Vedanta Resources plc
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Vedanta Resources plc Annual report 2009

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Well positioned through the cycle

Vedanta Resources plc
Annual report 2009

Our values

Entrepreneurship

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

Growth

We continue to deliver growth and generate significant value for our shareholders. Moreover, our organic growth pipeline is strong as we seek to continue to deliver significant growth for shareholders in the future. We have pursued growth across all our businesses and into new areas, always on the basis that value must be delivered.

Excellence

Achieving excellence in all that we do is our way of life. We strive to consistently deliver projects ahead of time at industry-leading costs of construction and within budget. We are constantly focused on achieving a top decile cost of production in each of our businesses. To achieve this, we follow a culture of best practice benchmarking.

Trust

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

Sustainability

We practice sustainability within the framework of well defined governance structures and policies and with the demonstrated commitment of our management and employees. We aim not only to minimise damage to the environment from our projects but to make a net positive impact on the environment wherever we work.

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Our vision

To create a world class, diversified resources company with high quality assets, low cost production, providing superior returns to our shareholders.

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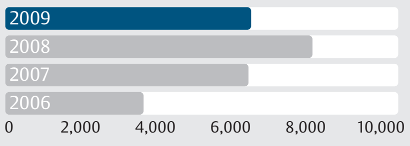
Printed in India by **Repro India Limited**

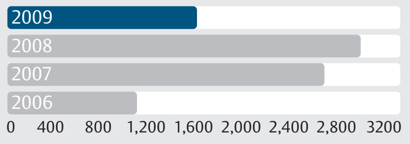
Highlights

Financial and non-financial highlights

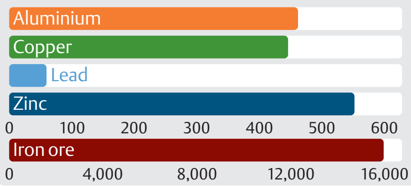
Revenues $ million



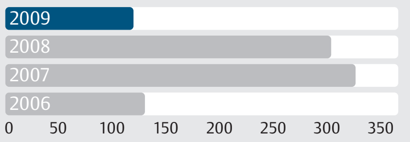
EBITDA ($ million)



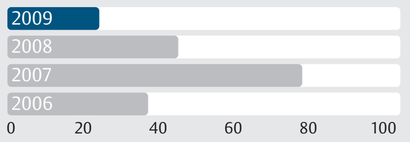
Production Ktpa



Underlying EPS (US cents)

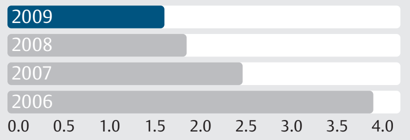


ROCE (%)*



* Excludes capital work in progress

Safety LTIFR



Delivering profitable growth

Financial highlights

→ EBITDA of US$1.6 billion incorporating rigorous cost reduction measures in the second half of the year

→ Strong balance sheet with cash and liquid investments of US$4.9 billion and modest net debt of US$0.2 billion

→ Investment of US$397.1 million in share buyback and increase in subsidiary stakes

→ Final dividend proposed at 25 US cents per share bringing full year dividend to 41.5 US cents per share

Operational highlights

→ Record production of aluminium, iron ore and zinc

→ All organic growth projects progressing on or ahead of schedule

→ US$5.3 billion reduction in capital expenditure due to savings and deferrals

→ Shut down of high cost smelters and sale of surplus power

→ Exploration success in iron ore and zinc business

→ Consolidated minorities in MALCO, Sterlite, Sesa Goa and KCM

Delivering against our strategy

→ Delivering 2.5mtpa (Al) Imtpa (Cu, Zn), 25mtpa (Fe), and 6,500Mw (power)

→ US$7.6bn capex to spend, secured US$3.7bn funding

→ Promising exploration potential at KCM

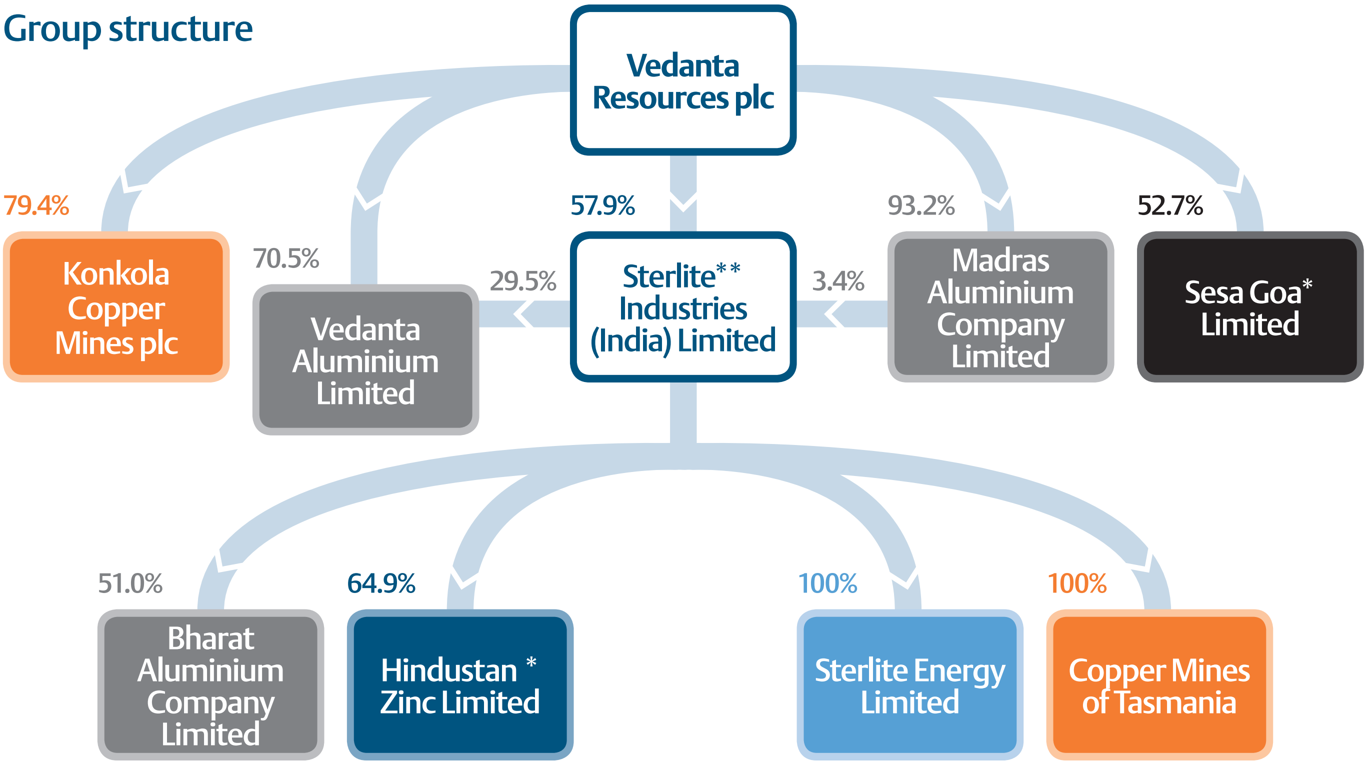
→ Proposed acquisition of Asarco assets

Vedanta at a Glance

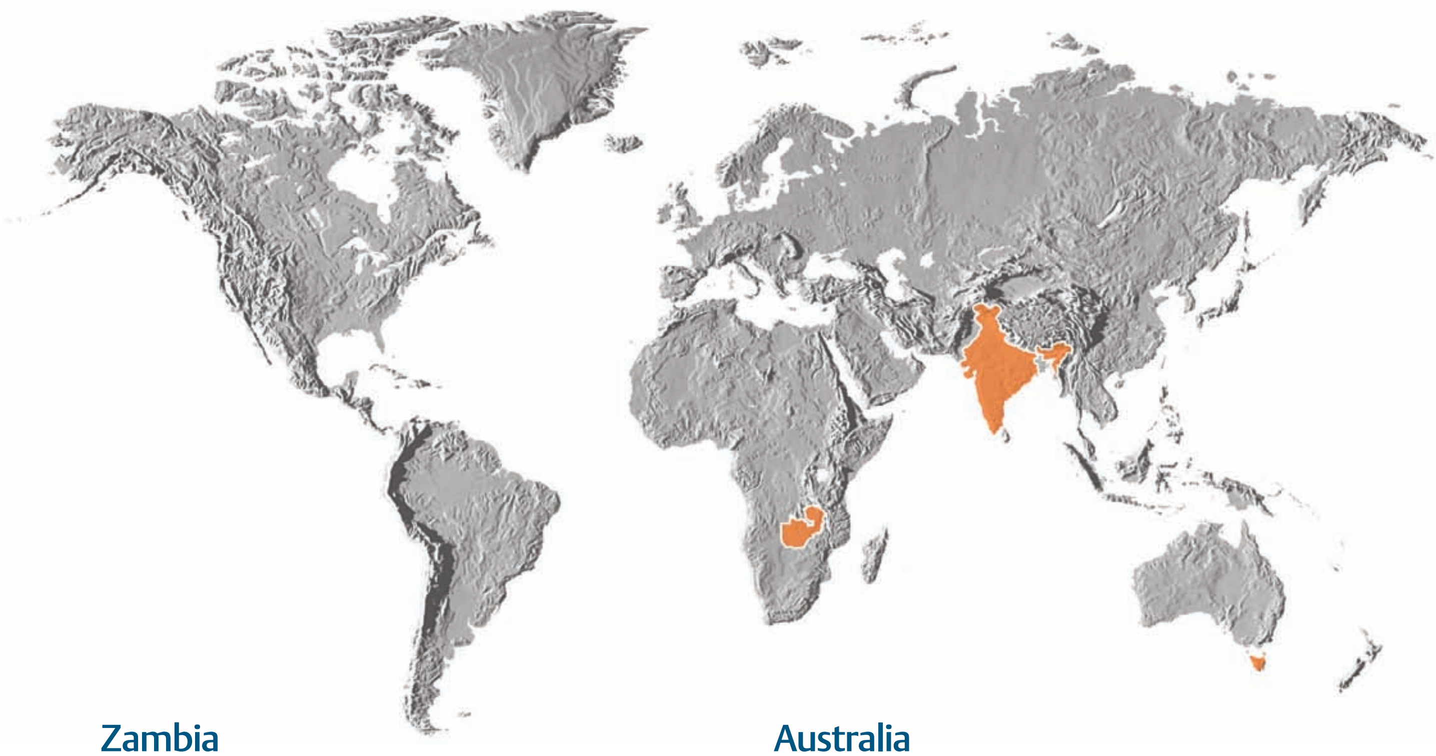
Vedanta Resources plc ("Vedanta") is a London listed FTSE 100 diversified metals and mining major. The group produces aluminium, copper, zinc, lead, iron ore and commercial energy.

Vedanta has operations in India, Zambia and Australia and a strong organic growth pipeline of projects. With an empowered talent pool of nearly 30,000 employees globally, Vedanta places strong emphasis on partnering with all its stakeholders based on the core values of entrepreneurship, excellence, trust, inclusiveness and growth.

Group structure

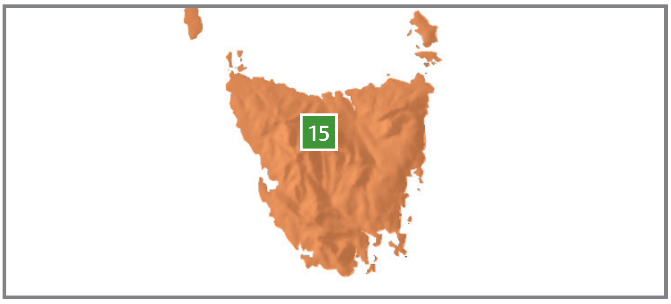


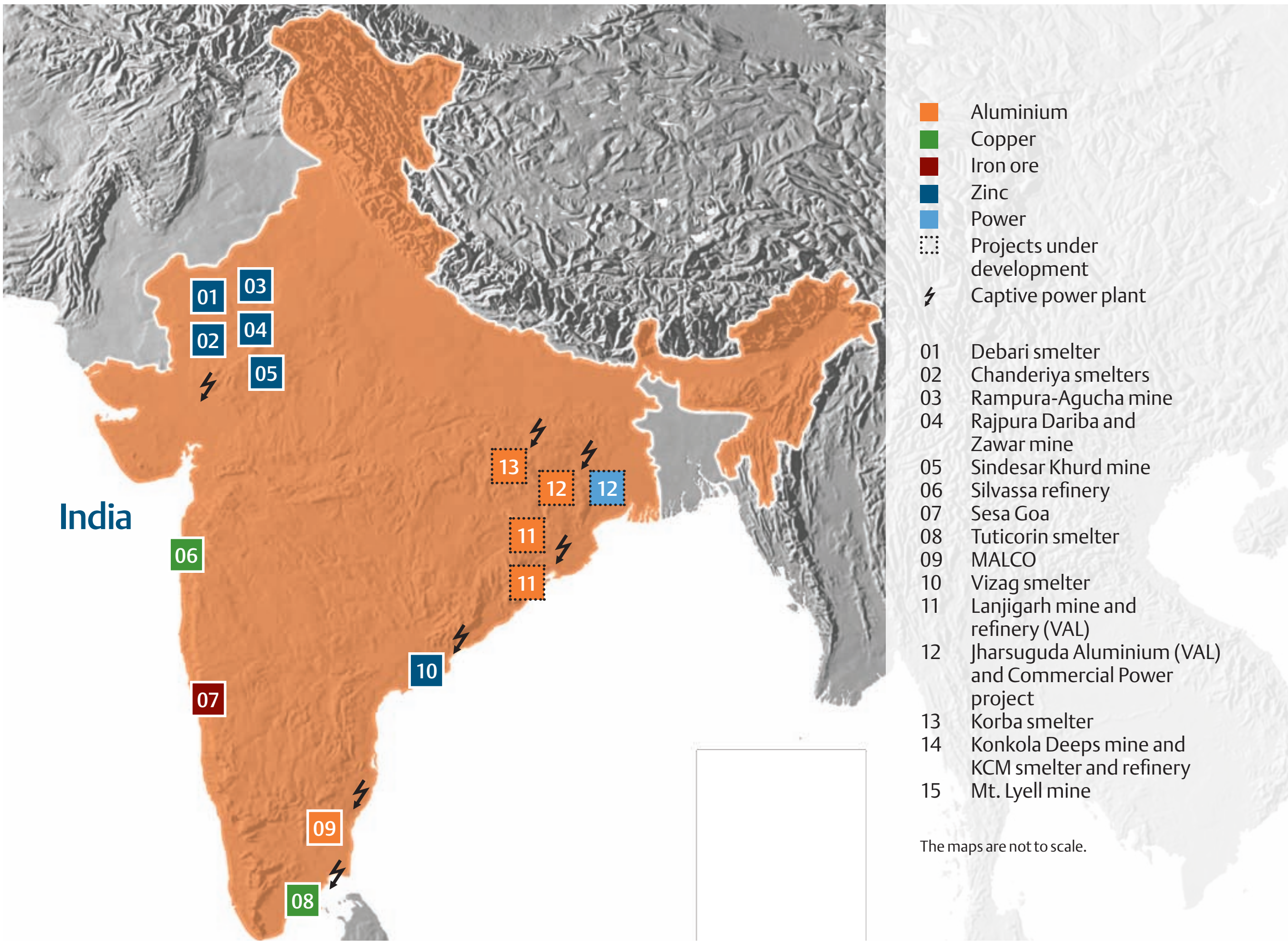
Note: Percentage shareholding as of 31 March 2009.
* Listed on the Bombay Stock Exchange, National Stock Exchange of India.
** Listed on the Bombay Stock Exchange, National Stock Exchange of India and New York Stock Exchange.



Zambia

Australia





Chairman's Statement

These are robust results in a challenging economic environment, which reflect the inherent strengths of Vedanta's business model

I have great pleasure in reporting another strong year for Vedanta Resources plc and our sixth as a London listed company. We reported strong revenues of US$6.6 billion and EBITDA of US$1.6 billion, despite sharply deteriorating commodity prices and economic environment. I am delighted to report that we are exceptionally well positioned in these uncertain times due to our strong balance sheet, low cost operations, strong organic growth pipeline and track record of delivering capital projects at benchmark low costs and timelines. This provides the foundation for delivering profitable growth and creating long-term shareholder value.

Delivering operational efficiencies
In line with the first pillar of our strategy to optimise the performance of our existing assets, we remained focused on achieving productivity enhancements and operating efficiencies to ensure we retain our competitive advantage as one of the lowest cost producers of our commodities. In 2009, we also continued to aggressively implement the turnaround plan at our KCM operations which has begun to yield promising results, reflected in the sharp fall in costs over the last quarter.

Organic growth opportunities
We continue to make excellent progress against our second strategic pillar of delivering industry leading organic growth. The Group's attractive project pipeline is value accretive even at lower commodity prices and we are on track to produce 1 million tonnes each of copper and zinc-lead, 2.5 million tonnes of aluminium, 25 million tonnes of iron ore and 6,500 MW of captive and commercial power.

The first stream of the Lanjigarh alumina refinery is now fully operational. We also successfully commissioned the Nchanga smelter and the zinc concentrator at Rampura Agucha during the year. I am also pleased to report that the Indian Supreme Court cleared the bauxite mining project at Niyamgiri. We expect to commence mining our own bauxite from Niyamgiri in the current year.

Expansion of our reserve and resource base through exploration is an extension of our sustainable growth strategy and I am happy to report that we successfully added significant reserves at our Zinc and Iron Ore businesses.

Well positioned through the cycle
The inherent strength of our sustainable low cost operations ensures we are well positioned in a period of difficult economic conditions and commodity prices. We have responded decisively and promptly to current market conditions, temporarily shutting down our MALCO smelter and a part of the BALCO I smelter. We have sold surplus power at attractive rates and optimised returns. We also reviewed our capital expenditure programme and reduced the total spend for our growth projects

Our strategy

1. Optimising the performance of our existing assets

2. Pursuing organic growth opportunities by US$5.3 billion on account of savings and deferrals. Finally, working capital initiatives have enhanced free cash flow in the period. These initiatives, together with our growth programme, ensure we are also well positioned to deliver superior shareholder returns when commodity prices recover.

Strong balance sheet and liquidity position

Excellent cash conversion in 2009 has ensured that we exited the year with a strong balance sheet despite the significant capital investment of US$3 billion in the period. Net debt at the end of the year was US$200 million. Furthermore, we have made substantial progress in strengthening Vedanta's liquidity. In addition to gross cash and liquid investments of US$4.9 billion on the balance sheet at the year end, we have secured US$3.7 billion of long-term project finance, including US$2 billion which is subject to final documentation. Over the past five years, we have consistently generated strong free cash flow. We remain confident that even at distressed commodity prices we are well positioned to fund the remaining expenditure required to complete our expansion projects from existing liquid resources and internal cash generation.

Consolidation of minorities

Consistent with the third pillar of our strategy to consolidate minorities and rationalise the group structure, the Group increased its holding in MALCO, Sesa Goa and Sterlite. In April 2008, we also successfully acquired ZCI's 28.4% stake in KCM, taking our total shareholding to 79.4%. In respect of the acquisition of the Indian Government's residual stakes in BALCO and HZL, we continue to make progress and anticipate an early resolution.

Dividend and share buy-back

During the year the Board declared a dividend of US cents 41.5 per share, in line with last year. We also invested US$80.3 million to buyback 3.3% of our own equity shares in FY 2009.

Asarco acquisition

Pursuant to the fourth pillar of our strategy to leverage our existing skills and look for additional investment opportunities, we entered into an agreement in March 2009 with Asarco LLC, the third largest copper producer in the United States of America, to purchase substantially all of its operating assets for a renegotiated purchase consideration of US$1.7 billion. Following approval, this transaction will create long-term value for our shareholders.

Changes to the Board

In September 2008, MS Mehta was appointed as Vedanta's new Chief Executive to lead Vedanta through the next stage of its development. MS Mehta has been with the Company for over nine years and brings immense knowledge and experience of the markets in which we operate. He has already streamlined our management structure into focused commodity businesses and allowed operations to have greater autonomy and accountability. I would like to take this opportunity to express my gratitude to Kuldip Kaura, our previous Chief Executive, for his exceptional contribution to the Company. During this period, we became a major diversified mining company. During the year, one of our independent directors, Dr SK Tamotia, tendered his resignation, which was accepted by the Board.

Sustainable development

Sustainable development is a key element of how we conduct our activities, and we believe that businesses play an important role in tackling and driving sustainability and climate change challenges. Our focus in this area reflects our determination to pursue value-creating projects for our shareholders that also effectively address our environmental, social, health and safety opportunities and risks. We are undertaking a process to ensure that our key stakeholders understand our approach and performance in this important area. We intend over the coming months to develop this process, and to continue our efforts to actively engage with our stakeholders, concerning this integral aspect of our business philosophy.

People

In a business like ours, people are at the centre of our operations and are key to achieving our objectives. Our performance and results speak of the outstanding people we have across our organisation. It is because of them that we have come a long way in a short time. On behalf of the Board I am thankful to all of them for their continuing support and efforts. We remain committed to provide a safe and supportive work environment for all. Being a truly global organisation the Group can offer exciting growth opportunities for all our employees.

Outlook

The current economic environment has resulted in depressed commodity prices and an uncertain demand outlook for our industry. We have responded decisively to current market conditions and remain very well placed to prosper through the commodity cycle. We have a strong balance sheet and liquidity. In the short term, we remain focused on reducing our cost of production, delivering our organic growth programme on time and at benchmark low capital costs and generating strong free cash flow.

Anil Agarwal
Chairman

6 May 2009

3. Consolidate minorities and rationalise Group structure

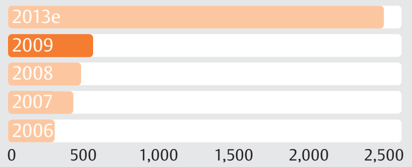
4. Leverage our established skills and seek additional investment opportunities

Our Performance

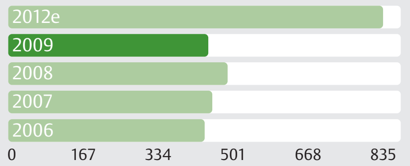
Key performance indicators

Operational

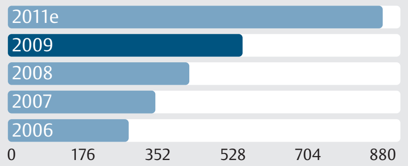
Aluminium ktpa
Production and proposed capacity



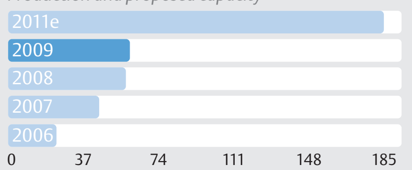
Copper ktpa
Production and proposed capacity



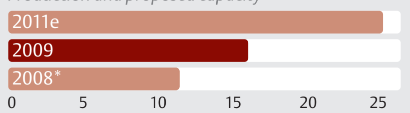
Zinc ktpa
Production and proposed capacity



Lead ktpa
Production and proposed capacity

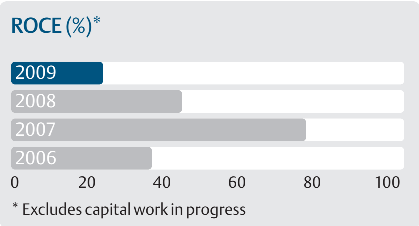


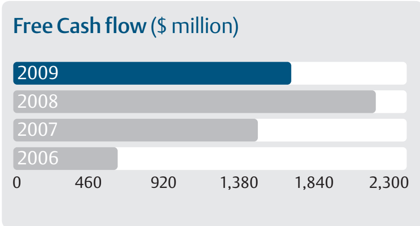
Iron ore mtpa
Production and proposed capacity

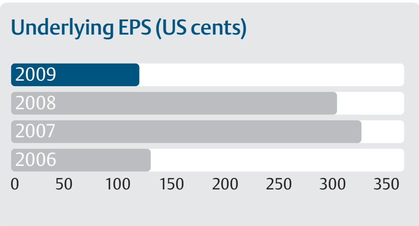


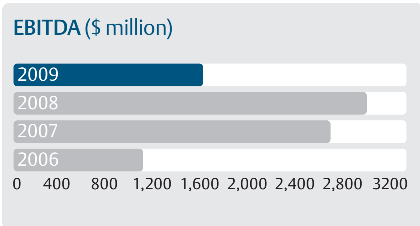
* Information for post acquisition period of 11 months through 31 March 2008

Financial

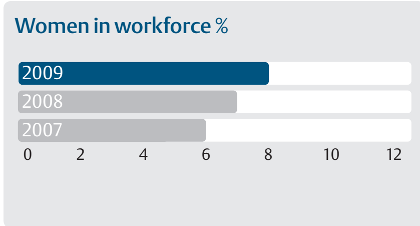


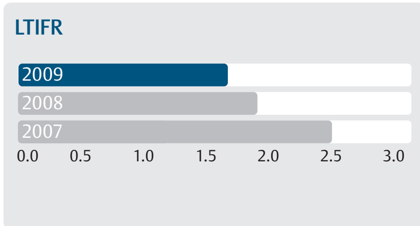






Non-financial





Key performance Indicator	Description
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.
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.
Underlying EPS	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.
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.
Diversity	Total number of women in the total permanent employee workforce.
LTIFR	Lost time injuries per million manhours worked.

Introduction to Business Review
Providing industry leading growth

→ p12 For more on Aluminium
→ p20 For more on Iron Ore
→ p14 For more on Copper
→ p22 For more on Other Business
→ p18 For more on Zinc-Lead

→ Record Production in Aluminium, Iron Ore, Zinc Businesses.
→ Successful project commissioning. Achieved significant cost savings.
→ Further improving low cost position.

Summary

Operating performance was strong, driven by record production in our Aluminium, Zinc and Iron Ore businesses and cost reduction measures. This helped us to mitigate the impact of a sharp fall in commodity prices in the second half ('H2 FY 2009') of the year ended 31 March 2009 ('FY 2009'). We also took proactive steps to temporarily shut down high cost operations at our MALCO aluminium smelter, Nkana copper smelter at KCM and partially shut down the BALCO Plant I aluminium smelter. Surplus power has been sold in a power deficient state in order to maximise returns.

Despite a tough business environment and a drop in commodities prices of our products, we continue to remain confident about the future based on our low-cost position and track record of low capital cost project development.

This allows us to continue to deliver profits and growth even at depressed commodity prices. We have made excellent progress during the year with our expansion programme. We commissioned a zinc concentrator at the Rampura Agucha mine, de-bottlenecked operations at our Chanderiya and Debari zinc smelters, achieved full capacity at the first line of the 1.4 million tonne per annum ('mtpa') Lanjigarh alumina refinery and progressively commissioned the first 250,000 tonne per annum ('tpa') phase of the new 500,000 tpa aluminium smelter at Jharsuguda. These were achieved in line with our expected capex plan at just over US$3 billion in FY 2009. With very modest net debt, strong cash flow and significant non-recourse project finance secured, our project expansion programme is well funded. We expect to commission most of our projects within budget and at, or ahead of schedule.

Our ongoing and rigorous cost reduction measures, coupled with our fast response to the commodity cycle correction, has brought positive results in reducing operating costs in the third ('Q3 FY 2009') and fourth ('Q4 FY 2009') quarters of FY 2009, the benefits of which we expect will continue to be seen next year. Higher volumes and various improvements to enhance operational efficiencies have also reduced unit operating costs. For instance, at our Copper – Zambia operations we have achieved a sharp reduction in production costs from 292.8 US cents per lb in the first half ('H1 FY 2009') of FY 2009 to approximately 140 US cents per lb in the month of March 2009. Our approach to costs has always been to optimise productivity, increase efficiencies and achieve better recoveries, without sacrificing the longer-term growth potential of our operations. Our strong operational management teams are incentivised to implement the innovative initiatives to enhance efficiency and achieve savings.

Despite increased contribution from higher volumes and stable costs of production, EBITDA was US$1,612.2 million in FY 2009, including non-cash inventory write-downs of US$79 million.

Excluding inventory write-down, EBITDA was US$1,691.2 million which was 43.8% lower compared with FY 2008, primarily due to the sharp fall in the commodity prices of aluminium by 15%, copper by 22%, zinc by 48%, lead by 42% and lower TC-RC realisations.

The key reasons for the movement in EBITDA between FY 2009 and FY 2008 are set out below.

– Lower average LME prices of all metals reduced EBITDA by US$1,422 million.
– Higher sales volumes resulted in higher EBITDA of US$244 million.
– Sharp fall in LME prices resulted in inventory write-downs of US$79 million.
– Industry-wise escalations in input costs in H1 FY 2009 were partly offset by positive cost efficiency initiatives across most of our operations in H2 FY 2009. Total operating costs negatively impacted EBITDA by US$276 million, during the year.
– During the year, the Indian rupee depreciated against the US dollar by 14.1%, increasing EBITDA by US$58 million, net of translation losses.
– A 25% decrease in TC-RC realisations during FY 2009 resulted in lower operating margins for the business, reducing EBITDA by US$27 million.
– Surplus power sales in FY 2009, primarily at MALCO and BALCO contributed US$24 million to EBITDA.
– Our allied businesses ie phosphoric acid, met coke, pig iron, etc, benefited from record prices in H1 FY 2009 and contributed positively to EBITDA by US$88 million.

EBITDA recorded by the individual businesses is set out below.

(in US$ million, except otherwise stated)	FY 2009	FY 2008	% change
Aluminium	196.1	380.7	(48.5)
Copper	222.9	667.3	(66.6)
Zinc	605.4	1,380.1	(56.1)
Iron ore	557.1	585.6	–
Others	30.7	(3.3)	–
Total	1,612.2	3,010.4	(46.5)

In addition to the initiatives to increase volumes and reduce costs, the Group also has made progress in consolidating minorities, selectively acquiring assets and increasing the resource base through exploration.

Following the sharp fall in the price of copper, we arrived at a revised agreement with Asarco for acquiring substantially all of its operating assets for a reduced consideration of US$1.7 billion down from US$2.6 billion comprising of US$1.1 billion in cash and US$0.6 billion of deferred payments over nine years. The agreement is subject to the approval of the US Bankruptcy Court for the Southern District of Texas, Corpus Christi Division and is also likely to require the approval of the Company's shareholders.

Continued focus on exploration has yielded significant success during the year, with gross addition of 46.3 million tonnes to reserves and resources in the Zinc business and a gross addition of 57.8 million tonnes in the Iron Ore business, adding approximately four years of mine life in each of these businesses.

Market Overview

A majority of the metal production from our Indian operations is sold in the Indian market – about 60% presently and the rest is exported to growing countries in proximity to our operations, such as Far East, South East Asia, Middle East, China, Africa and Europe. We produce globally required commodities and our focus on target markets is largely driven by optimisation of freight cost, market size and growth potential. Iron ore exported out of India caters to several steel plants spread across China, Japan, Korea and South East Asia. The locations of our plants provide us with easy access and the advantage of low freight cost to the fastest growing markets including India, the home market for our Indian operations.

India

India's GDP in FY2009 was 7.5% and is expected to be between 6% –7% in FY 2010 and 2011. The acceleration of growth in recent years was driven by favourable domestic structural factors coupled with strong foreign capital inflows and global cyclical uplift. The structural foundation of India's economic growth remains intact. The sharp acceleration in infrastructure spending has been a key driver of elevated GDP growth in recent years.

While India has become more integrated with the rest of the world, its export-to-GDP ratio remains lower than those of other Asian countries. India's total exports account for around 20% –22% of GDP compared with anywhere between 40% –60% for other Asian economies including China, Korea and Taiwan. India is therefore less exposed to the slump in external demand. The 11th Five Year plan of the Government of India provides for a total infrastructure spend of nearly US$500 billion in several areas including power, roads, railways and telecom. India's per capita metal consumption is comparatively much lower than developed countries and coupled with a huge infrastructure spend plan indicate a strong growth potential.

We believe these positive factors will enable us to continue to sell a majority of our metal production in India.

Aluminium

Following six years of strong growth in aluminium, led by the emergence of China, growth in demand in 2008 is estimated to have barely been positive. Global aluminium consumption was 38.2Mt in CY2008, expected to decrease 3.4% to 36.9Mt in CY2009. The effect of the global financial crisis which began in late 2007 and the impact of the fall in the US housing market have been sharp. Chinese aluminium consumption in CY2009 is forecast to grow only 2.5%, because of falling exports and lower domestic growth.

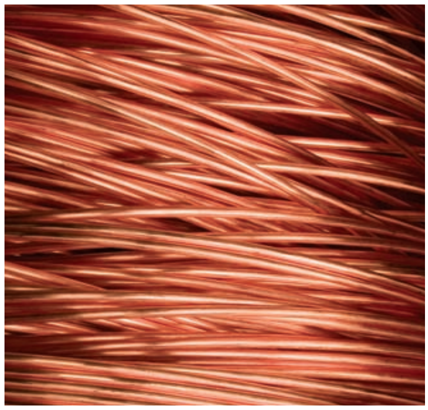
Brookhunt predicts that although demand is expected to be muted in CY2009/2010, demand is expected to grow by 6% in 2011 and by 6.5% in 2012. The production curtailments, large stock drawdown and strengthening demand growth in 2011 and 2012 are also expected to precipitate a positive price response going forward.

A factor that will support prices is the fact that the industry cannot operate for an extended period with ~40% of the industry currently cash negative on an ingot basis. Prices in CY2009 are expected to rise gradually as production curtailments bring supply more in line with demand.

Copper

Global copper consumption was 18.0Mt in CY2008, expected to decrease 4.4% to 17.2Mt in CY2009. The increase in copper consumption in CY2009 is expected to be driven mainly by China and other Asian countries and more than offset by mature copper consuming regions which are expected to show either minimal or negative growth in demand during this period. Chinese demand growth is expected to be ~5% with Western World demand contracting almost 8-9% year on year.

On the supply side, global refined copper production (including production from scrap) was 18.4Mt in CY2008 and it is expected that production capability will reach 19.2Mt in CY2009, up 3.7%. The industry has responded well to the sharp fall in the copper price by ramping down the marginal cost operations, both mines and smelters.



Zinc

The initial recession in the US and the subsequent fall in global manufacturing in Q2/Q3 CY2008 resulted in global zinc consumption falling to 11.2Mt in 2008. In CY2009, global consumption is forecast to contract further, falling by 5.4% to 10.6Mt.

Smelters have responded to deteriorating market conditions by exercising a degree of market discipline as they began to trim production by ramping down of high cost operations. Supply was 11.5Mt in CY2008 and is expected to reduce to 11.2Mt in CY2009.

Iron Ore

Consequent to global slowdown witnessed since the second half of CY2008, the world steel demand reduced substantially and as a result, all major steel producers of the world announced production cuts between 30 – 50%. China, which is the biggest producer and consumer of steel, was also not an exception and as a result, the demand for iron ore was significantly affected. After steep rise in prices in the previous years, iron ore prices sharply fell in CY2008 and shown volatile signs in the first few months of CY2009.

At current price levels, it is estimated that several iron ore miners, particularly those high-cost low grade projects that have come into operation in the last couple of years are uncompetitive. Globally, destocking of steel inventories is also expected to complete by mid-CY2009. We believe that iron ore price has bottomed out and with the gradual recovery of economy in China and globally, the demand-supply balance in the seaborne iron ore market would be restored in the near term.

Aluminium

Aluminium ktpa

Production and proposed capacity

Description

Vedanta is one of the largest Aluminium producers in India with mining and processing facilities located in India.

120.5 million tonnes of Reserves and Resources of bauxite.

Key locations

India - Bauxite Mines

Niyamgiri
Mainpat
Bodai-Daldali
Pandrapat
Jamirapat
Yercaud
Kolli Hills
Poondi

Aluminium smelters

Korba
Jharsuguda

Alumina refinery

Lanjigarh
Korba

The performance of our Aluminium Business in FY 2009 is set out in the table below.

(in US$ millions, except as stated)	FY 2009	FY 2008	% change
Production volumes (in kt)			
Alumina – Lanjigarh	586	267	119.5
Alumina – Korba and Mettur	241	291	(17.2)
Aluminium – Jharsuguda	82		
Aluminium – Korba	357	359	(0.6)
Aluminium – Mettur	23	37	(37.8)
Sale of commercial power (in million units)	545	199	173.9
Average LME cash settlement prices (US$ per tonne)	2,234	2,620	(14.7)
Average exchange rate (INR per US$)	45.91	40.24	14.1
Unit costs			
Aluminium Business (US$ per tonne)[2]	1,702	1,771	(3.9)
Aluminium Business (INR per tonne)[2]	78,139	71,258	9.6
BALCO Plant II – Production cost (US$ per tonne)	1,623	1,674	(3.0)
BALCO Plant II – Production cost (INR per tonne)	74,517	67,362	10.6
BALCO Plant II – Smelting cost[1] (US$ per tonne)	859	805	6.7
BALCO Plant II – Smelting cost[1] (INR per tonne)	39,436	32,385	21.8
Revenue[2]	937.1	1,140.2	(17.8)
EBITDA[2]	196.1	380.7	(48.5)
EBITDA margin	20.9%	33.4%	
Operating profit	117.2	307.0	(61.8)

1 Smelting cost comprises production cost excluding alumina cost.
2 Excluding Jharsuguda operations as smelter is under trial runs.

Production Performance

Record production of 462,000 tonnes of aluminium in FY 2009 was an increase of 16.7% compared with FY 2008. This increase in production is attributable to the first time production contribution of 82,000 tonnes from the new Jharsuguda aluminium smelter in FY 2009, which was offset to some extent by the ramp down of the MALCO smelter in mid December 2008 and a shutdown of a part of the BALCO Plant I smelter in Q4 FY 2009, due to higher operational costs. Consequently, we are selling surplus power to maximise returns.

The production of wire rods, a value added product, was 150,000 tonnes in FY 2009, up 10% compared with FY 2008.

