Vedanta Resources plc
Annual Report 2004

vedanta

Diversified metals and mining

Resources for the modern world

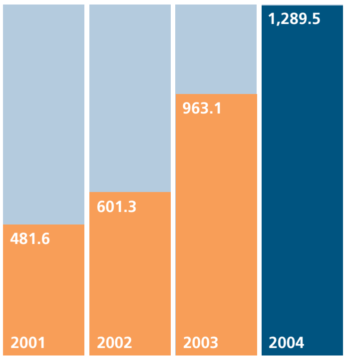
Vedanta is a London listed metals and mining company with its principal operations located throughout India. The major metals produced are aluminium, copper, zinc and lead.

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

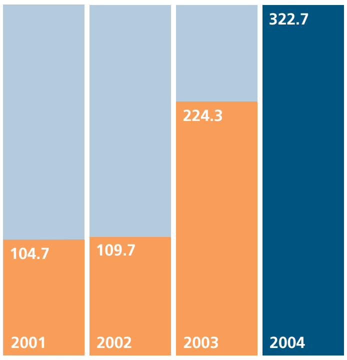
Contents

Highlights for 2004

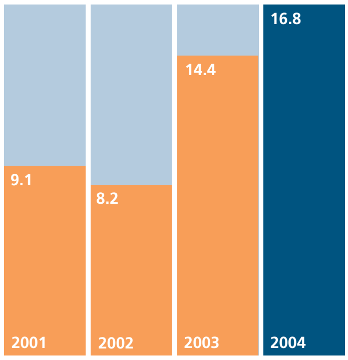
- Listing on the London Stock Exchange in December 2003 raising US$825.3 million net of expenses
- Group turnover up by over 30% driven by growth in the Zinc and Copper Businesses
- Group EBITDA[2] up by over 40%
- Group operating profit before exceptional items[1] up by over 50%
- ROCE[2] up from 14.4% to 16.8%
- Profit for the financial year rose by 172% to US$66.6 million
- Improvements to Group structure
  – Increased holding in main subsidiary by 5%
- Capacity additions under way in all areas



Group Turnover
US$ million



Group EBITDA
US$ million



Return on Capital Employed
%

	2004	2003
Group turnover (US$ million)	**1,289.5**	963.1
Group EBITDA[2] (US$ million)	**322.7**	224.3
Group EBITDA margin[2]	**25.0%**	23.3%
Group operating profit before exceptional items[1] (US$ million)	**250.4**	164.7
Group operating profit before exceptional items[1] margin	**19.4%**	17.1%
Profit for the financial year (US$ million)	**66.6**	24.5
Return on Capital Employed[2]	**16.8%**	14.4%

[1] Refer to Consolidated Profit and Loss Account
[2] Refer to Glossary and Definitions

Vedanta at a Glance

Group Structure (as at 31 March 2004[2])

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60.1%[1]
Sterlite Industries (India) Ltd
Copper Business

80%
Madras Aluminium Company Ltd
Aluminium Business

7.1%[1]

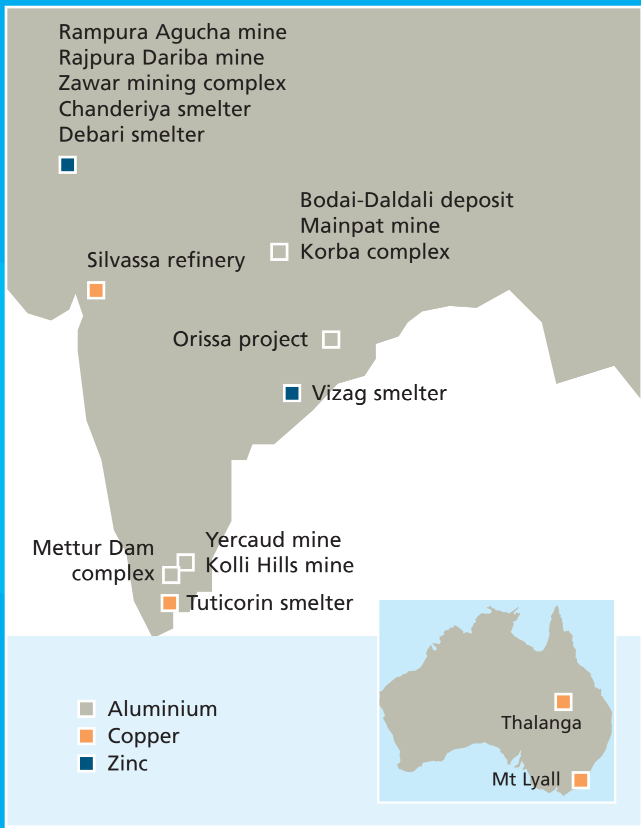
100%[3]
Vedanta Alumina Ltd
Alumina Business

64.9%
Hindustan Zinc Ltd
Zinc Business

51%
Bharat Aluminium Company Ltd
Aluminium Business

[1] At 31 March 2004 Vedanta Resources plc had an effective interest in 65.8% of Sterlite's issued share capital.
[2] In April 2004 Vedanta Resources plc acquired 2.4% of Sterlite's issued share capital, thereby increasing its effective interest to 68.1%.
[3] Subsequent to 31 March 2004 Vedanta Resources plc subscribed for an initial direct equity interest in Vedanta Alumina Ltd. It is intended that Vedanta Resources plc will become the majority equity shareholder in Vedanta Alumina Ltd.

World Class Assets



Growth pipeline

Aluminium
Copper
Zinc

Tuticorin copper smelter, refinery and power plant
New production: 120,000 tpa to take total production to 300,00 tpa. Includes new 22.5MW power plant.
Capex: US$87 million

Project commissioning	2004	2005

Rampura Agucha zinc mine
New production: 1.3 million tpa ore to take total mined production to 5.5 million tpa.
Capex: US$90 million

Chanderiya zinc smelter
New production: 170,000 tpa zinc to take total zinc capacity to 380,000 tpa. Includes a 154MW power plant.
Capex: US$335 million

Turnover
US$223.4 million
EBITDA
US$53.6 million
Employees
5,531

Turnover
US$592.8 million
EBITDA
US$94.1 million
Employees
914

Turnover
US$401.1 million
EBITDA
US$179.3 million
Employees
5,982

Aluminium

Operating Companies
BALCO, MALCO

Main Activities
BALCO and MALCO are fully integrated aluminium producers. In 2004 the combined Indian market share of BALCO and MALCO was approximately 21% of aluminium sales.

BALCO's aluminium operations comprise a bauxite mine and the Korba alumina refining and aluminium smelting complex, which includes a captive power plant and fabrication facility, all of which are located in the State of Chattisgarh in central India. The Korba complex has an installed capacity of approximately 200,000 tpa of alumina and approximately 100,000 tpa of aluminium.

MALCO comprises two bauxite mines and the Mettur Dam smelting and refining complex. The complex has a capacity of 35,000 tpa of aluminium.

In 2004 the combined output was 129,000 tonnes.

Copper

Operating Company
Sterlite

Main Activities
Sterlite's copper operations include a smelter at Tuticorin in southern India, a refinery and two copper rod plants at Silvassa in western India and two mines in Australia. Sterlite had a domestic market share of approximately 42% of copper sales in 2004. Sterlite's Tuticorin smelter, commissioned in 1997, was the first privately developed copper smelter in India.

The smelter and refinery each have an installed capacity of 180,000 tpa from which Sterlite produced approximately 179,000 tonnes of copper cathode and approximately 123,000 tonnes of copper rod in the year ended 31 March 2004.

Sterlite's Australian copper mines currently supply approximately 22% of Sterlite's copper concentrate requirements.

Zinc

Operating Company
HZL

Main Activities
HZL is India's only integrated zinc producer and had a domestic market share of 75% of zinc sales in 2004.

The zinc mines contain high quantities of lead which is produced in association with the zinc. HZL's operations include three zinc-lead mining complexes, one zinc-lead smelter and one zinc smelter in the State of Rajasthan in north-west India, and one zinc smelter in the State of Andhra Pradesh in south-east India.

