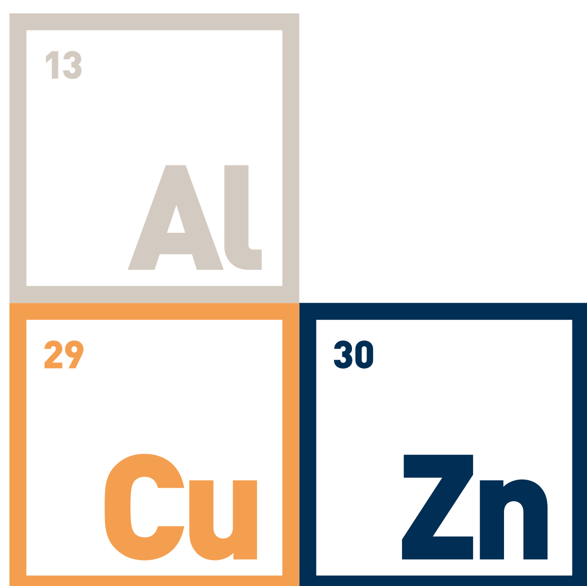
vedanta



WORLD CLASS RESOURCES + ACCELERATED GROWTH = DELIVERING VALUE

VEDANTA RESOURCES PLC
ANNUAL REPORT 2007

Vedanta is a FTSE 100 metals and mining company. Our principal operations are in India, Zambia and Australia. The major metals produced are aluminium, copper, zinc and lead.

DELIVERING VALUE THROUGH EXCELLENCE

Our mission is to create a world-class metals and mining group and generate strong financial returns.

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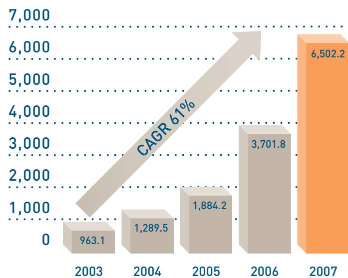
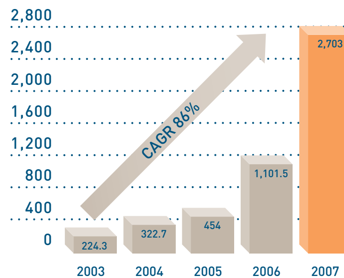
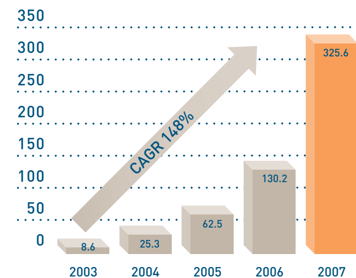
REVENUES ($ MILLION)



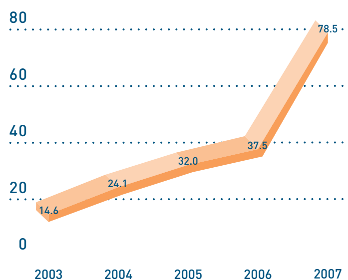
EBITDA ($ MILLION)



BASIC EPS (US CENTS)

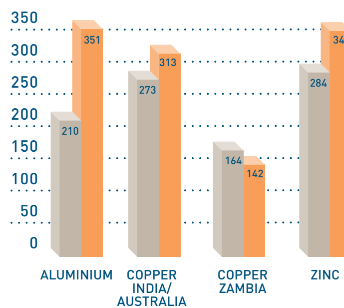


ROCE* (%)

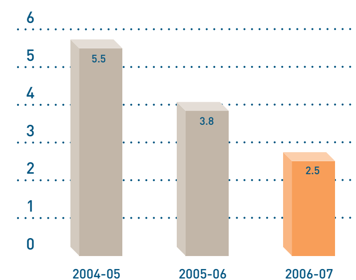


* ROCE excludes capital work in progress

PRODUCTION (KT)



LTIFR (HEALTH AND SAFETY)



ANOTHER YEAR OF RECORD FINANCIAL PERFORMANCE

- Group revenue up **75.6%** to **$6,502.2 million** and Group EBITDA up **145.4%** to **$2,703.0 million**, driven by better prices and strong volume growth
- Underlying EPS up **151.2%** at **327 US cents**
- Free cash flow increased by **137.0%** to **$1,504.2 million**
- ROCE (excluding project capital work in progress) significantly higher at **78.5%**, up from **37.9%**
- Final dividend proposed at 20 US cents per share bringing full year dividend to 35 US cents per share

SECTOR LEADING ORGANIC GROWTH

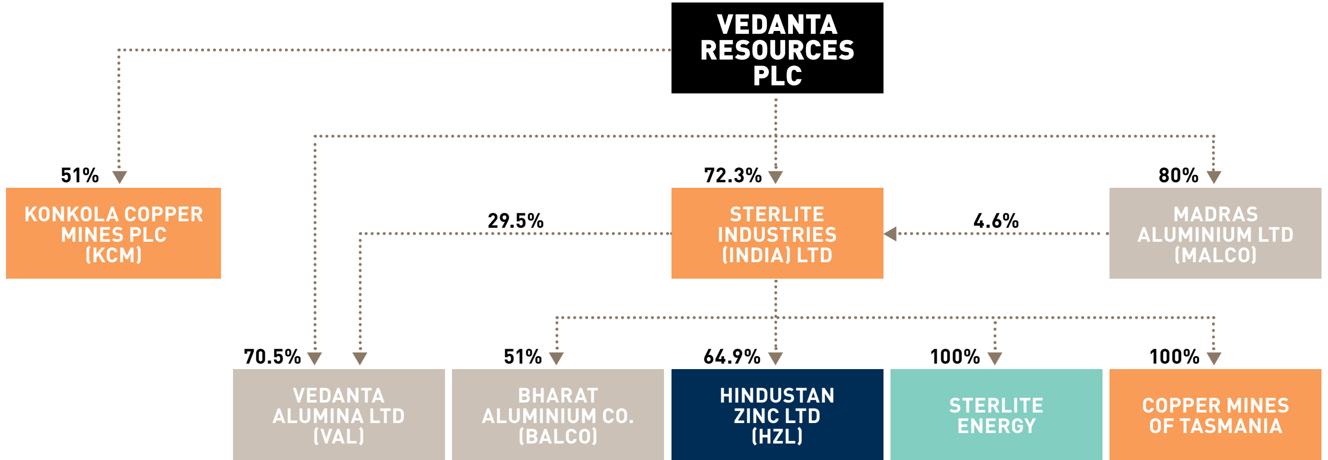
- $7.5 billion investment programme
- First phase of $2.2 billion completed on time and within budget
- The next phase of $5.3 billion under implementation and on schedule
  - Lanjigarh alumina refinery completed and ramping up in progress
  - Work progressing well on $2.1 billion Jharsuguda aluminium project
  - Expansion projects in HZL ahead of schedule and KCM on track
  - Work on 2,400 MW independent power project commenced

LEVERAGING ESTABLISHED SKILLS

- $1.0 billion acquisition of Sesa Goa post year-end provides entry into very attractive iron ore business

02 VEDANTA AT A GLANCE

GROUP STRUCTURE



OUR OPERATIONS

INDIA

Aluminium

1. Korba complex (BALCO) 345 ktpa
2. Mettur (MALCO) 40 ktpa
3. Lanjigarh refinery (VAL) 1-1.4 mtpa
4. Jharsuguda project (VAL) 500 ktpa

Commercial Engery

4. Sterlite Energy 2400 MW independent power project

Copper

11. Tuticorin (Sterlite) 400 ktpa
12. Silvassa refinery and rod plant

Zinc

5. Vizag (HZL) 56 ktpa
6. Rampura Agucha (HZL) 53.4m tonnes
7. Chanderiya complex 275 ktpa zinc 85 ktpa lead
8. Debari (HZL) 80 ktpa zinc
9. Rajpura Dariba (HZL) 9.4m tonnes
10. Zawar mine 5.8m tonnes (HZL)

Mine — Smelter — Refinery — Rod plant

TASMANIA

1. Mt Lyell Mine

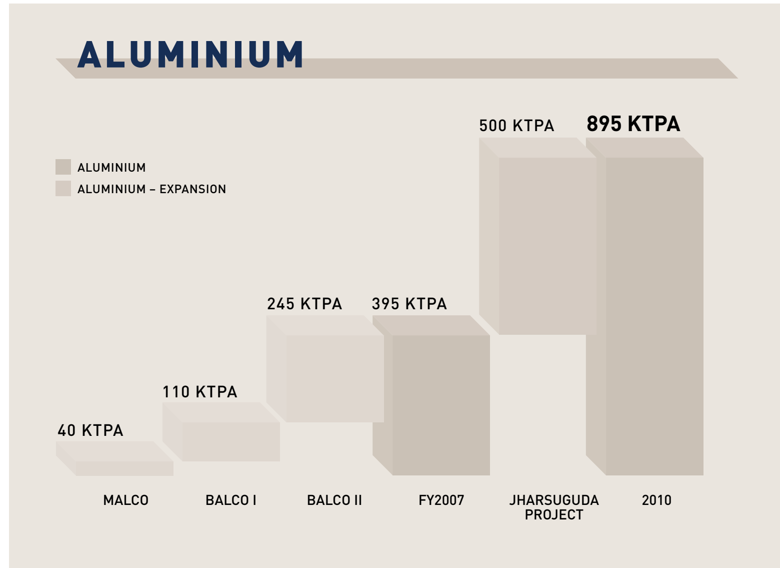
ZAMBIA

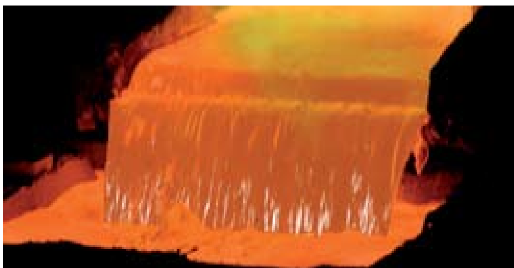
1. Nchanga u/g mine
2. Nchanga o/p mine
Konkola u/g mine
Tailing leach plant
3. Nkana smelter Copper smelter, refinery and acid plant
4. Nampundwe u/g mine on pyrite mine

In 2007, we made significant progress by:

- Attaining full capacity at the new Korba smelter, now fully stabilised; and
- Commissioning the first stream of Lanjigarh aluminium refinery and began charging bauxite.

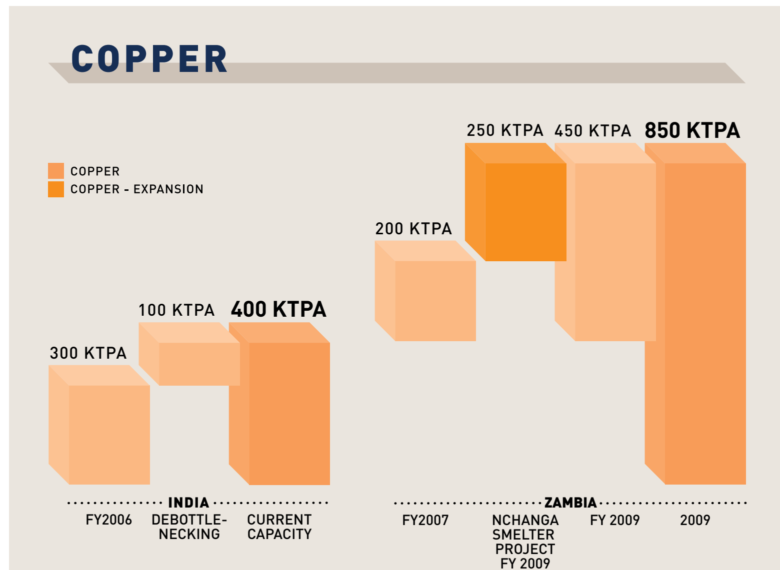
Currently engaged in the construction of 500 ktpa Jharsuguda aluminium smelter in two phases.

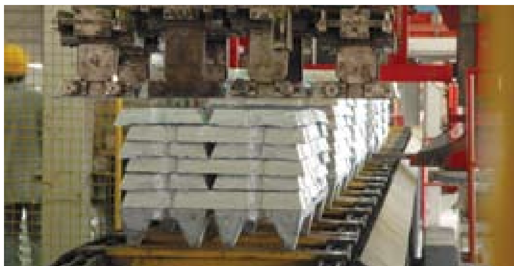




In 2007, we made significant progress by:

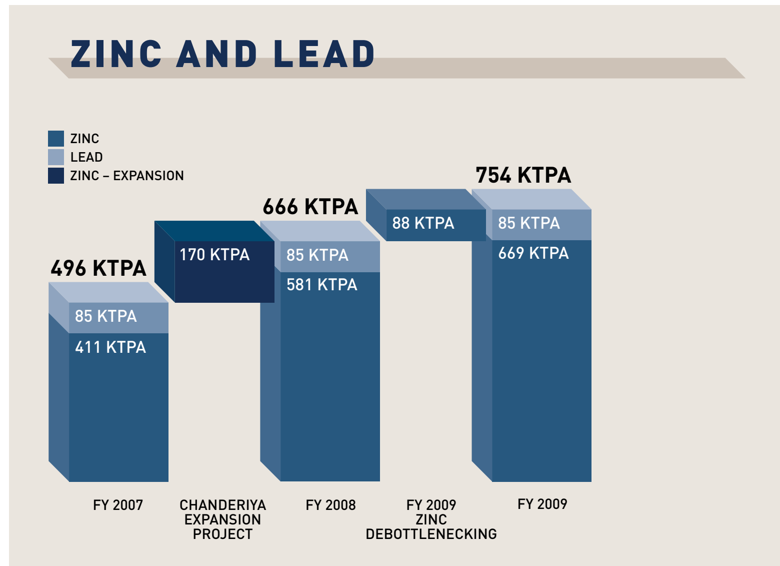
- Completing debottlenecking initiative at Tuticorin – increased capacity by 100 ktpa; and
- Currently engaged in construction of a smelter at Nchanga to set up additional capacity of 200 ktpa.





Currently engaged in:

- Construction of a 170 ktpa smelter at Chanderiya; and
- Debottlenecking initiative for 88 ktpa at Chanderiya and Debari.



04 YEAR IN REVIEW

JULY 2006
Disposal of conductor division, a non-core business

AUGUST 2006
Mid Day meal programme – Gangrar kitchen fully functional

OCTOBER 2006
Actively participated in Jimmy Carter's 'Habitat for Humanity' work project

OCTOBER 2006
New Korba smelter fully ramped-up

NOVEMBER 2006
Announce entry into commercial power generation

DECEMBER 2006
Successfully completed debottlenecking at the Tuticorin smelter

JANUARY 2007
Shaft sinking in progress at KDMP

MARCH 2007
First stream of Lanjigarh alumina refinery successfully commissioned

MARCH 2007
Successfully commissioned a 38.4 MW wind energy farm

06 CHAIRMAN'S STATEMENT

'Vedanta Resources is emerging as an exceptional diversified mining company with a world class resource base. Our record of delivery continues with strong financial results and project completions on time and within budget. The $2.2 billion of growth projects that we set out at the time of our IPO have essentially been completed and a further $5.3 billion of projects are well underway, taking us towards our goal of one million tonnes in each of our metals.'

"Our project pipeline is unique in our industry as is our proven ability to deliver organic growth. Together with our successful diversification into iron ore and power, we are in a strong position to deliver superior returns to our shareholders."

Performance in 2007

I am delighted to report that our group has delivered another excellent year's result. We reported revenues of $6.5 billion, up 76% over last year with a record EBITDA of $2.7 billion, up 145%. Return on capital employed (excluding project capital work in progress) more than doubled to 78.5%. Our portfolio of existing assets and completed expansion projects continue to yield superior performance and we continue to make investments that will drive sustainable long-term growth. We are emerging as an exceptional diversified mining company with world class resources. Our record of delivery continues with project completions on time and within budget and strong financial results.

Accelerating Organic Growth

We are implementing a $7.5 billion organic growth programme. The $2.2 billion expansion programme announced at the time of our IPO in December 2003 in aluminium, zinc and copper pipeline is now almost complete. The next phase of our expansion announced at a total cost of $5.3 billion is now well underway. Aimed at creating one million tonnes in each of our metals, with industry leading capital costs and record time to commissioning, this offers a solid foundation for continued growth and value creation. These growth projects are fully funded and we believe will deliver superior returns on our capital investment. Rigorous discipline in evaluating projects and maintaining the financial flexibility of a strong balance sheet continue to underpin every single capital investment that we make.

We began construction of a 2,400MW Independent Power Project in Jharsuguda, at an estimated cost of $1.9 billion, scheduled for completion in 2010. India has large thermal coal resources of over 250 billion tonnes. The coal industry is in the process of government deregulation, which will enable us to obtain coal blocks for our power plants.

Diversification Through Leveraging Established Skills

I am delighted to announce our 51% acquisition of Sesa Goa Ltd., a high quality iron ore company in India, for $1.0 billion, shortly after the year end. This acquisition is a natural fit for Vedanta and provides us with strong growth potential by leveraging our established project and mining skills. It provides us with a strategic leadership position in an important bulk commodity and places us in an ideal position to capitalise on India's huge iron ore reserves, the world's third largest.

Consolidation of Minorities

The consolidation of our corporate structure remains a key pillar of our strategy. We have made significant strides on this front, with our share of attributable profits currently at 51.5%, up from 36.5% in September 2003. However, I believe further significant opportunities lie ahead of us, in respect of our buyouts of the minority stakes in BALCO, KCM and HZL. I look forward to reporting progress on these initiatives during the year. Also, our recent acquisition of Sesa was accompanied by an open offer to acquire an additional 20% of that company, which we expect to conclude by July of this year.

Aerial view of the potline at the upcoming Jharsuguda project

DELIVERING STRONG RESULTS THROUGH ADDED VALUE

People
The past year demonstrates the power of literally tens of thousands of high calibre individuals working together to move our organisation forward. It gives me great satisfaction to see where we are as a company as well as great enthusiasm for Vedanta's future. The women and men of our company have driven superior results by executing our ambitious targets, while remaining true to our values. The success story that I am able to report in this statement is due to their passion, commitment and contribution which deserves the highest praise and recognition.

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

Sustainable Development
Sustainable development is an integral part of our business philosophy. The processes and performance on safety, health, environment and community development continue to evolve in line with the vision set out as part of our HSE and social policies. Efforts in the areas of lost time injuries and conservation of natural resources such as water and energy yielded particularly positive results.

We lay much emphasis on enhancing the quality of life for the communities in which we operate. Our focus on health and education continues in partnership with local and regional authorities. The midday meal scheme in Chittorgarh, Rajasthan positively impacting the lives of nearly two hundred thousand children is an initiative that is especially close to my heart.

Outlook
Global demand for metals continues to be strong on the back of strong consumption from China, India and other emerging markets, supported by increased activity from industrial and infrastructure sectors. Economic and industrial growth in India will continue to drive double digit growth in our commodities. With our recently concluded acquisition of Sesa, our product portfolio now mirrors India's rich resource deposits. Our project pipeline is unique in our industry as is our proven ability to deliver organic growth, resulting in superior returns to our shareholders.

ANIL AGARWAL
Chairman

15 May 2007

08 INTRODUCTION TO BUSINESS REVIEW

We are a diversified metals and mining group with principal operations in India, Australia and Zambia. We primarily produce aluminium, copper, zinc and lead.

Quality control in progress at Lanjigarh refinery

Our goal is to create a world class metals and mining business and generate strong financial returns for our shareholders. We seek to achieve this by:

- optimising and realising the full potential of our assets and reducing unit costs of production, including maximizing throughput, debottlenecking of existing capacities, increasing operational efficiencies and plant availability, reducing energy costs and consumption, increasing automation, improving recoveries, reducing raw material costs and seeking better utilisation of by-products;
- completing our growth pipeline projects within budget and on time to capitalise upon the growing demand for metals in India and abroad, particularly in China, South East Asia and Middle East;
- consolidating our group structure and continuing to increase our ownership in the underlying businesses; and
- leveraging established skills by seeking further growth opportunities in India and outside India in the metals and mining and related businesses.

The key strengths of our businesses are:

- world-class, high quality resources of global scale;
- focus on operational excellence;
- a strong competitive position in the growing Indian and Asian markets with a diversified portfolio;
- experience in operating and expanding our business, allowing us to capitalise on the growth and resource potential of India;
- management and execution teams with proven track record for value delivery and improving operational efficiency and profitability;
- a strong pipeline of expansion projects; and
- strong cash flows and robust balance sheet to pursue world class projects.

FY 2007 Performance Highlights

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

(in $ million, except as stated)	FY 2007	FY 2006	% change
Revenues			
Aluminium	**993.4**	453.0	119.3
Copper	**3,569.3**	2,241.3	59.3
– India/Australia	**2,553.4**	1,537.9	66.0
– Zambia	**1,015.9**	703.4	44.4
Zinc	**1,888.1**	875.5	115.7
Others	**51.4**	132.0	(61.1)
	6,502.2	3,701.8	75.6
EBITDA			
Aluminium	**415.4**	135.3	207.0
Copper	**833.9**	425.3	96.1
– India/Australia	**365.6**	219.0	66.9
– Zambia	**468.3**	206.3	127.0
Zinc	**1,453.9**	532.9	172.8
Others	**(0.2)**	8.0	(102.5)
	2,703.0	1,101.5	145.4
Operating Profit			
Aluminium	**358.4**	102.8	248.6
Copper	**746.6**	340.3	119.4
– India/Australia	**333.3**	177.3	88.0
– Zambia	**413.3**	163.0	153.6
Zinc	**1,402.8**	489.5	186.6
Others	**(0.3)**	12.9	(102.3)
Unallocated corporate expenses	**(1.6)**	(1.7)	(5.9)
	2,505.9	943.8	165.5
EBITDA Margin			
Aluminium	**41.8%**	29.9%	n/a
Copper	**23.4%**	19.0%	n/a
– India/Australia	**14.3%**	14.2%	n/a
– Zambia	**46.1%**	29.3%	n/a
Zinc	**77.0%**	60.9%	n/a
Group	**41.6%**	**29.8%**	**n/a**

Group revenues in FY 2007 were $6,502.2 million, an increase of 75.6% compared with the previous year with EBITDA more than doubled at $2,703.0 million. Operating profit in FY 2007 was $2,505.9 million, an increase of 165.5% compared with $943.8 million in the previous year. These increases were primarily due to higher volumes and better prices realised across all metals. The major increase in volume was in the Aluminium Business due to a substantial increase in production from the new Korba smelter and in zinc mined production leading to additional sales of zinc and lead concentrate during the year.

The revenue mix in FY 2007 has also changed primarily due to an increase in contribution from the Aluminium and Zinc

Bauxite transportation at Lanjigarh

Businesses, which more than doubled in absolute terms compared with FY 2006. Similarly, the absolute contribution of the Aluminium and Zinc Businesses to the EBITDA significantly increased due to higher revenue growth and higher EBITDA margins in these businesses as compared with FY 2006.

Operating costs were stable in all businesses, despite significant industry cost pressures due to increase in inflation, freight, power costs and raw material prices, except in respect of our Copper – Zambia operations where they have increased.

EBITDA margin increased to 41.6% from 29.8% in the previous year primarily due to higher production volumes, better price realisations and a change in the product and business mix.

Capital employed (excluding project capital work in progress) increased from $1,742.1 million to $2,328.7 million, an increase of $586.6 million. This was due to capitalisation of Phase 1 expansion projects, capital expenditure during FY 2007 incurred in Phase II projects and the consequent increase in working capital. Despite this increase, ROCE (excluding project capital work in progress) was 78.5% in FY 2007, up from 37.9% in the previous year mainly due to improved productivity and higher metal prices.

DELIVERING VALUE THROUGH EMERGING MARKETS

Work in progress at the Jharsuguda aluminium project

Business Outlook

Global metal demand continues to be healthy, on the back of strong demand from China and other emerging markets including India. India demonstrated a GDP growth of slightly over 9% in FY 2007 with corresponding industrial growth at 11% and is poised to grow at similar levels in FY 2008, with a focus on infrastructure development, faster industrialisation and other growth initiatives including a deregulation of power sector. At current estimates of longer-term metal demand growth, the world will need an additional 2.0 million tonnes of aluminium, 0.75 million tonnes of copper and 0.5 million tonnes of zinc approximately per year, which augers well for our growth initiatives.

Metal production across all our operations will improve in FY 2008 as a result of full capacity utilisation of the expansion and debottlenecking initiatives completed in FY 2007. With the improvement in productivity consequently to improvement in volumes and procurement and supply management initiatives, unit costs of production are also expected to reduce, towards our vision of achieving top decile costs of production in each of our metals.

Work on all of our projects is progressing well and we expect that they will be delivered on schedule. The progressive increase in volumes coupled with our low cost of production provides us with an excellent opportunity to take advantage of global demand growth and relatively insulate us from a downside in the commodity cycle.

Aluminium Business

Demand and Markets

World primary aluminium consumption increased from 32.0 million tonnes in CY 2005 to 34.7 million tonnes in CY 2006, an increase of 8.4%, and is expected to grow at similar levels in the coming year primarily due to increased demand in China. Global production of primary aluminium increased from 32.0 million tonnes in CY 2005 to 34.0 million tonnes in CY 2006, an increase of 6.3%, and is expected to reach c.38.0 million tonnes in CY 2007 due to rapid implementation of new capacity projects, ramp-up of idle capacities in China, smelter restarts in USA and Germany and further expansions in India, Middle East, Russia and South America.

Our engineers in discussion with technical consultants at the Jharsuguda aluminium project

The majority of aluminium produced in India is consumed in the building and construction, transport, electrical appliance and equipment and packaging industries. Indian demand for primary aluminium increased at a compound annual growth rate of 12.0% between CY2001–2006 on the back of high demand from the electrical, construction and transportation sector. Electrical applications continue to be the largest end-use sector in India, consuming approximately 35% of aluminium production in CY 2006 as a result of the continuing drive to provide electricity throughout the country. Transport is also a major consumer, contributing approximately 22% of demand, although the average aluminium use in Indian-made automobiles is still approximately one-third of that in western-made automobiles. The demand in India is likely to be robust on the back of strong GDP growth and will grow at similar levels.

Copper Business

Demand and Markets

Global refined copper consumption increased from 16.9 million tonnes in CY 2005 to 17.5 million tonnes in CY2006, an increase of 3.5% and is expected to grow at the same rate in CY 2007, driven mainly by demand from the construction and power sectors. Asia, including China, and Western Europe together account for nearly 72% of global refined copper consumption. With a compound annual growth rate of 7.6% between CY 2001–2006, Asia is currently the fastest growing copper market in the world and is expected to grow even more strongly, dominated by its use in electric wires and cables.

Global refined copper production increased from 16.6 million tonnes in CY 2005 to 17.4 million tonnes in CY 2006, an increase of 4.8%. Global production is expected to further increase to 19.2 million in CY 2007, primarily due to the commissioning of new smelters mainly in China, Africa, India and Japan.

In India, refined copper consumption increased at a compound annual growth rate of 8.9% between CY 2001–2006. It was supported by strong growth in user segments such as winding wires, power cables and other applications in construction, infrastructure and alloy segments, offset by a decline in demand for copper used in jelly filled telecom cables. Refined copper consumption in India is expected to grow in line with GDP growth.

Zinc Business

Demand and Markets

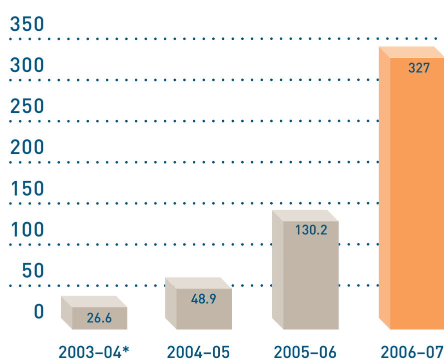
Global zinc consumption increased from 10.6 million tonnes in CY 2005 to 11.3 million tonnes in CY2006, an increase of 6.6%, and is expected to grow at similar rates fuelled by double-digit growth in China, India and other emerging markets. The key growth driver is demand from the steel galvanizing market, which is growing primarily due to robust demand from the automotive and automotive parts industries.

Global zinc production increased from 10.1 million tonnes in CY 2005 to 10.6 million tonnes in CY 2006, an increase of 4.9%, and is expected to further increase to 11.6 million tonnes in CY 2007 due to commissioning of new smelters.

Consumption of refined zinc in India increased at a compound annual growth rate of 9% between CY2003–2006, primarily by the galvanising sector, which currently accounts for an estimated 70% of total consumption. Galvanising is primarily applicable for sheet, tube and structural products. Applications in the construction and infrastructure sector are also increasing which will boost the overall growth of the market.

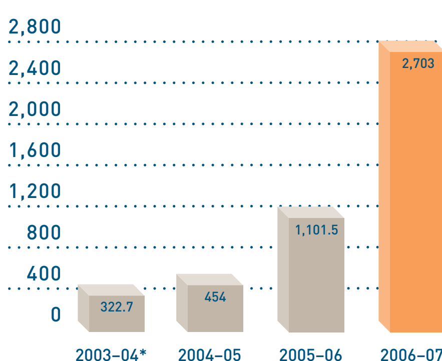
Key Performance Indicators

UNDERLYING EPS (US CENTS)



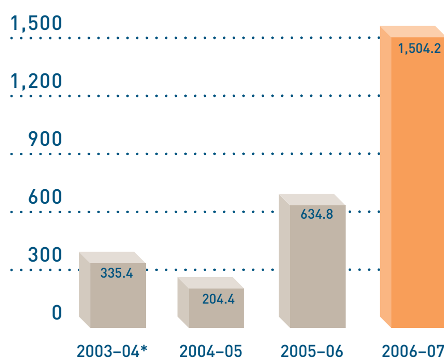
*Figures for 2004–07 are under IFRS and figures for 2003–04 are under UK GAAP

EBITDA ($ MILLION)



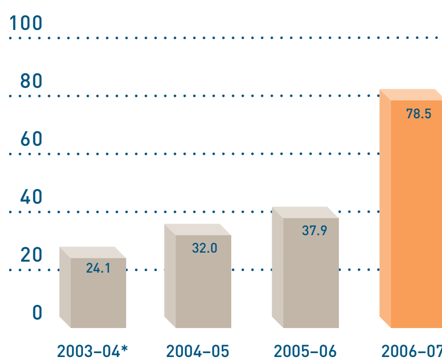
*Figures for 2004–07 are under IFRS and figures for 2003–04 are under UK GAAP

FREE CASH FLOW ($ MILLION)



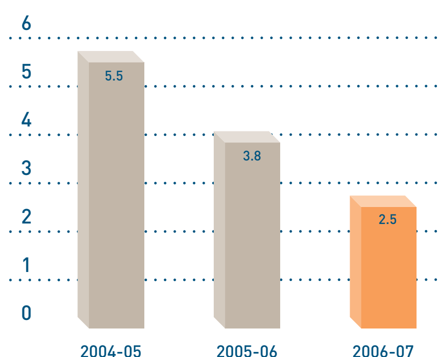
*Figures for 2004–07 are under IFRS and figures for 2003–04 are under UK GAAP

ROCE (%)
(excluding project capital WIP)



*Figures for 2004–07 are under IFRS and figures for 2003–04 are under UK GAAP

LTIFR (SAFETY)



Strategic objective	KPI	Description	Results
Shareholder value creation	Underlying earnings per share	Net profit attributable to equity shareholders and is stated before special items and their attributable tax and minority interest impacts. By producing a stream of profits and EPS we will be able to pay a progressive dividend to our shareholders. EPS growth also demonstrates the management of our capital structure.	US cents 327 per share in 2007 against US cents 130 per share in 2006, growth of 151%
	EBITDA	EBITDA is a factor of volumes, prices and cost of production. This measure is calculated by adjusting operating profit for special items plus depreciation and amortisation. Our objective is to take advantage of our low cost base and achieve the best possible margins across the Businesses.	EBITDA of $2,703 million in 2007 against $1,101.5 million, increase of 145% over 2006
	Free Cash Flow	This represents net cash flows before financing activities and investing activities in expansion projects and dividends pay out by Vedanta. This measure ensures that the profit generated by our assets is reflected by cash-flow in order to fund the future growth and development of the Group.	Free cash flow of $1,504 million in 2007 against $635 million in 2006, increase of 137%
	Return of Capital employed (ROCE %)	This is calculated on the basis of operating profit before special items and net of tax as a ratio of capital invested in operations as at the balance sheet date and excludes investment in project capital work in progress. The objective is to earn consistently a return (net of tax) above the weighted average cost of capital to ensure that capital is invested efficiently and this indicator measures the efficiency of our productive capital.	ROCE of 78.5% in 2007 against 37.9% in 2006
Safety	Lost time injury frequency rate (LTIFR)	The number of lost time injuries per million man hours worked.	LTIFR is 2.51 in 2007 against 3.84 in 2006
Sustainable development	Please see the narratives on pages 32 to 51.		
People	Please see the narratives on page 21 describing the Group's Human resources principles.		

Ingot production at the new Korba smelter

Business Overview

Our Aluminium Business comprises two operating companies, BALCO and MALCO. BALCO is a partially integrated aluminium producer with two bauxite mines, one refinery, two smelters, a fabrication facility and two captive power plants at Korba in central India. MALCO is a fully integrated producer with two bauxite mines, a captive power plant and refining, smelting and fabrication facilities at Mettur in southern India. Our primary products are aluminium ingots, rods and rolled products.

The performance of our Aluminium Business in FY 2007 is set out in the table below.

(in $ millions, except as stated)	FY 2007	FY 2006	% change
Production volumes (kt)			
– Alumina	**299**	296	1.0
– Aluminium	**351**	210	67.1
Average LME cash settlement prices ($/t)	**2,663**	2,028	31.3
Unit costs ($/t)			
– BALCO Plant 1	**1,510**	1,497	0.9
– BALCO Plant 2	**1,687**	2,045	(17.5)
– BALCO Plant 2 (excluding costs of alumina)	**740**	885	(16.4)
– MALCO	**1,664**	1,671	(0.4)
Revenue	**993.4**	453.0	119.3
EBITDA	**415.4**	135.3	207.0
EBITDA margin	**41.8%**	29.9%	n/a
Operating profit	**358.4**	102.8	248.6

Production Performance

Production of 351,000 tonnes of aluminium in FY 2007 was significantly higher than the previous year's production of 210,000 tonnes, an increase of 67.1%. This was primarily due to an increase in production due to the full ramp-up of our new Korba smelter, which produced 208,000 tonnes during the year. The stabilisation process of our new Korba smelter was quicker than estimated and as a result the plant has consistently achieved rated capacity in the last two quarters with the fourth quarter output at 62,000 tonnes. Our existing smelters at BALCO and MALCO produced 143,000 tonnes in FY 2007, marginally higher than their rated capacity, as a result of continuous improvement efforts. The captive power plants at Korba continue to operate at their rated capacity.

Unit Costs

The unit costs of BALCO's existing plant were broadly stable at $1,510 per tonne in FY 2007 compared with $1,497 per tonne in the previous year. The increase is primarily on account of higher input prices of carbon and fluoride which was largely offset by savings in power costs due to better operational efficiencies achieved at the power plants. Unit costs at MALCO were also affected by similar factors and were $1,664 per tonne, marginally down from $1,671 per tonne.

The unit costs of BALCO's new plant were $1,687 per tonne in FY 2007, a significant reduction from $2,045 per tonne in the previous year, primarily due to the full ramp-up of the new Korba smelter coupled with a softening in global alumina spot prices. Manufacturing costs excluding alumina reduced appreciably to $740 per tonne compared with $885 per tonne in FY 2006, despite pressure on input costs. The reduction was mainly due to the stabilisation of operating parameters in the smelter and operational efficiencies at the 540MW captive power plant. We continue to source alumina from third party vendors and achieved an average consumption cost of $947 per tonne of aluminium produced, a reduction from $1,160 per tonne in the previous year, mainly due to gradual softening of global alumina prices.

Sales

With the ramp-up of the new Korba smelter, a challenge was to increase our sales substantially in both the domestic and export markets. We were able to increase our market

CASE STUDY OPERATION PHOENIX

In May 2006, BALCO commissioned the new Korba smelter, comprising 288 pots, in record time, in collaboration with GAMI, China. The landmark moment was disrupted by a shutdown that very month, brought about by a power failure on account of a rainstorm.

The unfortunate event led to a great disappointment among the BALCO team, who undeterred by the odds, did not leave any stone unturned to overcome this challenge. To overcome the crisis, BALCO's young and enthusiastic team worked with their technology partners to restore and realign the operations. A total of 126 pots with frozen bath and metal pads as thick as 26–28 cm were to be dugout, repaired, relined and restarted. It was a marathon task. The synergized efforts of the all-functional teams led to the successful revival of the entire pot line in a record time of 100 days and BALCO could achieve full capacity output from October 2006 onwards.

Like the mythical Phoenix the new Korba smelter restarted with more zeal and vigour.

Potline control room at the new Korba smelter

shares in the domestic market and also develop export markets in South East Asia, the Middle East and Europe. We achieved export volumes close to 100,000 tonnes in FY 2007. We also obtained the LME registration for the aluminium ingots of the new Korba smelter under the brand 'BHARATAL'. This has improved the acceptability of our product and enabled an increase in premiums realised.

We continue to focus on improving our sales mix in terms of a higher tonnage of value added products such as rolled products, which rose by 26.1% in FY 2007 to 58,000 tonnes, including exports of hot rolled products. Sales of wire rods have also increased to 107,000 tonnes on the back of higher production from existing rod plants. These efforts will continue to maximise the share of value added products.

Financial Performance

Revenues in our Aluminium Business in FY 2007 increased by 119.3% to $993.4 million, with EBITDA at $415.4 million, an increase of 207.0% compared with FY 2006. The increase was primarily due to the substantial increase in production volumes from the new Korba smelter, improved product mix and higher realisations.

Projects

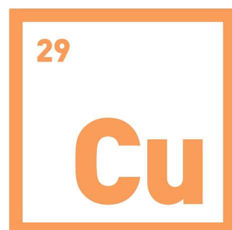
Lanjigarh Alumina Refinery

Work on the $800 million alumina project at Lanjigarh, Orissa, which includes a 1.0-1.4 mtpa alumina refinery with an associated captive power plant is complete. One unit of the captive power plant was commissioned in February 2007. Progressive commissioning of the refinery has also commenced with the charging of sourced bauxite in the last week of March 2007 in the first of the two streams. After completion of the processing cycle, output of alumina will commence by the end of the first quarter of the current fiscal year.

As regards the environmental clearances for developing the Lanjigarh bauxite deposits, the Ministry of Environment and Forests (MOEF) has received reports from its various nominated subcommittees and has made its recommendation to the Supreme Court of India. The matter is still to be heard and decided by the Supreme Court of India. We are hopeful of a positive resolution of this matter soon.