The Lanjigarh refinery produced 586,000 tonnes of alumina from the first stream, feeding our captive requirements. The second stream commenced commissioning activities in April 2009. We expect to start progressive feeding of the refinery with our own Niyamgiri bauxite by mid FY 2010.

We commenced progressive commissioning of the 250,000 tonne Phase 1 of the Jharsuguda aluminium smelter where 264 pots out of 304 pots have been brought on-line to date. The first phase of 250,000 tpa is expected to be fully operational in the first quarter of FY 2010.

Unit Costs

FY 2009 witnessed two divergent halves with H1 FY 2009 driven by the buoyancy in the global markets leading to higher input costs. This contrasted with the deteriorating economic conditions in H2 FY 2009 as a result of which input costs of commodities started softening.

Unit CoP at BALCO Plant II was US$1,623 per tonne (INR 74,517 per tonne) in FY 2009 compared with US$1,674 per tonne (INR 67,362 per tonne) in FY 2008. Smelting costs at BALCO Plant II were US$859 (INR 39,436 per tonne) per tonne in FY 2009 compared with costs of US$805 (INR 32,385 per tonne) per tonne in FY 2008, primarily due to higher input costs including carbon and coal, despite improved operational efficiencies. Continued focus on reducing costs helped in achieving an exit smelting cost of US$637 per tonne at BALCO Plant II at end of FY 2009.

Sales
We improved our penetration of the domestic market, selling 353,000 tonnes in FY 2009, up 17.1% compared with FY 2008. Domestic sales represented 77% of total sales, which provided a benefit vis-a-vis exports due to import tariffs.

Financial Performance
Despite an increase in annual volumes and lower input costs in H2 FY 2009, EBITDA in FY 2009 was US$196.1 million, down 48.5% compared with FY 2008, primarily due to the 14.8% reduction in LME prices and higher input costs for the full year which negatively impacted EBITDA by US$120.4 million and US$105.1 million respectively, partially offset by the sale of surplus power commercially which contributed US$15.9 million to EBITDA in FY 2009.

Projects
Jharsuguda I Aluminium Smelter
The first 250,000 tpa phase of the 500,000 tpa Jharsuguda I aluminium smelter is progressing well and is expected to be fully operational by the first quarter of FY 2010, six months ahead of the original schedule. Work on the second 250,000 tpa phase is on schedule with phased commissioning expected to commence from June 2009 and full operations by end FY 2010.

Jharsuguda II Aluminium Smelter
The new 1.25 mtpa Jharsuguda II aluminium smelter project is progressing well with civil construction activities in progress in all major areas of the four pot lines and associated plants. All major packages have been ordered and the project is on schedule for phased commissing from March 2010 and full operations by September 2012.

Balco Aluminium Smelter
Work on the new 325,000 tpa aluminium smelter at BALCO has commenced, long lead-time equipment ordered and construction commenced. Construction of the 1,200 MW captive power plant is in full swing, main plant foundation completed and equipment erection started. The first metal tapping from October 2010, as previously announced.

Lanjigarh Alumina Refinery
The first stream of the 1.4 mtpa alumina refinery at Lanjigarh is fully operational and produced 171,000 tonnes in Q4 FY 2009, close to its rated capacity. The refinery produced 586,000 tonnes of alumina in FY 2009. The second stream of the alumina refinery has also recently commenced operations. Currently, bauxite feed for this refinery is being sourced from BALCO, nearby bauxite mines and from central India. We expect to start progressive feeding of the Lanjigarh alumina refinery with our own Niyamgiri bauxite by mid FY 2010, which will reduce unit operating costs.

Work on the 600,000 tpa debottlenecking project at our Lanjigarh alumina refinery is progressing on schedule for completion by March 2010, as earlier announced.

Ordering of critical items has commenced for the new 3 mtpa Lanjigarh alumina refinery expansion project and work is in full swing. The project is expected to be commissioned, in phases, by Mid 2011.

Case study

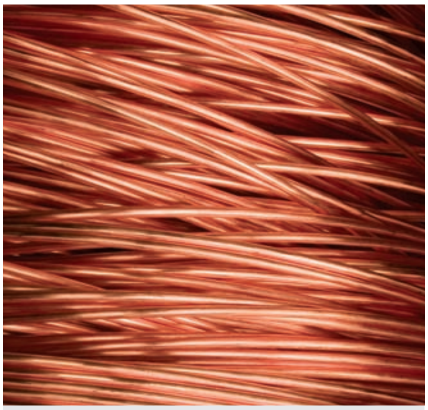
Balco Fuse Technology

Aluminium is produced through electrolysis process. In Balco, all the pots in the pot line are connected in a series and 320 KA current is passed through each pot using risers and shorted joints, to produce aluminium metal. To put pots online, insulation plates are inserted at the shorted joints of the riser to avoid any bypass of current to the next pot. So, to take any pot into line, the power of whole pot line was to be switched off to 0 KA for about 6 to 10 minutes which led to disturbance to operating pots, production losses and increased PFC (per-fluro carbon) emissions.

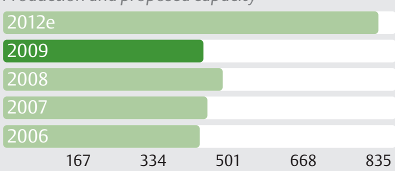
To tackle this operational issue, BALCO invented a fuse, with which 320 KA current could be bypassed to the next pot through the fuse, instead of the shorted joint for about ten minutes. As the fuse operation depends on the self-generation of heat under conditions of excessive current by means of the fuse's own electrical resistance, it is designed to withstand ten minutes of the shortened riser current safely. During this period the pot was brought into the circuit by inserting insulation plates between the shorted joints and after ten minutes the fuse melts and the pot is put on power. So by using the fuse technology, pots could be powered on at 320 KA without reducing the power to 0 KA.

Balco has won the Ideas UK Technology Trophy,2008 and Special prize for "Production Technics "in the European Aluminium Award for the "Balco Fuse Technology".

Copper



Copper ktpa
Production and proposed capacity



Description

Vedanta is one of the largest copper producers in Asia and Africa, with mining and processing facilities located in Zambia, Australia and India.

506.8 million tonnes of Reserves and Resources of ore.

Key locations

Zambia

Konkola Mine
Nchanga Mine
Tailing Leach Plant
Nchanga smelter

Australia

Tasmania – Mt Lyell Mine

India

Tuticorin – Copper smelter & refinery
Silvassa – Copper refinery

India/Australia

The performance of our Copper India/Australia business in FY 2009 is set out below.

(in US$ millions, except as stated)	FY 2009	FY 2008	% Change
Production volumes (in kt)			
Mined metal content	27	28	(3.6)
Cathode	313	339	(7.7)
Rod	220	225	(2.2)
Average LME cash settlement prices (US$ per tonne)	5,885	7,588	(22.4)
Average exchange rate (INR per US$)	45.91	40.24	14.1
Unit conversion costs (US cents per lb)	3.1	1.8	72.2
Unit conversion costs (INR per tonne)	3,138	1,563	100.8
Realised TC-RCs (US cents per lb)	11.7	15.7	(25.5)
Revenue	2,537.9	3,118.8	(18.6)
EBITDA	293.7	327.2	(10.2)
EBITDA margin	11.5%	10.5%	–
Operating profit	242.9	284.9	(14.7)

Production Performance

Production of cathodes at our Copper-India business was 313,000 tonnes in FY 2009, down 7.7% compared with FY 2008 due to planned bi-annual maintenance in the first quarter of FY 2009 and an unplanned shut-down to repair damage in the cooling tower structure in Q3 FY 2009.

Mined metal production at our Australian mines was broadly in line at 27,000 tonnes in FY 2009. CMT supplies c.9% of our total concentrate requirements at the Indian copper smelting operations.

Unit Costs

Net cost of 3.1 US cents per lb (INR 3,138 per tonne) in FY 2009 was higher than 1.8 US cents/lb (INR 1,563 per tonne) in FY 2008, largely due to higher power costs in H1 FY 2009 and a decline in by-product realisations during H2 FY 2009.

Unit CoP at our Australian operations in FY 2009 was 140 US cents per lb down from 160 US cents per lb in FY 2008, primarily on account of lower TC-RC paid to the smelter and a reduction in royalty which is LME linked.

TC-RC

Realised TC-RCs for FY 2009 were 11.7 US cents per lb, down 25.5% compared with FY 2008. We were largely insulated from the volatility in the spot market as a large part of our total concentrate requirement was sourced through long-term contracts with mines as well as through captive supplies from our Australian mines. Based on long-term settlements at better terms and current market conditions, we expect TC-RCs to improve in FY 2010.

Sales

Sales in the domestic market was 198,000 tonnes in FY 2009, a substantial increase of 26.1% compared with FY 2008, giving us better contribution vis-à-vis exports. This increase was primarily due to growth in the domestic electrical and power sector. Exports correspondingly fell to 114,000 tonnes.

Financial Performance

EBITDA for FY 2009 was US$293.7 million, down 10.2% compared with FY 2008 due to lower by-product realisations in H2 FY 2009 and weaker TC-RC realisations during the year. However, EBITDA from allied businesses including phosphoric acid and precious metals contributed US$65 million to EBIDTA, in line with FY 2008.

Case study

Sulphuric Acid Plant Cooling Tower Erection

Sulphuric Acid Plant cooling tower is one of the critical equipments of the plant, primarily used for supplying cooling water to Sulphuric acid plant for maintaining the acid temperatures and also in Gas cleaning Plant (GCP) heat exchangers.

In November 2008,four decks of the cooling tower collapsed and consequently brought the smelter to a halt. The initial time estimates to rebuild the cooling tower were 7-8 months. The cooling tower water flow is 11000 m3. None of the suppliers were willing to supply for the total circulation rate in a short period of time.

The copper maintenance team took initiative to look for a model based on the operating factors.

The packaged cooling towers of smaller capacities of FRP material were available in the market with maximum capacity of 625 cum/hr circulation rate. An idea of separating cooling water requirements to the plant was then devised, whereby each small capacity cooling towers could be located nearer to the equipments, as plant does not have place to keep series of smaller cooling towers. Also laying piping to greater distances was a difficult and time consuming option.

Based on this idea, three sets of packaged cooling towers were fixed -. 4100 cum/hr for Gas cleaning plant and 1875 cum/hr for Sulphuric acid plant I and also 1850 cum / hr for Sulphuric acid plant II

The procurement of these cooling towers was done within two weeks. Structural foundation and pedestals for these mobile cooling towers were made prior to the erection activities. Also structural materials, valves, piping materials, inclusive of cable, cable trays and MCC panel structures were arranged concurrently. Erection of the Cooling towers, MCC panels, Cable erection and cable tray erection were planned accordingly and the entire activities of 180 tons of structural fabrication and 2 Km of pipe line laying and also separate tanks for plant I and II was fabricated and erected within 15 days. Within 10 hrs of shutdown, these mobile cooling towers in GCP area, SAP-1 and 2 were dovetailed and the entire plant was taken on line without any trouble.

With this arrangement, a major disaster has been averted and the production started immediately within four weeks of the incident as compared to 15 to 20 weeks required in the normal course. The cooling towers are working satisfactorily.

Copper (continued)

Zambia

The performance of our Copper- Zambia business in FY 2009 is set out below.

(in US$ millions, except as stated)	FY 2009	FY 2008	% change
Production volumes (in kt)			
Mined metal content	81	76	6.6
Cathode	133	150	(11.3)
Average LME cash settlement prices (US$ per tonne)	5,585	7,588	(26.4)
Unit costs (US cents per lb)	258.3	191.5	34.9
Revenue	773.1	1,103.1	(29.9)
EBITDA	(70.8)	340.1	(120.8)
EBITDA margin	(9.2%)	30.8%	–
Operating (loss)/profit	(165.9)	250.6	(166.2)

Production Performance

Cathode production at our Copper-Zambia business was 133,000 tonnes in FY 2009 compared with 150,000 tonnes in FY 2008, lower by 11.3% primarily due to organic contamination in the tailings leach plant in the first quarter of FY 2009 and the gradual ramp down of the Nkana smelter in Q3 FY 2009 where operating costs are high, in order to facilitate feed to the new Nchanga smelter.

The new Nchanga smelter performed well in February and March 2009. Recovery of sulphur and cobalt in the new smelting process helped to significantly reduce net CoP. In April 2009, there was a leakage in the furnace leading to production disruption. Our technology provider and brick supplier have been engaged in assessing the root cause of the problem to provide a robust technical solution. The plant is expected to restart in the first week of May 2009.

Mining output is being increased and sustained in the open pits with pit optimisation and adequate plant to dewater/desilt the mines during the monsoon. External contracting of water removal for certain sections of the mine has played a vital role in the turnaround. Mined metal production in FY 2009 was 81,000 tonnes, up 6.6% compared with FY 2008 due to a series of measures including pre-stripping of open-pit mines, improved underground mine development and better plant availability/refurbishment of equipment. These measures provide increased confidence that we will achieve better production from our mines and consequently from our smelting facilities. We have also identified new areas at Chingola Open Pit A to be mined in FY 2010. Further, cobalt mining has started from the Nchanga Open Pit at Cut II. We are optimistic about further enhancing value from this cobalt stream.

Unit Costs

Unit CoP was 258.3 US cents per lb in FY 2009, up 33% compared with FY 2008. Costs in H1 FY 2009 were at a historical high on account of higher input costs, higher manpower costs, lower production and a strong Zambian kwacha.

At Konkola, measures including replacement of old compressed air lines and electrical lines have yielded significant improvements in mining operations. Our continued efforts to curtail costs, optimise assets, ramp down high cost operations, renegotiate all contracts for supplies, commodities and logistics and enhance recoveries of cobalt and sulphuric acid, were helped by cost deflation in major inputs. All these steps were further supported by the depreciation of the Zambian kwacha against the US dollar in H2 FY 2009. As part of our measures to reduce costs, we have shut down the high cost Nkana smelter and have also reduced manpower at this operation by 2,000 people to date.

These initiatives helped us in achieving a significant reduction in unit CoP in H2 FY 2009 to 222.3 US cents per lb. We exited FY 2009 with substantially lower unit CoP of approximately 140.0 US cents per lb in March 2009.

Financial Performance

We incurred EBITDA losses of US$70.8 million in FY 2009 compared with EBITDA profits of US$340.1 million in FY 2008, primarily due to increased operating costs in FY 2009 (US$69 million), a 26.4% drop in LME prices (US$275 million), lower volumes (US$48 million) and one time inventory write-downs (US$79 million).

Exploration

We have rich deposits at our copper mines, with current reserves and resources of 470 million tonnes of ore at an average grade of 2.5%, equivalent to c.12 million tonnes of copper content. In line with our approach to ensure long mine life in our operations, we plan to soon commence extensive exploration work at KCM and expect to add significant reserves and resources through brown field exploration.

Projects

The new Nchanga smelter is commissioned and is now ramping up. We expect the smelter to achieve its rated capacity by Q2 FY 2010. Abundant availability of copper concentrate within the proximity of our plants provides us with an opportunity to engage in custom smelting to supplement the production from our integrated operations.

Construction activity at the Konkola Deeps mine expansion project is progressing well. We achieved a major milestone in Q4 FY 2009 by sinking the production shaft to a depth of c.950 metres, supported by a satisfactory orientation between the two sub-shafts. We are on course for mid-shaft commissioning by mid FY 2010 by which additional hoisting capacity of about 3 mtpa of ore will become available with the use of one rock winder in one compartment of the shaft. Sinking of the Number 4 shaft to its final depth of 1,490 metres will continue through the other compartment. The remaining infrastructure, including the bottom crusher, loading station, deepening of Number 1 shaft, and the 1,390 metre level pump chamber will be completed by end CY2011.

Case study

Cobalt Alloy Production at KCM- Breaking New Grounds

As a standard practice, from the copper mining reserves, the copper concentrate is made and from that the copper metal is produced with other minerals being lost in the form of tailings / slag.

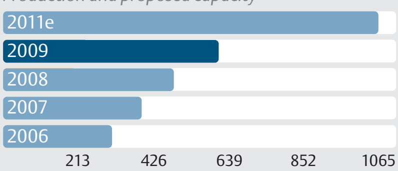
The ore at Zambia, besides being rich in copper also has cobalt in it. In a bid to drive change through innovation, KCM emerged with a new development in the metallurgical complex by recovering cobalt from the process molten slag in form of an alloy of copper, iron and cobalt. This is achieved through the adoption of a two stage electric slag-cleaning furnace system - the first of its kind. The cobalt in the concentrates is fixed in the slag from the flash furnace after smelting. The slag also contains an appreciable amount of copper. The primary slag-cleaning furnace utilizes carbothermic reduction using metallurgical coke as a reducing agent to recover copper only in the first electric furnace.

Cobalt is recovered in the second stage electric furnace (also called the Cobalt Recovery Furnace (CRF)), which handles slag from first slag-cleaning furnace. Apart from the molten slag, a bone dry concentrate feed mixture is injected to induce sulfur, which helps in the adjustment of the liquidus temperature. The metal droplets in the SCF slag and the reduction products settle through the slag layer and form the CRF metallic alloy. The highly reduced slag from the CRF is tapped from the slag tapping holes via launders into the granulation pond. The cobalt alloy design spec of 63% Cu, 23.6%Fe, 6.3%Co and the rest sulphur is tapped through launders directly for granulation. The cobalt alloy production at peak rate is expected to be 70tpd.

We expect to have a cobalt recovery of 37% and produce about 4.4 tonnes per day of cobalt in the form of cobalt copper alloy.

Zinc – Lead

Zinc and Lead ktpa
Production and proposed capacity



Description

Vedanta is the world's second largest integrated Zinc-Lead producer. Zinc and Lead operations include various mines and smelting facilities in India.

272 million tonnes of Reserves and Resources of ore.

Key locations

India

Zinc and Lead Mines

Rampura-Agucha
Rajpura Dariba
Sindesar Khurd
Zawar

Smelters and Refinery

Chanderiya
– Zinc & Lead smelters
– Silver refinery
Debari – Zinc smelter
Vizag – Zinc smelter

The performance of our Zinc business in FY 2009 is set out in the table below.

(in US$ millions, except as stated)	FY 2009	FY 2008	% change
Production volumes – Zinc (in kt)			
Mined metal content	651	551	18.1
Refined metal	552	426	29.6
Production volumes – Lead (in kt)			
Mined metal content	84	78	7.7
Refined metal	60	58	3.5
Production volumes – Saleable silver (in m. oz)	3.38	2.58	31.0
Sale of commercial power, including wind power (in million units)	297	112	165.2
Average LME zinc cash settlement prices (US$ per tonne)	1,563	2,992	(47.8)
Average LME lead cash settlement prices (US$ per tonne)	1,660	2,875	(42.3)
Average exchange rate (INR per US$)	45.91	40.24	14.1
Unit costs			
Zinc (US$ per tonne)	710	884	(19.7)
Zinc (INR per tonne)	32,621	35,590	(8.3)
Zinc excluding royalties (US$ per tonne)	609	686	(11.2)
Zinc excluding royalties (INR per tonne)	27,973	27,625	1.3
Revenue	1209.1	1,941.4	(37.7)
EBITDA	605.4	1,380.1	(56.1)
EBITDA margin	50.1%	71.1%	–
Operating profit	548.3	1,333.0	(58.9)

Production Performance

Mined metal production for zinc and lead from all our mines was 735,000 tonnes in FY 2009, up 16.9% over FY 2008, primarily as a result of commissioning of the stream III concentrator at the Rampura Agucha mine.

We delivered record refined zinc metal production in FY 2009 of 552,000 tonnes, up 29.6% compared with FY 2008. Production was higher primarily on account of commissioning the new zinc smelter at Chanderiya in December 2007 and the 88 ktpa de-bottlenecking project. The production of lead during FY 2009 was 60,000 tonnes, up 3.5% compared with FY 2008.

Production of saleable silver in FY 2009 was our highest ever at 3.38 million troy ounces, up 31% compared with FY 2008.

Unit Costs

Unit costs of production in FY 2009 excluding royalties were lower at US$609 per tonne (INR 27,973 per tonne) compared with US$686 per tonne (INR 27,625 per tonne) in FY 2008. Cost performance in Indian rupee terms during the year was impacted by higher input costs, benefit of increased volumes, volatile acid credits and higher coal cost used for captive power plant. The underlying operating performance showed an improving trend with exit CoP (excluding royalties) in March 2009 of US$593 per tonne (INR 30,380 per tonne) despite lower by-product credits.

Sales

We sold 332,000 tonnes of zinc metal in the domestic markets during FY 2009, broadly in line with domestic sales in FY 2008. Zinc export sales were 221,000 tonnes in FY 2009, up 151.1% from 88,000 tonnes in FY 2008. In addition to refined zinc metal, we also sold 76,000 dry metric tonnes of surplus zinc concentrate and 56,000 dry metric tonnes of lead concentrate, in FY 2009.

Financial Performance

Despite a 26.4% increase in production volumes and stable operating costs, EBITDA in FY 2009 was US$605.4 million, down 56% compared with FY 2008

EBITDA of US$1,380.1 million, primarily due to the significant reduction in LME zinc and lead prices by 47.8% and 42.3%, respectively. Higher volumes contributed positively to EBITDA by c.US$130 million whilst lower LME prices reduced EBITDA by c.US$850 million.

Exploration

Ongoing exploration activities at HZL have yielded significant success with the gross addition of 46.3 million tonnes to reserves and resources prior to a depletion of 6.7 million tonnes in FY 2009. Contained zinc-lead metal has increased by 4.7 million tonnes, prior to a depletion of 0.7 million tonnes during the same period. Total reserves and resources at 31 March 2009 were 272.0 million tonnes containing 31.5 million tonnes of zinc-lead metal and 713.3 million ounces of silver. The reserves and resources position has been independently reviewed and certified as per the JORC standard.

In FY 2009, record annual drilling of 70,300 metres was completed. The success of our exploration efforts has been primarily at the Rampura Agucha and Sindesar Khurd mines. The success of exploration efforts during the year is signified by additions at the Rampura Agucha and Sindesar Khurd mines where we now have a reserve and resource base of 118.7 million tonnes (FY 2008: 107.3 million tonnes) and 56.6 million tonnes respectively (FY 2008: 37.1 million tonnes).

Projects

We successfully commissioned our 1.0 mtpa stream III concentrator at Rampura Agucha and captive power plant of 80 MW at Zawar during the year.

Construction activities at the 210,000 tpa zinc smelter and 100,000 tpa lead smelter at Rajpura Dariba is progressing well and on schedule for completion by mid 2010. Work at the mining projects at Rampura Agucha, Sindesar Khurd and Kayar are also progressing on schedule for progressive commissioning from mid 2010. At Sindesar Khurd the ramp portal is nearing completion and resources have been mobilised to achieve accelerated mine development.

In line with the Group's philosophy of being a fully self reliant producer of power, a 160 MW captive thermal power plant is also being built at Rajpura Dariba. The project is progressing well on schedule.

Case study

Bulk Concentrate

The conventional technology for flotation of lead-zinc ores is differential flotation to produce separate concentrates of lead and zinc. The separate concentrates are then fed to respective smelters of lead and zinc for recovery of metals. In this process, misplaced metals (Zinc in Lead concentrates and Lead in Zinc concentrates) are lost and conventionally not accounted for in recovery, either at mines or at smelters. These losses range between 2% to 10%, depending upon concentration and tonnages of different concentrates for different mines.

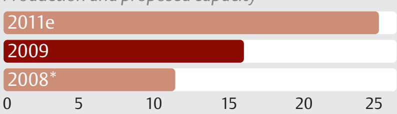
The Imperial Smelting Process (ISP) existing at CLZS, enjoys the advantages of being able to use 'Dirty' feed i.e. both lead and zinc in the feed to the furnace without affecting its performance. Historically, bulk concentrates (concentrates containing both lead and zinc produced by bulk flotation at mines) should be fed to the furnace giving advantages of correspondingly higher recovery at mines and without affecting performance of ISF.

Two underground mines – namely Rajpura Dariba (RDM) & Zawar Mines(ZM) –earlier produced separate (zinc and lead) concentrates. The recoveries of zinc, lead and silver were relatively lower from RDM. Bulk flotation was carried out after a lot of R&D and plant trials at both the mines and after modifying the flow sheets to suit the requirements of the smelter and significant better overall recoveries were achieved at both the mines for all the metals. Zawar now produces all its output in the form of bulk concentrate while RDM produces bulk concentrate for a portion of its output depending on the grade mix and requirement of the ISF smelter. The innovativeness of this project lies in the use of Zawar bulk concentrate to blend with RDM bulk concentrate to make it acceptable to the smelter. In this process, zinc, lead and silver recoveries have improved by 0.5%, 2% and 1% respectively in ZM and by 2.5%, 6% and 4% respectively in RDM. Besides helping in better management of mineral resources, substantial financial savings are generated through this effort.

Iron Ore

Iron ore mtpa

Production and proposed capacity



* Information for post acquisition period of 11 months through 31 March 2008

Description

Vedanta is the largest Iron ore producer-exporter in Asia, with mining and processing facilities at various locations in India.

239.8 million tonnes of Reserves and Resources of ore.

Key locations

India

Goa

Orissa

Karnataka

Iron ore

The performance of our Iron Ore business in FY 2009 is set out in the table below.

(in US$ millions, except as stated)	FY 2009	FY 2008[1]
Production volumes (kt)		
Saleable ore	15,986	11,469
Pig iron	217	248
Sales volumes (kt)		
Iron ore	15,103	11,287
Pig iron	224	244
Revenue	1,070.4	888.9
EBITDA	557.1	585.6
EBITDA Margin	52.1%	65.9%
Operating Profit	348.0	420.0

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

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

Production Performance

Saleable iron ore produced in FY 2009 was 15.99 million tonnes, a record for Sesa Goa and an increase of 28.5% over full year production of 12.44 million tonnes in FY 2008, primarily attributable to a comprehensive improvement programme to increase the operational efficiencies.

Production of pig iron was 217,000 tonnes in FY 2009, lower by 19.9% compared with full year production in FY 2008. The fall in production was primarily on account of low offtake and consequently only one line was in operation in Q3 FY 2009.

Sales

The iron ore market achieved record highs in the early part of the year. There was a steep fall in demand in Q3 FY 2009 due to the subdued performance of the global steel industry, with no evidence of a sustained recovery.

Iron ore shipments during the full year FY 2009 were 15.10 million tonnes, consistent with the significantly higher production. Due to the impact of the seasonal monsoon in the Goa region, shipments of approximately 10.46 million tonnes were made in the second half of FY 2009, consistent with typical shipment patterns. During FY 2009, a majority of the production was sold in the spot market due to increased volumes in the year and lower offtake by long-term contract buyers.

We sell in global markets with exports to China, Japan, Pakistan and other Asian and European countries. Exports account for nearly 95% of total sales, with the remainder being sold in the domestic market primarily from Orissa. China accounts for nearly 80% of our total exports. The global market for iron ore is expected to remain in surplus in the short- to medium-term, primarily due to steel mills being operated at reduced capacity. As a result of these market conditions, spot prices of iron ore are expected to remain soft in the short- to medium-term term while long-term benchmark price is expected to reduce significantly.

We sold 224,000 tonnes of pig iron in FY 2009, consistent with our production, primarily in the domestic market.

Financial Performance

Revenues in FY 2009 were US$1,070.4 million with EBITDA of US$557.1 million. Met coke and pig iron businesses contributed EBITDA of US$67.1 million in FY 2009. Revenues were higher due to record sales volumes. EBITDA was lower on account of higher costs, lower realisation and hedging losses which more than offset the benefits of higher volumes.

Exploration

In line with the Group's focus on augmenting its resource base, 28,000 metres drilling was carried out at Sesa Goa. We had significant success and increased gross reserves and resources by 57.8 million tonnes, prior to a depletion of 15.8 million tonnes and reduction of 4.7 million tonnes on account of non-renewal of third party mining leases in FY 2009. Total reserves and resources at 31 March 2009 were 239.8 million tonnes.

Case study

Maximising transportation of ore

As a part of Business Excellence initiatives and capability building for higher and higher volumes, Sesa Team looked at maximizing transportation of ore from its Goa mines within the constraint of limited capacity of public roads.

It was realized that the existing routes of transportation need to be supplemented by new routes. Considering the time frame and difficulties for establishing a new route very quickly to achieve the higher volume of transportation, the Sesa team came out with an idea as to crossing of a small river on one side of one mine so as to utilize the road on other side of the river which was not having any iron ore traffic. In view of the time frame and the statutory approvals required for a normal bridge with pillars and spans, the team found out that a Bailey bridge which are fabricated at a different place and just erected wherever required, very commonly used by the army, would be the right solution. Accordingly a supplier of such bridge was located and the bridge was erected within a short time frame of six months.

As a second initiative ,where there was local restriction for night transport for a portion of one end of the route, the team decided to maximize the transport during day time by creating a transfer point in between from where the transportation for the balance route would be done for 24 hours a day.

The above two initiatives enhanced the capability of transportation from a particular mine by 3.0 million tons per annum.

During the year Sesa team took various such initiatives in Goa and Karnataka while aspiring to reach the stretched business goals and could achieve 22% increase in sales volume.

Other Business

Commercial Energy

Work on the 2,400 MW (600 MW x 4) green field coal based independent thermal power plant at Jharsuguda, Orissa is progressing well. Design and detailed engineering is completed and most of the equipment for the first unit has been received on site. The boiler drums have been erected and construction of turbine generator decks is complete. The cooling tower and chimney construction to support the first unit are nearing completion. The project is on schedule progressive commissioning from Q4 2009.

In respect of our green energy initiative projects, we have commissioned entire 123.2 MW wind power plants and they are working satisfactorily.

Outlook

FY 2009 was a tumultuous year for the mining sector which witnessed a period of unprecedented buoyancy in commodity prices in the first half, followed by their sharp fall in the second half. The world witnessed several mine closures, production cutbacks and deferral of projects. Despite such negative market sentiments and a depressed outlook for demand, we remain focused on our basic objectives of achieving a least-cost position and developing low capital cost projects. Our focus, as in the past, has always been to continuously strengthen our competitive position through aggressive cost management, excellent operational efficiencies without sacrificing the long-term growth potential of our business. We expect to deliver higher volumes in all our businesses in FY 2010 on the back of our expansions, ongoing debottlenecking initiatives and continuous improvement in our operational efficiencies. We expect the situation witnessed in the last six months of many high cost operations globally incurring cash losses to get corrected and also expect the market to stabilise in the near future.

We further expect that our intensified focus on cost control will yield results and that we will derive additional benefits from our ongoing programmes to reduce our operating costs. We also see incremental benefits accruing from higher commercial power sales from our operations at BALCO and MALCO.

We aim to complete our ongoing projects on or ahead of schedule and within budgets. A large part of our production is sold in India, where we see continuous growth in consumption in line with a positive GDP outlook. As is typical of all developing economies, the growth rate of metal consumption in India is expected to be ~1.5 times the GDP growth rate.

All these augur well for us and are confident of delivering a good performance in the coming year.

Financial Review

Highlights

- → Revenues of US$6.6 billion and EBITDA of US$1.6 billion
- → Free cash flow of US$1.7 billion
- → Investment of US$3.0 billion in growth projects
- → Strong balance sheet
- → Capital employed of US$7.6 billion
- → Net debt of US$0.2 billion
- → Cash and liquid investments of US$4.9 billion
- → US$397.1 million share buyback and increase in subsidiary stakes
- → Long-term non-recourse project finance of US$3.7 billion secured for project pipeline, including US$2 billion which is subject to final documentation

Key financial performance indicators

(in US$ million except as stated)	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005
EBITDA	**1,612.2**	3,010.4	2,703.0	1,105.50	454.0
Underlying EPS (US cents per share)	**119.7**	303.9	327.0	130.2	48.9
Free cash flow	**1,709.6**	2,216.9	1,504.2	634.8	204.4
ROCE (excluding project capital WIP) (%)	**24.4**	45.6	78.5	37.9	32.0
Net (cash)/debt	**200.8**	(2,142.7)	(432.7)	11.9	74.3

Balance sheet and cash flows

We continue to have a strong balance sheet with capital employed of US$7.6 billion and net debt of US$200.8 million. Net debt comprises US$4,912.6 million of cash and liquid investments offset by debt of US$5,113.4 million. An explanation of the movement from net cash to net debt during the year is provided later in this review.

During the year we raised debt of US$2,208 million of which US$1.25 billion was raised by the parent company and the rest by the subsidiaries. The parent company issued 5 and 10 year bonds totalling US$1.25 billion under difficult market conditions at an average coupon rate of c.9.2%. External debt held by operating subsidiaries rose to US$1,718.3 million at 31 March 2009 compared to US$757.3 million at 31 March 2008. This was due to additional project financing secured by some of our subsidiaries which are engaged in large capacity expansions. We refinanced a US$1 billion loan taken out for the acquisition of Sesa and have increased the tenure of this loan by 4.6 years. At 31 March 2009, our balance sheet gearing was 2.6%.

In FY 2009 the Indian rupee, the functional currency of our Indian subsidiaries, depreciated approximately 27.5% against the US dollar. A large part of our shareholders' equity is contributed by our Indian subsidiaries. Since our presentation currency is the US dollar, the depreciation of the Indian rupee has resulted in a currency translation loss in shareholders' equity (including minority interests) of US$2,195.3 million.

Cash and liquid investments at 31 March 2009 were US$4.9 billion, the majority Indian rupee denominated. Of this, US$380.5 million was cash and cash equivalents and US$4,532.1 million was liquid investments. Cash and cash equivalents include cash and bank balances, short-term deposits with banks and short-term highly liquid investments. Liquid investments consist of investments in mutual funds and bank deposits with maturity of more than 90 days. Our policy is to invest only in those funds and banks which have a high credit rating. We place significant emphasis on safety and liquidity of the investments.

The movement in net (debt)/cash in FY 2009 is set out below.

(in US$ million, except as stated)	FY 2009	FY 2008
EBITDA	1,612.2	3,010.4
Operating exceptional items	(31.9)	11.1
Working capital movements	620.6	(53.3)
Changes in long-term creditors and non-cash items	104.7	(19.4)
Sustaining capital expenditure[1]	(306.3)	(256.9)
Sale of tangible fixed assets	7.9	2.7
Net interest paid	(208.7)	33.0
Dividend received	241.9	144.5
Tax paid	(330.8)	(655.2)
Free cash flow	1,709.6	2,216.9
Expansion capital expenditure[1]	(3,021.3)	(1,997.7)
Issue of shares by subsidiary	–	1,969.4
Purchase of fixed assets investments	(85.4)	–
Acquisition of minorities	(316.8)	–
Acquisitions, net of cash and liquid investments acquired	–	(757.7)
Buyback of shares of Vedanta Resources plc	(80.3)	–
Sale of non-core business	–	83.1
Dividends paid to equity shareholders	(118.8)	(104.3)
Dividends paid to minority shareholders	(56.1)	(53.5)
Other movements[2]	(374.4)	353.8
Movement in net (debt)/cash	(2,343.5)	1,710.0

1 On an accruals basis.
2 includes foreign exchange movements.

Cash generation and conservation are key business drivers and more so in the current economic environment. Free cash flow ('FCF') was US$1.7 billion in FY 2009, down 22.7% compared with FCF of US$2.2 billion in FY 2008. FCF as a percentage of EBITDA has improved significantly to 106% in FY 2009 up from 74% in FY 2008. Strong focus on working capital management has resulted in a contribution of US$620.6 million to free cash flow during the year.

Gross working capital, represented by inventory and receivables, reduced from US$2,346.8 million at 31 March 2008 to US$1,644.1 million at 31 March 2009. Gross working capital turnover, a parameter to determine efficiency of working capital management, improved from 3.5 times revenue in FY 2008 to 4.0 times revenue in FY 2009. Our net working capital, represented by gross working capital less trade and other payables, in FY 2009 was approximately negative 4.9% of turnover compared with 4.0% of turnover in FY 2008. Some of our subsidiaries, which are not fully integrated operations normally, carry relatively higher working capital levels. These operations manage their working capital effectively by matching their receivable and payable cycles. Tax outflow reduced to US$330.8 million in FY 2009 from US$655.2 million in 2008 partially due to tax effectiveness measures put in place in previous years, the benefit of which has accrued during the year and also due to lower taxable profits.

Of the total interest cost of US$362.2 million in FY 2009, US$250.2 million is charged in the income statement and the remainder has been capitalised as a part of our expansion in fixed assets. Interest expense (including capitalised interest) of US$362.2 million is higher than the previous year by US$60.1 million due to an increase in average debt taken to fund expansion projects. Interest rates also increased during the year as a result of tighter liquidity and an increase in credit spreads. Consequently our borrowing rates in FY 2009, despite being competitive in the current market environment, were at a rate higher than the average of FY 2008.

Sustaining capital expenditure of US$306.3 million in FY 2009 is higher than the previous year mainly due to investments to improve operational efficiencies, to modernise our older plants and to meet our health, safety and environmental goals. During H2 FY 2009, we have significantly scaled down our sustaining capital expenditure.

We invested US$3.0 billion in expansion projects. We remain committed to completing our expansion projects at or under budget and at or ahead of the estimated timelines.

During the year we reviewed some of our major expansion projects and have deferred spending on some of the projects to remain focused on conserving cash. A large part of the expansion capital expenditure was spent in our aluminium and energy businesses. We have spent US$375 million on the 1.25 mtpa Jharsuguda smelter expansion project and US$882 million in the 2,400 MW commercial energy project at the same location.

We spent US$397.1 million in buying back shares of Vedanta as well as buying shares in our subsidiaries - KCM, MALCO, Sesa and Sterlite. We continue to look for opportunities to increase our stake in key subsidiaries at attractive prices.

Return on Capital Employed ('ROCE') in FY 2009 was 24.4%, lower than 45.6% in FY 2008 due to lower operating profits, largely a factor of lower metal prices during the year. ROCE is an important KPI in our businesses. We accord high priority to capital productivity and we enhance the ratio by optimising asset performance and by minimising capital investment. The operating review has discussed the measures we have taken and the results of these measures in improving our asset performance. We have demonstrated our strong track record of completing our expansion projects on or ahead of schedule as well as within their budget. A good example of the former measure is the significantly higher output of iron ore in FY 2009 over FY 2008 without incurring any major capital expenditure. ROCE is also affected by the timing of expansion projects being delivered during the year due to the time lag in capturing the full benefit from additional capacities.