HZL's three zinc-lead mining complexes have a total capacity of 4.2 million tpa. The three smelters have the combined capacity to produce approximately 210,000 tpa of zinc ingots and 34,000 tpa of lead ingots. HZL's mines supply all of its concentrate requirements. In 2004 the production of finished zinc was 221,000 tonnes.

2006

Korba power plant
New production: 540MW
Capex: US$350 million

Korba aluminium smelter
New production: 250,000 tpa to take total aluminium capacity to 385,000 tpa.
Capex: US$550 million

2007

Orissa alumina refinery
New production: 1 million tpa
Capex: US$800 million

Chairman's Statement

Brian Gilbertson

The Listing of Vedanta Resources plc on the London Stock Exchange in December last year was a watershed for the Group. Thanks to the growing awareness among international investors of the potential of the Indian economy, and thanks equally to the strong growth prospects of the Group, we were able to raise US$825 million, net of expenses. This was an amount we judged sufficient to complete the capital programmes at our existing operations, and to bring our two new mega-projects to full production. That outcome constituted the second largest listing on the London Stock Exchange in 2003 and the first primary listing there of an Indian company, a tribute to the initiative of Anil Agarwal in building the Group.

At the time of the Listing, we committed ourselves to a four-pillar strategy which, if successfully implemented, will give the Group a growth profile unrivalled in our industry. Sound progress has been made since then and so far there have been no material set-backs.

The first pillar is to achieve **OPTIMUM OPERATING EFFICIENCY** at our existing operations. Committed capital expenditure, totalling around US$400 million, will enable us to modernise, de-bottleneck and expand the output of our plants, with beneficial impact on our unit costs. Progress this past year was particularly evident at our zinc operation, HZL, where costs have come down significantly, particularly helped by control of energy input costs. The new copper smelter at Tuticorin is now mechanically complete after some disappointing delays. The new acid and power plants are in use, and full start up will occur as soon as the authorities issue the final permits. We expect to receive these in a few weeks.

The second pillar of our strategy is to **COMPLETE OUR TWO MEGA-PROJECTS**, the 250,000 tpa Korba aluminium smelter at a capital cost of US$900 million, and the 1 million tpa Orissa alumina refinery (capital cost US$800 million). First metal output at Korba is planned for March 2006; successfully achieved, this will constitute a rapid construction programme by international standards. At Orissa, production is scheduled to commence by March 2007. Our studies suggest that the bauxite resources and regional potential could sustain substantially larger outputs in the years ahead. Good progress is being made on both projects. The civil engineering works at Korba were completed ahead of the monsoon and some 120 of the 288 pots were in place by the end of May 2004. At Orissa, the designs and plans are well developed and civil engineering work has begun on the site and the surrounding facilities. The project involves some 40 engineering packages and orders for around half of these have already been placed. Our project managers have embraced the challenges of delivering these projects on time and within budget, and remain confident of successful delivery. We are considering the possibility of introducing a partner into the Orissa project, to join us in developing the substantial regional potential to its full capacity in the decades ahead.

The third pillar of our strategy is to release the value trapped within the Group structure, by **CONSOLIDATING OWNERSHIP**. Here, satisfactory progress has been achieved in the six months since Listing. We have made two purchases of Sterlite shares. The first of 4.98% in January 2004 for US$58 million and then 2.4% in April 2004 for US$21.4 million and we recently announced terms for a US$440 million rights issue in Sterlite, all of which are likely to increase our holding. Studies are currently under way to establish how further consolidation might best be achieved.

Another opportunity open to us is our option to acquire the Government's 49% holding in BALCO. A valuer is to be appointed by the Government and the Board will then be in a position to report back to shareholders.

Increased ownership of assets with growing profits is a happy outcome. As detailed in the Financial Review which appears on pages 16 to 21, consolidated Group operating profit for the year ended 31 March 2004 was US$237 million, up 107% from US$115 million in the previous year. Our EBITDA margin has climbed from 23% to 25%, and our Return on Capital Employed has reached 16.8% (14.4% in 2003). As our capital projects are completed – effectively tripling our pre-Listing capital base – and start contributing to Group cash flows, the financial benefits to our shareholders should be material. On the basis of this year's results and future prospects, and in keeping with the announced progressive dividend policy, the Directors are recommending a dividend of 5.5 US cents per share, representing a dividend for the four months from Listing to the end of the financial year equivalent to 16.5 US cents for the full year. This dividend reflects our confidence in the cash flows and stability of the Group, and translates to a yield of 3.16% at current market prices.

The fourth and final pillar of our strategy is to seek **ADDITIONAL INVESTMENT OPPORTUNITIES** where we believe we have the necessary skills to add value. We remain preferred bidder for

Chairman's Statement *continued*

Konkola Copper Mines, which was indicated as a possible investment in our Listing Particulars. We are in the final stages of evaluating an acquisition structure that should bring substantial benefits to our shareholders.

The currently planned investment programme will be funded from the IPO proceeds, from the Free Cash Flow and an increase in debt, which is covered by our balance sheet. We expect our gearing to remain at prudent levels, rising towards 40% during the investment phase.

Shortly after the year end the general election in India brought a new coalition Government into power. There was much market uncertainty in the immediate aftermath of that unexpected change. Initial statements by the incoming Government on its privatisation policy have not alleviated investor concerns and we hope for greater clarity in the months ahead. Although Vedanta's growth targets over the next few years will be determined almost entirely by its already committed projects, in the longer term we would welcome further investment opportunities, including privatisations, in an economy that has such potential.

We should also recognise that the outcome reflects a well-functioning democratic process in what is the world's second most populous nation, and brings to power a Government committed to improved economic circumstances for the vast numbers that are poor. Such improvement can only come from growth in the overall economy; and that in turn will fuel demand for Vedanta's commodities – aluminium, copper and zinc – without which growth in a modern economy is not possible.

In the light of our progress since Listing, the trajectory of the Vedanta share price has been most disappointing. Issued at £3.90, the shares have since traded well below that level. In my judgement, Vedanta is today a very undervalued share, and this situation will inevitably correct itself as we methodically deliver the key results of our corporate strategy over the next two years.

Our Listing carries with it the commitment to the highest standards of corporate governance. Responsibility for delivering on this commitment rests in the first instance with the Board of Directors. The one week delay in reporting our results was therefore most disappointing to the Board, as it was to shareholders. We have undertaken to review our reporting structures and authorities to prevent any recurrence.

On 22 May 2004, Mr P Chidambaram resigned from the Board, following his appointment as Finance Minister in the new Indian Government. I would like to thank him for his contribution and I am sure that he will play a pivotal role in the continuing development of India. I am very pleased to welcome as new Directors, Mr Naresh Chandra (who has had a distinguished career in Government in India, with much recent experience in governance matters) and Mr Jean-Pierre Rodier (the successful former Chairman and Chief Executive of Pechiney, a leading aluminium producer, who also has wide previous experience in copper and zinc). In preparation for Listing we appointed Mr Peter Sydney-Smith as Finance Director, formerly Finance Director of BPB.

These Directors will strengthen and complement the skills and experience of the Board, and bring sound judgement to our future deliberations. The appointment of these Directors gave us the opportunity to further strengthen the Board Committees and bring our Board structures in line with the new Combined Code. This reaffirmed our commitment to best practice corporate governance.

I commend the Vedanta executive team, and our employees throughout the Group, for the sound progress achieved since Listing. Their talents and commitment will be the critical ingredients in delivering on the ambitious targets that are set for the year ahead.

Brian Gilbertson
Chairman

18 June 2004

At the time of Listing we committed ourselves to a four-pillar strategy which, if successfully implemented, will give Vedanta a growth profile unrivalled in our industry.