Jharsuguda Aluminium Smelter

Work on the first phase of the green-field 500,000 tpa aluminium smelter and associated 1,215MW captive power plant in Jharsuguda, Orissa, at an estimated investment of $2.1 billion is progressing well. Orders for critical equipment for the smelter and captive power plant have been placed with vendors. The project is on schedule with commissioning of the first phase of 250,000 tpa and five units of 135MW each of the captive power plant expected in the second half of CY 2009. The second phase of 250,000 tpa with four units of 135MW each of the captive power plant is expected to be complete by the end of CY 2010.



Business Overview

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

Copper – India/Australia

The performance of our Copper – India/Australia business in FY 2007 is set out below.

(in $ millions, except as stated)	FY 2007	FY 2006	% change
Production volumes (kt)			
– Mined metal content	**28**	34	(17.6)
– Cathodes	**313**	273	14.7
– Rods	**178**	167	6.6
Average LME cash settlement prices ($/t)	**6,984**	4,099	70.4
Unit costs (USc/lb)	**6.1**	6.1	–
Realised TC/RCs (USc/lb)	**31.1**	23.1	34.6
Revenue	**2,553.4**	1,537.9	66.0
EBITDA	**365.6**	219.0	66.9
EBITDA Margin	**14.3%**	14.2%	n/a
Operating profit	**333.3**	177.3	88.0

Production Performance

Production of copper cathodes at our Indian operations was 313,000 tonnes in FY 2007, an increase of 14.7% compared with FY 2006, primarily due to the innovative debottlenecking of our Tuticorin smelter to 400,000 tpa. Production is steadily ramping-up and contributed 89,000 tonnes in the fourth quarter with production close to rated capacity in March 2007. As announced earlier, our Tuticorin smelter was under planned shutdown for eight days in April 2007 for carrying out modifications and improvements at the sulphuric acid plant. The smelter is currently producing at its rated capacity. The production of copper rods was 178,000 tonnes in FY 2007, an increase of 6.6% compared with FY 2006.

Mined metal production at our Australian mines was 28,000 tonnes in FY 2007 against production of 34,000 tonnes in FY 2006. Production in FY 2006 includes output of 4,000 tonnes from TCM. TCM's operations were closed in the first half of FY 2006. The production at our CMT mine was also impacted due to a temporary two-week disruption in the mining activities as a result of minor rock fall incident. Post investigation of the incident by an independent expert, the site was declared safe and mining activities, restored in the month of March 2007, have now picked up to normal levels of production. CMT supplies c. 9% of the total concentrate requirements of our Indian copper smelting operations.

Unit Costs

Unit conversion costs, which consists of costs of smelting and refining, remained the same at 6.1 USc/lb. Higher energy prices which impacted costs were offset by higher credit for free metal due to higher LME prices. We anticipate costs of production to reduce further with increased volumes and improved productivity.

TC/RC

We were largely insulated from volatility in the spot market during FY 2006 since a large part of our total concentrate requirement was sourced through long term contracts with mines including captive supplies from our CMT operations. Our TC/RC realisation was 31.1 USc/lb in FY 2007, up from 23.1 USc/lb in FY 2006 as a result of favourable market conditions.

Spot TC/RCs started softening at the beginning of CY 2007 as the concentrate market has now moved to deficit primarily due to lower mine production globally. We continued to make good progress in our strategy of securing a majority of our concentrate feed requirement under long term contracts with mines.

Sales

Sales in the domestic market increased 10.4% to 117,000 tonnes in FY 2007, primarily due to an increase in demand from the electrical and power sector. We exported 195,000 tonnes of copper cathodes and copper rods, to our key overseas markets – the Middle East, China, Japan, Philippines and Thailand. We continue to develop a large customer base for the export of copper rods.

Financial Performance

Revenues in our Copper – India/Australia business increased 66.0% to $2,553.4 million in FY 2007, with a corresponding EBITDA of $365.6 million, up by 66.9%, compared with FY 2006. The increase in EBITDA was attributable mainly to better TC/RCs, higher volumes and increased contribution from CMT as a result of high copper prices, which have more than offset the reduction in import tariff on copper from 7.5% to 5.0%. This became effective from the last week of January 2007.

Copper – Zambia

The performance of our Copper – Zambia Business in FY 2007 is set out in the table following.

CASE STUDY STERLITE TUTICORIN – DEBOTTLENECKING TO 400 KTPA

After completing the journey of ramping-up 300 ktpa in FY 2006, the young team at Sterlite copper continues to find better ways to sweat our assets.

Sterlite engaged its young team of engineers and operators in embarking upon a dream vision of debottlenecking the new 300 ktpa ISA operations and generate additional throughput at a minimal capital cost. The idea was conceived and executed in an excellent manner by the young team at Sterlite Tuticorin and remarkable results were achieved at a modest capital cost of $22 million.

In a short span of time the team upgraded the crane capacity from 60 tonnes to 80 tonnes, increased the primary smelting capacity by further enriching the oxygen and simultaneously optimized the sulphuric acid plant capacity by adding a new gas cleaning section and additional catalysts in the catalytic convertor.

'To our mind, debottlenecking an incremental 100 kt has been achieved in a record time of eight months, at remarkable speed, and at a low capital cost' Mr Prasad Suryar Rao – Smelter Head.

(in $ millions, except as stated)	FY 2007	FY 2006	% change
Production volumes (kt)			
– Mined metal content	**84**	99	(15.2)
– Cathodes	**142**	164	(13.4)
Average LME cash settlement prices ($/t)	**6,984**	4,099	70.4
Unit costs (US¢/lb)	**173.6**	127.9	35.7
Revenue	**1,015.9**	703.4	44.4
EBITDA	**468.3**	206.3	127.0
EBITDA Margin	**46.1%**	29.3%	n/a
Operating profit	**413.3**	163.0	153.6

Production Performance

The production of copper cathodes at Zambia was 142,000 tonnes for FY 2007, lower by 22,000 tonnes as compared with FY 2006. The production from our tailings leach plant was 54,000 tonnes during FY 2007, lower by 13,000 tonnes as compared with FY 2006, primarily on account of unstable plant operations due to a minor fire in July 2006 and a temporary stoppage in November 2006 with time taken to re-stabilise the plant and its operating performance in terms of throughput and recovery. The production from Nkana smelter was 101,000 tonnes, lower by 9,000 tonnes compared with FY 2006, primarily due to a planned shutdown taken in the second quarter of FY 2007 to install a new CT hood and improve equipment availability. Mined metal production during FY 2007 was also lower at 84,000 tonnes compared with 99,000 tonnes in the previous year, due to low equipment availability, lower developed reserves and frequent flooding in declines at one of our production shafts.

The production at our Konkola operations fell short of our expectations in FY 2007. We are taking several initiatives and measures to improve the plant reliability and equipment availability as well as improving recoveries and operational efficiencies. In addition to supplementing the operating management team, we have engaged global consultants of repute in the fields of asset optimization and productivity to support our operational improvement initiatives. With these actions currently underway, we expect to reach production levels equivalent to 200,000 tonnes per annum in FY 2008.

Unit Costs

Unit costs of production (including mining) were 173.6 US¢/lb for the year compared with 127.9 US¢/lb in FY 2006. The primary reasons for this increase in unit costs were lower mined metal and finished copper production, increase in wage costs and other operating expenditure. The increase in wage costs and other operating expenditure reflects to some extent an industry-wide trend where costs have increased by c.35 USc/lb over the last two years.

Financial Performance

FY 2007 revenues at our Zambia – Copper Business increased by 44.4% to $1,015.9 million with a corresponding EBITDA of $468.3 million, an increase of 127.0%, compared with FY 2006, primarily on account of the significant increase in LME copper prices of approximately 70%.

Projects

The work on KDMP expansion project to increase the copper ore output from the Konkola mine to 6 million tpa is progressing well with orders for all major items including the concentrator placed. Work on the head gear foundation and collar for the main shaft is now complete. Shaft sinking is progressing as per schedule and the main shaft has been sunk to a level of over 76 metres with various pipes and ventilation shafts on track. The basic engineering for the 250,000 tpa Nchanga smelter expansion project is complete. Statutory clearances are in place and construction activities are in full swing with most of the piling and concreting work completed.

Leaching plant control room at the Chanderiya complex

Business Overview

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

The performance of our Zinc Business in FY 2007 is set out in the table below.

(in $ millions, except as stated)	FY 2007	FY 2006	% change
Production volumes (kt)			
– Mined metal content	**505**	472	7.0
– Refined metal	**348**	284	22.5
Average LME cash settlement prices ($/t)	**3,581**	1,614	121.9
Unit costs ($/t)			
– Including royalty	**862**	691	24.7
– Excluding royalty	**606**	575	5.4
Revenue	**1,888.1**	875.5	115.7
EBITDA	**1,453.9**	532.9	172.8
EBITDA Margin	**77.0%**	60.9%	n/a
Operating profit	**1,402.8**	489.5	186.6

Production Performance

Mined metal production from all our mines was 505,000 tonnes in FY 2007, an increase of 7.0% from FY 2006, primarily due to an increase in output from our Rampura Agucha mine. Total refined zinc metal production during FY 2007 was 348,000 tonnes, compared with 284,000 tonnes in FY 2006, up by 22.5%. The increase in refined metal production was primarily due to the ramp-up of our new Chanderiya hydro smelter, which produced 136,000 tonnes in FY 2007 and achieved 13,500 tonnes in the month of March 2007, close to its rated capacity.

The production of lead during the year was 45,000 tonnes as compared with previous year production of 24,000 tonnes. The Ausmelt plant has now been stabilized and we expect to achieve its rated capacity by the end of the second quarter of the current financial year.

Unit Costs

Unit cost of production excluding royalties in FY 2007 was $606 per tonne, higher by $31 per tonne compared with FY 2006. Unit costs rose primarily due to lower realisation for by-products and higher manufacturing expenses, which were largely offset by benefits from stabilization of the power plant. Royalties, which are LME-linked, were $256 per tonne in FY 2007 compared with $116 per tonne in FY 2006. Overall costs were at $862 per tonne in FY 2007 as compared with $691 per tonne in FY 2006.

Sales

We sold 350,000 tonnes of zinc metal during the year in the domestic and export markets, an increase of 8.3% over FY 2006 on the back of increased production from the new Chanderiya hydro smelter. In addition to refined zinc metal, we also sold 254,000 dry metric tonnes of zinc concentrate containing 133,000 tonnes of equivalent metal and 59,000 dry metric tonnes of lead concentrate containing 28,000 tonnes of equivalent metal.

CASE STUDY HINDUSTAN ZINC

Towards achieving a capacity of 1 million tonnes per annum of zinc-lead metal by 2010, the team at Hindustan Zinc successfully delivers greenfield and brownfield projects as well as discovers debottlenecking opportunities in the existing plants at minimal capital expenditure cost.

The team found an opportunity of debottlenecking capacity by performing slight modifications in the leaching process and improving operating efficiencies in the cell house. As a result the new hydro smelter at Chanderiya will be able to produce an additional 40,000 tonnes of zinc, up from its current rated capacity of 170 ktpa.

A similar debottlenecking exercise is being undertaken at the Debari smelter. The team is also undertaking measures to enhance the cell house capacity, which in turn will increase the smelting capacity by 8,000 tonnes. This entire exercise will add another 88kt to production and is expected to be completed by June 2009.

Financial Performance

Revenues at our Zinc Business more than doubled to $1,888.1 million with a corresponding EBITDA of $1,453.9 million, in FY 2007, primarily due to higher LME zinc prices, which more than doubled compared with the previous year, and higher metal volumes.

Projects

Construction activities for our second 170,000 tpa smelter at Chanderiya with its associated captive power plant are in full swing and on track for commissioning earlier than scheduled, with all orders placed. The roaster plant, which is the first stage of the smelting process, has been completed. The leaching and purification plant and cell-house are also on track for completion earlier than scheduled. Work on the associated captive power plant, and at the Rampura Agucha concentrator to raise the milling capacity to 5.0 million tpa, is progressing well. Progress overall is good and we expect to commission the project about three months ahead of our earlier declared schedule date of early 2008.

Work on the smelter debottlenecking project to increase the zinc capacity by an additional 88,000 tonnes and the new captive power plant of 80MW at our Zawar location is progressing well. All critical orders are placed and project will be completed as per schedule by early 2008.

In respect of our green energy project in the State of Gujarat and Karnataka, a turnkey contract for 125MW of wind power has been placed for setting up the project. The first phase of 38.4MW wind power project was commissioned in March 2007 in the State of Gujarat and is working satisfactorily. The other projects in the State of Gujarat and Karnataka are under execution and on schedule for progressive commissioning during the current financial year.

Other Businesses

Mining operations in progress at Agucha mine

Commercial Energy Business

During the year, we announced a project to enter into the commercial energy business in India. This project involves setting up a 2,400MW (600MW x 4) green field coal based thermal power plant in Jharsuguda, Orissa at an estimated cost of $1.9 billion. The power generated will be sold to the State Electricity Boards and power trading companies in India. Preliminary design for the project is complete with detailed engineering under progress. Pre-construction activities including soil investigation and area grading have started and the EPC contracts for the project have also been placed. Overall, the project is on schedule for progressive commissioning from December 2009 as announced.

Power Transmission Conductor Business

Our non-core Power Transmission Conductor business was sold effective 1 July 2006 as a going concern together with all associated liabilities to SOTL, a related party of our Group, for a consideration of $32.3 million. The terms for sale of this non-core business was negotiated with SOTL on an arm's length basis based on an independent valuation report. The loss arising on this sale was $2.3 million.

Other Businesses

Gold Business

In August 2006, we completed our acquisition of a majority stake in SGL, a company engaged in gold mining and processing and listed on the Toronto Stock Exchange in Canada. SGL's principal assets are located in Armenia and include an open pit gold mine at Zod and a gold processing plant at Ararat. The Zod mine has the potential to be a world class mine, with existing development potential in addition to exploration upside.

The equivalent gold production in FY 2007 was 17,662 ounces with lower output during the fourth quarter at 1,923 ounces. Mining operations were suspended in the last quarter of FY 2007 pending resolution of some of the key clauses of the implementation agreement entered into with the Government of the Republic of Armenia. Whilst we continue to negotiate with the Armenian Government to resolve these issues, we are also evaluating our options to exit this business if our negotiations do not prove fruitful.

Group Structure

We continue to seek to increase our direct ownership of our underlying businesses to derive additional synergies as an integrated group. We are continuing our discussions with the Government of India to buy its 49% stake in BALCO. We also continue to explore legal and other options to resolve this matter. We expect this exercise to be concluded in the next few months.

Our call option to buy the Government of India's 29.5% stake in HZL became due for exercise anytime after 11 April 2007. We currently intend to exercise this option and will inform the markets appropriately.

Our efforts to buy out ZCI's 28.4% stake in KCM continue. Currently, the matter is under arbitration which we expect will be decided by June 2007. The valuation exercise is expected to be completed shortly thereafter and we will decide on our future course of action depending on the outcome of the valuation exercise.

People
Our vision is to build an organisation with world class capabilities and a high performance culture. We believe that for an organisation to flourish and consistently deliver high performance, it must follow an engaging and focused strategy – in our case, achieving one million tonnes production in each of our metals, deliver operational excellence – become a low cost producer, have a performance oriented culture and be a fast, flexible and flat organisation.

We have a talent pool of around 25,000 employees, with over 5,000 professionals in engineering, business management, human resources and finance. We recruited nearly 1,700 engineers and over 200 management and finance professionals for various technical and management positions in the last three years.

We continue to emphasise a well-defined process for the leadership development of our employees, where challenging assignments with commensurate responsibilities are given to deserving employees, even at a younger age. The 'Stars of Business' is one such initiative which supports the organisation by creating successful managers and empowering them to move far beyond their current roles and responsibilities and unleash their confidence and ability to contribute as the most successful 'Business Leaders of Tomorrow'.

In FY 2007, we initiated our 'Global Leadership Programme' within the group, aimed at providing challenging learning opportunities in an international environment to young high-potential candidates. This initiative was kicked off with nearly 25 employees being exchanged between our Copper – Zambia and Indian operations.

We have several ongoing initiatives in the areas of learning and development. These include deputations to leadership development programmes at premier management institutes in India, supplemented by large scale training efforts in skills and knowledge enhancement in operational areas by deputing engineers and technicians to globally benchmarked plants and technology/equipment suppliers. We invited project proposals from all our employees across all levels of our organisation in order to tap and develop their entrepreneurial skills. There are multiple project proposals, in different stages of implementation, which play an important part in developing the individual and simultaneously adding value to our organisation.

We offer best in class compensation packages to facilitate induction and retention of people. This is supplemented by various variable pay and performance-linked bonus schemes. We have a stock award programme called the Long Term Incentive Plan ('LTIP') which not only covers senior management but extends to relatively younger professionals in the organisation. The first tranche of our LTIP programme awarded in 2004 came out with an excellent performance on the TSR score-card with 100% vesting. This has created wealth and significantly motivated our employees. The LTIP scheme is an ongoing programme with options issued in FY 2006 and 2007 as well to employees.

Exploration
Our exploration team in India, comprising 22 geo-scientists with relevant expertise, is focused on identifying and delineating near-mine resources which have the potential to add significant value to our existing mining operations.

As part of our ongoing exploration efforts, we have revisited the historical data and inducted expertise and talent together with relevant technology advancements, to enable a vigorous search for new discoveries in green-field areas. We constantly upgrade our technical skills for exploration activities across all sites.

We also continued to increase the allocation of resources and funds in the field of exploration. In FY 2007, we spent $6 million on our exploration efforts compared with less than $3 million in FY 2006. The main exploration activities in FY 2007 were conducted in our Zinc Business and to some extent at our CMT mine in Australia.

Total zinc-lead reserves of 69.2 million tonnes as on 31 March 2006 including 53.4 million tonnes at Rampura Agucha have improved significantly as a result of ongoing exploration activities including 40,000 meter drilling by HZL, post-depletion to feed production during the year. The results are currently being vetted by consultants and will be shared in the near future. The ongoing exploration work at Sindesar Khurd site is showing encouraging results which is likely to add upon indicated resources significantly.

Sustainable Development
Sustainable development is an integral part of our business philosophy. Our processes and performance on health, safety and environment have evolved in tandem with our sustainable development goals. We stay committed to further improve our performance in line with our HSE and Social Policy.

This year we took a step forward in bringing more clarity and transparency of our reported performance. We have aligned some of our performance objectives and targets in accordance with the Global Reporting Initiative (GRI G3) guidelines and have reported 10 core non-economic indicators highlighting our sustainable development performance. Our performance has shown positive trends on most aspects.

A dedicated team of 288 HSE experts and 40 Community Development experts (plus 126 village extension workers) employed across our operations steer these functions. Resources wherever required were allocated. During the year we have spent $49.7 million on HSE related projects, which includes expenditures of $32 million for environmental protection and investments in environmental improvement projects. These are over and above normal operating costs in these areas.

22 RISKS AND RELATIONSHIPS

Risks and Risk Management Practices

Our businesses are subject to several risks and uncertainties and are no different from any other company, in general, and its competitors in particular. These are a result of the business environment in which we operate and certain factors over which we have little or no control. These risks include operational, financial, health, safety and environment, political, market related and strategic.

Our documented risk management policies act as an effective tool in mitigating the various risks which our businesses are exposed to in the course of their daily operations as well as in their strategic actions. Risks are identified through a formal risk management programme with active involvement of senior management personnel and business managers at both the Corporate and at an individual subsidiary level. Each significant risk has an 'owner' within our Group at a senior level. The financial impact to our Group if the risk materialises and its probable likelihood is regularly updated. A risk register and matrix is maintained and regularly updated in consultation with business managers. Our risk management process is coordinated by our Management Assurance function and is regularly reviewed by our Audit Committee. Key business decisions are discussed at the monthly meetings of our Executive Committee. Senior managers also address risk management issues when presenting the operating performance of their businesses to the Executive Committee. The overall internal control environment and risk management programme is reviewed by our Audit Committee on behalf of the Board.

Internal Control

A strong internal control culture is pervasive throughout our Group. Regular internal audits at all our operating locations and at the holding company are undertaken to ensure that the highest standards of internal control are maintained. The effectiveness of a business' internal control environment is a component of senior management performance appraisals. Further details on our internal control environment are provided in the Corporate Governance Report.

Treasury Management

Our core philosophy in treasury management revolves around three main pillars – capital protection, liquidity maintenance and yield maximisation with innovative measures. Our treasury policies are approved by the Board and adherence to these policies is strictly monitored at our Executive Committee meetings. Day-to-day treasury operations of our 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. We have a strong system of internal control which enables effective monitoring of adherence to Group policies. The internal control measures are effectively supplemented by regular internal audit.

We do not enter into complex derivative transactions to manage our treasury and commodity risks. Derivative transactions in both treasury and commodities are normally in the form of forward contracts and interest rate and currency rate swaps and these are subject to our Group guidelines and policies. Interest rate swaps are taken to achieve a balance between fixed rate and floating rate obligation (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.

Financial Risks and Sensitivities

Within the areas of financial risk the Board approved policies embrace liquidity, currency, interest rate, counterparty and commodity risk. In principle, we do not engage in speculative treasury activity but seek to manage risk and optimise interest and commodity pricing through proven financial instruments.

a) Liquidity

We require funds both for short-term operational needs as well as for long-term investment programmes mainly in growth projects. We generate sufficient cash flows from our 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. The anticipated cash flows and undrawn committed facilities of $1,011.4 million, together with cash and liquid investments of $2,185.2 million as at 31 March 2007, are expected to be sufficient to meet the ongoing capital investment programme and liquidity requirement of our Group in the near future.

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

At 31 March 2007, we 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)
Below 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**

b) Foreign Currency

Our presentation currency is the US dollar. A majority of our assets are located in India where the Indian Rupee is the functional currency for our subsidiaries. Receipts in India are denominated in Indian rupees but revenues are linked to commodity prices derived from the LME and denominated in the US dollar. Operating costs are influenced by Indian Rupee and imported materials and services are determined in US dollars.

KCM's cost base is a mix of the Zambian kwacha and the US dollar with the functional currency being the US dollar. KCM earns US dollar denominated revenue.

While our Group borrowings are predominantly denominated in US dollars, a large portion of cash and liquid investments are also held in other currencies, particularly in the Indian Rupee.

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

Foreign currency exposures are managed through our Group-wide hedging policy, which is reviewed periodically to ensure that the risk from fluctuating currency exchange rates is appropriately managed. All short-term foreign currency exposures are fully hedged to insulate our individual operating entities against short-term volatility in currency markets. Longer-term exposures are unhedged. However, if and when the US dollar weakens, additional hedges are taken in phased manner at various trigger rates to crystallize the exposures at attractive rates.

Set out in the table below are the key foreign currency sensitivities on EBITDA resulting from a 10% movement in exchange rates.

Currency	Closing US dollar exchange rate during the year ended 31 March 07	Average US dollar exchange rate during the year ended 31 March 07	Impact of 10% currency movement on EBITDA $ million
Indian rupee	43.59	45.2857	247.1
Australian dollar	1.233	0.76	7.0
Zambian kwacha	4,421	4009	37.0

The above sensitivities are based on FY 2007 volumes, costs and exchange rates and provide the estimated impact of a change in exchange rates on EBITDA assuming that all other variables remain constant.

c) Interest Rate

At 31 March 2007, our Group's net cash of $433 million was made up of liquid investments of $2.2 billion offset by debt of $1.8 billion.

We are exposed to interest rate risk on short-term, long-term floating rate instruments and also due to the refinancing of fixed rate debt. Our 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 2007, 52% of our 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. We also aim to minimise our average interest rates on borrowings by opting for higher proportion of long-term debt mainly for funding its growth projects. Where appropriate, interest rate swaps are taken to minimise the impact of rising floating rates. We invest cash and liquid investments in short-term deposits and debt mutual funds, some of which generate a tax-free return, to achieve the triple goal of maintaining liquidity, carrying insignificant risk and achieving satisfactory returns.

Considering the net cash position as at 31 March 2007 and 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. Based on our gross floating rate debt as at 31 March 2007 and with all other variables remaining constant, a one percentage point increase in the US dollar LIBOR would impact our pre-tax earnings by approximately $7 million.

An analysis of our weighted average interest rates for debt and cash and current asset investments as at 31 March 2007 is set out in the table below.

	Interest Paid		Interest Income
Currency	Floating %	Fixed %	Average yield %
Indian rupee	–	7.1	7.5
US dollar	8.1	6.1	4.6

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d) Counterparties Risk
We have clearly defined policies to mitigate counterparty risks. Cash and liquid investments are held primarily in mutual funds and banks with high credit ratings. Limits are defined for exposure to individual counterparties in case of mutual fund houses and banks. A large majority of receivables due from third parties are secured. Moreover, given the diverse nature of our businesses and trade receivables are spread over a number of customers with no significant concentration of credit risk. Our history of trade receivables shows a negligible provision for bad and doubtful debts. Therefore, we do not expect any material risk on account of non-performance by any of our counterparties.

e) Commodity Prices
We are exposed to the movement of base metal selling prices which are linked to commodity prices on the London Metal Exchange. Any decline in the prices of the base metals that we produce and sell will have an immediate and direct impact on the profitability of our businesses. As a general policy, we aim to sell our products at prevailing market prices. We undertake hedging activity in commodities to a limited degree and subject to strict limits set out by our 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 our subsidiaries. Recently, the Reserve Bank of India, as part of its credit policy, has allowed Indian companies to hedge their domestic positions on the LME. We are currently reviewing the implications of this policy.

Our custom smelting copper operations at Tuticorin enjoy a natural hedge except to the extent of a possible mismatch in quotational periods between the purchase of concentrate and sale of finished copper. Our Group's policy on custom smelting is to generate its margins from TCRC, premiums, sale of by-products and from achieving import parity. Hence, mismatches in quotational periods are actively managed to ensure that the gains or losses are minimised. Our Australian mines at Tasmania, supply approximately 9% of the requirement of our custom copper smelter at Tuticorin. TCRCs are a major source of income for our Indian copper smelting operations. Fluctuations in TCRCs are influenced by factors including demand and supply conditions prevailing in the market for mine output. Our copper business has a strategy of securing a majority of its concentrate feed requirement under long term contracts with mines.

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

While we aim to achieve average LME prices for a month or a year, average realised prices may not necessarily reflect the LME price movements because of a variety of reasons such as uneven sales during the year and timing of shipments.

Set out below are the key commodity price sensitivities on EBITDA resulting from a $100 per mt movement in prices.

Commodity price sensitivity	Average market price in the year ended 31 March 2007 ($/mt)	Effect on EBITDA of a $100/t change in the LME ($ million)
Copper	6,984	14.9
Aluminium	2,663	37.2
Zinc	3,581	47.1

The above sensitivities are based on FY 2007 volumes, costs and exchange rates and provide the estimated impact of a change in LME prices on EBITDA assuming that all other variables remain constant.

Operational Risks

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

a) Asset and Equipment Risk
Productive assets used in our mining and smelting operations and the associated power plants may face break-downs in the normal course of operations or due to abnormal events such as fire, explosion, environmental hazards or other natural calamities. Our insurance policies may not cover against all forms of risks due to certain exclusions and limitations. Also, it may not be commercially feasible to cover all the risks. As a result our insurance coverage may not extend to all claims including certain claims for environmental or industrial accidents or pollution. We regularly review the adequacy of our insurance coverage by engaging consultants and specialists and decide on an optimal level of insurance coverage typical of our industry and operations in India, Zambia, Australia and Armenia.

b) Delivery of Expansion Projects
We have a long pipe-line of greenfield growth and brownfield expansion projects. We have committed funds for these projects, which are well under-way and have achieved various stages of completion. Our plans to generate sufficient cash flows from these projects to repay our long-term debt and also our ability to raise further debt are dependent on successful completion of these projects on time and under budgeted cost. Our current and future

projects may be significantly delayed by a failure to receive timely regulatory approvals or renewal of approvals, failure to obtain sufficient funding, technical difficulties due to human resources, technological or other resource constraints or for other unforeseen reasons, events or circumstances. As a result, these projects may incur significant cost overruns and may not be completed on time, or at all. We have necessary resources in all areas including technology, finance and human resources and have successfully completed our Phase I projects on time and below their budgeted costs, thereby demonstrating our ability to manage successful completion of large green field and brown field projects.

c) Reserves and Resources

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

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

Political, Legal, Economic and Regulatory Risks

Our mining and smelting operations are located in India, Zambia, Australia and Armenia and our various holding and investment companies are located in other jurisdictions including the United Kingdom, Mauritius and Cyprus. The political, legal, fiscal and other regulatory regimes in these countries may result in restrictions including an imposition of or increase in royalties, mining rights, taxation rates and repatriation of funds. Changes in royalty rates, reduction in import tariffs in India, reduction in assistance given by Government of India for exports and reduction or curtailment of income tax benefits available to some of our operations in India and Zambia are some examples of such risks. A majority of our Group revenues and profits are derived from commodities sold to customers in India. The performance and growth of our business are dependent on the general health and stability of the Indian economy. Any downturn in the rate of economic growth in India, whether due to political instability or regional conflicts or economic slowdown may have an adverse impact on margins generated from this market segment. We actively strive to maintain harmonious relationships with the Governments in these countries and actively monitor developments in political, regulatory, fiscal and other areas which may have a bearing on our businesses and operations.

Health, Safety, Environment and Social Risks

As a metals and mining company we are governed by numerous health, safety and environmental laws and regulations in each of the jurisdictions in which we operate. Any changes in laws and regulations can possibly result in increased costs. Some of these activities are inherently hazardous and may cause accidents, property or environmental damage at our mines, smelters, refineries or related facilities and also to communities near our operations. Such incidents not only result in expensive litigation, damage claims and penalties but also hamper sustainable development activities. Further we also operate in Zambia, which has a high rate of incidence of HIV/AIDS and is a potential threat to the economy at large. To mitigate these risks we accord very high priority to health, safety, environment and the community. We have a sound sustainable development programme in tandem with our HSE and social policies. Further details of our policies, initiatives, performance and impact are detailed in the Sustainable Development section of this Annual Report.

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The Finance Review provides a balanced and comprehensive analysis, including the key business trends and financial performance during FY 2007, together with a discussion on some of the factors that could affect the future financial performance of the business.

Background

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

Key Financial Performance Indicators*

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

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

Key Financial Highlights

- Increased profitability driven by significant increased production and higher prices and stable operating costs.
- Improved free cash flow of $1,504.2 million due to higher operational earnings sustained by the efficient management of working capital.
- Strong balance sheet providing sufficient leverage for funding expansion projects and acquisitions.
- Net cash of $432.7 million from net debt of $11.9 million at 31 March 2006, primarily due to improved cash flows enabling early retirement of debt in subsidiaries.
- ROCE (adjusted for project capital work in progress) significantly higher at 78.5% in FY 2007 up from 37.9% in FY 2006.

Summary of Financial Performance

During FY 2007, our Indian operations in particular have recorded large gains in volumes and were able to take advantage of the strong metal prices during the year. As a result, EBITDA increased to $2,703.0 million, up from $1,101.5 million, a growth of 145.4%, whilst operating profits grew $2,505.9 million, up from $943.8 million, an increase of nearly 166%. Our Zambian operations recorded higher operating profits during the current year over the previous year due to higher copper prices.

We generated free cash flows of $1,504.2 million, representing 56% of EBITDA and reflecting a minimum outflow on account of working capital despite higher metal prices and volumes. Increased free cash flows have enabled us to fund project capital expenditure of $934.5 million entirely from internal sources.

Tax outflow in FY 2007 amounted to $475.6 million representing 19.1% of profit before tax, a rate marginally lower than in FY 2006. The effective tax rate in FY 2007 of 27.1% is lower the FY 2006 tax rate of 30.0%, primarily due to improved tax management initiatives at some of our subsidiaries specifically, Sterlite and HZL.

Underlying profit increased to $938.1 million in FY 2007 from $373.5 million in FY 2006 mainly due to strong operational results in all our businesses. Underlying earnings per share increased by 151.2% to 327.0 US cents. Amounts attributable to minority interests increased in FY 2007 because of better financial performance at HZL and at BALCO where Vedanta's economic interest is relatively lower.

Capital productivity, measured in terms of ROCE (excluding capital work in progress), improved to 78.5% in FY 2007 from 37.9% in FY 2006, reflecting better asset utilisation, in terms of both fixed assets and working capital.

We reported net cash of $432.7 million at 31 March 2007, a significant improvement over net debt of $11.9 million at 31 March 2006. Good operating profits and working capital management resulted in strong cash flows enabling us to repay subsidiary debt of $345 million after investing $934.5 million in expansion projects. With gross debt levels at just 41.6% of total equity and a net cash position of $432.7 million, we have adequate head room for growth and acquisition financing.

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

(in $ millions, except as stated)	FY 2007	FY 2006	% change
Revenue	**6,502.2**	3,701.8	75.6
EBITDA	**2,703.0**	1,101.5	145.4
EBITDA margin (%)	**41.6%**	29.8%	–
Operating special items	**(1.7)**	–	–
Depreciation and amortisation	**(195.4)**	(157.7)	–
Operating profit	**2,505.9**	943.8	165.5
Share of loss of associate	**(1.3)**	(1.4)	–
Profit before interest and tax	**2,504.6**	942.4	165.8
Net interest charge	**(20.2)**	(7.7)	
Profit before tax	**2,484.4**	934.7	165.8
Income tax expense	**(672.7)**	(280.4)	–
Tax rate (%)	**27.1%**	30.0%	–
Minority Interest	**(877.6)**	(280.8)	–
Minority Interest rate (%)	**48.4%**	42.9%	–
Attributable to equity shareholders in parent	**934.2**	373.5	150.1
Basic earnings per share (US cents per share)	**325.6**	130.2	150.1
Underlying earnings per share (US cents per share)	**327.0**	130.2	151.2

Our FY 2007 revenues were $6,502.2 million with corresponding EBITDA of $2,703.0 million. An analysis of revenues and EBITDA by business has been provided earlier in the Business Review section of this preliminary results announcement.

Group Operating Profit

Group operating profit increased to $2,505.9 million up from $943.8 million, an increase of 165.5%.

Depreciation

Depreciation charges increased to $195.4 million from $157.7 million mainly due to capitalisation of expansion projects and increased sustaining capital expenditure.

Special Items

In FY 2007, we reviewed our financial exposure to IFL, an associate company, taking into consideration the financial condition of IFL. Sterlite had issued corporate guarantees on behalf of IFL. We estimated the fair value of these guarantees and recognised a provision of $17.3 million on the basis of our estimate of the probable future liability.

Additionally on 1 July 2006, the Power Transmission Conductor division of Sterlite was sold to Sterlite Optical Technologies Limited, a company under the control of Volcan for a consideration of $32.3 million based on a valuation by an independent valuer. This was identified as a non-core business at the time of our IPO in December 2003. The transaction resulted in an immaterial loss of $2.3 million which has been recognised as a special item in the income statement. The sale of this non-core business does not materially impact our revenues or profits.

In FY 2007, an amount of $2.6 million was incurred towards voluntary separation of employees. During the year, Sterlite also sold one of its old non-operating manufacturing facilities in the suburbs of Mumbai for $22.1 million, realising a profit of $21.8 million on this transaction.

Net Finance Costs

Our net finance costs in FY 2007 were $20.2 million compared to $7.7 million in FY 2006 as a result of the full year impact of the convertible bond issue of $725 million issued in the second half of FY 2006 and general interest rate rises, partially offset by the early repayment of debt in HZL and BALCO and the optimum use of short term funding arrangements. Income from investments has risen sharply mainly due to generation of surplus cash from operations. Our investment policy continues to emphasise on capital protection while maximising yields by investment in innovative financial products.

(in $ millions)	FY 2007	FY 2006
Net finance costs		
Interest payable	**22.6**	(124.1)
Unwinding of discount and interest on defined benefit pension arrangements	**(10.1)**	(11.3)
Interest and other investment income	**(74.1)**	75.7
Capitalisation of borrowing costs net of foreign exchange differences and interest income	**41.4**	52.0
Net interest in income statement	**(20.2)**	(7.7)

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Taxation

Our effective tax rate for FY 2007 was lower at 27.1% compared with 30.0% in FY 2006, reflecting the various measures undertaken by us to improve our efficiencies in tax management in general and specifically in some of our major Indian operating subsidiaries such as Sterlite and HZL. During the year Sterlite set up a 100% Export Oriented Unit ('EOU') at Tuticorin and HZL established wind energy generating projects which enjoy considerable tax benefits. Despite a lower effective tax rate over the previous year, current tax has remained relatively constant at c.20% of profits before tax mainly because of an increase in the amount of minimum alternative tax that we paid and a change in the profit mix. Our tax rate is sensitive to the availability of various incentives which differ due to differing tax rates in India and Zambia and also to a change in the profit mix between our subsidiaries.

Minority Interests

The pattern of profit contributions from subsidiaries underwent a change during FY 2007 with higher contributions from HZL and BALCO, which have higher minority interests. The change in profit mix has led to an increase in minority interests from 42.9% in FY 2006 to 48.4% in FY 2007, despite no change in the Vedanta's shareholding in any of its subsidiaries during the year.

Attributable and Underlying Profit

Attributable profit for FY 2007 was $934.2 million against $373.5 million in FY 2006, an increase of 150.1%, the result of strong performances across all our businesses. Underlying profit in FY 2007 was $938.1 million, an increase of 151.2% over FY 2006. Underlying earnings exclude the effects of special items and their tax and minority impact and we believe this is an important tool to measure our recurring performance.

Earnings per Share ('EPS') and Dividends

EPS for the year increased to 325.6 US cents per share, a growth of 150.1% compared with FY 2006. EPS on underlying profit rose by 151.2% over the previous year. The higher EPS reflects the good performance of all our businesses in returning higher value to the shareholders.

In line with our progressive dividend policy, our Board proposes a final dividend of 20 US cents per share for FY 2007, taking full year dividend to 35 US cents per share. The total dividend is higher by 75% compared with FY 2006 dividend of 20 US cents per share.

The table below sets out the reconciliation to Underlying Profits.

(in $ millions, except as stated)	**FY 2007**	FY 2006	% change
Profit for the year attributable to the equity holders of the parent	**934.2**	373.5	150.1
Special items	**1.7**	–	n/a
Effect of taxation	**3.7**	–	n/a
Effect of minority interests	**(1.5)**	–	n/a
Underlying profit for the year	**938.1**	373.5	151.2
EPS on profit for the year (USc per share)	**325.6**	130.2	150.1
EPS on underlying profit (USc per share)	**327.0**	130.2	151.2

Balance Sheet

Our summary balance sheet is presented below.

