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15 May 2008

Vedanta Resources Plc
Preliminary Results for the Year Ended 31 March 2008

- 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%
  - Basic EPS over $3 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

- 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 million tonnes

- 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 million
  - Exploration success increased mine life to over 20 years at expanded capacity of over 1 million tonnes per annum
  - On course to becoming the largest integrated zinc – lead producer in the world

- 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 billion investment in KDMP project and Nchanga smelter on track

"*These excellent results represent the fifth year of dynamic growth across all of our businesses.*" said **Anil Agarwal, Chairman, Vedanta Resources plc.** "*Our proven record in project development and focus on operational excellence underpin our confidence in delivering further growth.*"

(in US$ millions, except as stated)

Consolidated Group Results	**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 Profit	2,592.4	2,505.9	*3.5%*
Attributable Profit	879.0	934.2	*(5.9%)*
Basic Earnings per Share *(US cents)*	305.4	325.6	*(6.2%)*
Earnings per Share on Underlying Profit (*US cents)*	303.9	327.0	*(7.1%)*
ROCE *(excluding project capital work in progress)*	*45.6%*	*78.5%*	–
Final Dividend (US cents per share)	25.0	20.0	*25.0%*
Total Dividend (US cents per share)	**41.5**	**35.0**	***18.6%***

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About Vedanta Resources plc

Vedanta Resources plc ("Vedanta") is a London listed FTSE 100 diversified metals and mining major. The group produces aluminium, copper, zinc, lead, iron ore and commercial energy. Vedanta has operations in India, Zambia and Australia and a strong organic growth pipeline of projects. With an empowered talent pool of 29,000 employees globally, Vedanta places strong emphasis on partnering with all its stakeholders based on the core values of entrepreneurship, excellence, trust, inclusiveness and growth. For more information visit www.vedantaresources.com

Disclaimer

This press release contains "forward-looking statements" – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "should" or "will." Forward–looking statements by their nature address matters that are, to different degrees, uncertain. For us, uncertainties arise from the behaviour of financial and metals markets including the London Metal Exchange, fluctuations in interest and or exchange rates and metal prices; from future integration of acquired businesses; and from numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive or regulatory nature. These uncertainties may cause our actual future results to be materially different that those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.

CHAIRMAN'S STATEMENT

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% 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%. 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%.

2008 Strategic Achievements

There were three significant strategic achievements in the year. In April 2007, we acquired a 51% 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 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% 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 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 mt 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 tonnes per annum, 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 2,400MW 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% 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 M S Mehta, currently Chief Executive of our Zinc Business. During the intervening period, M S 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

Business Review

(in $ millions, except as stated)	**FY 2008**	**FY 2007**	**Change (%)**
Revenue			
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%	NA
Copper	15.8%	23.4%	NA
- India/Australia	10.5%	14.3%	NA
- Zambia	30.8%	46.1%	NA
Zinc	71.1%	77.0%	NA
Iron ore	65.9%	-	NA
Group	36.7%	41.6%	NA

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%, 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 USc/lb in FY 2008 from 6.1 USc/lb in FY 2007 due to higher recoveries and the contribution from our sulphuric acid business. TC/RC realisations which were 15.7 USc/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 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 2,400MW 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.

Aluminium

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 1 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 $ millions, 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 (Rs. per $)	40.2413	45.2857	(11.1%)
Unit costs			
- Aluminium – $ per tonne	1,771	1,630	8.7%
– Rs. per tonne	71,258	73,806	(3.5%)
- BALCO Plant 2 (Other than Alumina) – $ per tonne	805	740	8.8%
– Rs. 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%	-
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 de-bottlenecking 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 Rs. 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%, 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 Rs. 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 Rs. 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% compared with 74% 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% 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.

Copper

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% 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.