Creating a world-class metals and mining group

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

1
Optimise the performance of the existing assets:
Vedanta's plans for its Businesses will de-bottleneck plants, improve efficiency, expand output and drive down unit costs. Major projects include a new power plant and zinc smelter at Chanderiya, expansion of the Rampura Agucha zinc mine and the expansion of the Tuticorin copper smelter;

2
Finance greenfield growth:
Two large greenfield projects, the 250,000 tpa GAMI-based aluminium smelter at the Korba complex and the proposed 1.0 million tpa alumina refinery in Orissa, offer attractive economics and future growth;

3
Consolidate the Group structure:
Vedanta will seek to increase its direct ownership in the underlying Businesses; and

4
Leverage established skills:
Vedanta will seek further growth opportunities in India, including the Government's privatisation programmes and also outside its traditional Indian base, in operations where its proven transactional, operating and turnaround skills can provide a competitive advantage.

A growth profile **unrivalled in our industry...**

Chief Executive's Review

Anil Agarwal

Implementing a **US$2 billion programme** of investment in the Businesses...

It has only been six months between our Listing and the production of our first Annual Report, but a great deal has been achieved in that time and the progress made has been encouraging.

Over that period we have seen good production growth in several areas, which when combined with cost control and strong metal prices, has resulted in strong financial results. Turnover has increased by 34% to US$1,290 million. Group operating profit has increased by over 100% to US$237 million for the year, compared to US$115 million in 2003. At the year end our earnings per share was 23.3 US cents (compared to 24.5 US cents based on Underlying Profit), based on 286 million Ordinary Shares in issue.

We have continued to make progress on improving output, productivity and cost reductions in all of our operations, which was made difficult by the headwind of shipping and energy costs. The Indian rupee was less volatile than many other currencies, with the average rate moving from INR48.5 to INR45.9 to the US dollar.

We raised US$825 million net of expenses when we listed, in support of a US$2 billion capital programme, of which approximately US$300 million has been invested so far. The balance is to be spread over the next three years, principally at Korba and Orissa. At the year end net cash was US$422 million. The capital raised, combined with the cash flow generated within the Group, will maintain our debt within prudent levels while enabling us to carry out all of our plans.

One aim of our strategy has been to simplify the Group structure and enhance shareholder return by increasing our ownership of the underlying assets and reducing minorities. Since Listing we have made two purchases of Sterlite shares and this has taken our effective interest to 68.1% to date. We recently reported a rights issue at Sterlite and we will take up any rights not taken by other shareholders. This should increase our holding further and will put cash into the subsidiaries for their development plans. Minorities' share of earnings is similar to last year at 58%. This is partly due to the success of the Zinc Business where minority interests are high. This number is likely to reduce moving forward, and was already running at 54% in the second half of the year, reflecting the actions that we have taken.

In January 2004 the Government of India reduced tariffs across all of our commodity products. The tariffs were reduced by 5% on copper and zinc and a special tariff of 4% was permanently removed across all product groups including inputs of imported materials, such as imported coal. This has left tariffs of 15% on aluminium and 20% on lead, zinc and copper. The net impact on our EBITDA and operating profit was a reduction of around US$10 million over a period of some three months. We believe that tariffs in India will continue to decline, though we cannot predict when any reduction will take place.

Our aim is to reduce our costs of production, to ensure that we remain competitive. Expansion will help reduce costs and continued liberalisation will lead to a more open economy and stronger economic growth. This is obviously beneficial for the sale of our products and it is a change and challenge that we welcome.

Exceptional demand from China and recovery in several western economies has driven metal prices up to high levels. The level of metal prices does, of course, have a direct impact on our business. Our volume, however, is based on levels of demand within India and is less dependent on the global scene. India has enjoyed a period of strong economic growth and this is also reflected in our results.

Zinc and Lead

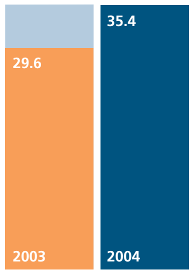
The zinc market was buoyant last year with average prices on the London Metal Exchange of 40.8 US cents per lb compared to 35.2 US cents per lb in 2003. We are a fully integrated producer and this means we benefit fully from any strengthening in the metal price. Global demand rose fast at around 3% in 2003, but this was modest compared to an increase in India of some 9%. Nearly 75% of zinc in India is used in galvanising and substantial investment in infrastructure is driving the demand.

Our share of the Indian zinc market rose significantly from 62% to 75% during the year. This was achieved by increasing production and by tolling around 36,000 tpa of excess contained zinc in concentrate. We currently have surplus mining capacity, but as our own new smelting capacity is commissioned at Chanderiya this tolled zinc will be moved through our smelters at higher margin.

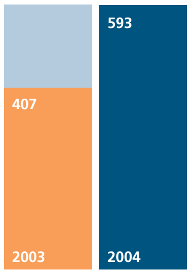
Well positioned for future growth...

Group Turnover and Operating Profit pre exceptional items by Business

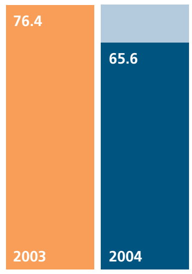
Aluminium Turnover
US$ million



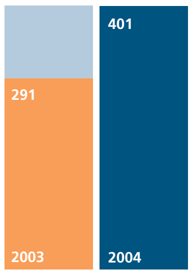
Aluminium Operating Profit pre exceptional items US$ million



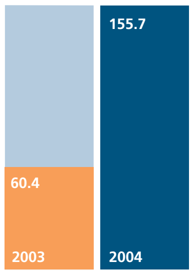
Copper Turnover
US$ million



Copper Operating Profit pre exceptional items
US$ million



Zinc Turnover
US$ million



Zinc Operating Profit pre exceptional items
US$ million

Chief Executive's Review *continued*

The output of zinc concentrate rose to 615,000 tpa (2003: 486,000 tpa) and 74,000 tpa of lead (2003: 56,000 tpa). Production of finished zinc metal increased from 207,000 tpa to 221,000 tpa. Several initiatives were taken to reduce costs, through better energy use, purchasing systems and productivity rates. This reduced the unit cost of production from 30.1 US cents per lb to 25.9 US cents per lb. This was particularly pleasing given the increase in metallurgical coal costs. We believe that further work can be done, particularly in reducing power costs and making further operational improvements.

We continue to make good progress with the implementation of our growth plans in the Zinc Business. Over the course of this financial year we are building a new power plant and smelter at Chanderiya which will take production there from 100,000 tpa to 270,000 tpa. This should be commissioned by June 2005. Over the same period we are increasing the output at the Rampura Agucha mine by 1.3 million tpa to 3.3 million tpa, which will feed the smelter and is due to commence in December 2004. A captive power plant of 154MW is being installed which should play a significant role in reducing costs. These expansion plans will lift our zinc capacity from a total of 210,000 tpa to 380,000 tpa.

The Indian lead market has a demand supply gap of around 100,000 tonnes. We have consequently decided to more than double our refined lead production capacity at Chanderiya from 34,000 tonnes to 85,000 tonnes. The facility is expected to be commissioned by July 2005.

Copper

Vedanta is primarily a refiner of copper and the copper market was challenging for us over the year. Global demand grew at around 2.6%, nearly twice the level of supply. This was largely due to increased demand from China for refined metal and some unplanned shutdowns at substantial mines, all leading to a very tight global market. Stocks of copper reduced significantly over the year and copper prices reached a nine year high of 136 US cents per lb.

Due to the tight copper market, combined treatment and refined charges ("TC/RC") during 2004 averaged around 8 US cents per lb against the average of 13 US cents per lb during 2003. We source a part of our concentrate requirements through our own mines and we continue to increase our contracts in the TC/RC market and thereby reduce our exposure to the spot market.

It seems likely that the market will continue to be tight, though supply is slowly starting to recover and some global smelting capacity has been withdrawn as a consequence of the low refining charges.

As our production numbers show, in spite of the tight market, we were able to source copper and even increased production, with a focus on higher value areas. Cathode production increased over the year by 15% to 178,700 tonnes (2003: 155,700 tonnes), production of copper wire rods rose by 29% to just under 123,000 tonnes. With sufficient capacity for copper wire rods already in place, the additional conversion of cathodes into rods incurs minimal additional capital, but has produced some US$20 million of EBITDA, around twice the previous level.