(in $ millions)	**As at 31 March 2007**	As at 31 March 2006
Goodwill	**12.1**	12.1
Property, plant and equipment	**3,838.0**	2,763.0
Cash, cash equivalents and liquid investments	**2,185.2**	2,091.7
Trade receivables	**942.9**	593.0
Other current and non current assets	**1,093.5**	775.3
Total assets	**8,071.7**	6,235.1
Trade payables	**(1,184.0)**	(958.1)
Borrowings	**(1,726.8)**	(2,076.2)
Other current and non current liabilities	**(1,009.5)**	(862.0)
Total liabilities	**(3,920.3)**	(3,896.3)
NET ASSETS	**4,151.4**	2,338.8
Equity attributable to equity holders of the parent	**2,326.9**	1,417.1
Minority interests	**1,824.5**	921.7
TOTAL EQUITY	**4,151.4**	2,338.8

Shareholders' equity as at 31 March 2007 stood at $2,326.9 million, up from $1,417.1 million as at 31 March 2006. Minority interests increased to $1,824.5 million from $921.7 million as at 31 March 2006. Net debt of $11.9 million as at 31 March 2006 became net cash of $432.7 million as at 31 March 2007. Cash and cash equivalents including liquid investments as at 31 March 2007 were $2,185.2 million.

As a result of capital expenditure in FY 2007, our capital employed increased by $1,368.0 million to $3,718.7 million at 31 March 2007. The net book value of our property, plant and equipment increased from $2,763.0 million at the end of FY 2006 to $3,838.0 million at 31 March 2007. Nearly three-quarters of the increase in capital employed was attributable to an increase in property, plant and equipment and the remainder to increases in working capital. The increase in working capital was influenced by higher metal prices.

ROCE on an adjusted capital employed basis (capital employed reduced by project capital work-in-progress) rose to 78.5% from the previous year of 37.9% due principally to higher operational results aided by higher metal prices and higher volumes. ROCE is affected by the timing of expansion projects being delivered during the year due to the time lag in capturing the full benefit of additional capacities.

External debt held by operating subsidiaries was $560.8 million at 31 March 2007 compared with $905.6 million at 31 March 2006. Cash flows generated from operations have been utilised to repay part of the subsidiary debt, particularly in Sterlite, BALCO and HZL. HZL is now a debt-free company.

Cash and cash equivalents, together with liquid investments were $2,185.2 million as at 31 March 2007 compared with $2,091.7 million as at 31 March 2006. Strong cash flows, resulting from good operational profits and better working capital management, have resulted in generation of free cash of $1,504.2 million which was partly used to fund our expansion projects, retire debt, and to acquire a majority stake in SGL. We remain focused on maintaining a strong balance sheet to fund our future growth.

We continue to be awarded ratings from Moodys and Standard & Poors. These ratings provide us with the financial flexibility and access to various sources of funding at competitive rates. Our current ratings and India current sovereign rating are as follows:

Credit Rating Agency	Vedanta Corporate Rating
Standard & Poors	BB
Moodys	Baa3

Fund Raising Plans

Sterlite has made substantial progress in its plans to raise funds from the US capital markets. During FY 2007, Sterlite announced its intention to raise capital through an ADR offering to be listed on the New York Stock Exchange ('NYSE'). The proceeds of the offering will enable Sterlite to capitalise on attractive growth opportunities in India and maintain a strong balance sheet. It will allow Sterlite to exercise its call option to acquire the Government of India's remaining interest in HZL, enable us to expand into the commercial energy sector in India, reduce debt and to acquire complementary businesses that we determine to be attractive opportunities. We have filed the prospectus and we are hopeful of listing Sterlite securities on the NYSE in the near future after completing all necessary steps and obtaining clearance from the US Securities and Exchange Commission.

Cash Flows

The summary cash flow statement is set out below.

(in $ millions)	**FY 2007**	FY 2006
EBITDA	**2,703.0**	1,101.5
Special items	**1.7**	–
Working capital movements	**(542.1)**	(169.7)
Changes in long-term creditors and non-cash items	**11.5**	(17.1)
Sustaining Capital Expenditure	**(194.4)**	(80.6)
Sale of tangible fixed assets	**28.9**	0.7
Net interest paid	**(39.5)**	(20.5)
Dividend received	**10.7**	7.0
Tax paid	**(475.6)**	(186.5)
Free Cash Flow	**1,504.2**	634.8
Expansion capital expenditure	**(934.5)**	(605.5)
Acquisitions	**(59.5)**	–
Dividends paid to equity shareholders	**(84.3)**	(49.4)
Dividends paid to minority shareholders	**(41.8)**	(8.9)
Equity component of convertible loan notes	**–**	123.3
Sale of non core business	**32.1**	–
Deconsolidation of SEWT – cash and preference shares	**–**	(58.7)
Other movements*	**28.4**	26.8
Movement in net (debt)/cash	**444.6**	62.4

*Project creditors of $2.3 million (FY 2006: $2.0 million) reclassified from working capital movements into other movements below free cash flow

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We delivered strong free cash flows of $1,504.2 million, an increase of $869.4 million, reflecting improved operating profits and working capital management. Working capital management is a key driver across our Group and ongoing control measures to minimise working capital usage in the operations are in place in all our subsidiaries. Such measures have resulted in a reduction in gross working capital, i.e. inventory and receivables expressed as a percentage of turnover, from 30.5% to 28.0%. This reduction was achieved despite a significant increase in volumes in our Indian aluminium and Copper Businesses resulting from expanded capacities and debottlenecking initiatives, respectively.

We invested $194.4 million in sustaining capital expenditure during FY 2007 primarily to achieve operational efficiencies including debottlenecking initiatives and expenditure on mine development.

Strong free cash flows have also enabled internal funding of project capital expenditure of $934.5 million, higher dividend payment of $126.1 million and early repayment of subsidiary debt of $344.8 million.

Gross debt was $1,726.8 million as at 31 March 2007, including $598.4 million in respect of convertible bonds issued during the year. The equity component of the convertible bond of $119.5 million is recorded as part of equity in the balance sheet. Cash and cash equivalents together with liquid investments were $2,185.2 million as at 31 March 2007.

Projects

During fiscal 2006, we announced four large expansion projects (Phase II expansion projects) including our expansion into power generation. We spent $208.0 million on Phase I expansion projects announced at the time of our IPO. Additionally, total capital expenditure during 2007 on Phase II expansion projects was $726.6 million. Amounts committed but not yet spent on Phase II expansion projects at 31 March 2007 were $2,928.0 million.

The total expenditure incurred to date on Phase 1 and Phase 2 expansion projects is set out in the tables below.

(in $ millions, except as stated)	Original estimated cost	Spent to 31 March 2007	Committed, but not yet spent	Status
Phase I expansion projects				
Alumina				
Lanjigarh refinery	800.0	614.6	61.5	In progress
Aluminium				
Korba smelter	550.0	475.9	10.2	Completed
Korba power plant	350.0	292.7	–	Completed
Copper				
Tuticorin smelter	87.0	87.0	–	Completed
Zinc-Lead				
Chanderiya smelter	335.0	267.8	–	Completed
Rampura Agucha mine	90.0	45.2	–	Completed
Total	**2,212.0**	**1,783.2**	**71.7**	

(in $ millions, except as stated)	Original estimated cost	Spent to 31 March 2007	Committed, but not yet spent	Status
Phase II expansion projects				
Aluminium				
Jharsuguda	2,100.0	249.3	1,254.8	In progress
Copper				
Konkola mine	400.0	73.6	202.1	In progress
Nchanga smelter	280.0	91.6	152.9	In progress
Zinc*				
Chanderiya	300.0	159.4	111.9	In progress
Wind power project	132.5	65.5	67.0	In progress
Commercial energy				
Jharsuguda	1,900.0	136.0	1,139.3	In progress
Total	**5,112.5**	**775.4**	**2,928.0**	
Grand Total	**7,324.5**	**2,558.6**	**2,999.7**	

*Excludes HZL debottlenecking project at an estimated cost of $170 million

Contractual Obligations

Contractual cash obligations arising in the ordinary course of our business are set out below.

(in $ millions)	<1 year	1–2 years	2–5 years	>5 years	Total
Payments due by period					
Bank loans and other borrowings	249.1	76.2	769.7	631.8	1,726.8
Deferred consideration for KCM acquisition	5.2	5.2		–	10.4
Capital commitments	1,774.0	1,376.0	–	–	3,150.0
Total	**2,028.3**	**1,457.4**	**769.7**	**631.8**	**4,887.2**

Acquisitions and Divestments

In FY 2007 we completed the acquisition of a majority stake in Sterlite Gold Limited, a company listed in Canada with its main operations in Armenia. Sterlite Gold is engaged in gold mining and processing. We first acquired 55% of the equity shareholding in Sterlite Gold Limited at a cost of $33.7 million and then acquired an additional 25% stake through an open offer to existing shareholders at a cost of $15.8 million. Acquisition costs of $2.9 million were incurred in the transaction. As at 31 March 2007, we hold 83.7% of the outstanding equity of Sterlite Gold Limited. We have accounted for this acquisition in accordance with IFRS 3 'Business Combinations'. The fair value of the assets and liabilities of the acquired business has resulted in creating assets in the form of mining properties and leases of $71.7 million.

Our non-core Power Transmission Conductor business was sold effective 1 July 2006 as a going concern together with all associated liabilities to Sterlite Optical Technologies Limited ('SOTL'), a related party controlled by Volcan for a consideration of $32.3 million. The terms for sale of this non-core business was negotiated with SOTL on an arm's length basis based on an independent valuation report. The loss on account of this sale was $2.3 million was recorded in the income statement as a Special Item.

During the year, we also acquired a 100% stake in Sterlite Energy Limited ('SEL') from Twinstar Infrastructure, a related party, for a consideration of $0.1 million. SEL is the vehicle for our expansion into the commercial energy business.

Commodity Hedging

We generally aim to sell our produces at prevailing market prices. We engage in hedging commodity price movements on a selective basis. During FY 2007, we entered into strategic hedging transactions for some quantities of copper and zinc and recognised losses of approximately $59.0 million on these transactions. Outstanding hedged quantities as at 31 March 2007 were 57,600 tonnes in respect of copper and 25,000 tonnes in respect of zinc, which we expect will be settled during FY2008.

Off Balance Sheet Arrangements and Transactions, Contingent Liabilities and Commitments

We have no off-balance sheet entities. In the normal course of business, we enter into certain commitments for capital and other expenditure and certain performance guarantees. The aggregate amount of indemnities and other guarantees was $438.3 million at 31 March 2007.

Contingent liabilities include penalties and fines amounting to some $46.5 million that have been advised to AGRC by the Armenian Government in a preliminary notice recently. We understand that the notice is to undergo further analysis and expert review at the relevant Armenian governmental agencies in the coming weeks before it is served in final form upon AGRC. The mining plan of AGRC has not been approved by the Armenian Government and as a result, AGRC's mining operations have been temporarily suspended, pending resolution of some of the key clauses of the implementation agreement entered into with the Armenian Government. AGRC has previously received approval for each of the annual mining plans during the term of its Implementation Agreement with the Armenian Government.

Changes in Accounting Policies

There have been no changes in accounting policies in the current year.

Post Balance Sheet Events

On 23 April 2007 we acquired a 51% controlling stake in Sesa Goa Limited ('Sesa Goa') through the acquisition of a 100% equity stake in Finsider International, a UK company. Sesa Goa, a company listed on Indian stock exchanges is engaged in mining and exporting of iron ore from India. We paid a cash consideration of $981 million to acquire this 51% stake and in accordance with prevailing Indian regulations, we have made an open offer to shareholders to acquire an additional 20% stake. This open-offer process is expected to take about three months to conclude. We will account for this transaction in accordance with IFRS 3 and detailed disclosures, including those pertaining to any fair value adjustments will be included in our FY 2008 interim report.

SUSTAINABLE DEVELOPMENT REPORT

Sustainable development is an integral part of our business philosophy. Our processes and performance have evolved on safety, health and environment in tandem with our sustainable development goals. We stay committed to continue to improve our performance in line with our HSE & Social Policy.

Reiterating our commitment

This year we took a step forward in bringing more clarity and transparency of our reported performance. We have aligned some of our performance objectives and targets in accordance with the Global Reporting Initiative (GRI), G3 guidelines and have reported on 10 core non-economic indicators highlighting our sustainable development performance. Our performance has shown positive trends on most aspects.

Our Approach

A process based management system drives our Sustainable Development efforts:

1. Established governance structure, with Board level HSE Committee, management and implementation teams;
2. Institutionalised HSE and Social policies, management processes and systems;
3. Setting targets with focus on measuring and improving processes, activities and resources;
4. Stakeholder inclusion and dialogue;
5. Providing active support for enabling resources like manpower and training.

Framework and Resources

A Board appointed HSE Committee chaired by Dr SK Tamotia, a non-executive Director met on three occasions during the year and comprises of:
Dr SK Tamotia: Chairman
Mr KK Kaura: CEO Vedanta
Mr MS Mehta: CEO HZL
Mr Pramod Suri: President BALCO
Mr Ramesh Nair: Vice President SIIL
Mr CP Baid: Director Operations KCM
Mr CSR Mehta: Coordinator HSE
Ms Ruby Thapar: Coordinator CSR

The Committee focused on the following in 2007:

- Setting annual targets for performance improvement on safety, water management, energy conservation and periodic monitoring of performance;
- Initiatives to identify and develop options for utilization of wastes like fly ash, slag, gypsum and red mud;
- Approve CSR plans and review implementation status;
- Identification and development of CDM projects as part of climate change initiatives and opportunity to generate additional revenues;
- Linking safety performance to annual performance review for all executives.

As the impact of our activities varies from region to region, each business unit has its own corresponding committee to drive the centrally initiated as well as local sustainable development initiatives.

A dedicated full time team of 288 HSE experts, 40 community development experts and 126 village extension workers employed across our operations steer these functions. We have spent over $49.7 million across all our operations on HSE related projects, inclusive of $32 million for environmental protection and improvement projects. These are in addition to normal safety operating costs. (core parameter EN30 as per GRI G3 guidelines). Further we also spent over $14 million on our community programs.

Enabling Processes

Each business operation had developed relevant objectives and targets based on its past performances and current business imperatives, while delineating improvement programmes. Special emphasis was placed on propagating and implementing the requirements of Management Systems (ISO 14001, OHSAS 18001 and SA 8000), employee and contractor training and continual reviews/audits for performance evaluation through internal and external experts.

Our total workforce strength as on 31 March 2007 was 23,827. Of this, a healthy 5% (core parameter LA6 as per GRI G3 guidelines) was represented in formal joint management-worker health and safety committees.

Ongoing training programs were planned for our employees, contractors, and the communities to build their capacities. This included around 0.4 million man-hours of HSE related training, translating to about 12 hours per person during the year. We have also provided around 0.5 million man-hours of training on community development activities to our relevant employees and surrounding communities.

The training activities and programmes comprised of the following:

- Induction training for new employees and contractors
- Refresher training for existing workforce
- On-the-job professional trainings
- Specialized in-house and external training
- Advocacy and livelihood related training to the surrounding communities.

As a standard operating philosophy, before commencing any project and/or process modifications, we carry out detailed investigations like environmental impact assessments, risk assessment studies, HAZOPs, social mapping and need assessments which form the basis of our planning. Safety performance is a key agenda at all review meetings.

In order to increase learning opportunities, we have enrolled ourselves with several professional bodies relevant to our business operations. In addition, our engagements with various internal and external stakeholders on regular basis ensured that we addressed mutual needs. The stakeholders are identified by the operations based on relevance of the issues to be discussed.

OUR PERFORMANCE

This section of the report reviews our performance on health, safety and environment during the year. External verification was conducted on the reported core environmental and social (health and safety related) indicators.

Environmental Performance

Six core environment parameters pertaining to usage of materials, energy, water and discharge of emissions, effluents and other wastes have been identified in line with GRI, G3 guidelines and our performance against each is detailed below.

Energy

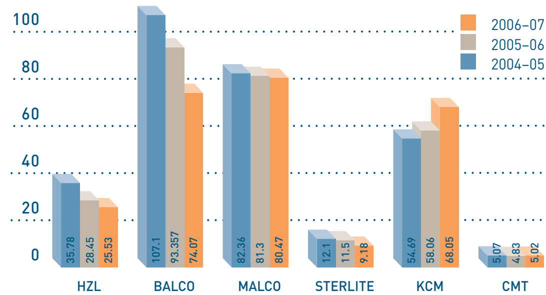
Energy is a primary resource in all aspects of the metal extraction processes, the primary being the smelting operations.

Direct energy (fuel used for process requirements and generation of captive power) consumption (core parameter EN3 as per GRI G3 guideline) was 48.86 million GJ. During the year, our operations purchased 2,017 GWH of electricity (core parameter EN4 as per GRI G3 guidelines).

Against a target of 5% reduction over 2005–06, in specific energy consumption HZL, Balco and SIIL achieved reductions of 12, 21 and 20% respectively.

At HZL, the ramp up of the energy efficient Chanderiya hydro smelter to full capacity enabled an improvement in power consumption at the smelters by almost 8% over the previous year. Continuous improvement initiatives at the Rampura Agucha Mine reduced the specific energy consumption at the mine by almost 2%.

ENERGY CONSUMPTION (GJ/MT)



At the new Balco smelter, based on pre-bake technology, peak current efficiency of 93.6% was achieved. Installation of lower size impellers, replacement of motors, replacement of lower rating switch gears, installation of variable frequency drives and capacitor banks at the alumina plant all led to better energy utilisation at Balco. Similar process improvements were adopted at Malco.

At SIIL there was a significant reduction in LPG consumption through the use of pre-mix burners for heating. Further implementation of other projects such as installation of a steam heater instead of an electrical heater led to a noticable reduction in power consumption.

Status of Certifications of Vedanta Operations to HSE Management Systems

Company	Unit	ISO 14001: certification	OHSAS 18001: Certification
SIIL + CMT	Tuticorin smelter (SIIL)	Certified	Certified
	Silvassa copper refining facility (SIIL)	Certified	Certified
	Mt Lyell mine (CMT)	Not intended	Not intended
	Thalanga mine (CMT)	Not intended	Not intended
HZL	Rampura Agucha mine	Certified	Certified
	Rajpura Dariba mine	Certified	Certified
	Zawar mining complex	Certified	Certified
	Chanderiya smelter	Certified	Certified
	Debari smelter	Certified	Certified
	Vizag smelter	Certified	Certified
BALCO	Manipat mine	Certified	Certified
	Bodai-Daldali deposit (Kawardha mines)	Under Certification*	Under Certification*
	Korba complex	Certified	Certified
MALCO	Yercaud mine	Certified	Certified
	Kolli Hills mine	Certified	Certified
	Mettur Dam complex	Certified	Certified
KCM	Konkola mines	Certified trans recommendation	Certified
	Nchanga mines	Under Certification*	Certified
	Nampundwe mines	Under Certification*	Certified
	Nkana smelter	Under Certification*	Certified

HZL's Debari and Vizag operations are also certified to SA8000

* BALCO – remaining are expected to be certified by Dec 2007

* KCM – remaining units are expected to be certified by Dec 2007

KCM experienced an increase in energy consumption due to certain process interruptions in the smelter and mine operations. However during stable operation energy consumption was in line with that of the previous year.

Water

Total water withdrawal across our operations (core parameter EN8 as per GRI G3 guidelines) during the year was 119.4 million m³.

Each of our operations developed their water management strategies and nominated water managers to design and implement specific programmes. Against a target of 10% reduction in specific water consumption levels, we achieved reduction of 10, 30 and 43% at HZL, Balco, and CMT respectively.

Water management projects at HZL included construction of a 12,000 m³ rainwater catchment pond, recycling of reverse osmosis plant rejects and recycling of treated process and sewage effluents. The Rampura Agucha mines achieved 100% recycling of process wastewater and commissioned 425 m³ per day capacity sewage treatment plant at its township. A database on aquifer is being maintained through piezometer wells to continuously assess the impact of mining on groundwater.

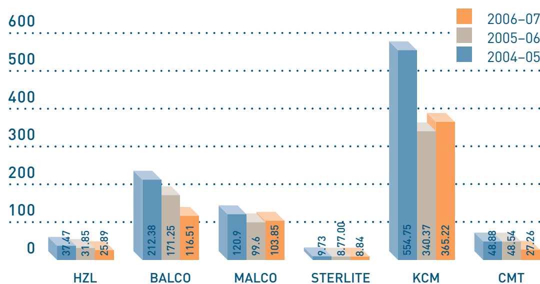
BALCO recycled discharge from calcination kiln cooler bed and phased out the wet disposal of red mud. At MALCO, various recycling and replacement measures were instituted.

At SIIL, projects like interconnection of the utility blow down water to the phosphoric acid plant and construction of a 30,000 m³ rainwater catchment pond were initiated.

Water consumption at KCM, during stable operations, was maintained at the same level as in the previous year with process interruptions having some impact.

CMT has discontinued the long-standing practice of disposal of tailings in a river and installed improved sediment retention and discharge water treatment systems achieving a reduction of 43%. It has shown a strong collaboration with the Tasmanian Government, Australia for conserving the natural water resources.

WATER CONSUMPTION (CUM/MT)



Waste Water

Water being a precious commodity, we have maintained zero effluent discharge status at all our Indian operations. There are continuous efforts to use the wastewater by recycling in our processes. Our smelter complexes have been provided with effluent treatment plants and reverse osmosis plants, while sewage treatment plants are provided in townships for adequate treatment of the wastewater prior to recycling and reuse.

Studies were undertaken at the tailing dam of Rampura Agucha mines on geological micro-structures to assess potential seepage and aquifer vulnerability. These studies have endorsed the safety of the dam structure. The water accumulated in the dam is recycled in our mining complex.

At KCM in Zambia, 93.61 million m³ of mine wastewater is discharged after treatment to local surface water bodies.

KCM experienced a discharge of acidic effluents from its Nchanga operations on 5 November 2006. Immediate corrective action was taken and normal operations restored within a few days.

A challenge at CMT is operating a site with century old infrastructure that was designed to discharge wastewaters to the river. CMT over a 10-year period has invested in a

CASE STUDY 38.4MW WIND FARM, JAMNAGAR, GUJARAT

Most of the power generated in India is through thermal power plants given the large coal reserves in the country.

We run our own captive power plants to meet the requirements of our mining and smelting operations at all our locations. These operate at a high PLF and low auxiliary consumption as compared to the power utility plants.

We have an aim to generate 10% of our energy requirement through green energy. HZL has taken a step forward in this direction through use of renewable sources by placing a turnkey contract for 123MW Wind Power Project. The first phase of 38.4 MW was successfully commissioned ahead of schedule during March 07 at Gujarat – India. The balance part of the project is under execution and will be progressively commissioned during 2007–08.

state-of-the-art tailings storage facility that has stopped the long standing practice of riverine tailings disposal. Considerable progress has been made in closing-off old drains and wastewater discharge systems from the concentrator and installation of improved sediment retention and discharge water treatment systems.

Air Emissions

Since some of our activities generate airborne emissions such as sulphur dioxide, fluorides and dust, we have taken adequate control measures to reduce such emission to within permissible regulatory standards and have complied with the same.

The significant emissions (core parameter EN20 as per GRI G3 guidelines) from our processes are SO_2 and fluorides. During the year, the total SO_2 emissions were 123,844.82 mt and total fluoride emissions were 99.97 mt.

The technology adopted at the new smelters at HZL and Balco is designed to have minimum emissions.

BALCO and MALCO have been successful in reducing fluoride emissions from pot rooms by introduction of dry scrubbing technology replacing the existing wet gas scrubbing systems. Other air pollution control projects implemented at BALCO included installation of a cyclone in alumina plant's calcination stack to reduce SPM and adoption of point feeders in 13 pots to reduce substantial fluoride emissions (to be extended to other pots in a phased manner).

At HZL, SO_2 emissions have decreased during the year primarily due to installation of tail gas scrubbers. Bag filters were changed at the Imperial Smelter Furnace (ISF) section of HZL's Chanderiya unit and installation of a new ventilation system is in progress. At the Debari smelter of HZL, workplace air quality was improved by reducing acid mist levels to below 1 mg/m^3 through a six sigma project on roof extraction system. Dust emissions have been reduced in the HZL mining operations through use of chemical wetting agent on haul roads for dust suppression; this also reduced requirement for water sprinkling. The use of mechanised vacuum sweepers around the mill areas in surface operations at the HZL mines made a significant impact in lowering ambient dust levels. Strict monitoring controls were implemented at Chanderiya smelter through installation of online Continuous Ambient Air Quality Monitoring Stations, online SPM analyser on dross grinding stack in cell house and online SO_2 analyser in tail gas treatment (TGT) plants.

Climate Change

We have taken measures to reduce GHG emission from our operations.

Workshops were conducted by experts on CDM processes for GHG emission reduction.

For instance, a project involving installation of a backpressure turbine for utilising waste gases of roaster plant at Chanderiya smelter of HZL has been registered with the UNFCCC as a CDM project activity. This achieves multiple objectives of reducing the GHG emissions, generating revenues and improving the efficiency of existing processes.

BALCO has initiated technological modifications such as installation of new smelter-pot control software and hardware and introduced continuous monitoring of the pots for reducing PFC emissions from aluminium smelting processes at its Soderberg technology based smelter. Both BALCO and MALCO have taken up projects on use of dry scrubbing processes to capture PFC emissions in their alumina plants.

Solid Wastes

Our mining and metal extraction activities result in the production of both hazardous and non-hazardous wastes; such as mine overburden, tailings, slag, red mud, jarosite, fly-ash and gypsum. We have focused on proper identification, characterisation, quantification, segregation, storage and safe disposal of all types of waste. Most of our mineral wastes used in the construction of tailing dam and other wastes are either disposed to lower end applications (e.g. gypsum to cement manufacturers) or disposed in tailing dams or secured landfills. Some of our fly-ash goes for cement manufacturing and we are also exploring the feasibility of its use in brick manufacturing. Certain hazardous wastes such as waste/used oil, refractory refuse, batteries are sold to authorised recyclers registered with the regulatory authorities.

CASE STUDY: ENVIRONMENTAL DISCHARGE AT KCM

Puncture of Muntimpa Tailings Dam delivery pipeline resulting in discharge of acidic effluents.

Preventive measures taken:

1. Non-destructive testing of Muntimpa pipe line commissioned, dredging of Chingola stream and pollution control dam.
2. New pipes installed where the weaknesses were identified.
3. Installation and commissioning of an additional double stage pump station at the PCD with a dedicated HDPE pipeline, guarding against spillage to the Kaufe river in future.
4. A new 9 km pipeline being installed. 90% completed and scheduled for completion by June 2007.
5. All catchment ponds within the Tailings Leach Plant kept empty at all times to provide buffer capacity for any spill.

Investment on remedial measures

- Total $6.135 million
- Desilting work at the bridge and renewal of Muntimpa pipeline – $4.0 million.
- Installation of a new pump station at the Pollution Control Dam and Pipeline replacement – $2.0 million.
- Other expenses – $0.135 million.

SUSTAINABLE DEVELOPMENT REPORT

CASE STUDY EFFLUENT TREATMENT – SIIL

The most common method to treat effluent water from a copper smelter is ferric sulfate-lime treatment, in which the hazardous waste generation is extremely high. In continuation of SIIL's efforts to maintain zero discharge, improve the treated water quality and reduce hazardous waste, a new plant based on sodium sulfide-lime treatment process has been set up to address this issue. The treated water quality has improved substantially and there is 35% reduction in sludge generation. We have also installed the primary clarification system as part of this process. Earlier the solids were disposed of in the secured landfill (SLF). With the, primary clarification system in place the load on SLF has been greatly reduced. This system will also collect copper and other precious metals in the primary process and recycle them back to the smelter which were otherwise being lost in the effluent. The entire process is fully automated and centralised.

During the year, we have generated 88,202,056 mt of solid wastes, of which 2,122,269 mt was re-used, 3,108,872 mt was disposed to SLF and remaining 82,970,915 mt was disposed in other safe and permitted ways including tailing dams, slag disposal on cemented platform based on their characteristics (core parameter EN22 as per GRI G3 guidelines).

Waste management initiatives at BALCO included switching over to dense phase disposal of red mud, use of spent pot lining (SPL) as fuel in the cement industry, recovery of fluoride salts from tunnel dust, ESP dust and carbon muck from smelters, and construction of secured landfills for the safe disposal of hazardous waste.

At MALCO, a pioneering initiative was taken on red mud disposal to deploy this in cement applications and this has been recognised by monitoring bodies, as a benchmark in the aluminium industry. 66% uptake of red mud by the cement industries has been achieved after reducing the caustic soda content.

At HZL, major initiatives included disposal of stabilised jarosite sludge from hydrometallurgical zinc smelters in secured and lined containments in Chanderiya smelter.

At Debari the moore cake treatment plant continues to recover zinc from waste. Further, as a measure towards recycling of wastes, anode mud is being recycled in the leaching and cadmium plant to reduce the fresh MnO^2 consumption at Debari. Waste rock at the mines of HZL is used for the tailing dam embankment and in road construction.

Road constructed from copper slag

Studies were undertaken by SIIL along with the Central Road Research Institute (CRRI), New Delhi which has confirmed safe usage of copper slag in road applications. Now efforts are being put to use copper slag in road construction. A further study to have BIS standards fixed for usage of copper slag in cement applications is being pursued. New benchmarks have been attained in gypsum disposal to the cement industry at 1,30,000 mt during the year as compared to 70,000 mt of gypsum during the previous year.

A technical committee was formed by the Honorable Supreme Court of India in 2003 to assess the status and recommend improvement measures on hazardous waste

CASE STUDY CONTINUOUS AMBIENT AIR QUALITY MONITORING (CAAQM)

SIIL took the initiative in installing online analysers for monitoring SO_2, SPM and NOx which are connected to a single server through our telephone lines. The manual ambient air quality monitoring stations (AAQM) have been replaced with CAAQM stations. Through the wireless network using mobile service, four remotely located stations are connected to a single server by data/fax numbers. The readings of the seven continuous monitoring stations are displayed at the main gate of the plant, bringing in transparency in our environmental reporting to the public at large.

At SIIL, an alkali tail gas scrubber was commissioned at a cost of INR 80 million ($1.8 million) to reduce the SO_2 emission levels below 1 kg/tonne of sulphuric acid produced and to improve the process efficiency beyond 99.9%.

CASE STUDY DRY SCRUBBER SYSTEMS FOR REDUCING FLUORIDE EMISSION AT BALCO

Both BALCO and MALCO installed dry scrubbers for efficient removal of fluoride from the pot room exhaust gases at total cost of INR 900 million ($20.5 million).

Dry scrubbing is a technologically advanced fume scrubbing system available for the aluminium industry where the hydrogen fluoride in gaseous form is absorbed on alumina and the fluoride rich alumina is used in the smelting process. The existing wet scrubbing process had a scrubbing efficiency of 70% that increased to 98.5% by the use of the dry scrubbing process. This has resulted in reduction in the fluoride emissions and specific fluoride consumptions per tonne of aluminum produced.

CASE STUDY REDUCING SO_2 EMISSIONS TO AMBIENT AIR AT HZL

Chanderiya and Debari smelters of HZL have commissioned the Tail Gas Treatment plants at total cost of INR 210 million ($4.8 million) to reduce their SO_2 emissions from the acid plant stack by 50% (from 4 kg/tonne to <2 kg/tonne of sulphuric acid produced). This advanced technology was selected in preference over commonly used and cheaper technology such as lime scrubbing, which also produces sludge as a hazardous waste. HZL adopted the state-of-the-art technology developed by Mitsubishi Corporation, Japan to treat the gases using zinc oxide solution and zinc sulphate solution thus produced during the process is recycled back to the hydrometallurgical plant for recovery of zinc.

management in Indian industries. This committee, as part of its routine, assessed four of our operating sites at HZL and SIIL. The committee expressed satisfaction on the hazardous waste management practices at these sites and have made some suggestions which are being implemented.

Green-belt

We continue to develop green-belt and green-cover in and around our operations. With expert botanists and horticulturists engaged across our operations. Green-belt has been assessed from time to time for efficacy and appropriateness of species diversity and remedial measures are initiated wherever necessary. Several of our operations have undertaken plantation rallies involving school children and local communities.

At all our operating sites, we have increased the green-belt coverage by planting over 270,000 trees and over 1 million Jatropha saplings.

Jatropha plantation

Safety Performance

The ongoing programme to reinforce safety was supplemented with the following initiatives:

- Training entire workforce (contractors included) for recognising and managing workplace risks.
- Improved visibility of leadership.
- Actively involving employees in safety management.
- Reporting near miss incidences.

Safety training in progress at HZL

CASE STUDY FLY ASH BRICKS ENTREPRENEUR

Korba district is a hub for thermal power generation and consequently ash is generated in plenty. Disposal and utilisation of fly ash is a challenge. BALCO's Samriddhi project aimed to train local youth in making bricks from Fly Ash, thereby also providing them a sustainable source of livelihood. We connected with TARA (Technology and Action for Rural Advancement) a NGO for the technology and training and procured 20 units of machines and engaged 80 unemployed youth.

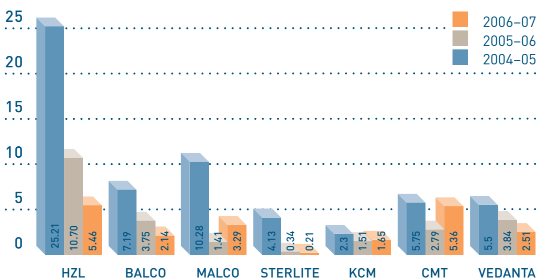
Devki Nandan attended the one-week training organised by BALCO. Within a record period of ten days his group produced 16,000 bricks and started supplying it in the market at the rate of INR 1,500 per thousand. The cost of production per thousand bricks was INR 900. At this rate his group was saving INR 600 per thousand. However his group was facing problem in transporting fly ash from the steam plant. To render sustainability BALCO arranged for roster based dumping of Fly Ash at identified locations reducing cost further and increasing profitability.

With this success we are exploring newer markets and encouraging many more entrepreneurs.

Safety/Administrative Controls

As proactive measures towards preventing accidents, several engineering controls have been put in place. These include use of work permit system, HAZOP study and compliance, routine safety inspections, safety protocol systems, walk through and joint surveys, and safety audits.

LTIFR



Internal and external audits were undertaken by specialists and other relevant agencies and these audits have provided valuable feedback to the operational teams to assist with improving safety risks on a preventative basis wherever possible.

Motivational and Enforcement Systems

Appraisals of all employees including the top management are linked to individual and team performance on safety. In addition, separate award schemes are in place at HZL, SIIL, BALCO and MALCO, including monthly recognition at BALCO and near miss reporting at all our operations.

LTIFR

At the beginning of the year, we set a target of reducing the LTIFR by over 20% at all our operations. We are pleased to report that our operations showed a significant reduction of 35% during the year. LTIFR at SIIL, BALCO and HZL have consistently declined. Disappointingly at KCM there was marginal increase due to rock-fall incidents in underground mines and at MALCO due to some deviations by contractors.

The total injuries during the year were 1,246 and total lost time injuries (LTIs) were 277. The injuries have resulted in 336,636 lost man-hours, which means that on an average 3.05 man-hours have been lost per 1,000 hours of work executed.

We remain committed to achieving zero fatalities in all our operations. Despite a continued focus on safety, there were five fatal incidents involving employees and eleven involving contract personnel at our operations during the year. Further we had two contract personnel fatalities at the projects' site.

By business, there were ten fatalities at KCM, four at HZL, two at Balco, and one each at MALCO and VAL. HSE committees have investigated all these incidents and action has been taken to prevent the recurrence of such incidents. We have tied in with a leading consulting organisation (IRCA) to improve the safety performance specifically at our KCM mining operations.

The above reported safety parameters on injury and fatalities are intended to correspond with reporting of core parameter LA7 as per GRI G3 guidelines.

CASE STUDY PROJECT KALPTARU

Jatropha Curcas is a major source of bio-diesel, an environment friendly fuel, which yields results after three years of plantation. Each plant provides 5kg of seeds in a year, which when converted would generate at least 2 litres of diesel.

We have undertaken major initiatives on Jatropha. BALCO has planted one million Jatropha saplings in Korba, Mainpat and Kawardha districts of Chhattisgarh in partnership with the District Forest Department, Village Development Committees and 450 households. This will benefit not only the families with sustainable livelihood opportunities but also help in conserving the environment. Most of the plantation done is on poor degraded land ensuring reasonable utility of the land, as it is a non-grazing and hardy species requiring very little water. With such a massive drive of plantation, there would be reduction in greenhouse effect too. HZL has planted 55,000 jatropha saplings.

Occupational Health
Our focus is on exposure to dusts containing heavy metals such as arsenic, lead and cadmium, gaseous emissions such as SO_2 and fluorides, and other physical conditions such as high noise levels in certain activities and heat stresses.

Occupational experts have been employed at all mines and smelters for regular occupational health examinations of all employees, contractors and workplaces. Initial and periodical medical examinations are carried out as per regulatory requirements. In addition, specific medical examination is also carried out with respect to blood lead level/cadmium level, chest X-rays, audiometry, spirometry and vision.

At HZL, special focus is given to monitoring lead levels in blood. We are ensuring use of protection against the impact of lead through better respiratory protection equipment, compulsory for all employees in the plant. Similarly, employees in mines are examined for silicosis levels.

At SIIL, all employees are examined once a year as part of 'well-person screening' programme. Under this programme, check-ups such as height, weight, pulse, blood pressure, skin test, oral cavity, vision, abdomen, chest X-ray, ECG, pulmonary function tests are being carried out. Employees from various sections undergo different tests based on risk. Also, to establish health mapping for the copper smelter operations, an occupational health assessment study was conducted through an external agency and to assess the health status of the community in a 5 km radius of the plant premises, an epidemiological and health status survey was carried out externally.

At KCM silicosis surveillance touched compliance levels of more than 95%. All supervisors working in underground and surface plants have standard first-aid certificates.

Social – Beyond Business: Enhancing Quality of Life
At Vedanta, we lay particular emphasis on enhancing the quality of life for the communities in which we work. We have a holistic approach to development broadly engaging in **Social Investment** addressing health, education and livelihood, **Bio Investment** comprising of water harvesting, agriculture and social forestry and **the Environment** focusing on planting trees, conservation, and promoting eco-technologies.

We have applied and developed our capabilities for dialogue and partnership with communities and other like minded organisations and as a result we appreciate the interplay of social, economic and environmental implications of our activities. Our project designs are a result of study and consultation, leading to mutually agreed objectives with a five year perspective.

Forty full-time team members supported by 126 village extension workers and 900 HIV/AIDs peer educators at KCM reach out to 150 villages touching over 2.0 million lives in India and Zambia.

Education the Key to Moulding Communities
Our **education** initiatives take an all encompassing view. From pre-school to schooling to skill development we engage – from child care centres to scholarships, formal education to study centres, sports and cultural activities for all-round development of children and adults.

We run:
- 10 schools for formal education to over 7,500 children.
- 53 balwadis (preschool centres) for over 2,500 children in the age group of 3–5 years.
- 18 evening study centres supplementing education for over 1,600 children at SIIL and MALCO.
- The Sterlite Maitri Mangal Post Graduate Girls College (SMMPG), a residential higher education centre had an enrollment of over 746 rural and tribal girls for their regular course and 500 plus for their distance learning programme from 65 villages in Rajasthan.
- 14 non formal education centres providing basic literacy skills to adult women.
- 350 children and teachers were awarded various scholarships.
- Sports and cultural activities also form an integral part of the education process.