Copper – India/Australia

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

(in $ millions, 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 (Rs. per $)	40.2413	45.2857	(11.1%)
Unit conversion costs – US cents per lb	1.8	6.1	(70.5%)
– Rs. 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%)

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% 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 USc/lb in FY 2008 from 6.1 USc/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 USc/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%. Consequently EBITDA for FY 2008 was $327.2 million, lower by 10.5% compared with FY 2007.

Copper – Zambia

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

(in $ millions, 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 USc/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-FY 2008.

Zinc

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.

The performance of our Zinc Business in FY 2008 is set out in the table below.

(in $ millions, 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%
Production 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 (Rs. per $)	40.2413	45.2857	(11.1%)
Unit costs			
- Zinc – $ per tonne	884	862	2.6%
– Rs. per tonne	35,590	39,023	(8.8%)
- Zinc (Other than Royalty) – $ per tonne	686	606	13.2%
– Rs. 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%)

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 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 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 Rs. 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.

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%.

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 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 brownfield 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 160MW will also be built at Rajpura Dariba.

The zinc and lead smelters as well as the 160MW 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 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.

Iron Ore

Business Overview

In April 2007, we acquired a 51% 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 million tonnes at 31 March 2008. While the iron ore at Goa contains low iron content deposits, ranging between 58% and 62% grade, the mines in Karnataka and Orissa comprise higher grade deposits, ranging between 62% and 65%. 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.

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

(in $ millions, 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.*

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.

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 million tonnes were made in the second half of FY 2008, following a broad pattern of one-third and two-third 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% 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% 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.

Other Businesses

Commercial Energy Business

Work on 2,400MW (600MW 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.

Finance Review

The Finance 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 Performance Indicators*

(in $ million except as stated)	**FY2008**	FY2007	FY2006	FY2005	FY2004
EBITDA	**3,010.4**	2,703.0	1,105.50	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 2008, FY 2007, FY 2006 and FY 2005 are under IFRS and figures for FY 2004 are under UK GAAP*

Key Financial Highlights

- Revenues in excess of $8 billion
- EBITDA in excess of $3 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% 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 billion, highest ever by any Indian company in an IPO in the US markets
- Underlying EPS over $3 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. 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 billion and over $3 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 billion, operating profit of $2.6 billion and profit after tax of over $2 billion in FY 2008. Our earnings per share were maintained at over $3 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.

Income Statement

(in $ million, unless otherwise 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 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 given below:

- 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%. 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;
- 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% 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 below.

(in $ million, except otherwise 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 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% 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% to 30%, 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 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 US cents 305.4 per share as against US cents 325.6 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 US cents 286.7 per share against US cents 305.4 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 $ million)	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.

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 $ million)	Original estimated cost	Spent to 31 March 2008	Committed but not spent	Status
Phase I expansion projects announced at the time of Vedanta IPO				
Lanjigarh (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 brownfield 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 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 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%, 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 billion for acquiring Sesa Goa and investment in capital projects of $1,997.7 million.

We raised about $3 billion of equity and debt during the year. We raised a bridge loan of $1 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 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 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 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 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% of turnover, lower than levels of approximately 9% 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 i.e. 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% 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.

Cash Flows

(in $ million)	**FY 2008**	FY 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 i.e. inventory and receivables, expressed as a percentage of turnover, remaining at same levels as FY 2007 of approximately 30%, 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% 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 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% in Sesa Goa. During the period between our acquiring the 51% 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 million comprising $86 million for its equity value, against a carrying value of $53 million and $25 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 million of which about $17 million was recognised as a charge to income statement in FY 2007 based on the then estimated fair value with the remainder of $19 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 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 i.e. 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

	Average market price in FY 2008 ($/tonne)	Effect on 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 business 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 represents 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 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 pro-actively.

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.

(in $ million)	**<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 $ million)	**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**

Subsequent to the year end, we re-financed a $1 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.

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 favorable market opportunities.

Set out in the table above are the key foreign currency sensitivities on EBITDA resulting from a 10% 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 % 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 billion comprised cash and liquid investments of $5 billion offset by debt of $3 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	Interest Income
	Fixed %	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.