We continued to make strong progress on cost reduction, with the unit cost declining from 9.1 US cents per lb to 7.8 US cents per lb. This was mainly achieved through reduced consumption of power and petroleum products and improvement in recovery rates at the smelter.

Over the year Tuticorin smelter has been undergoing significant expansion from 180,000 tpa of capacity to 300,000 tpa. The smelter and associated plant is mechanically complete and under commissioning. We anticipate that when the full benefits of the expansion come on stream, we should be able to reduce our unit cost by a further 2.0 US cents to 5.8 US cents per lb.

Chief Executive's Review *continued*

Aluminium

The use of aluminium in India remains modest compared to the rest of the world, but with significant growth potential. Increased global demand again put pressure on prices, with average aluminium prices rising by 10%. Alumina prices (the raw material for aluminium) remained high being driven by the demand from China as they increase aluminium capacity.

The production of aluminium at Vedanta is divided between two separate Group subsidiaries, MALCO and BALCO. Both companies have output close to operating capacity with combined production of 129,000 tpa (2003: 127,000 tpa). BALCO represents around 75% of aluminium output. Production has seen a modest increase, but there was a focus on improving product mix with higher value added products, such as rods and rolled products. We anticipate that the impact of value added products will increase next year. A new cold rolling facility of 36,000 tpa was commissioned during the year and will reach full production in 2005.

The unit cost of production at BALCO decreased from 56.8 US cents per lb to 56.2 US cents per lb, helped by an improvement in captive power production, which reduced our need to purchase more expensive power from the grid. Our costs were held back by the increase in caustic soda prices and the US dollar/Indian rupee exchange rate. There was a significant voluntary retirement scheme, which saw employee numbers decline by 775 to 4,000. An exceptional charge of US$13.3 million was incurred relating to this programme. In carrying out these programmes we take full account of the welfare of the individuals, many of whom have worked with the Group for many years.

Costs at MALCO rose over the year, from 48.9 US cents per lb to 53.8 US cents per lb, mainly as a result of rising fuel costs and an additional tax imposed by the State government on power generation. MALCO purchased imported coal, where prices rose faster than the domestic coal used for power generation at BALCO.

The Aluminium Business is undergoing significant change. The major developments at Korba and Orissa will transform this Business over the next three years enabling us to both increase production and significantly reduce our unit cost of production. A 250,000 tpa smelter is being built at Korba, which will take our total capacity from 135,000 tpa to 385,000 tpa. A captive power plant, generating some 540MW, is being built as part of this scheme. The cost of this project is around US$900 million and should be commissioned by March 2006, though the power plant should be completed some months before that. Orders for critical and long lead items have already been placed and work is currently on schedule.

During the year, work started on the alumina refinery with bauxite mining and captive power generation facility at Lanjigarh in the mineral rich State of Orissa, India. The project should be completed by March 2007, developing the fourth leg of our business. It will not only cater for alumina demand at the new Korba smelter but will also help Vedanta access export markets. The project is progressing on schedule with critical orders for refinery and power plant already having been placed and preliminary site civil engineering works having been started.

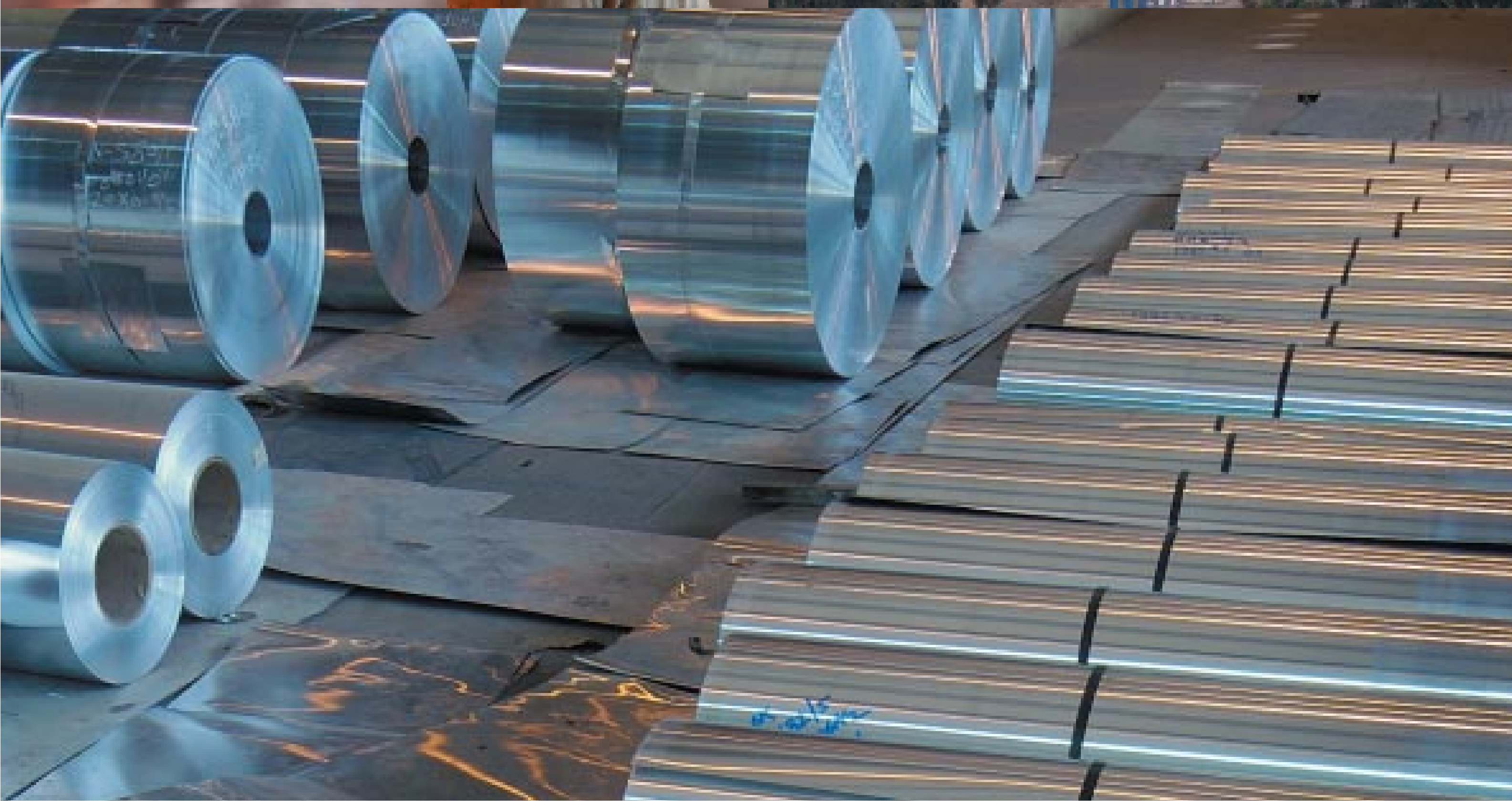
Corporate Social Responsibility

As a major industrial company and employer we have an important role to play in our local communities. Although there has been much growth and improvement in India over the years, there remain substantial parts of the population whose health and economic welfare is fragile. We are committed to working in this area and hope that we can share the benefits of our success and growth with our local communities.

At all of our sites we make it clear that safety is of the upmost importance. We have achieved further certification for both environmental and health and safety, which is covered in more detail in the Corporate Social Responsibility report on pages 22 to 26.

Strong operational **performance...**





Chief Executive's Review *continued*

Looking Forward

India remains a country of exceptional opportunities, with a population of over 1 billion, significant natural resources and yet one of the lowest levels of metal consumption in the world. Metal prices may soften from current high levels, though stocks are low and the supply-demand balances in several areas suggest that pricing could remain firm.

