

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. PRESENTATION OF FINANCIAL STATEMENTS COMPLIANCE WITH APPLICABLE LAW AND IFRS

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

Basis of Preparation

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

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

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

- IFRS 8 – Operating segments
- IFRS 3 (Revised 2008) – Business Combinations
- IFRS 2 (Revised 2008) – Share-based payment IAS 27 (Revised 2008) – Consolidated and separate financial statements
- IAS 1 (Revised 2007) – Presentation of financial statements
- IFRIC 11 – Group and Treasury share transactions
- IFRIC 13 – Customer Loyalty Programmes
- IFRIC 14 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction

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

Parent Company Financial Statements

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

2(A) ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

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

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

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

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

REVENUE RECOGNITION

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2(A) ACCOUNTING POLICIES CONTINUED

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

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

SPECIAL ITEMS

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

BUSINESS COMBINATIONS

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

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

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

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

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

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

Internally generated goodwill is not recognised.

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

INVESTMENTS IN ASSOCIATES

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

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

2(A) ACCOUNTING POLICIES CONTINUED**PROPERTY, PLANT AND EQUIPMENT****Mining Properties and Leases**

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

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

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

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

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

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

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

Other Property, Plant and Equipment

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

Assets in the Course of Construction

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

DEPRECIATION

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2(A) ACCOUNTING POLICIES CONTINUED

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

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

NON-CURRENT ASSETS HELD FOR SALE

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

IMPAIRMENT

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

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

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

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

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

GOVERNMENT GRANTS

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

INVENTORIES

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

Cost is determined on the following bases:

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

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

2(A) ACCOUNTING POLICIES CONTINUED**TAXATION**

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

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

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

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

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

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

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

RETIREMENT BENEFIT SCHEMES

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

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

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

SHARE-BASED PAYMENTS

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

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

PROVISIONS FOR LIABILITIES AND CHARGES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2(A) ACCOUNTING POLICIES CONTINUED

RESTORATION, REHABILITATION AND ENVIRONMENTAL COSTS

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

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

LEASES

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

FOREIGN CURRENCY TRANSLATION

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

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

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

FINANCIAL ASSET INVESTMENTS

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

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

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

LIQUID INVESTMENTS

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

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

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

2(A) ACCOUNTING POLICIES CONTINUED**TRADE RECEIVABLES**

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

TRADE PAYABLES

Trade payables are stated at their nominal value.

EQUITY INSTRUMENTS

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

CASH AND CASH EQUIVALENTS

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

BORROWINGS

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

CONVERTIBLE BONDS

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

BORROWING COSTS

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recorded in equity. Amounts deferred to equity are recycled in the income statement in the periods when the hedged item is recognised in the income statement.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2(A) ACCOUNTING POLICIES CONTINUED

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

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

2(B) CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATION UNCERTAINTY

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

MINING PROPERTIES AND LEASES

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

USEFUL ECONOMIC LIVES OF ASSETS AND IMPAIRMENT

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

RESTORATION, REHABILITATION AND ENVIRONMENTAL COSTS

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

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

PROVISIONS AND LIABILITIES

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

2(B) CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATION UNCERTAINTY CONTINUED CONTINGENCIES AND COMMITMENTS

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

UNDERLYING EARNINGS AND SPECIAL ITEMS

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

3. SEGMENT INFORMATION

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

(A) BUSINESS SEGMENTS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. SEGMENT INFORMATION CONTINUED

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

(B) EBITDA¹ BY SEGMENT

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

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

3. SEGMENT INFORMATION CONTINUED**(C) GEOGRAPHICAL SEGMENTAL ANALYSIS**

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

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

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

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

4. SPECIAL ITEMS

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

* Sale of unused property in Mumbai.

5. INVESTMENT REVENUE

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6. FINANCE COSTS

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

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

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

8. AUDITORS' REMUNERATION

The table below shows the fees payable globally to the Group's auditors, Deloitte & Touche, for statutory external audit and audit related services, as well as fees paid to other accountancy firms for statutory external audit and audit related services in each of the two years ended 31 March 2008:

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

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

9. EMPLOYEE NUMBERS AND COSTS

Average number of persons employed by the Group in the year

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

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

10. TAX

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. TAX CONTINUED

OVERVIEW OF THE INDIAN DIRECT TAX REGIME

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

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

OVERVIEW OF THE ZAMBIAN TAX REGIME

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

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

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

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

10. TAX CONTINUED

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

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

11. EARNINGS PER SHARE

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

11. EARNINGS PER SHARE CONTINUED

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

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

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

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

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

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

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

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

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

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

11. EARNINGS PER SHARE CONTINUED

	Year ended 31 March 2008	Year ended 31 March 2007
Basic earnings per share on Underlying Profit for the year		
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

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

12. DIVIDENDS

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

13. GOODWILL

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

15. INTEREST IN ASSOCIATE

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

ANALYSIS OF MOVEMENTS IN INVESTMENT IN ASSOCIATE

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16. FINANCIAL ASSET INVESTMENTS

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

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

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

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

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

17. OTHER NON-CURRENT ASSETS

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

18. INVENTORIES

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

Inventories with a carrying amount of \$737.0 million (2007: \$522.6 million) have been pledged as security against certain bank borrowings of the Group.

19. TRADE AND OTHER RECEIVABLES

	As at 31 March 2008 \$ million	As at 31 March 2007 \$ million
Trade receivables	485.0	436.5
Amounts due from associate (note 35)	9.2	8.8
Amounts due from related parties (note 35)	9.6	11.0
Other receivables	521.1	475.8
Prepayments	23.1	10.8
	1,048.0	942.9

The credit period given to customers ranges from zero to 90 days.

20. LIQUID INVESTMENTS

	As at 31 March 2008 \$ million	As at 31 March 2007 \$ million
Bank deposits	837.6	600.4
Other investments	3,810.9	–
	4,648.5	600.4

Other investments include mutual fund investments and are fair valued through income statement.

HZL has pledged specific financial assets of \$40.9 million (2007: \$22.9 million) to secure certain banking facilities.

21. CASH AND CASH EQUIVALENTS

	As at 31 March 2008 \$ million	As at 31 March 2007 \$ million
Cash at bank and in hand	443.3	54.7
Short-term deposits and short-term investments	14.9	1,530.1
	458.2	1,584.8

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

Cash and cash equivalents include a \$46.0 million (2007: \$46.0 million) restricted cash reserve in KCM.

Cash and cash equivalents include \$1.7 million (2007: \$1.0 million) of cash held in short-term deposit accounts, that is restricted in use as it relates to unclaimed deposits, dividends, interest on debentures and share application monies.

22. BORROWINGS

	As at 31 March 2008 \$ million	As at 31 March 2007 \$ million
Bank loans	1,710.0	491.2
Bonds	615.9	581.2
Other loans	47.3	56.0
TOTAL	2,373.2	1,128.4
BORROWINGS ARE REPAYABLE AS:		
On demand within one year (shown as current liabilities)	1,417.2	249.1
In the second year	104.6	76.2
In two to five years	826.2	769.7
After five years	25.2	33.4
TOTAL BORROWINGS	2,373.2	1,128.4
Less: payable within one year	(1,417.2)	(249.1)
MEDIUM- AND LONG-TERM BORROWINGS	956.0	879.3

At 31 March 2008, the Group had available US\$1,426.5 million (2007: \$1,011.4 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The principal loans held by Group companies at 31 March 2008 were as follows:

BALCO**Term Loans**

BALCO secured two syndicated Indian rupee term loan facilities totalling \$425.3 million, of which \$397.9 million has been drawn down at an average interest rate of 7.2% per annum. The interest rate has now been reset to 8.1%. These facilities are secured by a first charge on movable and immovable properties and present and future tangible or intangible non-current assets of BALCO. The first loan of \$250.2 million is repayable in 12 quarterly instalments commencing in January 2007, of which \$156.7 million was paid by 31 March 2008; the second loan of \$147.7 million is repayable in eight quarterly instalments, due to commence in May 2009. However \$51.1 million of repayments in respect of the second loan have been prepaid. As at 31 March 2008 the total outstanding loan amount was \$190.1 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22. BORROWINGS CONTINUED

VAL

Project Buyers' Credit

As at 31 March 2008, VAL had extended credit terms relating to purchases of property, plant and equipment for its projects. The extended credit amounted to \$204.8 million, which is repayable in May 2009. These loans bear interest at LIBOR plus 102 basis points. These are secured by all the fixed assets of VAL, immovable or movable, present and future, on a pari passu basis with other term lenders and with priority over other creditors.

STERLITE

Non-convertible Debentures

Sterlite had \$25.0 million of Indian rupee non-convertible debentures in issue with various institutions at 31 March 2008. The debentures are repayable from April 2010 to April 2013 with interest rates at 9.25%. These debentures are secured upon Sterlite's immovable property at Lonavala, Tuticorin, Gujarat and Chinchpada.

Floating Rate Loan Notes

At 31 March 2007, Sterlite had floating rate loan notes ('FRNs') in issue of \$13.4 million which has been repaid in June 2007. Interest on this facility was payable at LIBOR plus 130 basis points.

Foreign Currency Loans

Sterlite had a US dollar denominated term loan facility of \$92.3 million comprising Tranche A of \$68.0 million, which was repaid in June 2007 and Tranche B of \$24.3 million repayable in September 2008. In April 2006, both Tranche A and Tranche B were converted into JPY loans amounting to JPY 8,012.6 million and JPY 2,862.5 million respectively. Interest on this facility is based on JPY LIBOR plus 44 basis points. The debt is unsecured. As on 31 March 2008 \$24.3 million was outstanding under this facility.

Sterlite entered into term loan facilities of JPY 3,570 million (\$36.0 million) and \$19.7 million. This loan is to be repaid between August 2006 and August 2008 in five tranches. The first four tranches amounting to JPY 2,856 million (\$28.8 million) and \$15.8 million have been repaid between August 2006 and February 2008. Interest on the JPY facility is based on JPY LIBOR plus 42 basis points and interest on the US dollar denominated facility is based on LIBOR plus 42 basis points. As at 31 March 2008, JPY 714 million (\$7.2 million) and \$3.9 million were outstanding. These debts are unsecured.

KCM

Subordinated Term Facility

The Government of the Republic of Zambia had extended a loan to KCM for \$8.5 million of which \$4.1 million was outstanding on 31 March 2008. The facility is secured under a second charge over all the KCM rights, title and interest, present and future, to, and in respect of, proceeds arising under a KCM insurance claim. Interest is payable at LIBOR. The facility is repayable in five equal consecutive annual instalments commencing on 17 September 2005, the third anniversary of the date of the Exit Deed.

VEDANTA RESOURCES PLC

Long-term Bonds

In December 2004 and January 2005, Vedanta issued a total of \$600.0 million, 6.625% bonds due February 2010 in the United States of America ('USA') pursuant to Rule 144A of US Securities Act of 1933 ('Securities Act') and outside of the USA in Compliance with Regulation S pursuant to the Securities Act. The bonds are unsecured and are rated BB by Standard and Poor's and Ba1 by Moody's. The proceeds from the bond have been substantially remitted to India for the funding of the Group's projects.

