, Karnataka and Orissa, backed by iron ore reserves and resources totalling 202.0 million tonnes at 31 March 2008. While the iron ore at Goa contains low iron content deposits, ranging between 58.0% and 62.0% grade, the mines in Karnataka and Orissa comprise higher grade deposits, ranging between 62.0% and 65.0%. Sesa Goa also has a 265,000 tpa pig iron plant and a 265,000 tpa metallurgical coke plant at Goa. Its primary products are iron ore – lumps and fines, pig iron and metallurgical coke.

We successfully integrated Sesa Goa into our fold. Sesa Goa has set itself an ambitious growth vision and has taken several initiatives towards implementing this plan through an accelerated debottlenecking programme, performance improvement measures and capability building with active support from our other Group companies.

PRODUCTION PERFORMANCE

Saleable iron ore produced for the full year FY 2008 was 12.440 million tonnes, the highest ever iron ore production by Sesa Goa so far and an increase of 17.0% over FY 2007 production of 10.628 million tonnes.

Vedanta's attributable production for the post acquisition period was 11.5 million tonnes. This higher production is primarily attributable to a comprehensive improvement programme to increase the operational efficiencies.

Production of pig iron was 271,000 tonnes for the full year FY 2008, an increase of 11.5% compared with FY 2007. Pig iron production during the year was the highest ever production by Sesa Goa so far.

The performance of our Iron Ore business in FY 2008 is set out in the table below.

(in $ million, except as stated)	FY 2008*	FY 2007	% change
Production volumes (kt)			
– Saleable ore	**11,469**	–	–
– Pig iron	**248**	–	–
Sales volumes (kt)			
– Iron ore	**11.287**	–	–
– Pig iron	**244**	–	–
Revenue	**888.9**	–	–
EBITDA	**585.6**	–	–
EBITDA margin	**65.9%**	–	–
Operating profit	**420.0**	–	–

* Information is presented for the post acquisition period of 11 months through 31 March 2008 and is not directly comparable with the corresponding prior period.

SALES

Iron ore shipments during the full year FY 2008 were 12.353 million tonnes, consistent with the significantly higher production and highest ever achieved by us. Production and sales attributable to the post acquisition period was 11.5 million tonnes and 11.3 million tonnes respectively. In the last quarter, we had the highest ever quarterly shipment of 4.967 million tonnes of iron ore by Sesa Goa to date. Due to the impact of the seasonal monsoon cycle in the region where our iron ore operations are located, shipment of approximately 9.0 million tonnes were made in the second half of FY 2008, following a broad pattern of one-third and two-thirds respectively in the first and second halves of FY 2008.

During FY 2008, most of the incremental production was placed in the spot market, thereby improving the ratio of spot sales to long-term contract sales compared with the previous year and benefiting from higher spot sale prices. Additionally, we undertook various marketing initiatives to further improve the contribution.

We export primarily to China which accounts for nearly 67.0% of our total exports with remaining quantities exported to Japan, Pakistan and other nearby markets. Out of the total shipments, exports account for nearly 82.0% of total with the remainder being sold in the domestic market on an ex-mine basis primarily from Goa and Orissa.

The global market for iron ore continues to remain tight in the short- to medium-term primarily due to new supply constraints, robust steel demand and logistical constraints associated with rail and port facilities and vessel shortages. As a result of these market conditions, spot prices of iron ore are expected to remain tight, in the short- to medium-term.

We sold 266,000 tonnes pig iron in the full year FY 2008 consistent with the production, primarily in the domestic market.

FINANCIAL PERFORMANCE

Revenues for post acquisition period of 11 months in FY 2008 were $888.9 million with an EBITDA of $585.6 million. The revenues and EBITDA were higher quarter-on-quarter due to higher sales volumes, improved spot sales-to-long-term contract mix and higher sales realisation despite inflationary cost pressures.

A FLIGHT TO EXCELLENCE

Sesa Goa initiated an improvement programme at its Goa operations in August 2007 christened 'UDAAN' which means 'FLIGHT'. UDAAN, Sesa Goa's Flight to Excellence, focused on enhancing operational efficiency and debottlenecking existing assets. The team identified and implemented over 50 efficiency improvement ideas along the entire value chain including reduction of cycle times by better planning, route and pit optimisation; monitoring loading and haul times in mining; monitoring contractor performance management; streamlining of loading and unloading activities and movement for road transport from mines to bunders; and improved planning and scheduling of barges.

Selective debottlenecking initiatives were taken up to increase plant throughput. Optimal loading of barges was ensured by ensuring strict adherence with standard operating procedures and planning. Standard procedures for an 'ideal shift' were developed and implemented at the mining operations.

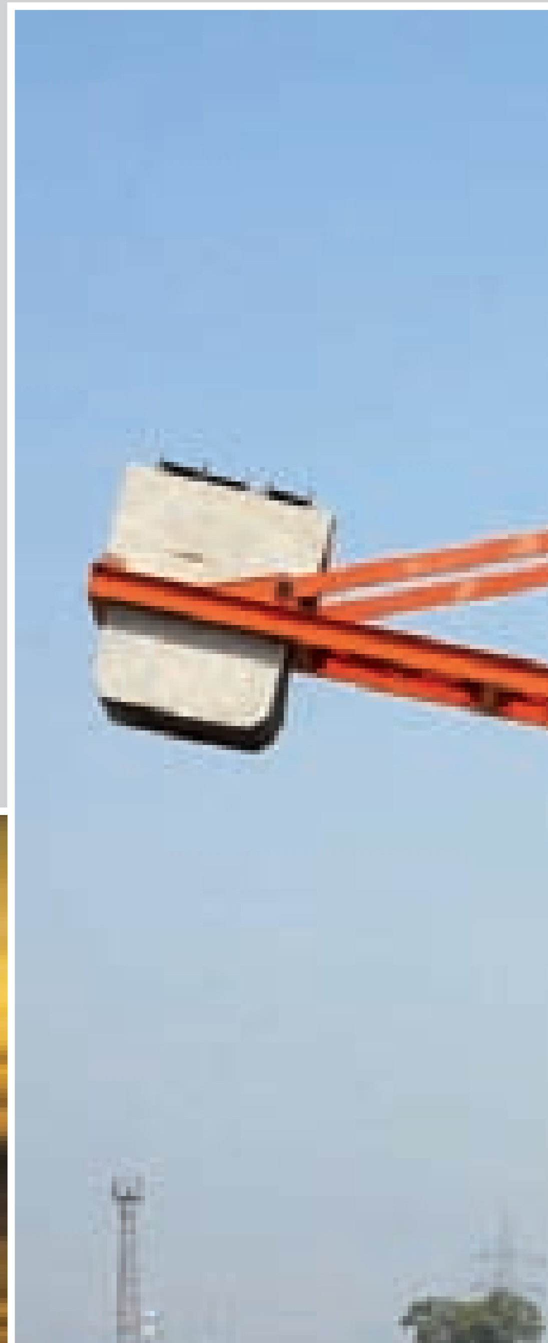
Over 250 employees participated in this effort with cross-functional teams sent to mines around the world and to other Vedanta Group companies to draw learnings and best practices. Experts and suppliers were brought in for brainstorming sessions. The frontline was actively involved in idea generation sessions and the frontline incentive schemes were modified to focus on the efficiency improvements being targeted.

This cross-functional effort, led by the iron ore operations and logistics team at Sesa Goa, delivered a 23.0% increase in sales from Goa and set new benchmarks for throughput in all parts of the value chain. The Sesa Goa team is now rolling out 'UDAAN', the Flight to Excellence, to its operations in Karnataka and Orissa, and pushing for higher stretched targets.

Magnetic crane at Sesa Goa plant

PERFORMANCE
OTHER BUSINESSES

In respect of our green energy initiative projects, we have progressively commissioned 107.2 MW wind power plants as of March 2008.



COMMERCIAL ENERGY BUSINESS

Work on 2,400 MW (600 MW x 4) green field coal based independent thermal power plant at Jharsuguda, Orissa is progressing well with equipment deliveries on schedule. The construction activities are in full swing and the project is on schedule for progressive commissioning from December 2009 as announced. During FY 2008, we obtained coal block allocations of 320 mt, including the largest and single allocation of 210 mt.

In respect of our green energy initiative projects, we have progressively commissioned 107.2 MW wind power plants as of March FY 2008 and are working satisfactorily. The remaining projects to take the wind power plant capacity to 123.2 MW are under execution for progressive commissioning by mid-FY 2008.

GOLD BUSINESS

Since January FY 2007, the gold mining operations in Armenia were suspended pending resolution of some of the key clauses of the implementation agreement entered into with the Government of the Republic of Armenia. Due to a delay in finding a resolution, Vedanta continued to explore other alternatives and in August FY 2007 entered into an agreement with a third party for sale of the business together with all assets and liabilities. The agreement involved the sale of Vedanta's full shareholding in Sterlite Gold at a price of $0.3845 per Sterlite Gold share equating to the total of $85.9 million and the settlement by the purchaser of Sterlite Gold's $25.0 million payables to the Vedanta Group. The gain on disposal of Sterlite Gold operations of $29.8 million has been recognised in the income statement as special item.

FINANCIAL REVIEW

The Financial Review provides a balanced and comprehensive analysis, including the key business trends and financial performance during FY 2008, together with a discussion on some of the factors that could affect the future financial performance of the business.

BACKGROUND

Our financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the European Union. Our reporting currency is the US dollar.

KEY FINANCIAL HIGHLIGHTS

- Revenues in excess of $8.0 billion.
- EBITDA in excess of $3.0 billion and another record.
- Volume growth across all metals and stable Indian rupee costs offset the impact of appreciation of the Indian rupee against the US dollar.
- Strong cash flow – $2.2 billion translates to 86.0% of operating profit.
- Balance sheet continues to be under-leveraged – a solid platform for funding new project pipeline.
- Net cash of $2.1 billion at 31 March 2008 after investing $2.0 billion in capacity expansion projects.
- Sesa Goa successfully acquired, making a significant contribution to the Group's revenues and earnings.
- Listing of Sterlite on the NYSE raising fresh equity of $2.0 billion, highest ever by any Indian company in an IPO in the US markets.
- Underlying EPS over $3.0 per share despite dilutive effect of Sterlite's equity issuance.
- ROCE (adjusted for project capital work in progress) continues to be strong at 45.6%.

SUMMARY OF GROUP FINANCIAL PERFORMANCE

FY 2008 was a year of excellent financial performance on the back of higher production across all our metals, our acquisition of Sesa Goa and improved efficiencies in all our Indian operations.

KEY FINANCIAL PERFORMANCE INDICATORS*

(in $ millions, except as stated)	**FY 2008**	FY 2007	FY 2006	FY 2005	FY 2004
EBITDA	**3,010.4**	2,703.0	1,101.5	454.0	322.7
Underlying EPS (US cents per share)	**303.9**	327.0	130.2	48.9	26.6
Free cash flow	**2,216.9**	1,504.2	634.8	204.4	335.4
ROCE (excluding project capital WIP) (%)	**45.6**	78.5	37.9	32.0	24.1
Net (cash)/debt	**(2,142.7)**	(432.7)	11.9	74.3	(422.3)

* Figures for FY 2007, FY 2006 and FY 2005 are under IFRS and figures for FY 2004 are under UK GAAP.

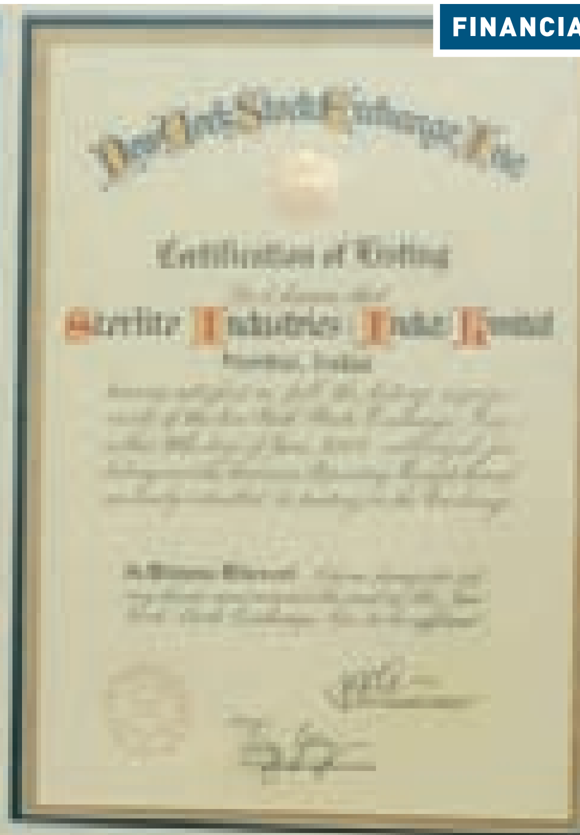
This helped us maintain our cost competitiveness and sustain our profitability despite several unfavourable economic conditions. The year also saw us achieving several financial milestones in our history including record revenues and EBITDA of over $8.0 billion and over $3.0 billion, respectively; record free cash flows of $2.2 billion; strong balance sheet with net assets of $9.2 billion; and the listing of our subsidiary, Sterlite on the NYSE.

We delivered superior returns on all of our shareholder value creation parameters namely, strong free cash flows, higher EBITDA and strong ROCE and Underlying Earnings per Share.

We continue to strengthen our balance sheet with net cash of $2.1 billion, an increase of nearly $1.7 billion compared with FY 2007. Total Shareholders' funds at 31 March 2008 were $9.2 billion, up from $4.2 billion at 31 March 2007. We generated strong free cash flows of $2.2 billion in FY 2008. Our strong cash generation and position helped finance a record level of capital expenditure of $2.0 billion during FY 2008 and enables us to fund our future growth opportunities.

Revenues crossed $8.2 billion in FY 2008 up from $6.5 billion in FY 2007, an increase of 26.2% driven by higher volumes in all our operations and the acquisition of Sesa Goa during the year. We achieved record EBITDA of over $3.0 billion, operating profit of $2.6 billion and profit after tax of over $2.0 billion in FY 2008. Our earnings per share were maintained at over $3.0 per share, despite expansion of equity at our major Indian subsidiary, Sterlite. This excellent performance was the result of higher volumes across all our metals, acquisition of Sesa Goa, improved efficiencies in our operations and effective cost management – all of which countered the adverse economic conditions including unfavourable currency fluctuations and inflationary pressures on certain key inputs. Our ROCE (excluding capital work-in-progress) in FY 2008 was 45.6% reflecting a healthy level of capital productivity.

On the back of our strong financial performance, we are proposing to declare a final dividend of 25.0 US cents per share taking the total dividend for FY 2008 to 41.5 US cents per share up from 35.0 US cents per share in 2007.



A detailed discussion on the financial performance of the Group is set out below.

(in $ millions, except as stated)	FY 2008	FY 2007	% change
Revenue	**8,203.7**	6,502.2	26.2
EBITDA	**3,010.4**	2,703.0	11.4
EBITDA margin (%)	**36.7%**	41.6%	–
Operating special items	**11.1**	(1.7)	–
Depreciation and amortisation	**(429.1)**	(195.4)	–
OPERATING PROFIT	**2,592.4**	2,505.9	3.5
Share of loss of associate	**–**	(1.3)	–
Profit before interest and tax	**2,592.4**	2,504.6	3.5
Net interest income/(charge)	**170.8**	(20.2)	
PROFIT BEFORE TAX	**2,763.2**	2,484.4	11.2
Income tax expense	**(757.7)**	(672.7)	–
Tax rate (%)	**27.4%**	27.1%	–
Minority interest	**(1,126.5)**	(877.5)	–
Minority interest rate (%)	**56.2%**	48.4%	–
ATTRIBUTABLE TO EQUITY SHAREHOLDERS IN PARENT	**879.0**	934.2	(5.9)
BASIC EARNINGS PER SHARE (US CENTS PER SHARE)	**305.4**	325.6	(6.2)
UNDERLYING EARNINGS PER SHARE (US CENTS PER SHARE)	**303.9**	327.0	(7.1)

REVENUE

Our FY 2008 revenues increased to $8,203.7 million, up 26.2% from $6,502.2 million in FY 2007. Revenues for the year include post acquisition revenues of $888.9 million from Sesa Goa. Of the increase of $812.6 million from non-Iron Ore businesses, $652.6 million was recorded in Copper business and balance in aluminium and zinc operations. The higher sales volumes across metals and higher copper prices in FY 2008 compared with FY 2007 were partially offset by lower zinc prices.

After we acquired Sesa Goa our focus on enhancing productivity has resulted in sales volumes reaching record levels of 12.4 million tonnes for the full 12-month period.

While we continue to focus on increasing our volume growth in India, additional volumes from the growth projects have given us opportunities to develop and expand our sales outside India, particularly in the nearby markets in the Asian region. Revenue from sales to customers in India was $3,796.2 million or 46.3%, Far East, mainly China, was $2,702.1 million or 32.9% while the rest of the world contributed the remainder.

EBITDA AND OPERATING PROFIT

EBITDA for the year crossed the record $3.0 billion milestone on the back of higher volumes across all metals, stable costs incurred in our Indian operations and contribution from the Iron Ore business acquired during FY 2008. An analysis of the movement in EBITDA between FY 2008 and FY 2007 is as follows:

– Sales volumes in all our businesses were higher than the previous year owing to higher productivity, debottlenecking and additional volumes from new capacity expansion projects. These factors resulted in higher EBITDA of $327.2 million;
– EBITDA from iron ore business post acquisition was $585.6 million. We sold 12.4 million tonnes of iron ore during the 12-month period surpassing the earlier best by about 17.0%. Of this, we accounted for 11.3 million tonnes being the tonnage sold during the post acquisition period. We sold most of the incremental production at the spot market prices thereby enhancing our profitability. The Iron Ore business witnessed major increase in prices during FY 2008;

FINANCIAL REVIEW
CONTINUED

- Our focus on cost management has yielded positive results across most of our operations. We were able to contain our unit cash costs denominated in Indian rupee terms in our major Indian operations through better productivity and cost savings initiatives, although we faced all round cost pressures. Our Zambian operations too were impacted by high all round cost pressures in manpower costs, repairs and maintenance of the plants, lower mine production and expenditure to improve plant efficiencies;
- Lower average LME prices in zinc by about 16.0% and marginally lower aluminium prices have more than offset the higher LME prices in copper and lead resulting in lowering EBITDA by $131.1 million;
- During the year macro economic conditions favoured the Indian rupee which appreciated against the US dollar by 11.1%. This adversely impacted EBITDA by $150 million across all our products in Indian operations;
- Hedging losses, lower TCs on zinc and lead concentrate sales and LME gains arising from the settlement of provisional to final prices in FY 2007 due to a sharp rise in LME prices in April and May 2006 adversely impacted EBITDA by $180.0 million;
- Our copper operations in India are susceptible to movements in TC/RCs. As expected and indicated by us last year, TC/RCs during FY 2008 softened and were approximately half of last year's levels. This has resulted in lower operating margins for the business. The impact of lower TC/RC in FY 2008 on EBITDA was $115.0 million; and
- We managed our by-products well in FY 2008. Our profitability from these operations such as sulphuric acid, phosphoric acid and silver are much higher than in the previous year. We realised more per unit of such products during the current year. We also found new markets for some of our waste products thereby directly adding to profits.

EBITDA margin in FY 2008 was 36.7%, lower than 41.6% in FY 2007. The decrease in EBITDA margin was the result of factors including higher copper prices adding only to revenues in our Indian custom smelting operation without a corresponding benefit in EBITDA, cost pressures at our KCM operations, lower TC/RCs, lower zinc prices and appreciation of the Indian rupee vis-à-vis the US dollar. The EBITDA recorded by the individual businesses is set out as follows.

(in $ millions, except as stated)	FY 2008	FY 2007	% Change
Aluminium	**380.7**	415.4	(8.4)
Copper	**667.3**	833.9	(20.0)
Zinc	**1,380.1**	1,453.9	(5.1)
Iron ore	**585.6**	–	–
Others	**(3.3)**	(0.2)	–
TOTAL	**3,010.4**	2,703.0	11.4

Group operating profit in FY 2008 increased to $2,592.4 million up from $2,505.9 million in FY 2007, or 3.5%. Group operating profit from non-Iron Ore businesses was $2,172.4 million in FY 2008, lower than the FY 2007 levels of $2,505.9 million, for reasons enumerated above.

SPECIAL ITEMS
Special items are significant items of income and expense which, due to their nature or infrequency are presented separately in the income statement under this caption. In FY 2008, we disposed our entire interest in Sterlite Gold which resulted in a net gain of $29.8 million. We also entered into an agreement to sell our equity stake in IFL, an associate company and recognised an estimated loss of $18.7 million on this transaction. Further details of these transactions are given in the section 'Acquisitions and Disposals of Businesses' below.

DEPRECIATION
Depreciation charge for FY 2008 increased to $429.1 million, up from $195.4 million in FY 2007 mainly due to the addition of mining reserves in Sesa Goa and also due to the commissioning of our new Chanderiya Hydro II zinc smelter.

NET INTEREST INCOME/(CHARGE)
Net interest income was $170.8 million in FY 2008 compared with a net interest charge of $20.2 million in FY 2008. Investment income increased significantly to $321.4 million in FY 2008, up from $127.5 million in FY 2007. Finance costs have marginally increased to $150.6 million in FY 2008 up from $147.7 million in FY 2007.

The net proceeds from Sterlite's ADR issue are temporarily invested in interest earning securities pending their investment in expansion projects and other purposes for which the funds were raised. Further, strong operational profits and efficient working capital management ensured generation of strong cash flows which in turn were also invested in interest earning securities.

Our zinc operations, in particular, had large surplus cash which increased substantially during the year with inflows from operations. The average investment in interest earning securities in FY 2008 was $4,572.0 million, up from $2,150.0 million in FY 2007. We also increased our average yield on these investments.

Average debt in FY 2008 was $3,198 million, which was higher than FY 2007 levels of $1,965 million. We raised new debt of $1,239 million during the year mainly for the Sesa Goa acquisition ($1.0 billion) and also to meet our project finance requirements. We had also availed short-term funding facilities from banks to meet working capital requirements in some of our businesses. Finance costs were partially reduced during the year due to the early repayment of a portion of outstanding loans during the year, ahead of their schedule and due to the softening of interest rates in the second half of FY 2008. Since a majority of our borrowings are availed at floating rates of interest, the benefit of softened interest rates is reflected in the income statement.

TAXATION

The effective tax rate for FY 2008 is 27.4% marginally higher than the rate of 27.1% in FY 2007. The cash tax rate has increased to 22.6% in FY 2008 from 20.7% in FY 2007. We have taken a number of steps to improve our efficiencies in tax management. There are several tax incentives available to companies operating in India, some of which are as follows:

- Profits from units designated as an EOU, from where goods are exported out of India, are exempt from tax;
- Profits from newly constructed power plants benefit from tax holiday for a specified period;
- Investments in projects where alternative energy such as wind energy is generated can claim large tax depreciation in the first year of operations; and
- Income from investment in mutual funds is exempt from tax subject to certain deductions.

We have made effective use of these benefits in our operations. Such benefits have resulted in lower effective tax rates in some of our major operating subsidiaries such as HZL and Sterlite. Sterlite has benefited from its 100.0% EOU status, where profits on export sales are exempt from tax for a specified period. HZL has considerable investments in captive power plants enjoying tax exemptions and has also benefited from establishing wind energy generating projects where considerable tax benefits accrued to the business. Moreover, a large part of HZL's investment of its surplus cash is in tax exempt instruments.

These positive factors were offset by a higher than average tax rate incurred at Sesa Goa, a large contributor to the profits in FY 2008. Currently, only a small portion of Sesa Goa's profits are exempt from tax. New tax planning measures at Sesa Goa are being introduced and we are hopeful of a reduction in Sesa Goa's effective tax rate in the next financial year and this reduction will have a positive impact on the Group's effective tax rate.

There were changes to the tax regime in Zambia where the tax rates applicable to mining companies were increased from 25.0% to 30.0%, effective April 2008. The Zambian Government has also introduced a number of new taxes which will have a negative impact on the profitability of our Zambian operations. The new taxes applicable to KCM are in the form of windfall tax or variable profit tax. Though the new tax rates are effective from 1 April 2008, the tax legislation was substantially enacted before the year end and hence the deferred tax liability was re-stated to the higher tax rate. We are in discussions with the Zambian Government on this matter.

Lastly, the marginal tax rate for Indian companies was raised from 33.66% to 33.99% from FY 2008.

The tax rate is also sensitive to the availability of various incentives which differ from subsidiary to subsidiary, due to differing tax rates in India and Zambia and also to changes in the profit mix among subsidiaries.

ATTRIBUTABLE PROFIT

Attributable profit for FY 2008 was $879.0 million against $934.2 million in the previous year. Strong operating performance from the non-ferrous businesses despite some adverse economic conditions, significant contribution from the newly acquired Iron Ore business, net finance income from good yield on surplus cash and good tax planning all helped us to cross the $2.0 billion milestone in total profit after tax in FY 2008. However, the profit attributable to equity shareholders reduced from 51.6% to 43.8%, primarily due to the impact of the additional issue of shares by Sterlite which has resulted in higher minority interests and a change in the profit mix with higher contributions to profits coming from Sesa Goa, HZL and BALCO, which have higher minority interests.

In April 2008, we acquired ZCI's 28.4% to take our ownership in KCM to 79.4%, which will have a positive impact on attributable profits. We continue our effort to increase our shareholding in HZL and BALCO and the status of these acquisitions has been discussed later in this report.

EARNINGS PER SHARE AND DIVIDEND

Basic EPS in FY 2008 was 305.4 US cents per share as against 325.6 US cents per share in FY 2007, primarily due to a decrease in attributable profits.

Dilutive elements include adjustments for the convertible bond of 27.9 million shares and 3.8 million shares to be issued under the LTIP. On this basis, the fully diluted EPS in FY 2008 was 286.7 US cents per share against 305.4 US cents per share in FY 2007.

In line with the Company's progressive dividend policy, the Board proposes a final dividend of 25.0 US cents per share for the year 31 March 2008 giving a total dividend for the full year of 41.5 US cents per share. The total dividend is higher by 18.6% than the previous year's dividend of 35.0 US cents per share.

BALANCE SHEET

(in $ millions, except as stated)	**31 March 2008**	31 March 2007
Goodwill and tangible assets	**8,367.8**	3,850.1
Other non-current assets	**169.9**	162.3
Cash, and liquid investments	**5,106.7**	2,185.2
Other current assets	**2,391.7**	1,874.1
Debt	**(2,964.0)**	(1,752.5)
Other current and non-current liabilities	**(3,864.4)**	(2,167.8)
NET ASSETS	**9,207.7**	4,151.4
Shareholders' equity	**3,847.1**	2,326.9
Minority interests	**5,360.6**	1,824.5
TOTAL EQUITY	**9,207.7**	4,151.4

The key driver of movements in the balance sheet in FY 2008 is our investment in long-term growth projects across all metals and our acquisition of Sesa Goa. Effective operational and working capital management by our subsidiary companies contributed to a stronger balance sheet at 31 March 2008, which enables us to pursue growth opportunities.

FINANCIAL REVIEW
CONTINUED

TANGIBLE FIXED ASSETS

During FY 2008, we added approximately $4.5 billion to property, plant and equipment, net of depreciation and disposals, of which nearly half was from investments in expansion projects and the remainder was from the acquisition of Sesa Goa. Details of expenditure on growth projects are given in the table below.

(in $ millions, except as stated)	Original estimated cost	Spent to 31 March 2008	Committed but not yet spent	Status
PHASE I EXPANSION PROJECTS ANNOUNCED AT THE TIME OF VEDANTA IPO				
Lanjirarh (Alumina)	**800.0**	734.5	32.9	Under trial run
Other projects in aluminium, copper and zinc	**1,412.0**	1,168.5	–	Completed
Total Phase I	**2,212.0**	1,903.0	32.9	
PHASE II EXPANSION PROJECTS ANNOUNCED UP TO MARCH 2008				
Jharsuguda (Aluminium)	**2,100.0**	1,115.9	947.5	Phase I nearing completion
Konkola mine (Copper)	**674.0**	279.1	160.8	In progress
Nchanga smelter (Copper)	**372.0**	256.5	85.8	In progress
Chanderiya (Zinc)	**300.0**	304.9	3.8	Completed
Jharsuguda (IPP 2400 MW)	**1,900.0**	365.0	1,124.1	In progress
Zinc-lead debottlenecking	**170.0**	116.1	30.8	Completed
Wind energy	**132.5**	136.3	5.3	Partially complete
Total Phase II	**5,648.5**	2,573.8	2,358.1	
TOTAL	**7,860.5**	4,476.8	2,391.0	

We recently announced brown field projects to increase our zinc and lead capacities by 210,000 tonnes and 100,000 tonnes respectively which will take our total integrated zinc-lead capacity to over a million tonnes at 1,065,000 tonnes with fully integrated mining and captive power generation capacities, thereby making HZL the world's largest integrated zinc-lead producer by 2010.

Commitments towards expansion projects at 31 March 2008 as per table above were $2.4 billion. We expect to fund these commitments with a mix of internal cash generation and debt/equity, as we consider appropriate. We also expect these commitments to be supported by our strong balance sheet in addition to committed funding facilities which are in place.

EQUITY SHAREHOLDERS' FUNDS

Shareholders' equity as at 31 March 2008 was $3,847.1 million up from $2,326.9 million at 31 March 2007.

Strong operational performance resulted in an increase in attributable profit of $879.0 million during FY 2008. Sterlite issued additional shares through an IPO on the NYSE and raised $2.0 billion, which resulted in a reduction in Vedanta's economic interests in Sterlite. The impact of this transaction is a net increase of $698.5 million to shareholders' equity and the balance to minority interests. Shareholders' funds were also increased in FY 2008 due to a positive currency translation effect of $230.1 million as the Indian rupee and the Australian dollar strengthened against the US dollar.

We continue our programme of consolidating our holdings in our major subsidiaries. We acquired ZCI's 28.4% stake in KCM in April 2008 for a consideration of $213.2 million. At 31 March 2008 we have accrued this liability with a corresponding reduction to equity. In FY 2009 when the completion of this transaction is accounted for in the financial statements, we expect a net addition to shareholders' equity of $20.0 million.

In respect of our options to acquire the minority stake held by Government of India in BALCO, the mediation proceedings, as directed by the court, were conducted and we are awaiting further communication from the Government of India on this matter. In the case of HZL, we have not yet exercised our call option which became due in April 2007. We have however, expressed our interest to purchase the entire residual interest of the Government of India in HZL. We are currently awaiting a response from the Indian Government.

Movement in minority interests by $3,536.1 million was the result of an increase in minority shareholding in Sterlite as a result of the ADS issue and the acquisition of Sesa Goa where minority shareholding is about 49.0%, in addition to a higher share of profits due to change in the profit mix.

NET CASH

At 31 March 2008, net cash was $2,142.7 million, up from $432.7 million at 31 March 2007. Net cash comprises $5,106.7 million of cash and liquid investments offset by net debt of $2,964.0 million. The net cash position has improved by $1,710.0 million in FY 2008, reflecting strong operational cash flows and the infusion of funds from the Sterlite ADS issue, partly offset by new borrowings of $1.0 billion for acquiring Sesa Goa and investment in capital projects of $1,997.7 million.

We raised about $3.0 billion of equity and debt during the year. We raised a bridge loan of $1.0 billion in April 2007 to finance the acquisition of Sesa Goa. In June 2007, Sterlite offered its shares in the US markets and we raised $2.0 billion, the largest ever IPO by an Indian company in the USA. The offering received a good response and was over-subscribed. Sterlite issued 150 million shares at an initial offering price of $13.44 per share. Each of our businesses continues to avail short-term bank credit to meet their operational and project requirements.

Apart from the bridge loan taken to acquire Sesa Goa, we have availed additional project finance of nearly $239.0 million. During the year, our operating companies reduced their debt levels by repaying a portion of their debt ahead of schedule. All our operating companies have generated strong cash flows reflecting good working capital management. Free cash flow during the year was $2,216.9 million and represents 73.6% of EBITDA in FY 2008, a significant improvement over FY 2007 ratios of 55.6%.

External debt held by operating subsidiaries was $757.3 million at 31 March 2008 which was higher than $560.8 million at 31 March 2007, primarily due to additional project finance in some of our subsidiaries, which are engaged in large capacity expansions. Each of our businesses continues to utilise short-term bank credit to meet local operational and project requirements.

LIQUIDITY AND DEBT MATURITY PROFILE

Our strong balance sheet position provides us with ample opportunities to raise funds to meet our commitments for current and future growth pipeline. A cash and liquid investment position in excess of $5.0 billion, nil gearing and undrawn committed facilities of $1,426.5 million gives us adequate headroom for further funding. The strong operational cash flows generated by all our businesses provide further support to our liquidity position.

We continue to be rated by Moodys and Standard & Poor's. These ratings provide us with financial flexibility and access to various sources of funding at competitive rates. Considering our organic growth pipeline and ambitious vision of enhancing our capacities across all our metals, our ratings are as follows:

Credit rating	**Vedanta**	India Sovereign
Moodys	**Baa3**	Baa2
Standard & Poor's	**BB**	BBB-

In April 2008, we refinanced the earlier bridge loan taken to acquire Sesa Goa through a five-year loan, which has increased our debt maturity profile. Consequently, our debt maturity profile now averages 3.25 years. The table below provides a summary of the maturity profile of outstanding debt (excluding the convertible bond) at 31 March 2008:

In $ million	< 1 year	1 to 2 years	2 to 5 years	> 5 years	**Total**
Borrowing	1,417.2	104.6	826.2	25.2	**2,373.2**

CAPITAL EMPLOYED AND ROCE

During the year, we continued our expansion projects across all metals with an investment of $2.0 billion. Further, we acquired Sesa Goa, as a result of which we have added $2.2 billion of fixed assets mainly in iron ore mining reserves and resources. These two factors have contributed to increase in total capital employed from $3,718.7 million at 31 March 2007 to $7,064.8 million at 31 March 2008.

Of the total increase of $3,346.1 million, the increase in fixed assets accounted for $4,516.5 million, offset by working capital, provisions and deferred tax liabilities amounting to $1,170.4 million in total.

We continue to lay emphasis on effective working capital management to maximise operational cash flows. Our net working capital in FY 2008 was approximately 4.0% of turnover, lower than levels of approximately 9.0% in FY 2007. Some of our subsidiaries which are not fully integrated operations normally carry relatively higher working capital levels. Such operations manage their working capital effectively by trying to match their receivable and payable cycles.

ROCE continues to be an important KPI to our businesses. ROCE measures capital productivity and can be enhanced by either optimising asset performance and/or by minimising capital investment. We give equal importance to both parameters. We measure ROCE on an adjusted capital employed basis ie capital employed as reduced by project capital work-in-progress. ROCE for FY 2008 was 45.6%, lower than ROCE of 78.5% for FY 2007, primarily due to our large investment in mining properties of Sesa Goa. Since acquiring Sesa Goa earlier this year, we have increased output by 17.0% for the comparable 12-month period. We expect to improve the output and profitability of this operation significantly next year. ROCE is also affected by the timing of expansion projects being delivered during the year due to the time lag in capturing the full benefit of additional capacities.

FINANCIAL REVIEW
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CASH FLOWS

(in $ millions, except as stated)	31 March 2008	31 March 2007
EBITDA	**3,010.4**	2,703.0
Special items	**11.1**	1.7
Working capital movements	**(53.3)**	(542.1)
Non-cash items	**(19.4)**	11.5
Sustaining capital expenditure	**(256.9)**	(194.4)
Sale of tangible fixed assets	**2.7**	28.9
Net interest received/(paid) including gains on liquid investments	**33.0**	(39.5)
Dividend received	**144.5**	10.7
Tax paid	**(655.2)**	(475.6)
FREE CASH FLOW	**2,216.9**	1,504.2
Expansion capital expenditure	**(1,997.7)**	(934.5)
Issue of shares by subsidiary	**1,969.4**	–
Acquisitions, net of cash and liquid investments acquired	**(757.7)**	(59.5)
Dividends paid to equity shareholders	**(104.3)**	(84.3)
Dividends paid to minority shareholders	**(53.5)**	(41.8)
Sale of non-core business, net of cash disposed	**83.1**	32.1
Other movements*	**353.8**	28.4
MOVEMENT IN NET CASH	**1,710.0**	444.6

* includes foreign exchange movements.

We delivered a strong Free Cash Flow of $2,216.9 million, an increase of $712.7 million compared with FY 2007, reflecting improved working capital management. Working capital management is a key driver across the Group and good control measures to minimise working capital employed in the operations are in place in all our subsidiaries. These measures have resulted in gross working capital ie inventory and receivables, expressed as a percentage of turnover, remaining at same levels as FY 2007 of approximately 30.0%, despite higher metal prices in copper which affect the working capital levels of our custom smelting operations in India.

We have invested $256.9 million in sustaining capital expenditure during FY 2008 to modernise our plants and refurbish equipment, achieve operational efficiencies and to meet our HSE commitments. Sustaining capital expenditure at some of our locations such as KCM is high and is expected to yield better performance from the mining equipment and an improvement in plant efficiencies going forward.

Strong cash flows from operations were supplemented by income from investing surplus cash in interest yielding securities. Part of the proceeds of the Sterlite ADS offering have been temporarily invested in interest bearing securities until they are ultimately put to their intended use. HZL, in particular, added significant surplus to the cash balance and this in turn has yielded higher investment income.

Gross debt was $2,964.0 million at 31 March 2008 up from $1,752.5 million at 31 March 2007, mainly due to the bridge loan taken for acquiring Sesa Goa. Cash and cash equivalents together with liquid investments were $5,106.7 million as at 31 March 2008.