Regardless of the influence of pricing, the outlook for metal demand in India is strong and we are well placed to take advantage of this. We should be able to make further good progress at our zinc operations this year, increasing volume in line with Indian demand. Tuticorin is ready to produce from the new furnace and, subject to receiving the permits, the benefits of this increased capacity and lower costs should be apparent over the course of the year. We are operating close to capacity at our aluminium operations and although we will always try to push the limits further, the major change will be felt when the expansion project at Korba comes on stream in 2006.

There are several opportunities to simplify the corporate structure and we should be able to report some positive progress over the year.

In the first quarter we have carried out planned shutdowns for maintenance at Tuticorin (copper) and Chanderiya (zinc and lead). Tuticorin had been through an exceptional period of 24 months continuous operation, which is a tribute to the operational management. These shutdowns will lead to a more modest first quarter, but without affecting our overall expectations for the year.

The growth pipeline at Vedanta is exceptional, with expansion projects of US$2 billion over the next four years trebling our capital base. In the coming year we expect to make significant progress on all of our projects, with major commissioning coming in 2005 and 2006.

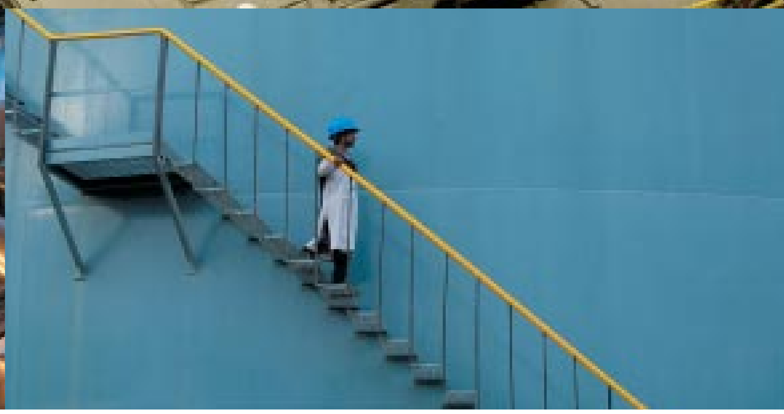
At all of our operations we strive to be low cost producers. This is the best protection from low metal prices that we can give our business and this will help to ensure that we obtain the best return for shareholders should circumstances change in metal markets.

We will continue to move forwards with our growth plans and continuing to improve the efficiency of our operations. We approach the coming year with confidence and with many opportunities to develop.

Anil Agarwal
Chief Executive

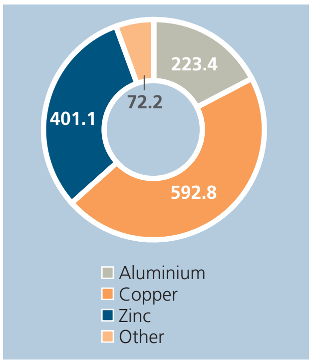
18 June 2004

Uniquely **placed...**

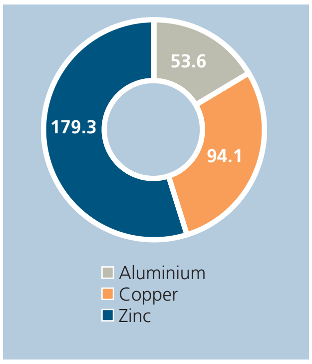


Financial Review

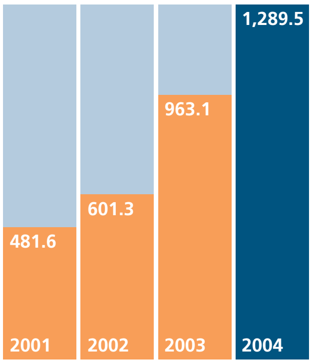
Peter Sydney-Smith



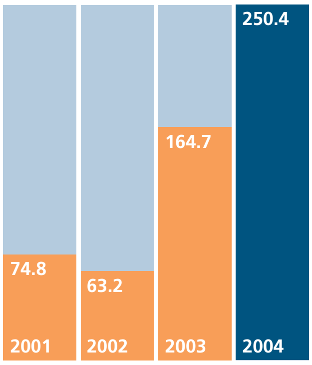
Turnover
US$ million



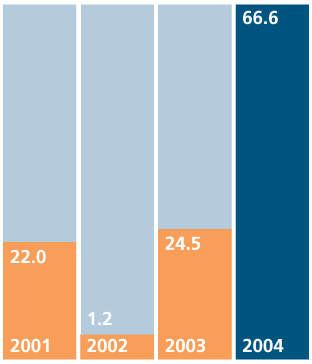
EBITDA
US$ million



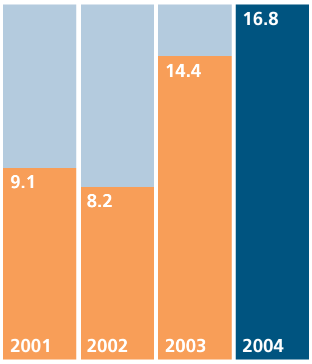
Group Turnover
US$ million



Group Operating Profit before exceptional items US$ million



Profit for the year
US$ million



Return on Capital Employed
%

Basis of Presentation

Set out on pages 47 to 93 are the Financial Statements of Vedanta Resources plc, the first since the Company's Listing on the London Stock Exchange on 10 December 2003.

These Financial Statements have been prepared in accordance with United Kingdom generally accepted accounting principles ("UK GAAP") and the requirements of the Companies Act 1985. Vedanta presents its accounts in US dollars with subsidiary companies maintaining accounts in their local currency and translating to US dollars upon consolidation.

As described in detail in note 1 to the Financial Statements, the financial information has been prepared on the basis that the Group had existed throughout the two-year period beginning 1 April 2002. The Directors believe that this information reflects the ongoing business of the Group more clearly.

Initial Public Offering on the London Stock Exchange

On 10 December 2003, Vedanta Resources plc became the first major Indian group to achieve a primary listing on the London Stock Exchange and on 15 March 2004, the Company was admitted to the FTSE 250 index.

The Company issued 130 million Ordinary Shares at a price of 390p each, giving net proceeds of US$825.3 million. These proceeds are being applied to carry out the strategy which is set out on page 6:

- optimise the performance of the existing assets;
- finance greenfield growth;
- consolidate the Group structure; and
- leverage established skills.

Financial Performance

- Earnings before interest, tax, depreciation, goodwill amortisation and exceptional items ("EBITDA"). Our objective is to take advantage of our low cost base and achieve the best possible margins across the Businesses.
- Earnings per share ("EPS"), stated after exceptional items and the share attributable to minority interests. By producing a rising stream of profits and EPS we will be able to pay a progressive dividend to our shareholders.
- Free Cash Flow. To ensure that the profit generated by our assets is reflected by cash flow in order to fund the future growth and development of the Company. This is measured after Sustaining Capital Expenditure, tax and interest.
- Return on Capital Employed ("ROCE"). The objective is to consistently earn a return (net of tax) above the weighted average cost of capital to ensure that capital is invested efficiently.

Financial Review *continued*

In the Financial Statements, we report our financial results across our three Businesses; Aluminium, Copper and Zinc (including Lead). In due course we will report Alumina as a fourth Business segment. We intend to provide quarterly production and UK GAAP information.

Financial Results for the Year Ended 31 March 2004

Group operating profit was US$237.1 million, an increase of 107% on the prior year. These excellent results were underpinned by an outstanding contribution from the Zinc Business, as well as a steady increase in profits from the Aluminium Business whilst operating at close to full capacity. Copper contributed robust profits despite challenging TC/RC conditions.

Summary profit and loss account	31 March 2004 US$ million	31 March 2003 US$ million
Operating profit before exceptional items	**250.4**	**164.7**
Operating exceptional items	(13.3)	(50.1)
Operating profit	**237.1**	**114.6**
Share of loss in associate	(1.2)	(0.5)
Loss on disposal of fixed assets	(1.2)	(0.7)
Profit before interest and tax	**234.7**	**113.4**
Net interest payable	(1.3)	(35.0)
Profit before tax	**233.4**	**78.4**
Tax	(76.0)	(20.5)
Profit after tax	**157.4**	**57.9**
Minority interests	(90.8)	(33.4)
Profit for the year	**66.6**	**24.5**
Effective tax rate	32.6%	26.1%
Minority interest rate	57.7%	57.7%

The operating exceptional item was a charge of US$13.3 million relating to voluntary retirement schemes at BALCO and HZL and follows similar schemes in 2003, also at BALCO and HZL.