In February 2006, Vedanta issued 4.6% \$725.0 million guaranteed convertible bonds, the details of which are set out in note 25.

Syndicated Bridge Term Loan

In April 2007, Richter entered into a Syndicated Bridge Term Loan Facility of \$1,100.0 million for a period of one year. The interest cost is at LIBOR plus 47.5 basis points. At 31 March 2008, \$1,000.0 million was drawn down from the above facility. The facility has been guaranteed by Vedanta and is subject to the pledge of the Group's shares in Sesa Goa Limited through its holding in Richter and Westglobe Limited. The loan was refinanced in April 2008 by Vedanta.

Non-equity Minority Interests

Non-equity minority interests are represented by the deferred shares in KCM held by ZCI of \$47.5 million and ZCM of \$11.9 million. The deferred shares have no voting rights or rights to KCM's dividends, but are entitled on a winding-up to a return of \$0.99 per share once all of KCM's ordinary shares have received a distribution equal to their par value and any share premium created on their issue and which remains distributable to them.

23. MOVEMENT IN NET DEBT⁽¹⁾

US\$ million	Debt due within one year			Debt due after one year		Liquid investments US\$ million	Total net debt
	Cash and cash equivalents	Debt carrying value	Debt related derivatives ⁽²⁾	Debt carrying value	Debt related derivatives ⁽²⁾		
AT 1 APRIL 2006	1,847.3	(239.8)	2.8	(1,836.4)	(30.2)	244.4	(11.9)
Cash flow	(311.2)	(25.0)	–	324.8	–	345.1	333.7
Disposal of non-core business	–	23.1	–	–	–	–	23.1
Other non-cash changes	–	9.1	(9.9)	68.3	11.6	3.5	82.6
Foreign exchange differences	48.7	(16.5)	–	(34.4)	–	7.4	5.2
AT 1 APRIL 2007	1,584.8	(249.1)	(7.1)	(1,477.7)	(18.6)	600.4	432.7
Cash flow	(1,167.2)	(1,100.4)	–	150.1	–	3,617.2	1,499.7
Cash acquired with subsidiary (note 32a)	4.5	(2.0)	–	–	–	230.2	232.7
Cash disposed of with subsidiary (note 32b)	(0.3)	–	–	–	–	–	(0.3)
Other non-cash changes	–	(35.8)	5.9	(202.7)	29.9	75.8	(126.9)
Foreign exchange differences	36.4	(29.9)	–	(26.6)	–	124.9	104.8
AT 31 MARCH 2008	458.2	(1,417.2)	(1.2)	(1,556.9)	11.3	4,648.5	2,142.7

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

(2) Debt related derivatives exclude commodity related derivative financial assets and liabilities.

24. TRADE AND OTHER PAYABLES

(A) CURRENT TRADE PAYABLES

	As at 31 March 2008 \$ million	As at 31 March 2007 \$ million
Trade payables	511.6	372.6
Bills of exchange payable	681.8	485.2
Accruals and deferred income	143.0	61.7
Deferred consideration for KCM acquisition	5.2	5.2
Amount due for the acquisition of minority interest in KCM (note 36)	213.2	–
Other trade payables	463.6	247.7
	2,018.4	1,172.4

(B) NON-CURRENT TRADE PAYABLES

	As at 31 March 2008 \$ million	As at 31 March 2007 \$ million
Deferred consideration for acquisition of KCM	–	5.0
Other trade payables	0.2	6.6
	0.2	11.6

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25. CONVERTIBLE BONDS

Vedanta Finance (Jersey) Limited ('VFJL') issued \$725.0 million of 4.6% guaranteed convertible bonds on 21 February 2006. The bonds are first convertible into exchangeable redeemable preference shares to be issued by VFJL, which will then be automatically exchanged for ordinary shares of Vedanta Resources plc represented by depository receipts, which do not carry voting rights. The bondholders have the option to convert at any time from 17 April 2006 to 15 February 2026. The loan notes are convertible at £14.54 per share of US\$0.10 each and at sterling to US dollar rate of 1.7845.

If the notes have not been converted, they will be redeemed at the option of the Company on or at any time after 14 March 2009 and on or prior to 15 February 2026, subject to the conditions as part of the issue, or be redeemed at the option of the bondholders on 21 February 2013, 21 February 2018 and 21 February 2022.

The net proceeds of the convertible issue have been split between the liability and equity components. The equity component represents the embedded option to convert the liability into equity of the Company. The liability component is held at amortised cost:

	Year ended 31 March 2008 \$ million	Year ended 31 March 2007 \$ million
OPENING LIABILITY	598.4	600.4
Additional issue costs incurred	–	(1.7)
Interest and amortisation of issue costs (note 6)	36.9	36.7
Coupon interest paid	(33.3)	(33.4)
Conversion of bonds	(1.1)	(0.1)
Other	–	(3.5)
31 MARCH	600.9	598.4

The interest charged for the year is calculated by applying an effective interest rate of 6.16% (2007: 6.18%).

During the year ended 31 March 2008, \$1.3 million of convertible bonds were converted into 50,169 equity shares, reducing the liability component of the convertible bonds by \$1.1 million, generating share capital and share premium of \$1.3 million and releasing \$0.2 million from convertible bond reserve.

During the year ended 31 March 2008, \$3.6 million was transferred from the convertible bond reserve to retained earnings, representing the realisation of distributable reserves following accretion of the convertible bond liability. This amount constitutes the accretion during the year, being the interest and amortisation of issue costs, less coupon interest as outlined in the table above.

The fair value of the convertible bonds as on 31 March 2008 is \$667.2 million (2007: \$615.1 million).

26. FINANCIAL INSTRUMENTS

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

	As at 31 March 2008 \$ million	As at 31 March 2007 \$ million
FINANCIAL ASSETS		
AT FAIR VALUE THROUGH PROFIT OR LOSS		
- Held for trading	4,648.5	600.4
- Other financial assets (derivatives)	139.9	123.6
CASH AND CASH EQUIVALENTS	458.2	1,584.8
LOAN AND RECEIVABLES		
- Trade and other receivables	1,048.0	942.9
- Other non current assets	29.8	27.3
AVAILABLE FOR SALE INVESTMENTS		
- Financial asset investments held at fair value	4.8	11.8
- Financial asset investments held at cost	25.2	22.8
TOTAL	6,354.4	3,313.6
FINANCIAL LIABILITIES		
AT FAIR VALUE THROUGH PROFIT OR LOSS		
- Other financial liabilities (derivatives)	(107.0)	(196.2)
DESIGNATED INTO FAIR VALUE HEDGE		
- Borrowings	(615.9)	(581.2)
FINANCIAL LIABILITIES AT AMORTISED COST		
- Trade and other payables	(2,018.6)	(1,184.0)
- Borrowings	(2,358.2)	(1,145.6)
TOTAL	(5,099.7)	(3,107.0)

The fair value of borrowings is \$2,915.8 million (2007: \$1,603.9 million). For all other financial instruments, the carrying amount is either the fair value, or approximates the fair value.

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

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

DERIVATIVES INSTRUMENTS AND RISK MANAGEMENT

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. FINANCIAL INSTRUMENTS CONTINUED

TREASURY MANAGEMENT

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

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

COMMODITY RISK

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

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

Copper

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

The Group's Australian mines in Tasmania supply approximately 7.0% to 8.0% of the requirement of the custom copper smelter at Tuticorin. Hence, TC/RCs are a major source of income for the Indian copper smelting operations. Fluctuations in TC/RCs are influenced by factors including demand and supply conditions prevailing in the market for mine output. The Group's Copper business has a strategy of securing a majority of its concentrate feed requirement under long-term contracts with mines.

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

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

26. FINANCIAL INSTRUMENTS CONTINUED**Aluminium**

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

Zinc and Lead

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

Iron Ore

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

PROVISIONALLY PRICED FINANCIAL INSTRUMENTS

On 31 March 2008, the value of net financial asset linked to commodities (excluding derivatives) accounted for on provisional prices was \$9.0 million (2007: \$201.0 million). These instruments are subject to price movements at the time of final settlement and the final price of these instruments will be determined in financial year beginning 1 April 2008.

Set out below is the impact of 10.0% increase in LME prices on profit for the year and total equity as a result of change in value of the Group's commodity financial instruments:

Commodity price sensitivity	Closing LME as on 31 March 2008 \$	Effect on profit of a 10.0% increase in the LME 31 March 2008 (\$ million)	Effect on total equity of a 10.0% increase in the LME 31 March 2008 (\$ million)
Copper	8,520	(2.0)	(2.0)
Zinc	2,303	0.5	0.5
Lead	2,793	4.3	4.3

Commodity price sensitivity	Closing LME as on 31 March 2007 \$	Effect on profit of a 10.0% increase in the LME 31 March 2007 (\$ million)	Effect on total equity of a 10.0% increase in the LME 31 March 2007 (\$ million)
Copper	6,940	7.9	36.0
Aluminium	2,792	0.7	0.7
Zinc	3,280	9.8	15.2

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

Further, the impact of 10.0% increase in closing copper LME for provisionally priced copper concentrate purchase at Sterlite custom smelting operations is \$57.2 million (2007: \$56.5 million), which is pass through in nature and as such will not have any impact on the profitability.

FINANCIAL RISK AND SENSITIVITIES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. FINANCIAL INSTRUMENTS CONTINUED

(a) Liquidity

The Group requires funds both for short-term operational needs as well as for long-term investment programmes mainly in growth projects. The Group generates sufficient cash flows from the current operations which together with the available cash and cash equivalents and liquid financial asset investments provide liquidity both in the short-term as well as in the long-term. Anticipated future cash flows and undrawn committed facilities of \$1,426.5 million, together with cash and liquid investments of \$5,106.7 million as at 31 March 2008, are expected to be sufficient to meet the ongoing capital investment programme and liquidity requirement of the Group in the near future.

The Group has a strong balance sheet that gives sufficient headroom to raise further debt should the need arise. The Group enjoys good ratings from reputed international rating agencies including Standard & Poors and Moody's. The Group's current ratings from Standard & Poors and Moody's are BB and Baa3 respectively. These ratings support the necessary financial leverage and access to debt or equity markets at competitive terms. The Group generally maintains a healthy debt-equity ratio and retains flexibility in the financing structure to alter the ratio when the need arises.

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

As at 31 March 2008 (in \$ million) Payment due by period	< 1 year	1-2 years	2-5 years	> 5 years	Total
Trade and other payables	2,018.4	0.2	-	-	2,018.6
Bank and other borrowings	1,417.2	104.6	810.2	36.9	2,368.9
Convertible bonds	-	-	-	723.5	723.5
Derivative liabilities	23.3	-	83.7	-	107.0
TOTAL	3,458.9	104.8	893.9	760.4	5,218.0

As at 31 March 2007 (in \$ million) Payment due by period	< 1 year	1-2 years	2-5 years	> 5 years	Total
Trade and other payables	1,172.4	11.6	-	-	1,184.0
Bank and other borrowings	249.1	76.2	788.5	33.4	1,147.2
Convertible bonds	-	-	-	724.8	724.8
Derivative liabilities	101.4	-	94.8	-	196.2
TOTAL	1,522.9	87.7	883.3	758.2	3,252.2

At 31 March 2008, the Group had access to funding facilities of \$4,400.6 million of which \$1,426.5 million was not yet drawn, as set out below.