Financial Review (continued)

Capital resources and liquidity

Our cash and liquid investments of US$4.9 billion provide us with a strong platform to fund our growth projects and other commitments. Our net debt as at 31 March 2009 was US$200.8 million. We continue to generate strong cash flows and generated about US$1.7 billion of FCF during FY 2009, of which about US$900 million was generated in H2 FY 2009 in which EBITDA was just US$340 million.

Even in the current economic environment, we continue to enjoy strong support from lending institutions due to our operational track record as well as our strong balance sheet. We raised US$1.25 billion in the form of long-dated bonds during FY 2009 and have recently secured project financing of US$3.7 billion for our aluminium and energy sector expansion projects, including US$2 billion which is subject to final documentation.

Project capital expenditure

(in US$ million)	Revised cost	Spent to 31 March 2009	Committed but not yet spent	Status
Lanjigarh I refinery (Alumina)	1,015.3	932.0	83.3	Stream I completed
Jharsuguda I smelter (Aluminium)	2,112.8	2,009.7	103.1	Stream II nearing completion
Konkola mine (Copper)	674.0	491.3	128.3	In progress
Nchanga smelter (Copper)	470.0	431.2	10.7	In progress
Chanderiya smelter (Zinc)	306.5	304.8	1.7	In progress
Wind energy	141.0	141.0	–	In progress
Zinc-lead debottlenecking	148.5	146.7	1.8	Completed
Commercial energy	1,900.0	882.2	533.1	In progress
Dariba smelting project (Zinc)	720.0	244.3	279.2	In progress
Korba III smelter (Aluminium)	1,820.0	297.3	415.6	In progress
Jharsuguda II smelter (Aluminium)	2,920.0	375.1	1,286.5	In progress
Lanjigarh II refinery (Alumina)	1,720.0	88.5	700.5	In progress
Grand total	**13,948.1**	**6,344.1**	**3,543.8**	

We incurred additional capex in our Lanjigarh I refinery (Alumina), with the originally estimated cost of US$800 million increasing to approximately US$1,015 million. This was because of adverse exchange rate movements during the year and higher costs incurred on sourcing bauxite from third parties during the trial run period.

Project capital expenditure on the Nchanga smelter has also increased from approximately US$372 million to US$470 million largely due to commissioning delays and consequential higher pre-operative, trial-run expenditure and utilities costs. Based on the expansion projects currently underway, the capital expenditure required to complete these projects over the next three years is approximately US$7.6 billion.

Our debt maturity now averages 3.5 years. In the next two years, US$1,472.4 million of debt falls due for repayment. Our cash and liquid investments, free cash generation and tied up funds are sufficient to meet our capital and debt commitments.

Group results

Group operating results for FY 2009 are set out below.

(In US$ million, except as stated)	FY 2009	FY 2008	% change
Revenue	6,578.9	8,203.7	(19.8)
EBITDA	1,612.2	3,010.4	(46.4)
EBITDA margin (%)	24.6	36.7	–
Operating special items	(31.9)	11.1	–
Depreciation and amortisation	(473.3)	(429.1)	10.3
Operating profit	1,107.0	2,592.4	(57.3)
Net interest income	73.9	170.8	(56.7)
Profit before taxation	1,180.9	2,763.2	(57.3)
Income tax expense	(280.5)	(757.7)	(63.0)
Tax rate (%)	23.8	27.4	–
Minority interest	681.1	1,126.5	(39.5)
Minority interest rate (%)	75.6	56.2	–
Attributable to equity shareholders in parent	219.3	879.0	(75.1)
Basic earning per share (US cents per share)	76.4	305.4	(75.0)
Underlying earning per share (US cents per share)	119.7	303.9	(60.6)

We recorded revenues and EBITDA during the year of approximately US$6.6 billion and US$1.6 billion, respectively. Revenues and EBITDA have been discussed in detail in the Business Review.

During the year we decided to discontinue our high cost aluminium operations. Furthermore, due to the non-renewal of the mining lease at one of the third-party mines in Sesa Goa, we have impaired the entire carrying value of the mining property value in that location. Impairment losses recognised in the income statement of FY 2009 are US$28.9 million and are shown as part of special items.

Net interest income in FY 2009 was US$73.9 million compared with US$170.8 million in FY 2008. Investment income increased to US$456.2 million in FY 2009 from US$321.4 million in FY 2008 as a result of better yield on investments and also due to higher cash generated by many of our Indian subsidiaries. Average cash and cash equivalents and liquid investments increased in FY 2009 to US$5,226.7 million up from US$ 4,572.0 million in FY 2008.

Finance costs have also increased to US$250.2 million in FY 2009, up from US$150.6 million in FY 2008 due to an increase in average debt levels. Average debt was US$4,370 million in FY 2009, up from US$3,198 million in FY 2008. During the year, we raised new debt of US$2,208 million mainly to meet our project finance requirements. We had also secured short-term funding facilities from banks to meet working capital requirements of some of our businesses. Our alumina refinery at Lanjigarh was commissioned during the year and the interest expense incurred after commissioning is reflected in the income statement, having been capitalised prior to that date.

During the year, there was unprecedented volatility in foreign currency exchange rates particularly between the Indian rupee and the US dollar. The Indian rupee depreciated against the US dollar by c.27.5%. Financial liabilities restated at the closing exchange rates in our Indian subsidiaries resulted in an exchange loss of US$132.0 million in the income statement.

The effective tax rate for FY 2009 was 23.8% compared with 27.4% in FY 2008, primarily due to efficiencies in tax management in many of our businesses. We made effective use of various tax benefits available in India and such benefits have resulted in lower effective tax rates in some of our major operating subsidiaries including HZL, Sterlite and Sesa. At KCM, a new tax regime was introduced from April 2008. Tax rates applicable to mining companies were increased from 25% to 30% and a new windfall tax was also introduced. Based on our discussions with the government authorities in Zambia, we provided for windfall tax at the rate of 25% above the minimum threshold limit. The amount of windfall tax recognised in FY 2009 was US$29 million. We have been engaged in discussions with the Zambian Government on this matter and recently the Zambian Government has announced withdrawal of windfall tax with effect from April 2009.

The current tax rate at KCM has increased to 32.1% in FY 2009, up from 22.6% in FY 2008 as a result of a change in the profit mix. Higher contribution of profits from units having a higher incidence of current tax together with tax losses in KCM led to the increase in the overall current tax rate.

Basic EPS in FY 2009 was 76.4 US cents per share as against 305.4 US cents per share in FY 2008 due to lower attributable profits, a result of lower operating profits and a change in profit mix amongst subsidiaries. Underlying EPS, which excludes special items and exchange losses on borrowings in FY 2009 was 119.7 US cents per share compared with 303.9 US cents per share in FY 2008. Special items include impairment losses of mining reserves at one of our mines.

Share buyback and acquisition of subsidiary shares

The steep correction in the global equity market valuations has provided us with an opportunity to buy back shares in the Company and in our individual subsidiaries at attractive valuations. Consequently, during the year we have invested US$80.3 million buying back 9.6 million equity shares or 3.3% of outstanding shares.

We also increased our equity stake in some of our subsidiaries in India under the recently announced scheme of Securities and Exchange Board of India ('SEBI'). In Sterlite Industries (India) Limited, we have increased our equity stake from 59.9% at 31 March 2008 to 61.3% at 31 March 2009. In Sesa Goa Limited, we have increased our equity stake from 51.2% at 31 March 2008 to 52.7% at 31 March 2009. We are in the process of buying back the entire 20% minority stake in The Madras Aluminium Company Limited through a delisting process under SEBI guidelines. The response from the minority shareholders is encouraging and to date our stake has increased to 93.2%, up from 80%.

We also successfully acquired ZCI's 28.4% stake in KCM in April 2008 for US$217.2 million, taking our total shareholding in KCM to 79.4%.

We will continue to evaluate the options of buying back shares in Vedanta. We will also continue to increase our underlying shareholdings in our subsidiaries both under schemes notified by SEBI and through other avenues available to us under the applicable laws.

In respect of our options to acquire the minority stake held by Government of India in BALCO, mediation proceedings as directed by the Delhi High Court did not reach a conclusion and consequently an arbitration process is currently underway. In the case of HZL, we have not yet exercised our call option which became exercisable in April 2007. We are awaiting a response from the Indian Government to our interest in purchasing the entire residual stake of the Government of India in HZL.

We entered into an agreement in May 2008 with Asarco LLC, the third largest copper producer in the United States of America, to purchase substantially all of its operating assets for a total consideration of US$2.6 billion. Global economic conditions had since deteriorated and with the uncertain outlook for commodity prices, we renegotiated our agreement with ASARCO for a revised consideration of US$1.7 billion.

Risks and Uncertainties

The identification and management of risks is integral to Vedanta's strategy and to achieve its long-term goals.

Risks and risk management practices

Our businesses and operations are subject to a variety of risks and uncertainties which are no different from any other company in general and our competitors in particular. Such risks are the result of not only the business environment within which we operate but also of other factors over which we have little or no control. These risks may be categorised between operational, financial, environmental, health and safety, political, market-related and strategic risks. We have well documented and practised risk management policies that act as an effective tool in minimising various risks to which our businesses are exposed to during the course of their day-to-day operations as well as in their strategic actions.

Risks are identified through a formal risk management programme with the active involvement of business managers and senior management personnel at both the subsidiary level as well as at the corporate level. Each significant risk has an 'owner' within the Group at a senior level, and the impact to the Group if a risk materialises and its likelihood of crystallisation is regularly reviewed. A risk register and matrix is maintained, which is regularly updated in consultation with business managers. The 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 the Executive Committee and senior managers address risk management issues when presenting initiatives to the Executive Committee. The overall internal control environment and risk management programme is reviewed by our Audit Committee on behalf of the Board.

Internal controls

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

Treasury management

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

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

Commodity risks

Our principal commodities are aluminium, copper, zinc, lead and iron ore. This diversified basket offers a partial hedging mechanism against volatility in the prices of individual commodities.

Of the Group's principal commodities, aluminium, copper, zinc and lead are priced with reference to LME prices. LME prices are influenced by global demand and supply for these metals which in turn is influenced by global economic scenarios, regional growth, infrastructure spending by governments and also by speculative activities.

In the case of iron ore, prices are not linked to any metal exchange but are generally influenced by all the factors enumerated above which is reflected in the benchmark prices agreed between major iron ore suppliers and steel makers. We sell iron ore under annual price contracts as well as at spot prices determined at the time of supplies. Price fluctuations can affect our business assumptions and hence our investment decisions, operational and financial performance.

While the Group aims to achieve average LME prices for a month or for a year, average realised prices may not necessarily reflect the LME price movements because of a variety of reasons including uneven sales during the year. Any fluctuation in the prices of the metals that we produce and sell will have an immediate and direct impact upon the profitability of our businesses.

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

Our custom smelting operations of copper at Tuticorin enjoy a natural hedge except to the extent of a possible mismatch in quotational periods between the purchase of copper concentrate and the sale of finished copper. The Group's policy on custom smelting is to generate its margins mainly from TC-RCs, premiums and sale of by-products. Hence quotational period mismatches are actively managed to ensure that the gains or losses are minimised. TC-RCs are a major source of income for the copper smelting operations in India and therefore are susceptible to fluctuations which are influenced by factors such as demand and supply conditions prevailing in the market for mine output. The copper smelting business actively reviews its procurement strategy to strike an appropriate balance between copper concentrate procured at spot TC-RCs and those which are sourced at long-term contractual TC-RCs. Approximately 60% of the copper concentrate consumed in FY 2009 came from long-term contracts and the balance from the spot market.

Our Australian mines in Tasmania supply c.9% of the concentrate requirement of the custom smelter at Tuticorin. This situation adversely impacts the profitability of the copper smelting business particularly at times when TC-RCs exhibit a declining trend. We insulate ourselves by constantly focusing on reducing unit cash costs at our smelting and refining operations.

KCM is largely an integrated copper producer and hence our Group strategy to protect it from copper price fluctuations is to focus on controlling its costs.

Set out below are the key commodity price sensitivities on EBITDA resulting from a change of US$ 100 per tonne in LME prices.

	Average market as price in FY 2009 (US$/tonne)	Effect on EBITDA of US$100/ tonne change in LME (US$ million)
Copper	5,885	13.9
Aluminium	2,234	39.7
Zinc	1,563	57.9
Lead	1,660	8.9

The above sensitivities are based on FY 2009 volumes, costs and exchange rates and provide the estimated impact on EBITDA of changes in prices assuming that all other variables remain constant.

Political, legal, economic and regulatory risks

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

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

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

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

Reserves and resources

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

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

Delivery of expansion projects on time and within budget

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

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

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

Assets use continuity and insurance

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

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

Risks and Uncertainties (continued)

Safety, health and environment risks

We are engaged in mining activities which are inherently hazardous and any accident or explosion may cause personal injury or death, property damage or environmental damage at or to its mines, smelters, refineries or related facilities and also to communities that live near the mines and plants.

Such incidents may not only result in expensive litigation, damage claims and penalties but also cause loss of reputation. We also operate in Zambia which has a high incidence of HIV/AIDS – a threat to economic development. We accord very high priority to safety, health and environment matters.

Operational risks

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

It is our policy to realise market prices for our commodities and therefore the profitability of our operations is dependent upon our ability to produce metals at a low cost which in turn is a factor of our commercial efficiencies and higher volumes. Prices of many of our input materials are influenced by a variety of factors including demand and supply as well as inflation.

Increase in the cost of such input materials would adversely impact our competitiveness. We have consistently demonstrated our ability to manage our costs and some of our operations have costs situated in the lowest quartile of the cost curve. We have a strong commercial function and we identify the best opportunities for cost reduction and quickly implement them. We are highly focused on costs and volumes and all operational efficiencies and cost efficiencies are discussed regularly at the business review meetings as well as at the Group Executive Committee meetings. As metal prices have started reducing in recent months, we have been able to quickly adapt ourselves to the changing market conditions and reduce our costs significantly.

Financial risks and sensitivities

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

Liquidity Risks

We require funds both for short-term operational needs as well as for long-term investment programmes, mainly in growth projects. The recent global financial crisis has significantly restricted the supply of credit. Banks and financial institutions have tightened lending norms. If this situation continues, our ability to raise funds and at attractive rates may be significantly impacted.

We aim to minimise this risk by generating sufficient cash flows from our current operations which in addition to available cash and cash equivalents, and liquid financial asset investments, and sufficient committed funding facilities, will provide liquidity both in the short term as well as in the long term. At 31 March 2009, we had cash and liquid investments of US$4.9 billion as well as US$1.9 billion of committed funding facilities from our lenders. Long-term borrowings are supplemented by short- to medium-term project finance wherever required.

Our balance sheet is strong and gives us sufficient headroom for raising further debt should the need arise. We generally maintain a healthy debt-equity ratio as well as retain the flexibility in our financing structure to alter this ratio when the need arises. Our contractual cash obligations excluding the convertible bond (on an undiscounted basis) by remaining maturity of our financial liabilities arising in the ordinary course of business at 31 March 2009 are set out below.

Remaining maturities (in US$ million)	< 1 year	1–2 years	2–5 years	> 5 years	Total
Bank and other borrowings	1,284.8	173.9	1,626.2	1,412.2	4,497.1
Capital commitments	2,413.7	1,260.3	–	–	3,674.0
Total	**3,698.5**	**1,434.2**	**1,626.2**	**1,412.2**	**8,171.1**

At 31 March 2009, we had access to funding facilities of US$7,024.3 million of which US$1,909.5 million was yet to be drawn as set out below.

Funding facilities (in US$ million)	Total facility	Drawn	Yet to be drawn
Less than 1 year	3,204.4	1,298.5	1,905.9
1–2 years	173.9	173.9	–
2–5 years and above	3,645.9	3,642.5	3.4
Total	**7,024.2**	**5,114.9**	**1,909.3**

The financial statements have been prepared in accordance with the going concern basis of accounting. The use of this basis of accounting takes into consideration the Group's current and forecast financing position.

Currency Risks

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

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

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

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

Foreign currency exposures are managed through a Group-wide hedging policy. The policy is reviewed periodically to ensure that the risk from fluctuating currency exchange rates is appropriately managed. Natural hedges available in the business are identified at each entity level and hedges are placed only for the net exposure.

Short-term net exposures are hedged progressively based on their maturity. A more conservative approach has been adopted for project expenditures to avoid budget overruns. Longer-term exposures are not hedged. Stop-loss and take-profit triggers are implemented to protect us from adverse market movements, while at the same time enabling us to take advantage of favourable market opportunities. Key foreign currency sensitivities on EBITDA resulting from a 10.0% movement in exchange rates are set out in the table below.

(in US$ million)	Closing US dollar exchange rate as at 31 March 2009	Average US dollar exchange rate in FY 2009	Impact of a 10% movement in currency on EBITDA
Currency			
Indian rupee	50.95	45.91	265.6
Australian dollar	35.02	36.14	8.2
Zambian kwacha	5,622	4,196	54.0

The above sensitivities are based on FY 2009 volumes, costs and prices and give the estimated impact on EBITDA of changes in exchange rates assuming that all other variables remain constant.

Interest Risks

At 31 March 2009, our net debt of approximately US$201 million comprised cash and liquid investments of US$4.9 billion offset by debt of US$5.1 billion.

We are exposed to the interest rate risk on short- and long-term floating rate instruments and also on the refinancing of fixed rate debt. Our policy is to maintain a balance of fixed and floating interest rate borrowings. The proportion of fixed and floating rate debt is determined by current market interest rates. As at 31 March 2009, 49.3% of our total debt was at a fixed rate and the balance was at a floating rate.

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

Considering our net debt position at 31 March 2009 and our investments in bank deposits and debt mutual funds, any decrease in interest rates would result in a net gain and any increase in interest rates would result in a net loss. Based on our gross debt as at 31 March 2009, with all other variables remaining constant, a one percentage point increase in the US dollar LIBOR would impact our profit before tax by US$25.9 million.

An analysis of the weighted average interest rates for debt and cash and current asset investments as at 31 March 2009 is given in the table below.

	Interest Paid fixed %	Investment income average yield %
Currency		
Indian rupee	10.6%	11.1%
US dollar	7.7%	2.4%

Some of the investments above generate a tax free return.

Counterparty Risks

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

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

Employees

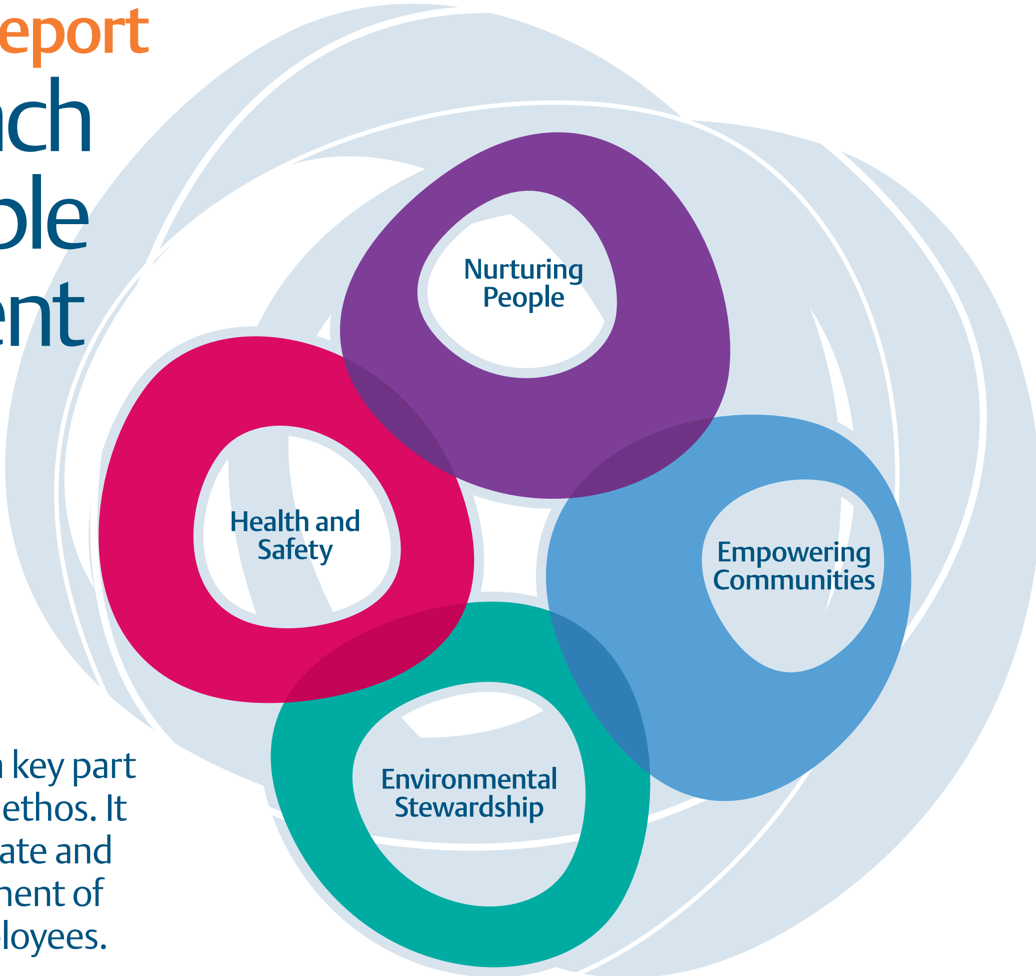
People are one of our key assets and we derive our ability to maintain our competitive position from them. Therefore, people in general and key personnel in particular leaving the organisation is a risk. Additionally, our inability to recruit and retain good talent would adversely affect us.

Our vision is to build a fast, flexible and flat organisation with world class capabilities and a high performance culture across all of our businesses. We believe in nurturing leaders from within and providing opportunities for growth across all levels and geographies. We have robust processes and systems in place for leadership development, training and growth to deliver value to the organisation and society.

We provide superior rewards for outstanding performance and have a long-term incentive plan which covers a large number of employees in the Group. A large proportion of our workforces are members of a trade union. We actively communicate and enter into dialogue with our workforce and believe in maintaining a positive atmosphere by being proactive with respect to resolution of labour issues.

Sustainability Report

Our approach to sustainable development



Sustainable development a key part of our strategy and over all ethos. It reflects in the way we operate and represents a core commitment of our management and employees.

We believe that Sustainability is a dynamic process and is not about finding the ideal status. Consequently, we are continuously innovating on our environmental and social performances.

We started our sustainability journey with a focus on ensuring compliance and improving our social, safety & health and environmental performance, with emphasis on establishing robust management systems. The process deployed helps us in enhancing focus and gives direction to drive our sustainability agenda.

During 2008, we continued our efforts to ingrain and deliver on Vedanta's sustainability strategy, managing and addressing non financial considerations, material and integral to our business and important to our key stakeholders.

Our sustainable development strategy the "Vedanta Way" is all encompassing. It comprises of the following elements:

Nurturing People	People are our key assets. We are committed to build a flexible, flat and learning organization with an engaged and high performing work force. We believe in nurturing and mentoring leaders from within and providing opportunities for growth based on meritocracy, performance and integrity
Empowering Communities	Communities are integral to our business. We are committed to enhancing the quality of life of the communities near our operations and creating self sustaining communities. We work to gain and nurture our social license to operate in the host communities
Health and Safety	We are committed to providing a safe, secure and healthy workplace for all employees by using the best technology and practices
Environmental Stewardship	Respect for nature, enhanced resource conservation and use of environmental friendly technology are embodied in our working

Governance for Sustainability

We have a well defined sustainability framework that comprises of governance structures and policies.

Our Health, Safety and Environment (HSE) processes are overseen by a Board appointed committee, chaired by Mr Naresh Chandra, an Independent Director that meets quarterly. The other members of the HSE Committee are:

- Mr MS Mehta (CEO, Vedanta Resources)
- Mr Akhilesh Joshi (COO, HZL)
- Mr Gunjan Gupta (CEO, BALCO)
- Mr Jeya Kumar Janakraj (Director Operations, KCM)
- Mr Pankaj Khanna (Executive Director, VAL, Jharsuguda)
- Dr. Mukesh Kumar (COO, VAL, Lanjigarh)
- Mr Ramesh Nair (COO, Sterlite Copper)
- Mr Mahesh Patil (General Manger HSE, Sesa Goa)
- Mr CSR Mehta (HSE Coordinator)
- Ms Ruby Thapar (CSR Coordinator)

The committee has its own well defined terms of reference and reports directly to the board. The committee guides our sustainable development endeavour, sets annual targets and monitors progress in line with our

HSE and social policies with a clear focus on integrating HSE aspects in the decision making process. All our locations are certified for ISO 14001 and OHSAS 18001, except CMT.

HSE committee's agenda is taken forward by senior management at each site. They are supported by HSE professionals who implement this agenda. Regular internal audits are performed to assess HSE performance. Audit findings are discussed in HSE meetings every month at all the sites. With a focus on behavioural safety we have established training systems at each location. Safety training is compulsory for all employees and contract workers. These programs are conducted in-house with inputs from external institutes and consultants of repute.

We are committed to robust governance and ethical conduct. We have a detailed Code of Conduct for Board Members, Senior Management and other employees. The whistle-blower policy empowers our employees to report any wrong doing without fear of retribution. We are committed to managing and minimizing the environmental and social risks of our activities, by encouraging use of energy and water efficient technologies, conducting environmental impact assessments to understand impact and plan for managing the environmental, social and economic aspects in our major expansions and new projects, along with ongoing internal reviews and external audits

Stakeholder Engagement

Stakeholder engagement is a key peg of our Sustainability strategy, as they help identify sustainability priorities and direct our efforts going forward on issues most important to our internal and external stakeholders. Key stakeholders to us are employees; local communities; customers; regulatory authorities; media; shareholders, investors and non governmental organizations.

This year we used The World Business Council for Sustainable Development matrix to prioritize stakeholders, based on their influence on us and the impact of our activities on them. A structured process of engagement was adopted using a three pronged approach – keeping the stakeholders informed, engaging with them and forging partnerships to address their needs and concerns. This exercise was conducted by an external agency and its finding helped us prioritize stakeholder needs and size up materiality.

Case study

Vedanta Bal Chetna Anganwadi Project

We believe that education plays a vital role in moulding the future of our children. The first five years of a child's life are the most crucial and lay the foundation for a healthy mind and body. Our Vedanta Bal Chetna Anganwadi Project (VBCA, child care center) addresses this critical aspect of development. The objective of the project is two fold: a) to improve the nutritional status of children in the age group of 0-6 years and b) to impart value based education through the play way method.

The project being conducted in partnership with the State Government's Integrated Child Development Services program and the Vedanta Foundation, in 937 centers, currently reaches out to 30,347 children at BALCO, Korba, HZL and VAL, Lanjigarh.

In operation for a year now, the results have been heartening. At HZL, 20% of the children have been mainstreamed into primary education and 10% of the malnourished children brought to normal grade within 12 months time. At BALCO, we have been successful at breaking social taboos like compulsory fasting of the mother post delivery and non administration of breast milk to infant immediately after birth, along with reduction of Infant and Maternal Mortality Rate from 115 to 85 & from 60 to 40 respectively. At VAL, Lanjigarh there is now 95% attendance at the centers. Dr. Mona Sharma, Principal Secretary cum Commissioner, Ministry of Women & Child Development, Government of Orissa, on her recent visit to Bhatguda commented, "The children are full of energy, very confident & want us to listen to all their rhymes. It is a refreshing change in Lanjigarh Block. I am sure all young children will blossom like this in this Block." An overall assessment revealed that 100% of these centers are operational now in comparison to 20% and attendance is up by 83% in comparison to 21% at the start of the year

On conducting an internal assessment we felt there was scope to enhance the program further with 3 additional elements: pre-school education to create a base for formal schooling; capacity building of the centers functionaries for effective delivery of services; lastly formation of a mothers committee to ensure involvement of each mother and child in the program. We have plans to expand the reach of the project to more than 0.5 million children over a period of 2 years.

Sustainability Report (continued)

Through a formal and structured process, materiality was determined by considering significant legal, regulatory, social and financial impacts, business policies, the performance of peers and competitors, and intensive discussion with our stakeholders across the board, inclusive of both internal assessments of risks and opportunities to the business.

Key material issues identified were:

1. People development
2. Environment and energy management
3. Impact of company operations on adjoining communities, including Resettlement and Rehabilitation
4. Occupational health and safety of our work resources
5. Access to natural resources

Sustainability Performance

Environmental Stewardship

Energy

Energy is one of our principal resources and our focus is on its conservation and efficient use. We use energy in its different forms like coal, coke breeze, pet coke, fuel oil, LPG, diesel, and electricity, besides energy from renewable sources like biomass, and through recovery of waste heat. Specific energy consumption continued to show an improving trend during the year. Against target reduction of 5%, the actual reductions for the year at Sesa, HZL and Balco were 28%, 9% and 4% respectively.

On the Green energy front we have increased our installed capacity of the wind farms from 107 MW to 123.2MW. The same are operating at design levels.

Climate change

We utilize carbon intensive fuels, generate captive power for all our major operations and also import electricity which contribute to direct and indirect carbon dioxide emissions. We have strengthened our focus and are getting independent carbon foot -printing done. This year HZL's Wind Power Plants, at Gujarat and Karnataka were registered as CDM projects by the UNFCCC, with CER potential of 2, 23,164 per annum. About 58,000 CERs realised from the earlier registered waste heat recovery projects were also sold during the year.

Raw material consumption

We continue to manufacture metals by extraction of ore from our mines and then processing the same in our smelting operations. This year the focus was on productivity and process improvement, benefits of which will be reflected in the forthcoming quarters.

Water management

Similar to energy, water is another crucial resource in our operations. We have put in structured efforts to reduce fresh water consumption and increasing the recycle and reuse of treated effluent. Across our operations, we have taken forward host of initiatives, notably being reduction of specific water consumption at the zinc operations by 18%.

Waste management

We focus on a '4R' waste strategy – Reduce, Recycle, Reuse and Reclaim. We believe that actions to reduce waste, either by encouraging material efficiency, reducing the generation of waste, or enabling the recovery and reuse of discarded material is a critical element of sustainable development.

Biodiversity

We conduct an environmental impact assessment study for all our projects as well as our expansion activities. We strive to take the utmost care to protect the biodiversity which may be affected by or is adjacent to any of our operating locations.

Social

Nurturing People

Recruitments

Vedanta's operations have grown several folds over the last few years and so has its demand for high quality human resources for its operations and up coming projects. Every individual who joins the organisation has the "right to grow "is the fundamental principle that drives the Talent Engagement Process at Vedanta. We believe in inducting large number of fresher's from campus and provide them with accelerated global career opportunities. We hire science graduates, engineers, qualified finance professionals and other functionally qualified professionals directly from reputed campuses. We have also initiated special recruitment drive of Ex-Servicemen from Defence Forces for various roles in security, administration and core and strategic support roles.

Growth and Development

The Group has a unique and well demonstrated track record of providing career opportunities from within. Hiring predominantly fresher's and grooming them to take leadership roles. Employees with a performance track record and high potential are identified through a well structured and transparent development process and are given accelerated growth with specialized technical and general management training, periodic job rotations and leadership guidance.

Labour rights

At Vedanta, we ensure that all our businesses are in compliance with

all labour regulations of the land and we strive to uphold all labour rights. We proactively and frequently meet with representatives of labour unions at all sites to deliberate on employee concerns and evolve pragmatic solutions that are progressive in nature for long term well being of both employees and all stake holders associated with the group.

Safety

Safety continues to be a focus and a subject matter of continuous improvement. During the year we deployed external consultant like E.I DuPont de Nemours and British Safety Council, to help upgrade our safety performance. The Loss Time injury frequency Rate (LTIFR) during the year continued to show an improving trend.

The LTIFR for 2008-09 at 1.67 translates to reduction of 13% over the previous year and over 56% during the last three years.

We regret to inform that the total number of fatalities this year was 22, which is unacceptable. These accidents have been thoroughly investigated and corrective measures put in place. As a first step DuPont and British Safety Council were engaged to conduct a safety assessment across all locations and their recommendations are in the process of being implemented.

Empowering Communities

Our community engagement has grown as the mainstay of our business. This year was a period of retrospection and introspection for the Company, in understanding the evolution of our relationship with our Communities over the last four years and the direction the Company now needs to take, to strengthen and deepen it.

Our vision is to 'enhance the socio economic lives of communities where we operate'. We firmly believe with an understanding of each others needs and opportunities, we the company, government, communities and civil society, are striving collectively to bring long-term qualitative developments in the communities.

The outreach of our programmes encompasses more than 2.5 million people in India and Zambia. We are presently engaged in more than 427 villages. This commitment is demonstrated on the ground by the team of 454 grass root level functionaries and 96 professional and subject matter specialists who drive the initiative.

We run 937 Anganwadi Centers (Child Care Centers) in partnership with the government's Integrated Child Development Scheme centers at HZL, Lanjigarh, and BALCO reaching out to 30,347 children. The program consists of health care and nutrition supplements, including addressing maternal and child mortality, and education through the play way method to control dropouts and ensure continuity in education, Plans are underway to scale the project to reach out 0.5 million children over 2-3 years time frame

Currently we run 6 centralized kitchens under the Midday Meal Scheme (MDM) operational at Rajasthan reaching out to 180,000 children in partnership with the Government of Rajasthan and Naandi Foundation. Work is in progress at for setting up a kitchen each at Lanjigarh and Korba reaching out to about lakh children in partnership with the respective State Governments and Naandi Foundation. Under a 5 year plan we will set up of 31 MDM Kitchens at 10 different locations in rural India catering to 1 million children.

This year we have partnered with 82 civil society organizations which brought an expanded dimension towards achieving the project goals. The competency sharing lead to successful capacity building of communities and constructive and constant dialogue. We were also recipients of several Sustainable Development awards and accreditations that our Group companies have received over the past year. Highlighting a few

- 2nd Best employer in India and amongst top 25 employers in Asia by Hewitt, Associates HZL
- Asian, 2008, HZL by Asian Institute of Management
- International Safety Award 2008 from British Safety Council, Debari Smelter, HZL, BALCO and Copper Smelter at SIIL, Tuticorin.
- RoSPA Gold Award 2009 from Royal Society for Prevention of Accidents, UK, Debari Zinc Smelter, HZL
- Golden Peacock Award for Excellence in Corporate Social Responsibility Award , BALCO, 2008
- Golden Peacock Award for Corporate Social Responsibility Award Reporting, Vedanta Resources, 2008

We continue to use the Global Reporting Initiative's G3 Sustainability Reporting Guidelines to develop this report. This year we also reported on additional indicators of the G3 guidelines and the GRI Draft Metal and Mining supplement. The information within this section is an outline of our policies, systems and performance and will be detailed further in the stand alone Sustainable Development Report. The key information is being independently verified by KPMG, India.

Board of Directors

Executive Directors

Anil Agarwal, aged 55[4]
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.

Navin Agarwal, aged 48 [2]
Deputy Executive Chairman
Mr Agarwal is responsible for directing the Group's business strategy as well as managing its overall growth. He also chairs the Group's Executive Committee. In this role, he oversees the planning and completion of the pipeline of strategic growth projects. Mr Agarwal is also responsible for inorganic growth opportunities, strategic treasury and fund raising initiatives including long-term debt and equity global investor relations, as well as augmenting and managing the top talent of the Group.

M. S. Mehta, aged 53 [1]
Chief Executive
Prior to his appointment on the board and as CEO, Mr Mehta was whole-time Director and CEO of Hindustan Zinc Limited. Mr Mehta has been with the group since April 2000 and has held various leadership roles, such as Commercial Director (Base Metals) at the group level and Head of Sterlite Copper. Prior to joining the group, Mr Mehta has worked for about 20 years in the steel sector. Mr Mehta is a mechanical engineer and holds management degree from the Indian Institute of Management, Ahmedabad.

Non-Executive Directors

Naresh Chandra, aged 74 [3]
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 from 2002 to 2003. He was given the prestigious civilian award of Padma Vibhushan by the President of India. Mr Chandra has a Master's degree in Mathematics from Allahabad University.

Aman Mehta, aged 62 [5]
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 that of 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 Bachelor's 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.

Euan Macdonald, aged 69 [6]
Mr Macdonald spent over 20 years with S.G. 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 then from 1999 to 2001, he was Executive Vice Chairman of HSBC Securities and Capital Markets, India. Mr Macdonald has a Bachelor's degree in economics from the Cambridge University and a Masters degree in finance and international business from Columbia Business School.

Note: ( ) - Left to Right

Executive Committee

Tarun Jain
Director of Finance, Sterlite
Mr Jain is also a director of BALCO, MALCO and HZL. 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, and was responsible for TCM and CMT mines. He has over 30 years of experience with various companies in the engineering, mining and non-ferrous metal sectors. He has been associated with the Aditya Birla Group in various capacities from 1978 to 2000. Mr Jalan is a member of the Institute of Chartered Accountants of India.

MS Mehta
Chief Executive Officer, Vedanta Resources
Mr Mehta has 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. Prior to joining this group, Mr Mehta has worked for about 20 years in the steel sector. Mr Mehta is a Mechanical Engineer and holds Management Degree from the Indian Institute of Management, Ahmedabad.

Mr M Siddiqi
Whole Time Director, VAL and Chief Executive Officer, Aluminium Business
Mr Siddiqi manages the Aluminium business of Vedanta. He joined Vedanta in 1991, responsible for the Copper Rod plant. He moved to the Copper smelter and refinery at Tuticorin and subsequently to the Aluminium business at Korba where he was responsible for the overall commissioning of the Korba plant as Project Director. Prior to joining the group, Mr Siddiqi held senior positions in Hindustan Copper Limited. Mr Siddiqi received his Bachelors degree in Mechanical Engineering from the Indian Institute of Technology, New Delhi.