The operating profit includes US$14.0 million of foreign exchange gains on working capital balances that were largely offset by charges of US$9.9 million relating to the Reward Plan (see note 22) and against old debtor balances. The foreign exchange gains were partly reversed in the first two months after the year end as a result of the weakening of the Indian rupee.

The share of loss in associate is attributable to the Group's interest in India Foils Limited. India Foils Limited management are implementing a turnaround strategy to return the business to profitability.

Foreign Exchange and Net Interest

The Group had a net interest expense for the year of US$1.3 million, including US$14.1 million of foreign exchange gains on foreign currency funds held by the Group. These gains were partly reversed subsequent to year end. If these gains are excluded, the Group had a net interest expense of US$15.4 million, a reduction of US$19.6 million on the 2003 charge. This is due to a combination of factors, including the interest earned on the Listing proceeds, and lower interest rates arising from successfully re-negotiating debt facilities to take advantage of lower Indian interest rates.

Taxation

The Group's effective taxation rate has risen to 32.6% (2003: 26.1%). The reasons for this increase are two-fold. Firstly, change in profit mix and lower tax shelters increased the effective rate of tax, and secondly, there were two significant unusual tax items in the year. Of the unusual items, the Group has foregone a tax deduction of US$1.5 million for the cost of shares awarded to employees in recognition of their contribution to the Group's development and growth over the period leading up to the Listing. In addition, a tax charge of US$5.4 million arose on the purchase of 4.98% of Sterlite from the Sterlite Employee Welfare Trust ("SEWT"). The Group has incurred this tax charge but the profit relating to the charge was eliminated upon consolidation.

If these two items are excluded, the Group's effective tax rate would be 29.6%.

The cash tax rate of the Group was 24.6% (2003: 32.5%). The future cash tax rate is expected to remain around this level, benefiting from capital investments.

Minority Interests

The minority interest charge for the year was 57.7% of post tax profits. In the first six months of the year the charge was 63.3% and this fell to 53.5% in the last six months.

The improvement in the second half of the year arose from acquiring an additional 18.92% of HZL and the increased ownership of Sterlite (see pages 19 and 20). However, full year minority interests of US$90.8 million (2003: US$33.4 million) reflects the significant improvement in the profitability of HZL, which is subject to a large effective minority interest (57.3% at 31 March 2004).

Profit for the Year

The profit for the year was US$66.6 million against US$24.5 million in 2003, an increase of 172% reflecting higher commodity prices, lower costs of production and success in simplifying the Group structure.

Financial Review *continued*

As shown below, the Underlying Profit was US$70.2 million, an increase of 106% on the prior year Underlying Profit of US$34.1 million.

Reconciliation to Underlying Profit	31 March 2004 US$ million	31 March 2003 US$ million
Profit for the year	**66.6**	**24.5**
Operating exceptional items	13.3	50.1
Non-operating exceptional items	1.2	0.7
Taxation effect	(5.2)	(18.1)
Minority interest impact	(5.7)	(23.1)
Underlying Profit	**70.2**	**34.1**
EPS on profit for the year (US cents per share)	23.3	8.6
EPS on Underlying Profit (US cents per share)	24.5	11.9

EPS and Dividends

The EPS based on profit for the year was 23.3 US cents, against 8.6 US cents in 2003. The EPS based on Underlying Profit rose 106% to 24.5 US cents in 2004.

To provide a meaningful comparison, the EPS for both years has been calculated using the total number of shares in issue immediately after Listing (286.0 million). Any issue of shares after Listing has been included in calculating the weighted average number of shares for 2004. There is no difference between basic and diluted EPS (see note 10 to the Financial Statements).

As set out in the Listing Particulars, the Group will pursue a progressive dividend policy to reflect the Group's growth prospects whilst still ensuring an appropriate level of dividend cover is maintained.

The Board has proposed a dividend of 5.5 US cents per Ordinary Share in respect of the year ended 31 March 2004, being approximately one third of the dividend that would have been proposed had the Group been in existence for the full year (being 16.5 US cents per Ordinary Share).

Future dividends will be paid in August and January, in approximate proportions of one third and two thirds of the annual dividend respectively.

Cash Flow

There was a net cash inflow to the Group of US$753.4 million as a result of the Listing proceeds of US$825.3 million.

Cash flows	31 March 2004 US$ million	31 March 2003 US$ million
EBITDA	322.7	224.3
Operating exceptional items	(13.3)	(50.1)
Working capital movements	169.8	65.5
Changes in long term creditors and non-cash items	17.1	(6.2)
Sustaining Capital Expenditure	(64.5)	(35.7)
Net interest paid	(6.6)	(28.1)
Tax paid	(57.5)	(25.5)
Free Cash Flow	**367.7**	**144.2**
Expansion Capital Expenditure	(284.5)	(9.8)
Purchase of fixed assets investment	(9.2)	—
Acquisitions	(81.1)	(188.9)
Dividends to minority shareholders	(10.1)	(4.9)
Listing proceeds	825.3	—
Foreign exchange and other movements	(54.7)	(40.8)
Movement in net cash/(debt)	**753.4**	**(100.2)**

The higher commodity prices and increased sales volumes, offset by extended credit given to certain customers at HZL, have resulted in debtor and stock cash outflows of US$93.3 million. These outflows were mostly offset by a higher level of creditors, but when including the increased level of extended trade credit, to take advantage of competitive financing, there was a working capital inflow of US$169.8 million.

After Sustaining Capital Expenditure of US$64.5million (2003: US$35.7 million), the Group's Free Cash Flow was US$367.7 million (2003: US$144.2 million). In the year ended 31 March 2004, the Group purchased a new head office in Mumbai (US$13.0 million) and spent US$15.5 million on a new boiler for the captive power plant at BALCO. Both of these items are included in Sustaining Capital Expenditure. The Free Cash Flow before the extended credit terms for customers and suppliers referred to above was US$192.5 million.

The acquisitions expenditure includes US$70.5 million to exercise a call option to acquire an additional holding in HZL and deferred consideration of US$10.6 million for the acquisition of 20% of SOVL in 2003.

Financial Review *continued*

Expansion Capital Expenditure

The Group has capital expansion projects in excess of US$2.0 billion, which will deliver a significant increase in capacity and future earnings.

Expansion projects	Estimated cost US$ million	Spent US$ million	Committed US$ million
Orissa			
(Alumina)	800	29	254
Korba			
(Aluminium)	900	131	649
Tuticorin			
(Copper)	87	80	86
Chanderiya			
(Zinc/lead)	335	50	178
Rampura Agucha			
(Zinc/lead)	90	4	37
Total	**2,212**	**294**	**1,204**

Expenditure to date on these projects totalled US$294.3 million with a further US$1.9 billion outstanding, of which two thirds has been committed and 80% is to be spent over the next two years.

A substantial portion of the estimated project cost has funding in place and financial initiatives are ongoing to ensure the completion of all funding requirements in the near future.

Balance Sheet

Capital Employed

Capital Employed increased from US$841.3 million to US$1,000.9 million as a result of the expansion projects, with partial offset from improved working capital management.

Benefiting from higher profits, the Group's ROCE (net of tax) increased to 16.8% in 2004 against 14.4% last year, comfortably above the Group's cost of capital. These continuing strong returns underline the earnings potential in the Group. In the short term the major expansion projects at Orissa and Korba are expected to reduce the Group's ROCE. This reduction will be offset to an extent by the completion of Tuticorin this year and Chanderiya and Rampura Agucha next year.