Funding facilities	Total facility (\$ million)	Drawn (\$ million)	Undrawn (\$ million)
Less than 1 year	2,730.5	1,417.2	1,313.3
1-2 years	109.3	104.6	4.7
2-5 years and above	1,560.8	1,452.3	108.5
TOTAL	4,400.6	2,974.1	1,426.5

At 31 March 2007, the Group had access to funding facilities of \$2,738.2 million of which \$1,011.4 million was not yet drawn, as set out below.

Funding facilities	Total facility (\$ million)	Drawn (\$ million)	Undrawn (\$ million)
Less than 1 year	1,260.5	249.1	1,011.4
1-2 years	76.2	76.2	-
2-5 years and above	1,401.5	1,401.5	-
TOTAL	2,738.2	1,726.8	1,011.4

26. FINANCIAL INSTRUMENTS CONTINUED**(b) Foreign Currency**

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

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

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

	At 31 March 2008		At 31 March 2007	
	Financial assets \$ million	Financial liabilities \$ million	Financial assets \$ million	Financial liabilities \$ million
US dollar	987.1	3,888.0	1,058.4	2,102.9
Indian rupee	5,259.3	998.9	2,214.7	788.3
Zambian kwacha	66.6	104.5	39.4	66.3
Japanese yen	4.6	35.9	-	110.5
Australian dollar	34.8	14.9	0.5	22.3
Euro	1.2	56.7	0.1	15.7
Others	0.8	0.8	0.5	1.0
TOTAL	6,354.4	5,099.7	3,313.6	3,107.0

The Group's exposure to foreign currency arises where a Group company holds monetary assets and liabilities denominated in a currency different to the functional currency of that entity with US dollar being the major non-functional currency of the Group's main operating subsidiaries. Set out below is the impact of a 10.0% change in the US dollar on profit and equity arising as a result of the revaluation of the Group's foreign currency financial instruments:

At 31 March 2008	Closing exchange rate	Effect of 10.0% strengthening of US dollar on	Effect of 10.0% strengthening of US dollar on
		net earnings \$ million	total equity \$ million
Indian rupee	39.970	(40.9)	0.5
Australian dollar	1.089	17.4	17.4
Zambian kwacha	3,765	(3.4)	(2.4)

At 31 March 2007	Closing exchange rate	Effect of 10.0% strengthening of US dollar on	Effect of 10.0% strengthening of US dollar on
		net earnings \$ million	total equity \$ million
Indian rupee	43.5900	(34.0)	31.2
Australian dollar	1.2480	10.6	10.6
Zambian kwacha	4,421	(1.7)	29.2

The sensitivities are based on financial assets and liabilities held at 31 March 2008 where balances are not denominated in the functional currency of the respective subsidiaries. The sensitivities do not take into account the Group's sales and costs and the results of the sensitivities could change due to other factors such as changes in the value of financial assets and liabilities as a result of non-foreign exchange influenced factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. FINANCIAL INSTRUMENTS CONTINUED

(c) Interest Rate Risk

At 31 March 2008, the Group's net cash of \$2,142.7 million (2007: \$432.7 million) comprises of cash, cash equivalents and liquid investments of \$5,106.7 million (2007: \$2,185.2 million) offset by debt of \$2,964.0 billion (2007:\$1,752.5 million).

The Group is exposed to interest rate risk on short-term and long-term floating rate instruments and on the refinancing of fixed rate debt. The Group's policy is to maintain a balance of fixed and floating interest rate borrowings and the proportion of fixed and floating rate debt is determined by current market interest rates. As at 31 March 2008, 29.0% (2007: 52.0%) of the total debt was at a fixed rate and the balance was at a floating rate. The floating rate debt is largely linked to US dollar LIBOR. The Group also aims to minimise its average interest rates on borrowings by opting for a higher proportion of long-term debt to fund growth projects. In certain circumstances, interest rate swaps are taken to minimise the impact of rising floating rates. The Group invests cash and liquid investments in short-term deposits and debt mutual funds, some of which generate a tax-free return, to achieve the Group's goal of maintaining liquidity, carrying manageable risk and achieving satisfactory returns.

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

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

	At 31 March 2008				At 31 March 2007			
	Floating rate financial assets	Fixed rate financial assets	Equity investments	Non-interest bearing financial assets	Floating rate financial assets	Fixed rate financial assets	Equity investments	Non-interest bearing financial assets
\$ million								
Financial assets	4,677.9	635.7	30.0	871.0	1,258.9	1,271.7	30.1	629.3
Derivative assets	-	-	-	139.8	-	-	-	123.6
TOTAL FINANCIAL ASSETS	4,677.9	635.7	30.0	1,010.8	1,258.9	1,271.7	30.1	752.9

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

	At 31 March 2008			At 31 March 2007		
	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing financial liabilities	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing financial liabilities
\$ million						
Financial liabilities	2,723.4	924.9	1,344.4	1,289.3	902.7	718.8
Derivative liabilities	-	-	107.0	-	-	196.2
TOTAL FINANCIAL LIABILITIES	2,723.4	924.9	1,451.4	1,289.3	902.7	915.0

The weighted average interest rate on the fixed rate financial liabilities is 6.5% (2007: 6.1%) and the weighted average period for which the rate is fixed is 3.9 years (2007: 5.9 years).

Considering the net cash position as at 31 March 2008 and the investment in bank deposits and debt mutual funds, any increase in interest rates would result in a net gain and any decrease in interest rates would result in a net loss. The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date.

26. FINANCIAL INSTRUMENTS CONTINUED

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

Decrease in interest rates At 31 March 2008	Effect on net earnings		Effect on total equity			
	US dollar interest rate	Japanese yen interest rate	Total	US dollar interest rate	Japanese yen interest rate	Total
0.5%	7.0	0.1	7.1	9.5	0.1	9.6
1.0%	14.0	0.2	14.2	18.9	0.2	19.1
2.0%	28.0	0.5	28.5	37.8	0.5	38.3

Decrease in interest rates At 31 March 2007	Effect on net earnings		Effect on total equity			
	US dollar interest rate	Japanese yen interest rate	Total	US dollar interest rate	Japanese yen interest rate	Total
0.5%	2.1	0.4	2.5	3.9	0.4	4.3
1.0%	4.2	0.7	4.9	7.7	0.7	8.4
2.0%	8.4	1.4	9.8	15.4	1.4	16.8

(d) Credit Risk

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

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

The large majority of receivables due from third parties are secured. Moreover, given the diverse nature of our businesses, trade receivables are spread over a number of customers with no significant concentration of credit risk. No single customer accounted for 10.0% or more of the Group's net sales or for any of the Group's primary businesses during the year ended 31 March 2008 and in the previous year. The history of trade receivables shows a negligible provision for bad and doubtful debts. Therefore, the Group does not expect any material risk on account of non-performance by any of our counterparties.

The Group's maximum exposure to credit risk at 31 March 2008 is \$6,324.4 million (2007: \$3,279.0 million).

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

	2008 \$ million	2007 \$ million
Less than 1 month	64.6	38.9
Between 1-3 months	26.7	33.0
Between 3-12 months	37.1	49.7
Greater than 12 months	1.3	1.2
TOTAL	129.7	122.8

Derivative Financial Instruments

The fair value of all derivatives is separately recorded on the balance sheet within other financial assets (derivatives) and other financial liabilities (derivatives), current and non-current. Derivatives that are designated as hedges are classified as current or non-current depending on the maturity of the derivative.

Embedded Derivatives

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. FINANCIAL INSTRUMENTS CONTINUED

Cash Flow Hedges

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

The fair value of the Group's open derivative positions at 31 March 2008 (excluding own use purchase and sale contracts), recorded within other financial assets (derivatives) and other financial liabilities (derivatives) is as follows:

	At 31 March 2008		At 31 March 2007	
	Liability \$ million	Asset \$ million	Liability \$ million	Asset \$ million
CURRENT				
Cash flow hedges				
– Commodity contracts	(0.5)	–	(70.9)	–
– Forward foreign currency contracts	(14.7)	3.4	(16.7)	0.9
– Interest rate swap (floating to fixed)	–	–	–	0.2
Fair value hedges				
– Commodity contracts	(0.8)	–	–	4.2
– Forward foreign currency contracts	(7.2)	5.3	(2.2)	0.8
Non-qualifying hedges				
– Commodity contracts	–	35.7	(2.2)	43.2
– Forward foreign currency contracts	(0.1)	0.5	(9.4)	2.1
– Interest rate swap	–	–	–	0.1
TOTAL	(23.3)	44.9	(101.4)	51.5
NON-CURRENT				
Cash flow hedges				
– Forward foreign currency contracts	–	–	(2.0)	–
Fair value hedges				
– Forward foreign currency contracts	(83.7)	79.7	(74.2)	72.1
– Interest rate swap	–	15.3	(18.6)	–
TOTAL	(83.7)	95.0	(94.8)	72.1
GRAND TOTAL	(107.0)	139.9	(196.2)	123.6

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

Non-qualifying Hedges

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

Fair Value Hedges

The fair value hedges relate to interest rate swaps (fixed to floating) taken out by the Group to hedge the fair value risk on the \$600.0 million bonds due in 2010.

The Group has also entered into US dollar and Japanese yen cross-currency swaps with a maturity of 2010. Equal and opposite swaps are held in two Group companies, such that no significant net exposure to the Group arises.

26. FINANCIAL INSTRUMENTS CONTINUED**Hedging Reserves Reconciliation**

	Hedging reserves \$ million	Minority Interests* \$ million	Total \$ million
AT 1 APRIL 2006	(29.1)	(25.4)	(54.5)
Amount recognised directly in equity	(24.6)	(18.9)	(43.5)
Amount charged to income statement	24.2	21.3	45.5
Exchange difference	(0.2)	(0.4)	(0.6)
AT 1 APRIL 2007	(29.7)	(23.4)	(53.1)
Amount recognised directly in equity	27.0	19.6	46.6
Amount charged to income statement	(7.5)	(2.4)	(9.9)
Exchange difference	1.1	(2.0)	(0.9)
AT 31 MARCH 2008	(9.1)	(8.2)	(17.3)

* Cash flow hedges attributable to minority interests.

