

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

Vedanta Resources plc is the UK parent company of a diversified metals and mining group. The four major areas of activity are as follows:

- Aluminium: bauxite mining, alumina refining and aluminium smelting operations in India;
- Copper: smelting and refining operations in India, copper ore mining in Australia and an integrated copper production operation in Zambia;
- Zinc: zinc-lead mining and smelting operations in India; and
- Iron ore: Iron ore mine in India.

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

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

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

BUSINESS AND FINANCE REVIEW

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

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

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

POST BALANCE SHEET EVENT

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

DIVIDENDS

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

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

DIRECTORS

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

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

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

DIRECTORS' REMUNERATION

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

CORPORATE GOVERNANCE

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

CHARITABLE DONATIONS

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

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

POLITICAL DONATIONS

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

MATERIAL SHAREHOLDINGS

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

Name of holder	Number of ordinary shares of US\$0.10 each	Percentage of total ordinary share capital or voting rights held as at 31 Mar 2008 ⁽¹⁾
Volcan Investments Ltd Wellington Management Company LLC	154,157,911	53.49%
Blackrock Investment Management (UK) Ltd	20,255,829	7.03%
	8,044,142	2.79%

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

SUPPLIER PAYMENT POLICY

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

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

VALUE OF LAND

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

POLICY ON DERIVATIVES AND FINANCIAL INSTRUMENTS

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

DIRECTORS' REPORT CONTINUED

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

DISCLOSURE OF INFORMATION TO AUDITORS

Each person who is a Director at the date of approval of this annual report confirms that:

1. So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
2. The Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

DIRECTORS' RESPONSIBILITY STATEMENT

Each Director further confirms that, to the best of their knowledge:

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

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

REAPPOINTMENT OF AUDITORS

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

ANNUAL GENERAL MEETING

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

GOING CONCERN

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

ADDITIONAL INFORMATION FOR SHAREHOLDERS

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

DIVIDENDS AND DISTRIBUTIONS

Subject to the provisions of the Companies Acts, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends if it appears to the Board that they are justified by the profits of the Company available for distribution.

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

RIGHTS AND OBLIGATIONS ATTACHING TO SHARES

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

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

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

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

VARIATION OF RIGHTS

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

DEADLINES FOR EXERCISING VOTING RIGHTS

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

RESTRICTIONS ON VOTING AND THE TRANSFER OF SHARES

No member shall be entitled to vote at a general meeting or at a separate meeting of the holders of any class of shares in the capital of the Company, either in person or by proxy, in respect of any share held by him unless all moneys presently payable by him in respect of that share have been paid. Furthermore, no shareholder shall be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or on a poll if he has been served with a notice after failing to provide the Company with information concerning interests in his shares required to be provided under the Companies Acts.

ISSUE OF SHARES

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

SHARES HELD IN UNCERTIFICATED FORM

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

PURCHASE OF THE COMPANY'S OWN SHARES

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

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

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

DIRECTORS

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

APPOINTMENT OF DIRECTORS

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

RETIREMENT OF DIRECTORS

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

SIGNIFICANT AGREEMENTS: CHANGE OF CONTROL

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

By order of the Board.

DEEPAK KUMAR
COMPANY SECRETARY
 14 May 2008

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