Capital Employed	31 March 2004 US$ million	31 March 2003 US$ million
Equity shareholders' funds	986.1	105.0
Minority interests	437.1	405.2
Net (cash)/debt	(422.3)	331.1
Capital Employed	**1,000.9**	**841.3**
ROCE (net of tax)	**16.8%**	**14.4%**

Non-Core Assets

Following the Listing of the Company, the Directors have identified a number of assets which are regarded as non-core to the Group's Businesses. These assets have a carrying value of approximately US$65.0 million in aggregate. These are being actively marketed for disposal and are expected to realise their book value. The disposal programme is being closely monitored to maximise realisation.

Minority Interests and Simplification of the Group Structure

The minority shareholders' interests rose modestly to US$437.1 million. The current year profit attributable to minority interests of US$90.8 million plus foreign exchange movements (US$39.4 million) were offset by the effect of higher ownership of subsidiary companies. As shown on page 6, a central pillar of the Group's strategy is to simplify the ownership structure so as to maximise earnings potential. In the second half of the year this strategy has progressed as follows:

- **Hindustan Zinc Limited (18.92%)**
  On 12 November 2003, the Group acquired an additional 18.92% holding in HZL for US$70.5 million, by exercising a call option on the Government, taking direct ownership to 64.9% (effective ownership at 31 March 2004 is 42.7%).

- **Sterlite Industries (India) Limited (4.98%)**
  In January 2004, the Group acquired an additional 4.98% holding in Sterlite from the SEWT (a quasi-subsidiary) for a consideration of US$58.0 million

Simplication of Group structure	Business	Date of acquisition	Additional holding acquired	Revised direct holding	Revised effective holding
During the year					
HZL	Zinc	12 November 2003	18.92%	64.9%	42.7%
Sterlite – SEWT	Copper	2 January 2004	4.98%	60.1%	65.8%
Post year end					
Sterlite – SEWT	Copper	2 April 2004	2.4%	62.5%	68.1%
Sterlite – rights issue	Copper	announced Dec 03	n/a	n/a	n/a

Financial Review *continued*

with the funds being retained within the Group. This increased the Group's effective interest in Sterlite to 65.8%.

In April 2004, the Group acquired a further 2.4% of Sterlite from the SEWT for a consideration of US$21.4 million, taking the Group's effective holding to 68.1%.

- **Sterlite Industries (India) Limited Rights Issue**
  In December 2003 Sterlite initiated a rights issue that received clearance from SEBI in June 2004. The terms of this offer were altered to a one-for-two offer to take account of market developments and this has been re-submitted to SEBI for final approval. The Group has fully underwritten the issue in support of the strategy to fund expansion and simplify the Group structure. Completion is expected in the second half of 2004.

Net Cash/(Debt) and Gearing

The receipt of the Listing proceeds resulted in the Group holding net cash of US$422.3 million at 31 March 2004, compared to US$331.1 million of net debt in 2003. Therefore, the Group was not geared at 31 March 2004 (2003: Gearing 39.4%). In the medium term, the Gearing ratio is expected to peak below 40% in 2006-07 as we invest in the expansion projects.

The level of gross debt has risen to US$818.9 million (2003: US$478.0 million) due to the draw down of new facilities in HZL and BALCO ahead of project requirements, in line with Indian banking practice.

The debt is largely held by Sterlite, HZL and BALCO, US$354.2 million, US$132.8 million and US$251.8 million respectively.

The Group had US$1,188.5 million of current asset investments at 31 March 2004 (2003: US$81.7 million) which is due to holding the Listing proceeds until they are passed down to subsidiaries, plus the increased cash balances as a result of the draw down of facilities as described earlier. These funds will be progressively utilised to finance investment.

Funding facilities	Drawn US$ million	Undrawn US$ million	Total US$ million
Below 1 year	295.3	—	295.3
1-2 years	63.2	41.6	104.8
2-5 years & above	460.4	132.0	592.4
Total	**818.9**	**173.6**	**992.5**

These are a mixture of committed and uncommitted facilities

Shareholders' Funds

Total shareholders' funds increased to US$986.1 million from US$105.0 million at 31 March 2003, benefiting from the Listing proceeds of US$825.3 million and retained earnings for the year.

Critical Accounting Policies

The Group's accounting policies are set out in note 2 to the Financial Statements on pages 51 to 56. The Financial Statements have areas in which a degree of judgement and assumption is necessary. The Directors believe that the following are the critical accounting policies where judgements and assumptions may impact the Financial Statements significantly.

Mining Properties and Leases

Included in mining properties and leases are the costs of acquiring and developing mining properties and mineral rights. These are capitalised as tangible fixed assets in the year in which they are incurred. Mining properties also include excess purchase consideration created upon acquisition and allocated to tangible fixed assets (to the extent that it is supported by discounted future cash flows). The excess purchase consideration allocated is the gross amount with a corresponding credit to minority interests. These properties are depreciated on a unit of production basis.

Revenue Recognition

Revenues derived from product sales are recognised when all significant risks and rewards of ownership are transferred to the buyer. This generally occurs when the goods are shipped to customers in satisfaction of orders.

The Group believes that allowances for doubtful accounts on product sales are not required as substantially all of its sales involve payment in cash or with bank letters of credit.

Pensions

The Group's pension schemes are largely defined contribution schemes, reducing exposure to funding shortages. The Group has only modest exposures.

Financial Review *continued*

The Group operates a number of pension schemes, the assets of which are (where funded) held in separately administered funds. The pension schemes are generally funded by payments from employees and the relevant Group companies, taking account of the recommendations of independent qualified actuaries. The Group accounts for pension liabilities under SSAP 24 "Accounting for Pension Costs", and provides full transitional disclosure of FRS 17 "Retirement Benefits".

Restoration, Rehabilitation and Environmental Costs

As with all extractive industry entities, the Group's operations may cause environmental disturbance through the development or ongoing production of a mine or plant. Costs arising from the installation of plant and other site preparation work, discounted to net present value, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged to the profit and loss account over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision.

The Group's Indian mining operations are largely exempt from restoration costs under Indian legislation. The Group does not currently provide for restoration costs over and above the statutory requirement. The legal requirements for the Australian mines have been met and appropriate provision has been made.

Risk Management Policies

The Group has risk management policies in place to assess and manage foreign exchange risk, interest rate risk and commodity price risk. Of the gross foreign exchange exposure of US$1,025 million at 31 March 2004 on trade, committed capital expenditure and financial transactions, a significant portion was hedged primarily through forward contracts. The foreign currency exposure on liabilities was mitigated by significant foreign currency assets held at the year end. As at 31 March 2004, 53% of the drawn Indian rupee debt was at fixed interest rates. Interest rate risk is also evaluated and mitigated through appropriate financial products.

On the portion of the Copper Business which does not benefit from a natural hedge, the Group has in place a hedging programme primarily through the use of forward sales and put options. The Group intends to put in place similar hedging programmes for Zinc and Aluminium Businesses in 2004-05.

Liquidity

As at 31 March 2004, the Group had current asset investments of US$1,188.5 million. These are primarily invested in mutual funds and money market funds with the highest ratings. The current asset investments are in Indian rupees, US dollars and UK pounds sterling and, in line with the conservative investment policy aimed at complete capital protection, the pre tax yield per annum in each of the above currencies is 5.8%, 0.9% and 3.5% respectively.

International Financial Reporting Standards ("IFRS")

The European Union's legislative requirement to report under IFRS, as published by the International Accounting Standards Board ("IASB"), comes into effect for accounting periods beginning on, or after, 1 January 2005. The Group will adopt IFRS in full, and with effect from 1 January 2005.

Peter Sydney-Smith
Finance Director

18 June 2004

Corporate Social Responsibility

Corporate Social Responsibility *continued*

As one of the largest metals and mining groups in India and with two mines in Australia, the Group is committed to managing its business in a socially responsible manner. The management of environmental, employee, health and safety and community issues in respect of our operations is central to the success of our business.