27. PROVISIONS

	Restoration, rehabilitation and environmental \$ million	Other \$ million	Total \$ million
AT 1 APRIL 2006	57.1	177.6	234.7
(Credited)/charged to income statement	(15.2)	16.3	1.1
Unwinding of discount	1.9	5.4	7.3
Addition due to acquisition	1.8	–	1.8
Cash paid	–	(15.1)	(15.1)
Exchange differences	0.3	0.2	0.5
AT 1 APRIL 2007	45.9	184.4	230.3
(Credited)/charged to income statement	(1.1)	(2.9)	(4.0)
Unwinding of discount	0.4	5.2	5.6
Addition due to acquisition (note 32a)	2.0	–	2.0
Reclassification	0.6	(0.6)	–
Cash paid	–	(32.4)	(32.4)
Disposals	(1.4)	–	(1.4)
Exchange differences	0.2	12.2	12.4
AT 31 MARCH 2008	46.6	165.9	212.5
Current 2008	–	27.3	27.3
Non-current 2008	46.6	138.6	185.2
AT 31 MARCH 2007	45.9	184.4	230.3
Current 2007	–	–	–
Non-current 2007	45.9	184.4	230.3

RESTORATION, REHABILITATION AND ENVIRONMENTAL

The provisions for restoration, rehabilitation and environmental liabilities represent the Directors' best estimate of the costs which will be incurred in the future to meet the Group's obligations under existing Indian, Australian and Zambian law and the terms of the Group's mining and other licences and contractual arrangements. These amounts become payable on closure of mines and are expected to be incurred over a period of 3 to 20 years.

OTHER

Other provisions comprise the Directors' best estimate of the costs which may be incurred in the future to settle certain legal and tax claims outstanding against the Group, which exist primarily in India. Other provisions also include a provision in respect of a price participation agreement which requires KCM to pay ZCCM an agreed annual sum when copper prices exceed specified levels and other triggers, amounting to \$95.9 million (2007: \$131.6 million). The timing of the outflow of this provision is dependent on future copper prices and hence cannot be reasonably ascertained. Other also includes a provision for the Group's obligation relating to IFL amounting to \$27.3 million (2007: \$17.3 million) (see note 15).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28. DEFERRED TAX

The Group has accrued significant amounts of deferred tax. The majority of the deferred tax liability represents accelerated tax relief for the depreciation of capital expenditure and the depreciation on mining reserves, net of losses carried forward by KCM. No benefit has been recognised for tax losses of VRHL and the Company on the grounds that their successful application against future profits is not probable in the foreseeable future.

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

PROVIDED – LIABILITIES/(ASSETS)

	As at 31 March 2008 \$ million	As at 31 March 2007 \$ million
Accelerated capital allowances	1,441.4	395.9
Unutilised tax losses	(134.0)	(58.9)
Other temporary differences	58.3	60.0
	1,365.7	397.0
Recognised as:		
Deferred tax liability provided	1,380.8	425.3
Deferred tax asset recognised	(15.1)	(28.3)
	1,365.7	397.0

UNRECOGNISED DEFERRED TAX ASSETS

	As at 31 March 2008 \$ million	As at 31 March 2007 \$ million
Unutilised tax losses	(21.7)	(8.0)

DEFERRED TAX ASSET

	As at 31 March 2008 \$ million	As at 31 March 2007 \$ million
AT 1 APRIL	28.3	71.9
Charged to income statement	(7.9)	(48.5)
(Charged)/credited directly to equity	(5.7)	1.9
Foreign exchange differences	0.4	3.0
AT 31 MARCH	15.1	28.3

The Group has \$424.4 million of unutilised tax losses at KCM (2007: \$235.5 million) which expire in 2018.

DEFERRED TAX LIABILITY

	As at 31 March 2008 \$ million	As at 31 March 2007 \$ million
AT 1 APRIL	425.3	286.9
Addition due to acquisition (note 32)	799.0	14.3
Deduction due to disposal (note 32)	(14.3)	–
Charged to income statement	126.1	110.0
Charged/(credited) directly to equity	17.3	(1.6)
Other movements	–	4.0
Foreign exchange differences	27.4	11.7
AT 31 MARCH	1,380.8	425.3

29. SHARE-BASED PAYMENTS

EMPLOYEE SHARE SCHEMES

The Group aims to provide superior rewards for outstanding performance and a high proportion of 'at risk' remuneration for Executive Directors. Three employee share schemes were approved by shareholders on Listing. The Board has no present intention to introduce any further share schemes.

THE VEDANTA RESOURCES LONG-TERM INCENTIVE PLAN (THE 'LTIP')

The LTIP is the primary arrangement under which share-based incentives are provided to the Executive Directors and the wider management group. The maximum value of shares that can be conditionally awarded to an Executive Director in a year is 100.0% of annual salary. In respect of Messrs Navin Agarwal and Kuldip Kaura, salary means the aggregate of their salary payable by Vedanta and their gross salary payable by Sterlite. The maximum value of shares that can be awarded to members of the wider management group is calculated by reference to the base salary, share-based remuneration already received and consistent with local market practice.

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

VEDANTA'S TSR PERFORMANCE AGAINST ADAPTED COMPARATOR GROUP

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

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

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

Initial awards under the LTIP were granted on 26 February 2004 with further awards being made on 11 June 2004, 23 November 2004, 1 February 2006, 1 February 2007 and 14 November 2007. The exercise price of the awards is 10 US cents per share and the performance period is one year for the February 2007 awards and three years for all other awards, with no re-testing being allowed. The exercise period is six months from the date of vesting. Further details on the LTIP are found in the Remuneration Report on pages 83 to 89.

Year of grant	Exercise date	Exercise price US cents per share	Options outstanding 1 April 2007	Options granted during the year	Options lapsed during the year	Options exercised during the year	Options outstanding 31 March 2008
2004	26 February 2007 to 26 August 2007	10	328,444	–	–	328,444	–
2004	11 June 2007 to 11 December 2007	10	10,000	–	–	10,000	–
2004	23 November 2007 to 23 May 2008	10	20,000	–	–	20,000	–
2006	1 February 2009 to 1 August 2009	10	2,171,650	–	210,550	1,350	1,959,750
2007	1 February 2008 to 1 August 2008	10	565,530	–	84,480	300,000	181,050
2007	14 November 2010 to 14 May 2011	10	–	1,691,349	–	–	1,691,349
			3,095,624	1,691,349	295,030	659,794	3,832,149

As at 31 March 2008 all the outstanding options granted on 26 February 2004, 11 June 2004 and 23 November 2004 were exercised and all the outstanding options granted on 1 February 2007 were exercisable. The weighted average share price for the share options exercised during the year was £18.60.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

29. SHARE-BASED PAYMENTS CONTINUED

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

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

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

LTIP November 2007	
Date of grant	14 November 2007
Number of instruments	1,691,349
Exercise price	\$0.10
Share price at the date of grant	£19.69
Contractual life	3 years
Expected volatility	43.0% pa
Expected option life	3.5 years
Expected dividends	1.0% pa
Risk free interest rate	4.7% pa
Expected annual forfeitures	13.5% pa
Fair value per option granted	£9.207

30. RETIREMENT BENEFITS

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

(A) DEFINED CONTRIBUTION SCHEMES

Indian Pension Schemes

Central Provident Fund

The Central Provident Fund relates to all full time Indian employees of the Group. The amount contributed by the Group is a designated percentage of 12.0% of basic salary less contributions made as part of the Pension Fund (see below), together with an additional contribution of 12.0% of salary made by the employee.

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

Superannuation

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

Pension Fund

The Pension Fund was established in 1998 and is managed by the government. The employee makes no contribution to this fund but the employer makes a contribution of 8.33% of salary each month subject to a specified ceiling per employee. This must be provided for every permanent employee on the payroll.

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

30. RETIREMENT BENEFITS CONTINUED

Australian Pension Scheme

The Group also operates defined contribution pension schemes in Australia. The contribution of a proportion of an employee's salary into a superannuation fund is a compulsory legal requirement in Australia. The employer contributes 9.0% of the employee's gross remuneration where the employee is covered by the industrial agreement and 12.0% of the basic remuneration for all other employees, into the employee's fund of choice. All employees have the option to make additional voluntary contributions.

Zambian Pension Scheme

The KCM Pension Scheme is applicable to full time permanent employees of KCM (subject to the fulfilment of certain eligibility criteria). The management of the scheme is vested in the trustees consisting of representatives of the employer and the members. The employer makes a monthly contribution to the KCM Pension Scheme of an amount equal to 11.0% of that month's pensionable salary and the member makes monthly contributions to the fund of an amount equal to 5.0% of that month's pensionable salary.

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

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

(B) DEFINED BENEFIT SCHEMES

India

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

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

MALCO

MALCO does not contribute to the LIC. Its Gratuity scheme is accounted for on a defined benefit basis. An actuarial valuation was performed as at 31 March 2008 using the projected unit actuarial method. At that date the fund was in deficit.

BALCO

At BALCO, all employees who are scheduled to retire on or before 31 March 2009 are covered by the LIC and remaining contributions to the LIC have been made and have been accounted for on a defined contribution basis. The Gratuity scheme is accounted for as a defined benefit scheme for all employees scheduled to retire after 31 March 2009, and who are not covered by the LIC. A provision is recognised based on the latest actuarial valuation which was performed as at 31 March 2008 using the projected unit actuarial method. At that date the fund was in deficit.

HZL

HZL contributes to the LIC based on an actuarial valuation every year. HZL's Gratuity scheme is accounted for on a defined benefit basis. The latest actuarial valuation was performed as at 31 March 2008 using the projected unit actuarial method. At that date the fund was in deficit.

VAL

VAL does not contribute to the LIC. Liabilities with regard to the Gratuity scheme are fully provided in the balance sheet and are determined by actuarial valuation as at the balance sheet date and as per gratuity regulations for the company. The latest actuarial valuation was performed as at 31 March 2008 using the projected unit actuarial method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. RETIREMENT BENEFITS CONTINUED

Sterlite

Sterlite does not contribute to the LIC. Liabilities with regard to the Gratuity scheme are fully provided in the balance sheet and are determined by actuarial valuation as at the balance sheet date and as per gratuity regulations for the company. The latest actuarial valuation was performed as at 31 March 2008 using the projected unit actuarial method. At that date the fund was in deficit.

Sesa Goa

Sesa Goa contributes to the LIC based on actuarial valuation every year. Sesa Goa's Gratuity scheme is accounted for on a defined benefit basis. The latest actuarial valuation was performed as at 31 March 2008 using the projected unit actuarial method. At that date the fund was in deficit.

Zambia

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

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

These schemes are accounted for as defined benefit schemes and the main assumptions used in the actuarial valuation were a discount rate of 14.0% per annum and an annual salary increase of 8.0%.

As at 31 March 2008, membership of pension schemes across MALCO, BALCO, HZL, VAL, Sterlite, Sesa and KCM stood at 27,853 employees (31 March 2007: 24,589). The deficits, principal actuarial assumptions and other aspects of these schemes are disclosed in further detail in notes (d) and (e) below.

(C) PENSION SCHEME COSTS

Contributions of \$1.8 million and \$nil million in respect of defined benefit schemes were outstanding and prepaid respectively as at 31 March 2008 (2007: 1.3 million and \$0.1 million respectively).

Contributions to pension schemes in the year ending 31 March 2009 is expected to be around \$4.9 million.