AMERICAN DEPOSITORY SHARES

In June 2007, Sterlite raised $2.0 billion in an IPO (net of expenses) by listing its shares on the NYSE. Sterlite issued 150 million shares at $13.44 per share. The IPO resulted in a reduction of our shareholding in Sterlite from 75.9% to 59.9%. This reduction has not resulted in any change in control and hence Sterlite continues to be consolidated in our financial information. This reduction has been accounted in our consolidated financial statements as an equity transaction, with the carrying amount of the minority interests being adjusted to reflect the change in our interest in the net assets of Sterlite. The difference between the amount by which the minority interest is so adjusted of $1,270.9 million and the net consideration received of $1,969.4 million is recognised directly in equity and attributed to our equity shareholders.

ACQUISITIONS AND DISPOSALS OF BUSINESSES

(A) ACQUISITIONS

In April 2007, we acquired a controlling 51.0% stake in Sesa Goa, India's largest private sector producer-exporter of iron ore for a consideration of $981 million. The consideration also included the purchase of Sesa Goa's 88.3% stake in its subsidiary Sesa Industries Limited, a company engaged in the manufacture and sale of pig iron. To fund this acquisition, we raised a debt of $1.0 billion. This debt was raised as a bridge loan and has been re-financed after the balance sheet date.

The Indian takeover regulations required us to make an open offer to purchase an additional stake of up to 20.0% in Sesa Goa. During the period between our acquiring the 51.0% stake in Sesa Goa and our making the open offer after obtaining relevant approvals from the regulatory authorities, the market price of Sesa Goa increased and exceeded the offer price. Therefore the open offer was taken up by a very small proportion of the shareholders. At 31 March 2008, our holding in Sesa Goa was 51.18%.

The acquisition of Sesa Goa has been accounted in accordance with IFRS 3 'Business Combinations'. The fair value of the assets and liabilities of the acquired business has resulted in the recognition of assets in the form of mining properties and leases of $2.2 billion.

Our income statement for the year ended 31 March 2008 includes Sesa Goa's revenues and earnings for the period after its acquisition in April 2007. Sesa Goa has contributed $888.9 million to the Group's revenues and $585.6 million to the Group's EBITDA.

(B) DISPOSALS

(i) Sterlite Gold

During FY 2008, we disposed of our 84.2% equity shareholding in Sterlite Gold and its Armenian subsidiary which was engaged in gold mining and processing. Consequent to delays in the satisfactory resolution of outstanding issues in the implementation agreement with the Government of Armenia, we evaluated our options to exit this business. In August 2007, we entered into an agreement for the disposal of the business for a total consideration of $111.0 million comprising $86.0 million for its equity value, against a carrying value of $53.0 million and $25.0 million towards the settlement of borrowings which Sterlite Gold owed to Vedanta companies. The related costs of disposal were $3.0 million. The transaction was beneficial to Vedanta's shareholders and we have recorded a net gain of $29.8 million in the income statement for FY 2008. Sterlite Gold's revenues of $1.1 million and EBITDA of ($3.7) million until September 2007, the date of disposal, have been included in the Group's income statement.

(ii) India Foils ('IFL')

IFL is an associate company, engaged in the manufacture and sale of aluminium foils. We hold a 38.8% equity stake in IFL. We had made a strategic investment in this business in the year 2000 and continued to support the business through further investments, loans and corporate guarantees. IFL has incurred regular losses over the years and we have therefore decided to dispose of our investments in IFL. During FY 2008, we entered into an agreement for the disposal of our stake in IFL. This agreement is subject to obtaining approval of relevant government authorities. The terms of the agreement envisage repayment of all outstanding debt including those guaranteed by Sterlite. The Group's obligation on the proposed sale has resulted in a loss of approximately $36.0 million of which about $17.0 million was recognised as a charge to income statement in FY 2007 based on the then estimated fair value with the remainder of $19.0 million being recognised as a charge in the FY 2008 income statement.

COMMODITY HEDGING

We generally sell our products at prevailing market prices and engage in hedging our commodity price movements on a selective basis. We recognised losses of $134.2 million on hedging positions in FY 2008 arising from strategic hedging of certain quantities of copper and zinc compared with $59.0 million in FY 2007. We did not have any net outstanding positions of these strategic hedges at 31 March 2008.

OFF BALANCE SHEET ARRANGEMENTS AND TRANSACTIONS, CONTINGENT LIABILITIES AND COMMITMENTS

We have no off balance sheet entities. In the normal course of business, we enter into certain commitments for capital and other expenditure and certain performance guarantees. The aggregate amount of indemnities and other guarantees was $799.6 million at 31 March 2008. Details of contingent liabilities and commitments are set out in note 34 of the financial statements.

CHANGES IN ACCOUNTING POLICIES

There were no changes to accounting policies in FY 2008.

POST BALANCE SHEET EVENTS

On 9 April 2008, we completed the acquisition of the KCM call option for a consideration of $213.2 million. The acquired shares represent 28.4% of KCM's equity and we now hold 79.4% of KCM's equity. The balance of 20.6% is held by the Government of the Republic of Zambia through ZCCM.

This acquisition will be accounted for according to IFRS 3 'Business Combinations' as an equity transaction. The resulting net gain of $19.9 million will be recognised in equity, with a reduction in minority interests by $233.1 million. At 31 March 2008, we have recognised the fair value of the option as a liability resulting from the exercise of the option, pending delivery of the shares pending clearance from the Zambian competition commission, with a corresponding reduction in equity.

RISKS AND UNCERTAINTIES

RISKS AND RISK MANAGEMENT PRACTICES

Our businesses are subject to a variety of risks and uncertainties which are no different from any other company in general and our competitors in particular. Such risks are the result of not only the business environment in which we operate but also of other factors over which we have little or no control. These risks may be categorised as operational, financial, environmental, health and safety, political, market-related and strategic.

We have well documented and practised risk management policies that act as an effective tool in mitigating various risks to which our businesses are exposed in the course of their day-to-day operations as well as in their strategic actions. Risks are identified through a formal risk management programme with active involvement of business managers and senior management personnel at both the subsidiary level as well as at the corporate level. Each significant risk has an 'owner' within the Group at a senior level, and the impact to the Group if a risk materialises and its likelihood of crystallisation is regularly updated.

A risk register and matrix is maintained and regularly updated in consultation with business managers. The risk management process is coordinated by our internal audit function and is regularly reviewed by our Audit Committee. Key business decisions are discussed at the monthly meetings of the Executive Committee and senior managers address risk management issues when presenting initiatives to the Executive Committee. The overall internal control environment and risk management programme is reviewed by our Audit Committee on behalf of the Board.

INTERNAL CONTROLS

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

TREASURY MANAGEMENT

Our core philosophy in treasury management revolves around three main pillars – (a) protect capital, (b) maintain liquidity and, (c) maximise yields. 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 our Group subsidiaries are managed by the respective subsidiary finance teams within the framework of the overall Group treasury policies. Long-term fund raising including strategic treasury initiatives are handled by a central team while short-term funding for routine working capital requirements is delegated to subsidiary companies. Each of our subsidiaries has a strong internal control system including segregation of front office and back office functions with a separate reporting structure. We have a strong system of internal control which enables effective monitoring of adherence to Group policies. The internal control measures are effectively supplemented by regular internal audit.

We do not purchase or issue derivative financial instruments for trading or speculative purposes and neither do we enter into complex derivative transactions to manage our treasury and commodity risks. Derivative transactions in both treasury and commodities are normally in the form of forward contracts and interest rate and currency swaps, which are subject to strict guidelines and policies. Interest rate swaps are taken to achieve a balance between fixed rate and floating rate obligations (as described below under 'Interest rate risks') and currency swaps are taken primarily to convert the Group's exposure to non-US dollar currencies into US dollars.

COMMODITY RISKS

Our principal commodities are aluminium, copper, zinc and iron ore. In FY 2008, we acquired the Iron Ore business thereby broad-basing our basket of commodities. This diversified basket offers an inherent hedging mechanism against volatility in prices of various commodities.

Of the Group's principal commodities, aluminium, copper, lead and zinc are priced with reference to LME prices. LME prices are influenced by global demand and supply which in turn are influenced by global economic scenarios, regional growth, infrastructure spending by governments and also by speculative activities. In the case of iron ore, prices are not linked to any metal exchange but are generally influenced by all other factors enumerated above which is reflected in the benchmark prices agreed between major iron ore suppliers and steel makers.

We sell iron ore under annual price contracts as well as at spot prices determined at the time of supplies. Price fluctuations can affect our business assumptions and hence our investment decisions, operational and financial performance.

While 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 including uneven sales during the year. Any fluctuation in the prices of the metals that we produce and sell will have an immediate and direct impact upon the profitability of our businesses.

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

Our custom smelting operations of copper at Tuticorin enjoy a natural hedge except to the extent of a possible mismatch in quotational periods between the purchase of concentrate and the sale of finished copper. The Group's policy on custom smelting is to generate its margins mainly from TC/RCs, premiums and sale of by-products. Hence, quotational period mismatches are actively managed to ensure that the gains or losses are minimised. TC/RCs are a major source of income for the copper smelting operations in India and therefore are susceptible to fluctuations in TC/RCs which are influenced by factors such as demand and supply conditions

prevailing in the market for mine output. The Copper business actively reviews its procurement strategy to strike a judicious balance between copper concentrate procured at spot TC/RCs and those which are sourced at long-term contractual TC/RCs. Approximately two-thirds of the copper concentrate consumed in FY 2008 came from long-term contracts and the balance from the spot terminal market.

Our Australian mines in Tasmania, supplied about 7–8% of the concentrate requirement of the custom smelter at Tuticorin. This situation adversely impacts the profitability of the Copper business particularly at times when TC/RCs show a declining trend. We insulate ourself by constantly focusing on reducing unit cash costs at our smelting and refining operations.

KCM is largely an integrated copper producer and hence our Group strategy to protect it from price fluctuations in copper is to focus on controlling its costs and for FY 2008, we hedged part of its production to protect its cash flows.

Aluminium, zinc and lead prices are terminal market-related ie LME prices and for FY 2008, we hedged a small portion of zinc and lead production. Set out below are the key commodity price sensitivities on EBITDA resulting from a $100 per mt movement in prices.

	Effect on average market price in FY 2008 ($/tonne)	EBITDA of $100/tonne change in LME ($million)
COMMODITY PRICE SENSITIVITY		
Copper	7,588	15.5
Aluminium	2,620	41.1
Zinc	2,992	53.6

The above sensitivities are based on FY 2008 volumes, costs and exchange rates and provide the estimated impact on EBITDA of changes in prices assuming that all other variables remain constant.

POLITICAL, LEGAL, ECONOMIC AND REGULATORY RISKS

Our mining and smelting operations are located in India, Zambia and Australia and our holding and investment companies are located in jurisdictions including the United Kingdom, Mauritius and Cyprus.

The political, legal, fiscal and other regulatory regimes in these countries may result in restrictions such as imposition/increase of royalties, mining rights, taxation rates, repatriation of money and so on. Changes to government policies such as changes in royalty rates, reduction in import tariffs in India, reduction in assistance given by Government of India for exports and reduction or curtailment of income tax benefits available to some of our operations in India and Zambia are some of the examples of risks under this category.

The bulk of our Group revenues and profits are derived from commodities sold to customers in India. The performance and growth of our businesses are dependent on the health of the overall Indian economy. Any downturn in the rate of economic growth in India, whether due to political instability or regional conflicts or economic slowdown may have a material adverse effect on demand for the metals produced and sold by us.

We may also be affected by the omissions and commissions of political acts of governments in these countries over which we have no control. We strive to maintain harmonious relationships with the governments in these countries and actively monitor developments in political, regulatory, fiscal and other areas which may have a bearing on our businesses.

RESERVES AND RESOURCES

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

Moreover, these estimates are subject to numerous uncertainties inherent in estimating quantities of reserves and could vary in the future as a result of actual exploration and production results, depletion, new information on geology and fluctuations in production, operating and other costs and economic parameters such as metal prices, smelter treatment charges and exchange rates, many of which are beyond our control. We engage the services of independent experts normally once in three years to ascertain and verify the quantum of reserves and resources including ore grade and other geological characteristics.

DELIVERY OF EXPANSION PROJECTS ON TIME AND UNDER BUDGET

We have a strong pipeline of green field and brown field expansions projects. We have committed funds for these projects. These projects have achieved various stages of completion. Our plans to generate sufficient cash flows from these projects to repay our long-term debt and our ability to raise further debt are dependent upon the successful completion of these projects on time and under budgeted cost and a faster production ramp up.

Our current and future projects may be significantly delayed by failure to receive regulatory approvals or renewal of approvals, failure to obtain sufficient funding, technical difficulties, due to human resources, technological or other resource constraints or for other unforeseen reasons, events or circumstances.

As a result, these projects may incur significant cost overruns and may not be completed on time, or at all. We have the necessary resources in all the areas such as technology, financial and human resources and have successfully completed Phase I projects on time and below their budgeted costs, demonstrating our ability to manage the successful completion of large green field and brown field projects.

ASSETS USE CONTINUITY AND INSURANCE

Productive assets in the use in mining and smelting operations and the associated power plants may face break downs in the normal course of operations or due to abnormal events such as fire, explosion, environmental hazards or other natural calamities. Our insurance policies may not cover all forms of risks due to certain exclusions and limitations. It may also not be commercially feasible to cover all such risks. As a result, our

RISKS AND UNCERTAINTIES
CONTINUED

insurance coverage may not cover all the claims including for environmental or industrial accidents or pollution. We regularly carry out extensive work on the adequacy of our insurance coverage by engaging consultants and specialists and decide on the optimal levels of insurance coverage typical of our industry in India, Zambia and Australia.

SAFETY, HEALTH AND ENVIRONMENT RISKS

We are engaged in mining activities which are inherently hazardous and any accident or explosion may cause personal injury or death, property damage or environmental damage at or to its mines, smelters, refineries or related facilities and also to communities that live near the mines and plants. Such incidents not only result in expensive litigation, damage claims and penalties but also cause loss of reputation. We also operate in Zambia which has a high incidence of HIV/AIDS – a threat to economic development. We accord very high priority to safety, health and environment matters.

OPERATIONAL RISKS

Our operations are subject to conditions and events beyond our control that could, amongst other matters, increase our mining, transportation or production costs, disrupt or halt operations at our mines and production facilities for varying lengths of time or even permanently. These conditions and events include disruptions in mining and production due to equipment failures, unexpected maintenance problems and other interruptions, non-availability of raw materials of appropriate quantity and quality for our energy requirements, disruptions to or increased cost of transport services or strikes and industrial actions or disputes. While many of these risks are beyond our control, we have adequate and competent experience in these areas and have consistently demonstrated our ability to actively manage these problems proactively.

FINANCIAL RISKS AND SENSITIVITIES

Within the areas of financial risk, our Board has approved policies which embrace liquidity, currency, interest rate, counterparty and commodity risk.

LIQUIDITY

We require funds both for short-term operational needs as well as for long-term investment programme mainly in growth projects. In addition to generating sufficient cash flows from our current operations, available cash and cash equivalents and liquid financial asset investments, we have sufficient committed funding facilities which provide liquidity both in the short-term as well as in the long-term. At 31 March 2008, we had cash and liquid investments of $5,106.7 million as well as $4,400.6 million of committed funding facilities from our lenders. Long-term borrowings are supplemented by short- to medium-term project finance wherever required.

Our balance sheet is strong and gives us sufficient headroom for raising further debt should the need arise. We enjoy good ratings by reputed international rating agencies such as Moodys and Standard & Poor's. Our current ratings by Moodys and Standard & Poor's are Baa3 and BB respectively. These ratings provide necessary financial leverage and access to debt or equity markets at competitive terms. We generally maintain a healthy debt-equity ratio as well as retain the flexibility in our financing structure to alter this ratio when the need arises.

Our contractual cash obligations excluding the convertible bond (on an undiscounted basis) by remaining maturity of our financial liabilities arising in the ordinary course of business at 31 March 2008 are set out below.

Subsequent to the year end, we re-financed a $1.0 billion debt to fund its acquisition of Sesa Goa.

FOREIGN CURRENCY

Our presentation currency is the US dollar. A majority of our assets are located in India where the Indian rupee is the functional currency for our subsidiaries. Operating costs are influenced by the currencies of those countries where our Group's mines and plants are located. A majority of our mines and plants are located in India and hence the Indian rupee is the currency in which most of our costs are incurred and whose fluctuation may have a significant impact on our financial results. Currency exposures also exist in the nature of capital expenditure and services denominated in currencies other than the Indian rupee. KCM's functional currency is the US dollar with its cost base having a mix of the Zambian kwacha and the US dollar.

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

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

(in $ millions)	< 1 year	1–2 years	2–5 years	> 5 years	Total
Payments due by period					
Bank loans and other borrowings	1,417.2	104.6	810.2	36.9	2,368.9
Deferred consideration for KCM acquisition	5.2	—	—	—	5.2
Capital commitments	1,427.3	1,886.7	—	—	3,314.0
TOTAL	**2,849.7**	**1,991.3**	**810.2**	**36.9**	**5,688.1**

At 31 March 2008, we had access to funding facilities of $4,400.6 million of which $1,426.5 million was undrawn as set out below:

(in $ millions)	Total facility	Drawn	Undrawn
Funding facilities			
Below 1 year	2,730.5	1,417.2	1,313.3
1–2 years	109.3	104.6	4.7
2–5 years and above	1,560.8	1,452.3	108.5
Total	**4,400.6**	**2,974.1**	**1,426.5**

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

Foreign currency exposures are managed through a Group-wide hedging policy. The policy is reviewed periodically to ensure that the risk from fluctuating currency exchange rates is appropriately managed. Natural hedges available in the business are identified at each entity level and hedges are placed only for the net exposure. Short-term net exposures are hedged progressively based on their maturity. A more conservative approach has been adopted for project expenditures to avoid budget overruns. Longer-term exposures are not hedged. Stop-loss and take-profit triggers are implemented to protect us from adverse market movements, while at the same time enabling us to take advantage of favourable market opportunities.

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

	Closing US dollar exchange rate as of 31 March 2008	Average US dollar exchange rate in FY 2008	Impact of a 10.0% movement in currency on EBITDA ($ million)
CURRENCY			
Indian rupee	39.970	40.241	325.7
Australian dollar	1.089	1.158	11.0
Zambian kwacha	3765.700	3960.400	34.8

The above sensitivities are based on FY 2008 volumes, costs and prices and give the estimated impact on EBITDA of changes in exchange rates assuming that all other variables remain constant.

INTEREST RISKS

At 31 March 2008, our net cash of approximately $2.0 billion comprised cash and liquid investments of $5.0 billion offset by debt of $3.0 billion.

We are exposed to the interest rate risk on short-term and long-term floating rate instruments and also on the refinancing of fixed rate debt. Our policy is to maintain a balance of fixed and floating interest rate borrowings. The proportion of fixed and floating rate debt is determined by current market interest rates. As at 31 March 2008, 29.3% of our total debt was at a fixed rate and the balance was at a floating rate.

Our floating rate debt is largely linked to the US dollar LIBOR. We also aim to minimise the average interest rates on our borrowings by opting for a higher proportion of long-term debt mainly to fund our growth projects. We have entered into cross currency interest rate swaps in order to convert fixed rate US dollar borrowings to floating rate US dollar borrowings. Cash and liquid investments are invested in short-term deposits and debt mutual funds to achieve the triple goal of maintaining liquidity, carrying insignificant risk and achieving satisfactory returns. A majority of our investments of surplus cash is of short duration and is influenced by movements in interest rates.

Considering our net cash position at 31 March 2008 and our investments in bank deposits and debt mutual funds, any increase in interest rates would result in a net gain and any decrease in interest rates would result in a net loss. Based on our gross debt as at 31 March 2008, with all other variables remaining constant, a one percentage point increase in the US dollar LIBOR would impact our profit before tax by $20.6 million.

An analysis of the weighted average interest rates for debt and cash and current asset investments as at 31 March 2008 is given in the table below.

	Interest paid fixed %	Interest income average yield %
CURRENCY		
Indian rupee	8.0	7.7
US dollar	6.1	3.4

Some of the investments above generate a tax free return.

COUNTERPARTY RISKS

We are exposed to counterparty credit risks on our investments and receivables. We have clearly defined policies to mitigate counterparty risks. Cash and liquid investments are held primarily in mutual funds and banks with high credit ratings. Emphasis is given to the security of investments. Limits are defined for exposure to individual counterparties in the case of mutual fund houses and banks. Most of the surplus cash is invested in banks and mutual funds in India where there is a well developed financial market. We also review the underlying investment portfolio of mutual fund houses to ensure that indirect exposures or latent exposures are minimised.

A large majority of receivables due from third parties are secured either as advance receipt of money or by use of trade financial instruments such as letters of credit. Moreover, given the diverse nature of our businesses, trade receivables are spread over a number of customers with no significant concentration of credit risk. Our history of the collection of trade receivables shows a negligible provision for bad and doubtful debts. Therefore we do not expect any material risk on account of non-performance by any of the counterparties.

SUSTAINABLE DEVELOPMENT REPORT

We see Sustainable Development as a key part of Vedanta's business philosophy and overall ethos. It represents a core commitment of our management and employees.

We see Sustainable Development as a key part of Vedanta's business philosophy and overall ethos. It represents a core commitment of our management and employees.

Conducting our Sustainable Development programmes in a manner that helps our communities become more sustainable whilst enhancing shareholder and stakeholder value is fundamental to us. We plough substantial resources into our programmes and believe that it is imperative that we continue to be forward looking and responsible in our everyday operations.

During 2008 our sustainable development (SD) strategy prioritised three sustainable areas: inclusive growth for our people and communities, environmental management, and sustainable economic growth.

Our processes and performance in the areas of safety, health, environment and social have continued to develop. Effective control and delivery in all of these areas is a management imperative and is the subject of regular and detailed scrutiny at all levels of management.

Vedanta recognises the importance of being open, transparent and accountable. We have, for example, always recognised that an important element of our licence to operate is to enter into dialogue and work closely with the local communities in which we operate.

We have also developed our Sustainable Development communications and reporting systems, applying our website for the purpose and expanding our reporting. This year we will be producing a stand alone report for the first time and continue towards our overall goal of full compliance with the Global Reporting Initiative (GRI) and the sector supplements which are relevant to our activities. The key information for this is being independently verified by an external auditor.

In general our efforts aim to maximise our related opportunities and minimise our related risks. Going forward we are committed to enter into dialogue with a wider group of stakeholders. We have made progress against our goals, but we have more to learn in some and lot of work to do.

The information within this Annual Report section is an outline of our policies, systems and performance in this area and is provided principally for our shareholders and potential shareholders.

MANAGEMENT APPROACH

A process based management system drives our Sustainable Development processes.

GOVERNANCE STRUCTURE

— Our Health, Safety and Environment (HSE) processes are governed by a Board appointed Committee, chaired by Dr SK Tamotia who is a Non-executive Director. The other members of the Committee are;
  - **Mr KK Kaura** (CEO of Vedanta Resources).
  - **Mr MS Mehta** (CEO Hindustan Zinc).
  - **Mr Pramod Suri** (CEO Aluminium Sector – Operations)
  - **Mr Ramesh Nair** (Vice President Sterlite Industries India).
  - **Mr CP Baid** (Director of Operations Konkola Copper Mines).
  - **Mr CSR Mehta** (HSE Co-ordinator).
  - **Ms Ruby Thapar** (CSR Co-ordinator).

The Committee meets each calendar quarter and, occasionally invites the involvement of other relevant senior employees from around the business. This Committee guides our Sustainable Development endeavours, sets annual targets and regularly monitors progress in line with our HSE and Social policies. We have dedicated teams and resources at each of the companies guided by the local

committees under the leadership of the CEO's. Sustainable development performance is an important element of how all of our senior managers are assessed and remunerated.

ENVIRONMENT FRIENDLY TECHNOLOGIES
We endeavour to use technologies which are energy and water efficient, and have adequate residue management systems in place.

ENVIRONMENT IMPACT ASSESSMENT (EIA)
Our decisions on possible environmental, social and economic impacts of our projects are based on rigorous EIA's like risk and base line studies, social mapping and needs assessments and other sustainable practices both in our major expansion and new projects.

REVIEWS AND AUDITS
Ongoing internal reviews and external periodic audits are conducted to monitor progress and measure performance against Score cards.

CERTIFICATIONS
Most of our operating units are Certified against International Standards.

COMMUNICATION
Ongoing communication and reporting towards transparency and accountability.

HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

We possess formal and rigorous HSE management systems. Our processes have been developed over time and are designed to reflect best practice, minimise risk and maximise opportunity. Our health, safety and environment policy, which is applied across all of our Group companies, is to:

- strive to achieve industry best practice in our health and safety stewardship;
- ensure that we provide a healthy and safe workplace for all of our employees and contractors;
- ensure that our employees and contractors respect their environmental responsibilities;
- employing environment friendly technologies;
- optimise our use of energy and resources through being more efficient and employing recycling and re-use methods;
- conservation of natural resources and alternate use of residues;
- address the challenges and opportunities of climate change;
- comply with all applicable legislative and statutory requirements; and
- be good neighbours in the communities in which we operate.

Our Subsidiary companies have aligned our Group policies appropriate to their own requirements.

PERFORMANCE
We have a team of over 350 HSE professionals managing our day-to-day HSE activities across operations.

ENVIRONMENT

Our key environmental performance indicators include:

- materials utilised in our production processes;
- amounts of energy consumed and conserved;
- water consumed and conserved;
- gas emitted and re-used;
- biodiversity indicators (such as tree planting); and
- waste quantities disposed of, recycled and re-used.

Detailed information concerning our environmental performance will appear in our forthcoming Sustainable Development report. Highlights include:

Our total energy and water use per tonne of product made continues to show improvement:

- for the year 2007–08 we had set a target of 5.0% reduction in the specific energy consumption across our operations. The actual reductions were: HZL –13.0%, BALCO –4.0%, KCM –3.0%, MALCO –2.0%;
- similarly for the fiscal year against a target reductions of 5–10% in the specific water consumption across various locations the actual reductions were HZL –12.5%, BALCO –10.0% & SIIL –7.0%;
- our initiatives to find alternative uses for waste have gathered momentum. For instance MALCO now sends 24.0% of its red mud by-product of alumina production to the cement industry; and
- most of our sites have now phased out the use of ozone depleting substances entirely and the remainder will do so within the near future.

SUSTAINABLE DEVELOPMENT REPORT CONTINUED

Over the coming year we also intend to engage directly with a variety of stakeholders to increase awareness and understanding of our approach to sustainable development and CSR, our related performance and to engage in active dialogue with a variety of stakeholders.

HEALTH AND SAFETY

Our key health and safety performance indicators include:

— industry-wide health and safety indicators such as Lost Time Injury Frequency Rate (LTIFR) and Lost Time Injury Severity Index (SR);
— incidents of near misses relating to potential accidents and injuries;
— incidence of occupational diseases;
— safety training statistics;
— customer health and safety statistics; and
— related fines and penalties concerning our performance in this area.

Detailed information concerning our health and safety performance will appear in our forthcoming Sustainable Development Report. Highlights include:

Our safety record continues to improve. The reducing trend in our Lost Time Injury Frequency Rate is shown below.

Period	LTIFR
2005–6	3.84
2006–7	2.51
2007–8	1.91

— No occupational diseases have been reported at any of our locations.
— The conduct of a highly successful Safety Week at all our units in which business unit heads, employees, contractors and trade unions actively participated.
— Training and awareness of health and safety issues continue to be central to our approach to this important area. Over the last financial year over 66,000 man-day's of training was imparted to employees and contractors.

Most of our units are ISO14001 and OHSAS 18001 certified

SOCIAL

PEOPLE

People are our key assets. We believe in nurturing leaders from within and providing opportunities for growth across levels and geographies. Our vision is to build a fast, flexible and flat organisation with world class capabilities and a high performance culture across all of our businesses.

Our people policies, applied across all of our Group companies, is to:

— follow a philosophy of meritocracy and are committed to ensuring that our workplaces are free from all forms of discrimination or harassment on the basis of age, caste, sex, religion during all our processes encompassing recruitment, employee development and rewarding performance.
— manage our businesses in a fair and equitable manner, meeting all our social responsibilities as a direct and indirect employer and respect the human rights of all of our stakeholders.
— have robust processes and systems in place for leadership development, training and growth to deliver value to the organization and society.
— as part of the whistle blower policy give employees an opportunity to report matters which they believe to transgress or contravene our Code of Conduct.
— ensure that our supplier and customer relationships are conducted in a fair, proper and transparent manner.
— strive to achieve and drive forward industry best practice in our social stewardship.
— on acquisitions and mergers, uphold and honour all ongoing commitments ensuring smooth integration of the two organisations and sharing of best practices.
— comply with all applicable legislative and statutory requirements and align with the principles in the Convention on the Rights of the Child of the United Nations and Convention 138 of the International Labour Organisation.
— be a responsible and good local neighbour.

Our Subsidiary companies have aligned our Group policies appropriate to their own requirements.

PERFORMANCE

Our people performance indicators include:

— measures relating to diversity, equal opportunity and human rights;
— learning, development and training statistics;
— performance management against set KRA's and Vedanta leadership model;
— information relating to the conduct of our business (such as bribery and corruption prevention); and
— employee communication.

Detailed information concerning our social performance will appear in our forthcoming Sustainable Development Report. Highlights include:

- our unique ACT-UP scheme identifies leaders at an early stage, designated "Stars of Business" and places them on a fast track programme. This ensures that we continue to have the succession management plans in place and that many of our future senior managers come from within the business.
- our Global Leadership Program provides key and talented employees in the Group an opportunity to work on important projects and focused assignments, in an overseas environment for a period of 6-12 months.
- each of our operating locations follows a chosen performance improvement engine like Six Sigma, TQM, TPM, Quality Circles
- employee turnover around all of our businesses throughout the year was only 4%.
- a large proportion of our workforces are members of a trade union (approximately 68%). We actively communicate and enter into dialogue with our workforce and believe in maintaining a positive atmosphere by being proactive with respect to resolution of labour issues.

COMMUNITY

The communities around our plants are our key stakeholders. They are a key element of how we conduct business and the development of our medium and long-term plans and strategies at local, divisional and group level.

Our work with the communities is defined through a framework and is customised based on the nature of the business cycle – from an R&R in green field projects to begin with to a more focused and encompassing approach in brown field projects. Our approach is two thronged – with an intensive intervention in select villages identified through indicator driven process designated as the Integrated Village Development Program and an extensive approach in the remaining villages that we work in.

Our CSR and site management teams assess local needs and prioritise them. We then design and roll out comprehensive and extensive development plans in partnership with the government, NGOs and the community into an integrated village development plan. Ongoing internal reviews and social audits every 2–3 years facilitate transferring autonomy to the villages and expanding our reach.

Our community policy, which is applied across all of our Group companies, is to:

- be a significant contributor to addressing social needs within the communities in which we operate.
- create partnerships for sustainability
- strive to actively enter into dialogue and engagement with our stakeholders
- strive to achieve and drive forward industry best practice in our social stewardship.
- comply with all applicable legislative and statutory requirements.
- be a responsible and good local neighbour

Three of our Group companies are signatories to the UN Global Compact (Hindustan Zinc, BALCO and MALCO).

PERFORMANCE

Our community performance indicators include:

- stakeholder engagement and partnership for need identification and sustainable planning;
- planned and result-oriented approach with base line study, monitoring and evaluation parameters impact measurement;
- community development programmes (such as measures relating to our Integrated Village Development Programme);
- social audits; and
- development and training statistics.

GEO-TEXTILE: NEW APPROACH FOR RESIDUE MANAGEMENT

In the initial period mining was carried out at upper layers and mine spread was horizontal, which ensured abundant supply of laterite for covering clay portion of dump and also for making filters with series of rock walls to arrest erosion. However as the mine went deeper, the reject composition was mainly of clay of magniferous and phyllatic nature which was very prone to erosion and does not support the plant growth. Use of geo-textiles is a new approach to control erosion of mine dumps as well as to establish plantations.

Geo-textile is a thin permeable material consisting of coir fibers interwoven with nylon filaments to provide support and strength. Initial experiments using geo-textiles was conducted with the technical support of Coir Board Kerala. The desired strength to withstand the monsoon and right species of grass was developed after three years of trial.

At Codli mine, geo-textiles are laid on the dump surface before onset of the monsoon. Special erosion control and nitrogen fixing grass seeds of Styllosanthus hamata , Congo & other mixed varieties are sown on the geo-textiles along with organic manure of Glyricidia pigs and used for fixing the geo-textile in the first year and subsequently, native plant species are planted.

Geo-textiles reduce impact of rain on the dump surface, thus preventing erosion and also conserving moisture by acting as mulch for the better growth of the plant. Grass seeds germinate, decompose within three years by which time the dump stabilises with vegetation.

Use of Geo-textiles is an integral part of dump management and has now successfully been replicated at different mining sites for dump reclamation.

SUSTAINABLE DEVELOPMENT REPORT CONTINUED

We have robust processes and systems in place for leadership development, training and growth to deliver value to the organisation and society.

Detailed information concerning our social performance will appear in our forthcoming Sustainable Development Report. Highlights include:

- our reach: 383 villages and 2.5 million lives;
- we have 70 villages (from 15 in 2006–7) involved in our Integrated Development Programme of which 32 have been audited by ORG India;
- around 1,450,000 people were accessed by the health outreach projects in which we participated (around 1,000,000 in 2006–7);
- our mobile medical health camps in Zambia have motivated more than one million people to bring about a positive change in their own health and their awareness of the health of others. In particular our door to door campaigns have increased awareness on HIV related and other infections;
- 55,350 students within our local communities have studied in the computer education programmes in which we participate;
- we have successfully encouraged women's empowerment within the local communities with the development of over 781 self help groups with 10,055 members and hold a cumulative savings base of 17.4 million rupees. (Up from 550 in 2006–7);
- our Biogas projects (collection of manure to generate bio-fuels) have provided a valuable source of energy in our local communities, improved local sanitation, reduced greenhouse gas emissions and encouraged community cohesion and village development. This year BALCO has constructed 90 Biogas plants in partnership with Chhattisgarh Renewable Energy Development Authority (CREDA);
- we now partner with 72 NGOs (up from 48 in 2006–7) to jointly participate in a variety of local community projects; and
- 93 full time personnel and 624 cluster champions and volunteers.

AWARDS AND ACCREDITATIONS

We highlight here some of the many Sustainable Development awards and accreditations that our Group of companies have received over the past year. More detailed information will be recorded in our forthcoming Sustainable Development Report.

GOLDEN PEACOCK AWARDS FOR EXCELLENCE IN CSR AND CORPORATE GOVERNANCE
The Golden Peacock Awards are managed by the Institute of Directors in India and aim to recognise corporate excellence in a number of areas. Hindustan Zinc was the winner of both awards in 2007.

THE CONFEDERATION OF INDIAN INDUSTRY AWARDS
The Confederation of Indian Industry (CII) is India's premier business association, with a direct membership of over 7,000 organisations from the private as well as public sectors. Its business awards are among the most prestigious that can be attained by Indian companies.

CII NATIONAL AWARD FOR EXCELLENCE IN ENERGY AND WATER MANAGEMENT
This accreditation was awarded to Sterlite Industries in 2007.

CII WOMEN EXEMPLAR AWARD 2008
CII has, since 2005, institutionalised an annual Woman Exemplar Award. The Award promotes women empowerment at the community level by discovering and recognising those who have, against all odds, contributed significantly to the development process in India. The Award is given in the fields of primary education and literacy, health and micro-finance and enterprise.

This year in the micro-finance and enterprise category, Ms S Dhanalakshmi, head of one of the self-help groups promoted by Sterlite Industries India won the Award micro-finance and enterprise category for her innovative pursuit of mushroom cultivation. Her efforts have boosted family incomes within her local community to Tuticorin and she is beckoned as 'Wealth of the Mushroom'.

CII-ITC SUSTAINABILITY COMMENDATION AWARD
The Confederation of Indian Industry-ITC Centre of Excellence for Sustainable Development instituted the Sustainability Awards to recognise business leaders who have initiated activities and integrated practices into their business for Sustainable Development of the country. This prestigious award, won by Sterlite Industries (India) in 2007 recognises

outstanding sustainability achievement and focuses on the strong links between corporate reputation, customer trust, building brand value and the public positioning of companies.

GREENTECH ENVIRONMENT EXCELLENCE AWARD

The Greentech Foundation have instituted the Greentech Safety and Greentech Environment Excellence Awards to recognise, reward and promote exceptional goals in the field of safety and all positive aspects of environmental responsibilities. These Awards are a unique form of benchmarking with stringent quality standards, credibility and honouring the proactive practices of the awardees enhancing their global stature.

Environment Excellence Awards 2007 – Sterlite Industries India Ltd, Chanderiya Lead-Zinc Smelter (HZL) and Rampura Agucha Mine (HZL) got Gold Awards in Metals and Mining Sector with Zinc Smelter, Debari (HZL), Zinc Smelter, Vishakhapattnam (HZL), Madras Aluminum Company Ltd and Bharat Aluminium Company Ltd – Korba winning silver in the same sector.

Greentech Safety Awards 2007 – Sterlite Industries India Ltd, Chanderiya Lead-Zinc Smelter (HZL), Zinc Smelter, Debari (HZL) and Bharat Aluminium Company Ltd – Korba won the gold category in Metals and Mining Sector, while Rampura Agucha Mine (HZL) won a silver and Bharat Aluminium Company Limited, Captive Power Plant also won silver in Power Plant category.