CASE STUDY
SAFETY STEWARD SYSTEM AT BALCO

Riding on the success story for HSE Steward System implemented at SIIL operations in Tuticorin since 2005, BALCO implemented a similar system with participation of shop floor supervisors, engineers and technicians selected from different shops in smelter, alumina and fabrication plants. The nominated safety stewards were trained to identify unsafe conditions and unsafe acts of people, and also trained in fire fighting and first-aid aspects to take corrective actions. This has greatly reduced the trend of accidents this year. The safety department monitored the programme, and the best performing stewards were identified during the year. The first three winners were awarded with a merit certificate and cash award. The HSE Steward System has promoted safe behaviour and reduced risks at our BALCO operations.

A Healthy Society is an Empowered Society

Our programmes are preventive and curative and are run in partnership with the district health authorities and other bilateral organisations. A health strategy has been put in place to ensure quality health care for the community at large:

- We operate eight hospitals across the Group, providing health care to 750,000 people.
- Outreach services through Mobile Health Units and camps to over 1 million people.
- Our outreach services are further strengthened with grass root linkages in the form of 'Swasth Mitras' who are community volunteers trained in first aid to provide immediate relief to the communities.
- A Trauma Center with ICU facilities for emergencies set up at BALCO.
- We support a 41 bedded cardiac center at Udaipur.
- Sanitation – 1,000 low cost toilets were constructed in 13 villages in Korba at BALCO.
- Potable water to 78 villages through pipelines, hand pumps and water tanks.
- At HZL in partnership with the Government of Rajasthan and Naandi Foundation we run a mid-day meal programme feeding over 150,000 primary school children daily through six centralised hi-tech kitchens.
- Our annual Roll Back Malaria programme reached out to over 37,000 households, helping bring the incidence of malaria to 20 per 1,000 as compared to the national average of 100 per 1,000. Our interventions in HIV/AIDS awareness and prevention extend both to employees and the community. Free ARV was provided to all who identified positive, with the uptake for Voluntary Counseling and Testing (VCT) going up by around 30% this year. (Core parameter LA8 as per GR1 G3 guidelines.)

A Better Tomorrow

The focus on **sustainable livelihood** has been farming and non-farming empowering the social fabric of the villages:

- Under the non-farming sector we have adopted the micro enterprise route with the objective of building capacities of the women to supplement their family income. We work with 550 Self Help Groups (SHGs) with over 8,000 women members engaged in some form of income generation enterprises like prawn pickle, ornamental fish breeding, block printing, poultry rearing, leaf bowl making and others earning INR 2,500 per month.
- 84 Vision Entrepreneurs (VE) address presbyopia, an age related up close vision problem through SCOJO Foundation's micro franchise model. These VEs as the name suggest address the health issue of up close vision at the same time earn a livelihood through the remedy of spectacles which can be medically sold over the counter.
- HZL trained over 400 youths in collaboration with the District Industries Department, District Administration, District Employment Exchange and Sankalp, a local NGO in various skills. 50% of the youths have been gainfully engaged within a month of finishing the training.
- At Korba, BALCO supported 80 youths to set up 20 brick units using fly ash – a waste from the plant productivity. We sourced the technology for them from Technology and Action for Rural Advancement (TARA), linked them with banks for loans, provided free fly ash and formed market linkages to ensure sustainability.
- 66 local youths at VAL have been taught basic literacy skills, technical training and a module on soft skills in three batches. The first batch have been recruited as employees at VAL.
- Our agriculture project has helped optimise land and water resources, revitalised farming through multicropping, training, technical inputs, farmers meets, organic manure and better quality seeds enhancing incomes by approximately 70% for more than 1,300 farmers. We achieved over 1,100 acres of land under cultivation with monthly incomes going up from INR 1,000 to INR 3,000. These activities have been supported with water harvesting exercises for irrigation like building structures, drip irrigation, deepening of wells and pedals pumps and intensive animal husbandry camps in conjunction with the District Veterinary Services, immunising over 40,000 animals.
- A clear focus on social forestry saw us planting over 270,000 trees of different varieties.
- One million Jatropha Curcas, a major source of bio-diesel were planted at Korba, Mainpat and Kawardha by BALCO in partnership with the District Forest Department and Village Development Committees. In conjunction with the forest department usufruct right to harvest fruits (seeds) has been vested with the villagers along with maintaining the plantations. The project benefits 450 households.
- Energy is not easily available in remote locations. Along with Chhattisgarh Renewable Energy Development Authority (CREDA) we installed 60 biogas plants as an alternate source of energy at BALCO. This has eased the life of women by making cooking smoke free, has helped ensure less felling of trees for fuel, better animal care as cow dung is the raw material for the biogas plants and 24x7 availability of electricity.

Impact

We compliment our own ongoing internal assessment with external audits. This year three of our Group companies were externally audited. HZL engaged Operation Research Group, Delhi, SIIL Loyola College, Chennai and BALCO the Guru Ghasidas University, Bilaspur to conduct these assessments. The underlying observation of all three reviews was that our strength lay in developing the capabilities of the communities which confirm the community's potential to identify, create and make the most of opportunities for themselves. They also recommended consolidation of our current efforts in our present geographies and increased outreach. Outcomes and impacts of our intervention (Core parameter SO1 as per GR1 G3 guidelines):

a) Strategic focus on 150 villages with:
   - Literacy and education initiatives catering to 10,000 children and adult illiterates.
   - Health care services being provided to 1,000,000 populace.
   - Veterinary services extended to over 40,000 cattle.
   - 1,100 acres of land brought under cultivation through micro irrigation.
   - Half a million vocational training hours invested for 10,000 women and youth.
   - 11,000 families brought above poverty line.

b) 550 empowered and self reliant Self Help Groups linked to enterprise.

c) 48 regional, national and international NGO partners.

d) License to operate with an enhanced equity across our stakeholder community.

e) Members of the Indian Business Alliance for Tuberculosis and BALCO, MALCO and HZL signatories of the UN Global Compact.

Our main focus has been and will continue to be creating value and sustainability in all areas of our operations. While we feel some satisfaction from the progress made, we acknowledge that our work and our influence must continue to grow.

Awards and Recognitions

Safety

- 4-star rating by British Safety Council, UK for Health & Safety Performance (HZL–RAM).
- International Safety Award by British Safety Council, UK (HZL–Debari).
- RoSPA Gold award for Prevention of Accidents, by Royal Society for Prevention of Accidents UK (HZL–Debari).
- National Safety award by Directorate General of Factory Advisory Services and LLabor Institute (BALCO).
- Greentech Safety award (SIIL, BALCO, HZL–DZS and CLZS).
- First in mines safety week conducted by Director General Mines Safety (HZL–RAM).
- State Safety Award by Inspectorate of Factories (MALCO).

Environment

- Golden Peacock award for Corporate Governance & Innovation (MALCO). from President of India.
- Gem Granite Environment Excellence Award in Mine Environment by FIMI (HZL–RAM).
- National Energy Conservation Award by Ministry of Power, Govt. of India (HZL–RDM RAM).
- Golden Peacock Environment Management Award (HZL–Vizag) and Commendation Certificate (BALCO).
- Water Efficient Unit Award by Confederation of Indian Industries II (MALCO).
- Excellent Energy Efficient Unit award by CII (SIIL).
- Greentech Environment Management award (SIIL, BALCO, HZL–ZM, RAM, CLZS and VZS).

CSR

- TERI Corporate Social Responsibility Award for the year 2007 in recognition of Corporate Leadership for Good Corporate Citizenship & Sustainable initiatives to HZL.
- FICCI, SEDF (Socio Economic Development Foundation) Corporate Social Responsibility Commendation Award for the year 2006 to HZL.
- Sulochana Harijan, a SHG member at VAL, received with the 'Best SHG Award' from Navin Pattnaik, Chief Minister of Orissa. The award was organised by Tribal Development Task Force, Orissa.
- BALCO and three Local Panchayats selected for President's Nirmal Gram Award 2006 for collaborative Sanitation Project in Korba by the Ministry of Rural Development, Government of India.
- HZL recognised with the Bhamashah Award 2006 for Chittorgarh's Education Project by the Ministry of Education, Government of Rajasthan.

Mr M S Mehta, CEO HZL accepting the FICCI SEDF commendation certificate for HZL efforts on CSR from the Honorable President of India

CASE STUDY

INSPIRATIONAL WOMEN – THE SHG MODEL

550 women SHGs in partnership with local NGOs having a cumulative corpus base of INR 5.6 million across all our companies. Each woman and each group tell a thousand stories and more. Located diversely the common thread is the will to make a difference to their lives.

Rural Women – Generic Profile

- Domestic labour not considered as productive
- Low involvement in decision making
- Domestic violence
- Low literacy levels

Volume Speaks at SIIL

Along with six local NGOs and other agencies at SIIL, we transformed the lives of 4,100 women in 275 groups with a cumulative saving base of INR 3.7 million. A 14 member group Tamira Sangamam managed a loan of INR 1.5 lakhs to run a canteen at the police superintendent's office at Tuticurin district with support from Chevaliar Roche Society.

Managing the Business of Phenyl

The SHG women at VAL's Niyamgiri Vedanta Nagar have redefined the business of phenyl making. The phenyl quality has gained ground with demand exceeding their supply. The training by VAL made the job easy.

Procurement of raw materials locally and selling the products at local markets has become the norm. They also managed a loan of INR 80,000 to expand their business.

At Lanjigarh, Sulochana Majhi, Group President of Budhima Mahila Samiti promoted by VAL was honoured with a state award for best SHG Group in June 2006 by the Honourable Chief Minister of Orissa.

CASE STUDY VISIONS BEYOND VISION

Vedanta collaborated with us to implement a replicable, scalable, micro franchise model for distributing reading glasses to the rural populace. Micro franchise owners popularly known as Vision Entrepreneurs (VE) conduct vision screenings within their communities, sell affordable reading glasses, and refer those who require advanced eye care to reputable clinics.

Vedanta - Scojo partnership: benefiting livelihood and health

This project provides improved access to health services and economic development through a commercially viable and well developed model. Initiated in April of 2006, 84 rural women and men across Vedanta locations were trained and equipped as VEs. The training module on the first two days deliberated on topics like the anatomy of the eye, refractive errors related to the eye, and the basics of rural sales and marketing. The third day took the VEs to the field screening potential customers and selling the low cost high quality reading glasses.

Implemented across all Vedanta companies, other than KCM Vedanta supported each VE with a micro franchise kit and an initial inventory of glasses.

To date, 6,000 people have been screened, 1,931 pairs sold and additional earnings of INR 1100 added to the family kitty. Premlata Goswami from Kotri, Rajsamand quips, 'In just nine months, I sold 264 glasses notching a turnover of INR 43,560 with 13,200 as my profit. My USP is door step screening free of cost and instantaneous results. I feel happy when I see people go back to productive lives in a jiffy at a nominal cost'.

For us at Scojo, this partnership has been very fulfilling. The largest partner we have till date with respect to CSR programme. The passion and support of the Vedanta team has been key to the success of this project. 'Going forward, now that we have a presence in most of the locations of Vedanta, we are looking at making the VEs independent and also adding more health-related products to their basket of goods wherein they would be in a position to increase their earnings further', says Neil Blumenthal, Director of Programme, Scojo Foundation, USA.

CASE STUDY VEDANTA SUPPORTS THE HABITAT FOR HUMANITY 'INDIABUILDS' CAMPAIGN

Habitat for Humanity an international non-profit housing organisation seeks to eliminate poverty housing and homelessness from the world, and to make decent shelter a matter of action.

Vedanta and the Jimmy Carter Work Project: partners in sustainability

Habitat launched an ambitious campaign 'IndiaBUILDS' that aims to provide decent homes for 250,000 of India's poor, over the next five years. Vedanta Resources Plc supported Habitat for Humanity, India for the signature event of IndiaBUILDS – the Jimmy Carter Work Project 2006 (JCWP).

President Jimmy Carter's involvement with Habitat for Humanity International began in 1984. Jimmy and Rosalyn Carter volunteer a week of their time each year to build homes for the poor and raise awareness of the critical need for affordable housing. The JCWP is held at a different location each year, and attracts volunteers from around the world. The 23rd annual JCWP was organised in Lonavala, India between 29th October and 3rd November, to launch the IndiaBUILDS campaign. This was a 'blitz build' which brought together 2500 volunteers from 25 countries, at Patan village, Lonavala, to build 100 houses, along with local families in need of decent and affordable housing.

Vedanta Resources Plc supported this significant event by donating INR 11.3 million through its group company Sterlite Industries Limited, to become a prestigious Gold Sponsor for the event. Besides directly sponsoring eight houses at the JCWP site, Vedanta contributed to the costs of hosting this event and had employees volunteer to build houses at the site.

Going forward, Vedanta is committed to support these endeavours. This is in continuation of the belief that having met one of the basic needs – 'Shelter', families have better opportunities to invest in the education of their children and health care of the family.

'Habitat for Humanity is grateful to Vedanta for their support. Vedanta's involvement demonstrates a clear commitment to improving the lives of families in need of decent housing, and we look forward to receiving their continued support, in our efforts to combat the scourge of poverty housing.' Jonathan Reckford, Chief Executive Officer of Habitat for Humanity International.

CASE STUDY NURTURING THE FUTURE

The education initiatives at Vedanta traverse across the different stages of a person's life cycle from childhood to youth and adulthood.

Laying Foundations at VAL
'When Panchu my son started school he was a shy, weak child one among the 40 at the centre. Inspite of being uneducated myself, I was determined for his growth and progress. Today three years down the line he is the smartest boy in his centre, he sings, dances and can recognise alphabets and numbers. I am sure Panchu will do very well in the future also', endorses Panchu's mother Sukanti Majhi. 'The first childcare centre (CCC) was opened in Niyamgiri Vedanta Nagar in May 2004, with the objective of overall development of children in the age group of 3-5 years. Two of us got on to the bandwagon as teachers. It was very difficult initially to run the centre as the villagers were unaware of the importance of education and children were irregular. We went house to house talking to parents. Within a month the children started trickling in. Two months down the line we had a house full looking forward to learning through play and the nutritious meals served at the centre. The parents felt confident and especially cherished the moment when the children performed at the annual cultural programme of their centre. Today we run 19 CCC in 18 villages with 675 children enrolled', claims Mina Patro and Tribeni Bhanjadeo, teachers at the centre.

CASE STUDY NURTURING THE FUTURE

MALCO School a Tower of Strength
'I passed out from MALCO Vidyalay in 1981. I went on to study medicine inspired by the values instilled in me by my school. I came back to Mettur to serve the rural populace and joined MALCO in 1995. Apart from contributing to the overall health of the employees, I also extend my time for the community health projects conducted by MALCO. My son today is studying in my alma mater.

Started way back in 1969 the school is run by a trust. A co-educational school, with classes from LKG to XII, 2,800 students, 120 teaching and non-teaching professionals and resources to aid us in our studies. It is one of the best schools in the district. I am proud that the school still maintains the same values which inspired me. An all-round achiever, be it in studies, sports, culture our students compete at state, national and international platforms. The school has been the recipient of the Chief Minister's Raj TV, Mudalvan Award for four consecutive years, for securing the first position in the matriculation examinations in Salem district. My school will continue to be a tower of strength for generations to come...' voices an emotional Dr. Manoj Krishnan, Medical Officer, MALCO.

CASE STUDY NURTURING THE FUTURE

Taking TQM to Schools at SIIL
Schools were there so were the teachers but where were the children? Concerned SIIL approached the issue the Total Quality Management (TQM) route. A brain storming session with their employees and a review with stakeholders like children, teachers, parents and the government helped identify the root cause and possible solutions. The concerns were poor teaching systems, parental apathy, ignorance about career options, and lack of aspiration, adequate infrastructure, guidance and support. The first step they took towards this was to set up Evening Study Centres (ESC) where children could come for guidance and to read. Today they conduct 18 ESC across SIIL and MALCO working closely with over 1,600 students with the objective of controlling dropouts by ensuring continuity in education, 100% enrolment, and supporting children with scholarships. From 'Education to Employability' is the focus, paving the way for overall development of the students. The teachers selected from the same villages have the advantage of knowing the children and their backdrops well in advance thus facilitating the process. They further classified children in two groups. Group 1 comprised of rank holders where the intervention strategy was motivation and Group 2 students who had failed or not fared well and needed special coaching as an intervention. The common thread of the interventions was peer pressure and group dynamics. In the two hours that we spent at the centre, the first hour was devoted for reading our course books and the second hour for clarifying doubts and group learning. In the first phase of their TQM approach SIIL addressed three centres and ensured 100% pass percentage in each of these centre, says, 18 years old Shenbagavalli. I am currently pursuing my 2nd year chemistry in the local college. I first joined the ESC when I was in class 8. These centres are a boon. Their focused way of teaching and coaching has helped me be where I am today. Now I volunteer at the ESC as and when I can manage time.

CASE STUDY NURTURING THE FUTURE

Setting New Paradigm for Rural Youths at HZL
HZL decided to take the innovative and unconventional route while designing their livelihood project. They visualised a tribal youth in the world of hospitality and computer industry. Along with the District Administration, Udaipur and NGO Partner-Sankalp they conducted a three month residential training for rural unemployed youths challenging the conventional. 187 youths trained in sales and marketing, hospitality management and computer applications coupled with modules on personality development and spoken English. 'The results are unbelievable and worth replicating. The comprehensive need based training ensured 100% placement within a month of completion' remarks Shikhar Agarwal, District Collector, Udaipur.

CASE STUDY DEVELOPMENTS AT LANJIGARH

Rehabilitation projects provide a range of services for displaced families

Now I feel optimistic about my child's future at Lanjigarh says Baddangaria Majhi.
'I live a safer and easier life after settling at Niyamgiri Vedanta Nagar (NVN). I am 50 years old and work in the dispensary at the NVN as we call it and my two sons work with Vedanta. We have all the facilities be it electricity, water, hospital, school or roads at NVN.' recollects Baddangaria Majhi fondly. The face of Lanjigarh has changed so rapidly in the last 3 years. All these years we lived in abject poverty with no horizon in sight. I was a permanent resident of Kinari village with 2 acres of agriculture land. Life was very difficult in the absence of proper food, medical and education facilities. We were totally dependent on rain God for agriculture and I hardly cultivated 20 quintals of paddy in a year. There were no proper roads, drains and mobility was severely restricted during rainy season. Life has changed after Vedanta Alumina Limited came in our area opening avenues for direct and indirect employment. I have a decent house, a good rehabilitation package, investment counsel and a job. I have bought LIC policies for myself and my sons and a motorcycle. I feel optimistic about my children's future'.

From a stranger to a partner is the path traversed by Vedanta at Lanjigarh. The journey so far has been challenging, fulfilling and impactful. From garnering local commune support, to building strategic relationships with the community, government and NGO's, to forming village development committees, SHG's, youth clubs, reaching out with our Mobile Health Units, creating direct and indirect opportunities for livelihood, linking the communities to government schemes, providing avenues of education and capacity building, creating platforms of communication and dialogue. We have been focused, persistent and unrelenting.

'I have been personally involved in many of the community development initiatives of Vedanta Alumina Limited, Lanjigarh. Their community development activities like health programmes, water and sanitation programmes, and education initiatives in the rehabilitation colony of the displaced families are commendable. It is worth appreciating that the 106 displaced families have been provided with the basic amenities like sanitized houses, potable water facilities, school, market complex, a dispensary in the colony and employment for one member from each household. Vedanta not only rehabilitated the families in line with the Resettlement and Rehabilitation Policy of the Government of Orissa, but went beyond to ensure their sustainability. All the displaced families invested 2/3rd of their money in post office savings ensuring a steady source of income for themselves. Today we see a qualitative improvement in the living standard of the people, not only is there a consistent source of income for them, but there is a marked difference in their attitudes. We have children in the childcare centre and EGS schools now instead of in the forest collecting firewood and grazing the cattle. I am told that the rehabilitation colony at Jharsuguda is nearly ready and the company has initiated community based projects on similar lines for them too. I wish them the very best for their commitment to development, Gangadhar Patra (I.A.S.), Block Development Officer, Lanjigarh Block, Biswanathpur, Kalahandi (Orissa)'.

CASE STUDY

CARE AND BEYOND – A CALL TO ACTION

BALCO in conjunction with the Public Health Department developed 1,000 low cost toilets across 11 villages in Korba. The uniqueness of the project is the complete community participation in construction of the toilets and the Sanitation committee's advocacy campaign towards appropriate usage of toilets at household levels.

This Joint venture between BALCO and Three Panchayats has been honoured with the President of India's Nirmal Gram Award 2006.

Konkola Copper Mines Plc (KCM) provides secondary and tertiary health care to employees, their dependents and the general public through two hospitals namely: Konkola Mine Hospital in Chililabombwe and Nchanga South Hospital. The 398-staffed hospitals are referrals for the seven community clinics in Chililabombwe and Chingola with a bed capacity of 220 collectively. The hospital services about 400,000 people from Chililabombwe, Chingola and Lusaka.

Both hospitals are well equipped offering specialty treatments. The quality of health care at the hospitals ranks over 85%. KCM hospitals have an infant mortality rate (IMR) of 62/1000 live births and under-5 mortality rate (U5IMR) of 106/1000 live births significantly lower than the national figures of 112/1000 and 202/1000 respectively. Ours are the only private hospitals to be accredited by the Medical Council of Zambia to contribute National Manpower Capacity Building and has been training interns from the University of Zambia's School of Medicine since 2005.

KCM also implements community health programmes in its areas of operation. In 2006, KCM held the first ever artificial limbs fitment camp through Jaipur Foot of India. 109 people across Zambia were fitted with artificial limbs. The KCM Rollback malaria programme prevents and treats malaria amongst employees and the community. Fostering community participation and promoting clean surroundings KCM introduced the Garden and House Competition.

The malaria incident rate has reduced to less than 20 cases per 1000 population. The Government of Zambia has adopted the KCM model for malaria eradication.

The KCM HIV/AIDS policy protects the confidentiality of an employee's HIV status, employees' rights to work and benefits despite their status, prohibits discrimination against HIV positive employees and provides for education and voluntary counselling and testing (VCT). Efforts of peer educators and counsellors in workplace and community sensitisation have led to increased VCT uptake. Last year we introduced the provision of free ARVs to employees and their dependents. We also implement the Prevention of Mother to Child Transmission of HIV (PMTCT) programme. To date more than 300 women have been enrolled in this programme.

There is so much more to be done, this is just a small step in the right direction.

CASE STUDY

PROGRESS – A REPORT CARD ON THE MIDDAY MEAL PROGRAMME AT HZL

The Public Private Partnership between the State Government of Rajasthan, Naandi Foundation and Hindustan Zinc has made progress towards setting up six hi-tech kitchens in three districts of Chittorgarh, Bhilwara and Udaipur, providing nutritious meals to 1.5 lakh children and beyond in more than 1,500 schools of these districts everyday, with an investment of INR 36 million. We commissioned two kitchens in 2006. The remaining four shall be commissioned by the end of the current financial year.

'Chittorgarh would become the only district in the entire country to be covered comprehensively under this project. Until now, hi-tech kitchens mostly catered to urban and semi urban areas, but these four kitchens of Chittorgarh district would cater to remote rural pockets. We thank Anil Agarwal, Group Chairman-Vedanta Resources for his support and shared vision', Sudhans Pant (IAS), Mid Day Meal Director, Rajasthan.

A recent study by World Bank at Chittorgarh assessing the Mid Day Meal scheme showed enrolment in schools up by 64% and an increase for girls of 58% endorsing the critical role of a nutritious meal as a key factor to continuity in education. Basantilal Pancholi, Head Master, Det Middle School, Chittorgarh. endorses 'The Gangrar kitchen helped us focus on academics and presented a challenge to improve our annual school results. I was pleasantly surprised to know from Naandi Foundation that the nutritional value of 45kcal per meal is almost double the national nutritional standards for the targeted age group'. Inspired by the kitchen during one of their visits, Basantilal's school children penned this poem.

Hi-Tech Kitchen ka khana muh mein paani laya, Main school mein samay per aaya Ab swadist khana milta hai, padhne mein bhi man lagta hai, Zinc walon ki yeh anokhi den, hum bachchon ke man ko bhaata hai.

(The meals from the hi-tech kitchen are sumptuous. Now we reach school on time. We enjoy our meals and study hard too. This novel gift from Zinc has won our hearts.)

The responsibility to provide quality meals on time in the remotest schools keeps us and our partners on our toes. We are convinced that this tripartite social investment will be one of the prime factors contributing to education.

CASE STUDY

A DIFFERENT FUTURE – BAREFOOT AGRICULTURIST MADE THE DIFFERENCE

Productive livelihood is one of our primary development goals both in farm and non-farm based sectors. For various reasons like erratic rainfall, mono cropping, lack of proper knowledge and irrigation facilities, farming is perceived to be less remunerative. At HZL, BALCO and VAL we planned agriculture projects suited to the local topography to both improve the agricultural produce and ensure optimal utility of water and land.

At Rajasthan, the problem was twofold: a) lack of optimal utilization of available water and b) predominant use of local seeds lowering the yield factor by 30% coupled with an overdose of fertilisers. A cadre of seven barefoot agricultural specialists trained by Krishi Vigyan Kendra and HZL on vermicompost, micro irrigation and certified seed identification started a mass campaign in the villages to orient farmers on water and soil management. 135 farmers with a cumulative holding of 275 acres from seven villages agreed to participate on an experimental basis. We were trained on vermicompost, soil and seed management. Certified seeds of wheat were procured from the Rajasthan Seeds Corporation Ltd at a subsidised price. Micro irrigation seemed to be the best bet in the current scenario of sporadic rainfall and irregular electricity. With no electricity required, drip irrigation was the choicest solution, with some of us investing in DG sets and sprinklers for optimal use of water. Taking up cash crops along with food crops doubled our incomes. Girdhari from Ganeshpura produced 12 quintals of wheat against the previous year's yield of eight. In the total agricultural land of 275 acres under the Project, 5,800 quintals of wheat was produced by 98 farmers collectively. Not only this, 50% of the farmers took double crops with mixed cropping patterns in a single calendar year. The drip system helped us to cultivate vegetables apart from cash crops and utilise water effectively reminisces Nand Giri Goswami of Ruppura village.

VAL conceived Sashya Shilpa Abhiyan, to enhance our incomes through commercial production of vegetables year round. They partnered with the Asian Institute for Sustainable Development (AISD) from Ranchi for technical inputs, says Jayamal Gouda, of Sindhbahl village, a landless agriculture labourer. I had neither land of my own, nor money to invest nor the expertise, VAL organised all three and encouraged me to take on the project. In the first phase 51 of us agreed to cultivate vegetables on 70 acres of land from five villages. The AISD and VAL team trained us on all aspects of farming and helped us prepare the right crop plan for our field. At the end of the first phase on an average we earned INR 2,800 per month. Enthused by the results, the farmers, VAL and AISD collectively planned on expanding the area of cultivation. The second phase had 294 acres of land, 252 farmers and 17 villages. participating. Twenty three farmer SHGs were formed and market linkages and irrigation channels identified. I earned INR 12,250 in just four months by investing only INR 3,000 in the project which was exclusive of the land cost. I now earn INR 3,000 a month just by growing vegetables in my field. I never thought this was possible at Lanjigarh.

A need assessment by BALCO discovered availability of abundant resources for cash crops like perennial source for irrigation, land and a market to cater too at Korba. We named the project 'Kadambari'. Our interventions started with dialogues and formation of Village Development Committees. The model plot in village Dondro was developed to demonstrate cash crop farming. As a pilot, the BALCO team insisted that we grow vegetables on small chunks of land along with paddy. Their objective was three fold – to help us change the cropping pattern to cash crop, sensitise us on the benefits of diversified cropping and ensure that farming became a sustainable source of livelihood all year round for us. Along with the District Horticulture Department they provided intensive training to 410 farmers on different aspects of farming. Irrigation schemes were initiated for the five acres of land for fruit cultivation and 59 acres for vegetable and floriculture. Vermicompost along with the additionally slurry from the 50 Bio Gas plant served as a rich source of manure. Benefits from cash crops came speedy. A farmer who through paddy cultivation earned about INR 4,500 per acre now earned INR 17, 000 per acre with vegetable and floriculture, says Harihar Singh Kawar, 51. I own five acres of land and would take one paddy crop during the year. My fields did not produce enough to sustain my family for the entire year. This year I had a bumper crop of vegetables, with a turnover of INR 14,000.'

Across Vedanta's operations we motivated over 1,300 farmers to till 1,100 acres of land with vegetable and cash crops to earn a steady income of INR 3,000 plus.

CASE STUDY

SUSTAINABLE VILLAGES – FUELING GROWTH

We Walked the Talk at Rajpura Ka Kheda

'In 2003, two people from Zinc's social wing were conducting a village survey with the women of our village. Looking at Bherula earnestly dialogue, we were convinced about the development of our village. Formation of the Village Development Committee (VDC) and a three year rolling plan, were the next steps' reminisces Chatar Singh.

Ramesh shares,'I was a landless labourer, my lack of skill was a big hindrance. I joined the group of 30 being trained by Zinc on the Pradhan Mantri Rozgar Yojana. I set up a readymade garment shop with a INR 40,000 loan from the bank'. The village movement gained further momentum with vocational trainings for youth and the SHGs, reaching out to over 60 families continues Chatar Singh.

Our semi-arid region needed concrete steps for water harvesting. Along with Jain irrigation, Zinc provided us the platform to choose from the basket of tools for micro irrigation like drip/sprinkler systems.

Empowering us to take onus for the development of our village, we along with Zinc approached the District Rural Development Agency for implementing the Swajal Dhara scheme for safe drinking water and the Apna Gaon Apna Kaam, for roads in our village.

The pre-school centres have reduced the burden of the older siblings resulting in improved enrolment and retention at the primary school level.

Chatar Singh proudly states, we are now empowered with physical infrastructures, skills and capacities, our children are in schools, we have roads, electricity and water for drinking and agriculture, 69% of the families earn INR 3,500 and more per month. I feel I can call our village a model one in a way, though we still have a long way to go with sanitation as our next priority.

Winds of Change at Dondro

BALCO's first step here was to map local resources and formulate interventions with the villagers. The VDC thus became a neutral platform to discuss our development. A tripartite participatory approach involving the community, panchayat and BALCO was taken, says Jaipal Singh, Sarpanch Dondro.

'We were surprised to discover aplenty resources in our village', says Ghurau Yadav. A model farming plot to experiment with alternate farming was developed, training programmes were conducted and high yield vegetable seeds provided .To source water for irrigation, pedal pumps and other sources were institutionalised.

'I can now keep a tab of my money thanks to the evening non formal adult education classes, recollects, Phool Bai. I joined the SHG and decided to make papads. I now contribute INR 1,500 per month for my family. The SHGs have organsied us into entrepreneurs, comments Laxmi Bai.

To tap bio mass resources we paid more attention to our cattle. The bio gas generated is utilised for cooking and as an alternate source of electricity. Slurry, the by product from bio gas enriched my fields, says Hira Bai.'I earlier walked 4 km to fetch firewood. With bio gas I cook food on smokeless burners without tears.

'The installation of taps and water tanks in the school premise by BALCO helped curb the incidence of water borne diseases', comments Sani Singh's father. The village water committee runs and maintains the facility. Additionally each house in our village has toilets as part of Nirmal Gram.

Kewal Singh cannot forget the day his son injured his head. 'The profuse bleeding aggravated the condition. Surendra Kawar, the village Swasthya Mitra immediately rendered first aid and stopped the bleeding and referred us for further treatment to BALCOs hospital'.

Once staring at the abyss of destitution, we have worked a minor miracle with facilitation from BALCO to put ourselves firmly on the road to sustained well-being, recounts Jaipal Singh, Sarpanch.

48 SUSTAINABLE DEVELOPMENT REPORT

Health, Safety And Environment Policy

At Vedanta Resources plc, we believe in sustainable development and are committed to effective management of health, safety, environment and community development as an integral part of our business. Accordingly, we will strive to:

Develop, implement and maintain Health, Safety and Environment ('HSE') management systems aligned with our commitments and beliefs and consistent with world-class standards.

Comply with applicable HSE regulations in all our activities, thereby providing a safe and healthy work environment.

Seek continual improvements through setting and reviewing targets, assessing and reporting HSE performance, using appropriate best available practices and providing all employees with HSE training.

Implement regular health surveillance and risk-based monitoring of employees.

Conserve natural resources, raw materials, water and energy by process improvements, recycling and reducing waste including waste utilisation.

Work with communities to contribute to their development.

Encourage contractors and suppliers to adopt principles and practices adopted by us.

Communicate with all our stakeholders on the progress and performance of HSE management.

This Health, Safety and Environment Policy was approved by the Board of Directors on 1 June 2005.

Social Policy

At Vedanta Resources plc, we believe in sustainable development and are committed to raising the quality of life and social well-being of communities where we operate.

Towards this, we will be guided by following:

Our community development initiatives will be prioritised based on local needs. Broad areas of focus will be:
- Social Investment – Health, Education and Livelihood.
- Bio Investment – Water harvesting, agriculture and social forestry.
- Environment conservation.

All operating locations will incorporate CSR activities as an integral part of their business plan and have an appropriate organisation to implement the same.

We will be open to working with like minded associates, Government bodies and other volunteer organisation in pursuit of our mission.

We will measure and report progress as per social accounting systems and encourage third party reviews for effective delivery and measurable impact.

We will regularly communicate with all our stakeholders on the progress and performance on social management.

KK Kaura
Chief Executive Officer

24 October 2005

PRICEWATERHOUSECOOPERS

Statement on Sustainable Development Report for 2006–07

1. Background and Responsibilities

At the request of Vedanta Resources Plc. (Vedanta), PricewaterhouseCoopers (Pvt.) Ltd. (PwC) has reviewed Vedanta's Sustainable Development Report ('Report') for the period 1 April 2006 to 31 March 2007, related to its Occupational Health, Safety and Environment (HSE) performance on sample basis at select operations, with a view to provide an independent statement on the non-financial information contained in this 'Report'.

The management of Vedanta is responsible for the collection and presentation of information on HSE performance in the Report. Our responsibility, as agreed with the management, is to express conclusions in accordance with the International Standard on Assurance Engagements 3000 ('ISAE 3000') based on limited review of select HSE data and information contained in the 'Report'.

2. Scope of Review

The scope of the review included:

a) Verification of primary information on sample basis for certain statements and data relating to Vedanta's HSE performance through site visits to BALCO (Korba Complex), HZL (CLZS Complex at Chanderiya and Zawar Mining Complex) and Sterlite Industries (India) Limited (Tuticorin) and providing limited review in respect of these statements and data.
b) Checking monthly HSE performance data trends for the Vedanta operations based on secondary information provided on monthly HSE data represented in Vedanta's Management Information System (MIS) to support reliability of disclosures made in the 'Report'.
c) Assessment whether the 'Report' provides an appropriate representation of existing policies on HSE.
d) Checking of data on sample basis for the following indicators:
   - Lost Time Injury Frequency Rate (LTIFR), total injuries and work related fatalities.
   - Occupational health.
   - Direct energy consumption (fuel used).
   - Indirect energy consumption (electricity purchased).
   - Total water withdrawal by source.
   - Air emissions (SO_2 and fluorides).
   - Total weight of wastes by type and disposal method.

3. Scope Limitation

The following were excluded from the scope of our work on information relating to:

- Any financial information, data and/or statement.
- Statements of commitment to, or intention to undertake action in the future.
- Statements of opinion, belief and/or aspiration.

4. Approach

We planned and performed our work in accordance with the ISAE 3000 to obtain limited review on sample basis. We sought all information and explanations that we considered necessary to provide us with sufficient evidence for ascertaining that the above mentioned indicators were consistent with the activities at the Vedanta units for the period 1 April 2006 to 31 March 2007, and were documented and stated in accordance with the guidelines stated under their HSE policies.

5. Parties responsible for HSE Verification

The verification exercise was completed by PwC's team under the guidance and supervision of Mr Tapan Ray (Executive Director) and managed by Mr Rahul Kar.

6. Conclusion

a) The Vedanta senior management is committed to sustainable development based on our limited review of its HSE performance.
b) Vedanta has attempted to report its sustainable development performance as per requirements of GRI Global Reporting Initiative (GRI) 2006 guidelines (G3) which demonstrates its management's focus on transparency, clarity and purpose.
c) During our review, we have not noticed any misrepresentation of HSE information that we reviewed, and the information presented on HSE parameters reviewed by us appears to be a fair and balanced representation.

PRICEWATERHOUSECOOPERS (P) LTD.
Mumbai, India

14 May 2007

SUSTAINABLE DEVELOPMENT REPORT
CORE INDICATORS

SUMMARY REPORT FOR CORE INDICATORS AS PER GRI G3 GUIDELINES

Sr. No.	GRI G3 Core Indicator	Description as per GRI G3 Guidelines	Page nos. in Annual Report	Reported Information
1	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	70 70 86 66	Revenue = $6,502.2 million Operating cost = $4,098.4 million Employee compensation = $247.4 million Donations = $2.1 million
2	EC4	Significant financial assistance received from government	87	Tax holidays and similar exemptions = $126.9 million
3	EN3	Direct energy consumption by primary energy source	33	48.86 million GJ of energy generated from coal and liquid fuels for captive electricity generation and other process requirements
4	EN4	Indirect energy consumption by primary source	33	2,017 GWh of electricity purchased
5	EN8	Total water withdrawl by source	34	119.4 million m^3 of water procured from external sources
6	EN20	NO, SO, and other significant air emissions by type and source	35	SO_2 emissions = 123,844.82 mt Total fluoride emissions = 99.97 mt
7	EN22	Total weight of waste by type and disposal method	36	Total solid wastes generated = 88,202,056 mt Re-used = 2,122,269 mt Disposed to 'Secured' Landfill = 3,108,872 mt Disposed in tailing dams and on land through safe permitted ways = 82,970,915 mt
8	EN30	Total environment protection expenditure and investment by type	32–51	Total environmental protection and investments = INR 1,408 million ($32 million). This included the following: 1. Construction of a secured landfill at SIIL (Tuticorin) at INR 34 million ($0.8 million) 2. Construction of secured landfills at BALCO = INR 4.5 million ($0.1 million) 3. Tail Gas Treatment plants at Chanderiya and Debari smelters of HZL = INR 210 million ($4.8 million) 4. Environmental remediation and compensatory actions at KCM = $6.135 million 5. Construction of rainwater catchment pond at SIIL = INR 4.5 million ($0.1 million) 6. Installation of dry scrubbers for efficient removal of fluoride at BALCO and MALCO = INR 900 million ($20.5 million)

Sr. No.	GRI G3 Core Indicator	Description as per GRI G3 Guidelines	Page nos. in Annual Report	Reported Information
9	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	32	5%
10	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	38	■ LTIFR = 2.51 (details are provided in graph on page 38) ■ Total injuries = 1,246 ■ Total lost time injuries (LTIs) = 277 ■ Average man-hours lost per 1,000 hours of work executed = 3.05 ■ Five fatal incidents to employees and 11 fatalities to contract workforce at operations, and two fatalities in projects. These included 10 at KCM (Zambia), four at HZL, two at BALCO, and one each MALCO and VAL
11	LA8	Education, training, counseling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases	40	Programmes have been undertaken to provide education, training/counselling, prevention and risk-control measures to workforce and the community. A typical example is continuing with HIV/AIDS programme at KCM in Zambia
12	SO1	Nature, scope and effectiveness of any programmes and practices that assess and manage the impact of operations on communities, including entering, operating and exiting	40	Strategic focus on 150 villages, with literacy and education initiatives reaching out to 10,000 children and adult illiterates, health care services for 1,000,000 populace, veterinary services to over 40,000 cattle. We also brought 1,100 acres of land under cultivation, invested half a million vocational training hours for 10,000 women and youth and got 11,000 families above poverty line

52 BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

4. 5. 3. 1. 2. 6. 7.