	Year ended 31 March 2008 \$ million	Year ended 31 March 2007 \$ million	Year ended 31 March 2006 \$ million
Defined contribution pension schemes	16.0	10.8	10.6
Defined benefit pension schemes	8.7	0.8	2.4
	24.7	11.6	13.0

(D) PRINCIPAL ACTUARIAL ASSUMPTIONS.

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

Particulars	MALCO		BALCO		Sterlite		HZL		KCM		VAL		Sesa Goa*
	Mar 08	Mar 07	Mar 08	Mar 07	Mar 08	Mar 07	Mar 08	Mar 07	Mar 08	Mar 07	Mar 08	Mar 07	Mar 08
Discount rate	8.0%	8.0%	7.8%	8.0%	7.5%	7.5%	7.5%	7.5%	14.0%	14.0%	8.0%	8.0%	8.0%
Salary increases	6.0%	6.0%	5.0% for office staff, 3.0%	5.0% for office staff, 3.0%	5.0%	5.0%	5.0%	5.0%	8.0%	8.0%	5.0%	5.0%	5-7.0%
Funding rate of return	-	-	8.0%	8.0%	7.5%	8.0%	9.1%	8.4%	-	-	9.0%	-	-9-9.35%
Number of employees	703	699	5,179	5,236	1,636	1,441	6,194	6,275	11,242	10,454	1,144	484	1,755

* Acquired during the year 2007-08.

30. RETIREMENT BENEFITS CONTINUED**(E) BALANCE SHEET RECOGNITION**

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

\$ million	31 March 2008								31 March 2007							
	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Total	
Fair value of pension scheme assets	-	0.7	1.1	20.0	-	0.1	4.9	26.8	-	1.0	0.1	15.9	-	-	17.0	
Present value of pension scheme liabilities	(1.4)	(14.0)	(2.0)	(21.9)	(24.6)	(0.1)	(5.3)	(69.3)	(1.3)	(12.5)	(0.1)	(17.3)	(21.0)	(0.1)	(52.3)	
Deficit in pension scheme recognised in balance sheet	(1.4)	(13.3)	(0.9)	(1.9)	(24.6)	-	(0.4)	(42.5)	(1.3)	(11.5)	-	(1.4)	(21.0)	(0.1)	(35.3)	
Deferred tax	0.5	4.5	0.3	0.6	8.4	-	0.1	14.4	0.4	3.9	-	0.5	5.3	0.0	10.1	
NET PENSION LIABILITY	(0.9)	(8.8)	(0.6)	(1.3)	(16.2)	-	(0.3)	(28.1)	(0.9)	(7.6)	-	(0.9)	(15.7)	(0.1)	(25.2)	

(F) AMOUNTS RECOGNISED IN INCOME STATEMENT IN RESPECT OF DEFINED BENEFIT PENSION SCHEMES

Particulars	31 March 2008								31 March 2007							
	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Total	
Current service cost	0.1	0.6	0.2	1.1	3.9	0.1	0.3	6.3	0.1	0.5	0.2	0.8	-	-	1.6	
Actuarial (gains)/losses	-	(1.5)	0.6	1.0	(1.5)	-	-	(1.4)	0.1	0.7	1.0	0.7	(5.4)	-	(2.9)	
Expected return on scheme assets	-	(0.1)	(0.1)	(1.6)	-	-	(0.4)	(2.2)	-	-	-	(1.2)	-	-	(1.2)	
Interest cost of scheme liabilities	0.1	1.1	0.1	1.4	2.9	-	0.4	6.0	0.1	0.8	0.1	1.1	1.2	-	3.3	
TOTAL CHARGE TO INCOME STATEMENT	0.2	0.1	0.8	1.9	5.3	0.1	0.3	8.7	0.3	2.0	1.3	1.4	(4.2)	-	0.8	

(G) MOVEMENTS IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

The movement during the year ended 31 March 2008 of the present value of the defined benefit obligation was as follows:

Particulars	31 March 2008								31 March 2007							
	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Total	
AT 1 APRIL	(1.3)	(12.5)	(0.1)	(17.3)	(21.0)	(0.1)	-	(52.3)	(1.1)	(9.4)	-	(15.1)	(26.5)	(0.1)	(52.2)	
At acquisition							(4.5)	(4.5)	-	-	-	-	-	-	-	
Current service cost	(0.1)	(0.6)	(0.2)	(1.1)	(3.9)	(0.1)	(0.3)	(6.3)	(0.1)	(0.5)	(0.2)	(0.8)	-	-	(1.6)	
Gratuity benefits paid	0.2	0.6	0.4	0.3	1.7	-	0.3	3.5	0.3	0.3	-	0.8	1.2	-	2.6	
Interest cost of scheme liabilities	(0.1)	(1.1)	(0.1)	(1.4)	(2.9)	-	(0.4)	(6.0)	(0.1)	(0.8)	(0.1)	(1.1)	(1.2)	-	(3.3)	
Actuarial gains/(loss)	-	1.5	(0.6)	(1.0)	1.5	-	-	1.4	(0.1)	(0.7)	(1.0)	(0.7)	5.4	-	2.9	
Exchange difference	(0.1)	(1.9)	(1.4)	(1.4)		0.1	(0.4)	(5.1)	(0.2)	(1.4)	1.2	(0.4)	0.1	-	(0.7)	
AT 31 MARCH	(1.4)	(14.0)	(2.0)	(21.9)	(24.6)	(0.1)	(5.3)	(69.3)	(1.3)	(12.5)	(0.1)	(17.3)	(21.0)	(0.1)	(52.3)	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. RETIREMENT BENEFITS CONTINUED

(H) MOVEMENTS IN THE FAIR VALUE OF SCHEME ASSETS

	As at 31 March 2008 \$ million	As at 31 March 2007 \$ million
AT 1 APRIL	17.0	14.0
At acquisition	3.8	
Contributions received	4.6	2.9
Benefits paid	(3.6)	(2.6)
Expected return on plan asset	2.2	1.2
Foreign exchange differences	2.8	1.5
AT 31 MARCH	26.8	17.0

(I) FOUR YEAR HISTORY

The transition date for conversion to IFRS for Vedanta was 1 April 2005 and therefore the following historical data has been presented from that date.

Defined Benefit Pension Plan

	As at 31 March 2008 \$ million	As at 31 March 2007 \$ million	As at 31 March 2006 \$ million	As at 31 March 2005 \$ million
Experience gains/(losses) arising on scheme liabilities	1.4	2.9	8.6	(2.4)
Difference between expected and actual return on plan assets	-	(0.1)	-	-
Fair value of pension scheme assets	26.8	17.0	14.0	12.0
Present value of pension scheme liabilities	(69.3)	(52.3)	(52.2)	(50.6)
DEFICITS IN THE SCHEMES	(42.5)	(35.3)	(38.2)	(38.6)

31. SHARE CAPITAL

	At 31 March 2008		At 31 March 2007	
	Number	\$ million	Number	\$ million
Authorised				
Ordinary shares of 10 US cents each	400,000,000	40.0	400,000,000	40.0
Deferred shares of £1 each	50,000	0.0	50,000	0.0
	400,050,000	40.1	400,050,000	40.1
Ordinary shares issued and fully paid				
Ordinary shares of 10 US cents each	288,130,685	28.8	287,515,622	28.8
Deferred shares of £1 each	50,000	-	50,000	-
	288,180,685	28.8	287,565,622	28.8

During the year ended 31 March 2008, the Company issued 564,894 shares to the employees pursuant to the LTIP scheme (2007: 726,681 shares). During the year ended 31 March 2008, the Company issued 50,169 shares represented by Global Depositary Receipt on conversion of the convertible bond (2007: 7,746). The holders of these shares are not entitled to exercise voting rights.

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

32. BUSINESS COMBINATIONS**(A) ACQUISITION OF SUBSIDIARY**

On 23 April 2007, Vedanta acquired 100.0% of Finsider International Company Limited ('Finsider'), an investment holding company incorporated in United Kingdom, from Mitsui & Company, Japan for a consideration of US\$981.0 million (excluding acquisition expenses of \$9.4 million). Finsider held 51.0% of Sesa Goa Limited ('Sesa Goa'), a public limited company incorporated in India and listed on the Bombay Stock Exchange and the National Stock Exchange of India, which in turn held 88.3% of Sesa Industries Limited ('Sesa Industries'). Thus, by virtue of Vedanta acquiring Finsider, Sesa Goa and Sesa Industries became subsidiaries of Vedanta with an effective date of 23 April 2007, being the date at which control passed to Vedanta. As a result, the financial information of Finsider, Sesa Goa and Sesa Industries has been consolidated from 23 April 2007.

Sesa Goa is a company mainly involved in iron ore mining, processing and the manufacture of metallurgical coke. Sesa Industries is involved in pig iron operations.

The consolidated net assets of Finsider acquired are detailed in the table below:

\$ million	Book value	Fair value adjustments	Fair value
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	119.0	2,289.4	2,408.4
Other non-current assets	0.2	–	0.2
	119.2	2,289.4	2,408.6
CURRENT ASSETS			
Inventories	80.1	9.1	89.2
Trade and other receivables	79.3	–	79.3
Liquid investments	230.2	–	230.2
Other current financial asset (derivatives)	2.0	–	2.0
Cash and cash equivalents	4.5	–	4.5
	396.1	9.1	405.2
LIABILITIES			
CURRENT LIABILITIES			
Short-term borrowings	(2.0)	–	(2.0)
Trade and other payables	(45.6)	–	(45.6)
Current tax liabilities	(8.2)	–	(8.2)
	(55.8)	–	(55.8)
NON-CURRENT LIABILITIES			
Deferred tax liabilities	(17.7)	(781.3)	(799.0)
Provisions	(2.0)	–	(2.0)
	(19.7)	(781.3)	(801.0)
NET ASSETS			
	439.8	1,517.2	1,957.0
Less: Minority interests recognised on first acquisition			(966.6)
			990.4
SATISFIED BY:			
Cash consideration paid			981.0
Acquisition expenses			9.4
			990.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

32. BUSINESS COMBINATIONS CONTINUED

The Company has completed a fair value assessment of the assets acquired. There have been no events or indications which would require a change to the fair value of the assets and liabilities acquired compared to the amount provisionally assessed as at date of acquisition.

The Group acquired a further 71,451 shares, equating to a 0.182% interest in Sesa Goa on 24 September 2007 following an open offer for a consideration of \$3.6 million in cash. The total holding in Sesa Goa following this transaction was 51.2%. The impact on minority interests as a result of the offer was a decrease of \$3.6 million. The total increase in minority interests resulting from the acquisition of Sesa Goa was \$963.0 million.

Since the date of acquisition, the Finsider group has contributed \$888.9 million to the revenue and \$294.1 million to the net profit of the Group for the year ended 31 March 2008. If Finsider had been acquired at the beginning of the period, the revenue of the Group would have been \$60.2 million higher and the net profit of the Group would have been \$15.0 million higher.

(B) DISPOSAL OF SUBSIDIARY

In September 2007, Vedanta, through one of its subsidiaries, sold all of the issued and outstanding shares it held in Twin Star International (84.2%) which was the owner of 223,417,031 common shares of Sterlite Gold Limited for a consideration of \$85.9 million. Further, Vedanta received \$25.0 million towards settlement of outstanding debt which Sterlite Gold and its subsidiaries owed to Vedanta and its Group companies.