Pramod Suri
CEO, Aluminum Business (Operations).
Mr Suri is also the Whole time Director of 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. He has a Masters of Chemistry from the India Institute of Technology, Delhi.

Rajagopal Kishore Kumar
Chief Executive Officer, Copper & Zinc 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 is a member of the Institute of Chartered Accountants of India.

Jeyakumar Janakaraj
Director (Operations), KCM
Mr Janakaraj is responsible for overall operations of KCM and also heading copper and zinc sector projects across the Group. He joined Sterlite Industries – Copper sector in 1995 as Mechanical Engineer. He has been associated with Essar Steel from 1992 to 1995 and holds Bachelor Degree in Mechanical Engineering from PGS College of Technology, Coimbatore.

Akhilesh Joshi
Chief Operating Officer, Hindustan Zinc Limited
Mr Joshi is responsible for the zinc business operations at HZL and joined the company in 1976. Prior to moving as COO of HZL, he was Sr. VP (Mines), responsible for the overall operations of all mining units at HZL. Mr Joshi has a Mining Engineering degree from MBM Engineering College, Jodhpur and a Post Graduate Diploma in Economic Evaluation of Mining Projects from School of Mines of Paris. He also has a first class Mine Manager's Certificate of Competency. He is the recipient of National Mineral Award (GOI) in 2006 for his outstanding contribution in the field of Mining Technology.

P K Mukherjee
Chief Executive Officer, Iron Ore Business
Mr. Mukherjee is the managing director and chief executive officer of our iron ore business at Sesa Goa. He joined Sesa Goa in 1987 as a Manager and has held various positions within the company in the areas of accounting, finance and taxation. Prior to becoming Managing Director of Sesa in April 2006, he was the Finance Director . He has a total industry experience of 30 years. Mr. Mukherjee is member of The Institute of Chartered Accountants of India and The Institute of Cost and Works Accountants of India.

CV Krishnan
Managing Director, Commercial Power business
Mr Krishnan is also responsible for the Group's Business Development including M&A. Prior to that, Mr Krishnan was the Chief Executive Officer and Managing Director of KCM. Prior to joining the group in May 1999, Mr Krishnan has over 30 years of work experience and has held senior positions in Larsen & Toubro Limited, Essar, DCM. Mr Krishnan has a Bachelor of Technology from the Indian Institute of Technology, Chennai and a Masters of Business Administration from the Indian Institute of Management, Ahmedabad.

Dilip Golani
President, 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. Prior to joining the group in April 2000, Dilip was working with Unilever as member of the Unilever Corporate Audit Team responsible for auditing Unilever group companies in Central Asia, Middle East and Africa Region.

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

Corporate Governance Report

Introduction

The Directors of Vedanta Resources plc continue to be committed to the highest standards of corporate governance practices in its management of the affairs of the Group and accountability to shareholders. The Board believes that sound corporate governance is essential to achieving the Company's strategy to create a world class metals and mining Group and generate strong financial returns. The Directors are especially aware of the need for a strong corporate governance framework in the current climate and the need not only to reflect the changing nature of the Group's businesses but the environment in which it operates.

The objective of this report is to provide details of the Group's governance policies, processes and structures and its compliance with the principles of the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006 (the 'Code'). The Code covers 17 main principles in four subject areas: Directors, Directors' Remuneration, Accountability and Audit, and Relations with Shareholders. This report explains how these principles were applied, with the exception of those relating to Directors' remuneration which are contained in the Remuneration Report on pages 46 to 52.

Statement of Compliance with Code Provisions

With the exception of the following matters, the Company has throughout the year to 31 March 2009, fully complied with the principles set out in Section 1 of the UK Financial Reporting Council's Combined Code on Corporate Governance adopted in June 2006:

Code Provisions A.2.2 and A.3.1

As the founder of Vedanta, Mr Anil Agarwal was instrumental in overseeing the phenomenal growth of the Group since its inception in 1976 including the flotation of Vedanta Resources plc on the London Stock Exchange and its development into a FTSE 100 company. Mr Agarwal was appointed as Executive Chairman in March 2005. This meant that Mr Agarwal did not meet the strict 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.

His record since his appointment in seeking out new opportunities into value-creating projects whilst heading up a dynamic Board has shown his continuing commitment to developing the Group for the benefit of its shareholders. For this reason the Board is unanimously of the opinion that his continued involvement in an executive capacity is vitally important to the success of the Group.

Code Provision A.4.1

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. which stipulates that the Nominations Committee should lead the process for Board appointments.

The Board

Role and Responsibilities of the Board

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

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

There are five Board committees: Executive, Remuneration, Audit, Nominations, and Health, Safety and Environment. Each has its own clearly defined terms of reference and reports directly to the Board. Additional information on the committees is given later in this report.

Board Balance and Independence

The Board comprises the following members:

Mr AK Agarwal	Executive Chairman
Mr N Agarwal	Deputy Executive Chairman
Mr MS Mehta	Chief Executive
Mr N Chandra	Non-executive Director and Senior Independent Director
Mr A Mehta	Non-executive Director
Mr ER Macdonald	Non-executive Director

The Board, chaired by Mr Anil Agarwal, currently has six Directors comprising the Executive Chairman, two Executive Directors and three 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.

As announced during the year, Kuldip Kaura resigned as Chief Executive Officer on 30 September 2008 and was succeeded by Mr MS Mehta. Mr Mehta's appointment was approved by the Board in March 2008 following the recommendation of the Nominations Committee. Prior to his appointment Mr Mehta was the Chief Executive of Hindustan Zinc Limited where he made a significant contribution to the company's growth. Mr Mehta will stand for election at the 2009 Annual General Meeting.

Dr Tamotia, a Non-executive Director was convicted by a lower court in India for having disproportionate assets during his tenure as Chairman of the National Aluminium Company Limited. This judgement is not final and he is appealing this in the High Court, in the meantime he has tendered his resignation and the Board on 6 March 2009 accepted the same. Brief biographies of all of the current Directors are set out on page 36.

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

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

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

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 Directors who are independent of Volcan make up a majority of the Board and Vedanta's ability to operate independently of Volcan is protected by the Relationship Agreement. In addition, in accordance with Provisions A.3.2 of the Combined Code, at least half the Board, excluding the Chairman, comprise Non-executive Directors determined by the Board to be independent.

Conflicts of Interest
The Board has established a process for disclosure of interests and other related matters in line with published guidance and the Companies Act 2006. Each Director has disclosed any actual or potential conflicts to the Board. Any changes are disclosed and noted at each Board meeting. The Board authorises potential or actual conflicts and has authorised the Audit Committee to deal with the Relationship Agreement issues and related party transactions on behalf of the Board.

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

Chairman
– Setting a vision for Vedanta, formulating its strategy, creating profitable business opportunities and reviewing merger and acquisition 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 and managing the executive team in the operations.
– Delivery of operating budgets.
– 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.

The Chairman's other current responsibilities are set out in the biographies on page 36. There have been no changes to those commitments during the year.

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

Induction and Continuing Professional Development
Appropriate induction is provided to all Directors on appointment to the Board and programmes of continuing professional development are arranged as required, taking into consideration the individual qualifications and experience of the Directors.

Corporate Governance Report (continued)

During the year the Directors received briefings on new legislation in respect of conflicts of interest and directors' duties. The Directors also attend other update briefings in order to familiarise themselves with new regulatory requirements as appropriate. Directors undertake visits to operations and have discussions with local management on an ongoing basis.

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

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

The evaluation process concluded that the Board as a whole provided strong leadership within a sound framework of controls. The main committees had functioned effectively during the year and individuals had also performed well, with each member making a significant contribution to the Company. The mix of skills and experience on the Board was felt to be appropriate. The main area of weakness identified was the need to give greater time to discussing strategic and environmental issues. This has been noted and actions put in place as a result.

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

Re-election
In accordance with the Company's Articles of Association all Directors submit themselves for election at the Annual General Meeting following their appointment and thereafter by rotation at least once every three years. Non-executive Directors are only put forward for re-election if, following performance evaluation, the Board believes the Director's performance continues to be effective and demonstrates commitment to the role.

Board Meetings and Attendance
The Board met nine times during the year and maintained close dialogue between meetings. Board committees are appointed to deal with the execution of specific matters requiring Board approval. The Board is updated regularly by these committees on the development of these specific matters. 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. A procedure has been put in place to ensure that the Board considers all of the relevant factors when reaching its decisions. The Executive Committee reviews papers before submission to the Board to ensure they take into account, as appropriate, the factors set out in section 172 of the Companies Act 2006 (Directors' duty to promote the success of the Company for the benefit of members). In addition to these formal processes, Directors are in regular communication with the senior executives.

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

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

	Board		Audit Committee		Remuneration Committee		Nominations Committee		Health, Safety and Environment Committee	
Director	A (1)	B (2)	A	B	A	B	A	B	A	B
AK Agarwal	9	9	–	–	–	–	2	2	–	–
N Agarwal	9	9	–	–	–	–	–	–	–	–
KK Kaura[1]	4	4	–	–	–	–	–	–	1	1
MS Mehta[2]	5	5	–	–	–	–	–	–	3	3
N Chandra	9	9	4	4	3	3	2	2	–	–
A Mehta	9	9	4	4	3	3	–	–	–	–
SK Tamotia[3]	8	8	–	–	–	–	1	1	2	2
ER Macdonald	9	9	4	4	3	3	2	2	–	–

Notes:
1 Resigned from the Board on 30 September 2008.
2 Appointed to the Board on 1 October 2008.
3 Resigned from the Board on 6 March 2009.

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

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

Board Committees

All of the Board committees have access to sufficient resources and external advice as appropriate. Copies of the terms of reference of the committees are available from the Company Secretary on request.

Audit Committee

The members of the Audit Committee, all of whom are independent Non-executive Directors, are:
- Mr N Chandra
- Mr ER Macdonald
- Mr A Mehta (chairman)

The Audit Committee's main responsibilities are to monitor the integrity of the financial statements, review the activities of the external and internal audit functions, and review internal controls and risk management systems.

The Board considers that the required relevant financial experience on the Committee is provided by Mr Mehta 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.

Further details about the Audit Committee and its activities are outlined below.

Remuneration Committee

The members of the Remuneration Committee, all of whom are independent Non-executive Directors, are:
- Mr N Chandra (chairman)
- Mr A Mehta
- Mr ER Macdonald

The Remuneration Committee is responsible for setting the remuneration policy and remuneration packages for the Executive Directors and for maintaining an awareness of the overall remuneration of senior management within the Group.

The Remuneration Report, which is presented on pages 45, sets out the remuneration policy and other disclosures concerning the remuneration of the Executive Directors.

Nominations Committee and its Report

The members of the Nominations Committee are:
- Mr A Agarwal (chairman)
- Mr N Chandra
- Mr ER Macdonald

The Nominations Committee is responsible for succession planning for the Board and making recommendations concerning candidates for appointment as Executive or Non-executive Directors of the Company. The selection process will generally involve benchmarking and interviews with a selection of candidates. In addition, the Committee makes recommendations concerning the structure, size and composition of the Board. The Nominations Committee also assesses the Directors to retire and stand for re-election at the AGM in accordance with the requirements of the Combined Code that all directors be re-elected at intervals of no more than three years.

During the year the Nominations Committee considered Mr Chandra's re-appointment to the Board under his contract which is renewable every 12 months. The Committee agreed that a recommendation be made to the Board that Mr Chandra be re-appointed as a Non-executive Director and the Senior Independent Director as his performance continued to be effective and he demonstrated commitment to the role. In addition, the Committee also considered the Directors to retire by rotation under the Company's Articles of Association and reviewed the composition, balance and skills of the Board.

Health, Safety and Environment Committee ('HSE Committee')

The HSE Committee consists of two Board Directors and senior management as follows:
- Mr Chandra (chairman)
- Mr MS Mehta
- Mr R Nair
- Mr CSR Mehta
- Mr G Gupta
- Mr J Janakaraj
- Mr A Joshi
- Mr P Khanna
- Mr M Patil

As a result of the departure of Dr Tamotia the Board considered the appointment of a new chairman for the HSE Committee and Mr Chandra was appointed as Chairman in March 2009 with the unanimous support of the Board. Changes were also made during the year to the composition of the HSE Committee to include members from operational management to further enhance focus on health, safety and environmental matters. Further details about the role of the Health, Safety and Environment Committee can be found in the Sustainable Development Report on pages 32 to 35 of this Annual Report and in the separate Sustainable Development Report.

Executive Committee

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

Corporate Governance Report (continued)

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

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

During the year the Executive Committee also oversaw the division of the business into various operating sectors and aligned management to these sectors to provide a more effective focus of management and greater operational efficiencies.

Accountability and Audit

Audit Committee Report

Under its terms of reference the Audit Committee is required to meet at least three times a year and organises its meetings at the most appropriate times in the reporting and audit process. The Audit Committee's main responsibilities are to:

- make recommendations to the Board concerning the appointment of the external auditor;
- review the independence of the auditors;
- develop policy in relation to the provision of non-audit services by the auditor;
- discuss with the external auditor the nature and scope of the audit;
- approve the remuneration of the auditor;
- monitor the integrity of the financial statements, including its annual and interim results;
- review the Group's internal controls and risk management systems;
- monitor the activities of the internal audit function and consider their reports;
- review the Group's arrangement for its employees to raise concerns through its whistleblowing policy; and
- review reports from the subsidiary audit committees.

The Group's main subsidiaries, a number of which are listed on stock exchanges in India, have their own audit committees in accordance with local corporate governance requirements. By monitoring their discussions and findings, the Audit Committee gains further insights into the quality of financial reporting and internal control. Furthermore the internal audit function presents issues arising from the subsidiaries to the Audit Committee on a regular basis.

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

- review of the Company's draft preliminary announcement, the annual report and interim statement;
- review of the Company's risk matrix and internal controls processes;
- review of the internal audit reports of the Company;
- approval of the internal audit plan for 2009–10, including review of the Management Assurance Service function;
- evaluation of the performance and effectiveness of the external auditor. This was done using a detailed questionnaire, the results of which had been considered by the Committee and which formed the basis of the Committee's recommendation to the Board to recommend the re-appointment of Deloitte LLP as the Company's auditors for the year ending 31 March 2010;
- review of the external auditors' independence;
- review of the external auditors' significant findings;
- consideration of key tax and legal issues;
- review of the Group's whistleblowing policy;
- review of updates on the Group's Sarbanes–Oxley compliance following Sterlite's ADR listing;
- performance of the internal audit function.

Auditor Independence

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

Rotation of the audit partner's responsibilities within Deloitte is required by their profession's ethical standards. There is also rotation of key members within the audit team.

The Committee has a policy for the provision of non-audit services by the auditors. Under this policy, the Audit Committee has agreed a scope of services which the external auditors are permitted to deliver to the Group. The policy also specifies which services are prohibited in order to safeguard the ongoing independence of the external auditors. An analysis of the non-audit fees can be found in note 9 to the financial statements.

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

Financial Reporting Systems

The Group has a comprehensive financial reporting system, which is reviewed and modified as circumstances require. Procedures include:

- Preparing operational budgets for the forthcoming year for review and approval by the Board.
- Ensuring budgets and forecasts are prepared using conservative and consistent assumptions.
- Monitoring performance against key performance indicators throughout the financial year and updating forecasts with reference to information on key risk areas.
- Preparation of monthly management reports both on a divisional and consolidated basis which are presented to the Executive Committee for review.
- Implementing and review of IT controls.

Internal Control and Risk Management

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

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

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

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

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, projects and other entities. In preparing an internal audit plan, reference is made to the Group's risk matrix, inputs are sought from senior management and project managers and Audit Committee members and reference is made to past audit experience and financial analysis.

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

Relations with Shareholders

Dialogue with Institutional Shareholders

The Board recognises that meetings with analysts and shareholders constitute an important element of the Company's investor relations programme. A number of meetings were held with the Company's principal institutional shareholders during the year as well as with financial analysts and brokers. These meetings are initiated either by the Company or analysts and investors and are managed at Group level through Mr Sumanth Cidambi, 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, Chief Financial Officer and Director of Investor Relations. The Senior Independent Director and Non-executive Directors are also available as appropriate.

Senior management attend investor seminars which provide opportunities for two-way communication with investors and analysts and feedback is provided to the Board.

The Company announces its annual and half-year results to the London Stock Exchange and the press in advance of the publication of the annual and 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, Chief Executive Officer and Chief Financial Officer following the release of the interim and preliminary announcements.

Corporate Governance Report (continued)

The Annual Report is the primary means of communicating with shareholders. All financial reports, including the half year report, press releases and other information about Vedanta are available on the website (www.vedantaresources.com).

Constructive Use of the Annual General Meeting

The Board uses the Annual General Meeting to communicate with shareholders and welcomes their participation. This year's Annual General Meeting will be held on 27 July 2009 at 3pm, at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED. The Notice of Meeting will be circulated at least 20 working days before the meeting. An update will be provided on trading performance and shareholders will be given the opportunity to ask questions. Voting at the Annual General Meeting on all resolutions is by poll on a one share, one vote basis and the results of votes cast for, against and abstentions are available on the Group's website following the meeting. The chairmen of the Audit, Remuneration and Nominations Committees are available to answer questions from shareholders.

Remuneration Report

Introduction

This Remuneration Report sets out the policies and practices adopted by the Company in respect of members of the Board and provides details of their remuneration and share interests for the year ended 31 March 2009.

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

Of necessity, the design of remuneration policy will evolve from year to year in line with the Company's strategic needs. Given the current unprecedented economic situation the Remuneration Committee will keep under close review remuneration policy and incentive plans during the forthcoming year. The Remuneration Committee will continue to give full consideration to the principles set out in the Combined Code on Corporate Governance in relation to Directors' remuneration and to the guidance of investor relation bodies.

The report has been approved by the Board and signed on its behalf by the Chairman of the Remuneration Committee. A resolution to approve this report will be proposed at the Company's Annual General Meeting to be held on 27 July 2009.

Part I (Unaudited)

Remuneration Committee (the 'Committee')

The Board has established a Remuneration Committee in accordance with Provision B.2.1 of the Combined Code to determine on behalf of the Board the Company's policy on the remuneration and terms of engagement of the Executive Directors and certain senior executives.

During 2008–09 the Committee comprised:
- Mr Naresh Chandra (chairman)
- Mr Euan Macdonald
- Mr Aman Mehta

All three members of the Committee served during the year and are all independent Non-executive Directors.

The Committee's duties are set out in its terms of reference which are available on request from the Company Secretary at the Company's registered office. The Committee's remit is primarily to determine and agree with the Board the framework and broad policy for the remuneration of the Chairman and Executive Directors. In so doing, the Committee makes recommendations to the Board on:
- the Company's overall policy on executive and senior management remuneration;
- remuneration packages for individual Executive Directors, including basic salary, bonus, performance-based short- and long-term incentives, pensions and other benefits; and
- the design and operation of the Company's share incentive schemes.

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

Ernst & Young LLP review and confirm the Company's TSR performance in respect of the long-term and short-term incentive plans. Ernst & Young LLP also provide some tax and internal audit services to the group.

The Committee will engage independent consultants to advise on particular aspects of Directors' remuneration as appropriate. During the year Hewitt New Bridge Street ('HNBS' which forms part of Hewitt Associates) provided ad hoc advice on the Company's remuneration practices as they apply to Executive Directors. HNBS provide no other services to the Company.

The Committee met three times during the year and considered the following items of business:
- A report of the President, Human Resources on developments in the human resource area.
- Salary and bonus arrangements of the Executive Directors.
- Vesting of long term incentive plan awards.
- Grant of long term incentive plan awards to new employees.
- Remuneration package of the new Chief Executive of the Company.

Remuneration Policy

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

The Board is mindful of the current downturn affecting global markets and the Remuneration Committee will be considering this amongst other factors when establishing policy for the forthcoming year taking also into consideration the challenges being confronted, growth pipeline and cost of production ('COP') trend. 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.

Remuneration Report (continued)

The following factors are taken into consideration 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.
- Market practices in the country in which we operate in the mining and manufacturing sectors (in respect of operational management) and in all sectors (in respect of corporate and supporting functions), excluding certain very high-paying sectors, for example, financial services.

The Group attempts to align the interests of the Senior Management Group with those of the shareholders by linking share and cash incentives to corporate performance and challenges faced. This is measured by reference to the key performance indicators as discussed in the Financial Review on pages 24 to 27. Therefore, the remuneration packages of the Senior Management Group comprise:

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

The Committee will oversee that the incentive structure for the Executive Directors and members of the Senior Management Group is in line with the market.

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 save for the ad hoc advice described above.

Salaries, Pensions and Other Benefits

Salaries and Cost to Company

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. In addition, 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.

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

Mr Anil Agarwal has a service agreement with the Company under which he received a salary of £925,000 per annum.

Mr Navin Agarwal and Mr MS Mehta have service agreements with Sterlite Industries (India) Ltd ('Sterlite') which have been augmented by letters of appointment to the Board of the Company. During the year, Mr Agarwal was entitled to CTC of INR 45,200,007 per annum and Mr Mehta was entitled to CTC of INR 11,249,999 per annum pursuant to their Sterlite service agreements. They were both entitled to benefits in kind. Under their letters of appointment to the Board of the Company, Mr Navin Agarwal and Mr MS Mehta were paid fees of £60,000 per annum, to reflect the amount of time they spend on Board business.

Mr Kaura, who retired as Chief Executive on 30 September 2008, had a service agreement with Sterlite under which he was entitled to CTC of INR 28,700,002 per annum. He also received fees of £60,000 per annum for time spent 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 Mr A Agarwal and Mr N Agarwal were agreed by the Remuneration Committee on 6 May 2009 and take effect from 1 April 2009. Mr M Mehta's salary was agreed by the Committee on his appointment on 1 October 2008 and reviewed by the Remuneration Committee on 6 May 2009.

Details of salary levels for the Executive Directors are as follows:

	Designation	Vedanta salary from 1 April 2009 (£)	Sterlite salary from 1 April 2009 (INR)	Total (£)
AK Agarwal	Executive Chairman	1,017,500	–	1,017,500
N Agarwal	Deputy Executive Chairman	60,000	49,720,000	684,377
MS Mehta	Chief Executive (appointed 1 October 2008)	60,000	14,062,000	193,558

Note: Exchange rate of INR 72.65 to £1 as at 1 April 2009.

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

Benefits in Kind
Mr Anil Agarwal is provided with a car and fuel in the UK for business 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 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 is provided with leased accommodation and Mr M S Mehta is entitled to a housing loan subsidy. Mr Navin Agarwal was also reimbursed club membership fees.

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

The maximum bonus payable to the Executive Directors is 100% of annual base salary, whilst for other members of the Senior Management Group, the maximum bonus payable is 50% of CTC. In respect of Mr Navin Agarwal and Mr MS Mehta salary means the aggregate of Vedanta salary together with 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 vision and business plan of respective companies. 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 2009, the payment of the annual bonus was dependent on the following business operational performance and projects, including green field and expansion projects. In addition it was linked to strategic initiatives in mergers and acquisitions and effective stakeholder management which resulted in recognition and achievement of awards in CSR, safety, quality, business excellence and best employer status.

Operational Performance
- Record production of 462,000 tonnes of aluminium, an increase of 16.7% over the previous year.
- Record delivery of refined zinc metal production of 552,000 tonnes, up by 29.6% compared with the previous year.
- Achievement of highest ever production of saleable silver at 3.38 million troy ounces.
- Record production of saleable iron-ore produced at 15 plus million tonnes, an increase of 28.5% over last year.

Projects
- All of the designated projects are in line with time schedules and project milestones. Project costs have been lowered taking the economic situation as an opportunity for growth.

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, which was adopted on Listing to provide maximum flexibility in the design of incentive arrangements over the long term.

Long-Term Incentive Plan ('LTIP')
The Company operates a Long-Term Incentive Plan, launched in 2004, for Executive Directors and senior management. Since its inception, the LTIP has been used to support the Board's objective of incentivising and developing the potential within the wider management group. Each year the aim has been to broaden the constituency of employees eligible to participate in the LTIP so as to increase the alignment of interests between shareholders and the management population.

It is the Committee's intention that the LTIP will continue to be operated for these purposes and in the way described below during the forthcoming year.

The vesting of LTIP awards is subject to measurement of the Company's performance in terms of Total Shareholder Return ('TSR', being the movement in the Company's share price plus reinvested dividends), 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).

Remuneration Report (continued)

The Remuneration Committee has adopted a specific list of companies as a comparator group for the purpose of facilitating periodic assessments of the Company's TSR performance. It has selected companies which it believes are the Group's peers and competitors and therefore will provide a meaningful comparison against which to measure the Group's performance. The full list of companies against whose performance Vedanta's TSR is measured is as follows (the 'Comparator Group'):

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

There have been no changes to the Comparator Group during the year.

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

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

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

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

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

The maximum value of shares that can be conditionally awarded to an Executive Director in a year is 100% of the aggregate of annual salary and CTC fees. 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.

During the year, the Remuneration Committee resolved to award a total of 11,200 LTIP options to three individuals hired through the Company's global recruitment programme.

Details of the awards held by the Executive Directors as at 31 March 2009 are shown in the table of Directors' Long Term Incentive Awards on page 51.

Vesting of LTIP Awards

Ernst & Young reviewed the Company's TSR performance relative to the Comparator Group for the 36-month performance period for LTIP awards made in 2006. Ernst & Young reported that TSR performance of Vedanta over the three year period was at the median ranking triggering a 40% vesting of awards. Accordingly, the Remuneration Committee approved the vesting of 718,180 ordinary shares under the LTIP awards to 872 eligible employees. This included the vesting of awards to the Executive Directors as follows:

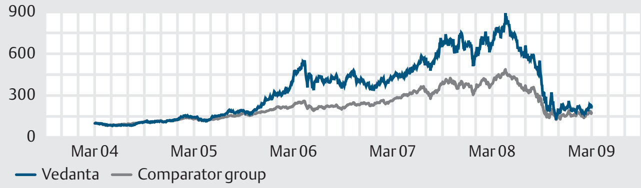
Mr Anil Agarwal	17,000 shares
Mr Navin Agarwal	13,360 shares
Mr Kuldip Kaura	26,225 shares
Mr MS Mehta	8,000 shares

Total Shareholder Return Performance Graph

The graph below shows the TSR performance of the Company in comparison with that of the Comparator Group for the period from 31 March 2004 to 31 March 2009. To provide more detail, the graph presents performance on a daily basis rather than using year end dates as required by the Regulations.

Vedanta versus Comparator Group Average (rebased to 100)

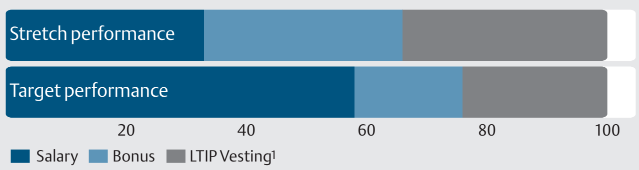
31 March 2004 to 31 March 2009



Relative Importance of Fixed and Variable Pay

A significant proportion of the remuneration of the Executive Directors is performance-linked. The chart below demonstrates the balance of fixed and variable pay in these circumstances for the Executive Directors assuming: (i) maximum bonuses were paid and full vesting of LTIP awards ('Stretch Performance'); and (ii) actual bonus payouts as earned in 2009 and median vesting of LTIP awards ('Target Performance').

Relative split of salary bonus and LTIP for Executive Directors at target and stretch performance



1 Share price growth is ignored.

Executive Directors' Service Contracts

Mr Anil Agarwal and Mr Navin Agarwal are employed under contracts of employment with the Company which are not for a fixed term but which may be terminated by not less than six months' notice. Provision is made in Mr Agarwal's contract for payment to be made in lieu of notice on termination which is 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 Navin Agarwal's appointment as a Director of Sterlite expires on 31 July 2013, being the expiry date specified in his Sterlite contract, with a notice period of three months'. His appointment as a Director of Vedanta is a rolling contract.

Mr Mahendra Mehta has a service contract with Sterlite and a letter of appointment with Vedanta which may be terminated by giving three months' notice. There is a payment in lieu of notice clause in his contract allowing for the payment of compensation in the case of early termination.

It is the Group's policy that no Directors' service contract should be terminable on more than 12 months' notice.

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 2013
Mr MS Mehta	1 October 2008	3 months	Until 30 September 2011
N Chandra[1]	1 June 2007	3 months	Until 31 May 2009
A Mehta	24 November 2004	3 months	Until 23 November 2009
ER Macdonald	23 March 2005	3 months	Until 22 March 2010
Former Director			
Mr K Kaura (Vedanta)	4 May 2005	3 months	Not applicable – retired 30 September 2008
Mr K Kaura (Sterlite)	20 October 2004	3 months	Not applicable – retired 30 September 2008

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

Non-executive Directors' Fees

The Board is responsible for setting Non-executive Directors' fees. In 2007–08 the Board commissioned HNBS to undertake a peer group review of current fee levels. HNBS's review took account of the Group's complexity, the significant travel and time commitments required for attending Board and other meetings in India and the UK and the risk profile of the Company. Accordingly, Non-executive Directors' fees were revised as follows:

1. Base fee, £60,000.
2. Committee membership fee, up to £5,000.
3. Committee chairmanship fee, up to £20,000.

Remuneration Report (continued)

It is envisaged that a similar review will be carried out for the forthcoming year, 2009–10.

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

Chairman's Salary

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

Non-executive Directors' Letters of Appointment

The Non-executive Directors have letters of appointment which may be terminated by either party by giving three months' notice. The Non-executive Directors' letters of appointment set out the time requirements expected of them in the performance of their duties. Non-executive Directors are normally expected to spend at least 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, with the prior approval of the Board, accept one appointment external to the Group (other than any appointment to related parties or Volcan in the case of Messrs Anil Agarwal and Navin Agarwal) as a Non-executive Director of a publicly listed company anywhere and that the fees for any such appointment may be retained by the individual.

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

Equity Dilution Resulting from Employee Share Schemes

The dilution limits set out in the rules of the Employee Share Schemes in December 2003 allow up to an aggregate of 10% of the Company's issued share capital to be issued or issuable pursuant to awards under any of the Company's employee share schemes over a period of 10 years. Up to 5% of the Company's issued share capital may be used for the Company's discretionary schemes over a 10-year period. Shares issued or issuable pursuant to awards made under the Reward Plan are not counted for these purposes. Currently, 0.68% (2008: 1.33%) of the Company's issued share capital is issuable in respect of outstanding awards under the LTIP.

Directors' Interests in Ordinary Shares

The interests of the Directors (which are beneficial unless otherwise stated) in ordinary shares at 31 March 2009 were:

	Ordinary shares at 1 April 2008 (or at date of appointment if later)	Ordinary shares at 31 March 2009
AK Agarwal[1]	154,157,921	158,876,393[2]
AK Agarwal	55,400	55,440
N Agarwal[1]	200,000	213,360
MS Mehta	31,521	31,521
N Chandra	–	–
A Mehta	–	–
ER Macdonald	–	–

1 Mr Anil Agarwal and Mr Navin Agarwal each held nominee shares in direct and indirect subsidiaries. These holdings are non-beneficial.
2 Mr Agarwal's holding of 158,876,393 shares are registered in the name of Volcan Investments Limited which is a company owned by a family trust.

There have been no changes in the beneficial shareholdings of the Directors between the end of the financial year and the date of this report.

Part II (Audited)

Directors' Remuneration Year Ended 31 March 2009

The following table sets out an analysis of the pre-tax remuneration for the year ended 31 March 2009 for individual Directors who held office in the Company during this period. All amounts are in UK pounds sterling although payments in India under service contracts with Sterlite are paid in Indian rupees.

Directors' Remuneration

	UK salary £000	CTC fees £000	Pensions £000	Annual performance bonus £000	Benefits in kind £000	2009 Total £000	2008 Total £000
Executive Directors							
AK Agarwal[1]	925	–	–	278	51	**1,254**	1,326
N Agarwal[2]	60	498	91	172	76	**897**	861
M S Mehta[3]	30	66	4	44	4	**148**	–
Former Executive Director							
KK Kaura[4]	30	217	52	159[5]	22	**480**	541
Non-executive Directors							
N Chandra	95	–	–	–	–	**95**	95
A Mehta	85	–	–	–	–	**85**	85
ER Macdonald	72	–	–	–	–	**72**	72
Former Non- executive Director							
SK Tamotia[6]	82	–	–	–	–	**82**	82
Total	1,379	781	147	653	153	**3,113**	3,062

Notes:
1 Mr Anil Agarwal's benefits in kind include provision of a car and fuel in the UK and India for business purposes.
2 Mr Navin Agarwal's benefits in kind include use of leased accommodation in India club membership and use of car and driver.
3 Mr MS Mehta was appointed to the Board on 1 October 2008. His benefits in kind include use of car and housing loan subsidy.
4. Mr Kaura retired from the Board on 30 September 2008. His benefits in kind included use of leased accommodation in India and use of car and driver.
5 Payments to former Director
This sum is in respect of an assignment completion bonus that Mr Kaura was entitled to under his employment contract with Sterlite for successful completion and discharge of his role and responsibilities as Managing Director of Sterlite. This was a contractual arrangement in place before he was appointed to the Board of Vedanta. The Committee reviewed Mr Kaura's achievements and considered that he had fulfilled his contractual obligations. Accordingly, the Committee approved a bonus payment of INR 12,500,000 to Mr Kaura in February 2009.
6 Dr Tamotia resigned from the Board on 6 March 2009.

Directors' Long-Term Incentive Plan Awards

	Option granted	Exercise price (US cents)	1 April 2008[1]	Movements during the year: Grants	Exercised	Lapsed	31 March 2009	Earliest/latest exercise dates	Date award exercised	Market price on exercise £	Market price at grant £	Aggregate gain on exercise £
AK Agarwal	1 Feb 2006[3]	0.10	42,500	–	–	25,500	17,000	1 Feb 2009 to 1 Aug 2009	–	–	9.89	–
	14 Nov 2007	0.10	37,000	–	–	–	37,000	14 Nov 2010 to 14 May 2011	–	–	19.69	–
N Agarwal	1 Feb 2006[3]	0.10	33,400	–	13,360	20,040	–	1 Feb 2009 to 1 Aug 2009	24 Feb 2009	5.29	9.89	69,338
	14 Nov 2007	0.10	24,500	–	–	–	24,500	14 Nov 2010 to 14 May 2011	–	–	19.69	–
MS Mehta	1 Feb 2006	0.10	20,000	–	–	12,000	8,000	1 Feb 2009 to 1 Aug 2009	–	–	9.89	–
	14 Nov 2007	0.10	8,000	–	–	–	8,000	14 Nov 2010 to 14 May 2011	–	–	19.69	–
Former Director[2]												
KK Kaura	1 Feb 2006[3]	0.10	25,000	–	22,222	2,778	–	1 Feb 2009 to 1 Aug 2009	13 Feb 2009	6.67	9.89	145,999
	14 Nov 2007	0.10	16,500	–	4,033	12,467	–	14 Nov 2010 to 14 May 2011	13 Feb 2009	6.67	19.69	26,497

1 Or at date of appointment if later.
2 On his retirement in September 2008, Mr Kaura was entitled to the vesting of a proportion of his LTIP awards based on TSR performance to that date pro-rated for time elapsed since the award. Accordingly, of the February 2006 award, 100% vested pro-rated for 32 months, and of the November 2007 award 88% vested pro-rated for 10 months.
3 TSR performance over three years was measured as at median ranking therefore 40% of the 2006 LTIP awards vested.

The mid-market price of the shares at 31 March 2009 was 675.5 pence and from 1 April 2008 to 31 March 2009, the share price varied between 387.75 pence and 2,780.00 pence.

Signed on behalf of the Board of Directors.

Naresh Chandra
Chairman of the Remuneration Committee

6 May 2009

Directors' Report

The Directors present this Annual Report on the business of the Group, together with the financial statements and auditors' report, for the year ended 31 March 2009.

Principal Activities

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

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

Analysis of revenue, operating profit, principal activities and geographical origins appears in note 3 of the financial statements and a list of the principal subsidiaries and associated undertakings of the Group may be found in note 38 to the financial statements.

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

There are no material changes from 31 March 2009 to the date of this report except as disclosed.

Business Review

The Company is required under Section 417 of the Companies Act 2006 to provide a business review the purpose of which is to inform the shareholders how the Directors have performed their duty to promote the success of the Company for the benefit of its members. The information that fulfils the requirements of the business review, including principal risks and uncertainties, can be found within the following sections, which are incorporated in this report by reference:

Information	Location in the Annual Report	Page
Key Performance Indicators	Business Review	06
Description of the principal risks and uncertainties facing the Group	Financial Review	28
Strategy	Chairman's Statement and Business Review	04
Future developments	Business Review	08
Review of operations	Business Review	08
Financial Review	Financial Review	24
Environmental matters	Sustainable Development Report	32
Health and safety matters	Sustainable Development Report	32
Community issues	Sustainable Development Report	32

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

Post Balance Sheet Events

There have been no significant events since the Balance Sheet date.

Dividends

The Directors recommend a final dividend for the year ended 31 March 2009 of 25 US cents per ordinary share (2008: 25 US cents per ordinary share). Subject to shareholders approving this recommendation at the Annual General Meeting on 27 July 2009, the final dividend will be paid on 5 August 2009 to shareholders on the register of members as at 10 July 2009.

Taken together with the interim dividend of 16.5 US cents per ordinary share paid to shareholders on 14 January 2009, the total dividend for the year is 41.5 US cents per ordinary share (2008: 41.5 US cents per ordinary share).

Directors
The names, specific responsibilities and biographical details of the current Board of Directors are shown on page 36. Details of the remuneration of the Directors, their interests in the shares of the Company and service contracts are contained in the Remuneration Report on pages 45 to 51.