Executive Directors

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

2. Navin Agarwal, aged 46, Deputy Executive Chairman
Mr Agarwal is also Executive Vice-Chairman and director of Sterlite, Chairman of KCM and MALCO and a director of each of BALCO, MALCO and HZL. He joined Sterlite at its inception and the Board of Vedanta in November 2004.

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

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

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

3. Kuldip Kaura, aged 59, Chief Executive
Mr Kaura is also Managing Director of Sterlite and Deputy Chairman of KCM. Mr Kaura, who joined Sterlite in 2002, was Managing Director of HZL and became the Chief Operating Officer of Vedanta Resources plc at its inception. He is also a director of HZL, Vedanta Alumina and CMT and has held various positions in operations and business management for 18 years at ABB India. Mr Kaura was a member of the board of directors of ABB India from 1996 and was the Managing Director and Country Manager of ABB from 1998 to 2001. Mr Kaura has a Bachelor's degree in Mechanical Engineering (Honours) from the Birla Institute of Technology & Science's in Pilani and Executive education at London Business School & IFL, Sweden.

Non-Executive Directors

4. Naresh Chandra, aged 71
Mr Chandra joined the Board in May 2004. Mr Chandra was Home Secretary in India in 1990, Cabinet Secretary from 1990 to 1992, Senior Adviser to the Prime Minister of India from 1992 to 1995 and the Indian Ambassador to United States of America from 1996 to 2001. He was Chairman of the Indian Government Committee on Corporate Governance & Audit from 2002 to 2003 and was Chairman of the Committee on Civil Aviation Policy in 2004-2005. He was awarded the prestigious award of Padma Vibhushan by the Honourable President of India this year. Mr Chandra has a Master's degree in Mathematics from Allahabad University.

5. Aman Mehta, aged 60
Mr Mehta, a senior banker, joined the Board in November 2004 following his retirement from HSBC where he had a career spanning 36 years. He held numerous positions, including Chairman and Chief Executive Officer of HSBC USA Inc. (the New York based arm of HSBC Holdings plc), and as Deputy Chairman of HSBC Bank Middle East, based in Dubai with responsibility for the HSBC Group's operations in the Middle East. In 1999, Mr Mehta was appointed Chief Executive Officer of the Hong Kong and Shanghai Banking Corporation, a position he held until his retirement. Mr Mehta has a degree in Economics from Delhi University. He now resides in Delhi and is a member of a number of Corporate and Institutional Boards in India as well as overseas.

6. Shailendra Kumar Tamotia, aged 66
Dr Tamotia, an aluminium specialist, joined the Board in November 2004. He started his career in 1962 with an initial appointment at Bhilai Steel Plant in Chhattisgarh. Dr Tamotia held numerous positions at NALCO from 1984 until 1996, including Chairman and Managing Director in 1993. He was also President and Chief Executive Officer of Indian Aluminium Company Ltd from 2000 until 2004. Dr Tamotia has a Bachelor of Engineering (Honours) degree in Civil Engineering, a Master's degree in Engineering, Soil Mechanics and Foundation Engineering.

7. Euan Macdonald, aged 67
Mr Macdonald spent over 20 years with SG Warburg, specialising in emerging market finance. From 1995 to 1999, Mr Macdonald was Chairman of SBC Warburg India, responsible for all the bank's activities in India, and from 1999 to 2001, he was Executive Vice Chairman of HSBC Securities and Capital Markets, India. Mr Macdonald has a degree in Economics from Cambridge University and a Masters degree in Finance and International Business from Columbia Business School.

Senior Management Personnel

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Introduction

The Board of Vedanta Resources plc believes that high standards of corporate governance are critical to ensuring business success. The Board also believes that, in the interests of shareholders, the application of corporate governance standards must reflect the nature and location of the Group's businesses, the ownership of the Company and its subsidiaries, and the Group's development needs whilst ensuring the talents within the Group are utilised to their fullest potential.

The objective of this report is to provide details of the Group's governance policies, processes and structures, and its compliance with the principles of the Combined Code on Corporate Governance issued by the Financial Reporting Council in 2003 ('the Code').

The Board

Role and Responsibilities of the Board

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

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

There are four Board committees: Remuneration, Audit, Nominations and Health, Safety and Environment. Each has its own clearly defined terms of reference, which can be obtained from the Company Secretary, and reports directly to the Board. Additional information on the Remuneration, Audit and Nominations Committees is given later in this report and, in the case of the Health, Safety and Environment Committee, in the Sustainable Development Report on pages 32 to 51.

Board Balance and Independence

The Board comprises the following members:

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

All four non-executive Directors served throughout the year ended 31 March 2007 and up to the date of this report. There have been no new appointments to the Board during the year.

Brief biographies of all the Directors are set out on page 52.

The Board considers that all of the non-executive Directors are independent of the Group as defined by Code Provision A.3.1. In making its assessment of the independence of the non-executive Directors, the Board has considered the fact that Mr A Mehta and Mr ER Macdonald have held previous senior management positions within subsidiary companies of HSBC Holdings plc (which acted as the joint global co-ordinator and book runner when the Company listed in 2003). At the time of their appointments, the Board considered that neither Mr A Mehta's nor Mr ER Macdonald's previous employments included the provision of corporate finance services in London by the HSBC Group (and thus they had no involvement with the Group prior to their appointment) and that the value of the business transacted between the Company and the HSBC Group was less than 1% of the turnover of either organisation. The Board therefore remains of the view that these circumstances will not affect the judgement exercised by either Mr A Mehta or Mr ER MacDonald and therefore considers them to be independent.

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

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

Board Meetings and Attendance

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

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

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

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

There were no changes to the membership of the Board during the year. The Board, chaired by Mr Anil Agarwal, has seven directors comprising the Executive Chairman, two Executive Directors and four independent non-executive Directors. The non-executive Directors possess a range of

experience and are of sufficiently high calibre to bring to bear independent judgement on issues of strategy, performance and resources that are vital to the success of the Group.

Chairman and Chief Executive
There is a clear division of the responsibilities between the running of the Board and executive responsibility for running the business, so that no one person should have undue power of decision. In June 2005 the Board approved a policy setting out the key responsibilities of the Executive Chairman and Chief Executive. A clear separation is maintained between the responsibility of the Chairman and the Chief Executive, as detailed below:

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

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

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

The Executive Committee functions as a conduit for keeping the Board informed of significant issues and making recommendations in relation to Group performance and developments. Major capital projects are reviewed by the Executive Committee prior to being submitted to the Board. In addition, to the review of business performance the Executive Committee monitors the implementation of action plans in response to internal audit findings, treasury matters, Human Resource policies and Health, Safety and Environment and CSR initiatives.

Mr Navin Agarwal chairs the Executive Committee. In this role, Mr Agarwal oversees the planning, execution and completion of the significant pipeline of growth projects, bringing together business unit and financial heads to share best practice to implement and continuous improvement measures are implemented.

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

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

Directors' attendance at Board and committee meetings during the year

	Board		Audit Committee		Remuneration Committee		Nominations Committee		Health, Safety and Environment Committee	
Director	A[1]	B[2]	A	B	A	B	A	B	A	B
AK Agarwal	5	4	–	–	–	–	1	1	–	–
N Agarwal	5	5	–	–	–	–	–	–	–	–
KK Kaura	5	5	–	–	–	–	–	–	3	3
N Chandra	5	5	4	4	3	3	1	1	–	–
A Mehta	5	4	4	4	3	3	–	–	–	–
SK Tamotia	5	4	–	–	–	–	1	1	3	3
ER Macdonald	5	5	4	4	3	3	1	1	–	–

Notes

1 A = Maximum number of meetings the directors could have attended.

2 B = Number of meetings attended.

Re-election of Directors

Under the Company's Articles of Association, any Director appointed by the Board during the year must retire at the Annual General Meeting following his appointment. In addition, the Articles of Association require that one-third of the remaining Directors retire by rotation and seek re-appointment. Accordingly, Mr Mehta and Mr Macdonald will retire at the forthcoming AGM and offer themselves for re-appointment to the Board. Following an appraisal of Mr Mehta and Mr Macdonald, the Board was satisfied that each Director's performance continues to be effective and that each one of them continues to demonstrate commitment to the role. Accordingly, the Board recommends their re-election.

Induction and Continuing Professional Development

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

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed.

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

Following the evaluation of the Board's performance last year, it acknowledged that, whilst being satisfied with its overall performance, additional training was required for all Board members. As a consequence, appropriate training sessions were held for the full Board by the Company's legal advisors with particular reference to changes introduced by the revised Combined Code published in 2006 and the impact of the Companies Act 2006.

Performance Evaluation

A Board performance evaluation process was undertaken during the year, facilitated by the Company Secretary, to evaluate its effectiveness and that of the Board committees and individual Directors. A structured process was used, which entailed the completion of a questionnaire by each Director. These questionnaires were collated into a report by the Company Secretary and the report was discussed by the whole Board.

Each Director's performance was appraised by the Chairman and, in a meeting chaired by the Senior Independent Director; the non-executive Directors assessed the Chairman's performance, taking into consideration the views of their executive colleagues.

The Board evaluation process takes place annually and aims to cover Board dynamics, Board capability, Board process, Board structure, strategic clarity and performance of individual Directors.

The non-executive Directors, led by the Senior Independent Director, met to consider the performance of the Chairman and provided him with feedback. The unanimous conclusion was that the Chairman was fully committed to Vedanta and was effective in his role.

Board Committees

Nominations Committee

The Nominations Committee consists of Mr Anil Agarwal (Chairman), Mr Chandra, Dr Tamotia and Mr Macdonald. The Committee is responsible for succession planning for the Board, making recommendations concerning candidates for appointment as executive or non-executive Directors of the Company. In addition, the Committee makes recommendations concerning the structure, size and composition of the Board.

The Nominations Committee met once during the year to consider a recommendation to the Board concerning the extension of Mr Kaura's service agreement with the Company. This was duly extended to 31 March 2008.

Remuneration Committee

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

The Remuneration Report, which is presented on pages 59 to 64, sets out the remuneration policy and other disclosures concerning the remuneration of the Executive Directors. The Remuneration Report will be submitted for approval at the forthcoming AGM.

Accountability and Audit

Audit Committee and Auditors

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

The activities of this committee are explained in more detail in the following paragraphs. In addition, the main subsidiaries of the Group, most of which are listed on stock exchanges in India, have their own audit committees in accordance with local corporate governance requirements. By monitoring their discussions and findings, the Audit Committee gains further insights into the quality of financial reporting and internal control.

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

The Audit Committee met four times during the year under review, its meetings also being attended by senior management from the Group's principal operating subsidiaries and the external and internal auditors as required. During the year, the Audit Committee discharged the responsibilities described above. Its activities included:

- appointing the Head of Group Tax, taking into consideration the advice of the external auditors. This appointment was effective from April 2007;
- a review of the treasury controls, which led to a tightening of such controls;
- the commissioning of an investigation, by an external consultant, into an allegation of fraud at KCM in Zambia. This led to the preparation of a report on the improvement of internal controls within KCM, which the Committee is implementing;
- linking of internal control and measuring systems into the Group's key result areas (KRAs);
- review of the half yearly internal audit reports;
- review of the Management Assurances Service (MAS) function;
- approving the internal audit scope for 2007/08;
- formally reviewing the draft annual report, and the interim statement and annual report;
- considering the effectiveness of the internal audit function and risk management process;
- reviewing the external audit engagement, scope and strategy;
- reviewing and monitoring the external auditors' independence and objectivity in line with the Committee's policy on the independence of external auditors, and the effectiveness of the audit process;
- keeping under review the level of non-audit fees compared to audit fees paid to the external auditors; and
- giving pre-approval to non-audit work carried out by the external auditors (see below).

Non-audit Services
The Committee has a policy for the provision of non-audit services by the auditors. Under this policy, the Audit Committee has agreed a scope of services which the external auditors are permitted to deliver to the Group. The policy also specifies which services are prohibited. This ensures that the independence of the external auditors is thereby safeguarded. An analysis of the non-audit fees can be found in note 8 of the notes to the Financial Statements.

Auditor Independence
The Committee receives written confirmation from the external auditor as to any relationships which may be reasonably thought to impair its independence. The external auditor also confirms whether it considers itself independent, within the meaning of the Auditing Practices Board (APB) Ethical Standards.

Financial Reporting
The Board is required to present a balanced and understandable assessment of the Group's position and prospects. The Statement of Directors' Responsibilities in respect of the Financial Statements is presented on page 68.

The Board is satisfied that it has met this obligation. The Board has considered the financial position of the Company and the Group as shown in the Balance Sheet and the Consolidated Balance Sheet as at 31 March 2007, together with the other financial statements, the budget for the current year, the Group's business plans and the cash resources available to the Group. The Directors consider that the Company and the Group will be able to meet their financial commitments for the foreseeable future and that it is, therefore, appropriate for the Financial Statements to be prepared on the 'going concern' basis.

Financial Reporting Systems
The Group has a comprehensive financial reporting system, which is reviewed and modified as circumstances require. Procedures include detailed operational budgets for the year ahead which are reviewed and approved by the Board. Budgets and forecasts are prepared using conservative and consistent assumptions, and these are continuously reviewed. Performance against key performance indicators is monitored throughout the financial year and forecasts updated with reference to information on key risk areas. In addition, monthly management reports are prepared both on a divisional and consolidated basis. These are presented to the Executive Committee.

Internal Control and Risk Management
The Code requires the Group to maintain a robust system of internal control to safeguard shareholders' interests and the Company's assets. In accordance with the Turnbull guidance, the Board is responsible for reviewing the effectiveness of the system and an ongoing process is in place to identify, evaluate and manage the significant risks faced by the Group. This process has been in place throughout the year under review and up to the date of approval of the Annual Report and the Financial Statements. The Board relies on reviews undertaken by the Audit Committee supported by the Management Assurance Services. No significant failings or weaknesses have been identified through the process.

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

Each of the Group's principal subsidiaries has in place procedures to ensure that sufficient internal controls are maintained. These procedures include a monthly meeting of the relevant management committee and a quarterly meeting of the audit committee of that subsidiary. These committees are appointed by the board of directors of each relevant subsidiary and the minutes of their proceedings are reviewed by the Company Secretary. Any adverse findings are reported to the Audit Committee.

CORPORATE GOVERNANCE REPORT CONTINUED

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

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

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

Relations with Shareholders

Dialogue with Institutional Shareholders

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

The Group attends investor seminars which provide opportunities for two-way communication with investors and analysts. Feedback provided to the Board has proved to be very valuable.

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

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

Constructive use of the Annual General Meeting

This year's AGM will be held on 1 August 2007 at 3.00pm, at the Mayfair Conference Centre, 17 Connaught Place, Marble Arch, London W2 2EL. The Notice of Meeting will therefore be circulated more than 20 working days before the meeting. An update will be provided on trading performance and shareholders will be given the opportunity to ask questions. The Company will announce the numbers of proxy votes cast for, against or abstaining for each resolution and will make the chairmen of the Audit, Remuneration and Nominations Committees available to answer questions from shareholders.

Statement of Compliance with Code Provisions

The Board has sought to achieve the standards of corporate governance as set out in Section 1 of the Code and believes that the Company complied with the provisions of the Code throughout the year ended 31 March 2007, except as follows:

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

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

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

Introduction

The Remuneration Report sets out the policies and practices adopted by the Company during the year ended 31 March 2007 in respect of members of the Board.

The Executive Directors are based in India (with the exception of Mr Anil Agarwal, who is UK-based), along with the majority of the Group's professional management. Consequently their remuneration is set by reference to the prevailing rates within that market. This Remuneration Report seeks to describe the Company's approach to remuneration by putting it into an Indian context.

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

Part I (Unaudited)

Remuneration Committee (the 'Committee')

The Chairman of the Committee is Mr Naresh Chandra. The other members of the Committee are Mr Euan Macdonald and Mr Aman Mehta. All three members of the Committee served during the year and are all independent Directors.

The Committee is primarily responsible, on behalf of the Board, for setting the remuneration policy and remuneration packages of the Executive Directors.The Committee's aim is that the Executive Directors are rewarded appropriately for their contribution to the Group and are motivated to enhance the return to shareholders.

Mr Anil Agarwal, in his capacity as Executive Chairman, and Mr Kuldip Kaura, in his capacity as Chief Executive Officer, attend meetings of the Committee by invitation. No Director plays a part in any discussion about his own remuneration. Mr Srinivasan Venkatesh (President – Group HR) advises the Committee on the policies and practices being applied and acts as the minutes secretary to the Committee. He also provides input into discussions concerning the remuneration and benefits offered to the Executive Directors during the year.

Activities of the Remuneration Committee

The Committee meets at least twice annually and reports its material findings at the next Board meeting. The principal business of these meetings is summarised below:

- May 2006; approved and reviewed changes to the Directors' remuneration packages, including the salary and bonus reviews for the Executive Chairman and the Executive Directors; approved the remuneration report for inclusion in the 2006 Financial Statements.
- November 2006; considered management's proposal to introduce a Short-Term Incentive Plan ('STIP') within the existing Long-Term Incentive Plan ('LTIP').
- January 2007: approved the STIP proposal for selected employees across the Group, not including Executive Directors.

The Combined Code

The Directors consider that the Company has complied with the provisions relating to the Directors' remuneration set out in the Combined Code throughout the year.

Remuneration Policy

The Company's Executive Directors, together with the majority of the key operational and functional heads, including the Executive Directors, within the Group ('Senior Management Group'), are based in India (with the exception of Mr Anil Agarwal, who is UK-based). A consistent approach is used in determining the remuneration of the Senior Management Group. Both performance-related and non-performance-related components of the remuneration packages for Executive Directors and the Senior Management Group are therefore set by reference to local market practice in India and influenced by the Group's policy of balancing the internal development of the Group's management with the selective introduction of new ideas and experience into the wider management team through external recruitment. Against this backdrop, the Board's overall objective is therefore to have in place a remuneration policy that helps facilitate the development of managers from within the existing operations, whilst offering remuneration packages that reflect the Group's position as a pre-eminent player in the Indian metals and mining sector, in particular, and the manufacturing sector as a whole.

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

The following factors are taken into account when setting remuneration levels for the Executive Directors and the Senior Management Group:

- levels of remuneration throughout the Group;
- market practices prevailing in the countries in which executives work; and
- market practices in the Indian mining and manufacturing sectors (in respect of operational management) and in all sectors (in respect of corporate and supporting functions), excluding certain very high-paying sectors, for example, financial services.

The Group attempts to align the interests of the Executive Directors and Senior Management Group with those of the shareholders by linking share and cash incentives to corporate performance. This is measured by reference to the key performance indicators as discussed in the Business Review on pages 8 to 25. Therefore, the remuneration packages of the Senior Management Group comprise:

- a salary for day-to-day performance of duties;
- an annual performance bonus as an incentive to meet short-term goals – these are set by reference to individual key result areas ('KRAs'), personal qualities and the financial performance of the Company;
- awards under the LTIP (referred to below) to incentivise long-term and strategic performance;
- awards under STIP (for members of the Senior Management Group below Board level) within the overall LTIP Scheme; and
- benefits in kind in accordance with local market practices.

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

Salaries, Pensions and Other Benefits

Salaries and Cost to Company

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

Mr Anil Agarwal has a service agreement with the Company under which he received a salary of £600,000 per annum, for the year ended 31 March 2007.

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

Mr Navin Agarwal and Mr Kaura both have service agreements with Sterlite Industries (India) Ltd ('Sterlite') which have been augmented by letters of appointment with the Company. During the year, Mr Agarwal was entitled to CTC of INR 28,162,795 per annum and Mr Kaura was entitled to CTC of INR 17,600,000 per annum pursuant to their Sterlite service agreements. They were both entitled to benefits in kind during the year. Under their letters of appointment with the Company, Mr Navin Agarwal and Mr Kaura were each paid fees of £50,000 per annum, to reflect the amount of time they spend on Board business.

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

The salary levels of the Executive Directors agreed by the Committee on 14 May 2007 take effect from 1 April 2007 and are as follows:

	Designation	Vedanta salary level from 1 April 2007 (£)	Sterlite salary level from 1 April 2007 (INR)	Total in £
AK Agarwal	Executive Chairman	750,000	Nil	750,000
N Agarwal	Deputy Executive Chairman	60,000	3,60,50,000	482,873
KK Kaura	Chief Executive	60,000	2,25,28,000	324,258

Note: Exchange rate of INR 85.250 : £1 as at 1 April 2007.

Pensions

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

Contributions to the Provident Fund, Gratuity & Superannuation Fund are included within the CTC payable to an individual in India.

Benefits in Kind

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

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

Annual Bonus

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

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

Performance conditions are attached to all bonus arrangements, which are set by reference to individual KRAs, personal quality measures and the financial performance indicators of the Group. The majority of KRA targets are linked to the Group's key performance indicators, see the Finance Review on pages 26 to 31. However, certain KRAs monitor performance in respect of softer issues, or 'enablers', for example, people management, thus allowing a more rounded approach to be taken to incentivisation.

For the year ended 31 March 2007, the payment of the annual bonus was dependent on the achievement of a combination of individual and corporate objectives, which correlated to the responsibilities of the individual and the Group budget for the year.

EBITDA was the vital part of business score taken as the single parameter of corporate performance and the weighting for this parameter was 50%. An individual's performance against his KRAs, as reviewed in the annual performance appraisal, accounted for 40% of an individual's bonus weighting, with the remaining 10% of the bonus weighting being for the personal qualities of the individual.

Employee Share Schemes

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

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

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

Long-Term Incentive Plan ('LTIP')
Consistent with the Board's objective of developing the potential inherent within the wider management group, the principal focus during the year under review has been on broadening the number of employees eligible to participate in the LTIP.

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

By the year end a number of employees have exercised their option granted under the LTIP scheme 2004. At the end of the three year Performance Period on 26 February 2007, Ernst & Young LLP was commissioned to calculate Vedanta's TSR performance against the comparator group companies. Vedanta shares have performed 280% higher since the grant of LTIP on 26 February 2004. Vedanta's TSR ranked third among its comparator group and hence 181 employee are entitled to exercise 100% of their options.

The LTIP rules however do not specify the comparator companies and in 2006 it was agreed by the Remuneration Committee that the Company adopt a specific list of companies as a comparator group ('the Adapted Comparator Group') so that periodic assessments of the Company's TSR performance can be made. The Committee is satisfied that the Adapted Comparator Group is appropriate and will ensure the continued alignment of the interests of the Executive Directors and wider management group with those of the shareholders. The Adapted Comparator Group is given below:

1) Anglo American
2) Antofagasta
3) BHP Billiton
4) Gmexico
5) Hindalco
6) CVRD
7) Alcan
8) Rio Tinto
9) Tech Cominco
10) Xstrata

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

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

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

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

Vedanta's TSR performance against Adapted Comparator Group	% of award vesting
Below median	Nil
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 three-year performance period, and comparing its performance with that of the Adapted Comparator Group. The information to enable this calculation to be carried out on behalf of the Committee will be provided by the Company's advisers. The Committee considers that this performance condition provides a reasonable alignment of the interests of the Executive Directors and the Senior Management Group with those of the shareholders.

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

Details of the awards held by the Executive Directors as at 31 March 2007 are shown in the table of Directors' Long Term Incentive Awards on page 64.

Short-Term Incentive Plan ('STIP')
The majority of the Group's employees work in India, which is rapidly emerging as one of the most competitive and vibrant job markets in the world. In this context, talented management continues to be scarce, and competitive remuneration packages need to offer a premium. Almost all the Group's professional employees are prime targets for large manufacturing companies, including natural resources, energy and infrastructure companies etc, whilst sector neutral talent in finance, human resources and IT have a plethora of career choices across different sectors from manufacturing to financial services and IT.

REMUNERATION REPORT CONTINUED

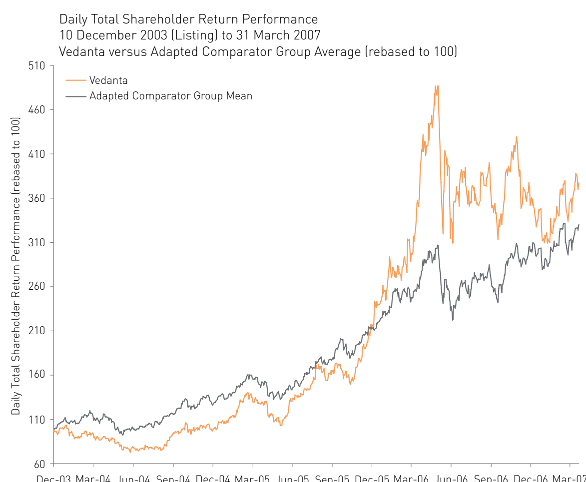
Other than aggressive salaries, companies are also using a variety of incentives (both short- and long-term) to attract and retain employees. In India, both local and international blue chip companies are deploying very aggressively, 'US style' schemes to incentivise their employees.

In addition, the introduction of the STIP was intended to stem any exodus of talent that may occur after the February 2007 vesting, which affected approximately 200 key employees. Against this background, we believed there was a need to review the current LTIP Scheme's three year performance period.

During the year, the Committee approved a shorter duration incentive scheme, within the existing LTIP Scheme, covering select employees other than Executive Directors. This scheme is similar to the existing LTIP scheme in all respects, except that it will have a performance period of 12 months only. Under this scheme, awards of 565,530 options to 655 employees were granted.

Total Shareholder Return Performance Graph

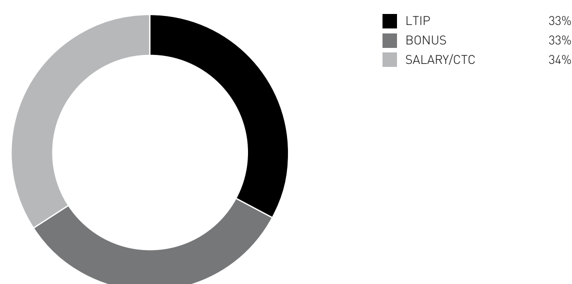
The graph below shows the TSR performance of the Company in comparison with that of the Adapted Comparator Group for the period from 10 December 2003 (the date of Listing) to 31 March 2007. The Adapted Comparator Group is presented as it is the comparator group under the rules of LTIP. To provide more detail, the graph presents performance on a daily basis rather than using year end dates as required by the Regulations.



Relative Importance of Fixed and Variable Pay

A significant proportion of the remuneration of the Executive Directors is performance-linked. Assuming the Executive Directors receive the maximum bonus entitlement and full vesting of the maximum LTIP awards, the chart below demonstrates the balance of fixed and variable pay in these circumstances for the Executive Directors.

FIXED AND VARIABLE PAY OF EXECUTIVE DIRECTORS



Executive Directors' Service Contracts

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

Mr Navin Agarwal has a letter of appointment with Vedanta which may be terminated by giving six months' notice. Mr Kaura has a letter of appointment with Vedanta which may be terminated by giving three months notice. In the case of their service agreements with Sterlite, they may be terminated by giving three months' notice. Mr Kaura's contract with the Group has been extended until 31 March 2008. Mr Navin Agarwal's appointment as a director of Sterlite will expire on 31 July 2008, being the expiry date specified in his Sterlite contract, whilst his appointment as a Director of Vedanta is a rolling contract.

Copies of all Executive Directors' service contracts and the letters of appointment of the non-executive Directors are available for inspection during normal business hours at the registered office of the Company.

Individual Service Contract Details

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

1 Mr Chandra is engaged on a contract renewable every 12 months.

CORPORATE GOVERNANCE

Non-executive Directors' Fees
The Board is responsible for setting non-executive Directors' fees and reviews them periodically. In setting the fees of non-executive Directors, the Board has taken into account the complexity of the Group, the significant travel and time commitments required for attending Board and other meetings in India and the UK, and the unique risk profile of the Company. During the year, non-executive Directors' fees comprise three elements:

Base fee	£50,000
Committee membership fee	Up to £5,000 (depending on the scope of the committee concerned)
Committee chairmanship fee	Up to £20,000 (depending on the scope of the committee concerned)

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

Non-executive Directors' Letters of Appointment
The non-executive Directors have letters of appointment which may be terminated by either party by giving three months' notice. The non-executive Directors' letters of appointment set out the time requirements expected of them in the performance of their duties. Non-executive Directors are normally expected to spend at least 20 days per year on Company business. There is no provision in the letters of appointment of the non-executive Directors for compensation to be paid in the event of early termination.

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

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

Equity Dilution Resulting from Employee Share Schemes
The dilution limits set out in the rules of the Employee Share Schemes in December 2003 allow up to an aggregate of 10% of the Company's issued share capital to be issued or issuable pursuant to awards under any of the Company's employee share schemes over a period of 10 years. Up to 5% of the Company's issued share capital may be used for the Company's discretionary schemes over a 10-year period. These dilution limits extend also to the STIP. Shares issued or issuable pursuant to awards made under the Reward Plan are not counted for these purposes. Currently, 1.08% (2006: 1.28%) of the Company's issued share capital is issuable in respect of outstanding awards under the LTIP.

Part II (Audited)
Directors' Remuneration
Year ended 31 March 2007
The following table sets out an analysis of the pre-tax remuneration for the year ended 31 March 2007 for individual Directors who held office in the Company during this period. All amounts are in UK pounds sterling although payments in India under service contracts with Sterlite are paid in Indian rupees.

The mid-market price of the shares at 31 March 2007 was 13.31 pence and from 1 April 2006 to 31 March 2007, the share price varied between 10.91 pence and 17.40 pence. No LTIP or STIP awards were granted to the Directors during the year.

Directors' Remuneration

	Salary/ CTC fees £000	Annual performance bonus £000	Benefits in kind £000	2007 Total £000	2006 Total £000
Executive Directors					
AK Agarwal[1]	600	300	36	**936**	664
N Agarwal[2]	387	224	34	**645**	451
KK Kaura[3]	255	136	21	**412**	313
Non-executive Directors					
N Chandra	85	–	–	**85**	85
A Mehta	75	–	–	**75**	75
SK Tamotia	73	–	–	**73**	73
ER Macdonald	63	–	–	**63**	63
PE Sydney Smith					428
Total	1,538	660	91	**2,289**	2,152

1 Mr Anil Agarwal's benefits in kind include life insurance and provision of a car and fuel in the UK for business and personal purposes.

2 Mr Navin Agarwal's benefits in kind include private health insurance, accident insurance and use of Company-owned accommodation in India.

3 Mr Kaura's benefits in kind including private health insurance, accident insurance, and provision in India of Company-leased accommodation.

Directors' Long Term Incentive Plan Awards

	Option granted	Exercise price of award (US cents)	1 April 2006	Movements during the year: Grants	Movements during the year: Exercised	31 March 2007	Earliest/ latest exercise dates	Date award exercised	Market price at exercise	Mraket price at grant	Aggregate gain on exercise
AK Agarwal	26.2.04	0.10	120,000	–	–	120,000	26.2.07 to 26.8.07	–	–	3.43	–
	1.2.06[1]	0.10	42,500	–	–	42,500	1.2.09 to 1.8.09	–	–	9.89	–
N Agarwal	26.2.04	0.10	50,000	–	50,000	Nil	26.2.07 to 26.8.07	26.3.07	13.57	3.43	507,000
	1.2.06[1]	0.10	33,400	–	–	33,400	1.2.09 to 1.8.09	–	–	9.89	–
KK Kaura	26.2.04	0.10	50,000	–	50,000	Nil	26.2.07 to 26.8.07	26.3.07	13.57	3.43	507,000
	1.2.06[1]	0.10	25,000	–	–	25,000	1.2.09 to 1.8.09	–	–	9.89	–

Notes

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

Directors' Interests in Ordinary Shares

The interests of the Directors (which are beneficial unless otherwise stated) in ordinary shares at 31 March 2007 were:

	Ordinary shares at 1 April 2006	Ordinary shares at 31 March 2007
AK Agarwal	154,157,921	154,157,921
N Agarwal	200,000	200,000
KK Kaura	50,000	50,000
N Chandra	–	–
A Mehta	–	–
SK Tamotia	–	–
ER Macdonald	–	–

1. Mr Anil Agarwal and Mr Navin Agarwal each held nominee shares in direct and indirect subsidiaries. These holdings are non-beneficial.
2. There have been no changes in the beneficial shareholdings of the Directors between the end of the financial year and 14 May 2007.

Annual General Meeting

Shareholders will be asked to vote on this Remuneration Report at the Company's forthcoming Annual General Meeting.

Signed on behalf of the Board of Directors

NARESH CHANDRA
Chairman of the Remuneration Committee

14 May 2007

The Directors have pleasure in presenting their report and audited financial statements of Vedanta Resources plc and its subsidiaries for the year ended 31 March 2007.

Principal Activities

The principal activities of the Group continue to be as a diversified metals and mining group. The three major areas of activity being:

- The Aluminium Business – comprising bauxite mining, alumina refining and aluminium smelting operations in India.
- The Copper Business – comprising smelting and refining operations in India copper ore mining in Australia, and an integrated copper production in Zambia.
- The Zinc Business – comprising zinc-lead mining and smelting operations in India.

Analyses of revenue and operating profit by principal activity and geographical origin appear in note 3 of the financial statements and a list of the principal subsidiaries and associated undertakings of the Group are listed in note 37 to the financial statements.

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

Business and Finance Review

The Company is required by section 234ZZB of the Companies Act 1985 to set out in this report a fair review of the business of the Group during the financial year ended 31 March 2007 and of the position of the Group at the end of that financial year and a description of the principal risks and uncertainties facing the Group.

The information required to be disclosed as part of the Enhanced Business Review, in addition to that reported below, can be found in the following sections:

Information	Location in the Annual Report	Page no
Key Performance Indicators	Business and Finance Review	8-31
Description of the principal risks	Business and Finance Review	8-31
Strategy	Business Review	8-25
Future Developments	Business Review	8-25
Review of Operations	Business Review	8-25
Financial Review	Finance Review	26-31
Environmental matters	Sustainable Development	32-51
Health and Safety matters	Sustainable Development	32-51
Community Issues	Sustainable Development	32-51
Names of Directors	Corporate Governance and Directors' Reports	54 & 66
Combined Code compliance statement	Corporate Governance	58
Statement of Directors' Responsibilities	Statement of Directors' Responsibilities	68

Post Balance Sheet Events

On 23 April 2007, the Company completed the acquisition of Finsider International Limited UK, which owns a 51% controlling stake in Sesa Goa Limited, from Mitsui & Co Limited, Japan for $981 million. Sesa Goa is India's largest private sector iron ore producer-exporter and is globally cost-competitive. A well established company for over 50 years, Sesa Goa was previously under Italian management before being acquired by Mitsui in 1996. Its mining operations are located in the iron ore rich states in Goa, Karnataka and Orissa. Sesa Goa has fully integrated pig iron and metallurgical coke facilities. The acquisition will provide significant long-term value through the creation of India's largest diversified mining group with leading market positions in aluminium, copper, zinc and iron ore.

Dividend

The Directors recommend a final dividend for the year ended 31 March 2007 of 20.0 US cents per ordinary share (2006: 14.3 US cents per ordinary share). Subject to shareholders approving this recommendation at the Annual General Meeting on 1 August 2007, the final dividend will be paid on 16 August 2007 to shareholders on the register of members, as at 13 July 2007.

Taken together with the interim dividend of 15 US cents per ordinary share declared on 16 November 2006 and paid to shareholders on 11 January 2007, the total dividend for the year is 35.0 US cents per ordinary share (2006: 20.0 US cents per ordinary share).

Share Capital

The Company's authorised share capital as at 31 March 2007 was $40,000,000 and £50,000, comprising 400,000,000 ordinary shares of $0.10 each and 50,000 deferred shares of £1 each, respectively. The Company's issued share capital as at that date was 50,000 deferred shares, one of which has been fully paid and 49,999 of which have been paid up as to one-quarter of their nominal value, and 287,515,622 ordinary shares each credited as fully paid.

In June 2006, 7,746 ordinary shares were allotted as fully paid after partial conversion of the 4.6% $725 million guaranteed convertible bond due 2026. These shares are held as Global Depositary Receipts (GDR). Under the Deposit Agreement between the Depositary (The Bank of New York) and the Company dated 21 February 2006, the holder will have no voting rights with respect to the Deposited Shares and the Depositary will not exercise rights relating to the Deposited Shares before the Voting Date.

726,681 ordinary shares were issued to employees who exercised their options under the LTIP scheme during the year.

As at 31 March 2007, there was $724.9 million of the 4.6% $725 million guaranteed convertible bonds due 2026, issued by Vedanta Finance (Jersey) Limited, outstanding. Further details relating to the bonds can be found in note 25 to the financial statements.

As at the date of this report, there has been no other change to the authorised and issued share capital since 31 March 2007.

The authorised and issued share capital of the Company as at 31 March 2007 is also set out in note 31 to the financial statements.

Directors and Directors' Interests

The names, specific responsibilities and biographical details of the current Board of Directors are shown on page 52.

Directors' interest in shares is shown in the Remuneration Report on pages 59 to 64.

Details of Directors' service contracts and emoluments, the interests of Directors and their immediate families in the share capital of the Company, options to subscribe for shares in the Company and interests in the share capital of its subsidiaries are shown in the Remuneration Report on pages 59 to 64.

Corporate Governance

Disclosures on the application of the principles and compliance with the provisions of the Combined Code can be found on pages 54 to 58.

Charitable Donations

During the year, the Group made total charitable donations of $2.1 million, $0.6 million to the Sterlite Foundation (2006: $0.6 million), nil to the Vedanta Foundation (2006: $0.1 million) and other charitable donations of $1.5 million (see note 35 to the financial statements).

The Board believes that working with the communities in areas in which the Group operates is critical to the success of its operations and is an important element of the Group's philosophy and culture. Donations to charities working in these communities are one of the means by which the Group provides such support. Further details about the Group's involvement with local communities during the year can be found in the Sustainable Development Report on pages 32 to 51.