Sterlite Gold, through its wholly owned subsidiary in Armenia, Ararat Gold Recovery Company LLC 'AGRC', was engaged in gold mining activities in Armenia. Sterlite Gold also held 100.0% interests in the following companies on the date of its disposal:

- First Dynasty Mines (USA) LLC
- First Dynasty Mines Armenia Limited
- AGRC Services Limited
- First Dynasty Mines Holding Company Limited

All the companies listed above were non-operating.

From January 2007, the gold mining operations in Armenia were suspended pending resolution of some of the key clauses of the implementation agreement entered into with the Government of the Republic of Armenia. Due to delays in finding a resolution, Vedanta continued to explore other alternatives and in August 2007 entered into an agreement with a third party for the sale of the business together with all assets and liabilities. The agreement involved the sale of Vedanta's full shareholding in Sterlite Gold at a price of \$0.3845 per Sterlite Gold share equating to the total of \$85.9 million and the settlement by the purchaser of Sterlite Gold's \$25.0 million payables to the Vedanta Group.

The gain on disposal of the Sterlite Gold operations of \$29.8 million has been recognised in the income statement under the caption Special items (see note 4).

Sterlite Gold's operations constituted an insignificant proportion of Vedanta's revenues and were presented in the 'Other' segment in accordance with IAS 14 Segment Reporting.

The impact on minority interests resulting from the disposal of Twin Star International, Sterlite Gold and its subsidiaries was a decrease of \$9.7 million.

32. BUSINESS COMBINATIONS CONTINUED

The net assets of Twin Star International consolidated at the date of disposal, 27 September 2007 and 31 March 2007 were as follows:

\$ million	As at 27 September 2007	As at 31 March 2007
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	91.7	94.1
Financial asset investments	–	3.3
	91.7	97.4
CURRENT ASSETS		
Inventories	2.3	3.2
Trade and other receivables	4.4	4.4
Cash and cash equivalents	0.3	1.6
	98.7	106.6
LIABILITIES		
CURRENT LIABILITIES		
Borrowings from Vedanta Group	(25.6)	(5.9)
Trade and other payables	(4.3)	(3.9)
Current tax liabilities	(1.4)	(1.4)
	(31.3)	(11.2)
NON-CURRENT LIABILITIES		
Long-term borrowings	–	(41.6)
Deferred tax liabilities	(14.3)	(14.3)
	(45.6)	(67.1)
NET ASSETS		
	53.1	39.5
Reduction in minority interest	9.7	
CASH CONSIDERATION		
Net assets disposed	(53.1)	
Disposal expenses	(3.0)	
PROFIT ON DISPOSAL		
	29.8	

\$25.0 million of borrowings due to the Vedanta Group were repaid, as part of the sale and purchase agreement.

33. OPERATING LEASES

The Group does not have any material operating lease commitments as at 31 March 2008 (2007: none).

34. COMMITMENTS, GUARANTEES AND CONTINGENCIES**COMMITMENTS**

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

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

	As at 31 March 2008 \$ million	As at 31 March 2007 \$ million
Capital commitments contracted but not provided	3,314.0	3,150.0

Commitments at 31 March 2008 primarily related to the expansion projects at HZL \$204.0 million (2007: \$178.9 million), KCM \$246.6 million (2007: \$355.0 million), VAL \$980.4 million (2007: \$1,316.4 million), SEL \$1,124.1 million (2007: \$1,139.3 million) and BALCO \$688.6 million (2007: \$10.2 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

34. COMMITMENTS, GUARANTEES AND CONTINGENCIES CONTINUED

GUARANTEES

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

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

Guarantees

As at 31 March 2008, \$139.4 million of guarantees were advanced to banks in the normal course of business (2007: \$191.2 million). The Group has also entered into guarantees advanced to the customs authorities in India of \$154.6 million relating to the export of iron ore and payment of import duties on purchases of raw material (2007: \$7.7 million).

Export Obligations

The Indian entities of the Group have export obligations of \$2,473.9 million (2007: \$1,328.4 million) on account of concessional rates of import duty paid on capital goods under the Export Promotion Capital Goods Scheme and under Advance Licence Scheme for import of raw material laid down by the Government of India.

In the event of the Group's inability to meet its obligations, the Group's liability would be \$355.6 million (2007: \$191.0 million), reduced in proportion to actual exports. This liability is backed by bond executed in favour of customs department amounting to \$325.7 million (2007: \$107.6 million).

Guarantees to Suppliers

The Group has given corporate guarantees to certain suppliers of concentrate. The value of these guarantees was \$150.0 million at 31 March 2008 (2007: \$90.0 million).

Environmental and terminal benefits ('ETB') cash reserve account – KCM

Pursuant to the terms of the shareholders' agreement between VRHL and ZCI dated 5 November 2004, KCM is expected to contribute a minimum of \$10.0 million (with a maximum of \$18.0 million) in any financial year to ensure that the amount of ETB liabilities are covered by a cash reserve when the life of the Konkola Ore Body comes to an end. The ETB liabilities refer to KCM's obligations in relation to the environment and any terminal benefits payable to its employees. As at 31 March 2008, ETB liabilities provided for were \$61.7 million (2007: \$65.1 million), although these liabilities are likely to fluctuate at each future reporting date.

Shortfall Funding Commitment – KCM

Pursuant to the KCM acquisition agreement, Vedanta has agreed to fund capital expenditure in the period from the date of acquisition to the earlier of 5 November 2013, the exercise of the primary or secondary call options held by ZCI (see note 36) and Vedanta's divestment of its interest in KCM (the earliest date of which was 1 January 2008), up to a limit of \$220.0 million in the event that internally generated cash flows are insufficient to fund the capital expenditure programme set out in the acquisition agreement.

CONTINGENCIES

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

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

Under the terms of a financial aid package, MALCO was entitled to benefit from reduced tariff electricity for the period from 1995 to 1999. In 1997, MALCO became profitable and in 1999 the TNEB made a claim against MALCO for the difference in value between full price and reduced tariff electricity for the period from 1997 to 1999. The value of this claim was \$79.4 million. The case was heard before the Madras High Court in November 1999 and it found in MALCO's favour. TNEB has appealed the decision and this appeal is under hearing.

TNEB is also claiming \$25.5 million from MALCO for an electricity self-generation levy for the period from May 1999 to June 2003. This claim has arisen since the commissioning of MALCO's captive power plant in 1999. The company has sought an exemption from the application of this levy from the Government of India. The application is under consideration. Meanwhile, the Madras High Court has granted an interim ruling in favour of MALCO pending a final decision.

34. COMMITMENTS, GUARANTEES AND CONTINGENCIES CONTINUED

MALCO claims with TECHMO Car SpA ('TECHMO')

In February 1999, MALCO entered into an agreement with TECHMO to modernise the smelter pot rooms at Mettur Dam. In February 2003, this contract was terminated by TECHMO following disputes over the project. In March 2003, MALCO issued a claim against TECHMO to recover expenditure incurred on the project, citing non-performance by TECHMO. The value of this claim was \$6.3 million. The District Court had ordered TECHMO to provide the full amount of the claim to MALCO as security, which was subsequently reversed by the Madras High Court. MALCO filed a petition with the Supreme Court of India, which as an interim measure directed both parties to arbitration and for each party to furnish security of \$1.0 million.

Separately, in June 2003, TECHMO moved for arbitration, claiming a total of \$3.0 million being the unpaid portion of the contract. In September 2005, the final part of the hearing took place in which both parties made written submissions.

The case has now been settled out of court. Under the settlement agreement, TECHMO has paid \$2.6 million to MALCO. The parties have withdrawn the cases filed against each other and the matter is now closed.

BALCO: claim of Chattisgarh State Electricity Board ('CSEB')

During the year ended 31 March 2008, CSEB claimed that they had over paid for power supplied by BALCO. BALCO is contesting the claim on the basis that it is conflicting with the power purchase agreement between the two entities. Both the parties have submitted claims before the arbitrator and the hearing in the matter is awaited.

HZL: Department of Mines and Geology

The Department of Mines and Geology of the State of Rajasthan issued several show cause notices in August, September and October 2006 to HZL, totalling \$83.5 million. These notices alleged unlawful occupation and unauthorised mining of associated minerals other than zinc and lead at HZL's Rampura Agucha, Rajpura Dariba and Zawar mines in Rajasthan during the period from July 1968 to March 2006. HZL believes that the likelihood of this claim becoming an obligation of the company is remote and thus no provision has been made in the financial statements. HZL has filed writ petitions in the High Court of Rajasthan in Jodhpur and in has obtained a stay in respect of these demands.

Sterlite Gold

Following the disposal of Sterlite Gold on 27 September 2007 there are no claims pending against the Group from the Armenian Government (31 March 2007: \$46.5 million).

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

In respect of bauxite mines at Lanjigarh, Orissa, public interest submissions were filed in 2004 by certain non-government organisations (NGOs) to the Honourable Supreme Court of India sub-committee regarding the potential environmental impact of the mines. The Ministry of Environment and Forests has received reports from expert organisations and has submitted the recommendations of Forest Advisory Committee to the Supreme Court. On 23 November 2007, the Supreme Court noted that it is not against the project in principle but needed certain safeguards for the development. Sterlite has filed an affidavit seeking clearance of the mining project. The Central Empowered Committee has filed its report and further directions from the Supreme Court are expected in the next hearing on the matter on 18 July 2008.

A petition was filed by an independent complainant with National Environment Appellate Authority challenging the grant of environmental clearance to the Jharsuguda project. The appeal was dismissed on 29 January 2008. The Petitioner has filed a Writ Petition in the High court, the hearing will take place on 24 July 2008.

Miscellaneous Disputes – Sterlite, HZL, MALCO and BALCO

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

The approximate value of claims against the companies total \$240.8 million (2007: \$155.1 million), of which \$32.9 million (2007: \$48.9 million) is included as a provision in the balance sheet as at 31 March 2008. In the view of the Directors, there are no significant unprovided liabilities arising from these claims.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

35. RELATED PARTY TRANSACTIONS

The information below sets out transactions and balances between the Group and various related parties in the normal course of business for the year ended 31 March 2008. These related parties include Sterlite Technologies Limited ('STL'), which is related by virtue of having the same controlling party as the Group, namely Volcan. At the Balance Sheet date, India Foils Limited ('IFL') an associate of the Group, is also regarded as a related party. However by virtue of the proposed sale of MALCO's entire stake in IFL to a third party, IFL will cease to be a related party from the date of completion of the sale transaction.

STERLITE TECHNOLOGIES LIMITED ('STL')

	31 March 2008 \$ million	31 March 2007 \$ million
Sales to STL	81.2	59.0
Sale of aluminium conductor division	-	32.3
Reimbursement of expenses	0.1	0.2
Purchases	0.3	1.1
Amounts receivable at year end	20.7	11.0

Pursuant to the terms of the Shared Services Agreement dated 5 December 2003 entered into by the Company, Sterlite and STL, the Company and Sterlite provide various commercial services in relation to STL's businesses on an arm's length basis and at normal commercial terms. For the year ended 31 March 2008, the commercial services provided to STL were performed by certain senior employees of the Group on terms set out in the Shared Services Agreement. The services provided to STL in that year amounted to \$29,646 (2007: \$21,940).