NATIONAL SAFETY AWARD

Instituted by Government of India in 1960, Ministry of Labour & Employment – Directorate General Factory Advice Service & Labour Institutes aims to recognise honour and encourage industrial establishments. The National Safety Awards are given based on the Lowest Average Frequency Rate and Accident Free year. BALCO's Smelter Plant I was awarded the 1st prize and the Fabrication Plant the runner up under scheme No. II of the National Safety Awards.

Our approach to community development is holistic, robust, integrated, intensive, long-term and sustainable, given the sheer remoteness of our locations. Our stakeholder engagement process, coupled with base line study and need assessment helps us develop and shape our programmes for a three- to five-year period for select villages. A village-wise matrix plots annual performance indicators against set targets. The other villages are covered under our Good Neighbourhood Programme and eventually in a phased manner aligned to the Integrated Village Development Program.

INTEGRATED VILLAGE DEVELOPMENT

CASE STUDIES

IMPACTING THE GRASSROOTS
Since 2003 the communities based close to the Vedanta Alumina plant at Lanjigarh have experienced enhancements in the quality of their lives. The project initiated with the rehabilitation of 118 families to a new purpose-built village, which was followed by a long-term plan under the integrated Village Development Programme.

The new village featured amenities including new purpose-built dwellings, power and water connectivity, a primary school, a community centre, a market complex, a medical centre, a child care centre, roads, temple, kitchen garden, colony water tank and many other facilities. One member of each family has been directly and indirectly given employment at our plant. The other family members benefited from employability enhancement programmes aimed at building their vocational skills.

We have partnered the Asian Institute for Sustainable Development to improve the opportunities of 600 farmers based close to our plant by helping them enhance productivity across 650 acres of their land. The increased yield has resulted in a substantial increase in individual incomes and provided a significant boost to the local economy. The project is administered by dividing the farmers into 56 working groups comprising approximately of ten people. We have found that this structure of mutual activity produces optimal results and supports local community development.

We partnered the Asian Institute for Sustainable Development to improve the opportunities of 600 farmers based close to our plant by helping them enhance productivity across 650 acres of their land through soil testing, multi cropping and other measures. The increased yield has resulted in a substantial increase in individual incomes and provided a significant boost to the local economy. The farmers were divided into 56 working groups comprising approximately of ten farmers in each. This structure of mutual activity produced optimal results as all these farmers had their own land holding and a ready market for vegetables.

We have also directly involved many local women in micro enterprise with the consequent self empowerment, educational and local economy benefits. There are now 30 women self groups at Lanjigarh.

Besides providing sanitised houses, medical and educational facilities coupled with employment opportunities and infrastructure development we also have 100% immunization coverage against preventable diseases of children below 5 years and pregnant women with 95% local school pass

percentage supported by a regular scholarship, sports and cultural programme for the children.

Collectively, 18 villages are covered intensively under the Integrated Village Development programme at Lanjigarh with an outreach of more than 12500 populations. Besides this, 56 villages are being extensively covered under good neighbourhood programme. The overall assessment of these 18 villages has shown significant improvement in school attendance, immunization, and access to market and enhanced employability of local youth and women.

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Similarly the Godwa village in Rajasthan lacked basic amenities like electricity, primary school, road etc since independence. The 1st challenge was to mobilise people to come together to address the challenge. The work then expanded to form village institutions to take the process forward. Four self help groups with 52 members and a cumulative fund of INR 60,000, vocational training for rural youths by SANKALP, development of ten organic farming demonstration sites, fruit plantation in 6 acres through 24 farmers collective, resource mobilisation from district administration for construction of 3 kms road connecting to the local market hub, child welfare centre for 40 pre-school children and facilitating the establishment of primary school ensured sustainability. "The most important was ensuring access to services rather than being a service provider and we were motivated to be self sustainable from the beginning" remarked the SHG group leader.

"Definitely, road and electricity are basic amenities. HZL's initiative and village collectiveness was the key to our transformation. It has taken us three -four years to evolve as an empowered village unit. The electricity connectivity for 94 of our households was ensured through involvement of each household including voluntary contribution for the same. The time is set for significant enhancement in the quality of our life." remarked Ganesh Dangi, village leader Godwa.

The finiteness of the efforts at HZL was validated by ORG, New Delhi in January 2008 who evaluated this village as part of our social audit. 59 villages have been covered in phases under the Programme. The impact of SHG and organic farming initiatives were appreciated. Apart from this, the village development council comprising 33.0% trained women representation were the hallmark of sustainability. 40.0% improvement in nutrition level and 100.0% immunisation level of preschool children through child welfare centre was also established. Such results are welcoming and would facilitate the process of graduation remarked the CSR team of Debari Zinc Smelter.

GREEN ENERGY

Most of the power generated in India is produced by thermal power plants that are fuelled by the large coal reserves in the country. We run our own captive power plants to meet the requirements of our mining and smelting operations at all our locations. They operate at an optimal capacity compared to the other standard power utility plants leading to more efficient power generation.

In the previous financial year we reported the commissioning of 38.4 MW wind turbines. This year we added about 68.8 MW of wind energy capacity and by April 2008 our installed capacity has become 107.2 MW. We intend to grow this capacity to 125 MW by the second quarter of 2008–09.

CHAIRMAN'S WORKSHOPS

An important aspect of the way we do business is ensuring that our senior management connects with our employees. The Chairman's workshop is one such platform. Our Chairman, along with other members of our senior management team, conducts a day long interactive workshop with varied small select employee forums from around the business throughout the year. Ten such forums took place during this period. These forums have been successful in encouraging the exchange of often novel and innovative ideas and information. They have also succeeded in disseminating the vision of the Group to our employees.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

1. ANIL AGARWAL, AGED 54
Executive Chairman
Mr Agarwal, who founded the Group in 1976, is also Chairman of Sterlite and is a Director of BALCO, HZL, and Vedanta Alumina Ltd. Since 1976 the Group has grown under his leadership, vision and strategy. Mr Agarwal has over 30 years' experience as an industrialist.

2. NAVIN AGARWAL, AGED 47
Deputy Executive Chairman
Mr Agarwal is also Executive Vice-Chairman and Director of Sterlite, Chairman of KCM and MALCO and a Director of each of BALCO, MALCO and HZL. He joined Sterlite at its inception and the Board of Vedanta in November 2004.

Mr Agarwal is the Chairman of the Executive Committee of Vedanta. In this capacity, he is responsible for overall delivery of the Group's strategy, including the overall development of the new green and brown field projects, in organic growth opportunities including joint ventures and alliances, the strategic treasury and fund raising initiative and global investor relations, as well as augmenting and managing the top talent of the Group.

Mr Agarwal has also been instrumental in globalising Vedanta's business and operations. He was actively involved in the internal growth and expansion of the Group's business in Australia and Zambia. He actively led Vedanta's successful listing on the London Stock Exchange in 2003.

Mr Agarwal has over 20 years' experience in strategic and operational management. He received a degree in Commerce from Sydenham College, Mumbai, India and has participated in the Owner/President Management Programme at Harvard University, USA.

3. KULDIP KAURA, AGED 61
Chief Executive
Mr Kaura is also Managing Director of Sterlite and Deputy Chairman of KCM. Mr Kaura, who joined Sterlite in 2002, was Managing Director of HZL and became the Chief Operating Officer of Vedanta Resources plc at its inception. He is also a director of HZL, Vedanta Alumina and CMT and has held various positions in operations and business management for 18 years at ABB India. Mr Kaura was a member of the board of directors of ABB India from 1996 and was the Managing Director and Country Manager of ABB from 1998 to 2001. Mr Kaura has a Bachelor's degree in Mechanical Engineering (Honours) from the Birla Institute of Technology & Sciences in Pilani and Executive education at London Business School and IFL, Sweden.

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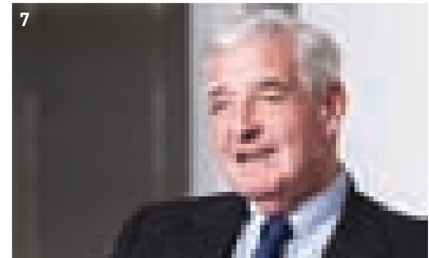
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NON-EXECUTIVE DIRECTORS

4. NARESH CHANDRA, AGED 73
Mr Chandra joined the Board in May 2004. Mr Chandra was Home Secretary in India in 1990, Cabinet Secretary from 1990 to 1992, Senior Adviser to the Prime Minister of India from 1992 to 1995 and the Indian Ambassador to United States of America from 1996 to 2001. He was Chairman of the Indian Government Committee on Corporate Governance & Audit from 2002 to 2003 and was Chairman of the Committee on Civil Aviation Policy in 2004–2005. He was awarded the prestigious award of Padma Vibhushan by the Honourable President of India this year. Mr Chandra has a Master's degree in Mathematics from Allahabad University.

5. AMAN MEHTA, AGED 61
Mr Mehta, a senior banker, joined the Board in November 2004 following his retirement from HSBC where he had a career spanning 36 years. He held numerous positions, including Chairman and Chief Executive Officer of HSBC USA Inc (the New York based arm of HSBC Holdings plc), and as Deputy Chairman of HSBC Bank Middle East, based in Dubai with responsibility for the HSBC Group's operations in the Middle East. In 1999, Mr Mehta was appointed Chief Executive Officer of the Hong Kong and Shanghai Banking Corporation, a position he held until his retirement. Mr Mehta has a degree in Economics from Delhi University. He now resides in Delhi and is a member of a number of Corporate and Institutional Boards in India as well as overseas.

6. SHAILENDRA KUMAR TAMOTIA, AGED 69
Dr Tamotia, an aluminium specialist, joined the Board in November 2004. He started his career in 1962 with an initial appointment at Bhilai Steel Plant in Chhattisgarh. Dr Tamotia held numerous positions at NALCO from 1984 until 1996, including Chairman and Managing Director in 1993. He was also President and Chief Executive Officer of Indian Aluminium Company Ltd from 2000 until 2004. Dr Tamotia has a Bachelor of Engineering (Honours) degree in Civil Engineering, a Master's degree in Engineering, Soil Mechanics and Foundation Engineering.

7. EUAN MACDONALD, AGED 68
Mr Macdonald spent over 20 years with SG Warburg, specialising in emerging market finance. From 1995 to 1999, Mr Macdonald was Chairman of SBC Warburg India, responsible for all the bank's activities in India, and from 1999 to 2001, he was Executive Vice Chairman of HSBC Securities and Capital Markets, India. Mr Macdonald has a degree in Economics from Cambridge University and a Master's degree in Finance and International Business from Columbia Business School.

EXECUTIVE COMMITTEE

TARUN JAIN
Director of Finance, Sterlite
Mr Jain is also a director of BALCO, MALCO, HZL and Sterlite. He is also responsible for strategic financial matters at Group level. Mr Jain has been with Sterlite since 1984 and is a graduate of the Institute of Cost and Works Accountants of India, a member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India.

DD JALAN
Chief Financial Officer, Vedanta Resources
Mr Jalan joined Sterlite in 2001 as President – Australian Operations, responsible for TCM and CMT mines. He has over 27 years of experience with various companies in the engineering, mining and non-ferrous metal sectors. Mr Jalan has been associated with the Aditya Birla Group in various capacities and, from 1996 to 2000, was in charge of commercial and financial activities at the copper smelter business of Indo-Gulf Fertiliser Ltd. Mr Jalan is a member of the Institute of Chartered Accountants of India.

MS MEHTA
Chief Executive Officer, Hindustan Zinc Ltd
Mr Mehta is responsible for the Zinc business and joined the Group in 2000. Prior to moving as CEO of HZL, he was the Commercial Director (Base Metals) responsible for the marketing of copper, aluminum, zinc and lead, procurement of copper concentrate, export and tolling of zinc concentrate and coal procurement. Before joining the Group, Mr Mehta was with Lloyds Steel Industries Ltd, where he handled wide ranging portfolios; marketing, procurement, working capital finance and projects. Mr Mehta has a Mechanical Engineering degree from MBM Engineering College and an MBA from the Indian Institute of Management, Ahmedabad.

P K MUKHERJEE
Chief Executive Officer, Iron Ore business
Mr. Mukherjee is the managing director and chief executive officer of our iron ore business at Sesa Goa. He joined Sesa Goa in 1987 as a manager and has held various positions within the company in the areas of accounting, finance and taxation. Prior to becoming Managing Director of Sesa in April 2006, Mr. Mukherjee was its Finance Director. He has a total industry work experience of over 29 years. Mr. Mukherjee received his Bachelors degree in Commerce from Calcutta University He is a member of the Institute of Chartered Accountant of India and a graduate of the Institute of Cost and Works Accountants of India.

DILIP GOLANI
Head, Management Assurance Function
Mr Golani joined the group in 2000 as the Head of Management Assurance Department. Mr Golani has a Bachelor of Engineering from Motilal National Institute of Technology, Allahabad and a Post-Graduate Diploma in Industrial Engineering from the National Institute of Industrial Engineering.

RAJAGOPAL KISHORE KUMAR
Chief Executive Officer, Copper – India business
Mr Kumar joined the group in April 2003 as Vice President – Marketing for Hindustan Zinc Limited. He was Senior Vice President – Marketing for our copper India division from June 2004 to December 2006. Prior to joining the group, Mr Kumar was employed by Hindustan Lever Ltd for 12 years. Mr Kumar has a Bachelor of Commerce from Kolkata University and is a member of the Institute of Chartered Accountants of India.

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

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

CV KRISHNAN
Managing Director, Commercial Power business
Mr Krishnan has been responsible for the overall management and development of our commercial power generation business since October 2006. Prior to that, Mr Krishnan was the Chief Executive Officer and Managing Director of KCM. Prior to joining the group in May 1999, he was the Chief Executive Officer and Managing Director of Essar Power Limited. Mr Krishnan has over 30 years of work experience and has held senior positions in Larsen & Toubro Limited, AF Ferguson & Co, Shriram Fertilisers & Chemicals Limited and EID Parry Limited. Mr Krishnan has a Bachelor of Technology from the Indian Institute of Technology, Channai and a Masters of Business Administration from the Indian Institute of Management, Ahmedabad.

A THIRUNAVUKKARASU
Head, Corporate Human Resources
Mr Thirunavukkarasu joined the Group in April 2004 as General Manager – HR. He became Senior Vice President – HR for our Copper Division heading the human resources, total quality management, corporate social responsibility and public relations functions, prior to becoming the Head of Group Human Resources in July 2007. Mr Thirunavukkarasu has more than two decades of experience in Human Resources Management and held positions in English Electric, Hindustan Lever and TVS Electronics before joining our Group.He holds a Bachelor degree in Literature and Master's degree in Social Work with Personnel Management and Organisational Behaviour as his specialisation.

CP BAID
Director – Operations, Konkola Copper Mines
Mr Baid is currently responsible for the business operations of Konkola Copper Mines. He joined the group in January 2001 as President of MALCO and subsequently moved to BALCO as President and Whole Time Director, where he was responsible for the entire aluminium business of BALCO. Prior to joining the group Mr Baid has held senior positions in SISCOL, Hindustan Unilever Limited and Engineers India Limited. Mr Baid has holds an Engineering (Hons) degree from Birla Institute of Technology and Sciences, Pilani and an MBA in project management.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Board of Vedanta Resources plc believes that high standards of corporate governance are critical to maintaining investor confidence and the integrity of the Group. The Board also believes that its corporate governance framework must reflect the changing nature of the Group's businesses.

The objective of this report is to provide details of the Group's governance policies, processes and structures and its compliance with the principles of the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006 ('the Code').

STATEMENT OF COMPLIANCE WITH CODE PROVISIONS

With the exception of the following matters, the Company has throughout the year fully complied with the principles set out in Section 1 of the UK Financial Reporting Council's Combined Code on Corporate Governance adopted in June 2006.

First, as previously reported, the Executive Chairman, Mr Anil Agarwal, did not meet the independence criteria on appointment because he was previously the Chief Executive of the Company and, through Volcan Investments Ltd ('Volcan'), he and his family have a controlling interest in the Company (Code Provision A.2.2 and A.3.1).

As the founder of Vedanta, Mr Agarwal has built the Group since its inception in 1976. The Board considers that Mr Agarwal has made a major contribution to the Company's phenomenal growth and development into a FTSE 100 company and that he has been responsible for leading the Group to strong profitability and cash flows. Mr Agarwal's appointment in March 2005 as Executive Chairman allowed him to step back from operational management and focus on turning new opportunities into value-creating projects, thereby extending the Group's exceptional growth pipeline into the future. The Board is unanimously of the opinion that his continued involvement in an executive capacity is vitally important to the success of the Group.

Second, pursuant to the Relationship Agreement and as disclosed at the time of listing, Volcan will be consulted on all appointments to the Board. The Nominations Committee therefore works collaboratively with Volcan over making appointments to the Board and, to this extent, the Board appointment process differs from that set out in Code Provision A.4.1.

THE BOARD

ROLE AND RESPONSIBILITIES OF THE BOARD

The role of the Board is to provide leadership to the Group in a manner which maximises opportunities to develop its portfolio of businesses profitably whilst assessing and managing the associated risks. The Board assesses the strategic objectives of each business, monitors performance, ensures the availability of financial, management and other resources required to meet the objectives, sets Group standards of conduct and ensures that effective controls are in place to manage risk and that the interests of investors and other stakeholders are taken into consideration.

The Board has adopted a schedule of matters reserved for its consideration to ensure that it is in a position to deliver its strategic objectives, monitor performance and maintain effective controls whilst delegating operational management to the Executive Committee and the businesses. Such matters reserved to the Board include, but are not limited to, approving Group strategy and annual budgets, major capital expenditure, major acquisitions and disposals.

There are five Board Committees: Executive, Remuneration, Audit, Nominations and Health, Safety and Environment. Each has its own clearly defined terms of reference and reports directly to the Board. Additional information on the Executive, Remuneration, Audit and Nominations Committees is given later in this report and, in the case of the Health, Safety and Environment Committee, in the Sustainable Development Report on pages 62 to 73.

BOARD BALANCE AND INDEPENDENCE

The Board comprises the following members:

Mr AK Agarwal	Executive Chairman
Mr N Agarwal	Deputy Executive Chairman
Mr KK Kaura	Chief Executive
Mr N Chandra	Non-executive Director and Senior Independent Director
Mr A Mehta	Non-executive Director
Dr SK Tamotia	Non-executive Director
Mr ER Macdonald	Non-executive Director

All four Non-executive Directors served throughout the year ended 31 March 2008 and up to the date of this report. There have been no new appointments to the Board during the year.

Brief biographies of all of the Directors are set out on page 74.

The Board considers that all of the Non-executive Directors are independent of the Group as defined by Code Provision A.3.1. In making its assessment, the Board has considered the fact that Mr Mehta and Mr Macdonald have held previous senior management positions within subsidiary companies of HSBC Holdings plc (which acted as the joint global co-ordinator and book runner when the Company listed in 2003). At the time of their appointments, the Board considered that neither Mr Mehta's nor Mr Macdonald's previous employments included the provision of corporate finance services in London by the HSBC Group (and thus they had no involvement with the Group prior to their appointment) and that the value of the business transacted between the Company and the HSBC Group was less than 1.0% of the turnover of either organisation. The Board therefore remains of the view that these circumstances will not affect the judgement exercised by either Mr Mehta or Mr MacDonald and therefore considers them to be independent.

CORPORATE GOVERNANCE REPORT CONTINUED

Mr Naresh Chandra is the Senior Independent Director ('SID'). His primary responsibilities are to lead discussions at meetings of the Non-executive Directors, provide an effective channel of communication between the Chairman and Non-executive Directors, ensure that the views of the Non-executive Directors are given due consideration and provide a point of contact for any shareholder who wishes to raise concerns which the normal channels of communication through the Chairman and Chief Executive have failed to resolve, or for which contact is inappropriate.

During the year, the Chairman held regular meetings with Non-executive Directors without the Executive Directors being present.

BOARD MEETINGS AND ATTENDANCE

The Board met four times during the year in the ordinary course of business and maintains close dialogue between meetings. Board committees are appointed to deal with the execution of specific projects requiring Board approval. The Board is updated regularly by these committees on the development of these projects. The terms of reference of Board committees are reviewed from time to time in order to enhance the decision-making process.

Each member of the Board receives information comparing the performance of each business and of the Group with the annual budget each quarter and is given sufficient briefing materials with the agenda in advance of each Board meeting to enable informed decisions to be made. In addition to these formal processes, Directors are in regular communication with the senior executives.

The Chief Financial Officer, Mr DD Jalan, attends all Board meetings to represent the finance function and act as a conduit between the Board and the Executive Committee.

Directors' attendance at Board and committee meetings during the year.

	Board		Audit Committee		Remuneration Committee		Nominations Committee		Health, Safety & Environment Committee	
Director	A[1]	B[2]	A	B	A	B	A	B	A	B
AK Agarwal	4	4	–	–	–	–	3	3	–	–
N Agarwal	4	4	–	–	–	–	–	–	–	–
KK Kaura	4	4	–	–	–	–	–	–	3	3
N Chandra	4	4	4	4	3	3	3	3	–	–
A Mehta	4	4	4	4	3	3	–	–	–	–
SK Tamotia	4	4	–	–	–	–	3	3	3	3
ER Macdonald	4	4	4	4	3	3	3	3	–	–

Notes:
1. A = Maximum number of meetings the Directors could have attended.
2. B = Number of meetings attended.

Only members of a Board committee are entitled to attend the relevant committee meetings, although other Directors may attend Board committees at the invitation of the relevant committee chairman.

There were no changes to the membership of the Board during the year. The Board, chaired by Mr Anil Agarwal, has seven Directors comprising the Executive Chairman, two Executive Directors and four independent Non-executive Directors. The Non-executive Directors possess a range of experience and are of sufficiently high calibre to bring to bear independent judgement on issues of strategy, performance and resources that are vital to the success of the Group.

Based on the recommendation of the Nomination Committee, the Board in its meeting on 21 March 2008 decided that Kuldip Kaura, Chief Executive Officer, will retire on 30 September 2008 and will be succeeded by Mahendra S Mehta, currently the Chief Executive of Hindustan Zinc Limited. Mr Mehta joined Sterlite Industries (India) Limited in April 2000. Prior to assuming his current role at Hindustan Zinc, he worked in the management team of Sterlite's Copper business and as Head of Group Marketing. During the past two years, Mr Mehta has made a significant contribution to the rapid growth of Hindustan Zinc.

CHAIRMAN AND CHIEF EXECUTIVE
There is a clear division of the responsibilities between the running of the Board and executive responsibility for running the business, so that no one person has unfettered powers of decision-making. The Board has an established policy which sets out the key responsibilities of the Executive Chairman and Chief Executive. A clear separation is maintained between the responsibility of the Chairman and the Chief Executive, as detailed below:

Chairman

- Setting a vision for Vedanta, formulating its strategy and creating a growth pipeline of profitable business opportunities
- Providing leadership to the Board and ensuring its effectiveness
- Ensuring that there is effective communication with shareholders
- Facilitating the effective contribution of Non-executive Directors
- Overseeing corporate governance arrangements in compliance with the Code

Chief Executive

- Developing the executive team
- Supporting the Executive Chairman in the delivery and implementation of strategy
- Optimising the Group's assets and management and allocation of resources
- Supporting the Executive Chairman in effective communication with various stakeholders
- Creating and maintaining a sound control environment

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

DIRECTORS' DEALINGS IN SHARES
The Company has a policy based on the Model Code published in the Listing Rules, which covers dealings in securities and applies to Directors and senior management. A comprehensive insider list is maintained and all participants are notified of close periods.

INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT
Appropriate induction is provided to all Directors on appointment to the Board and programmes of continuing professional development are arranged as required, taking into consideration the individual qualifications and experience of the Directors. Directors undertake visits to operations and have discussions with local management.

All 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.

All Directors have access to the Company's professional advisers whom they can consult where they find it necessary in order to better discharge their responsibilities. No Director took such professional advice during the year. The Directors attend other update briefings in order to familiarise themselves with new regulatory requirements.

PERFORMANCE EVALUATION
During the year, the performance of the Board, its main committees and the individual Directors were formally and rigorously evaluated under the leadership and direction of the Chairman. A questionnaire was circulated to Directors concerning their individual performance and that of the Board as a whole and its main committees. Responses were collated and summarised, open and frank Board discussions held concerning the results and issues raised were addressed.

The evaluation process concluded that the Board as a whole and its main committees had functioned effectively during the year and that the individuals had also performed well, with each member making a significant contribution to the Company. The mix of skills and experience on the Board was felt to be appropriate.

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

CORPORATE GOVERNANCE REPORT CONTINUED

BOARD COMMITTEES

EXECUTIVE COMMITTEE

The Executive Committee, comprising the Executive Directors and the senior management within the Group who head the Group's principal businesses and corporate functions, meets on a monthly basis to consider the operating performance of each of the principal subsidiaries. Mr Navin Agarwal chairs the Executive Committee.

The Board's role is to set the Company's values and standards, determine its strategic objectives and monitor operational performance. The Executive Committee supports the Board in fulfilling this role and is essentially responsible for the operational performance of the Group including:

1. Implementing and delivering the strategic plans formulated by the Board;
2. Monitoring operational and financial performance;
3. Prioritising and allocating resources;
4. Developing and reviewing objectives and budgets with subsidiary company boards to ensure that these fall within agreed targets and parameters set by the Board;
5. Approval of capital expenditure; and
6. Review of the Human Resources Policy and Treasury Policy.

NOMINATIONS COMMITTEE

The Nominations Committee consists of Mr Anil Agarwal (chairman), Mr Chandra, Dr Tamotia and Mr Macdonald. The Committee is responsible for succession planning for the Board, making recommendations concerning candidates for appointment as Executive or Non-executive Directors of the Company. The selection process will generally involve benchmarking and interviews with a selection of candidates, In addition, the Committee makes recommendations concerning the structure, size and composition of the Board.

The Combined Code requires that all directors be re-elected at intervals of no more than three years and that Non-executive directors should be appointed for specific terms. Accordingly:

1. In November 2007, Mr Mehta's and Dr Tamotia's contracts expired and were renewed for a further period of two years. Mr Macdonald's three-year contract was renewed in March 2008. All three are therefore required to stand for re-election in terms of the Company's articles;
2. Mr Chandra, who is engaged on a contract renewable every 12 months, was re-appointed in June 2007 and will again stand for re-election this year.

The Company's articles require that at every AGM, one-third of the Directors or, if their number is not three or a multiple of three, the number nearest to one-third, shall retire from office. The Directors to retire by rotation shall be those who have been longest in office since appointment or re-appointment. Accordingly, Mr N Agarwal and Mr Kaura must offer themselves for re-election, having been elected at the 2005 AGM following their appointment to the Board on 4 May 2005.

Following the performance appraisal referred to above, the Board was satisfied that the performance of Messrs Mehta, Tamotia, Kaura, Macdonald, Chandra and Navin Agarwal continues to be effective and that each one of them continues to demonstrate commitment to the role. Accordingly, the Board recommends their re-election at the 2008 Annual General Meeting.

A copy of the Nomination Committee's terms of reference is available on request from the Company Secretary.

REMUNERATION COMMITTEE

The Remuneration Committee consists of Mr Chandra (chairman), Mr Mehta and Mr Macdonald, all of whom are independent Non-executive Directors. The Remuneration Committee is responsible, on behalf of the Board, for setting the remuneration policy and remuneration packages for the Executive Directors and for maintaining an awareness of the overall remuneration of the key operational and financial heads within the Group ('the Senior Management Group').

The Remuneration Report, which is presented on pages 83 to 89, sets out the remuneration policy and other disclosures concerning the remuneration of the Executive Directors. The Remuneration Report will be submitted for approval at the forthcoming AGM.

A copy of the Remuneration Committee's terms of reference is available on request from the Company Secretary.

ACCOUNTABILITY AND AUDIT

AUDIT COMMITTEE AND AUDITORS

The Audit Committee consists of Mr Mehta (chairman), Mr Chandra and Mr Macdonald, all of whom are independent Non-executive Directors. The Board considers that Mr Mehta has the relevant financial experience by virtue of his previous full time role at HSBC Bank and through his experience on the audit committees of other international companies. Mr Chandra, who chaired the Government of India's Committee on Corporate Governance, has a deep understanding of corporate governance issues in general and of the Indian environment in particular. During his career, Mr Macdonald has held senior positions in banking and financial services companies.

The activities of the Audit Committee are summarised below. In addition, the Group's main subsidiaries, a number of which are listed on stock exchanges in India, have their own audit committees in accordance with local corporate governance requirements. By monitoring their discussions and findings, the Audit Committee gains further insights into the quality of financial reporting and internal control.

The Audit Committee reviews the Group's arrangement for its employees to raise concerns through whistleblowing policy in confidence, about possible wrongdoing in financial reporting or other matters. The Committee ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.

During the year, the Audit Committee's activities included:

- formally reviewing the Company's draft preliminary announcement, the Annual Report and half-year report;
- reviewing the Company's risk matrix;
- considering accounting issues and related disclosures in relation to the disposal of Sterlite Gold and the acquisition of Sesa Goa and integration of Sesa Goa's accounting processes into the Group's reporting framework;
- in consultation with the external auditor, determining the most appropriate accounting treatment of Sterlite's US ADR listing;
- reviewing the internal audit reports of the Company;
- approving the internal audit plan for 2008–09, which includes the review of Management Assurance Service function;
- review fraud or misappropriation cases if any;
- evaluating the performance and effectiveness of the external auditor. This was done using a detailed questionnaire, the results of which have been considered by the Committee and which formed the basis of the Committee's recommendation to the Board to recommend the re-appointment of Deloitte & Touche LLP as the Company's auditors for the year ending 31 March 2009;
- reviewing the external audit engagement, scope and strategy; and
- review of the Group's whistleblowing policy and regular update on the Group's preparation for future Sarbanes-Oxley compliance requirements.

A copy of the Audit Committee's terms of reference is available on request from the Company Secretary.

AUDITOR INDEPENDENCE

The Audit Committee and the Board place great emphasis on the objectivity of the Group's auditor, Deloitte & Touche LLP ('Deloitte'), in their reporting to shareholders. The audit partner and senior manager are present at Audit Committee meetings to ensure full communication of matters relating to the audit. The overall performance of the auditor is reviewed annually by the Audit Committee, taking into account the views of management, and feedback is provided to senior members of Deloitte unrelated to the audit. This activity also forms part of Deloitte's own system of quality control. The Audit Committee also has discussions with the auditor, without management being present, on the adequacy of controls and on any judgmental areas. These discussions have proved satisfactory to date. The scope of the forthcoming year's audit is discussed in advance by the Audit Committee. Audit fees are reviewed by the Audit Committee after discussions between the businesses and Deloitte and are then referred to the Board for approval.

Rotation of the audit partner's responsibilities within Deloitte is required by their profession's ethical standards. There is also rotation of key members within the audit team. Accordingly, the current signing partner of the firm is being rotated from next year.

The Committee has a policy for the provision of non-audit services by the auditors. Under this policy, the Audit Committee has agreed a scope of services which the external auditors are permitted to deliver to the Group. The policy also specifies which services are prohibited in order to safeguard the ongoing independence of the external auditors. An analysis of the non-audit fees can be found in note 8 to the financial statements.

Other than audit, the Chief Financial Officer is required to give prior approval of work carried out by Deloitte and its associates in excess of a predetermined threshold. Part of this review is to determine that other potential providers of the services have been adequately considered. These controls provide the Audit Committee with confidence in the independence of Deloitte in their reporting on the audit of the Group.

FINANCIAL REPORTING SYSTEMS

The Group has a comprehensive financial reporting system, which is reviewed and modified as circumstances require. Procedures include: preparing operational budgets for the forthcoming year for review and approval by the Board; preparing budgets and forecasts using conservative and consistent assumptions, which are continuously reviewed; monitoring performance against key performance indicators throughout the financial year and updating forecasts with reference to information on key risk areas. In addition, monthly management reports are prepared both on a divisional and consolidated basis. These are presented to the Executive Committee.

CORPORATE GOVERNANCE REPORT CONTINUED

INTERNAL CONTROL AND RISK MANAGEMENT

The Directors have overall responsibility for ensuring that the Group maintains a robust system of internal control to provide them with reasonable assurance that all information used within the business and for external publication is adequate. This includes financial, operational and compliance control and risk management, to ensure that shareholders' interests and the Company's assets are safeguarded. In line with best practice, the Board has reviewed the internal control system in place during the year and up to the date of the approval of this report. This review ensures that the internal control system remains effective. Where weaknesses are identified as a result of the review, new procedures are put in place to strengthen controls and these are in turn reviewed at regular intervals. During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant.

The Group's internal audit activity is managed through the Management Assurance Services ('MAS') function and is an important element of the overall process by which the Board obtains the assurance it requires to ensure that risks are properly identified, evaluated and managed. This process has been in place for the year under review and up to the date of signing of this report. It also provides assurance on the effectiveness of relevant internal controls. The scope of work, authority and resources of MAS are regularly reviewed by the Audit Committee and its work is supported by the services of leading international accountancy firms (but specifically not including the Group's external auditors). The Audit Committee has, during the year, reviewed the level of internal audit resources within the Group and believes that it is appropriate to the Group's size.

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 a quarterly meeting of the audit committee of that subsidiary. These committees are appointed by the board of directors of each relevant subsidiary and the minutes of their proceedings are reviewed by the Company Secretary. Any adverse findings are reported to the Audit Committee.

The responsibilities of MAS include recommending improvements in the control environment and ensuring compliance with the Group's procedures and policies.

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

This process is designed to manage rather than eliminate the risk of failing to achieve the Group's business objectives. As such, the process can only provide reasonable rather than absolute assurance against material misstatement or loss.

RELATIONS WITH SHAREHOLDERS

DIALOGUE WITH INSTITUTIONAL SHAREHOLDERS

The Board recognises that meetings with analysts and shareholders constitute an important element of the Company's investor relations programme. A number of meetings were held with the Company's principal institutional shareholders during the year as well as with financial analysts and brokers, including a successful visit by a group of analysts to the Group's operations in India and Zambia. These meetings are initiated either by the Company or analysts and investors and are managed at Group level through Mr Sumanth Cidambi, Associate Director (Investor Relations), who also briefs the Board on the Company's relationships with its shareholders. The main channels of communication with the investment community are through the Chairman, Deputy Chairman, Chief Executive Officer and Associate Director of Investor Relations. The Senior Independent Director and Non-executive Directors are also available as appropriate.

The Group attends investor seminars which provide opportunities for two-way communication with investors and analysts and feedback is provided to the Board.

The Company announces its annual and half-year results to the London Stock Exchange and the press in advance of the publication of the annual and half-year reports. Summary reports are also published for the first and third quarters. Other price-sensitive information is announced as and when appropriate and the Board has adopted a communications policy to ensure that this is done in a timely and considered manner. Presentations are made to analysts and the press by the Chairman, Deputy Chairman and Chief Executive Officer and CFO following the release of the interim and preliminary announcements.

The half-year and annual reports are the primary means of communicating with all shareholders. Financial reports, press releases and other information about Vedanta are available on the website (www.vedantaresources.com).

CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING

This year's AGM will be held on 31 July 2008 at 3.00pm, at the Institution of Civil Engineers, One Great George Street, Westminster, London SW1P 3AA . The Notice of Meeting will be circulated at least 20 working days before the meeting. Shareholders will be given the opportunity to ask questions at the AGM. The Company will announce the numbers of proxy votes cast for, against or abstaining for each resolution and will make the chairmen of the Audit, Remuneration and Nominations Committees available to answer questions from shareholders.

REMUNERATION REPORT

INTRODUCTION

This Remuneration Report sets out the policies and practices adopted by the Company in respect of members of the Board and provides details of their remuneration and share interests for the year ended 31 March 2008.

The Executive Directors are based in India (with the exception of Mr Anil Agarwal, who is UK-based), along with the majority of the Group's professional management. Consequently their remuneration is set by reference to the prevailing rates within that market.

The Remuneration Report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 ('the Regulations') (Schedule 7A, Companies Act 1985). Part II of the report sets out the information on which the auditors are required to report to the Company's members.

The report has been approved by the Board and signed on its behalf by the Chairman of the Remuneration Committee. A resolution to approve this report will be proposed at the Company's Annual General Meeting to be held on 31 July 2008.

PART I (UNAUDITED)

REMUNERATION COMMITTEE (THE 'COMMITTEE')

The Board has established a Remuneration Committee in accordance with Provision B.2.1 of the Combined Code to determine on behalf of the Board the Company's policy on the remuneration and terms of engagement of the Executive Directors and certain senior executives. The Chairman of the Committee is Mr Naresh Chandra. The other members of the Committee are Mr Euan Macdonald and Mr Aman Mehta. All three members of the Committee served during the year and are all independent Non-executive Directors.

The Committee is primarily responsible, on behalf of the Board, for setting the remuneration policy and packages of the Executive Directors. In so doing, the Committee makes recommendations to the Board on:
- the Company's overall policy on executive and senior management remuneration;
- remuneration packages for individual Executive Directors, including basic salary, bonus, performance-based short- and long-term incentives, pensions and other benefits; and
- the design and operation of the Company's share incentive schemes.

Mr A Thirunavukkarasu (Head Corporate HR) advises the Committee on the policies and practices being applied and acts as the secretary to the Committee. He also provides input into discussions concerning the remuneration and benefits offered to the Executive Directors during the year.

The Committee met three times during the year.

REMUNERATION POLICY

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

Accordingly, the Board remains committed to the principle of retaining and incentivising managers by ensuring that the structure of individual packages remains in line with market practice, whilst also taking into account the performance of the individual and the Company as a whole.