Consolidated Income Statement

$ million	Note	Year ended 31 March 2008	Year ended 31 March 2007
Continuing operations			
Revenue	2	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)
Administrative expenses – special items	3	11.1	(1.7)
Operating profit	2	**2,592.4**	**2,505.9**
Investment revenue	4	321.4	127.5
Finance costs	5	(150.6)	(147.7)
Share of loss of associate	6	-	(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)	7	305.4	325.6
Diluted earnings per ordinary share (US Cents)	7	286.7	305.4

Consolidated Balance Sheet

$ million	Note	As at 31 March 2008	As at 31 March 2007
ASSETS			
Non-current assets			
Goodwill		13.3	12.1
Property, plant and equipment		8,354.5	3,838.0
Financial asset investments		30.0	34.6
Other non-current assets		29.8	27.3
Other financial assets (derivatives)		95.0	72.1
Deferred tax asset		15.1	28.3
		8,537.7	**4,012.4**
Current assets			
Inventories		1,298.8	879.7
Trade and other receivables		1,048.0	942.9
Other current financial assets (derivatives)		44.9	51.5
Liquid investments	10	4,648.5	600.4
Cash and cash equivalents	10	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	9, 10	(1,417.2)	(249.1)
Trade and other payables		(2,018.4)	(1,172.4)
Other current financial liabilities (derivatives)		(23.3)	(101.4)
Provisions		(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	9, 10	(956.0)	(879.3)
Convertible bonds	10	(600.9)	(598.4)
Trade and other payables		(0.2)	(11.6)
Other financial liabilities (derivatives)		(83.7)	(94.8)
Deferred tax liabilities		(1,380.8)	(425.3)
Retirement benefits		(42.5)	(35.3)
Provisions		(185.2)	(230.3)
Non equity minority interests		(59.4)	(59.4)
		(3,308.7)	**(2,334.4)**
TOTAL LIABILIIES		**(6,828.4)**	**(3,920.3)**
NET ASSETS		**9,207.7**	**4,151.4**
EQUITY			
Share capital		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

Kuldip K Kaura

Chief Executive

Consolidated Cash Flow Statement

$ million	Note	Year ended 31 March 2008	Year ended 31 March 2007
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	11b	(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	11a	(990.4)	(54.3)
Cash acquired with subsidiary	11a	4.5	0.8
Net proceeds on disposal of subsidiary	11b	83.4	-
Cash disposed of with subsidiary	11b	(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		(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		1,100.4	25.0
Decrease in long-term borrowings		(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		(1,163.0)	(311.2)
Effect of foreign exchange rate changes		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	10	**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

	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**

Notes to Preliminary Annoucement

1. General information and accounting policies

This preliminary results announcement is for the year ended 31 March 2008. The announcement, including all comparatives has been prepared using the accounting policies consistent with the 2007 and 2008 audited 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.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2008 or 2007, but is derived from those accounts. Statutory accounts for 2007 have been delivered to the Registrar of Companies and those for 2008 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention any matters by way of emphasis and did not contain statements under s237(2) or (3) Companies Act 1985.

2. 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 aluminium operations in VAL were disclosed as part of other in financial year 2007. As the aluminium produced from the operation would be captively consumed in our aluminium business, alumina now has been regrouped under aluminium segment.

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.

Year ended 31 March 2008	Continuing Operations						Total
$ million	Aluminium	Copper	Zinc	Iron Ore	Other	Elimination	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 from continuing operations							**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)

Year ended 31 March 2007			Continuing Operations				Total
$ million	Aluminium	Copper	Zinc	Iron Ore	Other	Elimination	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 from continuing operations							**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)

2. *Segmental information continued*

(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)
Operating 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

(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**

3. Special items

	Note	Year ended 31 March 2008 $ million	Year ended 31 March 2007 $ million
Profit on disposal of subsidiary	11b	29.8	-
Losses in respect of obligation to associate		(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.*

4. Investment revenue

	Note	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		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		(12.3)	(21.9)
		321.4	**127.5**

5. Finance costs

	Note	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		36.9	36.7
Interest on other loans		8.1	0.7
Total Interest cost		**167.2**	**146.0**
Unwinding of discount on provisions		5.6	7.3
Unwinding of discount on KCM deferred consideration		0.2	0.7
Interest on defined benefit arrangements		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		(70.5)	(63.3)
		150.6	**147.7**

6. Tax

	Note	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:			
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).