TWINSTAR INVESTMENTS LIMITED

Twin Star Investments Limited is a related party as it is controlled by members of Agrawal family. The balance outstanding at 31 March 2008 was \$nil (2007: \$0.7 million).

TWIN STAR INTERNATIONAL (TSI)

During the year ended 31 March 2007, the Group advanced \$20.9 million of loans to TSI. No such loans were advanced in 2008 and TSI was sold off as part of Sterlite Gold disposal, as detailed in note 32b.

TWIN STAR INFRASTRUCTURE LIMITED

Sterlite Energy had issued cumulative convertible preference shares to Twin Star Infrastructure Limited prior to its acquisition by the Group and an amount of \$7.0 million was outstanding as at 31 March 2008 (2007: \$6.5 million). During the year ended 31 March 2008, Sterlite Energy paid dividends on the cumulative convertible preference shares of \$4,019 (2007: \$3,544) to Twin Star Infrastructure Limited.

STERLITE FOUNDATION

During the year, \$0.8 million was paid to the Sterlite Foundation (2007: \$0.7 million).

Sterlite Foundation is a registered not-for-profit entity engaged in computer education and other related social and charitable activities. The major activity of the Sterlite Foundation is providing computer education for disadvantaged students. The Sterlite Foundation is a related party as it is controlled by members of the Agrawal family.

SESA GOA COMMUNITY FOUNDATION LIMITED

Following the acquisition of Sesa Goa, the Sesa Goa Community Foundation Limited became a related party of the Group on the basis that key management personnel of the Group have significant influence on Sesa Goa Community Foundation Limited. During the year ended 31 March 2008, \$0.2 million was paid to the Sesa Goa Community Foundation Limited.

THE ANIL AGARWAL FOUNDATION (FORMERLY VEDANTA FOUNDATION)

During the year, \$0.2 million (2007: \$0.1 million) was received from the Anil Agarwal Foundation towards reimbursement of administrative expenses. The Anil Agarwal Foundation is a registered not-for-profit entity engaged in social and charitable activities. The Anil Agarwal Foundation is controlled by members of the Agarwal family.

35. RELATED PARTY TRANSACTIONS CONTINUED**IFL**

	Year ended 31 March 2008 \$ million	Year ended 31 March 2007 \$ million
Sales to IFL	35.2	43.9
Guarantees	45.5	41.8
Trade receivables and advances	9.2	8.8
Loans receivable at year end	11.0	6.2

During the year ended 31 March 2008, the Group advanced \$1.2 million to IFL as short-term advances (2007: \$1.2 million). The Group has given corporate guarantees to certain banks and financial institutions in relation to IFL, an associate of the Group. The Group has recognised a provision of \$27.3 million in the financials statements representing its obligations to IFL (2007: \$17.3 million), including the loans receivable outlined as above. The trade receivable are operating in nature and are considered recoverable. Further information is provided in note 15.

VOLCAN

	31 March 2008 \$ million	31 March 2007 \$ million
Reimbursement of bank charges	(0.3)	(0.4)

In relation to the shares of Sterlite held by Twin Star, MALCO issued guarantees to the Income Tax Department of India, at the request of Volcan. The amount payable for the year ended 31 March 2008 was \$0.3 million (2007: \$0.4 million).

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

REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

	Year ended 31 March 2008 \$ million	Year ended 31 March 2007 \$ million
Short-term employee benefits	12.9	5.3
Post-employment benefits	0.5	0.3
Share-based payments	2.4	0.7
	15.8	6.3

36. SHARE TRANSACTIONS**CALL OPTIONS – KCM**

The Group purchased a 51.0% holding in KCM on 5 November 2004, from ZCI and ZCCM, which hold 28.4% and 20.6% interests, respectively. At the time of purchase several call options were granted over the KCM shares held by the Group, ZCI and ZCCM as set out below.

As part of the acquisition of KCM, the Group acquired call options over ZCI's holdings in KCM exercisable in certain circumstances. The option exercise period commences on the earlier of the date of approval by the Government of Zambia of any application by KCM to develop the Konkola Ore Body Extension Project, and the date immediately succeeding the last day of four consecutive quarters during which ore is extracted at a rate of 3.0 million tpa or more, provided that prior to such date, ZCI and ZCCM had not exercised their primary call options referred to below. In either case, the option exercise period terminates 24 months after the date on which the call option becomes exercisable or the date of any material amendment, cessation or abandonment of the Konkola Ore Body Extension Project other than in accordance with the provisions of the KCM shareholders' agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

36. SHARE TRANSACTIONS CONTINUED

Also as part of acquisition agreement, ZCI and ZCCM were each granted a primary call option over the Group's interest in KCM in proportion to their own shareholdings in KCM, exercisable in certain circumstances. The option exercise periods are 24 month periods commencing on either:

- 31 December 2009, provided that prior to such date: KCM does not proceed with the development of the Konkola Ore Body Extension Project, the Group has not exercised its call option over the ZCI shares and sufficient evidence has not been provided to ZCCM and ZCI that the rate of ore extraction during the five year period from 1 January 2013 to 31 December 2017 is expected to be more than 175,000 tpa (the 'Production Condition'); or
- 31 December 2014, provided that prior to 31 December 2009 sufficient evidence has been provided that the Production Condition will be met, and that otherwise the same conditions above apply.

ZCI and ZCCM were also assigned a secondary call option that vests either: where one party confirms to the other, and the Group, that it does not wish to exercise its primary option; or where the primary option is not exercised before the expiry of the relevant 24 month exercise period (the 'End Date'). The secondary call option is exercisable up to 15 days after the End Date and allows ZCI and ZCCM to acquire the shares held by the Group in KCM that are subject to the primary call option.

The exercise price for all options is at a value to be agreed by the Group and ZCI or ZCCM as applicable or failing agreement, at fair market value determined by an independent valuer.

These options have now expired due to the exercise by Vedanta of its call option over ZCI's shares in KCM, details of which are given below. During 2006, a notice was sent by the Group to ZCI to exercise the option to acquire its 28.4% stake in KCM. On 18 January 2008, Vedanta and ZCI agreed upon an option exercise price, as determined by an independent valuer. On 9 April 2008, Vedanta completed the acquisition, paying consideration in cash of US\$213.2 million and taking the Group's holding in KCM to 79.4%.

At 31 March 2008, the Group recognised a current liability in trade and other payables for \$213.2 million, representing the amount contractually due to ZCI for the acquisition of its shares. The Group has recognised an equivalent decrease to equity, representing the anticipated reduction in minority interests in respect of the incomplete transaction.

CALL OPTION - HZL

With effect from 11 April 2007, SOVL has the right to purchase all of the Government of India's remaining shares in HZL at fair market value. As at 31 March 2008, the government's holding in HZL was 29.5% (2007: 29.5%). The option has no expiry date. The Group has not yet exercised the option. The Group continues to engage in talks with the government of India to agree on a process to complete the transaction.

CALL OPTION - BALCO

Sterlite purchased a 51.0% holding in BALCO from the Government of India on 2 March 2001. Under the terms of this purchase agreement for BALCO, Sterlite has a call option that allows it to purchase any remaining government holding in BALCO at any point from 2 March 2004. Sterlite exercised this option on 19 March 2004. However, the government of India has contested the purchase price and validity of the option. The Group sought an interim order from the High Court of Delhi to restrain the Government of India from transferring or disposing of its shareholding pending resolution of the dispute. However, the Court directed on 7 August 2006 that the parties attempt to settle the dispute by way of amicable negotiation and conciliation. As directed by the court, mediation proceedings were conducted and the Group believes that the mediation process has been completed. The Group is now awaiting further communication from the Government of India on this matter.

37. PRINCIPAL SUBSIDIARIES

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

Subsidiaries	Principal activities	The Company's economic percentage holding		Country of incorporation	Immediate holding company	Immediate percentage holding	
		31 March 2008	31 March 2007			31 March 2008	31 March 2007
Bharat Aluminium Company Limited ('BALCO')	Aluminium mining and smelting	30.5%	38.7%	India	Sterlite	51.0%	51.0%
Copper Mines Of Tasmania Pty Limited ('CMT')	Copper mining	59.9%	75.9%	Australia	MCBV	100.0%	100.0%
Fujariah Gold	Gold mining and processing	59.9%	-	UAE	CMT	100.0%	-
Hindustan Zinc Limited ('HZL')	Zinc and mining and smelting	38.9%	49.3%	India	SOVL	64.9%	64.9%
The Madras Aluminium Company Limited ('MALCO')	Aluminium mining and smelting	80.0%	80.0%	India	Twin Star	80.0%	80.0%
Monte Cello BV ('MCBV')	Holding company	59.9%	75.9%	Netherlands	Sterlite	100.0%	100.0%
Monte Cello Corporation NV (MCNV')	Holding company	100.0%	100.0%	Netherlands	Twin Star	100.0%	100.0%
Konkola Copper Mines PLC ('KCM')	Copper mining and smelting	51.0%	51.0%	Zambia	VRHL	51.0%	51.0%
Sterlite Energy Limited ('SEL')	Energy generation	59.9%	-	India	Sterlite	100.0%	100.0%
Sesa Goa Limited ('Sesa Goa')	Iron ore	51.2%	-	India	Finsider	51.2%	-
Sesa Industries Limited	Iron ore	45.2%	-	India	Sesa Goa	88.3%	-
Sterlite Industries (India) Limited ('Sterlite')	Copper smelting	59.9%	75.9%	India	Twin Star	57.0%	72.3%
Sterlite Opportunities and Venture Limited (SOVL')	Holding company	59.9%	75.9%	India	Sterlite	100.0%	100.0%
Sterlite Paper Limited ('SPL')	Non-trading	59.9%	75.9%	India	Sterlite	100.0%	100.0%
Thalanga Copper Mines Pty Limited ('TCM')	Copper mining	59.9%	75.9%	Australia	MCBV	100.0%	100.0%
Twin Star Holding Limited ('Twin Star')	Holding company	100.0%	100.0%	Mauritius	VRHL	-	100.0%
Vedanta Aluminium Limited ('VAL')	Alumina mining, aluminium refining and smelting	88.2%	92.9%	India	Twin Star	70.5%	70.5%
Richter Holding Limited ('Richter'), Cyprus	Financing company	100.0%	-	Cyprus	VRCL	100%	-
Westglobe Limited	Financing company	100.0%	-	Mauritius	Richter	100%	-
Finsider International Company Limited	Financing company	100.0%	-	Great Britain	Richter	60.0%	-
Vedanta Resources Holding Limited ('VRHL')	Holding company	100.0%	100.0%	Great Britain	VR plc	100.0%	100.0%
Vedanta Resources Finance Limited ('VRFL')	Financing company	100.0%	100.0%	Great Britain	VRHL	100.0%	100.0%
Vedanta Resources Cyprus Limited ('VRCL')	Financing company	100.0%	100.0%	Cyprus	VRFL	100.0%	100.0%
Vedanta Finance (Jersey) Limited ('VFJL')	Financing company	100.0%	100.0%	Jersey(CI)	VR plc	100.0%	100.0%
Welter Trading Limited	Financing company	100.0%	100.0%	Cyprus	VRHL	100.0%	100.0%
Twin Star International Limited ('TSI')	Financing company	-	100.0%	Mauritius	Welter	100.0%	100.0%
Sterlite Gold Limited ('Sterlite Gold')	Holding company	-	83.7%	Canada	TSI	-	83.7%
Ararat Gold Recovery LLC ('AGRC')	Gold mining and processing	-	83.7%	Armenia	Sterlite Gold	-	100.0%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

38. POST BALANCE SHEET EVENTS

On 9 April 2008, the Group completed the exercise of its option over ZCI's share in KCM for a consideration of \$213.2 million. The transaction resulted in an acquisition of a further 28.4% interest in KCM's equity taking the Group's total holding to 79.4%. The balance of 20.6% is held by ZCCM (see note 36).