The following factors are taken into consideration while setting remuneration levels for the Executive Directors and the Senior Management Group:
- levels of remuneration throughout the Group;
- market practices prevailing in the countries in which executives work; and
- market practices in the Indian mining and manufacturing sectors (in respect of operational management) and in all sectors (in respect of corporate and supporting functions), excluding certain very high-paying sectors, for example, financial services.

The Group attempts to align the interests of the Senior Management Group with those of the shareholders by linking share and cash incentives to corporate performance. This is measured by reference to the key performance indicators as discussed in the Financial Review on pages 50 to 61. Therefore, the remuneration packages of the Senior Management Group comprise:
- a salary for day-to-day performance of duties;
- a performance bonus as an incentive to meet short-term goals – these are set by reference to individual key result areas ('KRAs'), personal qualities and the financial performance of the Company;
- awards under the long-term incentive plan ('LTIP', referred to below) to incentivise long-term and strategic performance;
- the short-term incentive plan ('STIP') for members of the Senior Management Group below Board level within the overall LTIP Scheme;
- benefits in kind in accordance with local market practices; and
- cash reward for completing strategic projects.

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

REMUNERATION REPORT CONTINUED

SALARIES, PENSIONS AND OTHER BENEFITS

Salaries and Cost to Company

Salaries for Executive Directors and members of the Senior Management Group are set by reference to those positions of comparable status, skill and responsibility in the metals and mining industries, and in the manufacturing and engineering industries more generally.

Mr Anil Agarwal has a service agreement with the Company under which he received a salary of £750,000 per annum.

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

Mr Navin Agarwal and Mr Kaura both have service agreements with Sterlite Industries (India) Ltd ('Sterlite') which have been augmented by letters of appointment to the Board of the Company. During the year, Mr Agarwal was entitled to CTC of INR 31,800,000 per annum and Mr Kaura was entitled to CTC of INR 20,680,000 per annum pursuant to their Sterlite service agreements. They were both entitled to benefits in kind. Under their letters of appointment to the Board of the Company, Mr Navin Agarwal and Mr Kaura are each paid fees of £60,000 per annum, to reflect the amount of time they spend on Board business.

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

The salary levels of the Executive Directors agreed by the Committee on 12 May 2008 take effect from 1 April 2008 and are as follows:

	Designation	Vedanta salary from 1 April 2008 (£)	Sterlite salary from 1 April 2008 (INR)	Total (£)
AK Agarwal	Executive Chairman	925,000	–	925,000
N Agarwal	Deputy Executive Chairman	60,000	45,200,007	628,339
KK Kaura	Chief Executive	60,000	28,700,004	420,870

Note: Exchange rate of INR79.53 to £1 as at 1 April 2008.

Pensions

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

Benefits in Kind

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

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

Performance Bonus

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

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

Performance conditions are attached to all bonus arrangements, which are set by reference to individual KRAs, personal quality measures and the financial performance indicators of the Group. The majority of KRA targets are linked to the Group's key performance indicators (see the Financial Review on pages 50 to 61). However, certain KRAs monitor performance in respect of softer issues, or 'enablers', for example, people management, thus allowing a more rounded approach to be taken to incentivisation.

For the year ended 31 March 2008, the payment of the annual bonus was dependent on the achievement of a combination of individual and corporate objectives, financial performance components, operational performance and strategic development which correlated to the responsibilities of the individual and the Group budget for the year, as well as the achievement of key strategic milestones. This year, the bonus includes one-off payments relating to successful Listing of Sterlite Industries India Limited on New York Stock Exchange.

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 types of employee share schemes were approved by shareholders on Listing. The Board has no intention at present to introduce any further share schemes.

The Vedanta Resources Share Reward Plan was adopted solely for the purpose of rewarding employees who had contributed to the Company's development and growth over the period leading up to the Company's Listing in December 2003. No further awards have been made under that plan nor are any planned in the future.

Similarly, it is not intended that options will be granted in the foreseeable future under the Vedanta Resources Share Option Plan, adopted to provide maximum flexibility in the design of incentive arrangements over the long-term.

LONG-TERM INCENTIVE PLAN ('LTIP')

Consistent with the Board's objective of developing the potential inherent within the wider management group, the principal focus during the year under review has again been on broadening the constituency of employees eligible to participate in the LTIP.

Since its launch in 2004, the Company's performance, measured in terms of Total Shareholder Return ('TSR', being the movement in the Company's share price plus reinvested dividends), has been compared over a three-year period from the date of grant with the performance of the companies constituting the FTSE Worldwide Mining Index (excluding precious metals).

The LTIP rules do not specify the comparator companies and so in November 2006 the Remuneration Committee agreed to adopt a specific list of companies as a comparator group for the purpose of facilitating periodic assessments of the Company's TSR performance. Following Rio Tinto's acquisition in November 2007 of Alcan, a major producer of aluminium, the Committee reviewed the list with a view to identifying a replacement for Alcan. As a result of this review, the Committee decided that Alcan should be replaced by Alcoa, a dominant player in the aluminium business globally. The full list of companies against whose performance Vedanta's TSR is measured is as follows:

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

The maximum value of shares that can be conditionally awarded to an Executive Director in a year is 100% of annual salary. The maximum value of shares that can be awarded to members of the Senior Management Group is calculated by reference to the fixed salary (CTC) and share-based remuneration consistent with local market practice.

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

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

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

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

REMUNERATION REPORT CONTINUED

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

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

In November 2007, the Remuneration Committee resolved to award LTIP options to 2,148 employees in respect of 1,692,349 ordinary shares, commensurate with the objective of ensuring that remuneration packages remain competitive, especially given the increasingly competitive labour market in India, where most of the Group's employees are based.

Details of the awards held by the Executive Directors as at 31 March 2008 are shown in the table of Directors' Long-Term Incentive Awards on page 89.

SHORT-TERM INCENTIVE PLAN ('STIP')

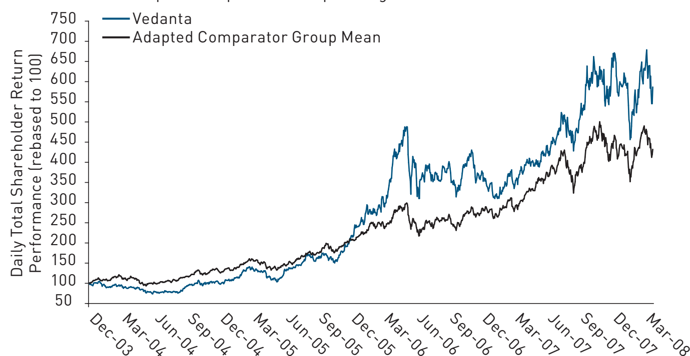
As reported last year, in February 2007 the Committee approved a short-term incentive plan, within the existing LTIP Scheme, covering selected employees other than Executive Directors. The STIP was similar to the existing LTIP scheme in all respects, save for having a performance period of just 12 months. The objective of launching the STIP had been to address the need to retain senior and middle managers in the face of increased competition, especially keen in India where the majority of the Group's managers are based.

At the end of this 12-month period, Ernst & Young reviewed the Company's TSR performance relative to the comparator group in order to determine the proportion of the awards that vest under the terms of the STIP. In order to qualify for 100% vesting, the Company's TSR had to be in the top quartile of the comparator group. Ernst & Young reported that TSR performance over the 12 months to 1 February 2008 had been in the top quartile, triggering 100% vesting. Accordingly, the Remuneration Committee approved the issue of 481,050 ordinary shares to 557 eligible employees.

TOTAL SHAREHOLDER RETURN PERFORMANCE GRAPH

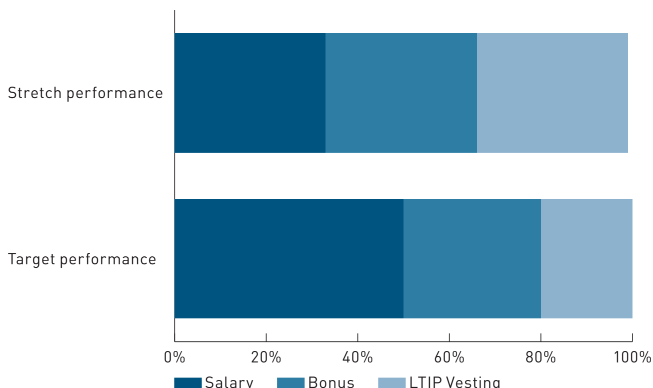
The graph below shows the TSR performance of the Company in comparison with that of the comparator group for the period from 10 December 2003 (the date of Listing) to 31 March 2008. To provide more detail, the graph presents performance on a daily basis rather than using year end dates as required by the Regulations.

Daily Total Shareholder Return Performance
10 December 2003 (Listing) to 31 March 2008
Vedanta versus Adapted Comparator Group Average (rebased to 100)



RELATIVE IMPORTANCE OF FIXED AND VARIABLE PAY

A significant proportion of the remuneration of the Executive Directors is performance-linked. The chart below demonstrates the balance of fixed and variable pay in these circumstances for the Executive Directors assuming (i) maximum bonuses were paid and full vesting of LTIP awards ('Stretch Performance') and (ii) actual bonus payouts as earned in 2008 and median vesting of LTIP awards ('Target Performance').



EXECUTIVE DIRECTORS' SERVICE CONTRACTS
Mr Anil Agarwal and Mr Navin Agarwal are employed under contracts of employment with the Company which are not for a fixed term but which may be terminated by not less than six months' notice. Provision is made in their contracts for payment to be made in lieu of notice on termination. In the case of Mr Anil Agarwal, this would be equal to basic salary and costs to the Company for providing certain benefits during the notice period or part thereof.

Mr Navin Agarwal has a letter of appointment with Vedanta which may be terminated by giving six months' notice. Mr Kaura has a letter of appointment with Vedanta which may be terminated by giving three months' notice. In the case of their service agreements with Sterlite, these may be terminated by giving three months' notice. Mr Kaura's contract with the Group has been extended until 30 September 2008. Mr Kaura will retire on 30 September 2008 and will be succeeded by Mahendra S Mehta, currently the Chief Executive of Hindustan Zinc Limited. Mr Navin Agarwal's appointment as a director of Sterlite will expire on 31 July 2008, being the expiry date specified in his Sterlite contract, whilst his appointment as a Director of Vedanta is a rolling contract.

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.

Individual Service Contract Details

	Date of contract	Notice period	Outstanding term
AK Agarwal	27 November 2003	6 months	Rolling notice period
N Agarwal (Vedanta)	4 May 2005	6 months	Rolling notice period
N Agarwal (Sterlite)	1 August 2003	3 months	Until 31 July 2008
KK Kaura (Vedanta)	4 May 2005	3 months	Until 30 September 2008
KK Kaura (Sterlite)	20 October 2004	3 months	Until 30 September 2008
N Chandra†	1 June 2007	3 months	Until 31 May 2008
A Mehta	24 November 2004	3 months	Until 23 November 2009
SK Tamotia	24 November 2004	3 months	Until 23 November 2009
ER Macdonald	23 March 2005	3 months	Until 22 March 2010

Note:
† Mr Chandra is engaged on a contract renewable every 12 months.

Non-executive Directors' Fees
The Board is responsible for setting Non-executive Directors' fees and during the year commissioned Hewitt New Bridge Street Consultants ('HNBS') to undertake a peer group review of current fee levels. HNBS's review took account of the Group's complexity, the significant travel and time commitments required for attending Board and other meetings in India and the UK and the risk profile of the Company. Accordingly, Non-executive Directors' fees have been revised as follows:
1. Base fee, £60,000.
2. Committee membership fee, up to £5,000.
3. Committee chairmanship fee, up to £20,000.

In the case of fees paid in respect of membership and chairmanship of Board committees, the fee depends on the scope of the committee concerned.

Chairman's Salary
The Chairman's salary is approved by the Board (without the Chairman being present) on the recommendation of the Committee.

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

REMUNERATION REPORT CONTINUED

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

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

Equity Dilution resulting from Employee Share Schemes
The dilution limits set out in the rules of the Employee Share Schemes in December 2003 allow up to an aggregate of 10% of the Company's issued share capital to be issued or issuable pursuant to awards under any of the Company's employee share schemes over a period of 10 years. Up to 5% of the Company's issued share capital may be used for the Company's discretionary schemes over a 10-year period. These dilution limits extend also to the STIP. Shares issued or issuable pursuant to awards made under the Reward Plan are not counted for these purposes. Currently, 1.33% (2007: 1.08%) of the Company's issued share capital is issuable in respect of outstanding awards under the LTIP.

PART II (AUDITED)
DIRECTORS' REMUNERATION

Year ended 31 March 2008
The following table sets out an analysis of the pre-tax remuneration for the year ended 31 March 2008 for individual Directors who held office in the Company during this period. All amounts are in UK pounds sterling although payments in India under service contracts with Sterlite are paid in Indian rupees.

Directors' Remuneration

	UK salary £000	CTC fees £000	Pensions £000	Annual performance bonus £000	Benefits in kind £000	**2008 total £000**	2007 total £000
EXECUTIVE DIRECTORS							
AK Agarwal[1]	750	–	–	450	126	**1,326**	936
N Agarwal[2]	60	394	63	303	41	**861**	645
KK Kaura[3]	60	256	23	167	35	**541**	412
NON-EXECUTIVE DIRECTORS							
N Chandra	95	–		–	–	**95**	85
A Mehta	85	–		–	–	**85**	75
SK Tamotia	82	–		–	–	**82**	73
ER Macdonald	72	–		–	–	**72**	63
TOTAL	1,204	650	86	920	202	**3,062**	2,289

(1) Mr Anil Agarwal's benefits in kind include provision of a car and fuel in the UK for business and personal purposes.
(2) Mr Navin Agarwal's benefits in kind include use of leased accommodation in India, club membership and use of car and driver.
(3) Mr Kaura's benefits in kind include use of leased accommodation in India and use of car and driver.

Directors' Long-Term Incentive Plan Awards

Option granted	Award (US cents)	1 April 2007	Movements during the year Grants	Exercised	1 March 2008	Earliest/latest exercise dates	Date award exercised	Market price at exercise	Market price at grant	Aggregate gain on exercise grants
AK AGARWAL										
26 Feb 2004	0.10	120,000	–	120,000	–	26 Feb 2007 to 26 Aug 2007	13 Aug 2007	16.48	3.43	1,566,000
1 Feb 2006†	0.10	42,500	–	–	42,500	1 Feb 2009 to 1 Aug 2009	–	–	9.89	–
14 Nov 2007	0.10	–	37,000	–	37,000	15 Nov 2010 to 14 May 2011	–	–	19.69	–
N AGARWAL										
1 Feb 2006†	0.10	33,400	–	–	33,400	1 Feb 2009 to 1 Aug 2009	–	–	9.89	–
14 Nov 2007	0.10	–	24,500	–	24,500	15 Nov 2010 to 14 May 2011	–	–	19.69	–
KK KAURA										
1 Feb 2006†	0.10	25,000	–	–	25,000	1 Feb 2009 to 1 Aug 2009	–	–	9.89	–
14 Nov 2007	0.10	–	16,500	–	16,500	15 Nov 2010 to 14 May 2011	–	–	19.69	–

† The performance conditions attached to LTIP awards granted in 2006 require the Company's TSR to equal or exceed the TSR performance of the median of the Comparator Group before 40% of the award can vest and to be equal to or greater than the performance of the Company at the upper quartile of that group for the whole award to vest. Awards vest on a sliding scale in between these points.

The mid-market price of the shares at 31 March 2008 was 2,096 pence and from 1 April 2007 to 31 March 2008 the share price varied between 1,342 pence and 2,367 pence.

Directors' Interests in Ordinary Shares

The interests of the Directors (which are beneficial unless otherwise stated) in ordinary shares at 31 March 2008 were:

	Ordinary shares at 1 April 2007	**Ordinary shares at 31 March 2008**
AK Agarwal	154,157,921	**154,157,921**
AK Agarwal	–	**55,440**
N Agarwal	200,000	**200,000**
KK Kaura	50,000	**50,000**
N Chandra	–	**–**
A Mehta	–	**–**
SK Tamotia	–	**–**
ER Macdonald	–	**–**

1. Mr Anil Agarwal and Mr Navin Agarwal each held nominee shares in direct and indirect subsidiaries. These holdings are non-beneficial.
2. Mr Agarwal's holding of 154,157,921 shares are registered in the name of Volcan Investments Limited.
3. There have been no changes in the beneficial shareholdings of the Directors between the end of the financial year and 12 May 2008.

Signed on behalf of the Board of Directors.

NARESH CHANDRA
CHAIRMAN OF THE REMUNERATION COMMITTEE

14 May 2008

DIRECTORS' REPORT

The Directors present this Annual Report on the affairs of the Group, together with the financial statements and auditors' report, for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES
Vedanta Resources plc is the UK parent company of a diversified metals and mining group. The four major areas of activity are as follows:
- Aluminium: bauxite mining, alumina refining and aluminium smelting operations in India;
- Copper: smelting and refining operations in India, copper ore mining in Australia and an integrated copper production operation in Zambia;
- Zinc: zinc-lead mining and smelting operations in India; and
- Iron ore: Iron ore mine in India.

Analysis of revenue, operating profit, principal activities and geographical origins appears in note 3 of the financial statements and a list of the principal subsidiaries and associated undertakings of the Group may be found in note 37 to the financial statements.

The Chairman's Statement, the Business Review and Finance Review, which together give a fair view of the historic and likely future developments of the operations of the Group, should be read in conjunction with the Directors' Report. These sections together with the sections referred to in the Business and Financial Review and Group Results section below form part of this Directors' Report.

There are no material changes from 31 March 2008 to the date of this report except as disclosed.

BUSINESS AND FINANCE REVIEW
The Company is required by the Companies Act 1985 to include a review in this report. The information that fulfils the requirements of the Business and Financial Review, including principal risks and uncertainties, can be found within the following sections, which are incorporated in this report by reference:

Information	Location in the Annual Report	Page
Key Performance Indicators	Business Review	24
Description of the principal risks and uncertainties facing the Group	Financial Review	58
Strategy	Chairman's Statement	4
Future developments	Business Review	18
Review of operations	Business Review	18
Financial review	Financial Review	50
Environmental matters	Sustainable Development	62
Health and safety matters	Sustainable Development	62
Community issues	Sustainable Development	62

The Business Review also includes details of the main trends and factors likely to affect the future development, performance and position of the Company's business, an indication of its activities in the field of research and development, details of the key performance indicators that management use and information about persons with whom the Company has contractual or other arrangements that are essential to the business of the Company.

POST BALANCE SHEET EVENT
On 9 April 2008, the Group completed the exercise of its option over ZCI's share in KCM for a consideration of $213.2 million. The transaction resulted in an acquisition of a further 28.4% interest in KCM's equity, taking the Group's total holding to 79.4%. The balance of 20.6% is held by ZCCM (see note 38 to the financial statements).

DIVIDENDS
The Directors recommend a final dividend for the year ended 31 March 2008 of 25 US cents per ordinary share (2007: 20.0 US cents per ordinary share). Subject to shareholders approving this recommendation at the Annual General Meeting on 31 July 2008, the final dividend will be paid on 14 August 2008 to shareholders on the register of members as at 11 July 2008.

Taken together with the interim dividend of 16.5 US cents per ordinary share declared on 15 November 2007 and paid to shareholders on 17 January 2008, the total dividend for the year is 41.5 US cents per ordinary share (2007: 35.00 US cents per ordinary share).

DIRECTORS

The names, specific responsibilities and biographical details of the current Board of Directors are shown on pages 74 to 75.

The following Directors held office during the year ended 31 March 2008:

	Appointed	Designation
EXECUTIVE DIRECTORS		
AK Agarwal	16 May 2003	Executive Chairman
N Agarwal	24 November 2004	Deputy Executive Chairman
KK Kaura	23 March 2005	Chief Executive
NON-EXECUTIVE DIRECTORS		
N Chandra	18 May 2004	Non-executive Director
A Mehta	24 November 2004	Non-executive Director
SK Tamotia	24 November 2004	Non-executive Director
ER Macdonald	23 March 2005	Non-executive Director

DIRECTORS' REMUNERATION

Details of Directors' service contracts and emoluments, options to subscribe for shares in the Company and interests in the share capital of its subsidiaries are shown in the Remuneration Report on page 83.

CORPORATE GOVERNANCE

Disclosures on the application of the principles and compliance with the provisions of the Combined Code can be found on pages 77 to 82.

CHARITABLE DONATIONS

During the year, the Group made charitable donations of $0.6 million paid to the Sterlite Foundation (2007: $0.6 million), the Vedanta Foundation $ Nil (2007: $0.1 million) and other charitable donations of $2.9 million (2007: $1.5 million). (See note 35 to the financial statements).

The Board believes that working with local communities is critical to the success of its operations and is an important element of the Group's philosophy and culture. Donations to charities working in these communities are one of the means by which the Group provides such support. Further details about the Group's involvement with local communities during the year can be found in the Sustainable Development Report on pages 62 to 73.

POLITICAL DONATIONS

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

MATERIAL SHAREHOLDINGS

As at 1 June 2008, the Company had been notified under Rule 9.8.6R(2) of the Listing Rules, of the following voting rights as a shareholder of the Company:

Name of holder	Number of ordinary shares of US$0.10 each	Percentage of total ordinary share capital or voting rights held as at 31 Mar 2008[1]
Volcan Investments Ltd	154,157,911	53.49%
Wellington Management Company LLC	20,255,829	7.03%

(1) The voting rights at 31 March 2008 were 288,072,770.

SUPPLIER PAYMENT POLICY

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

Trade creditor days of the Group at 31 March 2008 were 92 days (2007: 64 days).

VALUE OF LAND

Land is carried in the balance sheet at historic cost. It is not practical to estimate the market value of land and mineral reserves and resources at any point in time since the market values depend on commodity prices which fluctuate on a day-to-day basis.

POLICY ON DERIVATIVES AND FINANCIAL INSTRUMENTS

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

DIRECTORS' REPORT CONTINUED

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE
The Company purchases and maintains liability insurance for its Directors and officers and those of the subsidiaries of the Group, as permitted by the Companies Act 2006.

DISCLOSURE OF INFORMATION TO AUDITORS
Each person who is a Director at the date of approval of this annual report confirms that:
1. So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
2. The Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

DIRECTORS' RESPONSIBILITY STATEMENT
Each Director further confirms that, to the best of their knowledge:
1. The financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. The Business Review, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

This confirmation is given and should be interpreted in accordance with the provisions of Rule 4.1.12R of the Disclosure and Transparency Rules.

REAPPOINTMENT OF AUDITORS
A resolution to re-appoint the auditors, Deloitte & Touche LLP, will be proposed at the forthcoming Annual General Meeting in accordance with section 385 of the Companies Act 1985. The re-appointment of Deloitte & Touche LLP has been approved by the Audit Committee, which will also be responsible for determining their remuneration on behalf of the Board, subject to the approval of shareholders at the forthcoming Annual General Meeting.

ANNUAL GENERAL MEETING
The fifth Annual General Meeting of the Company will be held at the Institution of Civil Engineers, One Great George Street, Westminster, London SW1P 3AA on 31 July 2008 at 3.00pm. The Notice convening the AGM accompanies this Annual Report and sets out details of the business to be considered.

GOING CONCERN
The Directors have considered the financial position of the Company and the Group as shown in the balance sheet and the consolidated balance sheet as at 31 March 2008, together with the other financial statements, the budget for the current year, the Group's business plans and the cash resources available to the Group. The Directors consider that the Company and the Group will be able to meet their financial commitments for the foreseeable future and that it is, therefore, appropriate for the financial statements to be prepared on the 'going concern' basis.

ADDITIONAL INFORMATION FOR SHAREHOLDERS
The following description summarises certain provisions in the Company's Current Articles of Association (the 'Articles') and applicable English law concerning companies (the Companies Act 1985 and the Companies Act 2006 (together the 'Companies Acts'). This is a summary only and the relevant provisions of the Companies Acts or the Articles should be consulted if further information is required. Certain amendments will be proposed to the Articles at the Annual General Meeting on 31 July 2008, details of which are set out in the Notice of Meeting. Copies of the Company's current Articles, together with copies marked up to show the proposed amendments are available for inspection at the Company's registered office.

DIVIDENDS AND DISTRIBUTIONS
Subject to the provisions of the Companies Acts, 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.

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

RIGHTS AND OBLIGATIONS ATTACHING TO SHARES
The rights and obligations attaching to the ordinary and deferred shares are set out in the Articles of Association . Details of the authorised and issued share capital together with movements in the Company's issued share capital during the year are shown in note 31.

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

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

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

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

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

RESTRICTIONS ON VOTING AND THE TRANSFER OF SHARES
No member shall be entitled to vote at a general meeting or at a separate meeting of the holders of any class of shares in the capital of the Company, either in person or by proxy, in respect of any share held by him unless all moneys presently payable by him in respect of that share have been 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 required to be provided under the Companies Acts.

ISSUE OF SHARES
Under the Articles of Association, the Company has authority to allot the unissued shares of the Company. Such authority would be exercised having regard for the guidelines of the Investor Protection Committees.

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

PURCHASE OF THE COMPANY'S OWN SHARES
At the end of the year, the Directors had authority, under a shareholders' resolution dated 1 August 2007, to purchase through the market 28,751,562 of the Company's ordinary shares at prices ranging between $0.10 and an amount equal to the higher of:

1. 105% of the average of the middle market quotations for the ordinary shares of the Company as derived from the Daily Official List of London Stock Exchange plc for the five business days immediately preceding the day on which such share is contracted to be purchased; and
2. That stipulated by Article 5(1) of the EU Buyback and Stabilisation Regulation 2003 (No. 2273/2003).

The authority expires at the conclusion of the Annual General Meeting of the Company in 2008.

DIRECTORS
Unless otherwise determined by ordinary resolution, the number of Directors (other than alternate directors) shall not be subject to any maximum, but shall not be less than two. The powers of the Directors are described in the Corporate Governance Report on page 77.

APPOINTMENT OF DIRECTORS
With regard to the appointment and replacement of Directors, the Company is governed by its Articles, the Combined Code, the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders.

RETIREMENT OF DIRECTORS
Under the Articles, any Director appointed by the Board during the year must retire at the Annual General Meeting following his appointment. In addition, the Articles require that one-third of the remaining Directors retire by rotation at each general meeting and seek re-appointment.

SIGNIFICANT AGREEMENTS: CHANGE OF CONTROL
There are a number of agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, bank loan agreements, and capital market borrowing. Some of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. All of the Company's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions. Under the terms of the US$ 725 million 4.6% Guaranteed Convertible Bonds due 2026 issued 21 February 2006, in the event of a change of control (defined as Relevant Event), the Exchange Price will be adjusted. The Change of Control Exchange Price shall only apply to Bonds in respect of which Conversion Rights are duly exercised and the Conversion Date falls within the period, commencing the date of the Relevant Event and ending on the date 60 days following the occurrence of the Relevant Event. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

By order of the Board.

DEEPAK KUMAR
COMPANY SECRETARY
14 May 2008

Vedanta Resources plc
Hill House
1 Little New Street
London EC4A 3TR

Registered in England Number 4740415

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, Directors' Remuneration 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. The Directors are required by the IAS Regulation to prepare the Group financial statements under IFRSs (IFRSs) as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors 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). The parent company financial statements are required by law to give a true and fair view of the state of affairs of the Company. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the parent company financial statements comply with the Companies Act 1985. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VEDANTA RESOURCES PLC

We have audited the Group financial statements of Vedanta Resources plc for the year ended 31 March 2008 which comprise the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Changes in Equity and the related notes 1 to 39. These Group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the parent company financial statements of Vedanta Resources plc for the year ended 31 March 2008.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view, whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review and Finance Review that is cross referred from the Business and Finance Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Report reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited Group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements and the part of the Directors' Remuneration Report to be audited.

OPINION

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2008 and of its profit loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Group financial statements.

DELOITTE & TOUCHE LLP
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS
London
14 May 2008

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
CONTINUING OPERATIONS			
Revenue	3	8,203.7	6,502.2
Cost of sales		(5,317.8)	(3,840.4)
GROSS PROFIT		**2,885.9**	**2,661.8**
Other operating income		86.8	102.1
Distribution costs		(170.1)	(106.7)
Administrative expenses		(221.3)	(149.6)
Special items	4	11.1	(1.7)
OPERATING PROFIT	3	**2,592.4**	**2,505.9**
Investment revenue	5	321.4	127.5
Finance costs	6	(150.6)	(147.7)
Share of loss of associate	15	–	(1.3)
PROFIT BEFORE TAXATION		**2,763.2**	**2,484.4**
Tax expense	10	(757.7)	(672.7)
PROFIT FOR THE YEAR		**2,005.5**	**1,811.7**
Attributable to:			
Equity holders of the parent		879.0	934.2
Minority interests		1,126.5	877.5
		2,005.5	**1,811.7**
Basic earnings per ordinary share (US cents)	11	305.4	325.6
Diluted earnings per ordinary share (US cents)	11	286.7	305.4

CONSOLIDATED BALANCE SHEET

	Note	As at 31 March 2008 $ million	As at 31 March 2007 $ million
ASSETS			
NON-CURRENT ASSETS			
Goodwill	13	13.3	12.1
Property, plant and equipment	14	8,354.5	3,838.0
Financial asset investments	16	30.0	34.6
Other non-current assets	17	29.8	27.3
Other financial assets (derivatives)	26	95.0	72.1
Deferred tax assets	28	15.1	28.3
		8,537.7	**4,012.4**
CURRENT ASSETS			
Inventories	18	1,298.8	879.7
Trade and other receivables	19	1,048.0	942.9
Other current financial assets (derivatives)	26	44.9	51.5
Liquid investments	20	4,648.5	600.4
Cash and cash equivalents	21	458.2	1,584.8
		7,498.4	**4,059.3**
TOTAL ASSETS		**16,036.1**	**8,071.7**
LIABILITIES			
CURRENT LIABILITIES			
Short-term borrowings	22	(1,417.2)	(249.1)
Trade and other payables	24a	(2,018.4)	(1,172.4)
Other current financial liabilities (derivatives)	26	(23.3)	(101.4)
Provisions	27	(27.3)	–
Current tax liabilities		(33.5)	(63.0)
		(3,519.7)	**(1,585.9)**
NET CURRENT ASSETS		**3,978.7**	**2,473.4**
NON-CURRENT LIABILITIES			
Medium- and long-term borrowings	22	(956.0)	(879.3)
Convertible bonds	25	(600.9)	(598.4)
Trade and other payables	24b	(0.2)	(11.6)
Other financial liabilities (derivatives)	26	(83.7)	(94.8)
Deferred tax liabilities	28	(1,380.8)	(425.3)
Retirement benefits	30	(42.5)	(35.3)
Provisions	27	(185.2)	(230.3)
Non-equity minority interests	22	(59.4)	(59.4)
		(3,308.7)	**(2,334.4)**
TOTAL LIABILITIES		**(6,828.4)**	**(3,920.3)**
NET ASSETS		**9,207.7**	**4,151.4**
EQUITY			
Share capital	31	28.8	28.8
Share premium account		20.0	18.7
Share-based payment reserves		15.6	7.3
Convertible bond reserve		115.7	119.5
Hedging reserves		(9.1)	(29.7)
Other reserves		1,932.6	661.0
Retained earnings		1,743.5	1,521.3
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**3,847.1**	**2,326.9**
Minority interests		5,360.6	1,824.5
TOTAL EQUITY		**9,207.7**	**4,151.4**

Approved by the Board on 14 May 2008

ANIL AGARWAL
CHAIRMAN

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
OPERATING ACTIVITIES			
Profit before taxation		2,763.2	2,484.4
ADJUSTMENTS FOR:			
Depreciation		429.1	195.4
Investment revenues		(321.4)	(127.5)
Finance costs		150.6	147.7
Profit on disposal of property, plant and equipment		(0.3)	(21.0)
Profit on disposal of subsidiary	32b	(29.8)	–
Share-based payment charge		12.8	5.6
Loss on disposal of non-core business		–	2.3
Share of loss of associate		–	1.3
Other non-cash items		(2.0)	(12.0)
OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL		**3,002.2**	**2,676.2**
Increase in inventories		(276.0)	(361.8)
Increase in receivables		(64.7)	(410.4)
Increase in payables		287.4	222.5
CASH GENERATED FROM OPERATIONS		**2,948.9**	**2,126.5**
Dividends received		144.5	10.7
Interest income received		112.7	138.6
Interest paid		(213.7)	(193.4)
Income taxes paid		(655.2)	(475.6)
Dividends paid		(104.3)	(84.3)
NET CASH FROM OPERATING ACTIVITIES		**2,232.9**	**1,522.5**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiary	32a	(990.4)	(54.3)
Cash acquired with subsidiary	32a	4.5	0.8
Net proceeds on disposal of subsidiary	32b	83.4	–
Cash disposed of with subsidiary	32b	(0.3)	–
Proceeds on disposal of non-core business		–	32.3
Cash disposed of with non-core business		–	(0.2)
Purchases of property, plant and equipment		(1,744.8)	(1,154.5)
Proceeds on disposal of property, plant and equipment		2.7	28.9
Dividends paid to minority interests of subsidiaries		(53.5)	(41.8)
Increase in liquid investments	23	(3,617.2)	(345.1)
Purchase of financial asset investments		(0.1)	(0.2)
NET CASH USED IN INVESTING ACTIVITIES		**(6,315.7)**	**(1,534.1)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of ordinary shares		0.1	0.2
Increase in short-term borrowings	23	1,100.4	25.0
Decrease in long-term borrowings	23	(150.1)	(324.8)
Proceeds from issue of shares to minority interests of subsidiaries		1,969.4	–
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**2,919.8**	**(299.6)**
Net (decrease)/increase in cash and cash equivalents	23	(1,163.0)	(311.2)
Effect of foreign exchange rate changes	23	36.4	48.7
Cash and cash equivalents at beginning of year		1,584.8	1,847.3
CASH AND CASH EQUIVALENTS AT END OF YEAR	21	**458.2**	**1,584.8**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
$ million	Share capital	Share premium	Share-based payment reserves	Convertible bond reserve	Hedging reserves	Other reserves*	Retained earnings	Total	Minority interests	Total equity
AT 1 APRIL 2006	**28.7**	**18.6**	**4.1**	**123.3**	**(29.1)**	**213.1**	**1,058.4**	**1,417.1**	**921.7**	**2,338.8**
Profit for the period							934.2	934.2	877.5	1,811.7
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	10.2	10.2
Gain on acquisition of subsidiary	–	–	–	–	–	–	0.3	0.3	–	0.3
Conversion of convertible bond	–	0.1	–	–	–	–	–	0.1		0.1
Convertible bond transfer	–	–	–	(3.8)	–	–	3.8	–	–	–
Exchange differences on translation of foreign operations	–	–	–	–	–	51.6	–	51.6	53.9	105.5
Transfers**	–	–	–	–	–	393.5	(393.5)	–		–
Movement in fair value of cash flow hedges and financial investments	–	–	–	–	(0.6)	2.8	–	2.2	3.0	5.2
Dividends paid	–	–	–	–	–	–	(84.3)	(84.3)	(41.8)	(126.1)
Recognition of share-based payment	–	–	5.6		–	–	–	5.6	–	5.6
Exercise of LTIP awards	0.1	–	(2.4)	–	–	–	2.4	0.1	–	0.1
AT 31 MARCH 2007	**28.8**	**18.7**	**7.3**	**119.5**	**(29.7)**	**661.0**	**1,521.3**	**2,326.9**	**1,824.5**	**4,151.4**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

	Attributable to equity holders of the Company									
$ million	Share capital	Share premium	Share-based payment reserves	Convertible bond reserve	Hedging reserves	Other reserves*	Retained earnings	Total	Minority interests	Total equity
AT 1 APRIL 2007	**28.8**	**18.7**	**7.3**	**119.5**	**(29.7)**	**661.0**	**1,521.3**	**2,326.9**	**1,824.5**	**4,151.4**
Profit for the period	–	–	–	–	–	–	879.0	879.0	1,126.5	2,005.5
Acquisition of a subsidiary (note 32)	–	–	–	–	–	–	–	–	963.0	963.0
Disposal of a subsidiary (note 32)	–	–	–	–	–	–	–	–	(9.7)	(9.7)
Conversion of convertible bond	–	1.3	–	(0.2)	–	–	–	1.1	–	1.1
Convertible bond transfers	–	–	–	(3.6)	–	–	3.6	–	–	–
KCM call option (note 36)	–	–	–	–	–	(213.2)		(213.2)	–	(213.2)
Sterlite ADR offering***	–	–	–	–	–	–	698.5	698.5	1,270.9	1,969.4
Exchange differences on translation of foreign operations	–	–	–	–	1.1	228.9	–	230.1	222.8	452.8
Transfers**	–	–	–	–	–	1,259.1	(1,259.1)	–	–	–
Movement in fair value of cash flow hedges (note 26)	–	–	–	–	19.5	–	–	19.5	17.2	36.7
Movement in fair value of financial investments (note 16)	–	–	–	–		(3.2)	–	(3.2)	(1.1)	(4.3)
Dividends paid	–	–	–	–	–	–	(104.3)	(104.3)	(53.5)	(157.8)
Exercise of LTIP/STIP awards	–	–	(4.5)	–	–	–	4.5	–	–	–
Recognition of share-based payment (note 29)	–	–	12.8	–	–	–	–	12.8	–	12.8
AT 31 MARCH 2008	**28.8**	**20.0**	**15.6**	**115.7**	**(9.1)**	**1,932.6**	**1,743.5**	**3,847.1**	**5,360.6**	**9,207.7**

* Other reserves comprise:

	Currency translation reserve	Merger reserve	Investment revaluation reserve	General reserves	Other	Total
AT 1 APRIL 2006	**(2.9)**	**4.4**	**0.6**	**211.0**	**–**	**213.1**
Exchange differences on translation of foreign operations	51.6	–	–	–	–	51.6
Revaluation of available-for-sale investments	–	–	2.8	–	–	2.8
Transfer from retained earnings**	–	–	–	393.5	–	393.5
AT 31 MARCH 2007	**48.7**	**4.4**	**3.4**	**604.5**	**–**	**661.0**
Exchange differences on translation of foreign operations	228.9	–	–	–		228.9
Revaluation of available-for-sale investments	–	–	(3.2)	–		(3.2)
KCM call option	–	–	–	–	(213.2)	(213.2)
Transfer from retained earnings**	–	–	–	1,259.1	–	1,259.1
AT 31 MARCH 2008	**277.6**	**4.4**	**0.2**	**1,863.6**	**(213.2)**	**1,932.6**

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

*** In June 2007, Sterlite listed on the New York Stock Exchange and raised $ 2,016.0 million (before expenses). The offering resulted in a reduction of Vedanta's shareholding in Sterlite from 75.98% to 59.87%. This reduction has not resulted in any change in control and hence Sterlite continues to be consolidated in Vedanta's consolidated financial statements. This reduction has been accounted in Vedanta's consolidated financial statements as an equity transaction. The carrying amount of the minority interest has been adjusted to reflect the change in Vedanta's interest in Sterlite's net assets. The difference between the amount by which the minority interest is adjusted and the net consideration received of $1,969.4 million is recognised directly in equity and attributed to equity holders of Vedanta.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. PRESENTATION OF FINANCIAL STATEMENTS

COMPLIANCE WITH APPLICABLE LAW AND IFRS

The financial statements have been prepared in accordance with those parts of the Companies Act 1985 applicable to companies reporting under IFRS, Article 4 of the IAS Regulation and International Financial Reporting Standards (IFRS) as adopted by the European Union and related interpretations.