The following Directors held office during the year ended 31 March 2009:

	Appointed	Resigned	Designation
Executive Directors			
AK Agarwal	16 May 2003		Executive Chairman
N Agarwal	24 November 2004		Deputy Executive Chairman
MS Mehta	1 October 2008		Chief Executive
Non-executive Directors			
N Chandra	18 May 2004		Non-executive Director
A Mehta	24 November 2004		Non-executive Director
ER Macdonald	23 March 2005		Non-executive Director
Former Directors			
KK Kaura	23 March 2005	30 September 2008	Chief Executive
SK Tamotia	24 November 2004	6 March 2009	Non-executive Director

Directors
Unless otherwise determined by ordinary resolution, the number of Directors (other than alternate Directors) shall not be subject to any maximum, but shall not be less than two. The powers of the Directors are described in the Corporate Governance Statement on page 38.

Retirement of Directors
The Company's Articles require that at every Annual General Meeting one-third of the Directors, or if their number is not three or multiple of three, the number nearest to one-third, shall retire from office. The Directors to retire by rotation shall be those who have been longest in office since appointment or re-appointment.

Accordingly Mr Anil Agarwal and Mr Naresh Chandra will retire by rotation at the forthcoming Annual General Meeting and being eligible will offer themselves for re-election. Mr MS Mehta will stand for election at the Annual General Meeting following his appointment to the Board on 1 October 2008.

Directors' Remuneration
Details of Directors' service contracts and emoluments, options to subscribe for shares in the Company and interests it's share capital are shown in the Remuneration Report on pages 45 to 49.

Corporate Governance
Disclosures on the application of the principles and compliance with the provisions of the Combined Code can be found on pages 38 to 44.

Employees
Information on the Group's employees and its policies can be found in the Sustainable Development Report on pages 32 to 35.

Charitable Donations
During the year, the Group made charitable donations of US$0.86 million paid to the Sterlite Foundation (2008: US$0.6 million) and other charitable donations of US$1.52million (2008: US$2.9 million).

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 35.

UK and EU Political Donations
It is the Board's policy that neither Vedanta nor any of its subsidiary companies may, under any circumstances, make donations or contributions to political organisations within the United Kingdom or 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 the general meeting.

Directors' Report (continued)

Material Shareholdings
As at 2 June 2009, the Company had been notified under the Disclosure and Transparency Rules, of the following significant voting rights in its shares:

Name of holder	Number of ordinary shares of US$0.10 each	Percentage of total ordinary share capital
Volcan Investments Ltd	160,783,163	58.16%
AXA S.A.	14,062,765	4.90%

1 The voting rights at 31 March 2009 were 279,200,089 ordinary shares.

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

Trade creditor days of the Company at 31 March 2009 were 86 days (2008: 92 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.

Research and Development
The Group's business units carry out research and development activities necessary to further their operations.

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 foreign currency risk appears in note 27 to the financial statements.

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

The Articles of Association of the Company contain an indemnity provision in favour of the Directors of the Company against proceedings brought by third parties subject to the Companies Act 2006.

Disclosure of Information to Auditors
Each person who is a Director at the date of approval of this Annual Report confirms that:
- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

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

Reappointment of Auditors
A resolution to re-appoint the auditors, Deloitte LLP, will be proposed at the forthcoming Annual General Meeting. The re-appointment of Deloitte LLP has been approved by the Audit Committee, which will also be responsible for determining their remuneration on behalf of the Board, subject to the approval of shareholders at the forthcoming Annual General Meeting.

Annual General Meeting
The sixth Annual General Meeting of the Company will be held at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED on 27 July 2009 at 3pm. The Notice convening the Annual General Meeting accompanies this Annual Report and sets out details of the business to be considered.

Going Concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 08 to 31. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review on pages 24 to 27. In addition note 27 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group requires funds both for short-term operational needs as well as for long-term investment programmes mainly in growth projects. The Group generates sufficient cash flows from its current operations which, together with the available cash and cash equivalents and liquid financial asset investments, provide liquidity both in the short term as well as in the long term. Anticipated future cash flows and undrawn committed facilities of US$1,909.4 million, together with cash and liquid investments of US$4,912.5 million as at 31 March 2009, are expected to be sufficient to meet the ongoing capital investment programme and liquidity requirement of the Group in the foreseeable future.

The Group has a strong Balance Sheet that gives sufficient headroom to raise further debt should the need arise. The Group's current ratings from Standard & Poor's and Moody's are BB and Ba1 respectively. These ratings support the necessary financial leverage and access to debt or equity markets at competitive terms, taking into consideration current market conditions. The Group generally maintains a healthy net debt-equity ratio and retains flexibility in the financing structure to alter the ratio when the need arises. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Additional Information for Shareholders

The following description summarises certain provisions in the Company's Articles of Association (the 'Articles') and applicable English law concerning companies (the Companies Act 1985 and the Companies Act 2006, together the 'Companies Acts'). This is a summary only and the relevant provisions of the Companies Acts or the Articles should be consulted if further information is required. The Articles may be amended by special resolution of the shareholders. Copies of the Company's current Articles are available for inspection at the Company's registered office.

Dividends and Distributions

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

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

Rights and Obligations Attaching to Shares

The rights and obligations attaching to the ordinary and deferred shares are set out in the Articles of Association. Details of the authorised and issued share capital together with movements in the Company's issued share capital during the year are shown in note 32.

In February 2006, Vedanta Finance (Jersey) Limited ('VFJL') issued 4.6% US$725 million guaranteed convertible bonds. The bonds are first convertible into exchangeable redeemable preference shares to be issued by VFJL, which are then exchanged automatically for ordinary shares of Vedanta Resources plc represented by depositary receipts, which do not carry voting rights. Further details of the convertible bonds are set out in note 26.

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

Further details of the rights attaching to the deferred shares are set out in the Articles and summarised in note 32.

Variation of Rights

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

Deadlines for Exercising Voting Rights

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

Restrictions on Voting and the Transfer of Shares

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

Directors' Report (continued)

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

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

Purchase of the Company's Own Shares
At the end of the year, the Directors had authority, under a shareholders' resolution dated 31 July 2008, to make market purchases of up to approximately 10% of the Company's ordinary shares.

The authority expires at the conclusion of the Annual General Meeting of the Company in 2009 or on 31 October 2009, whichever is the earlier. A resolution to obtain a further authority will be proposed at the 2009 Annual General Meeting.

On 2 December 2008, the Company announced a US$250 million share buyback programme to purchase up to 10% of the Company's ordinary shares using the above authority. The Board believes the buyback programme is value enhancing for shareholders. Since 2 December 2008 and up to the date of this report 10,680,413 ordinary shares of US$0.10 were purchased at an average price of £5.92, representing 3.70% of the Company's issued share capital. All shares purchased will be held in treasury for subsequent cancellation or sale.

Significant Agreements: Change of Control
There are a number of agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, bank loan agreements, and capital market borrowing. Some of these are considered to be significant in terms of their likely impact on the business of the Group as a whole.

All of the Company's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions.

Under the terms of the US$725 million 4.6% Guaranteed Convertible Bonds due 2026 issued 21 February 2006, in the event of a change of control (defined as Relevant Event), the Exchange Price will be adjusted. The Change of Control Exchange Price shall only apply to Bonds in respect of which Conversion Rights are duly exercised and the Conversion Date falls within the period, commencing the date of the Relevant Event and ending on the date 60 days following the occurrence of the Relevant Event.

The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Key Relationships
The group has several significant relationships which are critical to its business. These include, but are not limited to, the group's relationships with its majority shareholders, customers, lenders, employees and governments in the jurisdiction in which it operates.

Deepak Kumar
Company Secretary
6 May 2009

Vedanta Resources plc
2nd Floor, Vintners Place
68 Upper Thames Street
London EC4V 3BJ

Registered in England Number 4740415

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required by the IAS Regulation to prepare the Group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

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

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

The Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The parent company financial statements are required by law to give a true and fair view of the state of affairs of the Company. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the parent company financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's 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 2009 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 2009.

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

Respective Responsibilities of Directors and Auditors

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

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

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

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

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

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

Basis of Audit Opinion

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

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

Opinion

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2009 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 LLP
Chartered Accountants and Registered Auditors
London
6 May 2009

Consolidated Income Statement

	Note	Year ended 31 March 2009 US$ million	Year ended 31 March 2008 US$ million
Continuing operations			
Revenue	3	6,578.9	8,203.7
Cost of sales		(5,136.1)	(5,317.8)
Gross profit		**1,442.8**	**2,885.9**
Other operating income		115.9	86.8
Distribution costs		(163.0)	(170.1)
Administrative expenses		(256.8)	(221.3)
Special items	4	(31.9)	11.1
Operating profit	**3**	**1,107.0**	**2,592.4**
Investment revenue	5	456.2	321.4
Finance costs	6	(250.2)	(150.6)
Net exchange (losses)/gains on borrowings and capital creditors	7	(132.0)	–
Profit before taxation		**1,181.0**	**2,763.2**
Tax expense	11	(280.5)	(757.7)
Profit for the year		**900.5**	**2,005.5**
Attributable to:			
Equity holders of the parent		219.4	879.0
Minority interests		681.1	1,126.5
		900.5	**2,005.5**
Basic earnings per ordinary share (US Cents)	12	76.4	305.4
Diluted earnings per ordinary share (US Cents)	12	75.8	286.7

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Consolidated Balance Sheet

	Note	As at 31 March 2009 US$ million	As at 31 March 2008 US$ million
Assets			
Non-current assets			
Goodwill	14	12.2	13.3
Property, plant and equipment	15	9,348.4	8,354.5
Financial asset investments	17	91.6	30.0
Other non-current assets	18	21.4	29.8
Other financial assets (derivatives)	27	52.8	95.0
Deferred tax assets	29	11.2	15.1
		9,537.6	**8,537.7**
Current assets			
Inventories	19	909.3	1,298.8
Trade and other receivables	20	735.0	1,048.0
Other current financial assets (derivatives)	27	82.0	44.9
Liquid investments	21	4,532.1	4,648.5
Cash and cash equivalents	22	380.5	458.2
		6,638.9	**7,498.4**
Total assets		**16,176.5**	**16,036.1**
Liabilities			
Current liabilities			
Short-term borrowings	23	(1,298.5)	(1,417.2)
Trade and other payables	25a	(1,967.7)	(2,018.4)
Other current financial liabilities (derivatives)	27	(114.7)	(23.3)
Provisions	28	(6.9)	(27.3)
Current tax liabilities		(47.6)	(33.5)
		(3,435.4)	**(3,519.7)**
Net current assets		**3,203.5**	**3,978.7**
Non-current liabilities			
Medium- and long-term borrowings	23	(3,212.3)	(956.0)
Convertible bonds	26	(604.1)	(600.9)
Trade and other payables	25b	(76.4)	(0.2)
Other financial liabilities (derivatives)	27	(59.7)	(83.7)
Deferred tax liabilities	29	(1,010.6)	(1,380.8)
Retirement benefits	31	(29.3)	(42.5)
Provisions	28	(165.5)	(185.2)
Non-equity minority interests	23	(11.9)	(59.4)
		(5,169.8)	**(3,308.7)**
Total liabiliies		**(8,605.2)**	**(6,828.4)**
Net assets		**7,571.3**	**9,207.7**
Equity			
Share capital	32	28.9	28.8
Share premium account		21.1	20.0
Share-based payment reserves		14.0	15.6
Convertible bond reserve		111.5	115.7
Hedging reserves		(39.6)	(9.1)
Other reserves		1,168.9	1,932.6
Treasury shares		(80.3)	–
Retained earnings		1,888.1	1,743.5
Equity attributable to equity holders of the parent		**3,112.6**	**3,847.1**
Minority interests		4,458.7	5,360.6
Total equity		**7,571.3**	**9,207.7**

Approved by the Board on 6 May 2009.

Anil Agarwal
Chairman

Consolidated Cash Flow Statement

	Note	Year ended 31 March 2009 US$ million	Year ended 31 March 2008 US$ million
Operating activities			
Profit before taxation		**1,181.0**	**2,763.2**
Adjustments for:			
Depreciation		473.2	429.1
Investment revenues		(456.2)	(321.4)
Finance costs, including foreign exchange		382.2	150.6
Profit on disposal of property, plant and equipment		–	(0.3)
Profit on disposal of subsidiary		–	(29.8)
Share-based payment charge		13.1	12.8
Inventory net realisable value write down		79.0	–
Other non-cash items		12.6	(2.0)
Operating cash flows before movements in working capital		**1,684.9**	**3,002.2**
Decrease/(increase) in inventories		69.9	(276.0)
Decrease/(increase) in receivables		167.9	(64.7)
Increase in payables		383.9	287.4
Cash generated from operations		**2,306.6**	**2,948.9**
Dividends received		241.9	144.5
Interest income received		130.2	112.7
Interest paid		(399.9)	(213.7)
Income taxes paid		(330.8)	(655.2)
Dividends paid		(118.8)	(104.3)
Net cash from operating activities		**1,829.2**	**2,232.9**
Cash flows from investing activities			
Acquisition of subsidiary		–	(990.4)
Cash acquired with subsidiary		–	4.5
Net proceeds on disposal of subsidiary		–	83.4
Cash disposed of with subsidiary		–	(0.3)
Purchases of property, plant and equipment		(2,799.6)	(1,744.8)
Proceeds on disposal of property, plant and equipment		7.9	2.7
Dividends paid to minority interests of subsidiaries		(56.1)	(53.5)
Increase in liquid investments	24	(961.9)	(3,617.2)
Buyback of shares		(80.3)	–
Buyout of minority interest		(316.8)	–
Purchase of financial asset investments		(85.4)	(0.1)
Net cash used in investing activities		**(4,292.2)**	**(6,315.7)**
Cash flows from financing activities			
Issue of ordinary shares		0.1	0.1
Increase in short term borrowings	24	209.0	1,100.4
Increase/(decrease) in long-term borrowings	24	1,999.1	(150.1)
Proceeds from issue of shares to minority interests of subsidiaries		–	1,969.4
Net cash from financing activities		**2,208.2**	**2,919.8**
Net decrease in cash and cash equivalents	24	(254.8)	(1,163.0)
Effect of foreign exchange rate changes	24	177.1	36.4
Cash and cash equivalents at beginning of year		458.2	1,584.8
Cash and cash equivalents at end of year	22	**380.5**	**458.2**

Consolidated Statement of Changes in Equity

US$ million	Attributable to equity holders of the Company								Minority interests	Total equity
	Share capital	Share premium	Share-based payment reserves	Convertible bond reserve	Hedging reserves	Other reserves[1]	Retained earnings	Total		
At 1 April 2007	**28.8**	**18.7**	**7.3**	**119.5**	**(29.7)**	**661.0**	**1,521.3**	**2,326.9**	**1,824.5**	**4,151.4**
Profit for the period	–	–	–	–	–	–	879.0	879.0	1,126.5	2,005.5
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	963.0	963.0
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(9.7)	(9.7)
Conversion of convertible bond	–	1.3	–	(0.2)	–	–	–	1.1	–	1.1
Convertible bond transfers	–	–	–	(3.6)	–	–	3.6	–	–	–
KCM call option (note 37)	–	–	–	–	–	(213.2)	–	(213.2)	–	(213.2)
Sterlite ADR offering[3]	–	–	–	–	–	–	698.5	698.5	1,270.9	1,969.4
Exchange differences on translation of foreign operations	–	–	–	–	1.1	228.9	–	230.1	222.8	452.8
Transfers[2]	–	–	–	–	–	1,259.1	(1,259.1)	–	–	–
Movement in fair value of cash flow hedges (note 27)	–	–	–	–	19.5	–	–	19.5	17.2	36.7
Movement in fair value of financial investments (note 17)	–	–	–	–	–	(3.2)	–	(3.2)	(1.1)	(4.3)
Dividends paid	–	–	–	–	–	–	(104.3)	(104.3)	(53.5)	(157.8)
Exercise of LTIP/STIP awards	–	–	(4.5)	–	–	–	4.5	–	–	–
Recognition of share-based payment (note 30)	–	–	12.8	–	–	–	–	12.8	–	12.8
At 31 March 2008	**28.8**	**20.0**	**15.6**	**115.7**	**(9.1)**	**1,932.6**	**1,743.5**	**3,847.1**	**5,360.6**	**9,207.7**

US$ million	Share capital	Share premium	Treasury Shares	Share-based payment reserves	Convertible bond reserve	Hedging reserves	Other reserves[1]	Retained earnings	Total	Minority interest	Total equity
	Attributable to equity holders of the Company										
At 1 April 2008	**28.8**	**20.0**	**–**	**15.6**	**115.7**	**(9.1)**	**1,932.6**	**1,743.5**	**3,847.1**	**5,360.6**	**9,207.7**
Profit for the period	–	–	–	–	–	–	–	219.4	219.4	681.1	900.5
Conversion of convertible bond	–	1.1	–	–	(0.2)	–	–	–	0.9	–	0.9
Convertible bond transfers	–	–	–	–	(4.0)	–	–	4.0	–	–	–
KCM call option (note 37)	–	–	–	–	–	–	213.2	63.8	277.0	(233.1)	43.9
Exchange differences on translation of foreign operations	–	–	–	–	–	4.6	(1,023.8)	–	(1,019.2)	(1,176.1)	(2,195.3)
Transfers[2]	–	–	–	–	–	–	59.7	(59.7)	–	–	–
Movement in fair value of cash flow hedges (note 27)	–	–	–	–	–	(35.1)	–	–	(35.1)	6.0	(29.1)
Movement in fair value of financial investments (note 17)	–	–	–	–	–	–	(12.8)	–	(12.8)	–	(12.8)
Dividends paid	–	–	–	–	–	–	–	(118.8)	(118.8)	(56.1)	(174.9)
Exercise of LTIP/STIP awards	0.1	–	–	(14.7)	–	–	–	14.7	0.1	–	0.1
Purchase of Treasury Shares	–	–	(80.3)	–	–	–	–	–	(80.3)	–	(80.3)
Additional investment in subsidiaries	–	–	–	–	–	–	–	21.2	21.2	(123.7)	(102.5)
Recognition of share-based payment (note 30)	–	–	–	13.1	–	–	–	–	13.1	–	13.1
At 31 March 2009	**28.9**	**21.1**	**(80.3)**	**14.0**	**111.5**	**(39.6)**	**1,168.9**	**1,888.1**	**3,112.6**	**4,458.7**	**7,571.3**

1 Other reserves comprise:

	Currency translation reserve	Merger reserve	Investment revaluation reserve	General reserves	Other	Total
At 1 April 2007	**48.7**	**4.4**	**3.4**	**604.5**	**–**	**661.0**
Exchange differences on translation of foreign operations	228.9	–	–	–		228.9
Revaluation of available-for-sale investments	–	–	(3.2)	–		(3.2)
KCM call option	–	–	–	–	(213.2)	(213.2)
Transfer from retained earnings[2]	–	–	–	1,259.1	–	1,259.1
At 31 March 2008	**277.6**	**4.4**	**0.2**	**1,863.6**	**(213.2)**	**1,932.6**
Exchange differences on translation of foreign operations	(1,023.8)	–	–	–	–	(1,023.8)
Revaluation of available-for-sale investments	–	–	(12.8)	–	–	(12.8)
KCM call option	–	–	–	–	213.2	213.2
Transfer from retained earnings[2]	–	–	–	59.7	–	59.7
At 31 March 2009	**(746.2)**	**4.4**	**(12.6)**	**1,923.3**	**–**	**1,168.9**

2 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.

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

Notes to the Consolidated Financial Statements

1. Presentation of Financial Statements

Compliance with Applicable Law and IFRS

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

Basis of Preparation

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

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 1	First-time Adoption of International Financial Reporting Standards
IFRS 3	(Revised 2008) – Business Combinations
IFRS 8	Operating segments
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Arrangement for Construction of real estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers

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

Going Concern

The financial statements have been prepared in accordance with the going concern basis of accounting. The use of this basis of accounting takes into consideration the Group's current and forecast financing postion, additional details of which are provided in the Going Concern section of the Directors' Report.

Reclassification

The Income Statement for the year ended 31 March 2009 has been structured such that net exchange losses on borrowings and capital creditors are separately recognised on the face of the Income Statement. The comparatives have been restated accordingly, with additional detail provided in note 7. There is no impact of such reclassification on net income or on reserves.

Parent Company Financial Statements

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

2(a) Accounting Policies

Basis of Consolidation

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

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

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

Revenue Recognition

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

2(a) Accounting Policies (continued)

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.

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

Special Items

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

Business Combinations

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

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

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

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

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.

For acquisitions of additional interests in subsidiaries, where there is no change in control, the Group recognises a reduction to the minority interest of the respective subsidiary with the difference between this figure and the cash paid, inclusive of transaction fees, being recognised in equity. In addition, upon dilution of minority interests the difference between the cash received from sale or listing of the subsidiary shares and the increase to minority interest is also recognised in equity.

Investments in Associates

In the consolidated financial information, investments in associates are accounted for using the equity method. An associate is an entity over which the Group is in a position to exercise significant influence over operating and financial policies and normally owns between 20% 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 investment is initially recorded at the cost to the Group in the consolidated Balance Sheet and then, in subsequent periods, the carrying value of the investment is adjusted to reflect the Group's share of the associate's profits or losses and for impairment of goodwill and any other changes to the associate's net assets. The consolidated Income Statement includes the Group's share of associate's results, except where the associate is generating losses and the Group's investment in the associate has been written down to zero.

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

Notes to the Consolidated Financial Statements (continued)

2(a) Accounting Policies (continued)

Property, Plant and Equipment

Mining Properties and Leases

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

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

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

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.

Stripping costs and secondary development expenditure, mainly comprising of costs on blasting, haulage, excavation, etc incurred during the production stage of operations of an ore body is charged to the Income Statement immediately.

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

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

Other Property, Plant and Equipment

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

Assets in the Course of Construction

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

Depreciation

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

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

2(a) Accounting Policies (continued)

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

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

Non-current Assets Held for Sale

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

Impairment

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

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

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

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

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

Government Grants

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

Inventories

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

Cost is determined on the following bases:

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

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

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.

Notes to the Consolidated Financial Statements (continued)

2(a) Accounting Policies (continued)

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.
– Deferred tax assets are recognised only to the extent that it is more likely than not that they will be recovered.

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

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

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

Retirement Benefit Schemes

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

Actuarial gains and losses arising in the year are recognised in full in the Income Statement of the year.

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

Share-Based Payments

Certain employees (including Directors) of the Group receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). The cost of equity-settled transactions with employees is measured at fair value at the date at which they are granted. The fair value of share awards with market-related vesting conditions are determined by an external valuer and the fair value at the grant date is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each Balance Sheet date up to the vesting date at which point the estimate is adjusted to reflect the current expectations. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised.

Provisions for Liabilities and Charges

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

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.

2(a) Accounting Policies (continued)

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

Foreign Currency Translation
The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. For all principal operating subsidiaries, the functional currency is the local currency of the country in which it operates, except KCM wherein the functional currency is US dollars, since that is the currency of the primary economic environment in which it operates. In the financial statements of individual Group companies, transactions in currencies other than the functional currency are translated into the functional currency at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in other currencies are translated into functional currency at exchange rates prevailing on the Balance Sheet date. All exchange differences are included in the Income Statement, except where the monetary item is designated as an effective hedging instrument of the currency risk of designated forecast sales, where exchange differences are recognised in equity.

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

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

Financial Asset Investments
Financial asset investments are classified as available for sale under IAS 39 and are initially recorded at cost and then remeasured at subsequent reporting dates to fair value. Unrealised gains and losses on financial asset investments are recognised directly in equity. On disposal or impairment of the investments, the gains and losses in equity are recycled into the Income Statement. Investments in unquoted equity instruments that do not have a market price and whose fair value cannot be reliably measured are measured at cost.

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

Liquid Investments
Liquid investments represent short term current asset investments that do not meet the definition of cash and cash equivalents for one or more of the following reasons:
- they have a maturity profile greater than 90 days; and/or
- they may be subject to a greater risk of changes in value than cash; and/or
- they are held of investment purposes.

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

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

Trade Payables
Trade payables are stated at their nominal value.

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

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

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

Notes to the Consolidated Financial Statements (continued)

2(a) Accounting Policies (continued)

Convertible Bonds

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

Borrowing Costs

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

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

Derivative Financial Instruments

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

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

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

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recorded in equity. This includes certain non-derivative liabilities that are designated as instruments used to hedge the foreign currency risk on future, highly probable, forecast sales. 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.

2(b) Critical Accounting Judgement and Estimation Uncertainty

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

Mining Properties and Leases

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

2(b) Critical Accounting Judgement and Estimation Uncertainty (continued)

Useful Economic Lives of Assets and Impairment

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

Restoration, Rehabilitation and Environmental Costs:

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

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

Provisions and Liabilities:

Provisions and liabilities are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events that can be reasonably estimated. The timing of recognition requires the application of judgement to existing facts and circumstances which may be subject to change. The actual cash outflows take 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 segmental reporting is business segments. The business segments consist of aluminium, copper, zinc and iron ore, with residual components being reported as 'Other' (mainly energy). Business segment data includes an allocation of certain corporate costs, allocated on an appropriate basis. The risks and returns of the Group's operations are primarily determined by the nature of the different activities in which the Group is engaged. Inter-segment sales are charged based on prevailing market prices. The Group's activities are organised on a global basis. Tax balances have been included within segment assets and segment liabilities on the basis that they materially relate to specific segments.

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 2009 and 2008.

	Continuing operations						
Year ended 31 March 2009 US$ million	Aluminium	Copper	Zinc	Iron ore	Other	Elimination	Total operations
Revenue							
Sales to external customers	937.1	3,311.0	1,209.1	1,070.4	51.3	–	6,578.9
Inter-segment sales	4.4	3.2	–	–	–	(7.6)	–
Segment revenue	941.5	3,314.2	1,209.1	1,070.4	51.3	(7.6)	6,578.9
Result							
Segment result before special items	117.2	80.0	548.3	376.9	17.6	–	1,140.0
Special items (note 4)	–	(3.0)	–	(28.9)	–	–	(31.9)
Segment result after special items	117.2	77.0	548.3	348.0	17.6	–	1,108.1
Unallocated corporate expenses							(1.1)
Operating profit							**1,107.0**
Net finance income							74.0
Profit before taxation							**1,181.0**
Tax expense							(280.5)
Profit for the year							**900.5**
Assets and liabilities							
Segment assets	4,718.4	4,282.9	3,129.9	2,471.0	1,103.7	–	15,705.9
Unallocated assets							470.6
Total assets							**16,176.5**
Segment liabilities	(3,020.7)	(1,819.6)	(303.7)	(1,657.1)	(317.6)	–	(7,118.7)
Unallocated liabilities							(1,486.5)
Total liabilities							**(8,605.2)**
Other segment information							
Additions to property, plant and equipment	1,841.4	618.8	294.6	27.1	545.7	–	3,327.6
Depreciation	(80.2)	(142.8)	(57.1)	(180.2)	(12.9)	–	(473.2)

3. Segment Information (continued)

Year ended 31 March 2008 US$ million	Continuing operations Aluminium	Copper	Zinc	Iron ore	Other	Elimination	Total operations
Revenue							
Sales to external customers	1,140.2	4,221.9	1,941.4	888.9	11.3	–	8,203.7
Inter-segment sales	2.5	–	–	–	–	(2.5)	–
Segment revenue	1,142.7	4,221.9	1,941.4	888.9	11.3	(2.5)	8,203.7
Result							
Segment result before special items	307.0	535.5	1,333.0	420.0	(4.3)	–	2,591.2
Special items	–	–	–	–	11.1	–	11.1
Segment result after special items	307.0	535.5	1,333.0	420.0	6.8		2,602.3
Unallocated corporate expenses							(9.9)
Operating profit							**2,592.4**
Net finance income							170.8
Profit before taxation							**2,763.2**
Tax expense							(757.7)
Profit for the year							**2,005.5**
Assets and liabilities							
Segment assets	3,773.9	4,981.8	3,305.5	3,140.3	552.6	–	15,754.1
Unallocated assets							282.0
Total assets							**16,036.1**
Segment liabilities	(1,944.0)	(1,920.7)	(338.8)	(1,849.8)	(138.8)	–	(6,192.1)
Unallocated liabilities							(636.3)
Total liabilities							**(6,828.4)**
Other segment information							
Additions to property, plant and equipment	1,086.8	533.3	376.0	29.1	229.4	–	2,254.6
Depreciation	(73.8)	(131.7)	(47.1)	(165.6)	(10.9)	–	(429.1)

EBITDA[1] by Segment

	Year ended 31 March 2009 US$ million	Year ended 31 March 2008 US$ million
Aluminium	196.1	380.7
Copper	222.9	667.3
– India/Australia	293.7	327.2
– Zambia	(70.8)	340.1
Zinc	605.4	1,380.1
Iron ore	557.1	585.6
Other	30.7	(3.3)
EBITDA	**1,612.2**	**3,010.4**
Depreciation	(473.3)	(429.1)
Special items	(31.9)	11.1
Group operating profit	**1,107.0**	**2,592.4**

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

Notes to the Consolidated Financial Statements (continued)

3. Segment Information (continued)

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 2009 US$ million	Year ended 31 March 2008 US$ million
Far East	836.5	2,013.8
India	3,348.8	3,796.2
Africa	138.9	127.6
Europe	116.8	239.5
Middle East	763.1	1,188.5
Asia others[1]	1,324.3	688.3
Other	50.5	149.8
Total	**6,578.9**	**8,203.7**

1 Includes China and Korea.

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 2009 US$ million	As at 31 March 2008 US$ million	Year ended 31 March 2009 US$ million	Year ended 31 March 2008 US$ million
Australia	81.8	224.5	3.5	2.2
India	13,694.5	14,019.0	2,664.0	1,743.8
Zambia	1,803.4	1,484.6	578.5	507.6
Other	596.8	308.0	81.6	1.0
Total	**16,176.5**	**16,036.1**	**3,327.6**	**2,254.6**

4. Special Items

	Year ended 31 March 2009 US$ million	Year ended 31 March 2008 US$ million
Profit on disposal of subsidiary[1]	–	29.8
Losses in respect of obligation to associate (note 16)	(3.0)	(18.7)
Impairment of Mining Reserves[2]	(28.9)	–
	(31.9)	**11.1**

1 Relates to the disposal of Sterlite Gold.
2 The impairment of mining reserves relates to mines at Sesa Goa operated on a lease basis which have expired and are considered unlikely to be renewed.

5. Investment Revenue

	Year ended 31 March 2009 US$ million	Year ended 31 March 2008 US$ million
Interest income on loans and receivable	27.9	26.7
Interest income on cash and bank balances	72.2	50.5
Change in fair value of financial assets held for trading	34.0	75.8
Profit on disposal of financial assets held for trading	27.5	52.5
Dividend income on financial assets held for trading	241.9	144.5
Expected return on defined benefit arrangements (note 31)	2.0	2.2
Foreign exchange gain/(loss) on cash and liquid investments	61.0	(18.5)
Capitalisation of interest income[1]	(10.3)	(12.3)
	456.2	**321.4**

1 Capitalisation of interest income relates to the income from temporary surplus funds, specifically borrowed to attain a qualifying asset.

6. Finance Costs

	Year ended 31 March 2009 US$ million	Year ended 31 March 2008 US$ million
Interest on bank loans and overdrafts	289.6	203.2
Interest on convertible bonds (note 26)	37.2	36.9
Interest on financial liability measured at fair value	34.5	47.8
Interest on other loans	26.9	8.1
Total interest cost	**388.2**	**296.0**
Unwinding of discount on provisions (note 28)	4.2	5.6
Unwinding of discount on KCM deferred consideration	–	0.2
Interest on defined benefit arrangements (note 31)	7.7	6.0
Change in fair value of financial liabilities measured at fair value	(5.5)	21.6
Gain arising on qualifying hedges	(32.4)	(29.0)
Loss on non-qualifying hedges	–	1.7
Capitalisation of borrowing costs[1]	(112.0)	(151.5)
	250.2	**150.6**

1 Borrowing costs capitalised relates to funds borrowed specifically for the purpose of obtaining a qualifying asset.

7. Net Exchange Losses/(Gains)

	Year ended 31 March 2009 US$ million	Year ended 31 March 2008 US$ million
Exchange losses/(gains) on borrowings and capital creditors	458.1	(81.0)
Less: Qualifying borrowing costs capitalised (note 15)	(326.1)	81.0
	132.0	**–**

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

	Year ended 31 March 2009 US$ million	Year ended 31 March 2008 US$ million
Depreciation on property, plant and equipment	473.2	429.1
Costs of inventories recognised as an expense	2,426.0	3,211.2
Auditors' remuneration for audit services	1.1	1.5
Research and development	0.8	0.5
Staff costs	406.7	344.7
Net foreign exchange losses/(gains)	244.0	(28.7)

9. Auditors' Remuneration

The table below shows the fees payable globally to the Group's auditors, Deloitte, 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 2009:

	Year ended 31 March 2009 US$ million	Year ended 31 March 2008 US$ million
Fees payable to the Company's auditors for the audit of Vedanta Resources plc annual accounts	0.4	0.6
The audit of the Company's subsidiaries pursuant to legislation	0.6	0.7
Total audit fees	**1.0**	**1.3**
Fees payable to the Company's auditors and their associates for other services to the Group		
Other services pursuant to legislation[1]	0.9	0.9
Tax services	0.1	0.1
Corporate finance services	0.4	0.5
Other services[1]	0.3	0.4
Total non-audit fees	**1.7**	**1.9**
Audit fees payable to other auditors of the Group's subsidiaries	0.1	0.2
Non-audit fees payable to other auditors of the Group's subsidiaries	–	–
Total fees payable to other auditors of the Group's subsidiaries	**0.1**	**0.2**

1 Other services pursuant to legislation principally comprise further assurance services, being quarterly reviews of the Group's listed Indian subsidiaries. Other services principally represent the half year review of the Group's results, which is not required by legislation.

Notes to the Consolidated Financial Statements (continued)

10. Employee Numbers and Costs

Average number of persons employed by the Group in the year

Class of business	Year ended 31 March 2009 Number	Year ended 31 March 2008 Number
Aluminium	7,988	6,945
Copper	13,507	11,996
– India/Australia	1,426	1,157
– Zambia	12,081	10,839
Zinc	6,459	6,377
Iron ore	2,302	1,862
Other	130	84
	30,386	**27,264**

Costs incurred during the year in respect of employees and Directors	Year ended 31 March 2009 US$ million	Year ended 31 March 2008 US$ million
Salaries and wages	373.6	307.2
Defined contribution pension scheme costs (note 31)	17.7	16.0
Defined benefit pension scheme costs (note 31)	2.3	8.7
Share-based payments charge	13.1	12.8
	406.7	**344.7**

11. Tax

	Year ended 31 March 2009 US$ million	Year ended 31 March 2008 US$ million
Current tax:		
UK Corporation tax	–	–
Foreign tax		
– India	323.0	603.3
– Zambia	30.1	1.0
– Australia	20.5	19.4
– Other	5.7	–
	379.3	**623.7**
Deferred tax: (note 29)		
Current year movement in deferred tax	(98.8)	108.7
Attributable to increase in the rate of Zambian corporation tax	–	25.3
	(98.8)	**134.0**
Total tax expense	**280.5**	**757.7**
Effective tax rate	**23.8%**	**27.4%**

Deferred tax recycled from equity to Income Statement is a credit of US$4.8 million (2008: charge of US$23.0 million).

Deferred tax in Income Statement:

	Year ended 31 March 2009 US$ million	Year ended 31 March 2008 US$ million
Accelerated capital allowances	102.5	209.0
Unutilised tax losses	(205.0)	(69.3)
Other temporary differences	3.7	(5.7)
	(98.8)	**134.0**

11. Tax (continued)

Overview of the Indian Direct Tax Regime

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

- Companies are subject to Indian income tax on a stand-alone basis. There is no concept of tax consolidation or Group relief in India.
- Companies are charged tax on profits of assessment years starting from 1 April to 31 March next. For each assessment year, a company's profits will be subject to either regular income tax or Minimum Alternative Tax ('MAT'). Where MAT is greater than the tax on regular basis, MAT is levied.
- Regular income tax is charged on book profits (prepared under Indian GAAP) adjusted in accordance with the provisions of the Indian Income Tax Act. Typically the required adjustments generate significant timing differences in respect of the depreciation on fixed assets, relief for provisions and accruals, the use of tax losses brought forward and pension costs. Regular income tax is charged at 30% (plus a surcharge and cess) taking the effective tax rate to 33.99%. The corporate tax rate for 2008–09 has been retained at 33.99%.
- MAT is charged on the book profits at 10% (plus a surcharge and cess). The effective rate of MAT is 11.33%. However, MAT paid during a year can be set off against normal tax payable in the subsequent years in the manner provided in the statute 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.
- There are various tax exemptions or tax holidays available to companies in India subject to fulfilment of prescribed conditions. The most important ones applicable to the Group are:
  - Industrial undertakings' tax holiday: 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.
  - Power plants' tax holiday: 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.
  - Profits from units designated as an Export Oriented Unit (EOU), from where goods are exported out of India, are tax exempt up to March 2010.
- Tax is payable in the financial year to which it relates.
- Tax returns submitted by companies are regularly subjected to a comprehensive review and challenge by the tax authorities. There are appeal procedures prescribed. Both the tax authorities and taxpayers can prefer appeals to the appellate forums and it is not uncommon for significant or complex matters in dispute to remain outstanding for several years before they are finally resolved either in the High Court or in the Supreme Court.

Overview of the Zambian Tax Regime

The following is an overview of the salient features of the Zambian direct tax regime relevant to the taxation of the Group as amended with effect from 1 April 2008:

- The tax rate for mining companies is 30% for profits generated from 1 April, 2008.
- For FY 2008–09 the capital allowance in the form of depreciation is changed to 25% from 100% prevailing in the earlier years. Transitional provisions have been suitably incorporated in the year 2008–09.
- New tax has been introduced in the form of either windfall tax or variable profit tax:
  - Windfall tax becomes payable when copper is sold at prices above US$5,512 per MT. The tax is charged at rates ranging from 25% to 75% of differential between the realised price and specific price thresholds ranging upward from US$5,512 per mt. Windfall tax is not a deductible expense in the computation of income tax.
  - Variable profit tax becomes payable where income from mining activities exceeds 8% of gross sales at a rate determined according to a prescribed formula and payable only if windfall tax is not payable.
- The period available to carry forward losses has been reduced from 20 years to 10 years.