At completion, the Group will recognise a decrease to minority interests of approximately \$233.1 million and a net gain through equity of approximately \$19.9 million, after transaction costs. From 9 April 2008, the Group will consolidate 79.4% of the profits of KCM. At 31 March 2008, the fair value of the option has been recognised as a liability with a corresponding reduction in equity.

39. ULTIMATE CONTROLLING PARTY

At 31 March 2008, the ultimate controlling party of the Group was Volcan, which is controlled by persons related to the Executive Chairman, Mr Anil Agarwal. Volcan, which is incorporated in the Bahamas, does not produce Group accounts.

40. COMPANY BALANCE SHEET

	Year ended 31 March 2008 \$ million	Year ended 31 March 2007 \$ million
FIXED ASSET		
Tangible assets (note 42)	0.4	0.6
Investments in subsidiaries (note 43)	713.3	713.3
Investment in preference shares of subsidiaries (note 44)	1.5	0.2
Financial asset investment (note 45)	1.0	–
Derivative asset	15.3	67.5
	731.5	781.6
CURRENT ASSETS		
Debtors due within one year (note 46)	108.6	134.8
Debtors due after one year (note 46)	924.0	843.7
Current asset investments (note 47)	229.1	278.4
Cash at bank and in hand	0.3	0.5
	1,262.0	1,257.4
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade and other creditors (note 48)	(14.1)	(9.7)
	(14.1)	(9.7)
	1,247.9	1,247.7
TOTAL ASSETS LESS CURRENT LIABILITIES		
	1,979.4	2,029.3
CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR (NOTE 49)		
Amounts due to subsidiary undertakings	(626.1)	(602.3)
Bond	(615.9)	(581.2)
Derivative liabilities	(22.4)	(18.6)
	(1,264.4)	(1,202.1)
NET ASSETS		
	715.0	827.2
CAPITAL AND RESERVES		
Called up equity share capital (note 50)	28.8	28.8
Share premium account (note 50)	20.0	18.7
Share-based payment reserve (note 50)	15.6	7.3
Convertible bond reserve (note 50)	115.7	119.5
Other reserves (note 50)	(1.3)	–
Profit and loss account (note 50)	536.2	652.9
EQUITY SHAREHOLDERS' FUNDS		
	715.0	827.2

Approved by the Board on 14 May, 2008.

ANIL AGARWAL
CHAIRMAN

KK KAURA
CHIEF EXECUTIVE

41. COMPANY ACCOUNTING POLICIES

The Vedanta Resources plc ('the Company') balance sheet and related notes have been prepared in accordance with United Kingdom Generally Accepted Accounting Principles and UK company law ('UK GAAP'). The financial information has been prepared on an historical cost basis. As permitted by section 230 of the Companies Act, the profit and loss account of the parent company is not presented as part of these financial statements.

SIGNIFICANT ACCOUNTING POLICIES

Investments in Subsidiaries

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

Investment in Preference Shares of Subsidiaries

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

Currency Translation

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

Tangible Fixed Assets

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

Deferred Taxation

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

Share-based Payments

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

Borrowings

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

Financial Instruments

The Company has elected to take the exemption provided in paragraph 3C (b) of FRS 25 in respect of these parent company financial statements. Full disclosures are provided in note 26 to the consolidated financial statements of the Group for the period ended 31 March 2008.

Derivative Financial Instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

41. COMPANY ACCOUNTING POLICIES CONTINUED

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

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

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

Cash Flow Statement

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

Related Party Disclosures

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

42. COMPANY TANGIBLE FIXED ASSETS

	\$ million
COST	
At 1 April 2007	1.0
Additions	–
AT 31 MARCH 2008	1.0
ACCUMULATED DEPRECIATION	
At 1 April 2007	0.4
Charge for the period	0.2
AT 31 MARCH 2008	0.6
NET BOOK VALUE	
AT 1 APRIL 2007	0.6
AT 31 MARCH 2008	0.4

43. INVESTMENTS IN SUBSIDIARIES

	\$ million
COST	
At 1 April 2007	713.3
AT 31 MARCH 2008	713.3

At 31 March 2008, the Company held 139,559,950 shares in VRHL (2007: 139,559,950 shares), being 100.0% of VRHL's issued equity share capital. The Company also held one deferred share in VRHL (2007: one). At 31 March 2008, the Company held two shares in Vedanta Finance Jersey Limited ('VFJL') being 100.0% of its issued equity share capital (2007: two). VRHL is an intermediary holding company incorporated in England and Wales. VFJL is a company established to raise funds for the Vedanta Group via a convertible bond issue and is incorporated in Jersey.

44. INVESTMENT IN PREFERENCE SHARES OF SUBSIDIARIES

	\$ million
FAIR VALUE	
At 1 April 2007	0.2
Additions	1.3
AT 31 MARCH 2008	1.5

As at 31 March 2008, the Company held 1,501,000 preference shares in VFJL (2007: 201,000). These shares, issued in 2007, entitle the holder to a dividend of 4.6% of their face value.

45. FINANCIAL ASSET INVESTMENT

	\$ million
FAIR VALUE	
At 1 April 2007	-
Additions	2.3
Fair value movement in investment	(1.3)
AT 31 MARCH 2008	1.0

The investment relates to an equity investment in Strata Gold Corporation. At 31 March 2008, the investment in Strata Gold Corporation was revalued and a loss of \$1.3 million was recognised in equity.

46. COMPANY DEBTORS

	31 March 2008 \$ million	31 March 2007 \$ million
Amounts due from subsidiary undertakings	1,030.7	976.1
Deferred tax asset	0.7	0.7
Other debtors	0.1	0.4
Prepayments and accrued income	0.3	0.5
Corporation tax receivable	0.6	0.6
Other taxes	0.2	0.2
TOTAL	1,032.6	978.5
Debtors due within one year	108.6	134.8
Debtors due after one year	924.0	843.7
Total	1,032.6	978.5

AMOUNTS DUE FROM SUBSIDIARY UNDERTAKINGS

The loan due from Twin Star International Limited of \$20.9 million as at 31 March 2007 was settled during the year. The loan bore interest at LIBOR plus 100 basis points. Included in the loan balance, at 31 March 2007 was accrued interest of \$0.9 million.

At 31 March 2008, the Company had loans due from VRHL of \$967.5 million (2007: \$934.8 million) which represented the downstreaming of funds to the Indian operating subsidiaries. The loan bears interest at US dollar six months LIBOR plus 350 basis points. In addition to the loans, the Company was owed \$16.9 million of accrued interest (2007: \$5.1 million). At 31 March 2008, the Company had \$46.3 million of other amounts due from subsidiary undertakings (2007: \$15.3 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

47. COMPANY CURRENT ASSET INVESTMENTS

	31 March 2008 \$ million	31 March 2007 \$ million
Bank term deposits	–	243.1
Short-term unit trusts and liquidity funds	229.1	35.3
Total	229.1	278.4

48. COMPANY CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2008 \$ million	31 March 2007 \$ million
Trade creditors	1.6	0.9
Accruals and deferred income	12.5	8.8
TOTAL	14.1	9.7

49. COMPANY CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	31 March 2008 \$ million	31 March 2007 \$ million
Loan from subsidiary	626.1	602.3
Bond	615.9	581.2
Derivative liability	22.4	18.6
TOTAL	1,264.4	1,202.1

Loans from subsidiaries include a loan from VFJL relating to its issue of \$725.0 million convertible bonds in the year ended 31 March 2006. In 2008, interest was charged at the effective interest rate of 6.16% (2007: 6.18%).

Loans from subsidiaries also include \$20.0 million payable to Welter Trading Limited in respect of funds received (2007: \$nil).

During the year ended 31 March 2005, the Company issued a \$600.0 million bond with a coupon rate of 6.625% that matures in February 2010. Further details are provided in note 22 to the Group financial statements.

50. COMPANY RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	Share capital \$ million	Share premium account \$ million	Share-based payment reserve \$ million	Convertible bond reserve \$ million	Profit and loss account \$ million	Other reserves \$ million	Total \$ million
Equity shareholders' funds at 1 April 2007	28.8	18.7	7.3	119.5	652.9	–	827.2
Loss for the year	–	–	–	–	(20.5)	–	(20.5)
Dividends paid	–	–	–	–	(104.3)	–	(104.3)
Exercise of LTIP awards	–	–	(4.5)	–	4.5	–	–
Recognition of share-based payments	–	–	12.8	–	–	–	12.8
Conversion of convertible bond (note 25)	–	1.3	–	(0.2)	–	–	1.1
Convertible bond reserve transfer	–	–	–	(3.6)	3.6	–	–
Movement in fair value of financial investments (note 45)	–	–	–	–	–	(1.3)	(1.3)
Equity shareholders' funds at 31 March 2008	28.8	20.0	15.6	115.7	536.2	(1.3)	715.0

51. COMPANY CONTINGENT LIABILITIES

The Company has guaranteed \$723.5 million convertible bonds issued by VFJL (2007: \$724.8 million). See note 25 to the Group financial statements for further details on the convertible bonds. The Company also has issued other guarantees of \$150.0 million supplied to concentrate suppliers.

52. COMPANY SHARE-BASED PAYMENT

The Company had the following LTIP awards outstanding as at 31 March 2008. See note 29 to the Group financial statements for further details on these share-based payment awards.

Year of grant	Exercise date	Exercise price US cents per share	Options outstanding 1 April 2007	Options granted during the year	Options lapsed during the year	Options exercised during the year	Options outstanding 31 March 2008
2004	26 February 2007 to 26 August 2007	10	120,000	-	-	120,000	-
2006	1 February 2009 to 1 August 2009	10	31,500	-	-	-	31,500
2007	1 February 2008 to 1 August 2008	10	7,150	-	-	7,150	-
2007	14 November 2010 to 14 May 2011	10	-	12,700	-	-	12,700
			158,650	12,700	-	127,150	44,200