Basis of Preparation

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

The Group has adopted IFRS 7 'Financial Instruments: Disclosures' (and the related amendment to IAS 1 'Presentation of Financial Statements') which is effective from annual reporting periods beginning on or after 1 January 2007. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:
- IFRS 8 – Operating segments
- IFRS 3 (Revised 2008) – Business Combinations
- IFRS 2 (Revised 2008) – Share-based payment IAS 27 (Revised 2008) – Consolidated and separate financial statements
- IAS 1 (Revised 2007) – Presentation of financial statements
- IFRIC 11 – Group and Treasury share transactions
- IFRIC 13 – Customer Loyalty Programmes
- IFRIC 14 –The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction

The management is evaluating the impact, if any, the adoption of above standards and interpretations will have on its financial reporting and disclosures.

Parent Company Financial Statements

The financial statements of the parent company, Vedanta Resources plc, have been prepared in accordance with UK GAAP and with UK accounting presentation. The Company balance sheet is presented in note 40.

2(A) ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

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

The results of Sesa Goa have been included in the consolidated financial statements from the date of acquisition in April 2007 and the results of Sterlite Gold have been excluded from the date of its disposal in September 2007.

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

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

REVENUE RECOGNITION

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2(A) ACCOUNTING POLICIES CONTINUED

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

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

SPECIAL ITEMS

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

BUSINESS COMBINATIONS

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

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

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

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

Goodwill relating to associates is included within the carrying value of the associate. The unamortised balance is reviewed for impairment on an annual basis.

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.

Internally generated goodwill is not recognised.

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

INVESTMENTS IN ASSOCIATES

In the consolidated financial information, investments in associates are accounted for using the equity method. An associate is an entity over which the Group is in a position to exercise significant influence over operating and financial policies and normally owns between 20.0% and 50.0% of the voting equity but is neither a subsidiary nor a joint venture. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above and is included in the carrying value of investments in associate.

The investment is initially recorded at the cost to the Group in the consolidated balance sheet and then, in subsequent periods, the carrying value of the investment is adjusted to reflect the Group's share of the associate's profits or losses and for impairment of goodwill and any other changes to the associate's net assets. The consolidated income statement includes the Group's share of associate's results, except where the associate is generating losses and the Group's investment in the associate has been written down to zero.

2(A) ACCOUNTING POLICIES CONTINUED

PROPERTY, PLANT AND EQUIPMENT

Mining Properties and Leases

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

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

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

Stripping costs/secondary development expenditure incurred during the production stage of operations of an ore body is charged to the income statement immediately.

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.

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

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

Other Property, Plant and Equipment

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

Assets in the Course of Construction

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

DEPRECIATION

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2(A) ACCOUNTING POLICIES CONTINUED

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

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

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

IMPAIRMENT

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

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

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

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

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

GOVERNMENT GRANTS

Government grants relating to tangible fixed assets 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.

INVENTORIES

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

Cost is determined on the following bases:

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

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

2(A) ACCOUNTING POLICIES CONTINUED

TAXATION

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

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

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

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

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

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

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

RETIREMENT BENEFIT SCHEMES

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

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

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

SHARE-BASED PAYMENTS

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

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

PROVISIONS FOR LIABILITIES AND CHARGES

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

2(A) ACCOUNTING POLICIES CONTINUED

RESTORATION, REHABILITATION AND ENVIRONMENTAL COSTS

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

LEASES

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

FOREIGN CURRENCY TRANSLATION

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

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 the consolidated statement of changes in equity.

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

FINANCIAL ASSET INVESTMENTS

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

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

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

LIQUID INVESTMENTS

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

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

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

2(A) ACCOUNTING POLICIES CONTINUED

TRADE RECEIVABLES

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

TRADE PAYABLES

Trade payables are stated at their nominal value.

EQUITY INSTRUMENTS

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

CASH AND CASH EQUIVALENTS

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

BORROWINGS

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

CONVERTIBLE BONDS

The Vedanta convertible bond is accounted for as a compound instrument. The equity component and the liability component was separated out on the date of the issue. The equity component has been recognised in a separate reserve and is not being subsequently remeasured. The liability component is held at amortised cost. The interest expensed on the liability component is calculated by applying the effective interest rate, being the prevailing market interest rate for similar non-convertible debt. The difference between this amount and interest paid is added to the carrying amount of the liability component.

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, ie 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 and reduced from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivative financial instruments are initially recorded at their fair value on the date of the derivative transaction and are 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 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. Amounts deferred to equity are recycled in the income statement in the periods when the hedged item is recognised in the income statement.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2(A) ACCOUNTING POLICIES CONTINUED

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

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

2(B) CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATION UNCERTAINTY

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

MINING PROPERTIES AND LEASES

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

USEFUL ECONOMIC LIVES OF ASSETS AND IMPAIRMENT

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

RESTORATION, REHABILITATION AND ENVIRONMENTAL COSTS

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

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

PROVISIONS AND LIABILITIES

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

2(B) CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATION UNCERTAINTY CONTINUED

CONTINGENCIES AND COMMITMENTS

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

UNDERLYING EARNINGS AND SPECIAL ITEMS

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

3. SEGMENT INFORMATION

The Group's primary format for segmental reporting is business segments. The business segments consist of aluminium, copper, zinc and iron ore, with residual components being reported as 'Other' (mainly energy and gold). Business segment data includes an allocation of certain directly attributable corporate costs, allocated on an appropriate basis. The risks and returns of the Group's operations are primarily determined by the nature of the different activities in which the Group is engaged. Inter-segment sales are charged based on prevailing market prices. The Group's activities are organised on a global basis. Our alumina operations in VAL were disclosed as part of other in financial year 2007. As the alumina produced from the operation would be captively consumed in our aluminium business, VAL now has been regrouped under aluminium segment.

(A) BUSINESS SEGMENTS

The following tables present revenue and profit information and certain asset and liability information regarding the Group's business segments for the years ended 31 March 2008 and 2007.

	Continuing operations						
Year ended 31 March 2008 $ million	Aluminium	Copper	Zinc	Iron ore	Other	Elimination	Total operations
REVENUE							
Sales to external customers	1,140.2	4,221.9	1,941.4	888.9	11.3	–	8,203.7
Inter-segment sales	2.5	–	–	–	–	(2.5)	–
Segment revenue	1,142.7	4,221.9	1,941.4	888.9	11.3	(2.5)	8,203.7
RESULT							
Segment result before special items	307.0	535.5	1,333.0	420.0	(4.3)	–	2,591.2
Special items	–	–	–	–	11.1	–	11.1
Segment result after special items	307.0	535.5	1,333.0	420.0	6.8		2,602.3
Unallocated corporate expenses							(9.9)
OPERATING PROFIT							**2,592.4**
Net finance costs							170.8
Share of associate's loss							–
PROFIT BEFORE TAXATION							**2,763.2**
Tax expense							(757.7)
PROFIT FOR THE YEAR							**2,005.5**
ASSETS AND LIABILITIES							
Segment assets	3,773.9	4,981.8	3,305.5	3,140.3	552.6	–	15,754.1
Unallocated assets							282.0
TOTAL ASSETS							**16,036.1**
Segment liabilities	(1,944.0)	(1,920.7)	(338.8)	(1,849.8)	(138.8)	–	(6,192.1)
Unallocated liabilities							(636.3)
TOTAL LIABILITIES							**(6,828.4)**
OTHER SEGMENT INFORMATION							
Additions to property, plant and equipment	1,086.8	533.3	376.0	29.1	229.4	–	2,254.6
Depreciation	(73.8)	(131.7)	(47.1)	(165.6)	(10.9)	–	(429.1)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. SEGMENT INFORMATION CONTINUED

Year ended 31 March 2007 $ million	Continuing operations Aluminium	 Copper	 Zinc	 Iron ore	 Other	 Elimination	Total operations
REVENUE							
Sales to external customers	993.4	3,569.3	1,888.1	–	51.4	–	6,502.2
Inter-segment sales	28.1	–	–	–	–	(28.1)	–
Segment revenue	1,021.5	3,569.3	1,888.1	–	51.4	(28.1)	6,502.2
RESULT							
Segment result before special items	358.8	745.1	1,405.1	–	0.2	–	2,509.2
Special items	(0.4)	1.5	(2.3)	–	(0.5)		(1.7)
Segment result after special items	358.4	746.6	1,402.8	–	(0.3)	–	2,507.5
Unallocated corporate expenses							(1.6)
OPERATING PROFIT							**2,505.9**
Net finance costs							(20.2)
Share of associate's loss							(1.3)
PROFIT BEFORE TAXATION							**2,484.4**
Tax expense							(672.7)
PROFIT FOR THE YEAR							**1,811.7**
ASSETS AND LIABILITIES							
Segment assets	2,646.7	2,629.9	2,170.4	–	234.0	–	7,681.0
Unallocated assets							390.7
TOTAL ASSETS							**8,071.7**
Segment liabilities	(1,656.5)	(1,559.1)	(255.9)	–	(58.5)	–	(3,530.0)
Unallocated liabilities							(390.3)
TOTAL LIABILITIES							**(3,920.3)**
OTHER SEGMENT INFORMATION							
Additions to property, plant and equipment	261.8	316.3	245.8	–	305.0	–	1,128.9
Depreciation	(56.6)	(88.9)	(48.9)	–	(1.0)	–	(195.4)

(B) EBITDA[1] BY SEGMENT

	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
Aluminium	380.7	415.4
Copper	667.3	833.9
India/Australia	327.2	365.6
Zambia	340.1	468.3
Zinc	1,380.1	1,453.9
Iron ore	585.6	
Other	(3.3)	(0.2)
EBITDA	**3,010.4**	**2,703.0**
Depreciation	(429.1)	(195.4)
Special items	11.1	(1.7)
GROUP OPERATING PROFIT	**2,592.4**	**2,505.9**

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

3. SEGMENT INFORMATION CONTINUED

(C) GEOGRAPHICAL SEGMENTAL ANALYSIS

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

	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
Far East	2,702.1	2,056.5
India	3,796.2	2,670.9
Africa	127.6	253.3
Europe	239.5	760.5
Middle East	1,188.5	647.0
Other	149.8	114.0
TOTAL	**8,203.7**	**6,502.2**

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	As at 31 March 2008 $ million	As at 31 March 2007 $ million	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
Australia	224.5	229.2	2.2	10.0
India	14,019.0	6,071.5	1,743.8	844.9
Zambia	1,484.6	1,090.7	507.6	269.1
Other	308.0	680.3	1.0	4.9
TOTAL	**16,036.1**	**8,071.7**	**2,254.6**	**1,128.9**

4. SPECIAL ITEMS

	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
Profit on disposal of subsidiary (note 32b)	29.8	–
Losses in respect of obligation to associate (note 15)	(18.7)	(17.3)
Restructuring and redundancies	–	(2.6)
Loss on sale of property, plant and equipment	–	(0.8)
Impairment of investment in associate	–	(0.5)
Profit on disposal of non-core assets*	–	21.8
Loss on disposal of non-core business	–	(2.3)
	11.1	**(1.7)**

* Sale of unused property in Mumbai.

5. INVESTMENT REVENUE

	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
Interest income on loans and receivable	26.7	20.8
Interest income on cash and bank balances	50.5	39.4
Change in fair value of financial assets held for trading	75.8	24.5
Profit on disposal of financial assets held for trading	52.5	51.7
Dividend income on financial assets held for trading	144.5	9.1
Dividend income on available for sale investment	–	1.6
Expected return on defined benefit arrangements (note 30)	2.2	1.2
Foreign exchange (loss)/gain on cash and liquid investments	(18.5)	1.1
Capitalisation of foreign exchange differences and interest income (note 14)	(12.3)	(21.9)
	321.4	**127.5**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6. FINANCE COSTS

	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
Interest on bank loans and overdrafts	122.2	108.6
Interest on convertible bonds (note 25)	36.9	36.7
Interest on other loans	8.1	0.7
TOTAL INTEREST COST	**167.2**	**146.0**
Unwinding of discount on provisions (note 27)	5.6	7.3
Unwinding of discount on KCM deferred consideration	0.2	0.7
Interest on defined benefit arrangements (note 30)	6.0	3.3
Interest on financial liability measured at fair value	47.8	48.5
Change in fair value of financial liabilities measured at fair value	21.6	12.1
Gain arising on qualifying hedges	(29.0)	(6.9)
Loss on non-qualifying hedges	1.7	–
Capitalisation of borrowing costs (note 14)	(70.5)	(63.3)
	150.6	**147.7**

7. PROFIT FOR THE YEAR HAS BEEN STATED AFTER CHARGING/(CREDITING)

	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
Depreciation on property, plant and equipment	429.1	195.4
Costs of inventories recognised as an expense	3,211.2	2,403.9
Auditors' remuneration for audit services (note 8)	1.5	1.2
Research and development	0.5	0.5
Staff costs (note 9)	344.7	247.4
Net foreign exchange gains	(28.7)	(10.1)

8. AUDITORS' REMUNERATION

The table below shows the fees payable globally to the Group's auditors, Deloitte & Touche, 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 2008:

	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
Fees payable to the company's auditors for the audit of Vedanta Resources plc annual accounts	0.6	0.5
The audit of the company's subsidiaries pursuant to legislation	0.7	0.6
TOTAL AUDIT FEES	**1.3**	**1.1**
FEES PAYABLE TO THE COMPANY'S AUDITORS AND THEIR ASSOCIATES FOR OTHER SERVICES TO THE GROUP		
Other services pursuant to legislation*	1.2	0.3
Tax services	0.1	0.1
Corporate finance services	0.6	1.0
TOTAL NON-AUDIT FEES	**1.9**	**1.4**
Audit fees payable to other auditors of the Group's subsidiaries	0.2	0.1
Non-audit fees payable to other auditors of the Group's subsidiaries	–	–
TOTAL FEES PAYABLE TO OTHER AUDITORS OF THE GROUP'S SUBSIDIARIES	**0.2**	**0.1**

* Other services pursuant to legislation principally comprise further assurance services.

9. EMPLOYEE NUMBERS AND COSTS

Average number of persons employed by the Group in the year

Class of business	Year ended 31 March 2008 Number	Year ended 31 March 2007 Number
Aluminium	6,945	6,390
Copper	11,996	11,094
India/Australia	1,157	1,189
Zambia	10,839	9,905
Zinc	6,377	6,190
Iron ore	1,862	–
Other	84	1,005
	27,264	**24,679**

Costs incurred during the year in respect of employees and Directors	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
Salaries and wages	307.2	230.2
Defined contribution pension scheme costs (note 30)	16.0	10.8
Defined benefit pension scheme costs (note 30)	8.7	0.8
Share-based payments charge	12.8	5.6
	344.7	**247.4**

10. TAX

	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
CURRENT TAX:		
UK corporation tax	–	–
Foreign tax		
– India	603.3	484.4
– Zambia	1.0	2.1
– Australia	19.4	29.7
– Other	–	(2.0)
	623.7	**514.2**
DEFERRED TAX: (NOTE 28)		
Current year movement in deferred tax	108.7	156.3
Attributable to increase in the rate of Zambian corporation tax	25.3	–
Attributable to increase in the rate of Indian corporation tax	–	2.2
	134.0	**158.5**
TOTAL TAX EXPENSE	**757.7**	**672.7**
Effective tax rate	27.4%	27.1%

Deferred tax recycled from equity to income statement is a charge of $23.0m (2007: credit of $3.5m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. TAX CONTINUED

OVERVIEW OF THE INDIAN DIRECT TAX REGIME

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

- Companies are subject to Indian income tax on a stand-alone basis. There is no concept of tax consolidation or Group relief in India.
- Companies are charged tax on profits of assessment years which run from 1 April to 31 March. For each assessment year, a company's profits will be subject to either regular income tax or Minimum Alternative Tax ('MAT'), whichever is the greater.
- Regular income tax is charged on book profits (prepared under Indian GAAP) adjusted in accordance with the provisions of the Indian Income Tax Act. Typically the required adjustments generate significant timing differences in respect of the depreciation on fixed assets, relief for provisions and accruals, the use of tax losses brought forward and pension costs. Regular income tax is charged at 30.0% (plus a surcharge and cess) taking the effective tax rate to 33.99%. The corporate tax rate for 2008–09 has been retained at 33.99%.
- MAT is charged on the book profits but typically with a limited number of adjustments. MAT is charged at 10.0% (plus a surcharge and cess). The effective rate of MAT is 11.33%. However, MAT paid during a year can be set off against normal tax payable in the subsequent years but within a period of seven years succeeding the assessment year in which the MAT credit arose.
- Investments in projects where alternative energy is generated are subject to accelerated depreciation whereby 80.0% of the investment is depreciated in the first year.
- There are various tax exemptions or tax holidays available to companies in India subject to fulfilment of prescribed conditions. The most important ones applicable to the Group are:
  - the industrial undertakings' exemption. Profits of newly constructed industrial undertakings located in designated areas of India can benefit from a tax holiday. A typical tax holiday would exempt 100.0% of the plant's profits for five years, and 30.0% for the next five years;
  - the power plants' exemption. Profits on newly constructed power plants can benefit from a tax holiday. A typical holiday would exempt 100.0% of profits in 10 consecutive years within the first 15 years of the power plants' operation. The start of the 10-year period can be chosen by a company;
  - Industrial undertakings located in certain designated areas would be exempt from paying taxes for 10 consecutive assessment years beginning with the year of operation; and
  - Profits from units designated as an EOU, from where goods are exported out of India, are exempt from tax upto March 2010.
- Tax is payable in the financial year to which it relates.
- Tax returns submitted by companies are regularly subjected to a comprehensive review and challenge by the tax authorities. There are appeals procedures prescribed. Both the tax authorities and taxpayers can prefer appeals to the appellate forums and it is not uncommon for significant or complex matters in dispute to remain outstanding for several years before they are finally resolved either in the High Court or in the Supreme Court.

OVERVIEW OF THE ZAMBIAN TAX REGIME

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

- Copper and cobalt mining companies pay income tax at 25.0%.
- The period for carry forward of tax losses for KCM is 20 years.
- Companies are charged tax on profits of accounting years.
- Income tax is charged on book profits (prepared under IFRS) adjusted in accordance with the provisions of the Income Tax Act 1996 as amended.

Zambian income tax laws have been amended with effect from 1 April 2008 and the salient features of the new tax laws are:

- The tax rate for mining companies has been increased to 30.0% for profits generated from 1 April 2008
- Capital expenditure deduction which is currently made at 100.0% in the year of incurrence, is being reduced to 25.0% per annum, with the following transitional position:
  - 75.0% of the expenditure incurred in 2008–2009 will be allowed as a deduction in that year and the balance will be deducted in full in 2009–2010;
  - 50.0% of the expenditure incurred in 2009–2010 will be allowed as a deduction in that year and the balance will be deducted in two equal annual instalments in 2010 and 2011.
- New tax has been introduced in the form of either windfall tax or variable profit tax:
  - Windfall tax becomes payable when copper is sold at prices above $5,512 per MT. The tax is charged at rates ranging from 25.0% to 75.0% of differential between the realised price and specific price thresholds ranging upward from $5,512 per MT. Windfall tax is not a deductible expense in the computation of income tax; and
  - Variable profit tax becomes payable where income from mining activities exceeds 8.0% of gross sales at a rate determined according to a prescribed formula and payable only if windfall tax is not payable.
- The period available to carry forward losses has been reduced from 20 years to 10 years.

10. TAX CONTINUED

A reconciliation of income tax expense applicable to accounting profit before tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended 31 March 2008 is as follows:

	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
ACCOUNTING PROFIT BEFORE TAX	**2,763.2**	**2,484.4**
At Indian statutory income tax rate of 33.99% (2007: 33.66%)	939.2	836.3
Accelerated capital allowances	–	(0.9)
Creation of/(utilisation) of tax losses	17.9	(0.3)
Disallowable expenses	20.0	8.8
Non-taxable income	(93.1)	(17.0)
Impact of tax rate differences	3.9	(37.5)
Tax holiday and similar exemptions	(160.6)	(126.9)
Dividend distribution tax on overseas subsidiaries	10.1	12.3
Minimum Alternative Tax	26.3	4.8
Adjustments in respect of previous years	(6.0)	(6.9)
AT EFFECTIVE INCOME TAX RATE OF 27.4% (2007: 27.1%)	**757.7**	**672.7**

11. EARNINGS PER SHARE

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options).

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

	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
Net profit attributable to equity holders of the parent	879.0	934.2

	Year ended 31 March 2008 million	Year ended 31 March 2007 million
Weighted average number of ordinary shares for basic earnings per share	287.8	286.9
Effect of dilution:		
Convertible bonds	27.9	27.9
Share options	3.8	3.1
ADJUSTED WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR DILUTED EARNINGS PER SHARE	**319.5**	**317.9**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

11. EARNINGS PER SHARE CONTINUED

(A) EARNINGS PER SHARE-BASED ON PROFIT FOR THE YEAR

	Year ended 31 March 2008	Year ended 31 March 2007
Profit for the year attributable to equity holders of the parent ($ million)	879.0	934.2
Weighted average number of shares of the Company in issue (million)	287.8	286.9
EARNINGS PER SHARE ON PROFIT FOR THE YEAR (US CENTS PER SHARE)	**305.4**	**325.6**

	Year ended 31 March 2008	Year ended 31 March 2007
Profit for the year attributable to equity holders of the parent ($ million)	879.0	934.2
Adjustment in respect of convertible bonds of Vedanta ($ million)	36.9	36.7
PROFIT FOR THE YEAR AFTER DILUTIVE ADJUSTMENT ($ MILLION)	**915.9**	**970.9**
Adjusted weighted average number of shares of the Company in issue (million)	319.5	317.9
DILUTED EARNINGS PER SHARE ON PROFIT FOR THE YEAR (US CENTS PER SHARE)	**286.7**	**305.4**

During the year ended 31 March 2008, 564,894 options issued under the Long-Term Incentive Plan were converted to equity shares pursuant to vesting and exercise of the options (2007: 791,011 options). Also during the year ended 31 March 2008, 50,169 shares were issued on conversion of the convertible bond (2007: 7,746 shares). The issue of these shares has been included in determining the 2008 weighted average number of shares.

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

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

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

(B) EARNINGS PER SHARE-BASED ON UNDERLYING PROFIT FOR THE YEAR

The Group's Underlying Profit is the profit for the year after adding back special items and their resultant tax and minority interest effects, as shown in the table below:

	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
Profit for the year attributable to equity holders of the parent	879.0	934.2
Special items (note 4)	(11.1)	1.7
Tax effect of special items	–	3.7
Minority interest effect of special items	6.9	(1.5)
UNDERLYING PROFIT FOR THE YEAR	**874.8**	**938.1**

11. EARNINGS PER SHARE CONTINUED

Basic earnings per share on Underlying Profit for the year	Year ended 31 March 2008	Year ended 31 March 2007
Underlying Profit for the year ($ million)	874.8	938.1
Weighted average number of shares of the Company in issue (million)	287.8	286.9
EARNINGS PER SHARE ON UNDERLYING PROFIT FOR THE YEAR (US CENTS PER SHARE)	**303.9**	**327.0**

Diluted earnings per share on Underlying Profit for the year	Year ended 31 March 2008	Year ended 31 March 2007
Underlying Profit for the year ($ million)	874.8	938.1
Adjustment in respect of convertible bonds of Vedanta ($ million)	36.9	36.7
UNDERLYING PROFIT FOR THE YEAR AFTER DILUTIVE ADJUSTMENT ($ MILLION)	**911.7**	**974.8**
Adjusted weighted average number of shares of the Company (million)	319.5	317.9
DILUTED EARNINGS PER SHARE ON UNDERLYING PROFIT FOR THE YEAR (US CENTS PER SHARE)	**285.4**	**306.6**

12. DIVIDENDS

	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
Amounts recognised as distributions to equity holders:		
Equity dividends on ordinary shares:		
Final dividend for 2006–07: 20 US cents per share (2005–06: 14.3 US cents per share)	57.5	41.1
Interim dividend paid during the year: 16.5 US cents per share (2006–07: 15 US cents per share)	46.8	43.2
	104.3	**84.3**
PROPOSED FOR APPROVAL AT AGM		
Equity dividends on ordinary shares:		
Final dividend for 2007–08: 25 US cents per share (2006–07: 20 US cents per share)	72.0	57.5

13. GOODWILL

	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
AT 1 APRIL		
Cost (gross carrying amount)	16.9	16.9
Accumulated impairment losses	(4.7)	(4.7)
Foreign exchange differences	1.1	(0.1)
NET CARRYING AMOUNT AT 31 MARCH	13.3	12.1

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The Company has undertaken the impairment review for the outstanding goodwill of US$13.3 million as at 31 March 2008. The carrying amount of goodwill was evaluated using the discounted future cash flows of the entity to which the goodwill pertains (Sterlite) and it was determined that the carrying amount of goodwill is not impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14. PROPERTY, PLANT AND EQUIPMENT

$ million	Mining property and leases	Leasehold land and buildings	Freehold land and buildings	Plant and equipment	Assets under construction	Other	Total
COST							
AT 1 APRIL 2006	**442.7**	**9.6**	**271.2**	**2,310.2**	**662.5**	**50.2**	**3,746.4**
Additions	4.8	4.1	(0.5)	39.1	1,079.8	1.5	1,128.8
Transfers	10.0	–	22.8	320.8	(356.5)	2.9	–
Additions due to acquisition	77.7	–	0.9	4.5	–	–	83.1
Disposals	–	–	(8.8)	(16.8)	(6.4)	(2.3)	(34.3)
Foreign exchange differences	17.8	0.4	6.2	65.4	34.7	1.4	125.9
AT 1 APRIL 2007	**553.0**	**14.1**	**291.8**	**2,723.2**	**1,414.1**	**53.7**	**5,049.9**
Additions	–	4.2	30.3	164.6	2,055.4	0.1	2,254.6
Transfers	6.0	3.7	9.5	467.9	(492.2)	5.1	–
Reclassification to accumulated depreciation	23.4	(0.2)	0.5	(72.3)	–	–	(48.6)
Additions due to acquisition (note 32a)	2,247.1	–	25.7	130.3	5.3	–	2,408.4
Deduction due to disposal (note 32b)	(82.9)	–	(0.9)	(4.2)	(4.6)	–	(92.6)
Disposals	–	–	–	(5.9)	–	(0.9)	(6.8)
Foreign exchange differences	115.8	1.6	24.6	228.0	112.8	4.6	487.4
AT 31 MARCH 2008	**2,862.4**	**23.4**	**381.5**	**3,631.6**	**3,090.8**	**62.6**	**10,052.3**
ACCUMULATED DEPRECIATION							
AT 1 APRIL 2006	**94.4**	**5.5**	**43.4**	**785.9**	**17.8**	**36.4**	**983.4**
Charge for the year	35.9	0.5	20.7	139.5	–	1.8	198.4
Disposals	–	–	(1.4)	(4.9)	–	(1.5)	(7.8)
Transfers	32.0	–	–	(32.0)	–	–	–
Foreign exchange differences	9.8	0.2	1.4	25.6	–	0.9	37.9
AT 1 APRIL 2007	**172.1**	**6.2**	**64.2**	**914.0**	**17.8**	**37.6**	**1,211.9**
Charge for the year	175.4	0.8	18.8	236.0	–	2.1	433.1
Eliminated on disposal (note 32b)	(0.1)	–	–	(0.8)	–	–	(0.9)
Disposals	–	–	–	(3.4)	–	(0.9)	(4.3)
Reclassification to cost	23.4	(0.2)	0.5	(72.3)	–	–	(48.6)
Foreign exchange differences	17.9	0.5	5.0	80.0	–	3.2	106.6
AT 31 MARCH 2008	**388.7**	**7.3**	**88.5**	**1,153.5**	**17.8**	**42.0**	**1,697.8**
NET BOOK VALUE							
AT 1 APRIL 2006	**348.3**	**4.1**	**227.8**	**1,524.3**	**644.7**	**13.8**	**2,763.0**
AT 1 APRIL 2007	**380.9**	**7.9**	**227.6**	**1,809.2**	**1,396.3**	**16.1**	**3,838.0**
AT 31 MARCH 2008	**2,473.7**	**16.1**	**293.0**	**2,478.1**	**3,073.0**	**20.6**	**8,354.5**

At 31 March 2008, land having a carrying value of $18.6 million (31 March 2007: $8.4 million) was not depreciated. During the year ended 31 March 2008 depreciation of $4.0 million (2007: $3.1 million) directly relating to the trial run of expansion projects was capitalised.

At 31 March 2008, cumulative capitalised interest and foreign exchange gains or losses included within the table above was $195.5 million (31 March 2007: $137.3 million).

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

15. INTEREST IN ASSOCIATE

The Group has a 38.8% interest in India Foils Limited ('IFL') which is involved in the manufacture of aluminium foils and flexible packaging products. IFL's operations are located in West Bengal. IFL is listed on the Calcutta Stock Exchange. IFL is an associate and the Group's investment in IFL is accounted for under the equity method. Owing to continued losses incurred by IFL, at both 31 March 2007 and 31 March 2008, all of the Group's investments in IFL, including loans considered as investments, had been fully impaired.

ANALYSIS OF MOVEMENTS IN INVESTMENT IN ASSOCIATE

	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
AT 1 APRIL	–	1.8
Share of loss for the year until the date of nil investment	–	(1.3)
Operating loss	–	(0.5)
Interest payable	–	(0.8)
Loans repaid	–	–
Impairment	–	(0.5)
AT 31 MARCH	–	–
Market value	4.0	1.9

	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
Group's share of associate's balance sheet:		
Current assets	5.8	5.5
Non-current assets	12.9	13.1
Current liabilities	(7.6)	(13.4)
Non-current liabilities	(24.0)	(13.7)
Net liabilities	(12.9)	(8.5)
Group's share of associate's revenue and loss:		
Revenue	–	8.8
Loss	–	(0.8)

The Group has given corporate guarantees to certain banks and financial institutions which have provided funding to IFL totalling $45.5 million. As at 31 March 2007, a provision of $17.3 million was recognised, being the value of the liabilities guaranteed less the estimated realisable value of IFL's assets. Furthermore, a short-term loan of $1.2 million advanced by the Group to IFL was outstanding as at 31 March 2007.

During the year ended 31 March 2008, the Group entered into an agreement with a third party for the disposal of its interest in IFL. The terms of the agreement comprise the sale of the Group's equity stake in IFL and a requirement for the Group to settle the debt due to banks and financial institutions and other specified liabilities. The transaction is expected to be completed in the next financial year after obtaining necessary statutory approvals, at which point IFL will cease to be an associate of the Group. To reflect the agreement, during the year the Group revised its liability to $36.0 million to represent the expected net cash outflow at completion. An additional provision of $18.7 million has been recognised during the year of which $11.1 million was later repaid resulting in a provision of $27.3 million as at 31 March 2008 (net of exchange difference). The total provision includes a provision against a short-term loan of $2.4 million, comprising $1.2 million advanced in 2007 and $1.2 million advanced in 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16. FINANCIAL ASSET INVESTMENTS

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

Available-for-sale investments	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
AT 1 APRIL	**34.6**	**27.1**
Additions	0.1	0.2
Acquisition	–	4.7
Movements in fair value	(4.3)	2.8
Other movement	(3.3)	–
Exchange difference	2.9	–
AT 31 MARCH	**30.0**	**34.6**

Analysis of financial asset investments	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
Quoted	4.8	11.8
Unquoted	25.2	22.8

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

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

17. OTHER NON-CURRENT ASSETS

	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
Deposits receivable after one year	29.8	27.3
	29.8	**27.3**

18. INVENTORIES

	As at 31 March 2008 $ million	As at 31 March 2007 $ million
Raw materials and consumables	659.2	490.3
Work-in-progress	465.6	237.1
Finished goods	138.0	152.3
	1,298.8	**879.7**

Inventories with a carrying amount of $737.0 million (2007: $522.6 million) have been pledged as security against certain bank borrowings of the Group.

19. TRADE AND OTHER RECEIVABLES

	As at 31 March 2008 $ million	As at 31 March 2007 $ million
Trade receivables	485.0	436.5
Amounts due from associate (note 35)	9.2	8.8
Amounts due from related parties (note 35)	9.6	11.0
Other receivables	521.1	475.8
Prepayments	23.1	10.8
	1,048.0	**942.9**

The credit period given to customers ranges from zero to 90 days.

20. LIQUID INVESTMENTS

	As at 31 March 2008 $ million	As at 31 March 2007 $ million
Bank deposits	837.6	600.4
Other investments	3,810.9	–
	4,648.5	**600.4**

Other investments include mutual fund investments and are fair valued through income statement.

HZL has pledged specific financial assets of $40.9 million (2007: $22.9 million) to secure certain banking facilities.

21. CASH AND CASH EQUIVALENTS

	As at 31 March 2008 $ million	As at 31 March 2007 $ million
Cash at bank and in hand	443.3	54.7
Short-term deposits and short-term investments	14.9	1,530.1
	458.2	**1,584.8**

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

Cash and cash equivalents include a $46.0 million (2007: $46.0 million) restricted cash reserve in KCM.

Cash and cash equivalents include $1.7 million (2007: $1.0 million) of cash held in short-term deposit accounts, that is restricted in use as it relates to unclaimed deposits, dividends, interest on debentures and share application monies.

22. BORROWINGS

	As at 31 March 2008 $ million	As at 31 March 2007 $ million
Bank loans	1,710.0	491.2
Bonds	615.9	581.2
Other loans	47.3	56.0
TOTAL	**2,373.2**	**1,128.4**
BORROWINGS ARE REPAYABLE AS:		
On demand within one year (shown as current liabilities)	1,417.2	249.1
In the second year	104.6	76.2
In two to five years	826.2	769.7
After five years	25.2	33.4
TOTAL BORROWINGS	**2,373.2**	**1,128.4**
Less: payable within one year	(1,417.2)	(249.1)
MEDIUM- AND LONG-TERM BORROWINGS	**956.0**	**879.3**

At 31 March 2008, the Group had available US$1,426.5 million (2007: $1,011.4 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The principal loans held by Group companies at 31 March 2008 were as follows:

BALCO

Term Loans

BALCO secured two syndicated Indian rupee term loan facilities totalling $425.3 million, of which $397.9 million has been drawn down at an average interest rate of 7.2% per annum. The interest rate has now been reset to 8.1%. These facilities are secured by a first charge on movable and immovable properties and present and future tangible or intangible non-current assets of BALCO. The first loan of $250.2 million is repayable in 12 quarterly instalments commencing in January 2007, of which $156.7 million was paid by 31 March 2008; the second loan of $147.7 million is repayable in eight quarterly instalments, due to commence in May 2009. However $51.1 million of repayments in respect of the second loan have been prepaid. As at 31 March 2008 the total outstanding loan amount was $190.1 million.

22. BORROWINGS CONTINUED

VAL

Project Buyers' Credit

As at 31 March 2008, VAL had extended credit terms relating to purchases of property, plant and equipment for its projects. The extended credit amounted to $204.8 million, which is repayable in May 2009. These loans bear interest at LIBOR plus 102 basis points. These are secured by all the fixed assets of VAL, immovable or movable, present and future, on a pari passu basis with other term lenders and with priority over other creditors.

STERLITE

Non-convertible Debentures

Sterlite had $25.0 million of Indian rupee non-convertible debentures in issue with various institutions at 31 March 2008. The debentures are repayable from April 2010 to April 2013 with interest rates at 9.25%. These debentures are secured upon Sterlite's immovable property at Lonavala, Tuticorin, Gujarat and Chinchpada.

Floating Rate Loan Notes

At 31 March 2007, Sterlite had floating rate loan notes ('FRNs') in issue of $13.4 million which has been repaid in June 2007. Interest on this facility was payable at LIBOR plus 130 basis points.