KCM received a letter from the Zambian Revenue Authority ('ZRA') during the year confirming that the company will only be required to pay windfall tax at a rate of 25% at any price above the first threshold outlined above. KCM has used the principles outlined in the letter as the basis for its current tax provision for the year, as it believes the terms of the letter are likely to be honoured. If this is not the case, the additional tax due under the original terms of the windfall tax regime will be approximately US$13 million.

On 30 January 2009 the Minister of Finance of the Zambian Government published the 2009 budget. As expected there were positive changes to the mining tax regime announced including:

- Abolition of the windfall tax;
- Increase in the capital allowance back to 100%; and
- Set-off of hedging losses against mining profit was prohibited in FY 2008–09. This prohibition has been removed in 2009–10 and onward.

The 2009 changes will take effect on 1 April 2009.

Notes to the Consolidated Financial Statements (continued)

11. Tax (continued)

A reconciliation of income tax expense applicable to accounting profit before tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended 31 March 2009 is as follows:

	Year ended 31 March 2009 US$ million	Year ended 31 March 2008 US$ million
Accounting profit before tax	**1,181.0**	**2,763.2**
At Indian statutory income tax rate of 33.99% (2008: 33.99%)	401.4	939.2
Creation of tax losses	63.9	17.9
Disallowable expenses	52.7	20.0
Non-taxable income	(101.4)	(93.1)
Impact of tax rate differences	10.2	3.9
Tax holiday and similar exemptions	(156.9)	(160.6)
Dividend distribution tax on overseas subsidiaries	11.9	10.1
Minimum Alternative Tax	12.2	26.3
Adjustments in respect of previous years	(13.5)	(6.0)
At effective income tax rate of 23.8% (2008: 27.4 %)	**280.5**	**757.7**

12. 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 and the Group's Convertible Bond).

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

	Year ended 31 March 2009 US$ million	Year ended 31 March 2008 US$ million
Net profit attributable to equity holders of the parent	**219.4**	879.0

	Year ended 31 March 2009	Year ended 31 March 2008
Weighted average number of ordinary shares for basic earnings per share	287.2	287.8
Effect of dilution:		
Convertible bonds	–	27.9
Share options	2.2	3.8
Adjusted weighted average number of ordinary shares for diluted earnings per share	**289.4**	**319.5**

(a) Earnings per Share Based on Profit for the Year

Basic earnings per share on the profit for the year	Year ended 31 March 2009	Year ended 31 March 2008
Profit for the year attributable to equity holders of the parent (US$ million)	219.4	879.0
Weighted average number of shares of the Company in issue (million)	287.2	287.8
Earnings per share on profit for the year (US cents per share)	**76.4**	**305.4**

Diluted earnings per share on the profit for the year	Year ended 31 March 2009	Year ended 31 March 2008
Profit for the year attributable to equity holders of the parent (US$ million)	219.4	879.0
Adjustment in respect of convertible bonds of Vedanta (US$ million)	–	36.9
Profit for the year after dilutive adjustment (US$ million)	219.4	915.9
Adjusted weighted average number of shares of the Company in issue (million)	289.4	319.5
Diluted earnings per share on profit for the year (US cents per share)	**75.8**	**286.7**

During the year ended 31 March 2009, 535,350 options issued under the Long Term Incentive Plan were converted to equity shares pursuant to vesting and exercise of the options (2008: 564,894 options). Also during the year ended 31 March 2009, 42,452 shares were issued on conversion of a portion of the convertible bond (2008: 50,169 shares). The issue of these shares has been included in determining the 2009 weighted average number of shares.

12. Earnings per Share (continued)

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

The outstanding awards under the LTIP are reflected in the diluted EPS figure through an increased number of weighted average shares. The conversion feature of the Convertible Bonds was antidilutive in the current year and has therefore been omitted from the calculation of the diluted EPS.

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

(b) Earnings per Share Based on Underlying Profit for the Year

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

	Note	Year ended 31 March 2009 US$ million	Year ended 31 March 2008 US$ million
Profit for the year attributable to equity holders of the parent		219.4	879.0
Special items	4	31.9	(11.1)
Exchange losses on borrowings and capital creditors		132.0	–
Minority interest effect of special items and exchange losses		(39.5)	6.9
Underlying Profit for the year		**343.8**	**874.8**

Basic earnings per share on Underlying Profit for the year	Year ended 31 March 2009	Year ended 31 March 2008
Underlying Profit for the year (US$ million)	343.8	874.8
Weighted average number of shares of the Company in issue (million)	287.2	287.8
Earnings per share on Underlying Profit for the year (US cents per share)	119.7	303.9

Diluted earnings per share on Underlying Profit for the year	Year ended 31 March 2009	Year ended 31 March 2008
Underlying profit for the year (US$ million)	343.8	874.8
Adjustment in respect of convertible bonds of Vedanta (US$ million)	–	36.9
Underlying profit for the year after dilutive adjustment (US$ million)	343.8	911.7
Adjusted weighted average number of shares of the Company (million)	289.4	319.5
Diluted earnings per share on Underlying Profit for the year (US cents per share)	118.8	285.4

13. Dividends

	Year ended 31 March 2009 US$ million	Year ended 31 March 2008 US$ million
Amounts recognised as distributions to equity holders:		
Equity dividends on ordinary shares:		
Final dividend for 2007-08: 25 US cents per share (2006–07: 20 US cents per share)	71.8	57.5
Interim dividend paid during the year: 16.5 US cents per share (2007–08 : 16.5 US cents per share)	47.0	46.8
	118.8	**104.3**
Proposed for approval at AGM		
Equity dividends on ordinary shares:		
Final dividend for 2008–09: 25 US cents per share (2007–08: 25 US cents per share)	69.8	72.0

Notes to the Consolidated Financial Statements (continued)

14. Goodwill

	Year ended 31 March 2009 US$ million	Year ended 31 March 2008 US$ million
At 1 April		
Cost (gross carrying amount)	16.9	16.9
Accumulated impairment losses	(4.7)	(4.7)
Foreign exchange differences	–	1.1
Net carrying amount at 31 March	**12.2**	**13.3**

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The Company has undertaken an impairment review for the outstanding goodwill of US$12.2 million as at 31 March 2009. 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.

15. Property, Plant and Equipment

US$ million	Mining property and leases	Leasehold land and buildings	Freehold land and buildings	Plant and equipment	Assets under construction	Other	Total
Cost							
At 1 April 2007	**553.0**	**52.2**	**253.7**	**2,723.2**	**1,414.1**	**53.7**	**5,049.9**
Additions	–	4.2	30.3	164.6	2,055.4	0.1	2,254.6
Transfers	6.0	8.8	4.4	467.9	(492.2)	5.1	–
Reclassification to accumulated depreciation	23.4	(0.2)	0.5	(72.3)	–	–	(48.6)
Additions due to acquisition	2,247.1	–	25.7	130.3	5.3	–	2,408.4
Deduction due to disposal	(82.9)	–	(0.9)	(4.2)	(4.6)	–	(92.6)
Disposals	–	–	–	(5.9)	–	(0.9)	(6.8)
Foreign exchange differences	115.8	1.6	24.6	228.0	112.8	4.6	487.4
At 1 April 2008	**2,862.4**	**66.6**	**338.2**	**3,631.6**	**3,090.8**	**62.6**	**10,052.2**
Additions	–	13.8	22.4	96.4	3,194.1	0.9	3,327.6
Transfers	49.2	33.9	31.6	1,268.4	(1,412.8)	29.7	–
Reclassification from accumulated depreciation	(2.7)	0.1	2.2	11.5	–	0.8	11.9
Disposals	–	(0.4)	(0.8)	(9.4)	(2.1)	(0.3)	(13.0)
Foreign exchange differences	(589.9)	(6.2)	(78.4)	(739.6)	(722.3)	(16.6)	(2,153.0)
At 31 March 2009	**2,319.0**	**107.8**	**315.2**	**4,258.9**	**4,147.7**	**77.0**	**11,225.5**
Accumulated depreciation and impairment							
At 1 April 2007	**172.1**	**25.8**	**44.6**	**914.0**	**17.8**	**37.6**	**1,211.9**
Charge for the year	175.4	4.0	15.6	236.0	–	2.1	433.1
Eliminated on disposal	(0.1)	–	–	(0.8)	–	–	(0.9)
Disposals	–	–	–	(3.4)	–	(0.9)	(4.3)
Reclassification to cost	23.4	(0.2)	0.5	(72.3)	–	–	(48.6)
Foreign exchange differences	17.9	0.5	5.0	80.0	–	3.2	106.6
At 1 April 2008	**388.7**	**30.1**	**65.7**	**1,153.5**	**17.8**	**42.0**	**1,697.8**
Charge for the year	195.7	5.8	13.3	260.1	–	2.0	476.9
Disposals	–	–	(1.3)	(3.9)	–	–	(5.2)
Impairment charges	28.9	–	–	–	–	–	28.9
Reclassification to cost	(2.7)	0.1	2.2	11.5	–	0.8	11.9
Foreign exchange differences	(97.4)	(1.6)	(15.6)	(209.2)	–	(9.4)	(333.2)
At 31 March 2009	**513.2**	**34.4**	**64.3**	**1,212.0**	**17.8**	**35.4**	**1,877.0**
Net book value							
At 1 April 2007	**380.9**	**26.5**	**209.0**	**1,809.2**	**1,396.3**	**16.1**	**3,838.0**
At 1 April 2008	**2,473.7**	**36.6**	**272.5**	**2,478.1**	**3,073.0**	**20.6**	**8,354.5**
At 31 March 2009	**1,805.8**	**73.4**	**250.9**	**3,046.9**	**4,129.9**	**41.5**	**9,348.4**

At 31 March 2009, land having a carrying value of US$19.9 million (31 March 2008: US$18.6 million) was not depreciated. During the year ended 31 March 2009 depreciation of US$3.7 million (2008: US$4.0 million) directly relating to the trial run of expansion projects was capitalised.

At 31 March 2009, cumulative capitalised interest and foreign exchange gains or losses included within the table above was US$438.1 million (31 March 2008: US$195.5 million).

Plant and equipment include refineries, smelters, power plants and related facilities.

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

16. Interest in Associate

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

The Group had given corporate guarantees to certain banks and financial institutions which have provided funding to IFL totalling US$45.5 million. During the year ended 31 March 2008, the Group entered into an agreement with a third party for the disposal of its interest in IFL. The terms of the agreement comprised the sale of the Group's equity stake in IFL and a requirement for the Group to settle the debt due to banks and financial institutions and other specified liabilities. To reflect the agreement, at 31 March 2008 the Group had recorded a liability of US$27.3 million to represent the expected net cash outflow at completion.

During the current year, the Group completed the disposal of IFL and settled all amounts outstanding, which resulted in an additional charge of US$3.0 million to the Income Statement.

17. Financial Asset Investments

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

Available-for-sale investments	Year ended 31 March 2009 US$ million	Year ended 31 March 2008 US$ million
At 1 April	30.0	34.6
Additions	85.4	0.1
Movements in fair value	(12.7)	(4.3)
Other movement	–	(3.3)
Exchange difference	(11.1)	2.9
At 31 March	**91.6**	**30.0**

Analysis of financial asset investments	As at 31 March 2009 US$ million	As at 31 March 2008 US$ million
Quoted	71.8	4.8
Unquoted	19.8	25.2

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.

18. Other Non-Current Assets

	As at 31 March 2009 US$ million	As at 31 March 2008 US$ million
Deposits receivable after one year	21.4	29.8
	21.4	**29.8**

19. Inventories

	As at 31 March 2009 US$ million	As at 31 March 2008 US$ million
Raw materials and consumables	458.3	695.2
Work-in-progress	353.3	465.6
Finished goods	97.7	138.0
	909.3	**1,298.8**

Inventories with a carrying amount of US$419.3 million (2008: US$737.0 million) have been pledged as security against certain bank borrowings of the Group.

Notes to the Consolidated Financial Statements (continued)

20. Trade and Other Receivables

	As at 31 March 2009 US$ million	As at 31 March 2008 US$ million
Trade receivables	276.2	485.0
Amounts due from associate (note 36)	–	9.2
Amounts due from related parties (note 36)	8.1	9.6
Other receivables	431.5	521.1
Prepayments	19.2	23.1
	735.0	**1,048.0**

The credit period given to customers ranges from zero to 90 days. Other receivables primarily includes excise balances, customs balances, deposits with governments, advances to suppliers, claims receivables and other receivables.

21. Liquid Investments

	As at 31 March 2009 US$ million	As at 31 March 2008 US$ million
Bank deposits	1,021.2	837.6
Other investments	3,510.9	3,810.9
	4,532.1	**4,648.5**

Other investments include mutual fund investments and are fair valued through the Income Statement. Bank deposits are made for periods of between three months and one year depending on the cash requirements of the Group and earn interest at the respective deposit rates.

HZL has pledged specific financial assets of US$34.7 million (2008: US$40.9 million) to secure certain banking facilities.

22. Cash and Cash Equivalents

	As at 31 March 2009 US$ million	As at 31 March 2008 US$ million
Cash at bank and in hand	63.3	443.3
Short-term deposits and short-term investments	317.2	14.9
	380.5	**458.2**

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

Cash and cash equivalents include US$2.1 million (2008: US$1.7 million) of cash held in short-term deposit accounts that are restricted in use as they relate to unclaimed deposits, dividends, interest on debentures and share application monies.

23. Borrowings

	As at 31 March 2009 US$ million	As at 31 March 2008 US$ million
Bank loans	2,483.3	1,710.0
Bonds	1,812.4	615.9
Other loans	**215.1**	**47.3**
Total	4,510.8	2,373.2
Borrowings are repayable as:		
Within one year (shown as current liabilities)	1,298.5	1,417.2
In the second year	173.9	104.6
In two to five years	1,626.2	826.2
After five years	**1,412.2**	**25.2**
Total borrowings	4,510.8	2,373.2
Less: payable within one year	(1,298.5)	(1,417.2)
Medium and long term borrowings	**3,212.3**	**956.0**

At 31 March 2009, the Group had available US$1,909.4 million (2008: US$1,426.5 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

23. Borrowings (continued)

The principal loans held by Group companies at 31 March 2009 were as follows:

BALCO

Term Loans

BALCO secured two syndicated Indian rupee term loan facilities totalling US$333.7 million, of which US$312.1 million has been drawn down at an average interest rate of 7.2% per annum. The interest rate has now been reset to 8.44 %. These facilities are secured partly by first exclusive charge and partly by parri passu charges on movable properties, present and future, tangible or intangible other than current assets and charge on immovable properties. The first loan of US$196.3 million is repayable in 12 quarterly instalments commencing in January 2007, of which US$166.6 million was paid by 31 March 2009; the second loan of US$115.9 million is repayable in eight quarterly instalments, due to commence in May 2009. However US$41.7 million of repayments in respect of the second loan have been prepaid. As at 31st March 2009 the total outstanding loan amount was US$103.8 million.

Non-Convertible Debenture

BALCO issued non convertible debentures of US$98.1 million to Life Insurance Corporation of India @12.25% per annum. The debentures are secured and have a pari passu charge on the movable and immovable properties, present and future tangible or intangible assets other than current assets of BALCO to the extent of 1.33 times of the issued amount. The above loan is repayable in three-yearly equal instalments starting November 2013.

External Commercial Borrowing

BALCO has obtained external commercial borrowing of US$25 million from DBS Bank Singapore. The interest rate on the above loan is LIBOR plus 345 basis points. This is an unsecured facility. The above loan is repayable in three-yearly equal instalments starting November 2013.

VAL

Rupee Term Loan

VAL has obtained an unsecured Indian rupee term loan of US$196.3 million from ICICI Bank at a fixed interest rate of 10.5%. Repayment is in eight equal quarterly instalments starting from July 2011.

Non-Convertible Debenture

VAL has issued Indian rupee denominated non-convertible debentures of US$78.5 million to Life Insurance Corporation of India at a fixed interest rate of 11.50% per annum. The debentures are secured and have a first pari passu charge over the identified assets (including Land and Buildings) of the issuer to the extent of 1.33 times of the debentures amount. Debentures are repayable in three-yearly equal instalments starting from October 2013.

External Commercial Borrowing

VAL has obtained external commercial borrowing from ICICI Bank, Singapore of US$100 million at an interest rate of LIBOR plus 240 basis points secured by Negative Lien Undertaking on the assets of the Jharsuguda project of the company, both present and future, excluding assets already charged in favour of ICICI bank and other lenders. Repayment is due in the period February 2012 to August 2014.

Project Buyers' Credit

As at 31 March 2009, VAL had extended credit terms relating to purchases of property, plant and equipment for its projects. The extended credit amounted to US$315.8 million, which is repayable from October 2009. These loans bear interest at LIBOR plus 200 basis points. These are secured by all the fixed assets of VAL, immovable or movable, present and future, on a pari passu basis with other term lenders and with priority over other creditors.

Sterlite

Non-Convertible Debentures

Sterlite had US$20.0 million of Indian rupee non-convertible debentures in issue with various institutions at 31 March 2009. The debentures are repayable from April 2010 to April 2013 with interest rates at 9.25%. These debentures are secured upon Sterlite's immovable property at Lonavala, Tuticorin, Gujarat and Chinchpada.

Notes to the Consolidated Financial Statements (continued)

23. Borrowings (continued)

Sterlite Energy

Term Loan

Sterlite Energy has obtained an Indian rupee short-term loan from IDBI Bank Limited in September 2008 and December 2008, totalling US$49.1 million. The loan is unsecured and backed by a corporate guarantee of Sterlite and payable in May 2009. The average interest cost is 12.00% per annum. This short-term loan is expected to be refinanced by a long-term project finance facility of US$1,339.0 million being syndicated. Assuming this loan is refinanced, the corporate guarantee of Sterlite will get released.

Sterlite Energy has also obtained an Indian rupee term loan of US$39.3 million from the State Bank of India in March 2009 at a rate of 12.00% per annum. The loan is unsecured and backed by a corporate guarantee of Sterlite. This loan is also expected to be converted into a long-term project finance facility of US$1,339.0 million currently being syndicated. Assuming this loan is refinanced, the corporate guarantee of Sterlite will get released.

Project Buyers' Credit

As at 31 March 2009, SEL had extended credit terms relating to purchase of property, plant and equipment for its project of US$225.0 million at an average rate of LIBOR plus 155 basis point. The facility is unsecured.

KCM

During the current year, KCM has secured two loans of US$100 million each from Development Bank of Southern Africa (five-year term) and Standard Chartered Bank (four-year term). The interest cost is 2.82% over three month Libor and 3.25% over three month Libor respectively. Both the loans are repayable in 12 quarterly instalments starting from the third and second year, respectively.

Vedanta Resources plc

Long-Term Bonds

In December 2004 and January 2005, Vedanta issued a total of US$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 currently rated BB by Standard & Poor's and Ba2 by Moody's.

In February 2006, Vedanta issued 4.6% US$725.0 million guaranteed convertible bonds, the details of which are set out in note 26.

In July 2008, Vedanta issued US$500.0 million, 8.75% bonds due January 2014, and US$750.0 million, 9.50% bonds due July 2018 in the 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 currently rated BB by Standard & Poor's, Ba2 by Moody's and BB+ by Fitch Ratings Limited

Syndicated Bridge Term Loan

In April 2008, the Group refinanced the short-term syndicated bridge loan facility of US$1,100.0 million (of which US$1,000 million was drawn down at 31 March 2008) taken out to acquire Sesa Goa. The new facility is for US$1,000 million, fully drawn down at 31 March 2009, which bears interest at LIBOR plus 296 basis points. US$250.0 million is repayable in April 2012 and the remaining US$750 million is repayable in January 2013. The facility has been guaranteed by Vedanta and is subject to a pledge of the Group's shares in Sesa Goa Limited through its holding in Richter and Westglobe Limited.

Non-Equity Minority Interests

During the year Group has bought out certain non-equity minority interests by purchasing the deferred shares in KCM held by ZCI of US$47.5 million. As at 31 March 2009, non-equity minority interests remain of US$11.9 million, being deferred shares in KCM held by ZCM. The deferred shares have no voting rights or rights to KCM's dividends, but are entitled on a winding up to a return of US$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.

The deferred shares are held at historic cost, being the fair value attributed to them at the time of initial acquisition of KCM in the year ended 31 March 2005. They are classified as non-current liabilities as they are repayable only on the winding up of the Company. The shares have been valued at US$0.99 per share, which is the maximum amount payable to the deferred shareholders. These deferred shares have not been discounted as the effect would not be material.

24. Movement in Net Debt[1]

US$ million	Debt due within one year: Cash and cash equivalents	Debt due within one year: Debt carrying value	Debt due within one year: Debt-related derivatives[2]	Debt due after one year: Debt carrying value	Debt due after one year: Debt-related derivatives[2]	Liquid investments	Total Net Debt
At 1 April 2007	**1,584.8**	**(249.1)**	**(7.1)**	**(1,477.7)**	**(18.6)**	**600.4**	**432.7**
Cash flow	(1,167.2)	(1,100.4)	–	150.1	–	3,617.2	1,499.7
Cash acquired with subsidiary	4.5	(2.0)	–	–	–	230.2	232.7
Cash disposed of with subsidiary	(0.3)	–	–	–	–	–	(0.3)
Other non-cash changes[3]	–	(35.8)	5.9	(202.7)	29.9	75.8	(126.9)
Foreign exchange differences	36.4	(29.9)	–	(26.6)	–	124.9	104.8
At 1 April 2008	**458.2**	**(1,417.2)**	**(1.2)**	**(1,556.9)**	**11.3**	**4,648.5**	**2,142.7**
Cash flow	(254.8)	(209.0)	–	(1,999.1)	–	961.9	(1,501.0)
Other non-cash changes[3]	–	–	9.6	(341.3)	(18.2)	33.3	(316.6)
Foreign exchange differences	177.1	327.7	–	80.9	–	(1,111.6)	(525.9)
At 31 March 2009	**380.5**	**(1,298.5)**	**8.4**	**(3,816.4)**	**(6.9)**	**4,532.1**	**(200.8)**

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 derivative financial assets and liabilities relating to commodity contracts and forward foreign currency contracts.
3 Other non-cash changes comprises of US$341.3 million (2008: US$205 million) of project buyers credit obtained from bank, for which there is no cash movement as it represents the refinancing of amounts previously owed to suppliers and have been excluded from debt. It also includes US$33.3 million (2008: US$75.8 million) of fair value movement in investments. A movement of US$8.6 million (2008: US$35.8) which pertains to fair value of debt related derivatives is also included in other non-cash changes.

25. Trade and Other Payables

(a) Current Trade Payables

	As at 31 March 2009 US$ million	As at 31 March 2008 US$ million
Trade payables	945.0	511.6
Bills of exchange payable	721.1	681.8
Accruals and deferred income	57.1	143.0
Deferred consideration for KCM acquisition	–	5.2
Amount due for the acquisition of minority interest in KCM (note 37)	–	213.2
Other trade payables	244.5	463.6
	1,967.7	**2,018.4**

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

(b) Non-Current Trade Payables

	As at 31 March 2009 US$ million	As at 31 March 2008 US$ million
Other trade payables	76.4	0.2
	76.4	**0.2**

Other trade payables primarily comprise of the amounts withheld as retentions, payable to suppliers of capital projects after satisfactory completion of a contractual commissioning period, which are generally payable after a year.

26. Convertible Bonds

Vedanta Finance (Jersey) Limited ('VFJL') issued 4.6% US$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 US$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.

Notes to the Consolidated Financial Statements (continued)

26. Convertible Bonds (continued)

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.

	Year ended 31 March 2009 US$ million	Year ended 31 March 2008 US$ million
Opening liability (net of issue costs)	600.9	598.4
Interest and amortisation of issue costs	37.2	36.9
Coupon interest paid	(33.1)	(33.3)
Conversion of bonds	(0.9)	(1.1)
Closing liability	**604.1**	**600.9**

The interest charged for the year is calculated by applying an effective interest rate of 6.18 %(2008: 6.16%).

During the year ended 31 March 2009, US$1.1m of convertible bonds were converted into 42,452 equity shares, reducing the liability component of the convertible bonds by US$0.9 million, generating share capital and share premium of US$1.1 million and releasing US$0.2 million from convertible bond reserve.

During the year ended 31 March 2009, US$4.0 million was transferred from the convertible bond reserve to retained earnings, representing the realisation of distributable reserves following accretion of the convertible bond liability. This amount constitutes the accretion during the year, being the interest and amortisation of issue cost, less coupon interest as outlined in the table above.

The fair value of the convertible bonds as on 31 March 2009 is US$714.9 million (2008: US$667.2 million)

Although the bondholders have the option to convert at any time, it is considered appropriate to classify the convertible bonds as due in more than one year. This is based on the relative rate of return to bondholders from the bonds as compared to historic and expected dividend yields, the length of time prior to redemption, the limited number of conversions to date and the fact that conversion does not result in the transfer of cash or other financial assets.

27. Financial Instruments

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

	As at 31 March 2009 US$ million	As at 31 March 2008 US$ million
Financial assets		
At fair value through profit or loss		
– Held for trading	4,532.1	4,648.5
– Other financial assets (derivatives)	134.8	139.9
Cash and cash equivalents	380.5	458.2
Loan and receivables		
– Trade and other receivables	735.0	1,048.0
– Other non-current assets	21.4	29.8
Available-for-sale investments		
– Financial asset investments held at fair value	71.8	4.8
– Financial asset investments held at cost	19.8	25.2
Total	**5,895.4**	**6,354.4**
Financial liabilities		
At fair value through profit or loss		
– Other financial liabilities (derivatives)	(174.4)	(107.0)
Designated into fair value hedge		
– Borrowings	(614.7)	(615.9)
Financial liabilities at amortised cost		
– Trade and other payables	(2,044.1)	(2,018.6)
– Borrowings	(4,500.2)	(2,358.2)
Total	**(7,333.4)**	**(5,099.7)**

The fair value of borrowings is US$5,259.7 million (2008: US$2,915.8 million). For all other financial instruments, the carrying amount is either the fair value, or approximates the fair value.

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

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

27. Financial Instruments (continued)

Derivatives Instruments and Risk Management

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

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

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

Treasury Management

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

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

Commodity Risk

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

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

Copper

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

Notes to the Consolidated Financial Statements (continued)

27. Financial Instruments (continued)

The Group's Australian mines in Tasmania supply approximately 8% to 9% of the requirement of the custom copper smelter at Tuticorin. Hence, TCRCs are a major source of income for the Indian copper smelting operations. Fluctuations in TCRCs are influenced by factors including demand and supply conditions prevailing in the market for mine output. The Group's copper business has a strategy of securing a majority of its concentrate feed requirement under long-term contracts with mines.

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

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

Aluminium

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

Zinc and Lead

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

Iron Ore

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

Provisionally Priced Financial Instruments

On 31 March 2009, the value of net financial assets linked to commodities (excluding derivatives) accounted for on provisional prices was a liability of US$147.7 million (2008: asset of US$9.0 million). These instruments are subject to price movements at the time of final settlement and the final price of these instruments will be determined in financial year beginning 1 April 2009.

Set out below is the impact of 10% increase in LME prices on profit for the year and total equity as a result of change in value of the Group's commodity financial instruments:

Commodity price sensitivity	Closing LME as on 31 March 2009 US$	Effect on profit of a 10% increase in the LME 31 March 2009 (US$ million)	Effect on total equity of a 10% increase in the LME 31 March 2009 (US$ million)
Copper	4,035	(1.1)	(1.1)
Zinc	1,301	0.2	0.2
Lead	1,272	0.1	0.1

Commodity price sensitivity	Closing LME as on 31 March 2008 US$	Effect on profit of a 10% increase in the LME 31 March 2008 (US$ million)	Effect on total equity of a 10% increase in the LME 31 March 2008 (US$ million)
Copper	8,520	(2.0)	(2.0)
Zinc	2,303	0.5	0.5
Lead	2,793	4.3	4.3

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

Further, the impact of a 10% increase in closing copper LME for provisionally priced copper concentrate purchase at Sterlite custom smelting operations is US$14.2 million (2008: US$57.2 million), which is pass through in nature and as such will not have any impact on the profitability.

27. Financial Instruments (continued)

Financial Risk and Sensitivities

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

(a) Liquidity

The Group requires funds both for short-term operational needs as well as for long-term investment programmes mainly in growth projects. The Group generates sufficient cash flows from the current operations which together with the available cash and cash equivalents and liquid financial asset investments provide liquidity both in the short term as well as in the long term. Anticipated future cash flows and undrawn committed facilities of US$1,909.4 million, together with cash and liquid investments of US$4,912.5 million as at 31 March 2009, are expected to be sufficient to meet the ongoing capital investment programme and liquidity requirement of the Group in the near future.

The Group has a strong Balance Sheet that gives sufficient headroom to raise further debt should the need arise. The Group's current ratings from Standard & Poor's and Moody's are BB and Ba1 respectively (2008: BB and Baa3 respectively). These ratings support the necessary financial leverage and access to debt or equity markets at competitive terms. The Group generally maintains a healthy net debt-equity ratio and retains flexibility in the financing structure to alter the ratio when the need arises.

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

At 31 March 2009 (in US$ million) Payment due by period	< 1 year	1–2 years	2–5 years	> 5 years	Total
Trade and other payables	1,967.7	76.4	–	–	2,044.1
Bank and other borrowings	1,284.8	173.9	1,626.2	1,412.2	4,497.1
Convertible bonds	–	–	722.4	–	722.4
Derivative liabilities	114.7	–	59.7	–	174.4
Total	**3,367.2**	**250.3**	**2,408.3**	**1,412.2**	**7,438.0**

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

At 31 March 2009, the Group had access to funding facilities of US$7,024.3 million of which US$1,909.4 million was not yet drawn, as set out below.

Funding facilities	Total facility (US$ million)	Drawn (US$ million)	Undrawn (US$ million)
Less than 1 year	3,204.5	1,298.5	1,906.0
1–2 years	173.9	173.9	–
2–5 years and above	3,645.9	3,642.5	3.4
Total	**7,024.3**	**5,114.9**	**1,909.4**

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

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

Notes to the Consolidated Financial Statements (continued)

27. Financial Instruments (continued)

(b) Foreign Currency

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

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

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

US$ million	At 31 March 2009 Financial assets	At 31 March 2009 Financial liabilities	At 31 March 2008 Financial assets	At 31 March 2008 Financial liabilities
US dollar	773.9	5,817.8	987.1	3,888.0
Indian rupee	4,975.6	1,412.2	5,259.3	998.9
Zambian kwacha	41.9	36.3	66.6	104.5
Japanese yen	70.1	29.8	4.6	35.9
Australian dollar	23.4	11.8	34.8	14.9
Euro	1.9	13.4	1.2	56.7
Others	8.6	12.0	0.8	0.8
Total	**5,895.4**	**7,333.3**	**6,354.4**	**5,099.7**

The Group's exposure to foreign currency arises where a Group company holds monetary assets and liabilities denominated in a currency different to the functional currency of that entity with US dollar being the major non-functional currency of the Group's main operating subsidiaries. Set out below is the impact of a 10% change in the US dollar on profit and equity arising as a result of the revaluation of the Group's foreign currency financial instruments:

US$ million	31 March 2009 Closing exchange rate	Effect of 10% strengthening of US dollar on net earnings	Effect of 10% strengthening of US dollar on total equity
Indian rupee	50.950	(54.5)	(75.2)
Australian dollar	1.455	3.4	3.4
Zambian kwacha	5,622	0.5	0.5

US$ million	31 March 2008 Closing exchange rate	Effect of 10% strengthening of US dollar on net earnings	Effect of 10% strengthening of US dollar on total equity
Indian rupee	39.970	(40.9)	0.5
Australian dollar	1.089	17.4	17.4
Zambian kwacha	3,765	(3.4)	(2.4)

The sensitivities are based on financial assets and liabilities held at 31 March 2009 where balances are not denominated in the functional currency of the respective subsidiaries. The sensitivities do not take into account the Group's sales and costs and the results of the sensitivities could change due to other factors such as changes in the value of financial assets and liabilities as a result of non-foreign exchange influenced factors.

27. Financial Instruments (continued)

(c) Interest Risk

At 31 March 2009, the Group's net debt of US$200.8 million (2008: US$2,142.7 million net cash) comprises of cash, cash equivalents and liquid investments of US$4,912.6 million (2008: US$5,106.7 million) offset by debt of US$5,113.4 million (2008: US$2,964.0 million).

The Group is exposed to interest rate risk on short-term and long-term floating rate instruments and on the refinancing of fixed rate debt. The Group's policy is to maintain a balance of fixed and floating interest rate borrowings and the proportion of fixed and floating rate debt is determined by current market interest rates. As at 31 March 2009, 49% (2008: 29%) of the total debt was at a fixed rate and the balance was at a floating rate. The floating rate debt is largely linked to US dollar LIBOR. The Group also aims to minimise its average interest rates on borrowings by opting for a higher proportion of long-term debt to fund growth projects. The Group invests cash and liquid investments in short-term deposits and debt mutual funds, some of which generate a tax-free return, to achieve the Group's goal of maintaining liquidity, carrying manageable risk and achieving satisfactory returns.

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

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

	At 31 March 2009				At 31 March 2008			
US$ million	Floating rate financial assets	Fixed rate financial assets	Equity Investments	Non-interest bearing financial assets	Floating rate financial assets	Fixed rate financial assets	Equity Investments	Non-interest bearing financial assets
Financial assets	4,282.2	583.2	91.6	803.5	4,677.9	635.7	30.0	871.0
Derivative assets	–	–	–	134.8	–	–	–	139.8
Total financial assets	**4,282.2**	**583.2**	**91.6**	**938.3**	**4,677.9**	**635.7**	**30.0**	**1,010.8**

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

	At 31 March 2009			At 31 March 2008		
US$ million	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing financial liabilities	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing financial liabilities
Financial liabilities	2,715.2	3,160.2	1,283.6	2,723.4	924.9	1,344.4
Derivative liabilities	–	–	174.4	–	–	107.0
Total financial liabilities	**2,715.2**	**3,160.2**	**1,458.0**	**2,723.4**	**924.9**	**1,451.4**

The weighted average interest rate on the fixed rate financial liabilities is 8.5% (2008: 6.5%) and the weighted average period for which the rate is fixed is 5.4 years (2008: 3.9 years).

Considering the net debt position as at 31 March 2009 and the investment in bank deposits and debt mutual funds, any increase in interest rates would result in a net loss and any decrease in interest rates would result in a net gain. The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the Balance Sheet date.

Notes to the Consolidated Financial Statements (continued)

27. Financial Instruments (continued)

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

At 31 March 2009 (in US$ million) Decrease in interest rates	Effect on net earnings US dollar interest rate	Effect on net earnings Japanese yen interest rate	Effect on net earnings Total	Effect on total equity US dollar interest rate	Effect on total equity Japanese yen interest rate	Effect on total equity Total
0.5%	9.6	–	9.6	9.6	–	9.6
1.0%	19.2	–	19.2	19.2	–	19.2
2.0%	38.5	–	38.5	38.5	–	38.5

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

(d) Credit Risk

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

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

The large majority of receivables due from third parties are secured. Moreover, given the diverse nature of our businesses trade receivables are spread over a number of customers with no significant concentration of credit risk. No single customer accounted for 10% or more of the Group's net sales or for any of the Group's primary businesses during the year ended 31 March 2009 and in the previous year. The history of trade receivables shows a negligible provision for bad and doubtful debts. Therefore, the Group does not expect any material risk on account of non-performance by any of our counterparties.

The Group's maximum exposure to credit risk at 31 March 2009 is US$5,895.3 million (2008: US$6,354.4 million).

Of the year end trade and other receivable balance the following were past due but not impaired as at 31 March 2009.

US$ million	2009	2008
Less than 1 month	58.1	64.6
Between 1–3 months	23.3	26.7
Between 3–12 months	6.1	37.1
Greater than 12 months	13.5	1.3
Total	**101.0**	**129.7**

Derivative Financial Instruments

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

Embedded Derivatives

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

27. Financial Instruments (continued)

Cash Flow Hedges

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

The fair value of the Group's open derivative positions at 31 March 2009 (excluding own use purchase and sale contracts), recorded within other financial assets (derivatives) and other financial liabilities (derivatives) is as follows:

US$ million	At 31 March 2009 Liability	At 31 March 2009 Asset	At 31 March 2008 Liability	At 31 March 2008 Asset
Current				
Cash flow hedges				
– Commodity contracts	–	–	(0.5)	–
– Forward foreign currency contracts	(14.2)	35.6	(14.7)	3.4
– Interest rate swap (floating to fixed)	–	1.3	–	–
Fair value hedges				
– Commodity contracts	(0.2)	–	(0.8)	–
– Forward foreign currency contracts	–	6.7	(7.2)	5.3
– Interest rate swap	–	13.6	–	–
– Others (foreign currency swap)	(30.8)	24.3	–	–
Non-qualifying hedges				
– Commodity contracts	(41.8)	0.5	–	35.7
– Forward foreign currency contracts	(27.7)	–	(0.1)	0.5
– Interest rate swap	–	–	–	
Total	**(114.7)**	**82.0**	**(23.3)**	**44.9**
Non-current				
Fair value hedges				
– Forward foreign currency contracts	–	–	–	–
– Interest rate swap	–	–	–	15.3
– Others (foreign currency swap)	(59.7)	52.8	(83.7)	79.7
Total	**(59.7)**	**52.8**	**(83.7)**	**95.0**
Grand total	**(174.4)**	**134.8**	**(107.0)**	**139.9**

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

Non-Qualifying Hedges

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

Fair Value Hedges

The fair value hedges relate to interest rate swaps (fixed to floating) taken out by the Group to hedge the fair value risk on the US$600 million bonds due in 2010.