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**

7. 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**

(a) Earnings per share based on profit for the year

Basic earnings per share on the 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**

Diluted earnings per share on the 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
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:

	Note	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	3	(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**

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**

8. 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

9. 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.

10. Movement in Net Debt (1)

		Debt due within one year		Debt due after one year			
US$ million	Cash and cash equivalents	Debt carrying value	Debt related derivatives(2)	Debt carrying value	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 acquireed 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.

11. Business Combinations

a. Acquisition of subsidiary

On 23 April 2007, Vedanta acquired 100% 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)
Satisfied by :			
Cash consideration paid			981.0
Acquisition expenses			9.4
			990.4

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% 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 Administrative expenses - 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 subsidaries was a decrease of $9.7 million.

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.

12. Post Balance Sheet events

On 9 April 2008, the Group completed the exercise of its option over ZCI's share in the 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.

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, 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.

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 Wednesday 2 August 2006 at 3.00pm, UK time, at the Mayfair Conference Centre, 17 Connaught Place, London W2 2EL

AE

Anode effects

AGRC

Ararat Gold Recovery Company incorporated in Armenia, engaged in gold mining and processing

AIDS

Acquired immune deficiency syndrome

Aluminium Business

The aluminium business of the Group, comprising its fully-integrated bauxite mining, alumina refining and aluminium smelting operations in India, and trading through the Bharat Aluminium Company Limited and The Madras Aluminium Company Limited, companies incorporated in India

Articles of Association

The articles of association of Vedanta Resources plc

Attributable Profit

Profit for the financial year before dividends attributable to the equity shareholders of Vedanta Resources plc

BALCO

Bharat Aluminium Company Limited, a company incorporated in India

Board or Vedanta Board

The board of directors of the Company

Board Committees
The committees reporting to the Board: Audit, Remuneration, Nominations, and Health, Safety and Environment, each with its own terms of reference

Businesses
The Aluminium Business, the Copper Business and the Zinc Business together

Capital Employed
Net assets before Net (Debt)/Cash

Capex
Capital expenditure

Cash Tax Rate
Current taxation as a percentage of profit before taxation

CEO
Chief executive officer

CII
Confederation of Indian Industries

CLZS
Chanderiya lead and zinc smelter

CO_2
Carbon dioxide

CMT
Copper Mines of Tasmania Pty Limited, a company incorporated in Australia

Combined Code or the Code
The Combined Code on Corporate Governance published by the Financial Reporting Council in July 2003 and applying to listed companies for reporting years beginning on or after 1 November 2003

Company or Vedanta
Vedanta Resources plc

Company financial statements
The audited financial statements for the Company for the year ended 31 March 2007 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 $
United States dollars, the currency of the United States of America

DRs
Depositary receipts of 10 US cents, issuable in relation to the $725 million 4.6% guaranteed convertible bonds due 2026

EBITDA
Earnings before interest, taxation, depreciation, goodwill amortisation/impairment and special items

EBITDA Margin
EBITDA as a percentage of turnover

Economic Holdings or Economic Interest
The economic holdings/interest are derived by combining the Group's direct and indirect shareholdings in the operating companies. The Group's Economic Holdings/Interest is the basis on which the Attributable Profit and net assets are determined in the consolidated accounts

E&OHSAS
Environment and occupational health and safety assessment standards

E&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 2007 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

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

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

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 Alumina 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