Political Donations

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

During the year, the Group made no donations to the Political and Public Awareness Trust (2006: $0.1 million), a trust whose principal objective is the promotion of political awareness in India. Further details are set out in note 35 to the financial statements.

Material Shareholdings

As at 25 April 2007, the Company had been notified of the following interests of 3% or more in its ordinary share capital in accordance with DTR 5 or Transitional Provision 7 of the Disclosure and Transparency Rules or sections 198-211 of the Companies Act 1985, as appropriate:

Name of holder	Number of ordinary shares of $0.10 each	Percentage of total ordinary share capital or voting rights held as at 25.4.2007
Volcan Investments Ltd[1]	154,157,911	53.62%
Wellington Management Company LLC	24,846,332	8.64%
Standard Life Investments Ltd	12,396,189	4.31%

1 The Company has also been notified that Agnivesh Agarwal and Dwarka P Agarwal are indirectly interested in 154,157,911 ordinary shares (representing 53.62% of the Company's Issued Share Capital) by virtue of their beneficial interests in the shares of Volcan.

2 Based on issued voting ordinary shares 287,507,876.

Credit Payment Policy

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

Trade creditor days of the Group at 31 March 2007 were 64 days (2006: 87 days).

Value of Land

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

Policy on Derivatives and Financial Instruments

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

The following Directors held office during the year ended 31 March 2007:

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

Directors' and Officers' Liability Insurance

The Company purchases and maintains liability insurance for its Directors and officers and those of the subsidiaries of the Group, as permitted by sections 309A, B and C and section 337A of the Companies Act 1985.

Disclosure of Information to the Auditors

In accordance with section 234ZA of the Companies Act 1985, the Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware. Having made enquiries of fellow Directors and the Company's auditors, each Director has taken all the steps that he is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

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

Annual General Meeting Business

The fourth Annual General Meeting of the Company will be held at the Mayfair Conference Centre, 17 Connaught Place, Marble Arch, London W2 2EL on 1 August 2007 at 3.00pm. The Notice convening the AGM accompanies this Annual Report and sets out details of the business to be considered.

By Order of the Board

DEEPAK KUMAR
Company Secretary

15 May 2007

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

Registered in England No. 4740415

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Financial Statements. The Directors are required to prepare Financial Statements for the Group in accordance with International Financial Reporting Standards (IFRS) and have chosen to prepare Company financial statements in accordance with United Kingdom Generally Accepted Accounting Principles (UK GAAP).

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

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

In the case of the Company's UK GAAP financial statements, the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent, and
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company for safeguarding the assets, taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of the report of the Directors and the Remuneration Report which comply with the requirements of the Companies Act 1985.

The Board's statement on going concern is included in the Corporate Governance Report on page 57.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VEDANTA RESOURCES PLC

We have audited the Group financial statements of Vedanta Resources plc for the year ended 31 March 2007 which comprise the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Changes in Equity and the related notes 1 to 39. These Group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the parent company financial statements of Vedanta Resources plc for the year ended 31 March 2007.

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

Respective Responsibilities of Directors and Auditors

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

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

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

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

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

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

Basis of Audit Opinion

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

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2007 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Group financial statements.

DELOITTE & TOUCHE LLP
Chartered Accountants and Registered Auditors
London
15 May 2007

70 CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million
Continuing operations			
Revenue	3	6,502.2	3,701.8
Cost of sales		(3,840.4)	(2,591.4)
Gross profit		**2,661.8**	**1,110.4**
Other operating income		102.1	41.5
Distribution costs		(106.7)	(81.1)
Administrative expenses		(149.6)	(127.0)
Administrative expenses – special items	4	(1.7)	–
Operating profit	3	**2,505.9**	**943.8**
Investment revenue	5	127.5	51.6
Finance costs	6	(147.7)	(59.3)
Share of loss of associate	15	(1.3)	(1.4)
Profit before taxation		**2,484.4**	**934.7**
Tax expense	10	(672.7)	(280.4)
Profit for the year		**1,811.7**	**654.3**
Attributable to:			
Equity holders of the parent		934.2	373.5
Minority interests		877.5	280.8
		1,811.7	**654.3**
Basic earnings per ordinary share (US cents)	11	325.6	130.2
Diluted earnings per ordinary share (US cents)	11	305.4	128.2

CONSOLIDATED BALANCE SHEET

	Note	As at 31 March 2007 $ million	As at 31 March 2006 $ million
Assets			
Non-current assets			
Goodwill	13	12.1	12.1
Property, plant and equipment	14	3,838.0	2,763.0
Interest in associate	15	–	1.8
Financial asset investments	16	34.6	27.1
Other non-current assets	17	27.3	27.3
Other financial assets (derivatives)	26	72.1	63.2
Deferred tax assets	28	28.3	71.9
		4,012.4	**2,966.4**
Current assets			
Inventories	18	879.7	535.0
Trade and other receivables	19	942.9	593.0
Other current financial assets (derivatives)	26	51.5	49.0
Liquid investments	20	600.4	244.4
Cash and cash equivalents	21	1,584.8	1,847.3
		4,059.3	**3,268.7**
Total assets		**8,071.7**	**6,235.1**
Liabilities			
Current liabilities			
Short-term borrowings	22	(249.1)	(239.8)
Trade and other payables	24a	(1,172.4)	(942.5)
Other current financial liabilities (derivatives)	26	(101.4)	(114.7)
Provisions	27	–	(12.2)
Current tax liabilities		(63.0)	(34.7)
		(1,585.9)	**(1,343.9)**
Net current assets		**2,473.4**	**1,924.8**
Non-current liabilities			
Medium- and long-term borrowings	22	(879.3)	(1,236.0)
Convertible bonds	25	(598.4)	(600.4)
Trade and other payables	24b	(11.6)	(15.6)
Other financial liabilities (derivatives)	26	(94.8)	(93.4)
Deferred tax liabilities	28	(425.3)	(286.9)
Retirement benefits	30	(35.3)	(38.2)
Provisions	27	(230.3)	(222.5)
Non-equity minority interests	22	(59.4)	(59.4)
		(2,334.4)	**(2,552.4)**
Total liabilities		**(3,920.3)**	**(3,896.3)**
Net assets		**4,151.4**	**2,338.8**
Equity			
Share capital	31	28.8	28.7
Share premium account		18.7	18.6
Share-based payment reserves		7.3	4.1
Convertible bond reserve		119.5	123.3
Hedging reserves		(29.7)	(29.1)
Other reserves		661.0	213.1
Retained earnings		1,521.3	1,058.4
Equity attributable to equity holders of the parent		**2,326.9**	**1,417.1**
Minority interests		1,824.5	921.7
Total equity		**4,151.4**	**2,338.8**

Approved by the Board on 15 May 2007

ANIL AGARWAL
Chairman

72 CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million
Operating activities			
Profit before taxation		2,484.4	934.7
Adjustments for:			
Depreciation		195.4	157.7
Investment revenue		(127.5)	(51.6)
Finance cost		147.7	59.3
Profit on disposal of property, plant and equipment		(21.0)	–
Share-based payment charge		5.6	1.6
Loss on disposal of non-core business		2.3	–
Share of loss of associate		1.3	1.4
Other non-cash items		(12.0)	6.9
Operating cash flows before movements in working capital		**2,676.2**	**1,110.0**
Increase in inventories		(361.8)	(190.1)
Increase in receivables		(410.4)	(236.8)
Increase in payables		222.5	231.6
Cash generated from operations		**2,126.5**	**914.7**
Dividends received		10.7	7.0
Interest income received		138.6	58.5
Interest paid		(193.4)	(112.1)
Income taxes paid		(475.6)	(186.5)
Dividends paid		(84.3)	(49.4)
Net cash from operating activities		**1,522.5**	**632.2**
Investing activities			
Acquisition of subsidiary	32a	(54.3)	–
Cash acquired with subsidiary	32a	0.8	–
Proceeds on disposal of non-core business	32b	32.3	–
Cash disposed off with non-core business	32b	(0.2)	–
Purchases of property, plant and equipment		(1,154.5)	(656.2)
Proceeds on disposal of property, plant and equipment		28.9	0.7
Dividends paid to minority interests of subsidiaries		(41.8)	(8.9)
(Purchase)/disposal of liquid investments		(345.1)	12.8
Investment in associate		–	0.1
Purchase of financial asset investments		(0.2)	–
Deconsolidation of cash held by SEWT		–	(19.5)
Net cash used in investing activities		**(1,534.1)**	**(671.0)**
Financing activities			
Issue of ordinary shares		0.2	–
Proceeds from issue of convertible bonds		–	719.7
Increase in short-term borrowings		25.0	28.4
Decrease in long-term borrowings		(324.8)	(20.9)
Net cash (used in)/from financing activities		**(299.6)**	**727.2**
Net (decrease)/increase in cash and cash equivalents		(311.2)	688.4
Exchange difference		48.7	(26.7)
Cash and cash equivalents at beginning of year		1,847.3	1,185.6
Cash and cash equivalents at end of year	21	**1,584.8**	**1,847.3**

$ million	Attributable to equity holders of the Company Share capital	Share premium	Share-based payment reserves	Convertible bond reserve	Hedging reserves	Other reserves*	Retained earnings	Total	Minority interests	Total equity
At 31 March 2005	**28.7**	**18.6**	**2.5**	**–**	**–**	**43.9**	**1,016.8**	**1,110.5**	**636.2**	**1,746.7**
Adjustment for adoption of IAS 39	–	–	–	–	(3.2)	0.9	(9.8)	(12.1)	(2.1)	(14.2)
At 1 April 2005	**28.7**	**18.6**	**2.5**	**–**	**(3.2)**	**44.8**	**1,007.0**	**1,098.4**	**634.1**	**1,732.5**
Profit for the year	–	–	–	–	–	–	373.5	373.5	280.8	654.3
Issue of convertible bond	–	–	–	123.3	–	–	–	123.3	–	123.3
De-consolidation of SEWT	–	–	–	–	–	–	(88.2)	(88.2)	29.5	(58.7)
Movement on increase in minority interests	–	–	–	–	–	–	(0.4)	(0.4)	24.6	24.2
Exchange differences on translation of foreign operations	–	–	–	–	0.2	(16.1)	–	(15.9)	(14.1)	(30.0)
Transfers**	–	–	–	–	–	184.7	(184.7)	–	–	–
IPO related credit	–	–	–	–	–	–	0.6	0.6	–	0.6
Movement in fair value of cash flow hedges and financial investments	–	–	–	–	(26.1)	(0.3)	–	(26.4)	(24.3)	(50.7)
Dividends paid	–	–	–	–	–	–	(49.4)	(49.4)	(8.9)	(58.3)
Recognition of share-based payment	–	–	1.6	–	–	–	–	1.6	–	1.6
At 31 March 2006	**28.7**	**18.6**	**4.1**	**123.3**	**(29.1)**	**213.1**	**1,058.4**	**1,417.1**	**921.7**	**2,338.8**

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

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* Other reserves comprise:

	Currency translation reserve	Merger reserve	Investment revaluation reserve	General reserves	Total
At 1 April 2005	**13.2**	**4.4**	**0.9**	**26.3**	**44.8**
Exchange differences on translation of foreign operations	(16.1)	–	–	–	(16.1)
Revaluation of available-for-sale investments	–	–	(0.3)	–	(0.3)
Transfer from retained earnings**	–	–	–	184.7	184.7
At 31 March 2006	**(2.9)**	**4.4**	**0.6**	**211.0**	**213.1**
Exchange differences on translation of foreign operations	51.6	–	–	–	51.6
Revaluation of available-for-sale investments	–	–	2.8	–	2.8
Transfer from retained earnings**	–	–	–	393.5	393.5
At 31 March 2007	**48.7**	**4.4**	**3.4**	**586.4**	**661.0**

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

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.

For Vedanta, there are no differences between IFRS as adopted for use in the European Union and full IFRS as adopted for use by the International Accounting Standards Board.

Basis of Preparation

The consolidated financial statements have been prepared on 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.

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 7 Financial Instruments: Disclosures; and the related amendment to IAS1 on capital disclosures
IFRS 8 Operating segments
IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8 Scope of IFRS 2
IFRIC 9 Reassessment of Embedded Derivatives
IFRIC 10 Interim Financial Reporting and Impairment
IAS 23 Borrowing costs (revised March 2007)

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.

2a. 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 financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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.

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

Special Items

Special items are those 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.

2a. Accounting Policies continued

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.

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.

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.

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 and normally owns between 20% and 50% 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 consolidated income statement includes the Group's share of associate's results. 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 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.

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. Capitalisation of pre-production expenditure ceases when 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.

2a. Accounting Policies continued

■ Other Property, Plant and Equipment

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing an asset to working condition and location for its intended use. 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. Upon completion, the cost of construction is transferred to the appropriate category of property, plant and equipment assets. 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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2a. Accounting Policies continued

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 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.

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 are 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 are 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.

2a. Accounting Policies continued

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.

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 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 most of its transactions are denominated in US dollars. In the financial statements of individual Group companies, transactions in currencies other than the local functional currency are translated into local currency at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in other currencies are translated into local currency at exchange rates prevailing on the balance sheet date.

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. All other exchange differences are included in the income statement.

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

Quoted 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

Investments maturing after more than 90 days are classified as liquid investments and are fair valued through income statement.

Trade Receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2a. Accounting Policies continued

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 and which are subject to insignificant risk of changes in the principal amount.

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 convertible bonds are accounted for as a compound instrument. The equity component and the liability component are separated out on the date of the issue. The equity component has been recognised in a separate reserve and will not be 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 (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 the assets are substantially ready for their intended use i.e. 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 for a short term 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.

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.

2b. 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 fair value 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 industry 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 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 the local legal requirement and in the case of KCM, provision has been made 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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Segment Information

The Group's primary format for segment reporting is business segments. The business segments consist of non-ferrous metals i.e. aluminium, copper and zinc, with residual components being reported as 'Other' (mainly Alumina, Gold and Energy). Business segment data includes an allocation of corporate costs to each sector 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.

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 2007 and 2006.

Year ended 31 March 2007 $ million	Continuing operations					Total operations
	Aluminium	Copper	Zinc	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						**2,507.5**
Unallocated corporate expenses						(1.6)
Operating profit						**2,505.9**
Net finance costs						(20.2)
Share of loss of associate						(1.3)
Profit before taxation						**2,484.4**
Tax expense						(672.7)
Profit for the year from continuing operations						**1,811.7**
Assets and liabilities						
Segment assets	1,878.8	2,629.9	2,170.4	1,001.9	–	7,681.0
Unallocated assets						390.7
Total assets						**8,071.7**
Segment liabilities	(629.8)	(1,559.1)	(255.9)	(185.2)	–	(2,630.0)
Unallocated liabilities						(1,290.3)
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)**

3. Segment Information continued

a) Business Segments continued

Year ended 31 March 2006 $ million	Aluminium	Copper	Zinc	Other	Elimination	Total operations
	Continuing operations					
Revenue						
Sales to external customers	453.0	2,241.3	875.5	132.0	–	3,701.8
Inter-segment sales	40.1	–	–	–	(40.1)	–
Segment revenue	493.1	2,241.3	875.5	132.0	(40.1)	3,701.8
Result						
Segment result	102.8	340.3	489.5	12.9	–	945.5
Unallocated corporate expenses						(1.7)
Operating profit						**943.8**
Net finance costs						(7.7)
Share of loss of associate						(1.4)
Profit before taxation						**934.7**
Tax expense						(280.4)
Profit for the year from continuing operations						**654.3**
Assets and liabilities						
Segment assets	1,217.3	2,001.4	1,223.3	808.3	–	5,250.3
Interest in associate						1.8
Unallocated assets						983.0
Total assets						**6,235.1**
Segment liabilities	(748.9)	(1,405.8)	(319.5)	(611.1)	–	(3,085.3)
Unallocated liabilities						(811.0)
Total liabilities						**(3,896.3)**
Other segment information						
Additions to property, plant and equipment	540.5	96.6	49.0	–	–	686.1
Depreciation	(32.5)	(80.6)	(43.5)	(1.1)	–	**(157.7)**

b) EBITDA[1] by Segment

	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million
Aluminium	415.4	135.3
Copper	833.9	425.3
India/Australia	365.6	219.0
Zambia	468.3	206.3
Zinc	1,453.9	532.9
Other	(0.2)	8.0
EBITDA	**2,703.0**	**1,101.5**
Depreciation	(195.4)	(157.7)
Operating special items	(1.7)	–
Group operating profit	**2,505.9**	**943.8**

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 2007 $ million	Year ended 31 March 2006 $ million
Far East	2,056.5	963.8
India	2,670.9	1,762.3
Africa	253.3	136.6
Europe	760.5	353.5
Middle East	647.0	429.5
Other	114.0	56.1
Total	**6,502.2**	**3,701.8**

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 2007 $ million	As at 31 March 2006 $ million	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million
Australia	229.2	163.1	10.0	3.8
India	6,071.5	3,869.2	844.9	618.6
Zambia	1,090.7	768.4	269.1	63.7
Other	680.3	1,434.4	4.9	–
Total	**8,071.7**	**6,235.1**	**1,128.9**	**686.1**

4. Special Items

	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million
Provision for guarantees given on behalf of associate (note 15)	(17.3)	–
Restructuring and redundancies	(2.6)	–
Loss on sale of property, plant and equipment	(0.8)	–
Impairment of investment in associate (note 15)	(0.5)	–
Profit on disposal of non-core assets*	21.8	–
Loss on disposal of non-core business (note 32c)	(2.3)	–
Total	**(1.7)**	**–**

* Sale of unused property in Mumbai.

5. Investment Revenue

	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million
Interest and other financial income	136.4	67.6
Dividend income from other financial investments	10.7	7.0
Foreign exchange gain on cash and liquid investments	1.1	1.1
Expected return on defined benefit arrangements (note 30)	1.2	1.1
Capitalisation of foreign exchange differences and interest income (note 14)	(21.9)	(25.2)
Total	**127.5**	**51.6**

6. Finance Costs

	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million
Interest on bank loans and overdrafts	113.8	75.6
Interest on convertible bonds (note 25)	36.7	4.0
Interest on other loans	49.2	44.5
Unwinding of discount on provisions (note 27)	7.3	5.6
Unwinding of discount on KCM deferred consideration	0.7	2.1
Interest on defined benefit arrangements (note 30)	3.3	4.7
Capitalisation of borrowing costs (note 14)	(63.3)	(77.2)
Total	**147.7**	**59.3**

7. Profit for the Year has Been Stated After Charging/(Crediting):

	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million
Included in cost of sales:		
Depreciation on property, plant and equipment	195.4	157.7
Costs of inventories recognised as an expense	2,403.9	1,451.0
Auditors' remuneration for audit services (note 8)	1.1	1.0
Research and development	0.5	0.3
Staff costs (note 9)	247.4	194.6
Net foreign exchange gains	(10.1)	(4.5)

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 2007:

	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million
Fees payable to the Company's auditors for the audit of Vedanta Resources plc annual accounts	0.5	0.5
The audit of the Company's subsidiaries pursuant to legislation	0.6	0.5
Total audit fees	**1.1**	**1.0**
Fees payable to the Company's auditors and their associates for other services to the Group		
Other services pursuant to legislation	0.3	0.7
Tax services	0.1	–
Corporate finance services	1.0	0.4
Other services	–	0.1
Total non-audit fees	**1.4**	**1.2**
Audit fees payable to other auditors of the Group's subsidiaries	0.1	0.1
Non-audit fees payable to other auditors of the Group's subsidiaries	–	0.1
Total fees payable to other auditors of the Group's subsidiaries	**0.1**	**0.2**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

9. Employee Numbers and Costs

Average number of persons employed by the Group in the year

Class of business	Year ended 31 March 2007 number	Year ended 31 March 2006 number
Aluminium	6,011	5,836
Copper	11,094	10,654
India/Australia	1,189	1,047
Zambia	9,905	9,607
Zinc	6,190	6,076
Other	1,384	137
Total	**24,679**	**22,703**

Costs incurred during the year in respect of Employees and Directors	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million
Salaries and wages	230.2	180.0
Defined contribution pension scheme costs (note 30)	10.8	10.6
Defined benefit pension scheme costs (note 30)	0.8	2.4
Share-based payments charge	5.6	1.6
Total	**247.4**	**194.6**

10. Tax

	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million
Current tax:		
UK corporation tax	–	–
Foreign tax		
India	484.4	177.8
Zambia	2.1	1.1
Australia	29.7	5.4
Other	(2.0)	1.7
	514.2	**186.0**
Deferred tax:		
Current year movement in deferred tax (note 28)	156.3	94.4
Attributable to decrease in the rate of Indian corporation tax	2.2	–
	158.5	**94.4**
Total tax expense	**672.7**	**280.4**
Effective tax rate	27.1%	30.0%

Deferred tax reported in equity is a credit of $3.5m (2006: $13.5m).

FINANCIAL STATEMENTS

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 standalone 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 of fixed assets, relief for provisions and accruals, and the use of tax losses brought forward and pension costs. Regular income tax is charged at 30% (plus a surcharge and education excess) taking the effective tax rate to 33.66%. The corporate tax rate for 2007-08 has been announced at 33.99%.
- MAT is charged on book profits but typically with a limited number of adjustments. MAT is charged at 10% (plus a surcharge). Effective rate of MAT is 11.22%. However, MAT paid during a year can be set off against normal tax 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% of the investment is depreciated in the first year itself.
- There are various tax exemptions or tax holidays available to companies in India. The most important 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% of the plant's profits for five years, and 30% for the next five years, and
  - the power plants' exemption. Profits on newly constructed power plants can benefit from a tax holiday. A typical holiday would exempt 100% 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 also be exempt from paying taxes for 10 consecutive assessment years beginning with the year of operation.
- Tax is payable in the financial year to which it relates; and
- Tax returns submitted by companies are regularly subjected to a comprehensive review and challenge by the tax authorities. There are appeals procedures available to both the tax authorities and taxpayers and it is not uncommon for significant or complex matters in dispute to remain outstanding for several years before they are finally resolved in the High Court or the Supreme Court.

Overview of the Zambian Tax Regime

- Copper and cobalt mining companies pay company tax at 25%.
- The period for carrying forward of tax losses for KCM is 20 years.
- Companies are charged tax on profits of accounting years; and
- Income tax is charged on book profits (prepared under IFRS) adjusted in accordance with the provisions of the Income Tax Act 1996 as amended.

A reconciliation of income tax expense applicable to accounting profit before income 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 2007 is as follows:

	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million
Accounting profit before tax	2,484.4	934.7
At Indian statutory income tax rate of 33.66% (2006: 33.66%)	836.3	314.6
Accelerated capital allowances	(0.9)	(6.0)
Utilisation of tax losses	(0.3)	0.6
Disallowable expenses	8.8	7.1
Non-taxable income	(17.0)	(5.0)
Impact of tax rate differences	(37.5)	(14.3)
Tax holiday and similar exemptions	(126.9)	(17.8)
Dividend distribution tax on overseas subsidiaries	12.3	2.7
Minimum Alternative Tax	4.8	1.7
Adjustments in respect of previous years	(6.9)	(3.2)
At effective income tax rate of 27.1% (2006: 30%)	**672.7**	**280.4**

FINANCIAL STATEMENTS

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 2007 $ million	Year ended 31 March 2006 $ million
Net profit attributable to equity holders of the parent	934.2	373.5

	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million
Weighted average number of ordinary shares for basic earnings per share	286.9	286.8
Effect of dilution:		
Convertible bonds	27.9	3.1
Share options	3.1	3.6
Adjusted weighted average number of ordinary shares for diluted earnings per share	317.9	293.5

a) Earnings per Share Based on Profit for the Year

Basic earnings per share on the profit for the year	Year ended 31 March 2007	Year ended 31 March 2006
Profit for the year attributable to equity holders of the parent ($ million)	934.2	373.5
Weighted average number of shares of the Company in issue (million)	286.9	286.8
Earnings per share on profit for the year (US cents per share)	**325.6**	**130.2**

Diluted earnings per share on the profit for the year	Year ended 31 March 2007	Year ended 31 March 2006
Profit for the year attributable to equity holders of the parent ($ million)	934.2	373.5
Adjustment in respect of convertible bonds of Vedanta ($ million)	36.7	2.7
Profit for the year after dilutive adjustment ($ million)	**970.9**	**376.2**
Adjusted weighted average number of shares of the Company in issue (million)	317.9	293.5
Diluted earnings per share on profit for the year (US cents per share)	**305.4**	**128.2**

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

11. Earnings per Share continued

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 2007 $ million	Year ended 31 March 2006 $ million
Profit for the year attributable to equity holders of the parent	934.2	373.5
Administrative expenses – special items (note 4)	1.7	–
Tax effect of special items	3.7	–
Minority interest effect of special items	(1.5)	–
Underlying Profit for the year	**938.1**	**373.5**

Basic earnings per share on Underlying Profit for the year	Year ended 31 March 2007	Year ended 31 March 2006
Underlying Profit for the year ($ million)	938.1	373.5
Weighted average number of shares of the Company in issue (million)	286.9	286.8
Earnings per share on Underlying Profit for the year (US cents per share)	**327.0**	**130.2**

Diluted earnings per share on Underlying Profit for the year	Year ended 31 March 2007	Year ended 31 March 2006
Underlying Profit for the year ($ million)	938.1	373.5
Adjustment in respect of convertible bonds of Vedanta ($ million)	36.7	2.7
Underlying Profit for the year after dilutive adjustment ($ million)	**974.8**	**376.2**
Adjusted weighted average number of shares of the Company in issue (million)	317.9	293.5
Diluted earnings per share on Underlying Profit for the year (US cents per share)	**306.6**	**128.2**

12. Dividends

	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million
Amounts recognised as distributions to equity holders:		
Equity dividends on ordinary shares:		
Final dividend for 2005–06: 14.3 US cents per share (2004–05: 11.55 US cents per share)	41.1	33.1
Interim dividend paid during the year: 15 US cents per share (2005–06: 5.7 US cents per share)	43.2	16.3
	84.3	**49.4**
Proposed for approval at AGM		
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**

13. Goodwill

	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million
At 1 April		
Cost (gross carrying amount)	16.9	16.9
Accumulated impairment losses	(4.7)	(4.7)
Foreign exchange differences	(0.1)	(0.1)
Net carrying amount at 31 March	**12.1**	**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 $12.1 million as at 31 March 2007. 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

	Mining property and leases $ million	Leasehold land and buildings $ million	Freehold land and buildings $ million	Plant and equipment $ million	Assets under construction $ million	Other $ million	Total $ million
Cost							
At 1 April 2005	**428.6**	**9.2**	**151.9**	**1,667.8**	**824.5**	**49.3**	**3,131.3**
Additions	0.1	0.6	1.1	0.1	682.4	1.8	686.1
Transfers	25.6	–	121.5	683.3	(830.5)	0.1	–
Disposals	(0.2)	–	(0.1)	(5.1)	–	–	(5.4)
Foreign exchange differences	(11.4)	(0.2)	(3.2)	(35.9)	(13.9)	(1.0)	(65.6)
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	1,128.9
Transfers	10.0	–	22.8	320.8	(356.5)	2.9	–
Additions due to acquisition (note 32a)	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	125.8
At 31 March 2007	**553.0**	**14.1**	**291.8**	**2,723.2**	**1,414.1**	**53.7**	**5,049.9**
Accumulated depreciation							
At 1 April 2005	**88.4**	**5.1**	**36.3**	**659.2**	**17.8**	**35.9**	**842.7**
Charge for the year	11.3	0.5	7.8	148.4	–	1.1	169.1
Disposals	–	–	–	(5.1)	–	–	(5.1)
Foreign exchange differences	(5.3)	(0.1)	(0.7)	(16.6)	–	(0.6)	(23.3)
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	198.5
Disposals	–	–	(1.4)	(4.9)	–	(1.5)	(7.8)
Transfers	32.0	–	–	(32.0)	–	–	–
Foreign exchange differences	9.7	0.2	1.4	25.6	–	0.9	37.8
At 31 March 2007	**172.1**	**6.2**	**64.2**	**914.0**	**17.8**	**37.6**	**1,211.9**
Net book value							
At 1 April 2005	**340.2**	**4.1**	**115.6**	**1,008.6**	**806.7**	**13.4**	**2,288.6**
At 1 April 2006	**348.3**	**4.1**	**227.8**	**1,524.3**	**644.7**	**13.8**	**2,763.0**
At 31 March 2007	**380.9**	**7.9**	**227.6**	**1,809.2**	**1,396.3**	**16.1**	**3,838.0**

At 31 March 2007, land having carrying value of $8.4 million (31 March 2006: $8.1 million) was not depreciated. During the year ended 31 March 2007 depreciation amounting to $3.1 million (2006: $11.4 million) directly relating to the trial run of expansion projects was being capitalised.

At 31 March 2007, cumulative capitalised interest and foreign exchange gains or losses included within the table above was $137.3 million (31 March 2006: $95.9 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 Indian 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 National, Calcutta and Bombay Stock Exchanges.

Analysis of movements in investment in associate	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million
At 1 April	**1.8**	**3.3**
Share of loss for the year until the date of nil investment	(1.3)	(1.4)
Operating loss	(0.5)	0.1
Interest payable	(0.8)	(1.5)
Loans repaid	–	(0.1)
Impairment	(0.5)	–
At 31 March	**–**	**1.8**
Market value	**1.9**	**2.9**

	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million
Group's share of associate's balance sheet:		
Current assets	5.5	4.5
Non-current assets	13.1	14.2
Current liabilities	(13.4)	(10.6)
Non-current liabilities	(13.7)	(17.4)
Net liabilities	(8.5)	(9.3)
Group's share of associate's revenue and loss:		
Revenue	8.8	12.7
Loss	(0.8)	(1.4)

IFL's debt includes a loan of $29.1 million with ICICI Bank. There is an option for ICICI Bank to convert this debt to equity shares, at par value, at any time up to the maturity of the loan in 2011. If this option were exercised, MALCO's holding in IFL would reduce from 38.8% to 7.1%. As this option has not been exercised, the Group's interest in IFL has been accounted for using 38.8%.

During the year ended 31 March 2005, Sterlite advanced loans to IFL amounting to $6.2 million for working capital purposes. The loans were advanced during the period 2 April 2004 to 7 February 2005 and were repayable within two years. The Group has impaired its investment in these loans. The loans bear interest at 7% per annum and interest accrued during the year ended 31 March 2007 amounted to $0.6 million (2006: $0.6 million). The loans were classified as part of the investment in the associate.

During the year ended 31 March 2004, IFL issued preference shares to the value of $6.2 million (Sterlite: $5.4 million; MALCO: $0.8 million) for non-cash consideration in full settlement of its liabilities to these companies at that time.

During the year ended 31 March 2007, Sterlite sold its investment in preference shares of IFL to a third party for a nominal consideration.

The outstanding investments in IFL as at 31 March 2006 of $1.8 million were adjusted by MALCO's share of losses of $1.3 million up to 31 March 2007. The balance of $0.5 million was considered to be impaired and hence was written off in the Group's consolidated financial statements as at 31 March 2007.

The Group has given corporate guarantees to certain banks and financial institutions in relation to IFL totalling $41.8 million (2006: $40.8 million) against which a provision of $17.3 million has been recognised in the financial statements for year ended 31 March 2007 (2006: $nil), being the value of the liabilities guaranteed less the realisable value of IFL's assets.

Further, the Group advanced loans to IFL amounting to $1.3 million during March 2007. The loans are repayable within a period of 3 months and hence have not been considered as investments in associate but have been disclosed as receivables from associate in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16. Financial Asset Investments

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

Available-for-sale investments	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million
At 1 April	**27.1**	**26.1**
Additions	0.2	–
Acquisition (note 32a)	4.7	–
Movements in fair value	2.8	1.0
At 31 March	**34.6**	**27.1**

Analysis of financial asset investments	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million
Quoted	11.8	5.0
Unquoted	22.8	22.1

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

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

17. Other Non-Current Assets

	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million
Deposits receivable after one year	27.3	27.3
Total	**27.3**	**27.3**

18. Inventories

	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million
Raw materials and consumables	490.3	284.3
Work-in-progress	237.1	214.2
Finished goods	152.3	36.5
Total	**879.7**	**535.0**

Inventories with a carrying amount of $522.6 million (2006: $295.2 million) have been pledged as security against certain bank borrowings of the Group.

19. Trade and Other Receivables

	As at 31 March 2007 $ million	As at 31 March 2006 $ million
Trade receivables	436.5	403.5
Amounts due from associate	8.8	0.6
Amounts due from related parties (note 35b)	11.0	10.8
Other receivables	475.8	175.0
Prepayments	10.8	3.1
Total	**942.9**	**593.0**

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

20. Liquid Investments

	As at 31 March 2007 $ million	As at 31 March 2006 $ million
Bank deposits	600.4	75.4
Other investments	–	169.0
Total	**600.4**	**244.4**

21. Cash and Cash Equivalents

	As at 31 March 2007 $ million	As at 31 March 2006 $ million
Cash at bank and in hand	54.7	68.3
Short-term deposits and short-term investments	1,530.1	1,779.0
Total	**1,584.8**	**1,847.3**

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.

At 31 March 2007, cash and cash equivalents include $1.0 million (2006: $2.0 million) of cash held in short-term deposit accounts, that is restricted in use as it relates to unclaimed deposits, dividends, interest on debentures, share application monies and a $46.0 million (2006: $36.0 million) restricted cash reserve in KCM. Further, HZL has pledged specific financial assets of $22.9 million (2006: $22.4 million) to secure certain banking facilities.

22. Borrowings

	As at 31 March 2007 $ million	As at 31 March 2006 $ million
Bank loans	491.2	700.7
Bonds	581.2	567.6
Other loans	56.0	207.5
Total	**1,128.4**	**1,475.8**
Borrowings are repayable as:		
On demand within one year (shown as current liabilities)	249.1	239.8
In the second year	76.2	257.9
In two to five years	769.7	949.6
After five years	33.4	28.5
Total borrowings	**1,128.4**	**1,475.8**
Less: payable within one year	(249.1)	(239.8)
Medium- and long-term borrowings	**879.3**	**1,236.0**

At 31 March 2007, the Group had available $1,011.4 million (fund and non-fund based) (2006: $443.7 million – fund based) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22. Borrowings continued

The Group's exposure to interest rate and currency is as follows:

	Total $ million	Floating rate financial liabilities $ million	Fixed rate financial liabilities $ million	Non-interest bearing financial liabilities $ million	Fixed rate financial liabilities: Weighted average interest rate (%)	Fixed rate financial liabilities: Weighted average period for which the rate is fixed (years)	Non-interest bearing financial liabilities: Weighted average period until maturity (years)
At 31 March 2007							
INR	324.3	–	304.3	20.0	7.1	2.3	8.9
USD	1,292.0	693.6	598.4	–	6.1	5.9	–
JPY	110.5	110.5	–	–			
	1,726.8	**804.1**	**902.7**	**20.0**			
Less: convertible bonds*	(598.4)	–	(598.4)	–	6.1	5.9	–
Borrowings	**1,128.4**	**804.1**	**304.3**	**20.0**			
At 31 March 2006							
INR	449.2	4.7	429.3	15.2	6.3	2.7	9.3
USD	1,596.6	979.9	616.4	0.3	6.1	6.9	–
JPY	30.4	30.4	–	–	–	–	–
	2,076.2	**1,015.0**	**1,045.7**	**15.5**			
Less: convertible bonds*	(600.4)	–	(600.4)	–	6.1	6.9	–
Borrowings	**1,475.8**	**1,015.0**	**445.3**	**15.5**			

* The earliest date of redemption for bondholders is 21 February 2013.

The principal loans held by Group companies at 31 March 2007 were as follows:

Hindustan Zinc Limited
Foreign Currency Syndicated Loan
In September 2003, HZL secured a $125 million syndicated loan. The interest rate on the loan was approximately LIBOR plus 61 basis points. The loan was initially repayable in November 2006 ($30.0 million), November 2008 ($65.0 million) and November 2010 ($30.0 million). However the loan was fully repaid in November 2006.

Bharat Aluminium Company Limited
Term Loans
BALCO has secured two syndicated Indian rupee term loan facilities in 2007 totalling $390.0 million at an average interest rate of 7.2% per annum. 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 $229.4 million is repayable in 12 quarterly instalments which commenced in January 2007, of which $92.7 million was paid by 31 March 2007; the second loan of $135.4 million is repayable in eight quarterly instalments, due to commence in May 2009. As at 31 March 2007 the total outstanding loan amount was $272.1 million.

Project Buyers' Credit
As at 31 March 2007, BALCO had extended credit terms relating to purchases of property, plant and equipment for its projects. The extended credit amounted to $33.8 million, which is repayable in October 2007. These loans bear interest at LIBOR plus 50 basis points. These are long-term secured by all the fixed assets of BALCO, immovable or movable, present and future, on a pari passu basis with other term lenders and with priority to other creditors.

Sterlite Industries (I) Limited
Non-convertible Debentures
Sterlite had $22.9 million of Indian rupee non-convertible debentures in issue with various institutions at 31 March 2007. The debentures are repayable from April 2010 to April 2013 with interest rates varying from 7.9% to 8.0%. 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 (2006: $79.9 million). Interest on this facility is payable at LIBOR plus 130 basis points. The FRNs mature for repayment in June 2007.

22. Borrowings continued

Foreign Currency Loans

Sterlite has a US dollar denominated term loan facility of which $92.3 million was outstanding as at 31 March 2007. This facility comprises Tranche A of $68.0 million repayable 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.

Sterlite also has term loan facilities of JPY 2,142 million ($18.2 million) and $11.8 million outstanding as at 31 March 2007. The loans are to be repaid between August 2006 and August 2008 in five tranches. The first and second tranches for repayment amounted to JPY 714 million and $3.9 million and were repaid in August 2006 and February 2007 respectively. 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. These debts are unsecured.

Preference Shares

In March 2004, Sterlite had issued 1% cumulative redeemable preference shares for $39.2 million due for redemption in March 2007. These were fully redeemed during 2007.

Konkola Copper Mines

Long-Term Loans

KCM had loans amounting to $21.2 million as at 31 March 2006 payable to ARH Limited S.A ('ARH'), a subsidiary of Anglo American plc ('AA plc'). The loans were advanced on 17 September 2002 when KCM and AA plc entered into the Exit Deed in which AA plc divested its interest in KCM. The loan was fully repaid during 2007.

Subordinated Term Facility

The Government of the Republic of Zambia had extended a loan to KCM for $8.5 million of which $5.9 million was outstanding on 31 March 2007. 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 the 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. The bonds are carried at their fair value of $581.2 million.

In February 2006, Vedanta issued 4.6% $725 million guaranteed convertible bonds, the details of which are set out in note 25.