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

Hedging Reserves Reconciliation

	Hedging reserves US$ million	Minority Interests[1] US$ million	Total US$ million
At 1 April 2007	**(29.7)**	**(23.4)**	**(53.1)**
Amount recognised directly in equity	27.0	19.6	46.6
Amount charged to Income Statement	(7.5)	(2.4)	(9.9)
Exchange difference	1.1	(2.0)	(0.9)
At 1 April 2008	**(9.1)**	**(8.2)**	**(17.3)**
Amount recognised directly in equity	(21.5)	3.9	(17.6)
Amount charged to Income Statement	(13.6)	2.1	(11.5)
Exchange difference	4.6	0.9	5.5
At 31 March 2009	**(39.6)**	**(1.3)**	**(40.9)**

1 Cash flow hedges attributable to minority interests.

The cash flow hedges which make up the balance of hedging reserves as at 31 March 2009 all represent derivatives which will are due for settlement within one year from the Balance Sheet date. At settlement, these items are recycled to the Income Statement.

Notes to the Consolidated Financial Statements (continued)

28. Provisions

	Restoration, rehabilitation and environmental US$ million	Other US$ million	Total US$ million
At 1 April 2007	**45.9**	**184.4**	**230.3**
(Credited)/charged to Income Statement	(1.1)	(2.9)	(4.0)
Unwinding of discount	0.4	5.2	5.6
Addition due to acquisition	2.0	–	2.0
Reclassification	0.6	(0.6)	–
Cash paid	–	(32.4)	(32.4)
Disposals	(1.4)	–	(1.4)
Exchange differences	0.2	12.2	12.4
At 1 April 2008	**46.6**	**165.9**	**212.5**
(Credited)/charged to Income Statement	(7.1)	(1.5)	(8.6)
Unwinding of discount	–	4.2	4.2
Cash paid	(0.1)	(36.8)	(36.9)
Exchange differences	(2.4)	3.6	1.2
At 31 March 2009	**37.0**	**135.4**	**172.4**
Current 2009	–	6.9	6.9
Non-current 2009	37.0	128.5	165.5
	37.0	**135.4**	**172.4**
Current 2008	–	27.3	27.3
Non-current 2008	46.6	138.6	185.2
	46.6	**165.9**	**212.5**

Restoration, Rehabilitation and Environmental

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

Other

Other provisions comprise the Directors' best estimate of the costs which may be incurred in the future to settle certain legal and tax claims outstanding against the Group, which exist primarily in India. Other provisions also include a provision in respect of a price participation agreement which requires KCM to pay ZCCM an agreed annual sum when copper prices exceed specified levels and other triggers, amounting to US$94.4 million (2008: US$95.9 million). The timing of the outflow of this provision is dependent on future copper prices and hence cannot be reasonably ascertained. Other also include a provision for the Group's obligation relating to IFL amounting to US$nil million (2008: US$27.3 million) (see note 16).

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

Provided – Liabilities/(Assets)

	As at 31 March 2009 US$ million	As at 31 March 2008 US$ million
Accelerated capital allowances	1,261.7	1,441.4
Unutilised tax losses	(332.2)	(134.0)
Other temporary differences	69.9	58.3
	999.4	**1,365.7**
Recognised as:		
Deferred tax liability provided	1,010.6	1,380.8
Deferred tax asset recognised	(11.2)	(15.1)
	999.4	**1,365.7**

29. Deferred Tax (continued)

Unrecognised Deferred Tax Assets

	As at 31 March 2009 US$ million	As at 31 March 2008 US$ million
Unutilised tax losses	(22.2)	(21.7)

The above relates to the tax effect of US$79.3 million of unutilised tax losses of the Company and VRHL which have no expiry period. No benefit has been recognised for these tax losses on the grounds that their successful application against future profits is not probable in foreseeable future.

Deferred Tax Asset

	As at 31 March 2009 US$ million	As at 31 March 2008 US$ million
At 1 April 2008	**15.1**	**28.3**
Charged to Income Statement	(5.4)	(7.9)
(Charged)/credited directly to equity	1.1	(5.7)
Foreign exchange differences	0.4	0.4
At 31 March 2009	**11.2**	**15.1**

The Group has US$1,107.5 million of unutilised tax losses at KCM (2008: US$424.4 million) which expire in the period 2016 to 2019 and have been offset against accelerated capital allowances at the same entity.

Deferred Tax Liability

	As at 31 March 2009 US$ million	As at 31 March 2008 US$ million
At 1 April 2008	**1,380.8**	**425.3**
Addition due to acquisition	–	799.0
Deduction due to disposal	–	(14.3)
(Credited)/charged to Income Statement	(104.0)	126.1
(Credited)/charged directly to equity	(3.7)	17.3
Foreign exchange differences	(262.5)	27.4
At 31 March 2009	**1,010.6**	**1,380.8**

30. 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 MS Mehta, salary means the aggregate of their salary payable by Vedanta and their gross salary payable by Sterlite. The maximum value of shares that can be awarded to members of the wider management Group is calculated by reference to the base salary, share-based remuneration already received and consistent with local market practice.

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

Notes to the Consolidated Financial Statements (continued)

30. Share-Based Payments (continued)

Vedanta's TSR Performance against Adapted Comparator Group

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

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

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

Initial awards under the LTIP were granted on 26 February 2004 with further awards being made on 11 June 2004, 23 November 2004, 1 February 2006, 1 February 2007, 14 November 2007 and 1 February 2009. The exercise price of the awards is 10 US cents per share and the performance period is one year for the February 2007 awards and three years for all other awards, with no re-testing being allowed. The exercise period is six months from the date of vesting. Further details on the LTIP are found in the Remuneration Report on pages 45 to 51.

Year of grant	Exercise date	Exercise price US cents per share	Options outstanding at1 April 2008	Options granted during the year	Options lapsed during the year	Options lapsed during the year owing to performance conditions	Options exercised during the year	Options outstanding at 31 March 2009
2006	1 February 2009 to 1 August 2009	10	1,959,750	–	154,300	1,083,270	350,000	372,180
2007	1 February 2008 to 1 August 2008	10	181,050	–	–	–	181,050	–
2007	14 November 2010 to 14 May 2011	10	1,691,349	–	83,120	13,800	4,300	1,590,129
2009	1 February 2012 – 1 August 2012	10	–	11,200	–	–	–	11,200
			3,832,149	11,200	237,420	1,097,070	535,350	1,973,509

As at 31 March 2009 all the outstanding options granted on 1 February 2007, were exercised and all the outstanding options granted on 1 February 2006 and 14 November 2007 were exercisable. The weighted average share price for the share options exercised during the year was £ 5.99.

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

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

30. Share-Based Payments (continued)

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 2009	
Date of grant	1 February 2009
Number of instruments	11,200
Exercise price	US$0.10
Share price at the date of grant	£5.53
Contractual life	3 years
Expected volatility	67.0% pa
Expected option life	3.2 years
Expected dividends	5.2% pa
Risk free interest rate	2.1% pa
Expected annual forfeitures	13.5% pa
Fair value per option granted	£3.147

31. Retirement Benefits

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

(a) Defined Contribution Schemes

Indian Pension Schemes

Central Provident Fund

The Central Provident Fund relates to all full time Indian employees of the Group. The amount contributed by the Group is a designated percentage of 12% of basic salary less contributions 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. Certain companies hold policies with the Life Insurance Corporation of India ('LIC'), to which they contribute a fixed amount relating to superannuation, and the pension annuity is met by the LIC as required, taking into consideration the contributions made. Accordingly, this scheme has been accounted for on a defined contribution basis and contributions are charged directly to the Income Statement.

The LIC manages certain companies' pension scheme assets and provides a certificate to those companies, outlining the annual rate of return on the scheme assets. The rates of return in respect of the year ended 31 March 2009 ranged from 7.5% to 9.5% (2008: from 7.5% to 9.3%).

Pension Fund

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

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

Australian Pension Scheme

The Group also operates defined contribution pension schemes in Australia. The contribution of a proportion of an employee's salary into a superannuation fund is a compulsory legal requirement in Australia. The employer contributes 9% 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.

Zambian Pension Scheme

The KCM Pension Scheme is applicable to full time permanent employees of KCM (subject to the fulfilment of certain eligibility criteria). The management of the scheme is vested in the trustees consisting of representatives of the employer and the members. The employer makes a monthly contribution to the KCM Pension Scheme of an amount equal to 11% 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.

Notes to the Consolidated Financial Statements (continued)

31. Retirement Benefits (continued)

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

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

(b) Defined Benefit Schemes

India

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

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

MALCO

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

BALCO

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

HZL

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

VAL

VAL does not contribute to the LIC. Liabilities with regard to the Gratuity scheme are fully provided in the Balance Sheet and are determined by actuarial valuation as at the Balance Sheet date and as per gratuity regulations for the company. The latest actuarial valuation was performed as at 31 March 2009 using the projected unit actuarial method. At that date the fund was in deficit.

Sterlite

Sterlite does not contribute to the LIC. Liabilities with regard to the Gratuity scheme are fully provided in the Balance Sheet and are determined by actuarial valuation as at the Balance Sheet date and as per gratuity regulations for the company. The latest actuarial valuation was performed as at 31 March 2009 using the projected unit actuarial method. At that date the fund was in deficit.

Sesa Goa

Sesa Goa contributes to the LIC based on actuarial valuation every year. Sesa Goa's Gratuity scheme is accounted for on a defined benefit basis. The latest actuarial valuation was performed as at 31 March 2009 using the projected unit actuarial method. At that date the fund was in deficit.

31. 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 an earliest service start date of 1 July 2004. Under this scheme, benefits are provided based on final pensionable pay and a full actuarial valuation of the scheme is carried out on an annual basis. The accruals are not contributed to any fund and are in the form of provisions in KCM's accounts.

On the death of an employee during service, a lump sum amount is paid to his dependants. This amount is equal to 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 30 months' basic pay.

As at 31 March 2009, membership of pension schemes across MALCO, BALCO, HZL, VAL, Sterlite, Sesa and KCM stood at 27,716 employees (31 March 2008: 27,853). The deficits, principal actuarial assumptions and other aspects of these schemes are disclosed in further detail in notes (d) and (e) below.

(c) Pension Scheme Costs

Contributions of US$3.0 million and US$nil million in respect of defined benefit schemes were outstanding and prepaid respectively as at 31 March 2009 (2008: 1.8 million and US$nil million respectively).

Contributions to pension schemes in the year ended 31 March 2009 are expected to be around US$3.9 million.

	Year ended 31 March 2009 US$ million	Year ended 31 March 2008 US$ million
Defined contribution pension schemes	17.7	16.0
Defined benefit pension schemes	2.3	8.7
	20.0	**24.7**

(d) Principal Actuarial Assumptions

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

	MALCO		BALCO		Sterlite		HZL		KCM		VAL		Sesa Goa[1]	
Particulars	Mar 09	Mar 8	Mar 09	Mar 08	Mar 09	Mar 08	Mar 09	Mar 08	Mar 09	Mar 08	Mar 09	Mar 08	Mar 09	Mar 08
Discount rate	7.5%	8.0%	7.5%	7.8%	7.5%	7.5%	7.5%	7.5%	19.5 %	14.0%	7.5%	8.0%	8.0%	8.0%
Salary increases	6.0%	6.0%	5.0 % for office staff, 3.0 % Non office	5.0% for office staff, 3.0 % Non office	5.0%	5.0%	5.0%	5.0%	5.0%	8.0%	5.5%	5.0%	5.0%	5–7.0%
Funding rate of return	–	–	–	8%	7.5%	7.5%	9.5%	9.1%	–	–	7.5%	9.0%	9.3%	9–9.35%
Number of employees	351	703	5,167	5,179	1,801	1,636	6,306	6,194	9,882	11,242	2,316	1,144	1,893	1,755

1 Acquired during the year 2007–08.
2 Assumptions regarding mortality for Indian entities are based on mortality table of LIC (1994–96) as subsequently modified.
3 Assumptions regarding mortality for KCM are based on World Health Organisation Life Tables for 1999 applicable to Zambia which has been taken as a reference point. Based on this a mortality table which is appropriate for the workers of Konkola Copper Mines plc has been derived.

Notes to the Consolidated Financial Statements (continued)

31. Retirement Benefits (continued)

(e) Balance Sheet Recognition

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

	31 March 2009								31 March 2008							
US$ million	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total
Fair value of pension scheme assets	–	–	1.3	18.1	–	0.1	4.1	23.6	–	0.7	1.1	20.0	–	0.1	4.9	26.8
Present value of pension scheme liabilities	(0.6)	(12.0)	(2.0)	(19.3)	(13.8)	(0.2)	(5.0)	(52.9)	(1.4)	(14.0)	(2.0)	(21.9)	(24.6)	(0.1)	(5.3)	(69.3)
Deficit in pension scheme recognised in balance sheet	(0.6)	(12.0)	(0.7)	(1.2)	(13.8)	(0.1)	(0.9)	(29.3)	(1.4)	(13.3)	(0.9)	(1.9)	(24.6)	–	(0.4)	(42.5)
Deferred tax	0.2	4.1	0.2	0.4	4.7	–	0.3	9.9	0.5	4.5	0.3	0.6	8.4	–	0.1	14.4
Net pension liability	**(0.4)**	**(7.9)**	**(0.5)**	**(0.8)**	**(9.1)**	**(0.1)**	**(0.6)**	**(19.4)**	**(0.9)**	**(8.8)**	**(0.6)**	**(1.3)**	**(16.2)**	**–**	**(0.3)**	**(28.1)**

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

	31 March 2009								31 March 2008							
Particulars	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total
Current service cost	–	0.5	0.3	1.0	2.2	0.1	0.3	4.4	0.1	0.6	0.2	1.1	3.9	0.1	0.3	6.3
Actuarial (gains)/losses	0.2	0.5	0.3	0.6	(10.1)	–	0.7	(7.8)	–	(1.5)	0.6	1.0	(1.5)	–	–	(1.4)
Expected return on scheme assets	–	–	(0.1)	(1.6)	–	–	(0.3)	(2.0)	–	(0.1)	(0.1)	(1.6)	–	–	(0.4)	(2.2)
Interest cost of scheme liabilities	0.1	0.9	0.1	1.4	4.8	–	0.4	7.7	0.1	1.1	0.1	1.4	2.9	–	0.4	6.0
Total charge/(credit) to income statement	**0.3**	**1.9**	**0.6**	**1.4**	**(3.1)**	**0.1**	**1.1**	**2.3**	**0.2**	**0.1**	**0.8**	**1.9**	**5.3**	**0.1**	**0.3**	**8.7**

(g) Movements in the Present Value of Defined Benefit Obligations

The movement during the year ended 31 March 2009 of the present value of the defined benefit obligation was as follows:

	31 March 2009								31 March 2008							
Particulars	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total	MALCO	BALCO	Sterlite	HZL	KCM	VAL	Sesa Goa	Total
At 1 April	(1.4)	(14.0)	(2.0)	(21.9)	(24.6)	(0.1)	(5.3)	(69.3)	(1.3)	(12.5)	(0.1)	(17.3)	(21.0)	(0.1)	–	(52.3)
At acquisition	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(4.5)	(4.5)
Current service cost	–	(0.5)	(0.3)	(1.0)	(2.2)	(0.1)	(0.3)	(4.4)	(0.1)	(0.6)	(0.2)	(1.1)	(3.9)	(0.1)	(0.3)	(6.3)
Gratuity benefits paid	0.9	0.9	0.2	0.7	7.6	–	0.4	10.7	0.2	0.6	0.4	0.3	1.7	–	0.3	3.5
Interest cost of scheme liabilities	(0.1)	(0.9)	(0.1)	(1.4)	(4.8)	–	(0.4)	(7.7)	(0.1)	(1.1)	(0.1)	(1.4)	(2.9)	–	(0.4)	(6.0)
Actuarial gains/(loss)	(0.2)	(0.5)	(0.3)	(0.6)	10.1	–	(0.7)	7.8	–	1.5	(0.6)	(1.0)	1.5	–	–	1.4
Exchange – difference	0.3	3.0	0.5	4.9	–		1.3	10.0	(0.1)	(1.9)	(1.4)	(1.4)	–	(0.1)	(0.4)	(5.1)
At 31 March	**(0.5)**	**(12.0)**	**(2.0)**	**(19.3)**	**(13.9)**	**(0.2)**	**(5.0)**	**(52.9)**	**(1.4)**	**(14.0)**	**(2.0)**	**(21.9)**	**(24.6)**	**(0.1)**	**(5.3)**	**(69.3)**

31. Retirement Benefits (continued)

(h) Movements in the Fair Value of Scheme Assets

	As at 31 March 2009 US$ million	As at 31 March 2008 US$ million
At 1 April	**26.8**	**17.0**
At acquisition	–	3.8
Contributions received	11.4	4.6
Benefits paid	(10.7)	(3.6)
Expected return on plan asset	2.0	2.2
Foreign exchange differences	(6.1)	2.8
At 31 March	**23.4**	**26.8**

(i) Four Year History

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

Defined Benefit Pension Plan

	As at 31 March 2009 US$ million	As at 31 March 2008 US$ million	As at 31 March 2007 US$ million	As at 31 March 2006 US$ million
Experience gains/(losses) arising on scheme liabilities	7.8	1.4	2.9	8.6
Difference between expected and actual return on plan assets	0.1	–	(0.1)	–
Fair value of pension scheme assets	23.6	26.8	17.0	14.0
Present value of pension scheme liabilities	(52.9)	(69.3)	(52.3)	(52.2)
Deficits in the schemes	(29.3)	(42.5)	(35.3)	(38.2)

32. Share Capital

	At 31 March 2009		At 31 March 2008	
Authorised	Number	US$ million	Number	US$ million
Ordinary shares of 10 US cents each	400,000,000	40.0	400,000,000	40.0
Deferred shares of £1 each	50,000	0.0	50,000	0.0
	400,050,000	**40.1**	**400,050,000**	**40.1**

	At 31 March 2009		At 31 March 2008	
Ordinary shares issued and fully paid	Number	US$ million	Number	US$ million
Ordinary shares of 10 US cents each	288,878,266	28.9	288,130,685	28.8
Deferred shares of £1 each	50,000	–	50,000	–
	288,928,266	**28.9**	**288,180,685**	**28.8**

During the year ended 31 March 2009, the Company issued 705,129 shares to the employees pursuant to the LTIP scheme (2008: 564,894 shares). During the year ended 31 March 2009, the Company issued 42,452 shares represented by Global Depositary Receipts on conversion of the convertible bond (2008: 50,169). The holders of these shares are not entitled to exercise voting rights.

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

During the year ended 31 March 2009, the Company commenced its first share buy-back programme and purchased 9,577,810 of its own shares which are held in treasury.

Notes to the Consolidated Financial Statements (continued)

33. Business Combinations

Agreement to Acquire Asarco

On 30 May 2008, Sterlite entered into a Purchase and Sale Agreement (PSA) with Asarco LLC, USA ('Asarco'), under which it agreed to purchase Asarco's operating assets for a consideration of US$2.6 billion. Due to unprecedented financial turmoil and adverse global market conditions, on 13 October 2008, Sterlite informed Asarco of its intention to renegotiate the purchase consideration. Subsequently Asarco issued a notice of termination of the original PSA and informed Sterlite of its intention to draw upon a US$50 million letter of credit given by Sterlite as a deposit at the time of signing the PSA. Asarco have subsequently agreed not to draw on this letter of credit.

After negotiations for approximately five months, Sterlite entered into a new agreement ('New PSA') on 6 March 2009 under which it agreed to purchase the same operating assets for a consideration of (a) a cash payment of US$1.1 billion on closing; and (b) a senior secured non-interest bearing promissory note (the 'Note') of US$600 million, payable over a period of nine years from closing as follows: (i) US$20 million per year from the end of the second year for a period of seven years; and (ii) a terminal payment of US$460 million at the end of the ninth year, totalling US$600 million. In the event that the annual average of daily copper prices in a particular year increases beyond US$6,000 per tonne, the annual payment in that year will be proportionately increased subject to a maximum of US$66.67 million and the terminal payment in the ninth year will be correspondingly reduced, keeping the total payment at US$600 million. The principal amount of the Note will be adjusted for any variations in working capital on closing. The obligations under the Note are secured against the assets being acquired by Sterlite USA and are without any recourse to Sterlite.

Sterlite posted a US$50 million deposit in the form of a letter of credit taking the total deposit/letter of credit to US$100 million which will be adjusted against the consideration. This letter of credit is required to be increased to US$125 million at a later stage in the approval process. Sterlite will assume operating liabilities but not legacy liabilities for asbestos and environmental claims for ceased operations.

This agreement is subject to the approval of the creditors constituents of Asarco and US Bankruptcy Court for the Southern District of Texas, together with the shareholders of Vedanta Resources plc and hence has not been accounted for in these financial statements. However, on 24 April 2009, the Court approved bid protection terms in the revised agreement.

34. Operating Leases

The Group does not have any material operating lease commitments as at 31 March 2009 (2008: none).

35. Commitments, Guarantees and Contingencies

Commitments

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

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

	As at 31 March 2009 US$ million	As at 31 March 2008 US$ million
Capital commitments contracted but not provided	3,674.0	3,314.0

Commitments at 31 March 2009 primarily related to the expansion projects at HZL US$281.0 million (2008: US$204.0 million), KCM US$143.7 million (2008: US$246.6 million), VAL US$2,166.3 million (2008: US$980.4 million), SEL US$536.6 million (2008: US$1,124.1 million) and BALCO US$474.5 million (2008: US$688.6 million).

Guarantees

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

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

As at 31 March 2009, US$252.7 million of guarantees were advanced to banks in the normal course of business (2008: US$139.4 million). The Group has also entered into guarantees advanced to the customs authorities in India of US$283.5 million relating to the export of iron ore and payment of import duties on purchases of raw material (2008: US$154.6 million).

35. Commitments, Guarantees and Contingencies (continued)

Export Obligations

The Indian entities of the Group have export obligations of US$3,909.0 million (2008: US$2,473.9 million) on account of concessional rates of import duty paid on capital goods under the Export Promotion Capital Goods Scheme and under Advance Licence Scheme for import of raw material laid down by the Government of India.

In the event of the Group's inability to meet its obligations, the Group's liability would be US$556.5 million (2008: US$355.6 million), reduced in proportion to actual exports. This liability is backed by bonds executed in favour of the customs department amounting to US$515.5 million (2008: US$325.7 million).

Guarantees to Suppliers

The Group has given corporate guarantees to certain suppliers of concentrate. The value of these guarantees was US$120.0 million at 31 March 2009 (2008: US$150.0 million).

Environmental and Terminal Benefits ('ETB') Cash Reserve Account – KCM

Pursuant to the terms of the shareholders' agreement between VRHL and ZCI dated 5 November 2004, KCM is expected to contribute a minimum of US$10 million (with a maximum of US$18.0 million) in any financial year to ensure that the amount of ETB liabilities are covered by a cash reserve when the life of the Konkola Ore Body comes to an end. The ETB liabilities refer to KCM's obligations in relation to the environment and any terminal benefits payable to its employees. As at 31 March 2009, ETB liabilities provided for were US$49.9 million (2008: US$61.7 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 certain call options previously held by ZCI and Vedanta's divestment of its interest in KCM (the earliest date of which was 1 January 2008), up to a limit of US$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 significant contingencies. With regard to the claims against Group companies included below, unless stated, no provision has been made in the financial statements as the Directors believe that it is more likely than not that the claims will not give rise to a material liability.

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

Under the terms of a financial aid package, MALCO was entitled to benefit from reduced tariff electricity for the period from 1995 to 1999. In 1997, MALCO became profitable and in 1999 the TNEB made a claim against MALCO for the difference in value between full price and reduced tariff electricity for the period from 1997 to 1999. The value of this claim was US$62.3 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 with a large bench. While admitting the appeal filed by TNEB, the larger bench refused to grant stay except for refund of US$2 million, lying paid by the company earlier under protest.

TNEB is also claiming US$20.1 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.

BALCO: Claim of Chhattisgarh State Electricity Board ('CSEB')

During the year ended 31 March 2008, CSEB claimed that they had over paid for power supplied by BALCO. BALCO is contesting the claim on the basis that it is conflicting with the power purchase agreement between the two entities. The overall exposure to the Group in respect of this matter is US$15.7 million. Both the parties have submitted claims before the arbitrator and the arbitrator passed order in favour of the company. The company pursued CSEB for the payment under the terms of the order and filed an application to the Chattisgarh State Electricity Regulatory Commission (CSERC) for the recovery.

HZL: Department of Mines and Geology

The Department of Mines and Geology of the State of Rajasthan issued several show cause notices in August, September and October 2006 to HZL, totalling US$65.5 million. These notices alleged unlawful occupation and unauthorised mining of associated minerals other than zinc and lead at HZL's Rampura Agucha, Rajpura Dariba and Zawar mines in Rajasthan during the period from July 1968 to March 2006. HZL believes that the likelihood of this claim becoming an obligation of the company is unlikely 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 has obtained a stay in respect of these demands.

Notes to the Consolidated Financial Statements (continued)

35. Commitments, Guarantees and Contingencies (continued)

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

In respect of bauxite mines at Lanjigarh, Orissa, public interest submissions were filed in 2004 by certain non-government organisations ('NGOs') to the Honourable Supreme Court of India sub-committee regarding the potential environmental impact of the mines. The Ministry of Environment and Forests ('MOEF') has received reports from expert organisations and has submitted the recommendations of the Forest Advisory Committee to the Supreme Court. On 23 November 2007, the Supreme Court noted that it is not against the project in principle but needed certain safeguards for the development. Sterlite has filed an affidavit seeking clearance of the mining project. The Central Empowered Committee has filed its report and the Supreme Court delivered its final order on 8 August 2008 in favour of VAL. Final clearance from the environmental division of MOEF has been obtained whilst clearannce from the Forestory division, which is expected to be received in the near term, remains outstanding.

A petition was filed by an independent complainant with National Environment Appellate Authority challenging the grant of environmental clearance to the Jharsuguda project. The appeal was dismissed on 29 January 2008. The Petitioner has filed a Writ Petition in the High Court. The case was heard on 28 April 2009. The Court order, to conclude the hearing, remains outstanding.

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 US$221.3 million (2008: US$240.8 million), of which US$15.5 million (2008: US$32.9 million) is included as a provision in the Balance Sheet as at 31 March 2009. In the view of the Directors, there are no significant unprovided liabilities arising from these claims.

36. Related Party Transactions

The information below sets out transactions and balances between the Group and various related parties in the normal course of business for the year ended 31 March 2009.

Sterlite Technologies Limited ('STL')

	31 March 2009 US$ million	31 March 2008 US$ million
Sales to STL	140.7	81.2
Reimbursement of expenses	0.2	0.1
Purchases	0.1	0.3
Net amounts receivable at year end	8.1	20.7

Sterlite Technologies Limited is related by virtue of having the same controlling party as the Group, namely Volcan (see note 39). Pursuant to the terms of the Shared Services Agreement dated 5 December 2003 entered into by the Company, Sterlite and STL, the Company and Sterlite provide various commercial services in relation to STL's businesses on an arm's length basis and at normal commercial terms. For the year ended 31 March 2009, the commercial services provided to STL were performed by certain senior employees of the Group on terms set out in the Shared Services Agreement. The services provided to STL in this year amounted to US$25,047 (2008: US$29,646).

Twin Star Infrastructure Limited

Sterlite Energy had issued cumulative convertible preference shares to Twin Star Infrastructure Limited prior to Sterlite Energy's acquisition by the Group and an amount of US$5.5 million was outstanding as at 31 March 2009 (2008: US$7.0 million). During the year ended 31 March 2009, Sterlite Energy paid dividends on the cumulative convertible preference shares of US$3,689 (2008: US$4,019) to Twin Star Infrastructure Limited.

Sterlite Foundation

During the year US$0.9 million was paid to the Sterlite Foundation (2008: US$0.8 million).

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

Sesa Goa Community Foundation Limited

Following the acquisition of Sesa Goa, the Sesa Goa Community Foundation Limited, a charitable institution, became a related party of the Group on the basis that key management personnel of the Group have significant influence on Sesa Goa Community Foundation Limited. During the year ended 31 March 2009, US$1.1 million (2008: US$0.2 million) was paid to the Sesa Goa Community Foundation Limited.

36. Related Party Transactions (continued)

The Anil Agarwal Foundation

During the year, US$0.5 million (2008: US$0.2 million) was received from the Anil Agarwal Foundation towards reimbursement of administrative expenses. The Anil Agarwal Foundation is a registered not-for-profit entity engaged in social and charitable activities. The Anil Agarwal Foundation is controlled by members of the Agarwal family.

IFL

	Year ended 31 March 2009 US$ million	Year ended 31 March 2008 US$ million
Sales to IFL	11.9	35.2
Guarantees	–	45.5
Trade receivables and advances	–	9.2
Loans receivable at year end	–	11.0

IFL was an associate of the Group. In November 2008, the Group completed the disposal of its interest in IFL, and it ceased to be a related party from that date. Further details are provided in note 16. During the year ended 31 March 2009, the Group advanced US$NIL million to IFL as short-term advances (2008: US$1.2 million). The Group has recognised a provision of US$NIL million in the financial statements representing its obligations to IFL (2008: US$27.3 million), including the loans receivable outlined as above.

VOLCAN

	31 March 2009 US$ million	31 March 2008 US$ million
Reimbursement of bank charges	(0.3)	(0.3)

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 2009 was US$0.3 Million (2008: US$0.3 million).

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

Henry Davis York

	31 March 2009 US$ million	31 March 2008 US$ million
Consultancy services	0.7	0.2
Amounts payable at year end	(0.04)	(0.04)

Henry Davis York provides consultancy services to a subsidiary of the group. The executive management of Henry Davis York hold a similar office at the said subsidiary

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 2009 US$ million	Year ended 31 March 2008 US$ million
Short-term employee benefits	8.4	12.9
Post employment benefits	0.5	0.5
Share based payments	1.0	2.4
	9.9	**15.8**

Notes to the Consolidated Financial Statements (continued)

37. Share Transactions

Call Options – KCM

The Group purchased a 51% holding in KCM on 5 November 2004 from ZCI and ZCCM, which continued to hold 28.4% and 20.6% interests, respectively. As part of the acquisition of KCM, the Group acquired a call option over ZCI's holding in KCM exercisable in certain circumstances. During 2006, a notice was sent by the Group to ZCI to exercise the option to acquire its 28.4% stake in KCM. On 18 January 2008, Vedanta and ZCI agreed upon an option exercise price, as determined by an independent valuer. On 9 April 2008, Vedanta completed the acquisition, paying consideration in cash of US$213.2 million and taking the Group's holding in KCM to 79.4%. Accordingly, at 31 March 2008, the Group recognised a current liability in trade and other payables for US$213.2 million, representing the amount contractually due to ZCI for the acquisition of its shares. The Group recognised an equivalent decrease to equity, representing the anticipated reduction in minority interests in respect of the incomplete transaction.

Upon completion of the transaction and settlement of the option price in the current year, the Group recorded a gain of US$63.8 million, after taking into consideration the reversal of deferred shares previously held by ZCI of US$47.5 million, which has been recorded within equity.

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 2009, the Government's holding in HZL was 29.5% (2008: 29.5%). The option has no expiry date. The Group has not yet exercised the option and continues to engage in talks with the Government of India to agree on a process to complete the transaction within the stipulated date post-exercise of the option.

Call Option – BALCO

The Company purchased a 51% holding in BALCO from the Government of India on 2 March 2001. Under the terms of this purchase agreement for BALCO, the Company has a call option that allows it to purchase any remaining Government holding in BALCO at any point from 2 March 2004. The Company exercised this option on 19 March 2004. However, the Government of India has contested the purchase price and validity of the option. The Company 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. The High Court directed on 7 August 2006 that the parties attempt to settle the dispute by way of a mediation process as provided for in the shareholders' agreement. However, the parties were unable to come to an agreement through the mediation process. The dispute now moves to an arbitration process under terms established by order of the High Court. The arbitration tribunal has been constituted. The first meeting of the Tribunal took place on 16 February 2009 on which date Sterlite was directed to file its claim statement by 21 February 2009 and the Government was directed to file its reply by 8 April 2009. Sterlite has filed its claim statement as directed but the Government is yet to file its reply. The Government has filed an application under section 16 of the Arbitration and Conciliation Act, 1996 objecting to BALCO being included as a respondent in the arbitration. The matter is listed for hearing in July 2009 for further directions, at the application of the Government.

Share Purchases

During financial year 2009, the Group increased its holding in certain of its subsidiaries through open market purchases. The details of such purchases are as follows:

a) 6,970,487 shares of Sterlite Industries India Limited accounting for 0.98% of SIIL's total equity.
b) 12,193,477 shares of Sesa Goa accounting for 1.55% of Sesa's total equity.
c) 14,898,449 shares of MALCO accounting for 13.24% of MALCO's total equity.

The aggregate gain arising on these transactions of US$21.2 million was recorded within equity.

38. 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 2009	31 March 2008	Country of incorporation	Immediate holding company	31 March 2009	31 March 2008
Bharat Aluminium Company Limited ('BALCO')	Aluminium mining and smelting	31.3%	30.5%	India	Sterlite	51.0%	51.0%
Copper Mines Of Tasmania Pty Limited ('CMT')	Copper mining	61.3%	59.9%	Australia	MCBV	100.0%	100.0%
Fujariah Gold	Gold mining and processing	61.3%	59.9%	UAE	CMT	100.0%	100.0%
Hindustan Zinc Limited ('HZL')	Zinc mining and smelting	39.5%	38.9%	India	SOVL	64.9%	64.9%
The Madras Aluminium Company Limited ('MALCO')	Aluminium mining and smelting	93.2%	80.0%	India	Twin Star	93.2%	80.0%
Monte Cello BV ('MCBV')	Holding company	61.3%	59.9%	Netherlands	Sterlite	100.0%	100.0%
Monte Cello Corporation NV ('MCNV')	Holding company	100.0%	100.0%	Netherlands	Twin Star	100.0%	100.0%
Konkola Copper Mines PLC ('KCM')	Copper mining and smelting	79.4%	51.0%	Zambia	VRHL	79.4%	51.0%
Sterlite Energy Limited ('SEL')	Energy generation	61.3%	59.9%	India	Sterlite	60.9%	59.9%
Sesa Goa Limited ('Sesa Goa')	Iron ore	52.7%	51.2%	India	Finsider	51.2%	51.2%
Sesa Industries Limited	Iron ore	46.5%	45.2%	India	Sesa Goa	88.3%	88.3%
Sterlite Industries (India) Limited ('Sterlite')	Copper smelting	61.3%	59.9%	India	Twin Star	100.0%	100.0%
Sterlite Opportunities and Venture Limited ('SOVL')	Holding company	61.3%	59.9%	India	Sterlite	100.0%	100.0%
Sterlite Paper Limited ('SPL')	Non-trading	61.3%	59.9%	India	Sterlite	100.0%	100.0%
Thalanga Copper Mines Pty Limited ('TCM')	Copper mining	61.3%	59.9%	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 Aluminium Limited ('VAL')	Alumina mining, aluminium refining and smelting	88.5%	88.2%	India	Twin Star	45.5%	70.5%
Richter Holding Limited ('Richter'), Cyprus	Financing company	100.0%	100.0%	Cyprus	VRCL	100.0%	100.0%
Westglobe Limited	Financing company	100.0%	100.0%	Mauritius	Richter	100.0%	100.0%
Finsider International Company Limited	Financing company	100.0%	100.0%	Great Britain	Richter	100.0%	100.0%
Vedanta Resources Holding Limited ('VRHL')	Holding company	100.0%	100.0%	Great Britain	VR plc	100.0%	100.0%
Vedanta Resources Finance Limited ('VRFL')	Financing company	100.0%	100.0%	Great Britain	VRHL	100.0%	100.0%
Vedanta Resources Cyprus Limited ('VRCL')	Financing company	100.0%	100.0%	Cyprus	VRFL	100.0%	100.0%
Vedanta Finance (Jersey) Limited ('VFJL')	Financing company	100.0%	100.0%	Jersey (CI)	VR plc	100.0%	100.0%
Welter Trading Limited	Financing company	100.0%	100.0%	Cyprus	Twinstar	100.0%	100.0%
Vedanta Resources Investments Limited ('VRIL')	Financing company	100.0%	–	Mauritius	VR plc	100.0%	–
Lakomasko BV	Financing company	100.0%	–	Netherlands	VRHL	100.0%	–
THL KCM Limited	Financing company	100.0%	–	Mauritius	Twin Star	100.0%	–
THL Aluminium Limited	Financing company	100.0%	–	Mauritius	Twin Star	100.0%	–
KCM Holding Limited	Financing company	100.0%	–	Zambia	THL KCM	100.0%	–
Sterlite (USA) Inc.	Financing company	61.3%	–	USA	Sterlite	100.0%	–
Talwandi Sabo Power Limited	Energy generation	61.3%	–	India	SEL	100.0%	–

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

39. Ultimate Controlling Party

At 31 March 2009, 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.

Notes to the Consolidated Financial Statements (continued)

40. Company Balance Sheet

	Notes	31 March 2009 US$ million	31 March 2008 US$ million
Fixed assets			
Tangible assets	42	0.4	0.4
Investments in subsidiaries	43	713.3	713.3
Investment in preference shares of subsidiaries	44	2.6	1.5
Financial asset investment	45	0.2	1.0
Derivative asset		13.5	15.3
		730.0	**731.5**
Current assets			
Debtors due within one year	46	868.9	108.6
Debtors due after one year	46	2,027.9	924.0
Current asset investments	47	371.2	229.1
Cash at bank and in hand		2.7	0.3
		3,270.7	**1,262.0**
Creditors: amounts falling due within one year			
Trade and other creditors	48	(34.1)	(14.1)
Bonds	48	(614.7)	–
		(648.8)	(14.1)
Net current assets		**2,621.9**	**1,247.9**
Total assets less current liabilities		**3,351.9**	**1,979.4**
Creditors: amounts falling due after one year	49		
Amounts due to subsidiary undertakings		(632.5)	(626.1)
External borrowings		(2,222.9)	(615.9)
Derivative liabilities		(30.9)	(22.4)
		(2,886.3)	**(1,264.4)**
Net assets		**465.6**	**715.0**
Capital and reserves			
Called up share capital	50	28.9	28.8
Share premium account	50	21.1	20.0
Share-based payment reserve	50	14.1	15.6
Convertible bond reserve	50	111.6	115.7
Other reserves	50	(2.1)	(1.3)
Treasury shares	50	(80.3)	–
Profit and loss account	50	372.3	536.2
Shareholders' funds	50	**465.6**	**715.0**

Approved by the Board on 6 May 2009.