Foreign Currency Loans

Sterlite had a US dollar denominated term loan facility of $92.3 million comprising Tranche A of $68.0 million, which was repaid in June 2007 and Tranche B of $24.3 million repayable in September 2008. In April 2006, both Tranche A and Tranche B were converted into JPY loans amounting to JPY 8,012.6 million and JPY 2,862.5 million respectively. Interest on this facility is based on JPY LIBOR plus 44 basis points. The debt is unsecured. As on 31 March 2008 $24.3 million was outstanding under this facility.

Sterlite entered into term loan facilities of JPY 3,570 million ($36.0 million) and $19.7 million. This loan is to be repaid between August 2006 and August 2008 in five tranches. The first four tranches amounting to JPY 2,856 million ($28.8 million) and $15.8 million have been repaid between August 2006 and February 2008. Interest on the JPY facility is based on JPY LIBOR plus 42 basis points and interest on the US dollar denominated facility is based on LIBOR plus 42 basis points. As at 31 March 2008, JPY 714 million ($7.2 million) and $3.9 million were outstanding. These debts are unsecured.

KCM

Subordinated Term Facility

The Government of the Republic of Zambia had extended a loan to KCM for $8.5 million of which $4.1 million was outstanding on 31 March 2008. The facility is secured under a second charge over all the KCM rights, title and interest, present and future, to, and in respect of, proceeds arising under a KCM insurance claim. Interest is payable at LIBOR. The facility is repayable in five equal consecutive annual instalments commencing on 17 September 2005, the third anniversary of the date of the Exit Deed.

VEDANTA RESOURCES PLC

Long-term Bonds

In December 2004 and January 2005, Vedanta issued a total of $600.0 million, 6.625% bonds due February 2010 in the United States of America ('USA') pursuant to Rule 144A of US Securities Act of 1933 ('Securities Act') and outside of the USA in Compliance with Regulation S pursuant to the Securities Act. The bonds are unsecured and are rated BB by Standard and Poor's and Ba1 by Moody's. The proceeds from the bond have been substantially remitted to India for the funding of the Group's projects.

In February 2006, Vedanta issued 4.6% $725.0 million guaranteed convertible bonds, the details of which are set out in note 25.

Syndicated Bridge Term Loan

In April 2007, Richter entered into a Syndicated Bridge Term Loan Facility of $1,100.0 million for a period of one year. The interest cost is at LIBOR plus 47.5 basis points. At 31 March 2008, $1,000.0 million was drawn down from the above facility. The facility has been guaranteed by Vedanta and is subject to the pledge of the Group's shares in Sesa Goa Limited through its holding in Richter and Westglobe Limited. The loan was refinanced in April 2008 by Vedanta.

Non-equity Minority Interests

Non-equity minority interests are represented by the deferred shares in KCM held by ZCI of $47.5 million and ZCM of $11.9 million. The deferred shares have no voting rights or rights to KCM's dividends, but are entitled on a winding-up to a return of $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.

23. MOVEMENT IN NET DEBT[1]

US$ million	Cash and cash equivalents	Debt due within one year: Debt carrying value	Debt due within one year: Debt related derivatives[2]	Debt due after one year: Debt carrying value	Debt due after one year: Debt related derivatives[2]	Liquid investments US$ million	Total net debt
AT 1 APRIL 2006	**1,847.3**	**(239.8)**	**2.8**	**(1,836.4)**	**(30.2)**	**244.4**	**(11.9)**
Cash flow	(311.2)	(25.0)	–	324.8	–	345.1	333.7
Disposal of non-core business	–	23.1	–	–	–	–	23.1
Other non-cash changes	–	9.1	(9.9)	68.3	11.6	3.5	82.6
Foreign exchange differences	48.7	(16.5)	–	(34.4)	–	7.4	5.2
AT 1 APRIL 2007	**1,584.8**	**(249.1)**	**(7.1)**	**(1,477.7)**	**(18.6)**	**600.4**	**432.7**
Cash flow	(1,167.2)	(1,100.4)	–	150.1	–	3,617.2	1,499.7
Cash acquired with subsidiary (note 32a)	4.5	(2.0)	–	–		230.2	232.7
Cash disposed of with subsidiary (note 32b)	(0.3)	–	–	–	–	–	(0.3)
Other non-cash changes	–	(35.8)	5.9	(202.7)	29.9	75.8	(126.9)
Foreign exchange differences	36.4	(29.9)	–	(26.6)	–	124.9	104.8
AT 31 MARCH 2008	**458.2**	**(1,417.2)**	**(1.2)**	**(1,556.9)**	**11.3**	**4,648.5**	**2,142.7**

(1) Net (debt)/cash being total debt after fair value adjustments under IAS 32 and 39 as reduced by cash and cash equivalents and liquid investments.
(2) Debt related derivatives exclude commodity related derivative financial assets and liabilities.

24. TRADE AND OTHER PAYABLES

(A) CURRENT TRADE PAYABLES

	As at 31 March 2008 $ million	As at 31 March 2007 $ million
Trade payables	511.6	372.6
Bills of exchange payable	681.8	485.2
Accruals and deferred income	143.0	61.7
Deferred consideration for KCM acquisition	5.2	5.2
Amount due for the acquisition of minority interest in KCM (note 36)	213.2	–
Other trade payables	463.6	247.7
	2,018.4	**1,172.4**

(B) NON-CURRENT TRADE PAYABLES

	As at 31 March 2008 $ million	As at 31 March 2007 $ million
Deferred consideration for acquisition of KCM	–	5.0
Other trade payables	0.2	6.6
	0.2	**11.6**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25. CONVERTIBLE BONDS

Vedanta Finance (Jersey) Limited ('VFJL') issued $725.0 million of 4.6% guaranteed convertible bonds on 21 February 2006. The bonds are first convertible into exchangeable redeemable preference shares to be issued by VFJL, which will then be automatically exchanged for ordinary shares of Vedanta Resources plc represented by depository receipts, which do not carry voting rights. The bondholders have the option to convert at any time from 17 April 2006 to 15 February 2026. The loan notes are convertible at £14.54 per share of US$0.10 each and at sterling to US dollar rate of 1.7845.

If the notes have not been converted, they will be redeemed at the option of the Company on or at any time after 14 March 2009 and on or prior to 15 February 2026, subject to the conditions as part of the issue, or be redeemed at the option of the bondholders on 21 February 2013, 21 February 2018 and 21 February 2022.

The net proceeds of the convertible issue have been split between the liability and equity components. The equity component represents the embedded option to convert the liability into equity of the Company. The liability component is held at amortised cost:

	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
OPENING LIABILITY	**598.4**	**600.4**
Additional issue costs incurred	–	(1.7)
Interest and amortisation of issue costs (note 6)	36.9	36.7
Coupon interest paid	(33.3)	(33.4)
Conversion of bonds	(1.1)	(0.1)
Other	–	(3.5)
31 MARCH	**600.9**	**598.4**

The interest charged for the year is calculated by applying an effective interest rate of 6.16% (2007: 6.18%).

During the year ended 31 March 2008, $1.3 million of convertible bonds were converted into 50,169 equity shares, reducing the liability component of the convertible bonds by $1.1 million, generating share capital and share premium of $1.3 million and releasing $0.2 million from convertible bond reserve.

During the year ended 31 March 2008, $3.6 million was transferred from the convertible bond reserve to retained earnings, representing the realisation of distributable reserves following accretion of the convertible bond liability. This amount constitutes the accretion during the year, being the interest and amortisation of issue costs, less coupon interest as outlined in the table above.

The fair value of the convertible bonds as on 31 March 2008 is $667.2 million (2007: $615.1 million).

26. FINANCIAL INSTRUMENTS

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

	As at 31 March 2008 $ million	As at 31 March 2007 $ million
FINANCIAL ASSETS		
AT FAIR VALUE THROUGH PROFIT OR LOSS		
– Held for trading	4,648.5	600.4
– Other financial assets (derivatives)	139.9	123.6
CASH AND CASH EQUIVALENTS	**458.2**	**1,584.8**
LOAN AND RECEIVABLES		
– Trade and other receivables	1,048.0	942.9
– Other non current assets	29.8	27.3
AVAILABLE FOR SALE INVESTMENTS		
– Financial asset investments held at fair value	4.8	11.8
– Financial asset investments held at cost	25.2	22.8
TOTAL	**6,354.4**	**3,313.6**
FINANCIAL LIABILITIES		
AT FAIR VALUE THROUGH PROFIT OR LOSS		
– Other financial liabilities (derivatives)	(107.0)	(196.2)
DESIGNATED INTO FAIR VALUE HEDGE		
– Borrowings	(615.9)	(581.2)
FINANCIAL LIABILITIES AT AMORTISED COST		
– Trade and other payables	(2,018.6)	(1,184.0)
– Borrowings	(2,358.2)	(1,145.6)
TOTAL	**(5,099.7)**	**(3,107.0)**

The fair value of borrowings is $2,915.8 million (2007: $1,603.9 million). For all other financial instruments, the carrying amount is either the fair value, or approximates the fair value.

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

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

DERIVATIVES INSTRUMENTS AND RISK MANAGEMENT

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

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

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

26. 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 effectively supplemented by regular internal audits.

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

COMMODITY RISK

The Group is exposed to the movement of base metal commodity prices on the London Metal Exchange. Any decline in the prices of the base metals that the Group produces and sells will have an immediate and direct impact on the profitability of the businesses. As a general policy, the Group aims to sell the products at prevailing market prices. As much as possible, the Group tries to mitigate price risk through favourable contractual terms. The Group undertakes hedging activity in commodities to a limited degree. Hedging is used primarily as a risk management tool and, in some cases, to secure future cash flows in cases of high volatility by entering 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.

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, minimising conversion cost, premium over LME on sale of finished copper, sale of by-products and from achieving import parity on domestic sales. Hence, mismatches in quotational periods are actively managed to ensure that the gains or losses are minimised. The Group hedges this variability of LME prices and tries to make the LME price a pass-through cost between purchases of copper concentrate and sales of finished products, both of which are linked to the LME price. The Company also benefits from the difference between the amounts paid for quantities of copper contents received and recovered in the manufacturing process, also known as `free copper'. The Group hedges on a selective basis the free copper and revenue from variable margins on the purchases of copper concentrates by entering into future contracts.

The Group's Australian mines in Tasmania supply approximately 7.0% to 8.0% of the requirement of the custom copper smelter at Tuticorin. Hence, TC/RCs are a major source of income for the Indian copper smelting operations. Fluctuations in TC/RCs are influenced by factors including demand and supply conditions prevailing in the market for mine output. The Group's Copper business has a strategy of securing a majority of its concentrate feed requirement under long-term contracts with mines.

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

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

26. FINANCIAL INSTRUMENTS CONTINUED

Aluminium

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

Zinc and Lead

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

Iron Ore

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

PROVISIONALLY PRICED FINANCIAL INSTRUMENTS

On 31 March 2008, the value of net financial asset linked to commodities (excluding derivatives) accounted for on provisional prices was $9.0 million (2007: $201.0 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 financial year beginning 1 April 2008.

Set out below is the impact of 10.0% increase in LME prices on profit for the year and total equity as a result of change in value of the Group's commodity financial instruments:

Commodity price sensitivity	Closing LME as on 31 March 2008 $	Effect on profit of a 10.0% increase in the LME 31 March 2008 ($ million)	Effect on total equity of a 10.0% increase in the LME 31 March 2008 ($ million)
Copper	8,520	(2.0)	(2.0)
Zinc	2,303	0.5	0.5
Lead	2,793	4.3	4.3

Commodity price sensitivity	Closing LME as on 31 March 2007 $	Effect on profit of a 10.0% increase in the LME 31 March 2007 ($ million)	Effect on total equity of a 10.0% increase in the LME 31 March 2007 ($ million)
Copper	6,940	7.9	36.0
Aluminium	2,792	0.7	0.7
Zinc	3,280	9.8	15.2

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

Further, the impact of 10.0% increase in closing copper LME for provisionally priced copper concentrate purchase at Sterlite custom smelting operations is $57.2 million (2007: $56.5 million), which is pass through in nature and as such will not have any impact on the profitability.

FINANCIAL RISK AND SENSITIVITIES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. FINANCIAL INSTRUMENTS CONTINUED

(a) Liquidity

The Group requires funds both for short-term operational needs as well as for long-term investment programmes mainly in growth projects. The Group generates sufficient cash flows from the current operations which together with the available cash and cash equivalents and liquid financial asset investments provide liquidity both in the short-term as well as in the long-term. Anticipated future cash flows and undrawn committed facilities of $1,426.5 million, together with cash and liquid investments of $5,106.7 million as at 31 March 2008, are expected to be sufficient to meet the ongoing capital investment programme and liquidity requirement of the Group in the near future.

The Group has a strong balance sheet that gives sufficient headroom to raise further debt should the need arise. The Group enjoys good ratings from reputed international rating agencies including Standard & Poors and Moody's. The Group's current ratings from Standard & Poors and Moody's are BB and Baa3 respectively. These ratings support the necessary financial leverage and access to debt or equity markets at competitive terms. The Group generally maintains a healthy debt-equity ratio and retains flexibility in the financing structure to alter the ratio when the need arises.

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

As at 31 March 2008 (in $ million) Payment due by period	‹ 1 year	1–2 years	2–5 years	› 5 years	Total
Trade and other payables	2,018.4	0.2	–	–	2,018.6
Bank and other borrowings	1,417.2	104.6	810.2	36.9	2,368.9
Convertible bonds	–	–	–	723.5	723.5
Derivative liabilities	23.3	–	83.7	–	107.0
TOTAL	**3,458.9**	**104.8**	**893.9**	**760.4**	**5,218.0**

As at 31 March 2007 (in $ million) Payment due by period	‹ 1 year	1–2 years	2–5 years	› 5 years	Total
Trade and other payables	1,172.4	11.6	–	–	1,184.0
Bank and other borrowings	249.1	76.2	788.5	33.4	1,147.2
Convertible bonds	–	–	–	724.8	724.8
Derivative liabilities	101.4	–	94.8	–	196.2
TOTAL	**1,522.9**	**87.7**	**883.3**	**758.2**	**3,252.2**

At 31 March 2008, the Group had access to funding facilities of $4,400.6 million of which $1,426.5 million was not yet drawn, as set out below.

Funding facilities	Total facility ($ million)	Drawn ($ million)	Undrawn ($ million)
Less than 1 year	2,730.5	1,417.2	1,313.3
1–2 years	109.3	104.6	4.7
2–5 years and above	1,560.8	1,452.3	108.5
TOTAL	**4,400.6**	**2,974.1**	**1,426.5**

At 31 March 2007, the Group had access to funding facilities of $2,738.2 million of which $1,011.4 million was not yet drawn, as set out below.

Funding facilities	Total facility ($ million)	Drawn ($ million)	Undrawn ($ million)
Less than 1 year	1,260.5	249.1	1,011.4
1–2 years	76.2	76.2	–
2–5 years and above	1,401.5	1,401.5	–
TOTAL	**2,738.2**	**1,726.8**	**1,011.4**

26. FINANCIAL INSTRUMENTS CONTINUED

(b) Foreign Currency

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

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

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

	At 31 March 2008		At 31 March 2007	
	Financial assets $ million	Financial liabilities $ million	Financial assets $ million	Financial liabilities $ million
US dollar	987.1	3,888.0	1,058.4	2,102.9
Indian rupee	5,259.3	998.9	2,214.7	788.3
Zambian kwacha	66.6	104.5	39.4	66.3
Japanese yen	4.6	35.9	–	110.5
Australian dollar	34.8	14.9	0.5	22.3
Euro	1.2	56.7	0.1	15.7
Others	0.8	0.8	0.5	1.0
TOTAL	**6,354.4**	**5,099.7**	**3,313.6**	**3,107.0**

The Group's exposure to foreign currency arises where a Group company holds monetary assets and liabilities denominated in a currency different to the functional currency of that entity with US dollar being the major non-functional currency of the Group's main operating subsidiaries. Set out below is the impact of a 10.0% change in the US dollar on profit and equity arising as a result of the revaluation of the Group's foreign currency financial instruments:

At 31 March 2008	Closing exchange rate	Effect of 10.0% strengthening of US dollar on net earnings $ million	Effect of 10.0% strengthening of US dollar on total equity $ million
Indian rupee	39.970	(40.9)	0.5
Australian dollar	1.089	17.4	17.4
Zambian kwacha	3,765	(3.4)	(2.4)

At 31 March 2007	Closing exchange rate	Effect of 10.0% strengthening of US dollar on net earnings $ million	Effect of 10.0% strengthening of US dollar on total equity $ million
Indian rupee	43.5900	(34.0)	31.2
Australian dollar	1.2480	10.6	10.6
Zambian kwacha	4,421	(1.7)	29.2

The sensitivities are based on financial assets and liabilities held at 31 March 2008 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. FINANCIAL INSTRUMENTS CONTINUED

(c) Interest Rate Risk

At 31 March 2008, the Group's net cash of $2,142.7 million (2007: $432.7 million) comprises of cash, cash equivalents and liquid investments of $5,106.7 million (2007: $2,185.2 million) offset by debt of $2,964.0 billion (2007:$1,752.5 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 2008, 29.0% (2007: 52.0%) of the total debt was at a fixed rate and the balance was at a floating rate. The floating rate debt is largely linked to US dollar LIBOR. The Group also aims to minimise its average interest rates on borrowings by opting for a higher proportion of long-term debt to fund growth projects. In certain circumstances, interest rate swaps are taken to minimise the impact of rising floating rates. The Group invests cash and liquid investments in short-term deposits and debt mutual funds, some of which generate a tax-free return, to achieve the Group's goal of maintaining liquidity, carrying manageable risk and achieving satisfactory returns.

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

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

	At 31 March 2008				At 31 March 2007			
$ 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	4,677.9	635.7	30.0	871.0	1,258.9	1,271.7	30.1	629.3
Derivative assets	–	–	–	139.8	–	–	–	123.6
TOTAL FINANCIAL ASSETS	**4,677.9**	**635.7**	**30.0**	**1,010.8**	**1,258.9**	**1,271.7**	**30.1**	**752.9**

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

	At 31 March 2008			At 31 March 2007		
$ million	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing financial liabilities	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing financial liabilities
Financial liabilities	2,723.4	924.9	1,344.4	1,289.3	902.7	718.8
Derivative liabilities	–	–	107.0	–	–	196.2
TOTAL FINANCIAL LIABILITIES	**2,723.4**	**924.9**	**1,451.4**	**1,289.3**	**902.7**	**915.0**

The weighted average interest rate on the fixed rate financial liabilities is 6.5% (2007: 6.1%) and the weighted average period for which the rate is fixed is 3.9 years (2007: 5.9 years).

Considering the net cash position as at 31 March 2008 and the investment in bank deposits and debt mutual funds, any increase in interest rates would result in a net gain and any decrease in interest rates would result in a net loss. The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date.

26. FINANCIAL INSTRUMENTS CONTINUED

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

	Effect on net earnings			Effect on total equity		
Decrease in interest rates At 31 March 2008	US dollar interest rate	Japanese yen interest rate	Total	US dollar interest rate	Japanese yen interest rate	Total
0.5%	7.0	0.1	7.1	9.5	0.1	9.6
1.0%	14.0	0.2	14.2	18.9	0.2	19.1
2.0%	28.0	0.5	28.5	37.8	0.5	38.3

	Effect on net earnings			Effect on total equity		
Decrease in interest rates At 31 March 2007	US dollar interest rate	Japanese yen interest rate	Total	US dollar interest rate	Japanese yen interest rate	Total
0.5%	2.1	0.4	2.5	3.9	0.4	4.3
1.0%	4.2	0.7	4.9	7.7	0.7	8.4
2.0%	8.4	1.4	9.8	15.4	1.4	16.8

(d) Credit Risk

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

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

The large majority of receivables due from third parties are secured. Moreover, given the diverse nature of our businesses, trade receivables are spread over a number of customers with no significant concentration of credit risk. No single customer accounted for 10.0% or more of the Group's net sales or for any of the Group's primary businesses during the year ended 31 March 2008 and in the previous year. The history of trade receivables shows a negligible provision for bad and doubtful debts. Therefore, the Group does not expect any material risk on account of non-performance by any of our counterparties.

The Group's maximum exposure to credit risk at 31 March 2008 is $6,324.4 million (2007: $3,279.0 million).

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

	2008 $ million	2007 $ million
Less than 1 month	64.6	38.9
Between 1–3 months	26.7	33.0
Between 3–12 months	37.1	49.7
Greater than 12 months	1.3	1.2
TOTAL	**129.7**	**122.8**

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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. FINANCIAL INSTRUMENTS CONTINUED

Cash Flow Hedges

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

The fair value of the Group's open derivative positions at 31 March 2008 (excluding own use purchase and sale contracts), recorded within other financial assets (derivatives) and other financial liabilities (derivatives) is as follows:

	At 31 March 2008		At 31 March 2007	
	Liability $ million	Asset $ million	Liability $ million	Asset $ million
CURRENT				
Cash flow hedges				
– Commodity contracts	(0.5)	–	(70.9)	–
– Forward foreign currency contracts	(14.7)	3.4	(16.7)	0.9
– Interest rate swap (floating to fixed)	–	–	–	0.2
Fair value hedges				
– Commodity contracts	(0.8)	–	–	4.2
– Forward foreign currency contracts	(7.2)	5.3	(2.2)	0.8
Non-qualifying hedges				
– Commodity contracts	–	35.7	(2.2)	43.2
– Forward foreign currency contracts	(0.1)	0.5	(9.4)	2.1
– Interest rate swap	–	–	–	0.1
TOTAL	**(23.3)**	**44.9**	**(101.4)**	**51.5**
NON-CURRENT				
Cash flow hedges				
– Forward foreign currency contracts	–	–	(2.0)	–
Fair value hedges				
– Forward foreign currency contracts	(83.7)	79.7	(74.2)	72.1
– Interest rate swap	–	15.3	(18.6)	–
TOTAL	**(83.7)**	**95.0**	**(94.8)**	**72.1**
GRAND TOTAL	**(107.0)**	**139.9**	**(196.2)**	**123.6**

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

Non-qualifying Hedges

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

Fair Value Hedges

The fair value hedges relate to interest rate swaps (fixed to floating) taken out by the Group to hedge the fair value risk on the $600.0 million bonds due in 2010.

The Group has also entered into US dollar and Japanese yen cross-currency swaps with a maturity of 2010. Equal and opposite swaps are held in two Group companies, such that no significant net exposure to the Group arises.

26. FINANCIAL INSTRUMENTS CONTINUED

Hedging Reserves Reconciliation

	Hedging reserves $ million	Minority Interests* $ million	Total $ million
AT 1 APRIL 2006	**(29.1)**	**(25.4)**	**(54.5)**
Amount recognised directly in equity	(24.6)	(18.9)	(43.5)
Amount charged to income statement	24.2	21.3	45.5
Exchange difference	(0.2)	(0.4)	(0.6)
AT 1 APRIL 2007	**(29.7)**	**(23.4)**	**(53.1)**
Amount recognised directly in equity	27.0	19.6	46.6
Amount charged to income statement	(7.5)	(2.4)	(9.9)
Exchange difference	1.1	(2.0)	(0.9)
AT 31 MARCH 2008	**(9.1)**	**(8.2)**	**(17.3)**

* Cash flow hedges attributable to minority interests.

27. PROVISIONS

	Restoration, rehabilitation and environmental $ million	Other $ million	Total $ million
AT 1 APRIL 2006	**57.1**	**177.6**	**234.7**
(Credited)/charged to income statement	(15.2)	16.3	1.1
Unwinding of discount	1.9	5.4	7.3
Addition due to acquisition	1.8	–	1.8
Cash paid	–	(15.1)	(15.1)
Exchange differences	0.3	0.2	0.5
AT 1 APRIL 2007	**45.9**	**184.4**	**230.3**
(Credited)/charged to income statement	(1.1)	(2.9)	(4.0)
Unwinding of discount	0.4	5.2	5.6
Addition due to acquisition (note 32a)	2.0	–	2.0
Reclassification	0.6	(0.6)	–
Cash paid	–	(32.4)	(32.4)
Disposals	(1.4)	–	(1.4)
Exchange differences	0.2	12.2	12.4
AT 31 MARCH 2008	**46.6**	**165.9**	**212.5**
Current 2008	–	27.3	27.3
Non-current 2008	46.6	138.6	185.2
	46.6	**165.9**	**212.5**
Current 2007	–	–	–
Non-current 2007	45.9	184.4	230.3
	45.9	**184.4**	**230.3**

RESTORATION, REHABILITATION AND ENVIRONMENTAL

The provisions for restoration, rehabilitation and environmental liabilities represent the Directors' best estimate of the costs which will be incurred in the future to meet the Group's obligations under existing Indian, Australian and Zambian law and the terms of the Group's mining and other licences and contractual arrangements. These amounts become payable on closure of mines and are expected to be incurred over a period of 3 to 20 years.

OTHER

Other provisions comprise the Directors' best estimate of the costs which may be incurred in the future to settle certain legal and tax claims outstanding against the Group, which exist primarily in India. Other provisions also include a provision in respect of a price participation agreement which requires KCM to pay ZCCM an agreed annual sum when copper prices exceed specified levels and other triggers, amounting to $95.9 million (2007: $131.6 million). The timing of the outflow of this provision is dependent on future copper prices and hence cannot be reasonably ascertained. Other also includes a provision for the Group's obligation relating to IFL amounting to $27.3 million (2007: $17.3 million) (see note 15).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28. DEFERRED TAX

The Group has accrued significant amounts of deferred tax. The majority of the deferred tax liability represents accelerated tax relief for the depreciation of capital expenditure and the depreciation on mining reserves, net of losses carried forward by KCM. No benefit has been recognised for tax losses of VRHL and the Company on the grounds that their successful application against future profits is not probable in the foreseeable future.

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

PROVIDED – LIABILITIES/(ASSETS)

	As at 31 March 2008 $ million	As at 31 March 2007 $ million
Accelerated capital allowances	1,441.4	395.9
Unutilised tax losses	(134.0)	(58.9)
Other temporary differences	58.3	60.0
	1,365.7	**397.0**
Recognised as:		
Deferred tax liability provided	1,380.8	425.3
Deferred tax asset recognised	(15.1)	(28.3)
	1,365.7	**397.0**

UNRECOGNISED DEFERRED TAX ASSETS

	As at 31 March 2008 $ million	As at 31 March 2007 $ million
Unutilised tax losses	**(21.7)**	**(8.0)**

DEFERRED TAX ASSET

	As at 31 March 2008 $ million	As at 31 March 2007 $ million
AT 1 APRIL	28.3	71.9
Charged to income statement	(7.9)	(48.5)
(Charged)/credited directly to equity	(5.7)	1.9
Foreign exchange differences	0.4	3.0
AT 31 MARCH	**15.1**	**28.3**

The Group has $424.4 million of unutilised tax losses at KCM (2007: $235.5 million) which expire in 2018.

DEFERRED TAX LIABILITY

	As at 31 March 2008 $ million	As at 31 March 2007 $ million
AT 1 APRIL	425.3	286.9
Addition due to acquisition (note 32)	799.0	14.3
Deduction due to disposal (note 32)	(14.3)	–
Charged to income statement	126.1	110.0
Charged/(credited) directly to equity	17.3	(1.6)
Other movements	–	4.0
Foreign exchange differences	27.4	11.7
AT 31 MARCH	**1,380.8**	**425.3**

29. SHARE-BASED PAYMENTS

EMPLOYEE SHARE SCHEMES

The Group aims to provide superior rewards for outstanding performance and a high proportion of 'at risk' remuneration for Executive Directors. Three employee share schemes were approved by shareholders on Listing. The Board has no present intention to introduce any further share schemes.

THE VEDANTA RESOURCES LONG-TERM INCENTIVE PLAN (THE 'LTIP')

The LTIP is the primary arrangement under which share-based incentives are provided to the Executive Directors and the wider management group. The maximum value of shares that can be conditionally awarded to an Executive Director in a year is 100.0% of annual salary. In respect of Messrs Navin Agarwal and Kuldip Kaura, salary means the aggregate of their salary payable by Vedanta and their gross salary payable by Sterlite. The maximum value of shares that can be awarded to members of the wider management group is calculated by reference to the base salary, share-based remuneration already received and consistent with local market practice.

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

VEDANTA'S TSR PERFORMANCE AGAINST ADAPTED COMPARATOR GROUP

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

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

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

Initial awards under the LTIP were granted on 26 February 2004 with further awards being made on 11 June 2004, 23 November 2004, 1 February 2006, 1 February 2007 and 14 November 2007. The exercise price of the awards is 10 US cents per share and the performance period is one year for the February 2007 awards and three years for all other awards, with no re-testing being allowed. The exercise period is six months from the date of vesting. Further details on the LTIP are found in the Remuneration Report on pages 83 to 89.

Year of grant	Exercise date	Exercise price US cents per share	Options outstanding 1 April 2007	Options granted during the year	Options lapsed during the year	Options exercised during the year	**Options outstanding 31 March 2008**
2004	26 February 2007 to 26 August 2007	10	328,444	–	–	328,444	–
2004	11 June 2007 to 11 December 2007	10	10,000	–	–	10,000	–
2004	23 November 2007 to 23 May 2008	10	20,000	–	–	20,000	–
2006	1 February 2009 to 1 August 2009	10	2,171,650	–	210,550	1,350	1,959,750
2007	1 February 2008 to 1 August 2008	10	565,530	–	84,480	300,000	181,050
2007	14 November 2010 to 14 May 2011	10	–	1,691,349	–	–	1,691,349
			3,095,624	**1,691,349**	**295,030**	**659,794**	**3,832,149**

As at 31 March 2008 all the outstanding options granted on 26 February 2004, 11 June 2004 and 23 November 2004 were exercised and all the outstanding options granted on 1 February 2007 were exercisable. The weighted average share price for the share options exercised during the year was £18.60.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

29. SHARE-BASED PAYMENTS CONTINUED

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

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

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

LTIP November 2007	
Date of grant	14 November 2007
Number of instruments	1,691,349
Exercise price	$0.10
Share price at the date of grant	£19.69
Contractual life	3 years
Expected volatility	43.0% pa
Expected option life	3.5 years
Expected dividends	1.0% pa
Risk free interest rate	4.7% pa
Expected annual forfeitures	13.5% pa
Fair value per option granted	£9.207

30. RETIREMENT BENEFITS

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

(A) DEFINED CONTRIBUTION SCHEMES

Indian Pension Schemes

Central Provident Fund

The Central Provident Fund relates to all full time Indian employees of the Group. The amount contributed by the Group is a designated percentage of 12.0% of basic salary less contributions made as part of the Pension Fund (see below), together with an additional contribution of 12.0% of salary made by the employee.

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

Superannuation

Superannuation, another pension scheme applicable in India, is applicable only to senior executives. Each relevant company holds a policy with the Life Insurance Corporation of India ('LIC'), to which each company contributes 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 1998 and is managed by the government. The employee makes no contribution to this fund but the employer makes a contribution of 8.33% of salary each month subject to a specified ceiling per employee. This must be provided for every permanent employee on the payroll.

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

30. RETIREMENT BENEFITS CONTINUED

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 9.0% of the employee's gross remuneration where the employee is covered by the industrial agreement and 12.0% of the basic remuneration for all other employees, into the employee's fund of choice. All employees have the option to make additional voluntary contributions.

Zambian Pension Scheme

The KCM Pension Scheme is applicable to full time permanent employees of KCM (subject to the fulfilment of certain eligibility criteria). The management of the scheme is vested in the trustees consisting of representatives of the employer and the members. The employer makes a monthly contribution to the KCM Pension Scheme of an amount equal to 11.0% of that month's pensionable salary and the member makes monthly contributions to the fund of an amount equal to 5.0% of that month's pensionable salary.

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

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

(B) DEFINED BENEFIT SCHEMES

India

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

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

MALCO

MALCO does not contribute to the LIC. Its Gratuity scheme is accounted for on a defined benefit basis. An actuarial valuation was performed as at 31 March 2008 using the projected unit actuarial method. At that date the fund was in deficit.

BALCO

At BALCO, all employees who are scheduled to retire on or before 31 March 2009 are covered by the LIC and remaining contributions to the LIC have been made and have been accounted for on a defined contribution basis. The Gratuity scheme is accounted for as a defined benefit scheme for all employees scheduled to retire after 31 March 2009, and who are not covered by the LIC. A provision is recognised based on the latest actuarial valuation which was performed as at 31 March 2008 using the projected unit actuarial method. At that date the fund was in deficit.

HZL

HZL contributes to the LIC based on an actuarial valuation every year. HZL's Gratuity scheme is accounted for on a defined benefit basis. The latest actuarial valuation was performed as at 31 March 2008 using the projected unit actuarial method. At that date the fund was in deficit.

VAL

VAL does not contribute to the LIC. Liabilities with regard to the Gratuity scheme are fully provided in the balance sheet and are determined by actuarial valuation as at the balance sheet date and as per gratuity regulations for the company. The latest actuarial valuation was performed as at 31 March 2008 using the projected unit actuarial method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. RETIREMENT BENEFITS CONTINUED

Sterlite

Sterlite does not contribute to the LIC. Liabilities with regard to the Gratuity scheme are fully provided in the balance sheet and are determined by actuarial valuation as at the balance sheet date and as per gratuity regulations for the company. The latest actuarial valuation was performed as at 31 March 2008 using the projected unit actuarial method. At that date the fund was in deficit.

Sesa Goa

Sesa Goa contributes to the LIC based on actuarial valuation every year. Sesa Goa's Gratuity scheme is accounted for on a defined benefit basis. The latest actuarial valuation was performed as at 31 March 2008 using the projected unit actuarial method. At that date the fund was in deficit.

Zambia

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

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

These schemes are accounted for as defined benefit schemes and the main assumptions used in the actuarial valuation were a discount rate of 14.0% per annum and an annual salary increase of 8.0%.

As at 31 March 2008, membership of pension schemes across MALCO, BALCO, HZL, VAL, Sterlite, Sesa and KCM stood at 27,853 employees (31 March 2007: 24,589). The deficits, principal actuarial assumptions and other aspects of these schemes are disclosed in further detail in notes (d) and (e) below.

(C) PENSION SCHEME COSTS

Contributions of $1.8 million and $nil million in respect of defined benefit schemes were outstanding and prepaid respectively as at 31 March 2008 (2007: 1.3 million and $0.1 million respectively).

Contributions to pension schemes in the year ending 31 March 2009 is expected to be around $4.9 million.

	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million
Defined contribution pension schemes	16.0	10.8	10.6
Defined benefit pension schemes	8.7	0.8	2.4
	24.7	**11.6**	**13.0**

(D) PRINCIPAL ACTUARIAL ASSUMPTIONS.

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

	MALCO		BALCO		Sterlite		HZL		KCM		VAL		Sesa Goa*
Particulars	Mar 08	Mar 07	Mar 08	Mar 07	Mar 08	Mar 07	Mar 08	Mar 07	Mar 08	Mar 07	Mar 08	Mar 07	Mar 08
Discount rate	8.0%	8.0%	7.8%	8.0%	7.5%	7.5%	7.5%	7.5%	14.0%	14.0%	8.0%	8.0%	8.0%
Salary increases	6.0%	6.0%	5.0% for office staff, 3.0% non-office	5.0% for office staff, 3.0% non-office	5.0%	5.0%	5.0%	5.0%	8.0%	8.0%	5.0%	5.0%	5-7.0%
Funding rate of return	–	–	8.0%	8.0%	7.5%	8.0%	9.1%	8.4%	–	–	9.0%	–	9-9.35%
Number of employees	703	699	5,179	5,236	1,636	1,441	6,194	6,275	11,242	10,454	1,144	484	1,755

* Acquired during the year 2007–08.