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 on the face value 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)/Cash[1]

		Debt due within one year		Debt due after one year			
US$ million	Cash and cash equivalents	Debt carrying value	Debt related derivatives[2]	Debt carrying value	Debt related derivatives[2]	Liquid investments	Total net (debt)/cash
At 1 April 2005	**1,186.6**	**(213.0)**	**(15.1)**	**(1,287.7)**	**(17.5)**	**262.0**	**(84.7)**
Cash flow	688.4	(28.4)	.	(698.8)	–	(12.8)	(51.6)
Other non-cash changes	(1.0)	(2.0)	17.9	135.2	(12.7)	–	137.4
Foreign exchange differences	(26.7)	3.6	–	14.9	–	(4.8)	(13.0)
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 31 March 2007	**1,584.8**	**(249.1)**	**(7.1)**	**(1,477.7)**	**(18.6)**	**600.4**	**432.7**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24. Trade and Other Payables

a) Current Trade Payables

	As at 31 March 2007 $ million	As at 31 March 2006 $ million
Trade payables	372.6	319.1
Bills of exchange payable	485.2	310.5
Accruals and deferred income	61.7	151.6
Deferred consideration for KCM acquisition	5.2	5.2
Other trade payables	247.7	156.1
Total	**1,172.4**	**942.5**

b) Non-current trade payables

	As at 31 March 2007 $ million	As at 31 March 2006 $ million
Deferred consideration for acquisition of KCM	5.0	9.5
Other trade payables	6.6	6.1
Total	**11.6**	**15.6**

Trade payables are non-interest bearing and are normally settled on 60-90 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.

25. Convertible Bonds

Vedanta Finance (Jersey) Limited ('VFJL') issued 4.6% $725 million 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 $0.10 each and at an average rate of USD:GBP 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 and 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 element and equity component, representing the fair value of the embedded option to convert the liability into equity of the Company, as follows:

	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million
Nominal value of convertible bonds issued	–	725.0
Less: issue costs	–	(5.3)
Net issue proceeds	–	**719.7**
Equity component at issue	–	(123.3)
Opening liability	**600.4**	**596.4**
Additional issue costs incurred	(1.7)	–
Interest and amortisation of issue costs (note 6)	36.7	4.0
Coupon interest	(33.4)	–
Conversion of bonds	(0.1)	–
Other	(3.5)	–
31 March	**598.4**	**600.4**

The interest charged for the year is calculated by applying an effective interest rate of 6.18%.

During the year ended 31 March 2007, $0.1 million of convertible bonds were converted into 7,746 equity shares, reducing the liability component of the convertible bonds by $0.1 million and generating share premium of $0.1 million.

During the year ended 31 March 2007, $3.8 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 since inception, being the interest and amortisation of issue costs, less coupon interest including 'other' in the table above.

26. Derivative Financial Instruments

The fair values of all derivatives are 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.

Derivatives, Financial Instruments and Risk Management

The Group uses derivative instruments as part of its management of exposures to fluctuations in foreign currency exchange rates, interest rates and commodity prices. The use of derivatives can give rise to credit and market risk. The Group controls credit risk by only entering into contracts with first class banks. The use of derivative instruments is subject to limits, authorities and regular monitoring by appropriate levels of management. The limits, authorities and monitoring systems are periodically reviewed by management and the Board. The market risk on derivatives is mitigated by changes in the valuation of the underlying assets, liabilities or transactions, as derivatives are used only for risk management purposes.

Foreign Exchange Risk

The Group uses forward exchange contracts, currency swaps, options and other derivatives to hedge the effects of movements in exchange rates on foreign currency denominated assets and liabilities. The sources of foreign exchange risk are outstanding amounts payable for imported raw materials, capital goods and other supplies as well as financing transactions, loans and current asset investments denominated in foreign currencies. The Group is also exposed to foreign exchange risk on its exports. Most of these transactions are denominated in US dollars. The Group determines on a regular basis what portion of the foreign exchange risk on financing transactions, loans and current asset investments are to be hedged through forward exchange contracts and other instruments. There are systems in place for the review of open (i.e. unhedged) exposure limits and stop-loss levels by management. The foreign currency exposure of the Group's borrowings is set out in note 22.

Interest Rate Risk

As at 31 March 2007, the short-term debt of the Group constituted a small proportion of the total debt. Most of the short-term debt is contracted on floating rates of interest. The long-term debt of the Group is principally denominated in US dollars and Indian rupees. The dollar debt is split between fixed and floating rates (linked to six month US dollar LIBOR) and the Indian rupee debt is principally at fixed interest rates. The Group has a policy of selectively using interest rate swaps, option contracts and other derivative instruments to manage its exposure to interest rate movements. These exposures are reviewed by appropriate levels of management on a monthly basis. The interest rate exposure of the Group's borrowings is set out in note 22.

Counterparty and Concentration of Credit Risk

The Group is exposed to credit risk in respect of receivables, liquid investments and derivative financial instruments. There is no concentration of credit risk among the receivables of the Group given the large number of customers and the business diversity. Credit risk on receivables is very limited as almost all credit sales are against letters of credit of first-class banks. In respect of current asset investments, counterparty limits are in place to limit the amount of credit exposure to any one counterparty. For derivative and financial instruments, the credit risk is limited as the Group only deals with first class banks. These exposures are further reduced by having standard ISDA Master Agreements including set-off provisions with each counterparty.

Commodity Price Risk

The Group generally has a policy of realising average market prices on sale of commodities. However, the Group uses derivatives for commodity hedging on a selective basis. As much as possible, the Group tries to mitigate price risk through favourable contractual terms. Moreover, hedging is used primarily as a risk management tool and, in some cases, to secure future cash flows in case of high volatility by entering into forward contracts or similar instruments.

Aluminium

The requirement of primary raw material, alumina is partly met from our own sources and the rest is purchased primarily on negotiated price terms. Sales prices are linked to the London Metal Exchange ('LME') prices.

Copper

Copper operations in India are exposed to differences in the LME prices between the quotational periods of the purchase of copper concentrate and sale of the finished copper products. The Group hedges this variability of LME prices and tries to make the LME price a pass-through cost between its purchases of copper concentrate and sales of finished products, both of which are linked to the LME price. The Company also benefits from the differences 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 its free copper and its revenue from variable margins on purchase of copper concentrates by entering into future contracts. The main purpose of hedging is to fix the prices at a desired level.

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

Zinc and Lead

Raw material is mined in India with sales prices linked to the LME prices. Currently part of exports out of India are hedged through forward contracts or other instruments.

26. Derivative Financial Instruments continued

Embedded Derivatives

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

Cash Flow Hedges

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

The fair value of the Group's open derivative positions at 31 March 2007 (excluding normal purchase and sale contracts), recorded within other financial assets (derivatives) and other financial liabilities (derivatives) is as follows:

	As at 31 March 2007 $ million		As at 31 March 2006 $ million	
	Liability	Asset	Liability	Asset
Current				
Cash flow hedge				
– Commodity contracts	(70.9)	–	(75.0)	2.3
– Forward foreign currency contracts	(16.7)	0.9	(0.4)	0.1
– Interest rate swap (floating to fixed)	–	0.2	–	0.9
Fair value hedge				
– Commodity contracts	–	4.2	(4.4)	9.7
– Forward foreign currency contracts	(2.2)	0.8	(0.8)	0.1
– Interest rate swap	–	–	–	–
– Other	–	–	–	2.0
Non-qualifying hedges				
– Commodity contracts	(2.2)	43.2	(22.4)	28.7
– Forward foreign currency contracts	(9.4)	2.1	(10.4)	2.3
– Interest rate swap	–	0.1	–	2.9
– Other	–	–	(1.3)	–
Total	**(101.4)**	**51.5**	**(114.7)**	**49.0**
Non-current				
Cash flow hedge				
– Commodity contracts	–	–	–	–
– Forward foreign currency contracts	(2.0)	–	–	–
– Interest rate swap	–	–	–	–
Fair value hedge				
– Interest rate swap	(18.6)	–	(30.2)	–
– Other	(74.1)	72.1	(63.2)	63.2
Total	**(94.8)**	**72.1**	**(93.4)**	**63.2**
Grand total	**(196.2)**	**123.6**	**(208.1)**	**112.2**

Cash Flow Hedges

The majority of cash flow hedges taken by the Group during the year comprise strategic forward sales of copper by KCM and by HZL to secure against the volatile movement in LME copper and zinc prices respectively. (The outstanding hedge positions as at 31 March 2007 were Copper – 57,600 mt and HZL – 25,000 mt).

Non-Qualifying Hedges

The majority of these derivatives comprise copper sale and purchase contracts at Sterlite which are economic hedges but which do not fulfil the requirements of IAS 39.

Fair Value Hedges

The fair value hedges relate to the interest rate swaps (fixed to floating) taken out by the Group to hedge the interest rate risk on the $600 million bonds due in 2010 and US dollar: Japanese Yen cross-currency swaps with a maturity of 2010. Equal and opposite swaps are held in two Group companies, such that no exposure to the Group arises.

26. Derivative Financial Instruments continued

Hedging Reserves Reconciliation

	Hedging reserves $ million	Minority interests* $ million	Total $ million
At 1 April 2005	**(3.2)**	**(1.1)**	**(4.3)**
Amount recognised directly in equity	(46.7)	(42.5)	(89.2)
Amount charged to income statement	20.6	18.2	38.8
Exchange difference	0.2	–	0.2
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 31 March 2007	**(29.7)**	**(23.4)**	**(53.1)**

* Cash flow hedges attributable to minority interests.

27. Provisions

	Restoration, rehabilitation and environmental $ million	Other $ million	Total $ million
At 1 April 2005	**61.2**	**184.4**	**245.6**
Credited to income statement	(4.2)	(10.2)	(14.4)
Unwinding of discount	0.2	5.4	5.6
Amounts applied	–	(3.4)	(3.4)
Exchange difference	(0.4)	(0.3)	(0.7)
Other movements	0.3	1.7	2.0
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 (note 32a)	1.8	–	1.8
Cash paid	0.0	(15.1)	(15.1)
Exchange differences	0.3	0.2	0.5
At 31 March 2007	**45.9**	**184.4**	**230.3**
Current 2007	–	–	–
Non-current 2007	45.9	184.4	230.3
	45.9	**184.4**	**230.3**
Current 2006	0.1	12.1	12.2
Non-current 2006	57.0	165.5	222.5
	57.1	**177.6**	**234.7**

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, Zambian and Armenian law and the terms of the Group's mining and other licences and contractual arrangements.

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, primarily in India and also 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 $131.6 million (2006: $141.6 million).

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 and timing differences, provided and not provided, in the accounts are as follows:

Provided – liabilities/(assets)	As at 31 March 2007 $ million	As at 31 March 2006 $ million
Accelerated capital allowances	395.9	300.0
Unutilised tax losses	(58.9)	(134.1)
Other timing differences	60.0	49.1
Total	**397.0**	**215.0**
Recognised as:		
Deferred tax liability provided	425.3	286.9
Deferred tax asset recognised	(28.3)	(71.9)
Total	**397.0**	**215.0**

Not provided – liabilities/(assets)	As at 31 March 2007 $ million	As at 31 March 2006 $ million
Unutilised tax losses	(8.0)	(5.1)

Deferred tax asset	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million
At 1 April	**71.9**	**90.0**
Charged to income statement	(48.5)	(39.8)
Credited directly to equity	1.9	16.9
Other movements	–	5.6
Foreign exchange differences	3.0	(0.8)
At 31 March	**28.3**	**71.9**

The Group has $235.5 million of unutilised tax losses at KCM (2006: $424.5 million) which expire in 2019.

Deferred tax liability	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million
At 1 April	**286.9**	**228.3**
Addition due to acquisition (note 32a)	14.3	0.0
Charged to income statement	110.0	54.6
(Credited)/charged directly to equity	(1.6)	3.4
Other movements	4.0	5.6
Foreign exchange differences	11.7	(5.0)
At 31 March	**425.3**	**286.9**

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% of annual salary. In respect of Messrs Navin Agarwal and Kuldip Kaura, salary means the aggregate of their salary payable by Vedanta and their Cost to Company 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 balance of basic salary and share-based remuneration 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 the 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 and 1 February 2007. The exercise price of the awards is 10 US cents per share and the performance period is one year for the 2007 awards and three years for earlier 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 39 to 64.

Year of grant	Exercise date	Exercise price US cents per share	Options outstanding 1 April 2006	Options granted during the year	Options lapsed during the year	Options exercised during the year	Options outstanding at 31 March 2007
2004	26 February 2007 to 26 August 2007	10	1,187,000	–	82,056	776,500	328,444
2004	11 June 2007 to 11 December 2007	10	10,000	–	–	–	10,000
2004	23 November 2007 to 23 May 2008	10	37,500	–	8,264	9,236	20,000
2006	1 February 2009 to 1 August 2009	10	2,450,100	–	273,175	5,275	2,171,650
2007	February 2008 to 1 August 2008	10	–	565,530	–	–	565,530
			3,684,600	565,530	363,495	791,011	**3,095,624**

As at 31 March 2007 all the outstanding options granted on 26 February 2004 were exercisable. The weighted average share price for the share options exercised during the year was £13.

All share-based awards of the Group are equity-settled as defined by IFRS 2. 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.

29. Share-Based Payments continued

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 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 which 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 February 2007
Date of grant	1 February 2007
Number of instruments	565,530
Exercise price	$0.1
Share price at the date of grant	£11.89
Contractual life	1.5 years
Expected volatility	51.0% pa
Expected option life	1.1 years
Expected dividends	1.3% pa
Risk free interest rate	5.6% pa
Expected annual forfeitures	13.5% pa
Fair value per option granted	£5.788

30. Retirement Benefits

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

a) Defined Contribution Schemes

India

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% of basic salary less contribution made as part of the Pension Fund (see below), together with an additional contribution of 12% 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 number of years of service of the executive, and 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 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.

Australia

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% of the employee's gross remuneration where the employee is covered by the industrial agreement and 12% 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.

30. Retirement Benefits continued

Zambia

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% of that month's pensionable salary and the member makes monthly contributions to the fund of an amount equal to 5% 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 to 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 served a minimum of five years with their employing company. Using actuarial valuations these schemes are funded by the Group through cash contributions in case of some subsidiaries and in case of others a provision is maintained in the books. 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 and as such, is not funded. Its Gratuity scheme is accounted for on a defined benefit basis. The latest actuarial valuation was performed as at 31 March 2007 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 their remaining contributions have been made and have been accounted for on a defined contribution basis. The scheme is accounted for as a defined benefit scheme for all employees scheduled to retire after 31 March 2009, who are not covered by the LIC. Provision is made in the books based on the latest actuarial valuation which was performed as at 31 March 2007 using the projected unit actuarial method. At that date the fund was in deficit.

HZL

HZL contributes to the LIC based on 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 2007 using the projected unit actuarial method. At that date the fund was in deficit.

VAL

VAL does not contribute to the LIC and as such, is not funded. Liabilities with regard to the Gratuity Plan 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 2007 using the projected unit actuarial method. At that date the fund was in deficit.

Sterlite

Sterlite does not contribute to the LIC and as such, is not funded. Liabilities with regard to the Gratuity Plan 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 2007 using the projected unit actuarial method. At that date the fund was in deficit.

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30. Retirement Benefits continued

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 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 sixty months basic pay for employees who joined before 1 April 2000 and thirty months basic pay for employees who joined on or after 1 April 2000. For fixed term contract employees the benefit payable on death is thirty months' basic pay.

These schemes are accounted for as a defined benefit scheme and the main assumptions used in the actuarial valuation were a discount rate of 14% per annum and an annual salary increase of 8%.

As at 31 March 2007, membership of pension schemes across MALCO, BALCO, HZL, VAL, Sterlite and KCM stood at 24,589 employees (31 March 2006: 23,426). 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

	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million	Year ended 31 March 2005 $ million
Defined contribution pension schemes	10.8	10.6	5.0
Defined benefit pension schemes	0.8	2.4	8.2
Total	**11.6**	**13.0**	**13.2**

Contributions of $1.3 million and $0.1 million in respect of defined benefit schemes were outstanding and prepaid respectively as at 31 March 2007 (2006: nil and nil respectively).

The next year contribution to the pension scheme is expected to be approximately $2.4 million.

d) Principal Actuarial Assumptions

Principal actuarial assumptions used to calculate the Gratuity schemes' liabilities

	MALCO		BALCO		Sterlite		HZL		KCM		VAL	
	March 2007	March 2006	March 2007	March 2006	March 2007	March 2006	March 2007	March 2006	March 2007	March 2006	March 2007	March 2006
Discount rate	8.0%	8.0%	8.0%	7.5%	7.5%	7.5%	7.5%	7.5%	14.0%	17.0%	8.0%	7.5%
Salary increases	6.0%	4.0%	5.0% for office staff, 3.0% non-office	5.0% for office staff, 3.0% non-office	5.0%	5.0%	5.0%	5.0%	8.0%	20.0%	5.0%	5.0%
Funding rate of return	–	–	8.0%	–	8.0%	–	8.4%	8.0%	–	–	–	–
Number of employees	699	754	5,236	4,553	1,441	1,476	6,275	6,020	10,454	10,454	484	169

e) Balance Sheet Recognition

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

	31 March 2007							31 March 2006						
$ miilion	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Total	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Total
Fair value of pension scheme assets	–	1.0	0.1	15.9	–	–	**17.0**	–	–	–	14.0	–	–	**14.0**
Present value of pension scheme liabilities	(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)**
Deficit in pension scheme recognised in balance sheet	(1.3)	(11.5)	–	(1.4)	(21.0)	(0.1)	**(35.3)**	(1.1)	(9.4)	–	(1.1)	(26.5)	(0.1)	**(38.2)**
Deferred tax	0.4	3.9	–	0.5	5.3	0.0	**10.1**	0.4	3.2	–	0.4	6.6	–	**10.6**
Net pension liability	**(0.9)**	**(7.6)**	**–**	**(0.9)**	**(15.7)**	**(0.1)**	**(25.2)**	**(0.7)**	**(6.2)**	**–**	**(0.7)**	**(19.9)**	**(0.1)**	**(27.6)**

30. Retirement Benefits continued

f) Amounts Recognised in Income Statement in Respect of Defined Pension Schemes:

$ million	31 March 2007 MALCO	BALCO	Sterlite	HZL	KCM	VAL	Total	31 March 2006 MALCO	BALCO	Sterlite	HZL	KCM	VAL	Total
Current service cost	0.1	0.5	0.2	0.8	–	–	1.6	–	0.4	–	0.8	6.1	0.1	**7.4**
Actuarial (gains)/losses	0.1	0.7	1.0	0.7	(5.4)	–	(2.9)	–	(1.2)	–	0.2	(7.6)	–	**(8.6)**
Expected return on scheme assets	–	–	–	(1.2)	–	–	(1.2)	–	–	–	(1.1)	–	–	**(1.1)**
Interest cost of scheme liabilities	0.1	0.8	0.1	1.1	1.2	–	3.3	0.1	0.7	–	1.0	2.9	–	**4.7**
Total charge to income statement	**0.3**	**2.0**	**1.3**	**1.4**	**(4.2)**	**–**	**0.8**	**0.1**	**(0.1)**	**–**	**0.9**	**1.4**	**0.1**	**2.4**

g) Movements in the Present Value of Defined Benefit Obligation

The movement during the year ended 31 March 2007 of the present value of the defined benefit obligation was as follows:

$ million	31 March 2007 MALCO	BALCO	Sterlite	HZL	KCM	VAL	Total	31 March 2006 MALCO	BALCO	Sterlite	HZL	KCM	VAL	Total
At 1 April	**(1.1)**	**(9.4)**	**–**	**(15.1)**	**(26.5)**	**(0.1)**	**(52.2)**	(0.9)	(9.7)	–	(12.3)	(27.7)	–	**(50.6)**
At acquisition	–	–	–	–	–	–	–	–	–	–	–	–	–	**–**
Current service cost	(0.1)	(0.5)	(0.2)	(0.8)	–	–	(1.6)	–	(0.4)	–	(0.8)	(6.1)	(0.1)	**(7.4)**
Reclassification to/(from) other provisions	–	–	–	–	–	–	–	(0.2)	0.8	–	(0.6)	–	–	**–**
Gratuity benefits paid	0.3	0.3	–	0.8	1.2	–	2.6	0.1	0.1	–	0.3	2.6	–	**3.1**
Interest cost of scheme liabilities	(0.1)	(0.8)	(0.1)	(1.1)	(1.2)	–	(3.3)	(0.1)	(0.7)	–	(1.0)	(2.9)	–	**(4.7)**
Actuarial gains/(loss)	(0.1)	(0.7)	(1.0)	(0.7)	5.4	–	2.9	–	1.2	–	(0.2)	7.6	–	**8.6**
Exchange difference	(0.2)	(1.4)	1.2	(0.4)	0.1	–	(0.7)	–	(0.7)	–	(0.5)	–	–	**(1.2)**
At 31 March	**(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)**

h) Movements in the Fair Value of Scheme Assets

	As at 31 March 2007 $ million	As at 31 March 2006 $ million
At 1 April	**14.0**	**12.0**
Contributions received	2.9	3.0
Benefits paid	(2.6)	(3.1)
Expected return on plan asset	1.2	1.1
Foreign exchange differences	1.5	1.0
At 31 March	**17.0**	**14.0**

i) Three 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

Provided – liabilities/(assets)	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	2.9	8.6	(2.4)
Difference between expected and actual return on plan assets	(0.1)	–	–
Fair value of pension scheme assets	17.0	14.0	12.0
Present value of pension scheme liability	(52.3)	(52.2)	(50.6)
Deficits in the schemes	**(35.3)**	**(38.2)**	**(38.6)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31. Issued Share Capital and Reserves

	At 31 March 2007		At 31 March 2006	
	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	0.1	50,000	0.1
Total	**400,050,000**	**40.1**	**400,050,000**	**40.1**
Ordinary shares issued and fully paid				
Ordinary shares of 10 US cents each	287,515,622	28.8	286,781,195	28.7
Deferred shares of £1 each	50,000	–	50,000	–
Total	**287,565,622**	**28.8**	**286,831,195**	**28.7**

During the year ended 31 March 2007, the Company issued 726,681 shares to the employees pursuant to the LTIP scheme (2006: 5,195 shares). During the year ended 31 March 2007, the Company issued 7,746 shares on conversion of the convertible bond (2006: nil).

The holders of deferred shares do not have the right to receive notice of any general meeting of the Company or 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) Sterlite Gold

The Group acquired the following companies during the year ended 31 March 2007:

Names of company acquired	Principal activity	Date of acquisition	Proportion of shares acquired	Cost of acquisition ($ million)
Welter Trading Limited	Investment holding company	22 May 2006	100.0%	–
Twin Star International Limited	Investment holding company	23 August 2006	100.0%	33.7*

* $2.9 million of acquisition expenses were additionally incurred in the acquisition of Twin Star International Limited and its subsidiaries.

Vedanta acquired 100% of Welter Trading Limited, a company incorporated in Cyprus, on 22 May 2006. On 23 August 2006, Welter Trading Limited acquired 100% of Twin Star International Limited ('TSI'), a company incorporated in Mauritius and 100% owned by Volcan Investments ('Volcan'). Volcan holds 54% of the equity of Vedanta.

TSI held 55.09% of Sterlite Gold Limited ('Sterlite Gold'), a company incorporated in Canada and listed on the Toronto Stock Exchange. By virtue of Welter Trading Limited acquiring 100% of TSI, Sterlite Gold became a subsidiary of Vedanta with an effective date of 23 August 2006, being the date at which control passed to Vedanta. As a result, the financial information of TSI and Sterlite Gold has been consolidated from 23 August 2006.

From 23 August 2006 to 31 March 2007, the Group acquired a further 28.6% interest in the equity of Sterlite Gold for $17.7million through an open offer to minority shareholders. The Group's total holding in Sterlite Gold as at 31 March 2007 was 83.7%.

From the date of acquisition, Sterlite Gold held 100% interests in the following companies:

- First Dynasty Mines (USA) LLC
- First Dynasty Mines Armenia Limited
- AGRC Services Limited
- First Dynasty Mines Holding Company Limited
- Myanmar First Dynasty Mines Limited (since liquidated)
- Ararat Gold Recovery Company LLC ('AGRC')

AGRC is a company involved in gold mining activities and is incorporated in Armenia. All other companies listed above are non-operating.

32. Business Combinations continued

The consolidated net assets of TSI acquired at the first acquisition are detailed in the table below. There was no material change in the fair value of assets and liabilities acquired at the following acquisitions.

	Book value $ million	Fair value adjustments $ million	Fair value $ million
Assets			
Non-current assets			
Property, plant and equipment	11.4	71.7	83.1
Financial asset investments	4.7	–	4.7
	16.1	**71.7**	**87.8**
Current assets			
Inventories	2.7	–	2.7
Trade and other receivables	2.7	–	2.7
Cash and cash equivalents	0.8	–	0.8
	6.2	**–**	**6.2**
Liabilities			
Current liabilities			
Trade and other payables	(2.9)	–	(2.9)
	(2.9)	**–**	**(2.9)**
Non-current liabilities			
Borrowings from Vedanta Resources plc	(10.2)	–	(10.2)
Deferred tax liabilities	–	(14.3)	(14.3)
Provisions	(1.8)	–	(1.8)
	(12.0)	**(14.3)**	**(26.3)**
Net assets	**7.4**	**57.4**	**64.8**
Less: minority interests recognised on first acquisition			(29.1)
Add: reduction in minority interests on following acquisitions			18.9
			54.6
Satisfied by:			
Cash consideration on first acquisition			33.7
Cash consideration on following acquisitions			17.7
Acquisition expenses			2.9
			54.3
Gain on following acquisitions recognised in retained earnings			0.3
			54.6

Since the date of acquisition, Sterlite Gold has contributed $2.9 million to the revenue and $(4.1) million to the net profit of the Group for the year ended 31 March 2007. If TSI Group had been acquired at the beginning of the period, the revenues of the Group would have been $6,506.7 million and the profit attributed to equity holders of the parent of the Group would have been $1,811.5 million.

b) Acquisition of Sterlite Energy

During the year ended 31 March 2007, Sterlite acquired 100% of the equity of Sterlite Energy, a related party previously controlled by Volcan. The cost of acquisition was $0.1 million.

32. Business Combinations continued

c) Disposal of Non-Core Business

The Board of Sterlite passed a resolution on 21 August 2006 to divest its non-core aluminium conductor business, a reporting unit classified in the Group's 'Other' segment. The Group sold the business to SOTL, a company owned and controlled by Volcan, a related party, for $32.3 million. The loss on this sale was $2.3 million. The carrying value of the assets and liabilities disposed of were as follows:

	$ million
Property, plant and equipment	18.6
Current assets	83.4
Total assets	102.0
Debt	23.1
Current liabilities	44.3
Total liabilities	67.4
Net assets disposed	34.6
Less: consideration received	(32.3)
Loss on disposal (note 4)	2.3

33. Operating Leases

The Group does not have any material operating lease commitments as at 31 March 2007 (2006: none).

34. Commitments, Guarantees and Contingencies

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.

The principal capital commitments of the Group were as follows:

	As at 31 March 2007 $ million	As at 31 March 2006 $ million
Contracted but not provided	3,150.0	1,233.4

Commitments at 31 March 2007 primarily related to the expansion projects at HZL $178.9 million (2006: $92.2 million), BALCO $10.2 million (2006: $20.2 million), KCM $355.0 million (2006: $108.7 million), VAL $1,316.4 million (2006: $951.4 million), SEL $1,139.3 million and Sterlite Gold $11.9 million.

In addition, 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 2007, $198.9 million of guarantees are advanced by bank in normal course of business (2006: $109.0 million). The Group has also entered into guarantees advanced to the customs authorities in India of $107.6 million (2006: $52.9 million) relating to payment of import duties on purchases of fixed assets.

Export Obligations

The Indian entities of the Group have export obligations of $1,328.4 million (2006: $1,635.7 million) over eight years, on account of concessional rates of import duty paid on capital goods under the Export Promotion Capital Goods Scheme 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 $191.0 million (2006: $196.7 million), reduced in proportion to actual exports.

Guarantees to Banks – IFL

The Group has given corporate guarantees to certain banks and financial institutions in relation to IFL, an associate of the Group. The value of these guarantees was $41.8 million at 31 March 2007 (2006: $40.8 million) against an outstanding balance of $38.7 million (2006: $37.3 million). The Group's interest in IFL is summarised in note 15.

Guarantees to Suppliers

The Group has given corporate guarantees to certain suppliers of concentrate. The value of these guarantees was $90.0 million at 31 March 2007.

34. Commitments, Guarantees and Contingencies continued

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 million (with a maximum of $18 million) in any financial year to ensure that the amount of ETB liabilities are covered by a cash reserve when the Konkola Ore Body life comes to an end. ETB liabilities mean, at any time, KCM's liabilities in relation to the environment and any terminal benefits payable to its employees. As at 31 March 2007, ETB liabilities, and the amounts provided were $65.1 million (2006: $80.7 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 and ZCCM (see note 36) and Vedanta's divestment of its interest in KCM (the earliest date of which is 1 January 2008), up to a limit of $220 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 material 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 $71.7 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 $23.4 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.

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 has since filed a petition with the Supreme Court of India, which as an interim measure has 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 tranche of the hearing took place in which both parties submitted written submissions.

On the grounds of non-renewal of the bank guarantee by Techmo Car SpA, MALCO invoked the bank guarantee of $1.0 Million in March 2007.

BALCO: Claim of Chhattisgarh State Electricity Board ('CSEB')

During the year ended 31 March 2007, CSEB claimed that they had overpaid for power supplied by BALCO. BALCO are contesting the claim on the basis that it is conflicting with the power purchase agreement between the two entities. An arbitrator has been appointed and arbitration is yet to commence.

Demands against HZL by 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 $76.6 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 estimates 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 it has obtained a stay in respect of these demands.

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34. Commitments, Guarantees and Contingencies continued

Sterlite Gold

The mining plan of Sterlite Gold's subsidiary, Ararat Gold Recovery Company LLC ('AGRC'), has not been approved by the Armenian government and as a result, AGRC's mining operations have been temporarily suspended. AGRC is working with government authorities in an effort to secure approval for its mining plan so that operations can be resumed. AGRC has previously received approval for each of its annual mining plans during the term of its Implementation Agreement with the Armenian government.

The Armenian governmental authorities began an investigation of AGRC on 9 January 2007, covering all years between 2000 and 2006. The scope of the investigation includes AGRC's compliance with licensing and tax regulations. The government alleges that AGRC submitted incorrect data in production reports relating to royalty payments and is in violation of licensing laws. AGRC has recently received from the Armenian authorities a preliminary notice of penalties and fines in the amount of approximately $46.5 million that the Armenian government intends to levy on AGRC. The notice is preliminary in nature and the company understands that the notice is to undergo further analysis and expert review at the relevant Armenian governmental agencies in the coming weeks before it is served in final form upon AGRC.

Sterlite Gold and AGRC are vigorously contesting any allegations or claims that may be made against them arising out of the investigation. The carrying value of the net assets of Sterlite Gold held in the Group's balance sheet at 31 March 2007 was $58.2 million.

Ministry of Environment and Forest ('MOEF') Claim – VAL

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 its recommendations to the Supreme Court. Further instructions from Supreme Court on this matter are awaited.

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 $155.1 million (2006: $117.0 million), of which $48.9 million (2006: $44.2 million) is included as a provision in the balance sheet as at 31 March 2007. In the view of the Directors, there are no significant unprovided liabilities arising from these claims.

35. Related Party Transactions

a) The information below sets out transactions and balances between the Group and various related parties for the year ended 31 March 2007. These related parties include Sterlite Optical Technologies Limited ('SOTL'), which is related by virtue of having the same controlling party as the Group, namely Volcan. As India Foils Limited ('IFL') is an associate of the Group, it is also regarded as a related party.

The Group acquired TSI and Sterlite Gold from Volcan on 22 August 2006. As a result, with an effective date of 23 August 2006, TSI and Sterlite Gold became subsidiaries of the Group and ceased to be related parties. The Group also acquired Sterlite Energy from Twin Star Infrastructure Limited, a related party controlled by the members of the Agarwal family.

b) The tables below set out transactions with related parties that occurred in the normal course of trading:

SOTL

	31 March 2007 $ million	31 March 2006 $ million
Sales to SOTL	59.0	3.0
Sale of aluminium conductor division	32.3	–
Reimbursement of expenses	0.2	–
Purchases from SOTL	1.1	–
Amounts receivable at year end	**11.0**	**5.6**

Sterlite Gold (until 22 August 2006)

	31 March 2007 $ million	31 March 2006 $ million
Provision of commercial services and others	–	0.1

35. Related Party Transactions continued

Twin Star International (TSI) (up to 22 August 2006)
During the year ended 31 March 2007, the Group advanced a loan of $20.9 million (2006: $5.0 million) to TSI. The loan carries an interest rate of LIBOR plus 100 basis points and the interest accrued was $0.9 million (2006: $32,688).

Twin Star Overseas Limited
As part of the acquisition of TSI and its subsidiaries, the Group acquired a balance of $0.2 million payable to Twin Star Overseas Limited. This amount was repaid during the year ended 31 March 2007. Twin Star Overseas Limited is a related party as it is controlled by members of the Agarwal family.

Twin Star Investments Limited
As part of the acquisition of TSI and its subsidiaries, the Group acquired a balance of $0.7 million payable to Twin Star Investments Limited. Twin Star Investments Limited is a related party as it is controlled by members of the Agarwal family.

The balance outstanding at 31 March 2007 was $0.7 million.

Transactions with Sterlite Gold and SOTL
Pursuant to the terms of the Shared Services Agreement dated 5 December 2003 entered into by the Company, Sterlite, SOTL and Sterlite Gold, the Company and Sterlite provided various commercial services in relation to SOTL's and Sterlite Gold's businesses on an arm's length basis and at normal commercial terms. For the year ended 31 March 2007, the commercial services provided to SOTL and Sterlite Gold were performed by certain senior employees of the Group on terms set out in the Shared Services Agreement. The services provided to SOTL and Sterlite Gold during 2007 amounted to $21,940 and $6,966 respectively (2006: $20,895 and $16,700).

Sterlite Energy Limited/Twin Star Infrastructure Limited
During the year ended 31 March 2007, the Group acquired Sterlite Energy 100% stake from Twin Star Infrastructure for $0.1 million. On the date of acquisition there were a number of outstanding balances due from some related parties, amounting to $0.3 million. These were repaid by 31 March 2007.

Sterlite Energy had issued cumulative convertible preference shares to Twin Star Infrastructure Limited prior to its acquisition by the Group and an amount of $6.5 million was outstanding as at 31 March 2007. During the year ended 31 March 2007, Sterlite Energy paid dividends on the cumulative convertible preference shares of $3,544 to Twin Star Infrastructure Limited. During the year ended 31 March 2006, the Group advanced $0.4 million.

Sterlite Foundation
During the year, $0.7 million was paid to Sterlite Foundation (2006: $0.6 million).

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

The Anil Agarwal Foundation (formerly Vedanta Foundation)
During the year, $0.1 million (2006: $0.1 million) was received from the Anil Agarwal Foundation towards reimbursement of 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.

Political and Public Awareness Trust
During the year ended 31 March 2007, the Group did not contribute to the Political and Public Awareness Trust (2006: $0.1 million). This trust makes contributions to political parties and related causes. The trust is a related party as it is controlled by members of the Agarwal family.

IFL

	31 March 2007 $ million	31 March 2006 $ million
Sales to IFL	43.9	34.1
Net interest received	–	0.5
Guarantees	41.8	40.8
Trade receivables and advances	8.8	0.6
Loans receivable at year end	6.2	6.2

During the year ended 31 March 2007, the Group advanced $1.2 million to IFL as short-term advances. The Group has given corporate guarantees to certain banks and financial institutions in relation to IFL, an associate of the Group, against which a provision of $17.3 million has been recognised in the financial statements (2006: $nil) (see note 15).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

35. Related Party Transactions continued

Volcan

	31 March 2007 $ million	31 March 2006 $ million
Reimbursement of bank charges	(0.4)	(0.5)
Amounts receivable at year end	–	0.1

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 2007 was $0.4 million (2006: $0.5 million).

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

c) 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 2007 $ million	Year ended 31 March 2006 $ million
Short-term employee benefits	5.3	4.6
Post employment benefits	0.3	0.1
Share-based payments	0.7	0.3
Termination benefits	–	0.6
Total	**6.3**	**5.6**

36. Share Transactions

Call Options – KCM

The Group purchased a 51% holding in KCM on 5 November 2004, from ZCI and ZCCM holding 28.4% and 20.6% interests, respectively. There are several call options over the KCM shares held by the Group, ZCI and ZCCM as follows:

The Group has call options over ZCI's and ZCCM'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 million tpa or more, provided that prior to such date, ZCI and ZCCM have 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.

ZCI and ZCCM each have 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 each have 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.

During 2006, a notice was sent by the Group to ZCI to exercise the option to acquire its 28.4% stake in KCM. At the date of this report a valuer has yet to be appointed.

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 2007, the Government's holding in HZL was 29.5% (2006: 29.5%). The option has no expiry date.

36. Share Transactions continued

Call Option – BALCO
Sterlite purchased a 51% 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. Negotiations are currently in progress between Sterlite and the Government.

Convertible Debt – IFL
IFL has a loan of $28.5 million (2006: $23.3 million) with ICICI Bank. ICICI has an option to convert this debt to equity shares at par value at any time up to maturity of the loan in 2011. If this option is exercised, MALCO's holding in IFL will reduce from 38.8% to 7.1%.

Foreign Currency Convertible Bonds – Sterlite
In October 2003, Sterlite issued 50,000 1% $1,000 redeemable convertible bonds which are redeemable by Sterlite at a premium of $180 per bond on 27 October 2008. Of these bonds, 500 bonds were converted into Sterlite's ordinary shares during the year ended 31 March 2004, 25,800 bonds were converted into Sterlite's ordinary shares during the year ended 31 March 2005 and the balance of 23,700 bonds were converted into Sterlite's ordinary shares during the year ended 31 March 2006. These conversions had the overall effect of reducing the Group's Economic Interest in Sterlite from 81.3% to 75.9%.

Convertible Bond – Vedanta
In February 2006, VFJL issued 725,000 4.6% $1,000 redeemable convertible bonds which are convertible into equity shares of Vedanta Resources plc, details of which are provided in note 25.