Anil Agarwal
Chairman

MS Mehta
Chief Executive

41. Company Accounting Policies

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

Significant Accounting Policies

Investments in Subsidiaries

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

Investment in Preference Shares of Subsidiaries

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

Currency Translation

Transactions in currencies other than the functional currency of the Company, being US dollars, are translated into US dollars at the spot exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in other currencies at the Balance Sheet date are translated into US dollars at year end exchange rates, or at a contractual rate if applicable. Exchange differences arising are recorded within the Income Statement.

Tangible Fixed Assets

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

Deferred Taxation

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

Share-Based Payments

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

Borrowings

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

Financial Instruments

The Company has elected to take the exemption provided in paragraph 3C (b) of FRS 25 in respect of these parent company financial statements. Full disclosures are provided in note 27 to the consolidated financial statements of the Group for the period ended 31 March 2009.

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.

Notes to the Consolidated Financial Statements (continued)

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 an individual company cash flow statement.

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

	US$ million
Cost	
At 1 April 2008	1.0
Additions	0.2
At 31 March 2009	**1.2**
Accumulated depreciation	
At 1 April 2008	0.6
Charge for the period	0.2
At 31 March 2009	**0.8**
Net book value	
At 1 April 2008	0.4
At 31 March 2009	**0.4**

43. Investments in Subsidiaries

	US$ million
Cost	
At 1 April 2008	713.3
At 31 March 2009	**713.3**

At 31 March 2009, the Company held 139,559,950 shares in VRHL (2008: 139,559,950 shares), being 100% of VRHL's issued equity share capital. The Company also held one deferred share in VRHL (2008: one). At 31 March 2009, the Company held two shares in Vedanta Finance Jersey Limited ('VFJL') being 100% of its issued equity share capital (2008: two). VRHL is an intermediary holding company incorporated in Great Britain. VFJL is a company established to raise funds for the Vedanta Group via a convertible bond issue and is incorporated in Jersey.

44. Investment in Preference Shares of Subsidiaries

	US$ million
Fair value	
At 1 April 2008	1.5
Additions	1.1
At 31 March 2009	**2.6**

As at 31 March 2009, the Company held 2,601,000 preference shares in VFJL (2008: 1,501,000). These shares, issued in 2008 and 2009, entitle the holder to a dividend of 4.6% of their face value.

45. Financial Asset Investment

	US$ million
Fair value	
At 1 April 2008	1.0
Fair value movement in investment	(0.8)
At 31 March 2009	**0.2**

The investment relates to an equity investment in Strata Gold Corporation. At 31 March 2009, the investment in Strata Gold Corporation was revalued and a loss of US$0.8 million was recognised in equity.

46. Company Debtors

	31 March 2009 US$ million	31 March 2008 US$ million
Amounts due from subsidiary undertakings	2,896.4	1,030.7
Deferred tax asset	–	0.7
Other debtors	–	0.1
Prepayments and accrued income	0.3	0.3
Corporation tax receivable	–	0.6
Other taxes	0.1	0.2
Total	**2,896.8**	**1,032.6**
Debtors due within one year	868.9	108.6
Debtors due after one year	2,027.9	924.0
Total	**2,896.8**	**1,032.6**

Amounts Due from Subsidiary Undertakings

At 31 March 2009, the Company had loans due from VRHL of US$1,492.5 million (2008: US$967.5 million) which represented the down streaming of funds to the subsidiaries. Out of the total loan, an amount of US$532.1 million bears interest at US dollar six months LIBOR plus 350 basis points, US$400 million bears interest at 5.9%, US$295 million at 8.95% and US$82.9 million at 8.8%, with the remaining US$182.5 million being interest free. In addition to the loans, the Company was owed US$58.4 million of accrued interest (2008: US$16.9 million).

At 31 March 2009, the Company had US$1 billion and US$250 million loans due from Richter and KCM, respectively, with associated interest owed of US$52.5 million and there was also an additional US$43.0 million of other amounts due from subsidiary undertakings (2008: US$46.3 million).

47. Company Current Asset Investments

	31 March 2009 US$ million	31 March 2008 US$ million
Bank term deposits	203.5	–
Short-term unit trusts and liquidity funds	167.7	229.1
Total	**371.2**	**229.1**

48. Company Creditors: Amounts Falling Due Within One Year

	31 March 2009 US$ million	31 March 2008 US$ million
Trade creditors	(5.9)	1.6
Bonds	(614.7)	–
Accruals and deferred income	(28.2)	12.5
Total	**(648.8)**	**14.1**

During the year ended 31 March 2005, the Company issued a US$600 million bond with a coupon rate of 6.625% that matures in February 2010. Further details are provided in note 23 to the Group financial statements.

Notes to the Consolidated Financial Statements (continued)

49. Company Creditors: Amounts Falling Due After One Year

	31 March 2009 US$ million	31 March 2008 US$ million
Loan from subsidiary	632.5	626.1
Bonds	1,242.7	615.9
Loans	980.2	–
Derivative liability	30.8	22.4
Total	**2,886.2**	**1,264.4**

Loans from subsidiaries include a loan from VFJL of US$610.4 million relating to its issue of US$725 million convertible bonds in the year ended 31 March 2006. In 2009, interest was charged at the effective interest rate of 6.18% (2008: 6.16%).

Loans from subsidiaries also include US$22.15 million payable to Finsider International Limited in respect of funds received (2008: US$ nil). A loan due to Welter Trading Ltd of US$20.0 million was repaid during the year.

During the current year, the Company issued US$500 million, 8.75% bonds due January 2014 and US$750 million, 9.50% bonds due July 2018.The balance at 31 March 2008 has been reclassified to short term at 31 March 2009 (see note 48).

During April 2008, the Group refinanced the short-term syndicated bridge loan facility of US$1,100 million (of which US$1,000 million was drawn down by a subsidiary at 31 March 2008) taken out to acquire Sesa Goa. The new loan was taken out directly by the Company, bears interest at LIBOR plus 296 basis points and is repayable in April 2012 (US$250 million) and January 2013 (US$750 million).

50. Company Reconciliation of Movement in Equity Shareholders' Funds

	Share capital US$ million	Share premium account US$ million	Share-based payment reserve US$ million	Treasury shares US$ million	Convertible bond reserve US$ million	Profit and loss account US$ million	Other reserves US$ million	Total US$ million
Equity shareholders' funds at 1 April 2008	28.8	20.0	15.6	–	115.7	536.2	(1.3)	715.0
Loss for the year	–	–	–	–	–	(63.6)	–	(63.6)
Dividends paid	–	–	–	–	–	(118.8)	–	(118.8)
Exercise of LTIP Awards	0.1	–	(14.6)	–	–	14.6	–	0.1
Recognition of share based payments	–	–	13.1	–	–	–	–	13.1
Conversion of convertible bond (note 26)	–	1.1	–	–	(0.2)	–	–	0.9
Convertible bond reserve transfer	–	–	–	–	(3.9)	3.9	–	–
Purchase of Treasury Shares	–	–	–	(80.3)	–	–	–	(80.3)
Movement in fair value of financial investments (note 45)	–	–	–	–	–	–	(0.8)	(0.8)
Equity shareholders' funds at 31 March 2009	**28.9**	**21.1**	**14.1**	**(80.3)**	**111.6**	**372.3**	**(2.1)**	**465.6**

51. Company Contingent Liabilities

a) The Company has guaranteed US$722.4 million convertible bonds issued by VFJL (2008: US$723.5 million). See note 26 to the Group financial statements for further details on the convertible bonds.
b) The Company has given a corporate guarantee to Vedanta Aluminium Ltd for an amount of US$885 million to enable it to access credit from various sources.
c) The Company has also issued other guarantees of US$120.0 million for the supply of concentrate to suppliers.
d) The Company has given corporate guarantee to Konkola Copper Mines for an amount of US$50.0 million to enable it to access credit from various sources.

52. Company Share-Based Payment

The Company had certain LTIP awards outstanding as at 31 March 2009. See note 30 to the Group financial statements for further details on these share-based payment awards.

Independent Auditor's Report on 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 2009 which comprise the Balance Sheet (note 40) and the related notes 41 to 52. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of Vedanta Resources plc for the year ended 31 March 2009 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 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 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 Business Review and Finance Review that is cross referred from the Business Review section of the Directors' Report.

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

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

Basis of Audit Opinion

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

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

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009;
- 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 LLP
Chartered Accountants and Registered Auditors
London
6 May 2009

Five Year Summary

Summary Consolidated Income Statement

	Year ended 31 March 2009 US$ million	Year ended 31 March 2008 US$ million	Year ended 31 March 2007 US$ million	Year ended 31 March 2006 US$ million	Year ended 31 March 2005 US$ million
Revenue	**6,578.9**	**8,203.7**	**6,502.2**	**3,701.8**	**1,884.2**
EBITDA	**1,612.2**	**3,010.4**	**2,703.0**	**1101.5**	**454.0**
Depreciation	(473.2)	(429.1)	(195.4)	(157.7)	(103.7)
Exceptional/special items	(31.9)	11.1	(1.7)	–	(22.3)
Operating profit	**1107.0**	**2,592.4**	**2,505.9**	**943.8**	**328.0**
Share of (loss)/profit in associate	–	–	(1.3)	(1.4)	(5.6)
Non-operating exceptional/special items	–	–	–	–	56.5
Profit before interest and taxation	**1,107.0**	**2,592.4**	**2,504.6**	**942.4**	**378.9**
Net finance (costs)/investment revenues	74.0	170.8	(20.2)	(7.7)	7.4
Profit before taxation	**1,181.0**	**2,763.2**	**2,484.4**	**934.7**	**386.3**
Taxation	(280.5)	(757.7)	(672.7)	(280.4)	(87.0)
Profit after taxation	**900.5**	**2,005.5**	**1,811.7**	**654.3**	**299.3**
Equity minority interests	681.1	1126.5	877.5	(280.8)	(120.4)
Profit attributable to equity shareholders in parent	**219.4**	**879.0**	**934.2**	**373.5**	**178.9**
Dividends	(118.8)	(104.3)	(84.3)	(49.4)	(15.8)
Retained profit	**100.6**	**774.7**	**849.9**	**324.1**	**163.1**
Basic earnings per share (US cents per share)					
Profit for the financial year	76.4	305.4	325.6	130.2	62.5
Underlying Profit for the financial year	119.7	303.9	327.0	130.2	48.9
Dividend per share (US cents per share)	41.5	36.5	29.3	17.25	5.5

Summary Consolidated Balance Sheet

	31 March 2009 US$ million	31 March 2008 US$ million	31 March 2007 US$ million	31 March 2006 US$ million	31 March 2005 US$ million
Goodwill	12.2	13.3	12.1	12.1	12.2
Property, plant and equipment	9,348.4	8,354.5	3,838	2,763.0	2,288.6
Fixed asset investments/associate	91.6	30.0	34.6	28.9	28.1
Total fixed assets	**9,452.2**	**8,397.8**	**3,884.7**	**2,804.0**	**2,328.9**
Stocks	909.3	1,298.8	879.7	535.0	337.7
Debtors	902.4	1,232.8	1,122.1	804.4	464.2
Cash and current financial asset investments	4,912.6	5,106.7	2,185.2	2,091.7	1,447.6
Total current assets	**6,724.3**	**7,638.3**	**4,187.0**	**3,431.1**	**2,249.5**
Short-term borrowings	(1,298.5)	(1,417.2)	(249.1)	(239.8)	(218.4)
Other current liabilities	(2,136.8)	(2,102.5)	(1336.8)	(1,104.1)	(727.1)
Total current liabilities	**(3,435.3)**	**(3,519.7)**	**(1,585.9)**	**(1,343.9)**	**(945.5)**
Net current assets	**3,289.0**	**4,118.6**	**2,601.1**	**2,087.2**	**1,304.0**
Total assets less current liabilities	**12,741.2**	**12,516.4**	**6,485.8**	**4,891.2**	**3,632.9**
Long-term borrowings	(3,816.4)	(1,556.9)	(1,477.7)	(1,836.4)	(1,303.5)
Other long-term liabilities	(136.1)	(83.9)	(106.4)	(109.0)	(41.2)
Provisions	(1,205.4)	(1,608.5)	(690.9)	(547.6)	(482.1)
Total long-term liabilities	**(5,157.9)**	**(3,249.3)**	**(2,275.0)**	**(2,493.0)**	**(1,826.8)**
Equity minority interests	(4,458.7)	(5,360.6)	(1,824.5)	(921.7)	(636.2)
Non equity minority interest	(11.9)	(59.4)	(59.4)	(59.4)	(59.4)
Net assets attributable to the equity holders of the parent	**3,112.6**	**3,847.1**	**2,326.9**	**1,417.1**	**1,110.5**

Turnover	2009 US$ million	2008 US$ million	2007 US$ million	2006 US$ million	2005 US$ million
Aluminium	937.1	1,140.2	993.4	453.0	281.7
Copper:	3,311.0	4,221.9	3,569.3	2,241.3	1,014.7
India/Australia	2537.9	3,118.8	2,553.4	1,537.9	765.5
Zambia	773.1	1,103.1	1,015.9	703.4	249.2
Zinc	1,209.1	1,941.5	1,888.1	875.5	486.4
Iron ore	1,070.4	888.9	–	–	–
Other	51.3	11.3	51.4	132.0	101.4
Group	**6,578.9**	**8,203.7**	**6,502.2**	**3,701.8**	**1,884.2**

EBITDA	2009 US$ million	2008 US$ million	2007 US$ million	2006 US$ million	2005 US$ million
Aluminium	196.1	380.7	415.4	135.3	75.6
Copper	222.9	667.3	833.9	425.3	163.0
India/Australia	293.7	327.2	365.6	219.0	87.0
Zambia	(70.8)	340.1	468.3	206.3	76.0
Zinc	605.4	1380.1	1,453.9	532.9	218.5
Iron ore	557.1	585.6	–	–	–
Other	30.7	(3.3)	(0.2)	8.0	(3.1)
Group	**1,612.2**	**3,010.4**	**2,703.0**	**1,101.5**	**454.0**

EBITDA margin	2009 %	2008 %	2007 %	2006 %	2005 %
Aluminium	20.9	33.4	41.8	29.9	26.8
Copper	6.7	15.8	23.4	18.7	16.1
India/Australia	11.6	10.5	14.3	14.2	11.4
Zambia	(9.2)	30.8	46.1	29.3	30.5
Zinc	50.1	71.1	77.0	60.9	44.9
Iron ore	52.1	65.9	–	–	–
Group	**24.5**	**36.7**	**41.6**	**29.8**	**24.1**

Five Year Summary (continued)

Production	2009 000's mt	2008 000's mt	2007 000's mt	2006 000's mt	2005 000's mt
Aluminium	462	396	351	211	136
BALCO	357	358	313	174	100
MALCO	23	38	38	37	36
VAL JHARSUGDA	82	–	–	–	–
Copper	446	489	455	437	240
Sterlite	313	339	313	273	172
KCM	133	150	142	164	68
Iron Ore (WMT)[1]	15,986	11,469	–	–	–
Zinc	552	426	348	284	212

1 11 months: Sesa Group.

Cash costs of production	2009 US cents/lb	2008 US cents/lb	2007 US cents/lb	2006 US cents/lb	2005 US cents/lb
Aluminium – BALCO Plant I	85.6	82.7	68.5	67.9	61.1
Aluminium – BALCO Plant II	73.6	75.9	76.5	–	–
BALCO (other than Alumina)	39.0	36.5	33.6	–	–
Aluminium – MALCO	121.5	102.4	75.5	75.8	66.5
Aluminium – VAL JHARSUGDA	99.0	–	–	–	–
Copper – Sterlite[2]	3.1	1.8	6.1	6.1	7.1
Copper – KCM	258.4	191.5	173.6	127.9	106.2
Zinc including Royalty	32.2	40.1	39.1	31.3	31.5
Zinc without Royalty	27.6	31.1	27.5	26.1	27.6

Cash costs of production in INR	2009 INR/mt	2008 INR/mt	2007 INR/mt	2006 INR/mt	2005 INR/mt
Aluminium – BALCO Plant I	86,626	73,369	68,389	66,289	60,549
Aluminium – BALCO Plant II	74,517	67,336	76,376	–	–
BALCO (other than Alumina)	39,772	32,382	33,545	–	–
Aluminium – MALCO	123,001	90,846	75,378	74,001	65,900
Aluminium – VAL JHARSUGDA	100,182	–	–	–	–
Copper – Sterlite[2]	3,138	1,597	6,090	5,955	7,036
Zinc including Royalty	32,621	35,575	39,037	30,557	31,216
Zinc without Royalty	27,973	27,591	27,455	25,481	27,351

2 Only smelting cost.

Capital expenditure	2009 US$ million	2008 US$ million	2007 US$ million	2006 US$ million	2005 US$ million
Sustaining	306.3	256.9	259.9	76.7	69.7
Expansion	3,021.3	1,997.7	869.0	609.4	734.6
Total capital expenditure	**3,327.6**	**2,254.6**	**1128.9**	**686.1**	**804.3**

Net cash/(debt)	2009 US$ million	2008 US$ million	2007 US$ million	2006 US$ million	2005 US$ million
Aluminium	(1,931.2)	(1,171.2)	(229.6)	(453.6)	(441.7)
Copper	1,341.4	1,934.4	179.4	253.1	127.6
India/Australia	1,545.9	1,976.2	106.4	136.6	84.7
Zambia	(204.5)	(41.6)	73.0	116.5	42.9
Zinc	1,891.6	1,925.2	1067.7	257.8	26.6
Iron Ore	(372.8)	(459.5)	–	–	–
Other	(1,129.8)	(86.2)	(584.8)	(69.2)	213.2
Group	**(200.8)**	**2,142.7**	**432.7**	**(11.9)**	**(74.3)**

	2009 %	2008 %	2007 %	2006 %	2005 %
Gearing	2.6	–	–	0.5	4.0

	2009 US$ million	2008 US$ million	2007 US$ million	2006 US$ million	2005 US$ million
Group free cash flow	1,709.6	2,216.9	1,504.2	634.8	204.4

	2009 US$ million	2008 US$ million	2007 US$ million	2006 US$ million	2005 US$ million
Capital employed	7,772.1	7064.8	3,718.7	2,350.7	1,821.0

	2009 %	2008 %	2007 %	2006 %	2005 %
ROCE	24.4	26.5	49.1	28.1	13.9

Production and Reserves Summary

Copper

Copper Production Summary

Facility	Product	Year ended 31 March 2009 mt	Year ended 31 March 2008 mt
Tuticorin	Copper anode	313,284	335,652
	Sulphuric acid	987,473	1,027,771
	Phosphoric acid	163,607	152,401
	Copper cathode	139,705	162,940
	Copper rods	76,292	81,698
Silvassa	Copper cathode	173,127	176,354
	Copper rods	143,587	143,060
KCM	Copper cathode	135,615	150,488

Copper Mining Summary

		Ore mined		Copper concentrate		Copper in concentrate	
Mine	Type of mine	31 March 2009 mt	31 March 2008 mt	31 March 2009 mt	31 March 2008 mt	31 March 2009 mt	31 March 2008 mt
Mt Lyell (CMT)	Underground	2,558,100	2,545,504	98,755	99,388	27,421	27,952
Konkola (KCM)	Underground	8,813,986	7,312,988	253,810	233,759	81,435	75,631

Copper Mine Resource and Reserve Summary

		Resources			Reserves		
Mine	Type of mine	Measured and indicated million mt	Copper grade %	Inferred million mt	Copper grade %	Proved and probable reserves million mt	Copper grade %
Mt Lyell (CMT)	Underground	2.9	1.3	21.8	1.1	11.3	1.3
Konkola (KCM)	Underground	103.5	1.6	227.1	2.6	140.2	3.0

Resources are additional to Reserves

Aluminium, Alumina and Bauxite

Aluminium Production Summary

Company	Year ended 31 March 2009 mt	Year ended 31 March 2008 mt
BALCO	356,781	358,671
MALCO	23,224	37,635

Alumina Production Summary

Company	Year ended 31 March 2009 mt	Year ended 31 March 2008 mt
BALCO	197,947	217,185
MALCO	43,377	74,020
VAL	585,597	266,955

Bauxite Production Summary

Company	Year ended 31 March 2009 mt	Year ended 31 March 2008 mt
BALCO – Mainpat	565,846	628,985
BALCO – Bodai Daldali	300,250	520,109
MALCO	262,976	343,045

Bauxite Mine Resource and Reserve Summary

Mine	Resources: Measured and indicated million mt	Resources: Aluminium grade %	Resources: Inferred million mt	Resources: Aluminium grade %	Reserves: Proved and probable reserves million mt	Reserves: Aluminium grade %
BALCO						
Manipat	–	–	5.0	48.1	3.6	48.2
Bodai-Daldali	–	–	2.0	48.0	4.2	48.7
Pandrapat	–	–	8.0	48.0	–	–
Jamirapat	–	–	15.7	50.5	–	–
Total BALCO	**–**	**–**	**30.7**	**49.3**	**7.8**	**48.5**
MALCO						
Yercaud	–	–	–	–	0.04	42.0
Kolli Hills	1.3	44.0	1.3	44.0	0.11	44.0
Poondi	–	–	1.6	44.0	–	–
Total MALCO	**1.3**	**44.0**	**2.9**	**44.0**	**0.15**	**43.0**
VAL						
Lanjigarh	–	–	–	–	77.7	46.5
Total Bauxite	**1.3**	**44.0**	**33.6**	**48.8**	**85.6**	**46.7**

Resources are additional to Reserves

Zinc and Lead

Zinc and Lead Production Summary

Company	Year ended 31 March 2009 mt	Year ended 31 March 2008 mt
HZL		
Zinc	551,724	426,323
Lead	60,322	58,247

Zinc and Lead Mining Summary
a) Metal mined & metal concentrate

Mine	Type of mine	Ore mined: 31 March 2009 mt	Ore mined: 31 March 2008 mt	Zinc concentrate: 31 March 2009 mt	Zinc concentrate: 31 March 2008 mt	Lead concentrate: 31 March 2009 mt	Lead concentrate: 31 March 2008 mt
Rampura Agucha	Open cut	4,953,110	4,068,215	1,114,048	914,917	92,151	74,874
Rajpura Dariba	Underground	483,293	518,049	36,531	42,213	8,174	11,284
Sindesar Khurd	Underground	299,995	295,200	23,141	24,022	9,571	12,422
Zawar	Underground	944,300	901,635	29,257	54,676	15,049	27,175
Total		6,680,698	5,783,099	1,202,977	1,035,828	124,945	125,755

b) Metal in Concentrate (MIC)

Mine	Type of mine	Zinc in concentrate: 31 March 2009 mt	Zinc in concentrate: 31 March 2008 mt	Lead in concentrate: 31 March 2009 mt	Lead in concentrate: 31 March 2008 mt
Rampura Agucha	Open cut	591,743	489,576	56,946	47,546
Rajpura Dariba	Underground	19,698	20,325	4,930	5,710
Sindesar Khurd	Underground	11,866	11,597	5,347	6,373
Zawar	Underground	28,187	29,796	16,578	18,095
Total		651,494	551,294	83,801	77,724

Zinc and Lead Mine Resource and Reserve Summary

Mine	Resources: Measured and indicated million mt	Resources: Zinc grade %	Resources: Lead grade %	Resources: Inferred million mt	Resources: Zinc grade %	Resources: Lead grade %	Reserves: Proved and probable reserves million mt	Reserves: Zinc grade %	Reserves: Lead grade %
Rampura Agucha	31.3	16.2	2.3	19.6	14.1	1.4	67.9	13.4	1.9
Rajpura Dariba	5.7	8.3	2.5	13.7	6.4	1.3	7.4	6.3	1.6
Zawar	23.9	5.0	1.8	24.7	4.3	2.7	7.3	3.8	2.1
Kayar	2.3	12.6	1.9	6.7	10.0	1.7	–	–	–
Sindesar Khurd	18.2	6.1	3.9	32.0	4.6	3.1	6.4	5.3	2.8
Bamnia Kalan	1.7	5.3	1.8	3.4	5.0	3.8	–	–	–
Total	**83.1**	**9.9**	**2.5**	**100.1**	**7.0**	**2.3**	**89.0**	**11.4**	**1.9**

Resources are additional to Reserves

Production and Reserves Summary (continued)

Iron ore

Iron Ore Production Summary

Company	Year ended 31 March 2009 mt	Year ended 31 March 2008 mt
Sesa Goa*		
Saleable Iron Ore	16.0	11.5
Goa	11.2	7.8
Karnataka	2.8	1.8
Orissa	2.0	1.9

*Company was acquired in 2007-08 as such figures for 2007-08 are for Eleven months (for May 2007 to Mar 2008) only.

Iron Ore Resource and Reserve Summary

	Resources				Reserves	
Mine	Measured and indicated million mt	Iron ore grade %	Inferred million mt	Iron ore grade %	Proved and probable reserves million mt	Iron ore grade %
Ore:	50.2	59.8	29.2	54.8	160.4	61.6

1. Comprises mines that Sesa owns or has rights to.

Resources are additional to Reserves

Source of information

In respect of All businesses, the information has been certified by in house geologist on behalf of Group management.

Basis of Preparation

Ore reserves and mineral resources reported herein comply with the 'Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves', other than those relating to Konkola Copper Mines plc ('KCM') which complies with the South African Code for Reporting of Mineral Reserves and Mineral Resources (the 'SAMREC Code'). The former code is prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists, and Minerals Council of Australia, and is commonly referred to as the 'JORC Code'. As at the date of this document, the editions of the JORC and SAMREC Codes in force are dated December 2004 and March 2000, respectively. The JORC and SAMREC Codes recognise a fundamental distinction between resources and reserves.

The terms and definitions in the SAMREC Code are consistent with those used in the JORC Code with minor differences in terminology – the JORC Code uses the term Ore Reserve whilst the SAMREC Code uses the term Mineral Reserve. For the purposes of ore and mineral resources reported herein, the term ore resources have been used throughout.

Mineral resources are based on mineral occurrences quantified on the basis of geological data and an assumed cut-off grade, and are divided into Measured, Indicated and Inferred categories reflecting decreasing confidence in geological and/or grade continuity. The reporting of resource estimates carries the implication that there are reasonable prospects for eventual economic exploitation. An Ore or Mineral Reserve is the economically mineable part of a Measured or Indicated Mineral Resource. It includes the effect of dilution and losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, need to have been carried out and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors.

These assessments demonstrate at the time of reporting that extraction could be reasonably justified. Ore Reserves are sub-divided in order of decreasing confidence into Proved Ore Reserves and Probable Ore Reserves.

The Measured and Indicated mineral resources have been reported as being inclusive of those mineral resources modified to produce the ore reserves, in addition to the ore reserves. The resource and reserve estimates provided herein comply with the resource and reserve definitions of the JORC Code, other than those relating to KCM which comply with the SAMREC Code.

Glossary and Definitions

5S
A Japanese concept laying emphasis on housekeeping and occupational safety in a sequential series of steps as Sort (Seiri); Set in Order (Seiton); Shine (Selso); Standardise (Seiketsu); and Sustain (Shitsuke)

Adapted Comparator Group
The new comparator group of companies used for the purpose of comparing TSR performance in relation to the LTIP, adopted by the Remuneration Committee on 1 February 2006 and replacing the previous comparator group comprising companies constituting the FTSE Worldwide Mining Index (excluding precious metals)

AGM or Annual General Meeting
The Annual General Meeting of the Company which is scheduled to be held on Monday 27 July 2009 at 3.00pm, UK time, at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED.

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 June 2006 .

Company or Vedanta
Vedanta Resources plc

Company financial statements
The audited financial statements for the Company for the year ended 31 March 2009 as defined in the Independent Auditors' Report on the individual Company financial statements to the members of Vedanta Resources plc

Convertible Bonds
US$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

Glossary and Definitions (continued)

CRRI
Central Road Research Institute

CSR
Corporate social responsibility

CTC
Cost to company, the basic remuneration of executives in India, which represents an aggregate figure encompassing basic pay, pension contributions and allowances

CY
Calendar year

Deferred Shares
Deferred shares of £1.00 each in the Company

DGMS
Director General of Mine Safety in the Government of India

Directors
The Directors of the Company

Dollar or US$
United States dollars, the currency of the United States of America

DRs
Depositary receipts of 10 US cents, issuable in relation to the US$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 2009 as defined in the Independent Auditors' Report to the members of Vedanta Resources plc

Free Cash Flow
Cash flow arising from EBITDA after net interest (including gains on liquid investments and adjusted for net interest capitalised), taxation, Sustaining Capital Expenditure and working capital movements

FY
Financial year

GAP , including UK GAP 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 joule

Government or Indian Government
The Government of the Republic of India

Gratuity
A defined contribution pension arrangement providing pension benefits consistent with Indian market practices

Group
The Company and its subsidiary undertakings and, where appropriate, its associate undertaking

HSE
Health, safety and environment

HZL
Hindustan Zinc Limited, a company incorporated in India

IAS
International Accounting Standards

ICMM
International Council on Mining and Metals

IFL
India Foils Limited, a company incorporated in India

IFRIC
International Financial Reporting Interpretations Committee

IFRS
International Financial Reporting Standards

INR
Indian rupees

Interest Cover
EBITDA divided by finance costs

ISO 9001
An international quality management system standard published by the International Organisation for Standardisation

ISO 14001
An international environmental management system standard published by the International Organisation for Standardisation

KCM or Konkola Copper Mines
Konkola Copper Mines PLC, a company incorporated in Zambia

KDMP
Konkola deep mining project

Key Result Areas or KRAs
For the purpose of the remuneration report, specific personal targets set as an incentive to achieve short-term goals for the purpose of awarding bonuses, thereby linking individual performance to corporate performance

KLD
Kilo litres per day

KPIs
Key performance indicators

kWh
Kilo-watt hour

kWh/d
Kilo-watt hour per day

LIBOR
London inter bank offered rate

Listing or IPO (Initial Public Offering)
The listing of the Company's ordinary shares on the London Stock Exchange on 10 December 2003

Listing Particulars
The listing particulars dated 5 December 2003 issued by the Company in connection with its Listing

Listing Rules
The listing rules of the Financial Services Authority, with which companies with securities that are listed in the UK must comply

LME
London Metals Exchange

London Stock Exchange
London Stock Exchange plc

Lost time injury
An accident/injury forcing the employee/contractor to remain away from his/her work beyond the day of the accident

LTIFR
Lost time injury frequency rate: the number of lost time injuries per million man hours worked

LTIP
The Vedanta Resources Long-Term Incentive Plan or Long-Term Incentive Plan

MALCO
The Madras Aluminium Company Limited, a company incorporated in India

Management Assurance Services
The function through which the Group's internal audit activities are managed

MAT
Minimum alternative tax

MIS
Management information system

MOEF
The Ministry of Environment & Forests of the Government of the Republic of India

mt or tonnes
Metric tonnes

MW
Megawatts of electrical power

NCCBM
National Council of Cement and Building Materials

Net (Debt)/Cash
Total debt after fair value adjustments under IAS 32 and 39, cash and cash equivalents and liquid investments

NGO
Non-governmental organisation

NIHL
Noise induced hearing loss

Non-executive Directors
The Non-Executive Directors of the Company

Glossary and Definitions (continued)

OHSAS 18001
Occupational Health and Safety Assessment Series (standards for occupational health and safety management systems)

Ordinary Shares
Ordinary shares of 10 US cents each in the Company

PBT
Profit before tax

PFC
Per fluorocarbons

PHC
Primary health centre

PPE
Personal protective equipment

Provident Fund
A defined contribution pension arrangement providing pension benefits consistent with Indian market practices

Recycled water
Water released during mining or processing and then used in operational activities

Relationship Agreement
The agreement dated 5 December 2003 between the Company, Volcan Investments Limited and members of the Agarwal family that regulates the ongoing relationship between them, the principal purpose of which is to ensure that the Group is capable of carrying on business independently of Volcan, the Agarwal family and their associates

Return on Capital Employed or ROCE
Profit before interest, taxation, special items, tax effected at the Group's effective tax rate as a percentage of Capital Employed

The Reward Plan
The Vedanta Resources Share Reward Plan, a closed plan approved by shareholders on Listing in December 2003 and adopted for the purpose of rewarding employees who contributed to the Company's development and growth over the period leading up to Listing in December 2003

RO
Reverse osmosis

SA 8000
Standard for Social Accountability based on international workplace norms in the International Labour Organisation ('ILO') conventions and the UN's Universal Declaration of Human Rights and the Convention on Rights of the Child

Senior Management Group
For the purpose of the remuneration report, the key operational and functional heads within the Group

Sesa Goa
Sesa Goa Limited, a company incorporated in India engaged in the business of mining iron ore

SEWT
Sterlite Employee Welfare Trust, a long-term investment plan for Sterlite senior management

The Share Option Plan
The Vedanta Resources Share Option Plan, a closed plan approved by shareholders on Listing in December 2003 and adopted to provide maximum flexibility in the design of incentive arrangements over the long term

SHGs
Self help groups

SID
Senior Independent Director

SO2
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
Tonnes 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

Underlying EPS
Underlying earnings per ordinary share

Underlying Profit
Profit for the year after adding back special items and exchange losses on borrowings and capital creditors 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 Great Britain

VRHL
Vedanta Resources Holdings Limited, a company incorporated in the Great Britain

VSS
Vertical Stud Söderberg

Water Used for Primary Activities
Total new or make-up water entering the operation and used for the operation's primary activities; primary activities are those in which the operation engages to produce its product

WBCSD
World Business Council for Sustainable Development

ZCI
Zambia Copper Investment Limited, a company incorporated in Bermuda

ZCCM
ZCCM Investments Holdings plc, a company incorporated in Zambia

Zinc Business
The zinc-lead business of the Group, comprising its fully-integrated zinc-lead mining and smelting operations in India, and trading through the Hindustan Zinc Limited, a company incorporated in India

Shareholder Information

Shareholder interests as at 31 March 2009

Number of shareholders:	3,141 (2008: 2,240)
Number of shares in issue:	288,878,266 (2008: 288,130,685)
– Treasury shares	9,577,810
– Shares held in GDR	100,367
– Total shares having voting rights	279,200,089

By size of holding

	Shareholders %		Shares %	
	2009	2008	2009	2008
500 and under	**48.49**	39.20	**0.13**	0.07
501 to 1,000	**14.74**	10.86	**0.12**	0.06
1,001 to 10,000	**22.09**	26.11	**0.83**	0.77
10,001 to 100,000	**9.74**	16.32	**3.72**	4.62
100,001 to 1,000,000	**4.14**	6.57	**12.82**	16.05
Over 1,000,000	**0.80**	1.07	**82.38**	78.43
	100.00	100.00	**100.00**	100.00

By Category of Shareholder

- 56.90% of shares, representing 0.03% of shareholders, are held by Volcan Investments Limited on behalf of the Agarwal family.
- 42.34% of shares, representing 51.14% of shareholders, are held by various retail and institutional investors.
- 0.76% of shares, representing 48.83% of shareholders, are held by individual private investors.

Annual General Meeting

The AGM will be held on 27 July 2009 at 3pm at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED. The Notice of Meeting and the Form of Proxy are enclosed with this Report.

Company Website

Vedanta Resources plc half year and annual reports and results announcements are available via the internet on our website at www.vedantaresources.com. Shareholders can also access the latest information about the Company and press announcements as they are released, together with details of future events and who to contact for further information.

Registrars

For information about the AGM, shareholdings and dividends and to report changes in personal details, shareholders should contact:

Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol
BS13 8AE
United Kingdom

Telephone: +44 (0) 870 707 1388
Fax: +44 (0) 870 703 6116
Email: web.queries@computershare.co.uk

Currency Option and Dividend Mandate

Shareholders wishing to receive their dividend in UK pounds sterling should complete and return to the registrar a Currency Election Form by 24 July 2009

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, please contact the registrar who will provide a Dividend Mandate Form. Please complete and return the form to the registrar by 24 July 2009. 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 24 July 2009.

If you have already completed and returned a Currency Election Form and/or a Dividend Mandate Form, you need take no further action.

Investor Relations

For investor enquiries, please contact:

Mr Sumanth Cidambi
Director – Investor Relations
Vedanta Resources plc
16 Berkeley Street
London W1J 8DZ

Telephone: +44 (0)20 7659 4732 (London)
+91 22 6646 1531 (Mumbai)
Email: sumanth.cidambi@vedanta.co.in

Financial Calendar

Dividend Payments	
Ex dividend date	8 July 2009
Record date	10 July 2009
2009 final ordinary dividend payable	5 August 2009
2010 half year ordinary dividend payable	January 2010

Other Dates	
Annual General Meeting	27 July 2009
2010 half year results announced	November 2009
2010 half year report circulated	December 2009

Registered Office

Vedanta Resources plc
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Vintners Place
68 Upper Thames Street
London EC4V 3BJ

Company Secretary

Deepak Kumar

Head Office

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London W1J 8DZ

Telephone: +44 (0)20 7499 5900
Fax: +44 (0)20 7491 8440

Registered Number

4740415

Auditors

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2 New Street Square
London EC4A 3BZ

Solicitors

Ashurst
Broadwalk House
5 Appold Street
London EC2A 2HA

Notes