30. RETIREMENT BENEFITS CONTINUED

(E) BALANCE SHEET RECOGNITION

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

	31 March 2008								31 March 2007						
$ million	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Total
Fair value of pension scheme assets	–	0.7	1.1	20.0	–	0.1	4.9	26.8	–	1.0	0.1	15.9	–	–	17.0
Present value of pension scheme liabilities	(1.4)	(14.0)	(2.0)	(21.9)	(24.6)	(0.1)	(5.3)	(69.3)	(1.3)	(12.5)	(0.1)	(17.3)	(21.0)	(0.1)	(52.3)
Deficit in pension scheme recognised in balance sheet	(1.4)	(13.3)	(0.9)	(1.9)	(24.6)	–	(0.4)	(42.5)	(1.3)	(11.5)	–	(1.4)	(21.0)	(0.1)	(35.3)
Deferred tax	0.5	4.5	0.3	0.6	8.4	–	0.1	14.4	0.4	3.9	–	0.5	5.3	0.0	10.1
NET PENSION LIABILITY	**(0.9)**	**(8.8)**	**(0.6)**	**(1.3)**	**(16.2)**	**–**	**(0.3)**	**(28.1)**	**(0.9)**	**(7.6)**	**–**	**(0.9)**	**(15.7)**	**(0.1)**	**(25.2)**

(F) AMOUNTS RECOGNISED IN INCOME STATEMENT IN RESPECT OF DEFINED BENEFIT PENSION SCHEMES

	31 March 2008								31 March 2007						
Particulars	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Total
Current service cost	0.1	0.6	0.2	1.1	3.9	0.1	0.3	6.3	0.1	0.5	0.2	0.8	–	–	1.6
Actuarial (gains)/losses	–	(1.5)	0.6	1.0	(1.5)	–	–	(1.4)	0.1	0.7	1.0	0.7	(5.4)	–	(2.9)
Expected return on scheme assets	–	(0.1)	(0.1)	(1.6)	–	–	(0.4)	(2.2)	–	–	–	(1.2)	–	–	(1.2)
Interest cost of scheme liabilities	0.1	1.1	0.1	1.4	2.9	–	0.4	6.0	0.1	0.8	0.1	1.1	1.2	–	3.3
TOTAL CHARGE TO INCOME STATEMENT	**0.2**	**0.1**	**0.8**	**1.9**	**5.3**	**0.1**	**0.3**	**8.7**	**0.3**	**2.0**	**1.3**	**1.4**	**(4.2)**	**–**	**0.8**

(G) MOVEMENTS IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

The movement during the year ended 31 March 2008 of the present value of the defined benefit obligation was as follows:

	31 March 2008								31 March 2007						
Particulars	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Total
AT 1 APRIL	**(1.3)**	**(12.5)**	**(0.1)**	**(17.3)**	**(21.0)**	**(0.1)**	**–**	**(52.3)**	**(1.1)**	**(9.4)**	**–**	**(15.1)**	**(26.5)**	**(0.1)**	**(52.2)**
At acquisition							(4.5)	(4.5)	–	–	–	–	–	–	–
Current service cost	(0.1)	(0.6)	(0.2)	(1.1)	(3.9)	(0.1)	(0.3)	(6.3)	(0.1)	(0.5)	(0.2)	(0.8)	–	–	(1.6)
Gratuity benefits paid	0.2	0.6	0.4	0.3	1.7	–	0.3	3.5	0.3	0.3	–	0.8	1.2	–	2.6
Interest cost of scheme liabilities	(0.1)	(1.1)	(0.1)	(1.4)	(2.9)	–	(0.4)	(6.0)	(0.1)	(0.8)	(0.1)	(1.1)	(1.2)	–	(3.3)
Actuarial gains/(loss)	–	1.5	(0.6)	(1.0)	1.5	–	–	1.4	(0.1)	(0.7)	(1.0)	(0.7)	5.4	–	2.9
Exchange difference	(0.1)	(1.9)	(1.4)	(1.4)		0.1	(0.4)	(5.1)	(0.2)	(1.4)	1.2	(0.4)	0.1	–	(0.7)
AT 31 MARCH	**(1.4)**	**(14.0)**	**(2.0)**	**(21.9)**	**(24.6)**	**(0.1)**	**(5.3)**	**(69.3)**	**(1.3)**	**(12.5)**	**(0.1)**	**(17.3)**	**(21.0)**	**(0.1)**	**(52.3)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. RETIREMENT BENEFITS CONTINUED

(H) MOVEMENTS IN THE FAIR VALUE OF SCHEME ASSETS

	As at 31 March 2008 $ million	As at 31 March 2007 $ million
AT 1 APRIL	17.0	14.0
At acquisition	3.8	
Contributions received	4.6	2.9
Benefits paid	(3.6)	(2.6)
Expected return on plan asset	2.2	1.2
Foreign exchange differences	2.8	1.5
AT 31 MARCH	**26.8**	**17.0**

(I) FOUR YEAR HISTORY

The transition date for conversion to IFRS for Vedanta was 1 April 2005 and therefore the following historical data has been presented from that date.

Defined Benefit Pension Plan

	As at 31 March 2008 $ million	As at 31 March 2007 $ million	As at 31 March 2006 $ million	As at 31 March 2005 $ million
Experience gains/(losses) arising on scheme liabilities	1.4	2.9	8.6	(2.4)
Difference between expected and actual return on plan assets	–	(0.1)	–	–
Fair value of pension scheme assets	26.8	17.0	14.0	12.0
Present value of pension scheme liabilities	(69.3)	(52.3)	(52.2)	(50.6)
DEFICITS IN THE SCHEMES	**(42.5)**	**(35.3)**	**(38.2)**	**(38.6)**

31. SHARE CAPITAL

	At 31 March 2008		At 31 March 2007	
Authorised	Number	$ million	Number	$ million
Ordinary shares of 10 US cents each	400,000,000	40.0	400,000,000	40.0
Deferred shares of £1 each	50,000	0.0	50,000	0.0
	400,050,000	40.1	400,050,000	40.1

Ordinary shares issued and fully paid	Number	$ million	Number	$ million
Ordinary shares of 10 US cents each	288,130,685	28.8	287,515,622	28.8
Deferred shares of £1 each	50,000	–	50,000	–
	288,180,685	28.8	287,565,622	28.8

During the year ended 31 March 2008, the Company issued 564,894 shares to the employees pursuant to the LTIP scheme (2007: 726,681 shares). During the year ended 31 March 2008, the Company issued 50,169 shares represented by Global Depositary Receipt on conversion of the convertible bond (2007: 7,746). The holders of these shares are not entitled to exercise voting rights.

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

32. BUSINESS COMBINATIONS

(A) ACQUISITION OF SUBSIDIARY

On 23 April 2007, Vedanta acquired 100.0% of Finsider International Company Limited ('Finsider'), an investment holding company incorporated in United Kingdom, from Mitsui & Company, Japan for a consideration of US$981.0 million (excluding acquisition expenses of $9.4 million). Finsider held 51.0% of Sesa Goa Limited ('Sesa Goa'), a public limited company incorporated in India and listed on the Bombay Stock Exchange and the National Stock Exchange of India, which in turn held 88.3% of Sesa Industries Limited ('Sesa Industries'). Thus, by virtue of Vedanta acquiring Finsider, Sesa Goa and Sesa Industries became subsidiaries of Vedanta with an effective date of 23 April 2007, being the date at which control passed to Vedanta. As a result, the financial information of Finsider, Sesa Goa and Sesa Industries has been consolidated from 23 April 2007.

Sesa Goa is a company mainly involved in iron ore mining, processing and the manufacture of metallurgical coke. Sesa Industries is involved in pig iron operations.

The consolidated net assets of Finsider acquired are detailed in the table below:

$ million	Book value	Fair value adjustments	Fair value
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	119.0	2,289.4	2,408.4
Other non-current assets	0.2	–	0.2
	119.2	**2,289.4**	**2,408.6**
CURRENT ASSETS			
Inventories	80.1	9.1	89.2
Trade and other receivables	79.3	–	79.3
Liquid investments	230.2	–	230.2
Other current financial asset (derivatives)	2.0	–	2.0
Cash and cash equivalents	4.5	–	4.5
	396.1	**9.1**	**405.2**
LIABILITIES			
CURRENT LIABILITIES			
Short-term borrowings	(2.0)	–	(2.0)
Trade and other payables	(45.6)	–	(45.6)
Current tax liabilities	(8.2)	–	(8.2)
	(55.8)	**–**	**(55.8)**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	(17.7)	(781.3)	(799.0)
Provisions	(2.0)	–	(2.0)
	(19.7)	**(781.3)**	**(801.0)**
NET ASSETS	**439.8**	**1,517.2**	**1,957.0**
Less: Minority interests recognised on first acquisition			(966.6)
			990.4
SATISFIED BY:			
Cash consideration paid			981.0
Acquisition expenses			9.4
			990.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

32. BUSINESS COMBINATIONS CONTINUED

The Company has completed a fair value assessment of the assets acquired. There have been no events or indications which would require a change to the fair value of the assets and liabilities acquired compared to the amount provisionally assessed as at date of acquisition.

The Group acquired a further 71,451 shares, equating to a 0.182% interest in Sesa Goa on 24 September 2007 following an open offer for a consideration of $3.6 million in cash. The total holding in Sesa Goa following this transaction was 51.2%. The impact on minority interests as a result of the offer was a decrease of $3.6 million. The total increase in minority interests resulting from the acquisition of Sesa Goa was $963.0 million.

Since the date of acquisition, the Finsider group has contributed $888.9 million to the revenue and $294.1 million to the net profit of the Group for the year ended 31 March 2008. If Finsider had been acquired at the beginning of the period, the revenue of the Group would have been $60.2 million higher and the net profit of the Group would have been $15.0 million higher.

(B) DISPOSAL OF SUBSIDIARY

In September 2007, Vedanta, through one of its subsidiaries, sold all of the issued and outstanding shares it held in Twin Star International (84.2%) which was the owner of 223,417,031 common shares of Sterlite Gold Limited for a consideration of $85.9 million. Further, Vedanta received $25.0 million towards settlement of outstanding debt which Sterlite Gold and its subsidiaries owed to Vedanta and its Group companies.

Sterlite Gold, through its wholly owned subsidiary in Armenia, Ararat Gold Recovery Company LLC `AGRC', was engaged in gold mining activities in Armenia. Sterlite Gold also held 100.0% interests in the following companies on the date of its disposal:

- First Dynasty Mines (USA) LLC
- First Dynasty Mines Armenia Limited
- AGRC Services Limited
- First Dynasty Mines Holding Company Limited

All the companies listed above were non-operating.

From January 2007, the gold mining operations in Armenia were suspended pending resolution of some of the key clauses of the implementation agreement entered into with the Government of the Republic of Armenia. Due to delays in finding a resolution, Vedanta continued to explore other alternatives and in August 2007 entered into an agreement with a third party for the sale of the business together with all assets and liabilities. The agreement involved the sale of Vedanta's full shareholding in Sterlite Gold at a price of $0.3845 per Sterlite Gold share equating to the total of $85.9 million and the settlement by the purchaser of Sterlite Gold's $25.0 million payables to the Vedanta Group.

The gain on disposal of the Sterlite Gold operations of $29.8 million has been recognised in the income statement under the caption Special items (see note 4).

Sterlite Gold's operations constituted an insignificant proportion of Vedanta's revenues and were presented in the 'Other' segment in accordance with IAS 14 Segment Reporting.

The impact on minority interests resulting from the disposal of Twin Star International, Sterlite Gold and its subsidiaries was a decrease of $9.7 million.

32. BUSINESS COMBINATIONS CONTINUED

The net assets of Twin Star International consolidated at the date of disposal, 27 September 2007 and 31 March 2007 were as follows:

$ million	As at 27 September 2007	As at 31 March 2007
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	91.7	94.1
Financial asset investments	–	3.3
	91.7	**97.4**
CURRENT ASSETS		
Inventories	2.3	3.2
Trade and other receivables	4.4	4.4
Cash and cash equivalents	0.3	1.6
	98.7	**106.6**
LIABILITIES		
CURRENT LIABILITIES		
Borrowings from Vedanta Group	(25.6)	(5.9)
Trade and other payables	(4.3)	(3.9)
Current tax liabilities	(1.4)	(1.4)
	(31.3)	**(11.2)**
NON-CURRENT LIABILITIES		
Long-term borrowings	–	(41.6)
Deferred tax liabilities	(14.3)	(14.3)
	(45.6)	**(67.1)**
NET ASSETS	**53.1**	**39.5**
Reduction in minority interest	9.7	
CASH CONSIDERATION	**85.9**	
Net assets disposed	(53.1)	
Disposal expenses	(3.0)	
PROFIT ON DISPOSAL	**29.8**	

$25.0 million of borrowings due to the Vedanta Group were repaid, as part of the sale and purchase agreement.

33. OPERATING LEASES

The Group does not have any material operating lease commitments as at 31 March 2008 (2007: none).

34. COMMITMENTS, GUARANTEES AND CONTINGENCIES

COMMITMENTS

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

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

	As at 31 March 2008 $ million	As at 31 March 2007 $ million
Capital commitments contracted but not provided	**3,314.0**	3,150.0

Commitments at 31 March 2008 primarily related to the expansion projects at HZL $204.0 million (2007: $178.9 million), KCM $246.6 million (2007: $355.0 million), VAL $980.4 million (2007: $1,316.4 million), SEL $1,124.1 million (2007: $1,139.3 million) and BALCO $688.6 million (2007: $10.2 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

34. COMMITMENTS, GUARANTEES AND CONTINGENCIES CONTINUED

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:

Guarantees

As at 31 March 2008, $139.4 million of guarantees were advanced to banks in the normal course of business (2007: $191.2 million). The Group has also entered into guarantees advanced to the customs authorities in India of $154.6 million relating to the export of iron ore and payment of import duties on purchases of raw material (2007: $7.7 million).

Export Obligations

The Indian entities of the Group have export obligations of $2,473.9 million (2007: $1,328.4 million) on account of concessional rates of import duty paid on capital goods under the Export Promotion Capital Goods Scheme and under Advance Licence Scheme for import of raw material laid down by the Government of India.

In the event of the Group's inability to meet its obligations, the Group's liability would be $355.6 million (2007: $191.0 million), reduced in proportion to actual exports. This liability is backed by bond executed in favour of customs department amounting to $325.7 million (2007: $107.6 million).

Guarantees to Suppliers

The Group has given corporate guarantees to certain suppliers of concentrate. The value of these guarantees was $150.0 million at 31 March 2008 (2007: $90.0 million).

Environmental and terminal benefits ('ETB') cash reserve account – KCM

Pursuant to the terms of the shareholders' agreement between VRHL and ZCI dated 5 November 2004, KCM is expected to contribute a minimum of $10.0 million (with a maximum of $18.0 million) in any financial year to ensure that the amount of ETB liabilities are covered by a cash reserve when the life of the Konkola Ore Body comes to an end. The ETB liabilities refer to KCM's obligations in relation to the environment and any terminal benefits payable to its employees. As at 31 March 2008, ETB liabilities provided for were $61.7 million (2007: $65.1 million), although these liabilities are likely to fluctuate at each future reporting date.

Shortfall Funding Commitment – KCM

Pursuant to the KCM acquisition agreement, Vedanta has agreed to fund capital expenditure in the period from the date of acquisition to the earlier of 5 November 2013, the exercise of the primary or secondary call options held by ZCI (see note 36) and Vedanta's divestment of its interest in KCM (the earliest date of which was 1 January 2008), up to a limit of $220.0 million in the event that internally generated cash flows are insufficient to fund the capital expenditure programme set out in the acquisition agreement.

CONTINGENCIES

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

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

Under the terms of a financial aid package, MALCO was entitled to benefit from reduced tariff electricity for the period from 1995 to 1999. In 1997, MALCO became profitable and in 1999 the TNEB made a claim against MALCO for the difference in value between full price and reduced tariff electricity for the period from 1997 to 1999. The value of this claim was $79.4 million. The case was heard before the Madras High Court in November 1999 and it found in MALCO's favour. TNEB has appealed the decision and this appeal is under hearing.

TNEB is also claiming $25.5 million from MALCO for an electricity self-generation levy for the period from May 1999 to June 2003. This claim has arisen since the commissioning of MALCO's captive power plant in 1999. The company has sought an exemption from the application of this levy from the Government of India. The application is under consideration. Meanwhile, the Madras High Court has granted an interim ruling in favour of MALCO pending a final decision.

34. COMMITMENTS, GUARANTEES AND CONTINGENCIES CONTINUED

MALCO claims with TECHMO Car SpA ('TECHMO')

In February 1999, MALCO entered into an agreement with TECHMO to modernise the smelter pot rooms at Mettur Dam. In February 2003, this contract was terminated by TECHMO following disputes over the project. In March 2003, MALCO issued a claim against TECHMO to recover expenditure incurred on the project, citing non-performance by TECHMO. The value of this claim was $6.3 million. The District Court had ordered TECHMO to provide the full amount of the claim to MALCO as security, which was subsequently reversed by the Madras High Court. MALCO filed a petition with the Supreme Court of India, which as an interim measure directed both parties to arbitration and for each party to furnish security of $1.0 million.

Separately, in June 2003, TECHMO moved for arbitration, claiming a total of $3.0 million being the unpaid portion of the contract. In September 2005, the final part of the hearing took place in which both parties made written submissions.

The case has now been settled out of court. Under the settlement agreement, TECHMO has paid $2.6 million to MALCO. The parties have withdrawn the cases filed against each other and the matter is now closed.

BALCO: claim of Chattisgarh State Electricity Board '(CSEB)'

During the year ended 31 March 2008, CSEB claimed that they had over paid for power supplied by BALCO. BALCO is contesting the claim on the basis that it is conflicting with the power purchase agreement between the two entities. Both the parties have submitted claims before the arbitrator and the hearing in the matter is awaited.

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 $83.5 million. These notices alleged unlawful occupation and unauthorised mining of associated minerals other than zinc and lead at HZL's Rampura Agucha, Rajpura Dariba and Zawar mines in Rajasthan during the period from July 1968 to March 2006. HZL believes that the likelihood of this claim becoming an obligation of the company is remote 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 in has obtained a stay in respect of these demands.

Sterlite Gold

Following the disposal of Sterlite Gold on 27 September 2007 there are no claims pending against the Group from the Armenian Government (31 March 2007: $46.5 million).

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

In respect of bauxite mines at Lanjigarh, Orissa, public interest submissions were filed in 2004 by certain non-government organisations (NGOs) to the Honourable Supreme Court of India sub-committee regarding the potential environmental impact of the mines. The Ministry of Environment and Forests has received reports from expert organisations and has submitted the recommendations of Forest Advisory Committee to the Supreme Court. On 23 November 2007, the Supreme Court noted that it is not against the project in principle but needed certain safeguards for the development. Sterlite has filed an affidavit seeking clearance of the mining project. The Central Empowered Committee has filed its report and further directions from the Supreme Court are expected in the next hearing on the matter on 18 July 2008.

A petition was filed by an independent complainant with National Environment Appellate Authority challenging the grant of environmental clearance to the Jharsuguda project. The appeal was dismissed on 29 January 2008. The Petitioner has filed a Writ Petition in the High court, the hearing will take place on 24 July 2008.

Miscellaneous Disputes – Sterlite, HZL, MALCO and BALCO

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

The approximate value of claims against the companies total $240.8 million (2007: $155.1 million), of which $32.9 million (2007: $48.9 million) is included as a provision in the balance sheet as at 31 March 2008. In the view of the Directors, there are no significant unprovided liabilities arising from these claims.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

35. 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 2008. These related parties include Sterlite Technologies Limited ('STL'), which is related by virtue of having the same controlling party as the Group, namely Volcan. At the Balance Sheet date, India Foils Limited ('IFL') an associate of the Group, is also regarded as a related party. However by virtue of the proposed sale of MALCO's entire stake in IFL to a third party, IFL will cease to be a related party from the date of completion of the sale transaction.

STERLITE TECHNOLOGIES LIMITED ('STL')

	31 March 2008 $ million	31 March 2007 $ million
Sales to STL	81.2	59.0
Sale of aluminium conductor division	–	32.3
Reimbursement of expenses	0.1	0.2
Purchases	0.3	1.1
Amounts receivable at year end	20.7	11.0

Pursuant to the terms of the Shared Services Agreement dated 5 December 2003 entered into by the Company, Sterlite and STL, the Company and Sterlite provide various commercial services in relation to STL's businesses on an arm's length basis and at normal commercial terms. For the year ended 31 March 2008, 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 that year amounted to $29,646 (2007: $21,940).

TWINSTAR INVESTMENTS LIMITED

Twin Star Investments Limited is a related party as it is controlled by members of Agrawal family. The balance outstanding at 31 March 2008 was $nil (2007: $0.7 million).

TWIN STAR INTERNATIONAL (TSI)

During the year ended 31 March 2007, the Group advanced $20.9 million of loans to TSI. No such loans were advanced in 2008 and TSI was sold of as part of Sterlite Gold disposal, as detailed in note 32b.

TWIN STAR INFRASTRUCTURE LIMITED

Sterlite Energy had issued cumulative convertible preference shares to Twin Star Infrastructure Limited prior to its acquisition by the Group and an amount of $7.0 million was outstanding as at 31 March 2008 (2007: $6.5 million). During the year ended 31 March 2008, Sterlite Energy paid dividends on the cumulative convertible preference shares of $4,019 (2007: $3,544) to Twin Star Infrastructure Limited.

STERLITE FOUNDATION

During the year, $0.8 million was paid to the Sterlite Foundation (2007: $0.7 million).

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

SESA GOA COMMUNITY FOUNDATION LIMITED

Following the acquisition of Sesa Goa, the Sesa Goa Community Foundation Limited became a related party of the Group on the basis that key management personnel of the Group have significant influence on Sesa Goa Community Foundation Limited. During the year ended 31 March 2008, $0.2 million was paid to the Sesa Goa Community Foundation Limited.

THE ANIL AGARWAL FOUNDATION (FORMERLY VEDANTA FOUNDATION)

During the year, $0.2 million (2007: $0.1 million) was received from the Anil Agarwal Foundation towards reimbursement of administrative expenses. The Anil Agarwal Foundation is a registered not-for-profit entity engaged in social and charitable activities. The Anil Agarwal Foundation is controlled by members of the Agarwal family.

35. RELATED PARTY TRANSACTIONS CONTINUED

IFL

	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
Sales to IFL	35.2	43.9
Guarantees	45.5	41.8
Trade receivables and advances	9.2	8.8
Loans receivable at year end	11.0	6.2

During the year ended 31 March 2008, the Group advanced $1.2 million to IFL as short-term advances (2007: $1.2 million). The Group has given corporate guarantees to certain banks and financial institutions in relation to IFL, an associate of the Group. The Group has recognised a provision of $27.3 million in the financials statements representing its obligations to IFL (2007: $17.3 million), including the loans receivable outlined as above. The trade receivable are operating in nature and are considered recoverable. Further information is provided in note 15.

VOLCAN

	31 March 2008 $ million	31 March 2007 $ million
Reimbursement of bank charges	(0.3)	(0.4)

In relation to the shares of Sterlite held by Twin Star, MALCO issued guarantees to the Income Tax Department of India, at the request of Volcan. The amount payable for the year ended 31 March 2008 was $0.3 million (2007: $0.4 million).

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

REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
Short-term employee benefits	12.9	5.3
Post-employment benefits	0.5	0.3
Share-based payments	2.4	0.7
	15.8	**6.3**

36. SHARE TRANSACTIONS

CALL OPTIONS – KCM

The Group purchased a 51.0% holding in KCM on 5 November 2004, from ZCI and ZCCM, which hold 28.4% and 20.6% interests, respectively. At the time of purchase several call options were granted over the KCM shares held by the Group, ZCI and ZCCM as set out below.

As part of the acquisition of KCM, the Group acquired call options over ZCI's holdings in KCM exercisable in certain circumstances. The option exercise period commences on the earlier of the date of approval by the Government of Zambia of any application by KCM to develop the Konkola Ore Body Extension Project, and the date immediately succeeding the last day of four consecutive quarters during which ore is extracted at a rate of 3.0 million tpa or more, provided that prior to such date, ZCI and ZCCM had not exercised their primary call options referred to below. In either case, the option exercise period terminates 24 months after the date on which the call option becomes exercisable or the date of any material amendment, cessation or abandonment of the Konkola Ore Body Extension Project other than in accordance with the provisions of the KCM shareholders' agreement.

36. SHARE TRANSACTIONS CONTINUED

Also as part of acquisition agreement, ZCI and ZCCM were each granted a primary call option over the Group's interest in KCM in proportion to their own shareholdings in KCM, exercisable in certain circumstances. The option exercise periods are 24 month periods commencing on either:

- 31 December 2009, provided that prior to such date: KCM does not proceed with the development of the Konkola Ore Body Extension Project, the Group has not exercised its call option over the ZCI shares and sufficient evidence has not been provided to ZCCM and ZCI that the rate of ore extraction during the five year period from 1 January 2013 to 31 December 2017 is expected to be more than 175,000 tpa (the 'Production Condition'); or
- 31 December 2014, provided that prior to 31 December 2009 sufficient evidence has been provided that the Production Condition will be met, and that otherwise the same conditions above apply.

ZCI and ZCCM were also assigned a secondary call option that vests either: where one party confirms to the other, and the Group, that it does not wish to exercise its primary option; or where the primary option is not exercised before the expiry of the relevant 24 month exercise period (the 'End Date'). The secondary call option is exercisable up to 15 days after the End Date and allows ZCI and ZCCM to acquire the shares held by the Group in KCM that are subject to the primary call option.

The exercise price for all options is at a value to be agreed by the Group and ZCI or ZCCM as applicable or failing agreement, at fair market value determined by an independent valuer.

These options have now expired due to the exercise by Vedanta of its call option over ZCI's shares in KCM, details of which are given below. During 2006, a notice was sent by the Group to ZCI to exercise the option to acquire its 28.4% stake in KCM. On 18 January 2008, Vedanta and ZCI agreed upon an option exercise price, as determined by an independent valuer. On 9 April 2008, Vedanta completed the acquisition, paying consideration in cash of US$213.2 million and taking the Group's holding in KCM to 79.4%.

At 31 March 2008, the Group recognised a current liability in trade and other payables for $213.2 million, representing the amount contractually due to ZCI for the acquisition of its shares. The Group has recognised an equivalent decrease to equity, representing the anticipated reduction in minority interests in respect of the incomplete transaction.

CALL OPTION – HZL

With effect from 11 April 2007, SOVL has the right to purchase all of the Government of India's remaining shares in HZL at fair market value. As at 31 March 2008, the government's holding in HZL was 29.5% (2007: 29.5%). The option has no expiry date. The Group has not yet exercised the option. The Group continues to engage in talks with the government of India to agree on a process to complete the transaction.

CALL OPTION – BALCO

Sterlite purchased a 51.0% holding in BALCO from the Government of India on 2 March 2001. Under the terms of this purchase agreement for BALCO, Sterlite has a call option that allows it to purchase any remaining government holding in BALCO at any point from 2 March 2004. Sterlite exercised this option on 19 March 2004. However, the government of India has contested the purchase price and validity of the option. The Group sought an interim order from the High Court of Delhi to restrain the Government of India from transferring or disposing of its shareholding pending resolution of the dispute. However, the Court directed on 7 August 2006 that the parties attempt to settle the dispute by way of amicable negotiation and conciliation. As directed by the court, mediation proceedings were conducted and the Group believes that the mediation process has been completed. The Group is now awaiting further communication from the Government of India on this matter.

37. PRINCIPAL SUBSIDIARIES

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

		The Company's economic percentage holding				Immediate percentage holding	
Subsidiaries	Principal activities	**31 March 2008**	31 March 2007	Country of incorporation	Immediate holding company	**31 March 2008**	31 March 2007
Bharat Aluminium Company Limited ('BALCO')	Aluminium mining and smelting	30.5%	38.7%	India	Sterlite	51.0%	51.0%
Copper Mines Of Tasmania Pty Limited ('CMT')	Copper mining	59.9%	75.9%	Australia	MCBV	100.0%	100.0%
Fujariah Gold	Gold mining and processing	59.9%	–	UAE	CMT	100.0%	–
Hindustan Zinc Limited ('HZL')	Zinc and mining and smelting	38.9%	49.3%	India	SOVL	64.9%	64.9%
The Madras Aluminium Company Limited ('MALCO')	Aluminium mining and smelting	80.0%	80.0%	India	Twin Star	80.0%	80.0%
Monte Cello BV ('MCBV')	Holding company	59.9%	75.9%	Netherlands	Sterlite	100.0%	100.0%
Monte Cello Corporation NV (MCNV')	Holding company	100.0%	100.0%	Netherlands	Twin Star	100.0%	100.0%
Konkola Copper Mines PLC ('KCM')	Copper mining and smelting	51.0%	51.0%	Zambia	VRHL	51.0%	51.0%
Sterlite Energy Limited ('SEL')	Energy generation	59.9%	–	India	Sterlite	100.0%	100.0%
Sesa Goa Limited ('Sesa Goa')	Iron ore	51.2%	–	India	Finsider	51.2%	–
Sesa Industries Limited	Iron ore	45.2%	–	India	Sesa Goa	88.3%	
Sterlite Industries (India) Limited ('Sterlite')	Copper smelting	59.9%	75.9%	India	Twin Star	57.0%	72.3%
Sterlite Opportunities and Venture Limited (SOVL')	Holding company	59.9%	75.9%	India	Sterlite	100.0%	100.0%
Sterlite Paper Limited ('SPL')	Non-trading	59.9%	75.9%	India	Sterlite	100.0%	100.0%
Thalanga Copper Mines Pty Limited ('TCM')	Copper mining	59.9%	75.9%	Australia	MCBV	100.0%	100.0%
Twin Star Holding Limited ('Twin Star')	Holding company	100.0%	100.0%	Mauritius	VRHL	–	100.0%
Vedanta Aluminium Limited ('VAL')	Alumina mining, aluminium refining and smelting	88.2%	92.9%	India	Twin Star	70.5%	70.5%
Richter Holding Limited('Richter'), Cyprus	Financing company	100.0%	–	Cyprus	VRCL	100%	–
Westglobe Limited	Financing company	100.0%	–	Mauritius	Richter	100%	–
Finsider International Company Limited	Financing company	100.0%	–	Great Britain	Richter	60.0%	
Vedanta Resources Holding Limited ('VRHL')	Holding company	100.0%	100.0%	Great Britain	VR plc	100.0%	100.0%
Vedanta Resources Finance Limited ('VRFL')	Financing company	100.0%	100.0%	Great Britain	VRHL	100.0%	100.0%
Vedanta Resources Cyprus Limited ('VRCL')	Financing company	100.0%	100.0%	Cyprus	VRFL	100.0%	100.0%
Vedanta Finance (Jersey) Limited ('VFJL')	Financing company	100.0%	100.0%	Jersey(CI)	VR plc	100.0%	100.0%
Welter Trading Limited	Financing company	100.0%	100.0%	Cyprus	VRHL	100.0%	100.0%
Twin Star International Limited ('TSI')	Financing company	–	100.0%	Mauritius	Welter	100.0%	100.0%
Sterlite Gold Limited ('Sterlite Gold')	Holding company	–	83.7%	Canada	TSI	–	83.7%
Ararat Gold Recovery LLC ('AGRC')	Gold mining and processing	–	83.7%	Armenia	Sterlite Gold	–	100.0%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

38. POST BALANCE SHEET EVENTS

On 9 April 2008, the Group completed the exercise of its option over ZCI's share in KCM for a consideration of $213.2 million. The transaction resulted in an acquisition of a further 28.4% interest in KCM's equity taking the Group's total holding to 79.4%. The balance of 20.6% is held by ZCCM (see note 36).

At completion, the Group will recognise a decrease to minority interests of approximately $233.1 million and a net gain through equity of approximately $19.9 million, after transaction costs. From 9 April 2008, the Group will consolidate 79.4% of the profits of KCM. At 31 March 2008, the fair value of the option has been recognised as a liability with a corresponding reduction in equity.

39. ULTIMATE CONTROLLING PARTY

At 31 March 2008, the ultimate controlling party of the Group was Volcan, which is controlled by persons related to the Executive Chairman, Mr Anil Agarwal. Volcan, which is incorporated in the Bahamas, does not produce Group accounts.

40. COMPANY BALANCE SHEET

	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
FIXED ASSET		
Tangible assets (note 42)	0.4	0.6
Investments in subsidiaries (note 43)	713.3	713.3
Investment in preference shares of subsidiaries (note 44)	1.5	0.2
Financial asset investment (note 45)	1.0	–
Derivative asset	15.3	67.5
	731.5	**781.6**
CURRENT ASSETS		
Debtors due within one year (note 46)	108.6	134.8
Debtors due after one year (note 46)	924.0	843.7
Current asset investments (note 47)	229.1	278.4
Cash at bank and in hand	0.3	0.5
	1,262.0	**1,257.4**
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade and other creditors (note 48)	(14.1)	(9.7)
	(14.1)	(9.7)
NET CURRENT ASSETS	**1,247.9**	**1,247.7**
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,979.4**	**2,029.3**
CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR (NOTE 49)		
Amounts due to subsidiary undertakings	(626.1)	(602.3)
Bond	(615.9)	(581.2)
Derivative liabilities	(22.4)	(18.6)
	(1,264.4)	**(1,202.1)**
NET ASSETS	**715.0**	**827.2**
CAPITAL AND RESERVES		
Called up equity share capital (note 50)	28.8	28.8
Share premium account (note 50)	20.0	18.7
Share-based payment reserve (note 50)	15.6	7.3
Convertible bond reserve (note 50)	115.7	119.5
Other reserves (note 50)	(1.3)	–
Profit and loss account (note 50)	536.2	652.9
EQUITY SHAREHOLDERS' FUNDS	**715.0**	**827.2**

Approved by the Board on 14 May, 2008.

ANIL AGARWAL
CHAIRMAN

KK KAURA
CHIEF EXECUTIVE

41. COMPANY ACCOUNTING POLICIES

The Vedanta Resources plc ('the Company') balance sheet and related notes have been prepared in accordance with United Kingdom Generally Accepted Accounting Principles and UK company law ('UK GAAP'). The financial information has been prepared on an historical cost basis. As permitted by section 230 of the Companies Act, the profit and loss account of the parent company is not presented as part of these financial statements.

SIGNIFICANT ACCOUNTING POLICIES

Investments in Subsidiaries

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

Investment in Preference Shares of Subsidiaries

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

Currency Translation

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

Tangible Fixed Assets

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

Deferred Taxation

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

Share-based Payments

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

Borrowings

Interest bearing loans are recorded at the net proceeds received i.e. net of direct transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on 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.

Financial Instruments

The Company has elected to take the exemption provided in paragraph 3C (b) of FRS 25 in respect of these parent company financial statements. Full disclosures are provided in note 26 to the consolidated financial statements of the Group for the period ended 31 March 2008.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

41. COMPANY ACCOUNTING POLICIES CONTINUED

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

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

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

Cash Flow Statement

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

Related Party Disclosures

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

42. COMPANY TANGIBLE FIXED ASSETS

	$ million
COST	
At 1 April 2007	1.0
Additions	–
AT 31 MARCH 2008	**1.0**
ACCUMULATED DEPRECIATION	
At 1 April 2007	0.4
Charge for the period	0.2
AT 31 MARCH 2008	**0.6**
NET BOOK VALUE	
AT 1 APRIL 2007	**0.6**
AT 31 MARCH 2008	**0.4**

43. INVESTMENTS IN SUBSIDIARIES

	$ million
COST	
At 1 April 2007	713.3
AT 31 MARCH 2008	**713.3**

At 31 March 2008, the Company held 139,559,950 shares in VRHL (2007: 139,559,950 shares), being 100.0% of VRHL's issued equity share capital. The Company also held one deferred share in VRHL (2007: one). At 31 March 2008, the Company held two shares in Vedanta Finance Jersey Limited ('VFJL') being 100.0% of its issued equity share capital (2007: two). VRHL is an intermediary holding company incorporated in England and Wales. VFJL is a company established to raise funds for the Vedanta Group via a convertible bond issue and is incorporated in Jersey.

44. INVESTMENT IN PREFERENCE SHARES OF SUBSIDIARIES

	$ million
FAIR VALUE	
At 1 April 2007	0.2
Additions	1.3
AT 31 MARCH 2008	**1.5**

As at 31 March 2008, the Company held 1,501,000 preference shares in VFJL (2007: 201,000). These shares, issued in 2007, entitle the holder to a dividend of 4.6% of their face value.

45. FINANCIAL ASSET INVESTMENT

	$ million
FAIR VALUE	
At 1 April 2007	–
Additions	2.3
Fair value movement in investment	(1.3)
AT 31 MARCH 2008	**1.0**

The investment relates to an equity investment in Strata Gold Corporation. At 31 March 2008, the investment in Strata Gold Corporation was revalued and a loss of $1.3 million was recognised in equity.

46. COMPANY DEBTORS

	31 March 2008 $ million	31 March 2007 $ million
Amounts due from subsidiary undertakings	1,030.7	976.1
Deferred tax asset	0.7	0.7
Other debtors	0.1	0.4
Prepayments and accrued income	0.3	0.5
Corporation tax receivable	0.6	0.6
Other taxes	0.2	0.2
TOTAL	**1,032.6**	**978.5**
Debtors due within one year	108.6	134.8
Debtors due after one year	924.0	843.7
Total	**1,032.6**	**978.5**

AMOUNTS DUE FROM SUBSIDIARY UNDERTAKINGS
The loan due from Twin Star International Limited of $20.9 million as at 31 March 2007 was settled during the year. The loan bore interest at LIBOR plus 100 basis points. Included in the loan balance, at 31 March 2007 was accrued interest of $0.9 million.

At 31 March 2008, the Company had loans due from VRHL of $967.5 million (2007: $934.8 million) which represented the downstreaming of funds to the Indian operating subsidiaries. The loan bears interest at US dollar six months LIBOR plus 350 basis points. In addition to the loans, the Company was owed $16.9 million of accrued interest (2007: $5.1 million). At 31 March 2008, the Company had $46.3 million of other amounts due from subsidiary undertakings (2007: $15.3 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

47. COMPANY CURRENT ASSET INVESTMENTS

	31 March 2008 $ million	31 March 2007 $ million
Bank term deposits	–	243.1
Short-term unit trusts and liquidity funds	229.1	35.3
Total	**229.1**	**278.4**

48. COMPANY CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2008 $ million	31 March 2007 $ million
Trade creditors	1.6	0.9
Accruals and deferred income	12.5	8.8
TOTAL	**14.1**	**9.7**

49. COMPANY CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	31 March 2008 $ million	31 March 2007 $ million
Loan from subsidiary	626.1	602.3
Bond	615.9	581.2
Derivative liability	22.4	18.6
TOTAL	**1,264.4**	**1,202.1**

Loans from subsidiaries include a loan from VFJL relating to its issue of $725.0 million convertible bonds in the year ended 31 March 2006. In 2008, interest was charged at the effective interest rate of 6.16% (2007: 6.18%).

Loans from subsidiaries also include $20.0 million payable to Welter Trading Limited in respect of funds received (2007: $nil).

During the year ended 31 March 2005, the Company issued a $600.0 million bond with a coupon rate of 6.625% that matures in February 2010. Further details are provided in note 22 to the Group financial statements.