37. Principal Subsidiaries

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

		The Company's economic percentage holding				Immediate percentage holding	
Subsidiaries	Principal activities	31 March 2007	31 March 2006	Country of incorporation	Immediate holding company	31 March 2007	31 March 2006
Bharat Aluminium Company Limited ('BALCO')	Aluminium mining and smelting	38.7%	38.7%	India	Sterlite	51.0%	51.0%
Copper Mines Of Tasmania Pty Limited ('CMT')	Copper mining	75.9%	75.9%	Australia	MCBV	100.0%	100.0%
Hindustan Zinc Limited ('HZL')	Zinc mining and smelting	49.3%	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	75.9%	75.9%	Netherlands	Sterlite	100.0%	100.0%
Monte Cello Corporation NV (MCNV')	Holding company	100.0%	100.0%	Netherlands Antilles	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	75.9%	–	India	Sterlite	100.0%	100.0%
Sterlite Industries (India) Limited ('Sterlite')	Copper smelting	75.9%	75.9%	India	Twin Star	100.0%	100.0%
Sterlite Opportunities and Venture Limited ('SOVL')	Holding company	75.9%	75.9%	India	Sterlite	100.0%	100.0%
Sterlite Paper Limited ('SPL')	Non-trading	75.9%	75.9%	India	Sterlite	100.0%	100.0%
Thalanga Copper Mines Pty Limited ('TCM')	Copper mining	75.9%	75.9%	Australia	MCBV	100.0%	100.0%
Twin Star Holding Limited ('Twin Star')	Holding company	100.0%	100.0%	Mauritius	VRHL	100.0%	100.0%
Vedanta Alumina Limited ('VAL')	Alumina mining, aluminum refining and smelting	92.9%	92.9%	India	Twin Star	79.5%	79.5%
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%	–	Cyprus	VRHL	100.0%	–
Twin Star International Limited	Financing company	100.0%	–	Mauritius	Welter	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, also the Group is able to govern its subsidiaries' financial and operating policies so as to benefit from its activities.

114 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

38. Post Balance Sheet Events

Vedanta Resources plc acquired a 51% controlling stake in Sesa Goa Limited ('Sesa Goa') on 23 April 2007 through the acquisition of 100% of Finsider International UK ('Finsider') for a purchase price of $981.1 million. Sesa Goa is India's largest private sector iron ore producer-exporter. Sesa Goa has an 88.3% stake in its subsidiary, Sesa Industries Limited ('SIL'), which operates a pig iron plant. Vedanta has formed two 100% owned special purpose vehicles, one in Cyprus (Richter Holding Limited) and the other in Mauritius (Westglobe Limited) which together hold 100% of the equity in Finsider. As Sesa Goa is a public listed company in India, Vedanta, under the Indian law, will make an open offer to shareholders to acquire an additional 20% of equity of Sesa Goa. The total cash consideration for 71% of Sesa Goa would be $1,380 million including estimated acquisition costs of $10.0 million. The acquisition will be financed through a mix of newly committed bank debt facilities of $1,100.0 million and existing cash resources.

Sesa Goa prepares its financial statements under Indian Generally Accepted Accounting Principles and does not prepare its financial statements under IFRS. Further disclosure requirements under IFRS 3 'Business Combinations', which will be included in the Group's 2008 interim report, have not been provided in these financial statements because: (a) Sesa Goa is a multi-location entity and the time elapsed between the date of acquiring the 51% stake and the date of the issue of these financial statements has been too short to prepare a detailed acquisition balance sheet together with fair value adjustments, if any, under IFRS; and (b) Sesa Goa does not currently prepare its financial statements under IFRS.

Under Indian GAAP, Sesa Goa's retained earnings for the year ended 31 March 2007 (unaudited) were $142.7 million (2006 audited: $129.0 million) and shareholders' equity at 31 March 2007 (unaudited) was $386.6 million (2006 audited: $248.4 million)

39. Ultimate Controlling Party

At 31 March 2007, 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

	Note	As at 31 March 2007 $ million	As at 31 March 2006 $ million
Fixed assets			
Tangible assets	42	0.6	0.7
Investments in subsidiaries	43	713.3	637.6
Investment in preference shares of subsidiaries	44	0.2	–
Derivative asset		67.5	63.2
		781.6	**701.5**
Current assets			
Debtors due within one year	45	134.8	21.4
Debtors due after one year	45	843.7	489.7
Current asset investments	46	278.4	893.8
Cash at bank and in hand		0.5	2.1
		1,257.4	**1,407.0**
Creditors: amounts falling due within one year			
Trade and other creditors	47	(9.7)	(10.3)
Derivative liability		–	(0.3)
		(9.7)	**(10.6)**
Net current assets		**1,315.2**	**1,459.6**
Total assets less current liabilities		**2,029.3**	**2,097.9**
Creditors: amounts falling due after one year	48		
Amounts due to subsidiary undertakings		(602.3)	(600.4)
Bond		(581.2)	(567.4)
Derivative liability		(18.6)	(30.2)
		(1,202.1)	**(1,198.0)**
Net assets		**827.2**	**899.9**
Capital and reserves			
Called up equity share capital	49	28.8	28.7
Share premium account	49	18.7	18.6
Share-based payment reserve	49	7.3	4.1
Convertible bond reserve	49	119.5	123.3
Profit and loss account	49	652.9	725.2
Equity shareholders' funds	49	**827.2**	**899.9**

Approved by the Board on 15 May 2007

ANIL AGARWAL
Chairman

KK KAURA
Chief Executive

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS OF THE PARENT COMPANY CONTINUED

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. The principal accounting policies are summarised below. They have been applied consistently throughout the year and preceding year.

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 Phares 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 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 debtor 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 an 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 2007.

Derivative Financial Instruments

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

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

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

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. 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.

41. Company Accounting Policies continued

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 2006	0.9
Additions	0.1
At 31 March 2007	**1.0**
Accumulated depreciation	
At 1 April 2006	0.2
Charge for the period	0.2
At 31 March 2007	**0.4**
Net book value	
At 1 April 2006	**0.7**
At 31 March 2007	**0.6**

43. Investments in Subsidiaries

	$ million
Cost	
At 1 April 2006	637.6
Additions	75.7
At 31 March 2007	**713.3**

At 31 March 2007, the Company held 139,559,950 shares in VRHL (2006: 124,415,952 shares), being 100% of VRHL's issued equity share capital. The Company also held one deferred share in VRHL (2006: one).The increase in the investment in VRHL was primarily made to fund the Vedanta Group's acquisition of Sterlite Gold. At 31 March 2007, the Company held two shares in Vedanta Finance Jersey Limited ('VFJL') being 100% of its issued equity share capital (2006: two).

VRHL is an intermediary holding company incorporated in Great Britain.VRJL is a company set up 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 2006	–
Additions	0.2
At 31 March 2007	**0.2**

As at 31 March 2007, the Company held 201,000 preference shares in VFJL (2006: nil).These shares entitle the holder to a dividend of 4.6% of their face value and were issued in 2007.

FINANCIAL STATEMENTS OF THE PARENT COMPANY CONTINUED

45. Company Debtors

	As at 31 March 2007 $ million	As at 31 March 2006 $ million
Amounts due from subsidiary undertakings	976.1	502.5
Deferred tax asset	0.7	0.7
Other debtors	0.4	6.7
Prepayments and accrued income	0.5	0.4
Corporation tax receivable	0.6	0.6
Other taxes	0.2	0.2
Total	**978.5**	**511.1**
Debtors due within one year	134.8	21.4
Debtors due after one year	843.7	489.7
Total	**978.5**	**511.1**

Amounts Due from Subsidiary Undertakings
At 31 March 2007, the Company had loans due from Twin Star Holdings Limited of $nil (2006: $25.0 million). The loan bore interest at LIBOR plus 50 basis points. Included in the loan balance was accrued interest of $nil (2006: $1.2 million).

At 31 March 2007 the Company had loans due from Twin Star International Limited of $20.9 million (2006: $5.0 million). The loan bears interest at LIBOR plus 100 basis points. Included in the loan balance is accrued interest of $0.89 million (2006: $0.03 million).

At 31 March 2007, the Company had loans due from VRHL of $934.8 million (2006: $463.0 million) which represented the downstreaming of funds to the Indian operating subsidiaries. The loan bears interest at US dollar LIBOR six months plus 350 basis points. In addition to the loans, the Company was owed $5.1 million of accrued interest (2006: $1.7 million).

At 31 March 2007, the Company had $15.3 million of other amounts due from subsidiary undertakings (2006: $7.8 million).

46. Company Current Asset Investments

	As at 31 March 2007 $ million	As at 31 March 2006 $ million
Bank term deposits	243.1	251.0
Short-term unit trusts and liquidity funds	35.3	642.8
Total	**278.4**	**893.8**

47. Company Creditors: Amounts Falling Due Within One Year

	As at 31 March 2007 $ million	As at 31 March 2006 $ million
Amount due to subsidiaries	–	0.4
Trade creditors	0.9	1.8
Accruals and deferred income	8.8	8.1
Total	**9.7**	**10.3**

48. Company Creditors: Amounts Falling Due After One Year

	As at 31 March 2007 $ million	As at 31 March 2006 $ million
Loan from subsidiary	602.3	600.4
Bond	581.2	567.4
Derivative liability	18.6	30.2
Total	**1,202.1**	**1,198.0**

The loan from the subsidiary is related to the receipt of funds received from VFJL's issue of $725 million convertible bonds in the year ended 31 March 2006. In 2007, interest was charged at an effective interest rate of 6.18% (2006: 6.18%).

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.

49. 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	Total $ million
Equity shareholders' funds at 1 April 2006	**28.7**	**18.6**	**4.1**	**123.3**	**725.2**	**899.9**
Retained profit for the year	–	–	–	–	5.5	5.5
Dividends paid	–	–	–	–	(84.0)	(84.0)
Exercise of LTIP awards	0.1	–	(2.4)	–	2.4	0.1
Recognition of share-based payments	–	–	5.6	–	–	5.6
Conversion of convertible bond	–	0.1	–	–	–	0.1
Convertible bond reserve transfer	–	–	–	(3.8)	3.8	–
Equity shareholders' funds at 31 March 2007	**28.8**	**18.7**	**7.3**	**119.5**	**652.9**	**827.2**

50. Company Contingent Liabilities

The Company has guaranteed $724.8 million convertible bonds issued by VFJL (2006: $725.0 million). See note 25 to the Group financial statements for further details on the convertible bonds.

INDEPENDENT AUDITOR'S REPORT ON THE INDIVIDUAL COMPANY FINANCIAL STATEMENTS

TO THE MEMBERS OF VEDANTA RESOURCES PLC

We have audited the parent company financial statements of Vedanta Resources plc for the year ended 31 March 2007 which comprise the Company balance sheet (note 40) and the related notes 41 to 50. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Vedanta Resources plc for the year ended 31 March 2007 and on the information in the directors' remuneration report that is described as having been audited.

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

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

Basis of Audit Opinion

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

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

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2007;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

DELOITTE & TOUCHE LLP
Chartered Accountants and Registered Auditors
London

15 May 2007

Summary Consolidated Income Statement

	As per IFRS			As per UK GAAP	
	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million	Year ended 31 March 2005 $ million	Year ended 31 March 2004 $ million	Year ended 31 March 2003 $ million
Revenue	6,502.2	3,701.8	1,884.2	1,289.5	963.1
EBITDA	2,703.0	1,101.5	454.0	322.7	224.3
Depreciation	(195.4)	(157.7)	(103.7)	(71.8)	(59.2)
Goodwill amortisation/impairment	–	–	–	(0.5)	(0.4)
Exceptional/special items	(1.7)	–	(22.3)	(13.3)	(50.1)
Operating profit	2,505.9	943.8	328.0	237.1	114.6
Share of (loss)/profit in associate	(1.3)	(1.4)	(5.6)	(1.2)	(0.5)
Non-operating exceptional/special items	–	–	56.5	(1.2)	(0.7)
Profit before interest and taxation	2,504.6	942.4	378.9	234.7	113.4
Net finance (costs)/investment revenues	(20.2)	(7.7)	7.4	(1.3)	(35.0)
Profit before taxation	2,484.4	934.7	386.3	233.4	78.4
Taxation	(672.7)	(280.4)	(87.0)	(76.0)	(20.5)
Profit after taxation	1,811.7	654.3	299.3	157.4	57.9
Equity minority interests	(877.5)	(280.8)	(120.4)	(85.1)	(33.4)
Profit attributable to equity shareholders in parent	934.2	373.5	178.9	72.3	24.5
Dividends	(84.3)	(49.4)	(15.8)	(15.8)	–
Retained profit	849.9	324.1	163.1	56.5	24.5
Basic earnings per share (US cents per share)					
Profit for the financial year	325.6	130.2	62.5	25.3	8.6
Underlying profit for the financial year	327.0	130.2	48.9	26.6	11.9
Dividend per share (US cents per share)	29.3	17.25	5 .5	5.5	–

The financial information for the years ended 31 March 2003 has been derived from the Group's Listing Particulars without material change. The information for the year ended 31 March 2004 has been restated for the effect of UITF Abstract 38 'Accounting for ESOP Trusts' as disclosed in note 1 to the accounts for that year. No restatement has been made for 2003 and 2002.

All numbers in the five year summary for the years ended 31 March 2005 and 31 March 2006 are stated under IFRS and numbers for the years ended 31 March 2004 and 31 March 2003 are stated under UK GAAP. The Group adopted IFRS with effect from 1 April 2004.

122 FIVE YEAR SUMMARY CONTINUED

Summary Consolidated Balance Sheet

	As per IFRS			As per UK GAAP	
	Year ended 31 March 2007 $ million	Year ended 31 March 2006 $ million	Year ended 31 March 2005 $ million	Year ended 31 March 2004 $ million	Year ended 31 March 2003 $ million
Goodwill	12.1	12.1	12.2	3.6	3.7
Property, plant and equipment	3,838	2,763.0	2,288.6	1,268.4	889.1
Fixed asset investments/associate	34.6	28.9	28.1	30.2	30.4
Total fixed assets	**3,884.7**	**2,804.0**	**2,328.9**	**1,302.2**	**923.2**
Stocks	879.7	535.0	337.7	199.9	170.1
Debtors	1,122.1	804.4	464.2	245.5	173.5
Cash and current financial asset investments	2,185.2	2,091.7	1,447.6	1,241.2	146.9
Total current assets	**4,187.0**	**3,431.1**	**2,249.5**	**1,686.6**	**490.5**
Short-term borrowings	(249.1)	(239.8)	(218.4)	(295.3)	(220.3)
Other current liabilities	(1,336.8)	(1,104.1)	(727.1)	(586.5)	(277.8)
Total current liabilities	**(1,585.9)**	**(1,343.9)**	**(945.5)**	**(881.8)**	**(498.1)**
Net current assets/(liabilities)	**2,601.1**	**2,087.2**	**1,304.0**	**804.8**	**(7.6)**
Total assets less current liabilities	**6,485.8**	**4,891.2**	**3,632.9**	**2,107.0**	**915.6**
Long-term borrowings	(1,477.7)	(1,836.4)	(1,303.5)	(523.6)	(257.7)
Other long-term liabilities	(106.4)	(109.0)	(41.2)	(6.3)	(3.7)
Provisions	(690.9)	(547.6)	(482.1)	(162.9)	(144.0)
Total long-term liabilities	**(2,275.0)**	**(2,493.0)**	**(1,826.8)**	**(692.8)**	**(405.4)**
Equity minority interests	(1,824.5)	(921.7)	(636.2)	(423.3)	(405.2)
Non-equity minority interest	(59.4)	(59.4)	(59.4)	–	–
Net assets	**2,326.9**	**1,417.1**	**1,110.5**	**990.9**	**105.0**

Turnover	2007 $ million	2006 $ million	2005 $ million	2004 $ million	2003 $ million
Aluminium	993.4	453.0	281.7	223.4	220.7
Copper	3,569.3	2,241.3	1,014.7	592.8	406.7
India/Australia	2,553.4	1,537.9	765.5	592.8	406.7
Zambia	1,0519	703.4	249.2	–	–
Zinc	1,881.1	875.5	486.4	401.1	291.1
Other	51.4	132.0	101.4	72.2	44.6
Group	**6,502.2**	**3,701.8**	**1,884.2**	**1,289.5**	**963.1**

EBITDA	2007 $ million	2006 $ million	2005 $ million	2004 $ million	2003 $ million
Aluminium	415.4	135.3	75.6	53.6	38.3
Copper	833.9	425.3	163.0	94.1	101.0
India/Australia	365.6	219.0	87.0	94.1	101.0
Zambia	468.3	206.3	76.0	–	–
Zinc	1,453.9	532.9	218.5	179.3	87.1
Other	(0.2)	8.0	(3.1)	(4.3)	(2.1)
Group	**2,703.0**	**1,101.5**	**454.0**	**322.7**	**224.3**

Summary Consolidated Balance Sheet continued

EBITDA margin	2007 %	2006 %	2005 %	2004 %	2003 %
Aluminium	42.4	29.9	26.8	24.0	17.4
Copper	23.3	18.7	16.1	15.9	24.8
India/Australia	36.9	14.2	11.4	15.9	24.9
Zambia	18.2	29.3	30.5	–	–
Zinc	78.1	60.9	44.9	44.7	29.9
Group	**41.8**	**29.8**	**24.1**	**25.0**	**23.3**

Production	2007 000s mt	2006 000s mt	2005 000s mt	2004 000s mt	2003 000s mt
Aluminium	351	211	136	129	127
BALCO	313	174	100	97	96
MALCO	38	37	36	32	31
Copper	455	437	240	179	156
Sterlite	313	273	172	179	156
KCM	142	164	68	–	–
Zinc	348	284	212	221	207

* 9 months

Cash costs of production	2007 US cents/lb	2006 US cents/lb	2005 US cents/lb	2004 US cents/lb	2003 US cents/lb
Aluminium – BALCO*	68.5	67.9	61.1	56.2	56.8
Aluminium – MALCO	75.5	75.8	66.5	53.8	48.9
Copper – Sterlite**	6.1	6.1	7.1	7.8	9.1
Copper – KCM	173.6	127.9	106.2	–	–
Zinc (including royalty)	39.1	31.3	31.5	25.9	30.1

* This excludes new smelter COP

** Only smelting cost

Capital expenditure	2007 $ million	2006 $ million	2005 $ million	2004 $ million	2003 $ million
Sustaining	259.9	76.7	69.7	64.5	35.7
Expansion	869.0	609.4	734.6	284.5	9.8
Total capital expenditure	**1,128.9**	**686.1**	**804.3**	**349.0**	**45.5**

Net cash/(debt)	2007 $ million	2006 $ million	2005 $ million	2004 $ million	2003 $ million
Aluminium	(229.6)	(453.6)	(441.7)	(75.8)	(3.2)
Copper	179.4	253.1	127.6	(318.0)	(346.3)
India/Australia	106.4	136.6	84.7	(318.0)	(346.3)
Zambia	73.0	116.5	42.9	–	–
Zinc	1,067.7	257.8	26.6	43.9	32.7
Other	(584.8)	(69.2)	213.2	772.2	(14.3)
Group	**432.7**	**(11.9)**	**(74.3)**	**422.3**	**(331.1)**

FIVE YEAR SUMMARY CONTINUED

Summary Consolidated Balance Sheet continued

	2007 %	2006 %	2005 %	2004 %	2003 %
Gearing	0.0	0.5	4.0	–	39.4

	2007 $ million	2006 $ million	2005 $ million	2004 $ million	2003 $ million
Group free cash flow	1,504.2	634.8	204.4	335.4	145.6

	2007 $ million	2006 $ million	2005 $ million	2004 $ million	2003 $ million
Capital employed	3,718.7	2,350.7	1,821. 0	991.9	841.3

	2007 %	2006 %	2005 %	2004 %	2003 %
ROCE	49.1	28.1	13.9	16.9	14.4

Copper

Copper Production Summary

Facility	Product	Year ended 31 March 2007 mt	Year ended 31 March 2006 mt
Tuticorin	Copper anode	313,117	273,049
	Sulphuric acid	946,539	844,122
	Phosphoric acid	171,780	171,892
	Copper cathode	150,565	98,796
	Copper rods	53,661	30,384
Silvassa	Copper cathode	162,156	174,252
	Copper rods	124,222	136,316
KCM	Copper cathode	142,364	163,779

Copper Mining Summary

Mine	Type of mine	Ore mined		Copper concentrate		Copper in concentrate	
		31 March 2007 mt	31 March 2006 mt	31 March 2007 mt	31 March 2006 mt	31 March 2007 mt	31 March 2006 mt
Mt Lyell (CMT)	Underground	2,486,525	2,605,969	100,966	105,690	28,378	29,770
Highway Reward (TCM)	Underground	–	147,917	–	21,506	–	5,616
Konkola (KCM)	Underground	8,817,637	9,518,315	229,608	277,413	84,356	99,182

Copper Mine Resource and Reserve Summary

Mine	Type of mine	Resources				Reserves	
		Measured and indicated million mt	Copper grade %	Inferred million mt	Copper grade %	Proved and probable reserves million mt	Copper grade %
Mt Lyell (CMT)	Underground	–	–	35.4	1.2	12.4	1.3
Konkola (KCM)	Underground	76.3	2.1	223.6	2.5	156.6	2.9

Aluminium, Alumina and Bauxite

Aluminium Production Summary

Company	Year ended 31 March 2007 mt	Year ended 31 March 2006 mt
BALCO	313,189	173,732
MALCO	37,652	36,718

Alumina Production Summary

Company	Year ended 31 March 2007 mt	Year ended 31 March 2006 mt
BALCO	222,395	219,485
MALCO	76,883	76,787

Bauxite Production Summary

Company	Year ended 31 March 2007 mt	Year ended 31 March 2006 mt
BALCO – Manipat	665,495	565,301
BALCO – Bodai Daldali	331,950	65,821
MALCO	341,704	300,304

126 PRODUCTION AND RESERVES SUMMARY CONTINUED

Aluminium, Alumina and Bauxite continued

Bauxite Mine Resource and Reserve Summary

Mine	Resources				Reserves	
	Measured and indicated million mt	Aluminium grade %	Inferred million mt	Aluminium grade %	Proved and probable reserves million mt	Aluminium grade %
BALCO						
Manipat	–	–	5.0	48.1	4.6	48.2
Bodai-Daldali	–	–	2.0	48.0	6.0	48.0
Pandrapat	–	–	8.0	48.0	–	–
Jamirapat	–	–	15.7	50.5	–	–
Total BALCO	**–**	**–**	**30.7**	**49.3**	**10.6**	**48.1**
MALCO						
Yercaud	–	–	–	–	0.3	42.0
Kolli Hills	1.3	44.0	1.3	44.0	0.5	44.0
Poondi	–	–	1.6	44.0	–	–
Total MALCO	**1.3**	**44.0**	**2.9**	**44.0**	**0.8**	**43.3**
VAL						
Lanjigarh	–	–	–	–	77.7	46.5
Total Bauxite	**1.3**	**44.0**	**33.6**	**48.8**	**89.0**	**46.7**

Zinc and Lead

Zinc and Lead Production Summary

Company	Year ended 31 March 2007 mt	Year ended 31 March 2006 mt
HZL		
Zinc	348,316	283,698
Lead	44,552	23,869

Zinc and Lead Mining Summary

Mine	Type of mine	Ore mined		Zinc concentrate		Lead in concentrate	
		31 March 2007 mt	31 March 2006 mt	31 March 2007 mt	31 March 2006 mt	31 March 2007 mt	31 March 2006 mt
Rampura Agucha	Open cut	3,750,000	3,496,000	851,000	790,050	69,900	65,194
Rajpura Dariba	Underground	513,000	491,624	43,860	45,982	10,040	9,245
Zawar	Underground	812,000	807,500	46,600	52,975	25,200	21,299
Total		**5,075,000**	**4,795,124**	**941,460**	**889,007**	**105,140**	**95,738**

Zinc and Lead Mine Resource and Reserve Summary

Mine	Resources						Reserves		
	Measured and indicated million mt	Zinc grade %	Lead grade %	Inferred million mt	Zinc grade %	Lead grade %	Proved and probable reserves million mt	Zinc grade %	Lead grade %
Rampura Agucha	19.6	14.0	2.1	14.4	12.2	2.0	49.7	12.8	2.0
Rajpura Dariba	7.3	8.3	2.5	9.2	6.8	1.4	6.0	6.4	1.5
Zawar	22.0	4.8	1.9	15.7	3.9	3.1	5.0	4.4	1.8
Kayar	0.8	13.3	2.2	4.5	11.0	1.5	–	–	–
Sindesar Khurd	3.5	6.7	3.1	7.1	4.6	2.2	2.9	5.4	2.2
Bamnia Kalan	1.7	5.3	1.8	3.4	5.0	3.8	–	–	–
Total	**54.9**	**8.8**	**2.1**	**54.3**	**7.3**	**2.3**	**63.6**	**11.2**	**1.9**

Gold

Gold Production Summary

Company	Year ended 31 March 2007 Oz	Year ended 31 March 2006 Oz
Sterlite Gold		
Gold	17,662	–

Gold Mining Summary

Mine	Type of Mine	Ore mined		Grade of mined ore		Equivalent gold	
		31 March 2007 mt	31 March 2006 mt	31 March 2007 %	31 March 2006 %	31 March 2007 Oz	31 March 2006 Oz
Zod	Opencut	158,197	–	4.2	–	16,286	–
Megharadzod	Underground	18,440	–	2.5	–	1,944	–

Gold Mine Resource and Reserve Summary

Mine	Resources				Reserves	
	Measured and indicated million mt	Gold grade %	Inferred million mt	Gold grade %	Proved and probable reserves million mt	Gold grade %
Zod	16.6	4.2	4.1	2.7	3.2	4.2

OTHER INFORMATION

128 GLOSSARY AND DEFINITIONS

5S
A Japanese concept laying emphasis on housekeeping and occupational safety in a sequential series of steps as Sort (Seiri); Set in Order (Seiton); Shine (Selso); Standardise (Seiketsu); and Sustain (Shitsuke)

Adapted Comparator Group
The new comparator group of companies used for the purpose of comparing TSR performance in relation to the LTIP, adopted by the Remuneration Committee on 1 February 2006 and replacing the previous comparator group comprising companies constituting the FTSE Worldwide Mining Index (excluding precious metals)

AGM or Annual General Meeting
The annual general meeting of the Company which is scheduled to be held on Wednesday 2 August 2006 at 3.00pm, UK time, at the Mayfair Conference Centre, 17 Connaught Place, London W2 2EL

AE
Anode effects

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

AIDS
Acquired immune deficiency syndrome

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

Articles of Association
The articles of association of Vedanta Resources plc

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

BALCO
Bharat Aluminium Company Limited, a company incorporated in India

Board or Vedanta Board
The board of directors of the Company

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

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

Capital Employed
Net assets before Net (Debt)/Cash

Capex
Capital expenditure

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

CEO
Chief executive officer

CII
Confederation of Indian Industries

CLZS
Chanderiya lead and zinc smelter

CO_2
Carbon dioxide

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

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

Company or Vedanta
Vedanta Resources plc

Company financial statements
The audited financial statements for the Company for the year ended 31 March 2007 as defined in the Independent Auditors' Report on the individual Company Financial Statements to the members of Vedanta Resources plc

Convertible Bonds
$725 million 4.60% guaranteed convertible bonds due 2026, issued by a wholly-owned subsidiary of the Company, Vedanta Finance (Jersey) Limited ('VFJL'), and guaranteed by the Company, the proceeds of which are to be applied towards re-financing subsidiary indebtedness, the Company's capital expenditure programme including the Jharasaguda aluminium smelter project and other general corporate purposes

Copper Business
The copper business of the Group, comprising:
- a copper smelter, two refineries and two copper rod plants in India, trading through Sterlite Industries (India) Limited, a company incorporated in India;
- one copper mine in Australia, trading through Copper Mines of Tasmania Pty Limited, a company incorporated in Australia; and
- an integrated operation in Zambia consisting of three mines, a leaching plant and a smelter, trading through Konkola Copper Mines PLC, a company incorporated in Zambia

CREP
Corporate responsibility for environmental protection

cents/lb
US cents per pound

CRRI
Central Road Research Institute

CSR
Corporate social responsibility

CTC
Cost to company, the basic remuneration of executives in India, which represents an aggregate figure encompassing basic pay, pension contributions and allowances

CY
Calendar year

Deferred Shares
Deferred shares of £1.00 each in the Company

DGMS
Director General of Mine Safety in the Government of India

Directors
The Directors of the Company

Dollar or $
United States dollars, the currency of the United States of America

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

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

EBITDA Margin
EBITDA as a percentage of turnover

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

E&OHSAS
Environment and occupational health and safety assessment standards

E&OHSMS
Environment and occupational health and safety management system

EPS
Earnings per ordinary share

ESOP
Employee share option plan

ESP
Electrostatic precipitator

Executive Committee
The Executive Committee to whom the Board delegates operational management and comprising the Executive Directors and the senior management within the Group

Executive Directors
The executive directors of the Company

Expansion Capital Expenditure
Capital expenditure that increases the Group's operating capacity

Financial Statements or Group financial statements
The consolidated financial statements for the Company and the Group for the year ended 31 March 2007 as defined in the Independent Auditors' Report to the members of Vedanta Resources plc

Free Cash Flow
Cash flow arising from EBITDA after net interest, taxation, Sustaining Capital Expenditure and working capital movements

FY
Financial year

GAAP, including UK GAAP and Indian GAAP
Generally Accepted Accounting Principles, the common set of accounting principles, standards and procedures that companies use to compile their financial statements in their respective local territories

GDP
Gross domestic product

Gearing
Net Debt as a percentage of Capital Employed

GJ
Giga joules

Government or Indian Government
The Government of the Republic of India

Gratuity
A defined contribution pension arrangement providing pension benefits consistent with Indian market practices

Group
The Company and its subsidiary undertakings and, where appropriate, its associate undertaking

HSE
Health, safety and environment

HZL
Hindustan Zinc Limited, a company incorporated in India

IAS
International Accounting Standards

ICMM
International Council on Mining and Metals

IFL
India Foils Limited, a company incorporated in India

IFRIC
International Financial Reporting Interpretations Committee

IFRS
International Financial Reporting Standards

INR
Indian Rupees

Interest Cover
EBITDA divided by finance costs

GLOSSARY AND DEFINITIONS CONTINUED

ISO 9001
An international quality management system standard published by the International Organisation for Standardisation

ISO 14001
An international environmental management system standard published by the International Organisation for Standardisation

KCM or Konkola Copper Mines
Konkola Copper Mines PLC, a company incorporated in Zambia

KDMP
Konkola deep mining project

Key Result Areas or KRAs
For the purpose of the remuneration report, specific personal targets set as an incentive to achieve short-term goals for the purpose of awarding bonuses, thereby linking individual performance to corporate performance

KLD
Kilo litres per day

KPIs
Key performance indicators

Kwh
Kilo-watt hour

Kwh/d
Kilo-watt hour per day

LIBOR
London inter bank offered rate

Listing or IPO (Initial Public Offering)
The listing of the Company's ordinary shares on the London Stock Exchange on 10 December 2003

Listing Particulars
The listing particulars dated 5 December 2003 issued by the Company in connection with its Listing

Listing Rules
The listing rules of the Financial Services Authority, with which companies with securities that are listed in the UK must comply

LME
London Metals Exchange

London Stock Exchange
London Stock Exchange plc

Lost time injury
An accident/injury forcing the employee/contractor to remain away from his/her work beyond the day of the accident

LTIFR
Lost time injury frequency rate: the number of lost time injuries per million man hours worked

LTIP
The Vedanta Resources Long-Term Incentive Plan or Long-Term Incentive Plan

MALCO
The Madras Aluminium Company Limited, a company incorporated in India

Management Assurance Services
The function through which the Group's internal audit activities are managed

MAT
Minimum alternative tax

MIS
Management information system

MOEF
The Ministry of Environment & Forests of the Government of the Republic of India

mt or tonnes
Metric tonnes

MW
Megawatts of electrical power

NCCBM
National Council of Cement and Building Materials

Net (Debt)/Cash
Total debt after fair value adjustments under IAS 32 and 39, cash and cash equivalents and liquid investments

NGO
Non-governmental organisation

NIHL
Noise induced hearing loss

Non-executive Directors
The non-executive directors of the Company

OHSAS 18001
Occupational Health and Safety Assessment Series (standards for occupational health and safety management systems)

Ordinary Shares
Ordinary shares of 10 US cents each in the Company

PBT
Profit before tax

PFC
Per fluorocarbons

PHC
Primary health centre

PPE
Personal protective equipment

Provident Fund
A defined contribution pension arrangement providing pension benefits consistent with Indian market practices

Recycled water
Water released during mining or processing and then used in operational activities

Relationship Agreement
The agreement dated 5 December 2003 between the Company, Volcan Investments Limited and members of the Agarwal family that regulates the ongoing relationship between them, the principal purpose of which is to ensure that the Group is capable of carrying on business independently of Volcan, the Agarwal family and their associates

Return on Capital Employed or ROCE
Profit before interest, taxation, special items, tax effected at the Group's effective tax rate as a percentage of Capital Employed

The Reward Plan
The Vedanta Resources Share Reward Plan, a closed plan approved by shareholders on Listing in December 2003 and adopted for the purpose of rewarding employees who contributed to the Company's development and growth over the period leading up to Listing in December 2003

RO
Reverse osmosis

SA 8000
Standard for Social Accountability based on international workplace norms in the International Labour Organisation ('ILO') conventions and the UN's Universal Declaration of Human Rights and the Convention on Rights of the Child

Senior Management Group
For the purpose of the remuneration report, the key operational and functional heads within the Group

Sesa Goa
Sesa Goa Limited, a company incorporated in India engaged in the business of mining iron ore

SEWT
Sterlite Employee Welfare Trust, a long-term investment plan for Sterlite senior management

The Share Option Plan
The Vedanta Resources Share Option Plan, a closed plan approved by shareholders on Listing in December 2003 and adopted to provide maximum flexibility in the design of incentive arrangements over the long term

SHGs
Self help groups

SID
Senior Independent Director

SO_2
Sulphur dioxide

SBU
Strategic Business Unit

SOTL
Sterlite Optical Technologies Limited, a company incorporated in India

SOVL
Sterlite Opportunities and Ventures Limited, a company incorporated in India

Special items
Items which derive from events and transactions that need to be disclosed separately by virtue of their size or nature

SPM
Suspended particulate matter. Fine dust particles suspended in air

Sterling, GBP or £
The currency of the United Kingdom

Sterlite
Sterlite Industries (India) Limited, a company incorporated in India

Sterlite Energy Limited (SEL)
Sterlite Energy Limited, a company incorporated in India

Sterlite Gold
Sterlite Gold Limited, a company incorporated in Canada which has its main subsidiary in Armenia

Superannuation Fund
A defined contribution pension arrangement providing pension benefits consistent with Indian market practices

Sustaining Capital Expenditure
Capital expenditure to maintain the Group's operating capacity

TCM
Thalanga Copper Mines Pty Limited, a company incorporated in Australia

TC/RC
Treatment charge/refining charge being the terms used to set the smelting and refining costs

TGS
Tail gas scrubber

TGT
Tail gas treatment

tpa
Metric tonnes per annum

TPM
Tonne per month

TSR
Total shareholder return, being the movement in the Company's share price plus reinvested dividends

Turnbull Guidance
The revised guidance on internal control for directors on the Combined Code issued by the Turnbull Review Group in October 2005

Twin Star
Twin Star Holdings Limited, a company incorporated in Mauritius

Twin Star Holdings Group
Twin Star and its subsidiaries and associated undertaking

UITF
Urgent Issues Task Force

GLOSSARY AND DEFINITIONS CONTINUED

Underlying EPS
Underlying earnings per ordinary share

Underlying Profit
Profit for the year after adding back special items and their resultant tax and minority interest effects

US cents
United States cents

VAL
Vedanta Alumina Limited, a company incorporated in India

VFD
Variable frequency drive

VFJL
Vedanta Finance (Jersey) Limited, a company incorporated in Jersey

VFL
Visible felt leadership

Volcan
Volcan Investments Limited, a company incorporated in the Bahamas

VRCL
Vedanta Resources Cyprus Limited, a company incorporated in Cyprus

VRFL
Vedanta Resources Finance Limited, a company incorporated in the United Kingdom

VRHL
Vedanta Resources Holdings Limited, a company incorporated in the United Kingdom

VSS
Vertical Stud Söderberg

Water Used for Primary Activities
Total new or make-up water entering the operation and used for the operation's primary activities; primary activities are those in which the operation engages to produce its product

WBCSD
World Business Council for Sustainable Development

ZCI
Zambia Copper Investment Limited, a company incorporated in Bermuda

ZCCM
ZCCM Investments Holdings plc, a company incorporated in Zambia

Zinc Business
The zinc-lead business of the Group, comprising its fully-integrated zinc-lead mining and smelting operations in India, and trading through the Hindustan Zinc Limited, a company incorporated in India

Shareholder interests as at 31 March 2007

Number of shareholders:	2,024 (2006: 1,272)
Number of shares in issue:	287,515,622 (2006: 286,781,195)

By size of holding

	Shareholders %		Shares %	
	2007	2006	2007	2006
500 and under	**41.80**	29.72	**0.07**	0.04
501 to 1,000	**14.03**	14.39	**0.08**	0.05
1,001 to 10,000	**24.06**	24.06	**0.65**	0.42
10,001 to 100,000	**12.25**	19.88	**3.09**	3.27
100,001 to 1,000,000	**6.27**	9.12	**13.55**	13.80
Over 1,000,000	**1.58**	2.83	**82.56**	82.42
	100.00	100.00	**100.00**	100.00

By Category of Shareholder

- 53.62% of shares, representing 0.05% of shareholders, are held by Volcan Investments Limited on behalf of the Agarwal family.
- 45.83% of shares, representing 70.21% of shareholders, are held by various institutional investors.
- 0.55% of shares, representing 29.74% of shareholders, are held by individual private investors.

Annual General Meeting

The AGM will be held on 1 August 2007 at 3.00pm at the Notice of Meeting and the Form of Proxy are enclosed with this Report.

Company Website

Vedanta Resources plc interim and annual reports and results announcements are available via the internet on our website at www.vedantaresources.com. Shareholders can also access the latest information about the Company and press announcements as they are released, together with details of future events and who to contact for further information.

Registrars

For information about the AGM, shareholdings, dividends and to report changes in personal details, shareholders should contact:

Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH
United Kingdom

Telephone: +44 (0)870 702 0003
Fax: +44 (0)870 703 6116
Email: web.queries@computershare.co.uk

Currency Option and Dividend Mandate

Shareholders wishing to receive their dividend in UK pounds sterling should complete and return to the registrar the enclosed Currency Election Form by 2 August 2007.

The registrar can also arrange for the dividend to be paid directly into a shareholder's UK bank account. To take advantage of this facility, you should complete and return to the registrar the enclosed Dividend Mandate Form by 2 August 2007. This arrangement is only available in respect of dividends paid in UK pounds sterling. Consequently, you may only take advantage of this arrangement if you have also completed a Currency Election Form and returned it to the registrar by 2 August 2007.

If you have already completed and returned a Currency Election Form and/or a Dividend Mandate Form, you need take no further action.

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Investor Relations

For investor enquiries, please contact:

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+91 22 6646 1531 (Mumbai)
Email: sumanth.cidambi@vedanta.co.in

Financial Calendar

Dividend Payments

Ex dividend date	11 July 2007
Record date	13 July 2007
2007 final ordinary dividend payable	16 August 2007
2008 interim ordinary dividend payable	January 2008

Other Dates

Annual General Meeting	1 August 2007
2008 interim results announced	7 November 2007
2008 interim report circulated	December 2007

Registered Office

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Company Secretary

Deepak Kumar

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