50. COMPANY RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	Share capital $ million	Share premium account $ million	Share-based payment reserve $ million	Convertible bond reserve $ million	Profit and loss account $ million	Other reserves $ million	Total $ million
Equity shareholders' funds at 1 April 2007	28.8	18.7	7.3	119.5	652.9	–	827.2
Loss for the year	–	–	–	–	(20.5)	–	(20.5)
Dividends paid	–	–	–	–	(104.3)	–	(104.3)
Exercise of LTIP awards	–	–	(4.5)	–	4.5	–	–
Recognition of share-based payments	–	–	12.8	–	–	–	12.8
Conversion of convertible bond (note 25)	–	1.3	–	(0.2)	–	–	1.1
Convertible bond reserve transfer	–	–	–	(3.6)	3.6	–	–
Movement in fair value of financial investments (note 45)	–	–	–	–	–	(1.3)	(1.3)
Equity shareholders' funds at 31 March 2008	28.8	20.0	15.6	115.7	536.2	(1.3)	715.0

51. COMPANY CONTINGENT LIABILITIES

The Company has guaranteed $723.5 million convertible bonds issued by VFJL (2007: $724.8 million). See note 25 to the Group financial statements for further details on the convertible bonds. The Company also has issued other guarantees of $150.0 million supplied to concentrate suppliers.

52. COMPANY SHARE-BASED PAYMENT

The Company had the following LTIP awards outstanding as at 31 March 2008. See note 29 to the Group financial statements for further details on these share-based payment awards.

Year of grant	Exercise date	Exercise price US cents per share	Options outstanding 1 April 2007	Options granted during the year	Options lapsed during the year	Options exercised during the year	**Options outstanding 31 March 2008**
2004	26 February 2007 to 26 August 2007	10	120,000	–	–	120,000	–
2006	1 February 2009 to 1 August 2009	10	31,500	–	–	–	31,500
2007	1 February 2008 to 1 August 2008	10	7,150	–	–	7,150	–
2007	14 November 2010 to 14 May 2011	10	–	12,700	–	–	12,700
			158,650	**12,700**	**–**	**127,150**	**44,200**

INDEPENDENT AUDITOR'S REPORT ON THE INDIVIDUAL COMPANY FINANCIAL STATEMENTS TO THE MEMBERS OF VEDANTA RESOURCES PLC

We have audited the parent company financial statements of Vedanta Resources plc for the year ended 31 March 2008 which comprise the Company balance sheet (note 40) and the related notes 41 to 52. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Vedanta Resources plc for the year ended 31 March 2008 and on the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited parent company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

OPINION

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2008;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

DELOITTE & TOUCHE LLP
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS
London
14 May 2008

FIVE YEAR SUMMARY

SUMMARY CONSOLIDATED INCOME STATEMENT

	As per IFRS year ended 31 March 2008 $ million	As per IFRS year ended 31 March 2007 $ million	As per IFRS year ended 31 March 2006 $ million	As per IFRS year ended 31 March 2005 $ million	As per UK GAAP year ended 31 March 2004 $ million
REVENUE	**8,203.7**	**6,502.2**	**3,701.8**	**1,884.2**	**1,289.5**
EBITDA	**3,010.4**	**2,703.0**	**1101.5**	**454.0**	**322.7**
Depreciation	(429.1)	(195.4)	(157.7)	(103.7)	(71.8)
Goodwill amortisation/impairment	–	–	–	–	(0.5)
Exceptional/special items	11.1	(1.7)	–	(22.3)	(13.3)
OPERATING PROFIT	**2,592.4**	**2,505.9**	**943.8**	**328.0**	**237.1**
Share of (loss)/profit in associate	–	(1.3)	(1.4)	(5.6)	(1.2)
Non-operating exceptional/special items	–	–	–	56.5	(1.2)
PROFIT BEFORE INTEREST AND TAXATION	**2,592.4**	**2,504.6**	**942.4**	**378.9**	**234.7**
Net finance (costs)/investment revenues	170.8	(20.2)	(7.7)	7.4	(1.3)
PROFIT BEFORE TAXATION	**2,763.2**	**2,484.4**	**934.7**	**386.3**	**233.4**
Taxation	(757.7)	(672.7)	(280.4)	(87.0)	(76.0)
PROFIT AFTER TAXATION	**2,005.5**	**1,811.7**	**654.3**	**299.3**	**157.4**
Equity minority interests	1126.5	877.5	(280.8)	(120.4)	(85.1)
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS IN PARENT	**879.0**	**934.2**	**373.5**	**178.9**	**72.3**
Dividends	(104.3)	(84.3)	(49.4)	(15.8)	(15.8)
RETAINED PROFIT	**774.7**	**849.9**	**324.1**	**163.1**	**56.5**
BASIC EARNINGS PER SHARE (US CENTS PER SHARE)					
Profit for the financial year	305.4	325.6	130.2	62.5	25.3
Underlying profit for the financial year	303.9	327.0	130.2	48.9	26.6
Dividend per share (US cents per share)	36.5	29.3	17.25	5.5	5.5

The information for the year ended 31 March 2004 has been restated for the effect of UITF Abstract 38 'Accounting for ESOP Trusts' as disclosed in note 1 to the accounts for that year.

All numbers in the five year summary for the years ended 31 March 2006, 31 March 2005 and 31 March 2006 are stated under IFRS and numbers for the years ended 31 March 2004 are stated under UK GAAP. The Group adopted IFRS with effect from 1 April 2004.

FIVE YEAR SUMMARY CONTINUED

SUMMARY CONSOLIDATED BALANCE SHEET

	As per IFRS year ended 31 March 2008 $ million	As per IFRS year ended 31 March 2007 $ million	As per IFRS year ended 31 March 2006 $ million	As per IFRS year ended 31 March 2005 $ million	As per UK GAAP year ended 31 March 2004 $ million
Goodwill	13.3	12.1	12.1	12.2	3.6
Property, plant and equipment	8,354.5	3,838.0	2,763.0	2,288.6	1,268.4
Fixed asset investments/associate	30.0	34.6	28.9	28.1	30.2
TOTAL FIXED ASSETS	**8,397.8**	**3,884.7**	**2,804.0**	**2,328.9**	**1,302.2**
Stocks	1,298.8	879.7	535.0	337.7	199.9
Debtors	1,232.8	1,122.1	804.4	464.2	245.5
Cash and current financial asset investments	5,106.7	2,185.2	2,091.7	1,447.6	1,241.2
TOTAL CURRENT ASSETS	**7,638.3**	**4,187.0**	**3,431.1**	**2,249.5**	**1,686.6**
Short-term borrowings	(1,417.2)	(249.1)	(239.8)	(218.4)	(295.3)
Other current liabilities	(2,102.5)	(1336.8)	(1,104.1)	(727.1)	(586.5)
TOTAL CURRENT LIABILITIES	**(3,519.7)**	**(1,585.9)**	**(1,343.9)**	**(945.5)**	**(881.8)**
NET CURRENT ASSETS/(LIABILITIES)	**4,118.6**	**2,601.1**	**2,087.2**	**1,304.0**	**804.8**
TOTAL ASSETS LESS CURRENT LIABILITIES	**12,516.4**	**6,485.8**	**4,891.2**	**3,632.9**	**2,107.0**
Long-term borrowings	(1,556.9)	(1,477.7)	(1,836.4)	(1,303.5)	(523.6)
Other long-term liabilities	(83.9)	(106.4)	(109.0)	(41.2)	(6.3)
Provisions	(1,608.5)	(690.9)	(547.6)	(482.1)	(162.9)
TOTAL LONG-TERM LIABILITIES	**(3,249.3)**	**(2,275.0)**	**(2,493.0)**	**(1,826.8)**	**(692.8)**
Equity minority interests	(5,360.6)	(1,824.5)	(921.7)	(636.2)	(423.3)
Non-equity minority interest	(59.4)	(59.4)	(59.4)	(59.4)	–
NET ASSETS	**3,847.1**	**2,326.9**	**1,417.1**	**1,110.5**	**990.9**

Turnover	2008 $ million	2007 $ million	2006 $ million	2005 $ million	2004 $ million
Aluminium	1,140.2	993.4	453.0	281.7	223.4
Copper	4,221.9	3,569.3	2,241.3	1,014.7	592.8
India/Australia	3,118.8	2,553.4	1,537.9	765.5	592.8
Zambia	1,103.1	1,015.9	703.4	249.2	–
Zinc	1,941.5	1,888.1	875.5	486.4	401.1
Iron ore	888.9	–	–	–	–
Other	11.3	51.4	132.0	101.4	72.2
GROUP	**8,203.7**	**6,502.2**	**3,701.8**	**1,884.2**	**1,289.5**

EBITDA	2008 $ million	2007 $ million	2006 $ million	2005 $ million	2004 $ million
Aluminium	380.7	415.4	135.3	75.6	53.6
Copper	667.3	833.9	425.3	163.0	94.1
India/Australia	327.2	365.6	219.0	87.0	94.1
Zambia	340.1	468.3	206.3	76.0	–
Zinc	1380.1	1,453.9	532.9	218.5	179.3
Iron ore	585.6	–	–	–	–
Other	(3.3)	(0.2)	8.0	(3.1)	(4.3)
GROUP	**3,010.4**	**2,703.0**	**1,101.5**	**454.0**	**322.7**

EBITDA Margin	2008 %	2007 %	2006 %	2005 %	2004 %
Aluminium	33.4	41.8	29.9	26.8	24.0
Copper	15.8	23.4	18.7	16.1	15.9
India/Australia	10.5	14.3	14.2	11.4	15.9
Zambia	30.8	46.1	29.3	30.5	–
Zinc	71.1	77.0	60.9	44.9	44.7
Iron ore	65.9	–	–	–	–
GROUP	**36.7**	**41.6**	**29.8**	**24.1**	**25.0**

Production	2008 000s mt	2007 000s mt	2006 000s mt	2005 000s mt	2004 000s mt
Aluminium	**396**	351	211	136	129
BALCO	**358**	313	174	100	97
MALCO	**38**	38	37	36	32
Copper	**489**	455	437	240	179
Sterlite	**339**	313	273	172	179
KCM	**150**	142	164	68	–
Iron ore (WMT)*	**11,469**	–	–	–	–
Zinc	**426**	348	284	212	221

* 11 months: Sesa Group

Cash costs of production	2008 US cents/lb	2007 US cents/lb	2006 US cents/lb	2005 US cents/lb	2004 US cents/lb
Aluminium – BALCO Plant I	**82.7**	68.5	67.9	61.1	56.2
Aluminium – BALCO Plant II	**75.9**	76.5	–	–	–
BALCO (other than alumina)	**36.5**	33.6	–	–	–
Aluminium – MALCO	**102.4**	75.5	75.8	66.5	53.8
Copper – Sterlite**	**1.8**	6.1	6.1	7.1	7.8
Copper – KCM	**191.5**	173.6	127.9	106.2	–
Zinc including royalty	**40.1**	39.1	31.3	31.5	25.9
Zinc without royalty	**31.1**	27.5	26.1	27.6	22.9

Cash costs of production in INR	2008 INR/mt	2007 INR/mt	2006 INR/mt	2005 INR/mt	2004 INR/mt
Aluminium – BALCO Plant I	**73,369**	68,389	66,289	60,549	56,900
Aluminium – BALCO Plant II	**67,336**	76,376	–	–	–
BALCO (other than alumina)	**32,382**	33,545	–	–	–
Aluminium – MALCO	**90,846**	75,378	74,001	65,900	54,470
Copper – Sterlite**	**1,597**	6,090	5,955	7,036	7,897
Zinc including royalty	**35,575**	39,037	30,557	31,216	26,223
Zinc without royalty	**27,591**	27,455	25,481	27,351	23,185

** only smelting cost

FIVE YEAR SUMMARY CONTINUED

Capital expenditure	2008 $ million	2007 $ million	2006 $ million	2005 $ million	2004 $ million
Sustaining	256.9	259.9	76.7	69.7	64.5
Expansion	1,997.7	869.0	609.4	734.6	284.5
TOTAL CAPITAL EXPENDITURE	**2,254.6**	**1128.9**	**686.1**	**804.3**	**349.0**

Net cash/(debt)	2008 $ million	2007 $ million	2006 $ million	2005 $ million	2004 $ million
Aluminium	(1,171.2)	(229.6)	(453.6)	(441.7)	(75.8)
Copper	1,934.4	179.4	253.1	127.6	(318.0)
India/Australia	1,976.2	106.4	136.6	84.7	(318.0)
Zambia	(41.6)	73.0	116.5	42.9	–
Zinc	1,925.2	1067.7	257.8	26.6	43.9
Iron ore	(459.5)				
Other	(86.2)	(584.8)	(69.2)	213.2	772.2
GROUP	**2,142.7**	**432.7**	**(11.9)**	**(74.3)**	**422.3**

	2008 %	2007 %	2006 %	2005 %	2004 %
GEARING	**0.0**	**0.0**	**0.5**	**4.0**	**–**

	2008 $ million	2007 $ million	2006 $ million	2005 $ million	2004 $ million
GROUP FREE CASH FLOW	**2,216.9**	**1,504.2**	**634.8**	**204.4**	**335.4**

	2008 $ million	2007 $ million	2006 $ million	2005 $ million	2004 $ million
CAPITAL EMPLOYED	**7064.8**	**3,718.7**	**2,350.7**	**1,821. 0**	**991.9**

	2008 %	2007 %	2006 %	2005 %	2004 %
ROCE	**26.5**	**49.1**	**28.1**	**13.9**	**16.9**

PRODUCTION AND RESERVES SUMMARY

COPPER

COPPER PRODUCTION SUMMARY

Facility	Product	Year ended 31 March 2008 mt	Year ended 31 March 2007 mt
Tuticorin	Copper anode	335,652	313,117
	Sulphuric acid	1,027,771	946,539
	Phosphoric acid	152,401	171,780
	Copper cathode	162,940	150,565
	Copper rods	81,698	53,661
Silvassa	Copper cathode	176,354	162,156
	Copper rods	143,060	124,222
KCM	Copper cathode	150,488	142,364

COPPER MINING SUMMARY

		Ore mined		Copper concentrate		Copper in concentrate	
Mine	Type of mine	31 March 2008 mt	31 March 2007 mt	31 March 2008 mt	31 March 2007 mt	31 March 2008 mt	31 March 2007 mt
Mt Lyell (CMT)	Underground	2,545,504	2,486,525	99,388	100,966	27,952	28,378
Konkola (KCM)	Underground	7,312,988	8,817,637	233,759	229,608	75,631	84,356

COPPER MINE RESOURCE AND RESERVE SUMMARY

		Resource				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	–	–	22.0	1.3	9.7	1.3
Konkola (KCM)	Underground	85.9	1.9	224.0	2.7	153.0	2.9

Resources are additional to Reserves.

ALUMINIUM, ALUMINA AND BAUXITE

ALUMINIUM PRODUCTION SUMMARY

Company	Year ended 31 March 2008 mt	Year ended 31 March 2007 mt
BALCO	358,671	313,189
MALCO	37,635	37,652

ALUMINA PRODUCTION SUMMARY

Company	Year ended 31 March 2008 mt	Year ended 31 March 2007 mt
BALCO	217,185	222,395
MALCO	74,020	76,883
VAL	266,955	–

BAUXITE PRODUCTION SUMMARY

Company	Year ended 31 March 2008 mt	Year ended 31 March 2007 mt
BALCO – Manipat	628,985	665,495
BALCO – Bodai Daldali	520,109	331,950
MALCO	343,045	341,704

PRODUCTION AND RESERVES SUMMARY CONTINUED

BAUXITE MINE RESOURCE AND RESERVE SUMMARY

Mine	Resource				Reserves	
	Measured and indicated million mt	Aluminium grade %	Inferred million mt	Aluminium grade %	Proved and probable reserves million mt	Aluminium grade %
BALCO						
Manipat	–	–	5.0	48.1	4.0	48.3
Bodai Daldali	–	–	2.0	48.0	5.5	48.3
Pandrapat	–	–	8.0	48.0	–	–
Jamirapat	–	–	15.7	50.5	–	–
TOTAL BALCO	**–**	**–**	**30.7**	**49.3**	**9.5**	**48.3**
MALCO						
Yercaud	–	–	–	–	0.1	42.0
Kolli Hills	1.3	44.0	1.3	44.0	0.3	44.0
Poondi	–	–	1.6	44.0	–	–
TOTAL MALCO	**1.3**	**44.0**	**2.9**	**44.0**	**0.4**	**43.3**
VAL						
Lanjigarh	–	–	–	–	77.7	46.5
TOTAL BAUXITE	**1.3**	**44.0**	**33.6**	**48.8**	**87.6**	**46.7**

Resources are additional to Reserves.

ZINC AND LEAD

ZINC AND LEAD PRODUCTION SUMMARY

Company	Year ended 31 March 2008 mt	Year ended 31 March 2007 mt
HZL		
Zinc	426,323	348,316
Lead	58,247	44,552

ZINC AND LEAD MINING SUMMARY

a) Metal Mined and Metal Concentrate

Mine	Type of mine	Ore mined		Zinc concentrate		Lead concentrate	
		31 March 2008 mt	31 March 2007 mt	31 March 2008 mt	31 March 2007 mt	31 March 2008 mt	31 March 2007 mt
Rampura Agucha	Open cut	4,068,215	3,748,840	914,917	851,089	74,874	69,905
Rajpura Dariba	Underground	518,049	512,634	42,213	43,859	11,284	10,042
Sindesar Khurd	Underground	295,200	66,441	24,022	5,785	12,422	2,168
Zawar	Underground	901,635	812,000	54,676	46,654	27,175	25,219
TOTAL		**5,783,099**	**5,139,915**	**1,035,828**	**947,387**	**125,755**	**107,334**

b) Metal in Concentrate (MIC)

Mine	Type of mine	Zinc concentrate		Lead concentrate	
		31 March 2008 mt	31 March 2007 mt	31 March 2008 mt	31 March 2007 mt
Rampura Agucha	Open cut	489,576	455,526	47,546	45,344
Rajpura Dariba	Underground	20,325	21,165	5,710	4,705
Sindesar Khurd	Underground	11,597	2,789	6,373	1,020
Zawar	Underground	29,796	25,475	18,095	16,295
TOTAL		**551,294**	**504,955**	**77,724**	**67,364**

ZINC AND LEAD MINE RESOURCE AND RESERVE SUMMARY

	Resource						Reserves		
Mine	Measured and indicated million mt	Zinc grade %	Lead grade %	Inferred million mt	Zinc grade %	Lead grade %	Proved and probable reserves million mt	Zinc grade %	Lead grade %
Rampura Agucha	22.8	15.7	2.2	21.0	14.9	1.9	63.6	13.0	1.9
Rajpura Dariba	6.6	8.3	2.5	11.0	5.8	1.3	7.1	6.2	1.5
Zawar	22.9	5.0	1.8	19.0	3.9	3.0	7.2	3.9	2.1
Kayar	2.3	12.6	1.9	6.7	10.0	1.7	–	–	–
Sindesar Khurd	21.0	6.4	4.0	14.2	5.0	3.8	2.0	5.3	2.1
Bamnia Kalan	1.7	5.3	1.8	3.4	4.7	3.7	–	–	–
TOTAL	**77.3**	**9.1**	**2.6**	**75.3**	**8.0**	**2.5**	**79.9**	**11.4**	**1.9**

Resources are additional to Reserves.

IRON ORE

IRON ORE PRODUCTION SUMMARY

Company	**Year ended 31 March 2008 mt**	Year ended 31 March 2007 mt
SESA GOA*		
SALEABLE IRON ORE	**11.5**	**–**
Goa	7.8	–
Karnataka	1.8	–
Orissa	1.9	–

* Company was acquired in 2007–08 as such figures for 2007–08 are for 11 months (for May 2007 to Mar 2008) only.

IRON ORE RESOURCE AND RESERVE SUMMARY

	Resource[1]				Reserves[1]	
Mine	Measured and indicated million mt	Iron ore grade %	Inferred million mt	Iron ore grade %	Proved and probable reserves million mt	Iron ore grade %
Goa	0	0	11.1	56.6	83.0	58.9
Orissa	11.0	64.9	–	–	71.3	64.1
Karnataka	–	–	–	–	26.1	59.8
TOTAL	**11.0**	**64.9**	**11.1**	**56.6**	**180.4**	**61.1**

1. Comprises mines that Sesa owns or has rights to.

Resources are additional to Reserves.

PRODUCTION AND RESERVES SUMMARY CONTINUED

SOURCE OF INFORMATION

In respect of all businesses, the information has been certified by our in-house geologist on behalf of Group management.

BASIS OF PREPARATION

Ore reserves and mineral resources reported herein comply with the 'Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves', other than those relating to Konkola Copper Mines plc ('KCM') which comply 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 has been used throughout.

Mineral resources are based on mineral occurrences quantified on the basis of geological data and an assumed cut-off grade, and are divided into Measured, Indicated and Inferred categories reflecting decreasing confidence in geological and/or grade continuity. The reporting of resource estimates carries the implication that there are reasonable prospects for eventual economic exploitation. An Ore or Mineral Reserve is the economically mineable part of a Measured or Indicated Mineral Resource. It includes the effect of dilution and losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, need to have been carried out and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors.

These assessments demonstrate at the time of reporting that extraction could be reasonably justified. Ore Reserves are sub-divided in order of decreasing confidence into Proved Ore Reserves and Probable Ore Reserves.

The Measured and Indicated mineral resources have been reported as being inclusive of those mineral resources modified to produce the Ore Reserves, in addition to the Ore Reserves. The resource and reserve estimates provided herein comply with the resource and reserve definitions of the JORC Code, other than those relating to KCM which comply with the SAMREC Code.

GLOSSARY AND DEFINITIONS

5S
A Japanese concept laying emphasis on housekeeping and occupational safety in a sequential series of steps as Sort (Seiri); Set in Order (Seiton); Shine (Selso); Standardise (Seiketsu); and Sustain (Shitsuke)

ADAPTED COMPARATOR GROUP
The new comparator group of companies used for the purpose of comparing TSR performance in relation to the LTIP, adopted by the Remuneration Committee on 1 February 2006 and replacing the previous comparator group comprising companies constituting the FTSE Worldwide Mining Index (excluding precious metals)

AGM OR ANNUAL GENERAL MEETING
The Annual General Meeting of the Company which is scheduled to be held on Thursday 31 July 2008 at 3.00pm, UK time, at The Institution of Civil Engineers, One Great George Street, Westminster, London SW1P 3AA

AE
Anode effects

AGRC
Ararat Gold Recovery Company incorporated in Armenia, engaged in gold mining and processing

AIDS
Acquired immune deficiency syndrome

ALUMINIUM BUSINESS
The aluminium business of the Group, comprising its fully-integrated bauxite mining, alumina refining and aluminium smelting operations in India, and trading through the Bharat Aluminium Company Limited and The Madras Aluminium Company Limited, companies incorporated in India

ARTICLES OF ASSOCIATION
The articles of association of Vedanta Resources plc

ATTRIBUTABLE PROFIT
Profit for the financial year before dividends attributable to the equity shareholders of Vedanta Resources plc

BALCO
Bharat Aluminium Company Limited, a company incorporated in India

BOARD OR VEDANTA BOARD
The Board of Directors of the Company

BOARD COMMITTEES
The committees reporting to the Board: Executive, Audit, Remuneration, Nominations, and Health, Safety and Environment, each with its own terms of reference

BUSINESSES
The Aluminium business, the Copper business and the Zinc business together

CAPITAL EMPLOYED
Net assets before Net (Debt)/Cash

CAPEX
Capital expenditure

CASH TAX RATE
Current taxation as a percentage of profit before taxation

CEO
Chief executive officer

CII
Confederation of Indian Industries

CLZS
Chanderiya lead and zinc smelter

GLOSSARY AND DEFINITIONS CONTINUED

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 issued by the Financial Reporting Council in June 2006.

COMPANY OR VEDANTA
Vedanta Resources plc

COMPANY FINANCIAL STATEMENTS
The audited financial statements for the Company for the year ended 31 March 2008 as defined in the Independent Auditors' Report on the individual Company Financial Statements to the members of Vedanta Resources plc

CONVERTIBLE BONDS
$725 million 4.60% guaranteed convertible bonds due 2026, issued by a wholly-owned subsidiary of the Company, Vedanta Finance (Jersey) Limited ('VFJL'), and guaranteed by the Company, the proceeds of which are to be applied towards re-financing subsidiary indebtedness, the Company's capital expenditure programme including the Jharasaguda aluminium smelter project and other 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 Sterlite Industries (India) Limited, a company incorporated in India;
- one copper mine in Australia, trading through Copper Mines of Tasmania Pty Limited, a company incorporated in Australia; and
- an integrated operation in Zambia consisting of three mines, a leaching plant and a smelter, trading through Konkola Copper Mines PLC, a company incorporated in Zambia

CREP
Corporate responsibility for environmental protection

CENTS/LB
US cents per pound

CRRI
Central Road Research Institute

CSR
Corporate social responsibility

CTC
Cost to company, the basic remuneration of executives in India, which represents an aggregate figure encompassing basic pay, pension contributions and allowances

CY
Calendar year

DEFERRED SHARES
Deferred shares of £1.00 each in the Company

DGMS
Director General of Mine Safety in the Government of India

DIRECTORS
The Directors of the Company

DOLLAR OR $
US dollars, the currency of the United States of America

DRS
Depositary receipts of 10 US cents, issuable in relation to the $725 million 4.6% guaranteed convertible bonds due 2026

EBITDA
Earnings before interest, taxation, depreciation, goodwill amortisation/impairment and special items

EBITDA MARGIN
EBITDA as a percentage of turnover

ECONOMIC HOLDINGS OR ECONOMIC INTEREST
The economic holdings/interest are derived by combining the Group's direct and indirect shareholdings in the operating companies. The Group's Economic Holdings/Interest is the basis on which the Attributable Profit and net assets are determined in the consolidated accounts

E&OHSAS
Environment and occupational health and safety assessment standards

E&OHSMS
Environment and occupational health and safety management system

EPS
Earnings per ordinary share

ESOP
Employee share option plan

ESP
Electrostatic precipitator

EXECUTIVE COMMITTEE
The Executive Committee to whom the Board delegates operational management and comprising the Executive Directors and the senior management within the Group

EXECUTIVE DIRECTORS
The Executive Directors of the Company

EXPANSION CAPITAL EXPENDITURE
Capital expenditure that increases the Group's operating capacity

FINANCIAL STATEMENTS OR GROUP FINANCIAL STATEMENTS
The consolidated financial statements for the Company and the Group for the year ended 31 March 2008 as defined in the Independent Auditors' Report to the members of Vedanta Resources plc

FREE CASH FLOW
Cash flow arising from EBITDA after net interest (including gains on liquid investments and adjusted for net interest capitalised), taxation, Sustaining Capital Expenditure and working capital movements

FY
Financial year

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 joules

GLOSSARY AND DEFINITIONS CONTINUED

GOVERNMENT OR INDIAN GOVERNMENT
The Government of the Republic of India

GRATUITY
A defined contribution pension arrangement providing pension benefits consistent with Indian market practices

GROUP
The Company and its subsidiary undertakings and, where appropriate, its associate undertaking

HSE
Health, safety and environment

HZL
Hindustan Zinc Limited, a company incorporated in India

IAS
International Accounting Standards

ICMM
International Council on Mining and Metals

IFL
India Foils Limited, a company incorporated in India

IFRIC
International Financial Reporting Interpretations Committee

IFRS
International Financial Reporting Standards

INR
Indian Rupees

INTEREST COVER
EBITDA divided by finance costs

ISO 9001
An international quality management system standard published by the International Organisation for Standardisation

ISO 14001
An international environmental management system standard published by the International Organisation for Standardisation

KCM OR KONKOLA COPPER MINES
Konkola Copper Mines PLC, a company incorporated in Zambia

KDMP
Konkola deep mining project

KEY RESULT AREAS OR KRAS
For the purpose of the remuneration report, specific personal targets set as an incentive to achieve short-term goals for the purpose of awarding bonuses, thereby linking individual performance to corporate performance

KLD
Kilo litres per day

KPIS
Key performance indicators

KWH
Kilo-watt hour

KWH/D
Kilo-watt hour per day

LIBOR
London inter bank offered rate

LISTING OR IPO (INITIAL PUBLIC OFFERING)
The listing of the Company's ordinary shares on the London Stock Exchange on 10 December 2003

LISTING PARTICULARS
The listing particulars dated 5 December 2003 issued by the Company in connection with its Listing

LISTING RULES
The listing rules of the Financial Services Authority, with which companies with securities that are listed in the UK must comply

LME
London Metals Exchange

LONDON STOCK EXCHANGE
London Stock Exchange plc

LOST TIME INJURY
An accident/injury forcing the employee/contractor to remain away from his/her work beyond the day of the accident

LTIFR
Lost time injury frequency rate: the number of lost time injuries per million man hours worked

LTIP
The Vedanta Resources Long-Term Incentive Plan or Long-Term Incentive Plan

MALCO
The Madras Aluminium Company Limited, a company incorporated in India

MANAGEMENT ASSURANCE SERVICES
The function through which the Group's internal audit activities are managed

MAT
Minimum alternative tax

MIS
Management information system

MOEF
The Ministry of Environment & Forests of the Government of the Republic of India

MT OR TONNES
Metric tonnes

MW
Megawatts of electrical power

NCCBM
National Council of Cement and Building Materials

NET (DEBT)/CASH
Total debt after fair value adjustments under IAS 32 and 39, cash and cash equivalents and liquid investments

NGO
Non-governmental organisation

NIHL
Noise induced hearing loss

NON-EXECUTIVE DIRECTORS
The Non-Executive Directors of the Company

GLOSSARY AND DEFINITIONS CONTINUED

OHSAS 18001
Occupational Health and Safety Assessment Series (standards for occupational health and safety management systems)

ORDINARY SHARES
Ordinary shares of 10 US cents each in the Company

PBT
Profit before tax

PFC
Per fluorocarbons

PHC
Primary health centre

PPE
Personal protective equipment

PROVIDENT FUND
A defined contribution pension arrangement providing pension benefits consistent with Indian market practices

RECYCLED WATER
Water released during mining or processing and then used in operational activities

RELATIONSHIP AGREEMENT
The agreement dated 5 December 2003 between the Company, Volcan Investments Limited and members of the Agarwal family that regulates the ongoing relationship between them, the principal purpose of which is to ensure that the Group is capable of carrying on business independently of Volcan, the Agarwal family and their associates

RETURN ON CAPITAL EMPLOYED OR ROCE
Profit before interest, taxation, special items, tax effected at the Group's effective tax rate as a percentage of Capital Employed

THE REWARD PLAN
The Vedanta Resources Share Reward Plan, a closed plan approved by shareholders on Listing in December 2003 and adopted for the purpose of rewarding employees who contributed to the Company's development and growth over the period leading up to Listing in December 2003

RO
Reverse osmosis

SA 8000
Standard for Social Accountability based on international workplace norms in the International Labour Organisation ('ILO') conventions and the UN's Universal Declaration of Human Rights and the Convention on Rights of the Child

SENIOR MANAGEMENT GROUP
For the purpose of the Remuneration Report, the key operational and functional heads within the Group

SESA GOA
Sesa Goa Limited, a company incorporated in India engaged in the business of mining iron ore

SEWT
Sterlite Employee Welfare Trust, a long-term investment plan for Sterlite senior management

THE SHARE OPTION PLAN
The Vedanta Resources Share Option Plan, a closed plan approved by shareholders on Listing in December 2003 and adopted to provide maximum flexibility in the design of incentive arrangements over the long-term

SHGS
Self-help groups

SID
Senior Independent Director

SO_2
Sulphur dioxide

SBU
Strategic Business Unit

SOTL
Sterlite Optical Technologies Limited, a company incorporated in India

SOVL
Sterlite Opportunities and Ventures Limited, a company incorporated in India

SPECIAL ITEMS
Items which derive from events and transactions that need to be disclosed separately by virtue of their size or nature

SPM
Suspended particulate matter. Fine dust particles suspended in air

STERLING, GBP OR £
The currency of the United Kingdom

STERLITE
Sterlite Industries (India) Limited, a company incorporated in India

STERLITE ENERGY LIMITED (SEL)
Sterlite Energy Limited, a company incorporated in India

STERLITE GOLD
Sterlite Gold Limited, a company incorporated in Canada which has its main subsidiary in Armenia

SUPERANNUATION FUND
A defined contribution pension arrangement providing pension benefits consistent with Indian market practices

SUSTAINING CAPITAL EXPENDITURE
Capital expenditure to maintain the Group's operating capacity

TCM
Thalanga Copper Mines Pty Limited, a company incorporated in Australia

TC/RC
Treatment charge/refining charge being the terms used to set the smelting and refining costs

TGS
Tail gas scrubber

TGT
Tail gas treatment

TPA
Metric tonnes per annum

TPM
Tonne per month

TSR
Total shareholder return, being the movement in the Company's share price plus reinvested dividends

TURNBULL GUIDANCE
The revised guidance on internal control for directors on the Combined Code issued by the Turnbull Review Group in October 2005

GLOSSARY AND DEFINITIONS CONTINUED

TWIN STAR
Twin Star Holdings Limited, a company incorporated in Mauritius

TWIN STAR HOLDINGS GROUP
Twin Star and its subsidiaries and associated undertaking

UITF
Urgent Issues Task Force

UNDERLYING EPS
Underlying earnings per ordinary share

UNDERLYING PROFIT
Profit for the year after adding back special items and their resultant tax and minority interest effects

US CENTS
United States cents

VAL
Vedanta Aluminium Limited, a company incorporated in India

VFD
Variable frequency drive

VFJL
Vedanta Finance (Jersey) Limited, a company incorporated in Jersey

VFL
Visible felt leadership

VOLCAN
Volcan Investments Limited, a company incorporated in the Bahamas

VRCL
Vedanta Resources Cyprus Limited, a company incorporated in Cyprus

VRFL
Vedanta Resources Finance Limited, a company incorporated in the United Kingdom

VRHL
Vedanta Resources Holdings Limited, a company incorporated in the United Kingdom

VSS
Vertical Stud Söderberg

WATER USED FOR PRIMARY ACTIVITIES
Total new or make-up water entering the operation and used for the operation's primary activities; primary activities are those in which the operation engages to produce its product

WBCSD
World Business Council for Sustainable Development

ZCI
Zambia Copper Investment Limited, a company incorporated in Bermuda

ZCCM
ZCCM Investments Holdings plc, a company incorporated in Zambia

ZINC BUSINESS
The Zinc-Lead business of the Group, comprising its fully-integrated zinc-lead mining and smelting operations in India, and trading through the Hindustan Zinc Limited, a company incorporated in India

SHAREHOLDER INFORMATION

SHAREHOLDER INTERESTS AS AT 31 MARCH 2008

Number of shareholders:	2,240 (2007: 2,024)
Number of shares in issue:	288,130,685 (2007: 287,515,622)

BY SIZE OF HOLDING

	Shareholders %		Shares %	
	2008	2007	**2008**	2007
500 and under	**39.20**	41.80	**0.07**	0.07
501 to 1,000	**10.86**	14.03	**0.06**	0.08
1,001 to 10,000	**26.11**	24.06	**0.77**	0.65
10,001 to 100,000	**16.32**	12.25	**4.62**	3.09
100,001 to 1,000,000	**6.57**	6.27	**16.05**	13.55
Over 1,000,000	**1.07**	1.58	**78.43**	82.56
	100.00	100.00	**100.00**	100.00

BY CATEGORY OF SHAREHOLDER

— 53.50% of shares, representing 0.04% of shareholders, are held by Volcan Investments Limited on behalf of the Agarwal family.
— 45.91% of shares, representing 69.20% of shareholders are held by various institutional investors.
— 0.59% of shares, representing 30.76% of shareholders are held by individual private investors.

ANNUAL GENERAL MEETING

The AGM will be held on 31 July 2008 at 3.00pm at the Notice of Meeting and the Form of Proxy are enclosed with this Report.

COMPANY WEBSITE

Vedanta Resources plc half year and annual reports and results announcements are available via the internet on our website at www.vedantaresources.com. Shareholders can also access the latest information about the Company and press announcements as they are released, together with details of future events and who to contact for further information.

REGISTRARS

For information about the AGM, shareholdings and dividends and to report changes in personal details, shareholders should contact:

Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS13 8AE
United Kingdom
Telephone: +44 (0)870 707 1388
Fax: +44 (0)870 703 6116
Email: web.queries@computershare.co.uk

CURRENCY OPTION AND DIVIDEND MANDATE

Shareholders wishing to receive their dividend in UK pounds sterling should complete and return to the registrar the enclosed Currency Election Form by 31 July 2008.

The registrar can also arrange for the dividend to be paid direct into a shareholder's UK bank account. To take advantage of this facility, please contact the registrar who will provide a Dividend Mandate Form. Please complete and return the form to the registrar by 31 July 2008. 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 31 July 2008.

If you have already completed and returned a Currency Election Form and/or a Dividend Mandate Form, you need take no further action.

SHAREHOLDER INFORMATION CONTINUED

INVESTOR RELATIONS

For investor enquiries, please contact:

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Associate Director – Investor Relations
Vedanta Resources plc
16 Berkeley Street
London W1J 8DZ
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+91 22 6646 1531 (Mumbai)
Email: sumanth.cidambi@vedanta.co.in

FINANCIAL CALENDAR

DIVIDEND PAYMENTS

- Ex dividend date 9 July 2008
- Record date 11 July 2008
- 2008 final ordinary dividend payable 14 August 2008
- 2009 half year ordinary dividend payable January 2009

OTHER DATES

- Annual General Meeting 31 July 2008
- 2009 half year results announced November 2008
- 2009 half year report circulated December 2008

REGISTERED OFFICE

VEDANTA RESOURCES PLC
Hill House
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EC4A 3TR

COMPANY SECRETARY

Deepak Kumar

HEAD OFFICE

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REGISTERED NUMBER

4740415

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NOTES

NOTES

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