The Group's Health, Safety and Environment ("HSE") Management Framework

The Board has overall responsibility for the safe, healthy and environmentally sound management of the Group's operations. Each of the sites within the three Businesses have teams of specialist HSE managers who, along with site management teams, focus on HSE risk management and performance improvement. Each of the Businesses have HSE policies and management systems. The Group is making around US$2 billion of capital investment in new projects at the Tuticorin smelter, Orissa and Korba, which are supporting improvements in HSE standards across the Group.

Environment

The Company aims to reduce the impact of its activities on the environment wherever feasible. The majority of sites within the Group are certified to the international environmental management systems standard ISO14001 or have planned certification within the next year (as indicated in the panel below). ISO14001 includes the requirement that environmental impacts are identified and that there are ongoing programmes for improvement across key impact areas.

The sites in India work within a regulatory framework established through the system of environmental permits and limits set by the Indian State Pollution Control Board. These require regular reporting on the monitoring and analysis of various environmental impacts. Legislative compliance is a minimum expectation for all sites.

Significant business drivers such as cost savings, particularly in energy which is a significant operational cost, and water usage, especially within regions susceptible to water shortages, encourage good environmental performance. Examples of water saving activities at HZL and energy saving activities within Sterlite are provided in the top panel on page 24. Several sites, including HZL sites in Rajasthan and the Group's largest copper smelter at Tuticorin, have policies of zero wastewater discharge from the sites.

Secure landfill sites designed to high standards have been developed at these sites. Initiatives are under way to recycle waste where possible. For example, HZL has undertaken a pilot study to use smelter slag in cement production, Sterlite sells gypsum and smelter

Site	Date of ISO14001 certification	Date of OHSAS18001 certification
Sterlite		
Tuticorin smelter	11 May 2001	1 July 2001
Silvassa copper refining facility	11 February 2001	14 December 2003
Mt Lyall mine	Review 2005	Review 2005
Thalanga mine	Not required	Not required
HZL		
Rampura Agucha mine	15 September 2003	15 September 2003
Rajpura Dariba mine	11 December 2003	11 December 2003
Zawar mining complex	30 March 2004	15 April 2004
Chanderiya smelter	15 September 2003	15 September 2003
Debari smelter	19 December 2002	19 December 2003
Vizag smelter	15 December 2003	Expected July 2004
BALCO		
Mainpat mine	Target March 2005	Target March 2005
Bodai-Daldali deposit	Target March 2005	Target March 2005
Korba complex	Target December 2004	Target December 2004
MALCO		
Yercaud mine	Review 2005	Review 2005
Kolli Hills mine	Review 2005	Review 2005
Mettur Dam complex	30 January 2004	30 January 2004

Corporate Social Responsibility *continued*

HZL and the Drive to Minimise Water Use
Rajasthan is a State with scarce water supplies. With water being a key input to HZL's operations, its consumption is a vital element of HZL's environmental management programme. Improvements in water containment, treatment and recovery have led to reduced water usage at all HZL sites. The Chanderiya zinc-lead smelter has achieved over 20% reduction in water use per million tonnes of zinc produced between 2001 and 2004, whilst the Rampura Agucha mine has reduced water consumption by over 25% per million tonnes of ore treated in the same period. All HZL sites in Rajasthan have a zero discharge of wastewater from their sites. Water reduction programmes are ongoing.

Charter on Corporate Responsibility for Environment Protection ("CREP") for Zinc Industries
During 2003 HZL, along with others in the zinc industry, committed to an environmental charter with the Indian Central Pollution Control Board and the Ministry of Environment and Forests, establishing levels of environmental performance beyond legal compliance. Some of the major actions under CREP are:

- halving sulphur dioxide (SO_2) emissions by 2006;
- achieving zero wastewater treatment discharge through 100% recycling by December 2004 (already achieved by HZL sites);
- recycling of intermediate and waste materials;
- reducing fugitive dust emissions from vehicles; and
- developing greenbelt areas around the plant and accommodation areas.

HZL has prepared action plans requiring an investment of Indian rupees 380 million (US$8.7 million) over the next two to three years to meet the charter commitments.

Preservation of Energy Award for Sterlite
The Confederation of Indian Industry ("CII") has given Sterlite the National Award for Excellence in Energy Management for three consecutive years; 2001, 2002 and 2003. Energy efficiencies have been achieved through a number of technology improvements such as generating power from steam from the waste heat recovery boilers, installing sensors on feed conveyors to minimise usage and upgrading of motors.

slag and MALCO sells red mud and pot ash generated during their processes to the cement industry.

Environmental management training and awareness is provided through annual environmental awareness weeks or days for all employees and specialist environmental training for relevant individuals.

Health and Safety
The management of health and safety ("H&S") is a core activity for the Group. By its nature, the metal and mining industry brings with it H&S risks and the Group ensures that these risks are monitored and mitigated through a variety of programmes and training within each of the Businesses. H&S performance is reported and discussed during Board meetings of the three Businesses. Each site has H&S managers and committees. H&S is also reported at meetings of the Executive Committee and the Board.

Many sites have achieved certification to the international occupational H&S management system OHSAS18001, or are planning certification (please refer to the panel on page 23). This standard requires H&S risk assessments to be undertaken and action programmes to be developed. Maintaining the certifications requires frequent independent monitoring through compliance audits.

Regular safety reviews are undertaken both internally and by external advisers, as a result of which action programmes are developed. Safety awards won by the Group are highlighted in the panel on page 25.

All Group Businesses have occupational health programmes including medical examinations for all new recruits and regular ongoing medical examinations for those working in the mines and smelters.

The Group ensures that contractors also comply with H&S regulations and obliges them to ensure that their employees are provided with safe working environmental and safety equipment.

Employees
Employee Consultation and Communication
A number of employee engagement mechanisms are in place including:

- regular communication meetings with employees at all levels of the organisation;
- internet sites for Sterlite and HZL launched during 2003, which include facilities feedback;
- structured approaches in several businesses such as Total Quality Management and Total Productive Maintenance which include proactive engagement with a cross section of employees;
- specific consultation and involvement regarding major changes to business operations; and
- change management workshops throughout the Business.

Unions are not present in all of the Group's Businesses, although all employees have the right to join a union. Where unions do exist, regular meetings take place between management and union representatives.

Corporate Social Responsibility *continued*

Business Ethics

An ethics policy covering issues such as harassment, bribery, personal integrity, protection of intellectual property rights and competition has been circulated throughout the Group. A training programme concerning ethics and employee behaviour is in place. All prospective employees are issued with terms of employment prior to joining the organisation. These terms incorporate a code of conduct for employees which include the prohibition of bribery.

Employee Training

Training is managed at both the Group and Business level. The Group has recently recruited a Head of Learning and Development who will be developing Group-wide training programmes. Each of the Businesses have a process of identifying and providing for training needs. Training centres exist within the Businesses such as the BALCO Learning Centre and HZL's Technology Institute.

Equal Opportunities

There has been a conscious effort to increase the numbers of women and minority groups that we employ. This approach has been implemented across the Group through change management workshops and a proactive recruitment process. Equal opportunities and diversity form part of the Group recruitment policy.

As part of the Group's approach to equal opportunities, applications from disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. The training, career development and promotion of disabled persons is expected, as far as possible, to be identical with that of other employees. In the event of an employee becoming disabled every effort is made to ensure that employment within the Group continues and that appropriate training is arranged.

Contractors

Contractors working for the Group's Businesses are protected under the Indian Contract Labour Act, which covers issues such as minimum wages, health benefits, health and safety and working hours.

Support to Employees' Families

Many of the employees' families are supported through the provision of housing, schools, medical and recreational facilities in the areas in which the Group operates. In addition, these facilities provided for employees and their families are made available for use by others in the local communities.

Community

Working with Communities

Working with the communities in which the Group operates is critical to the ongoing success of its operations and an important element of the Group's philosophy and culture.

The Sterlite Foundation is financially supported by the Group. The Sterlite Foundation helps underprivileged young people by providing them with computer training. The Foundation has set up 230 computer training institutes nationwide. IT training is also provided to inmates at more than 20 prisons in India. The Foundation is also engaged in other social improvement programmes.

Group operations bring employment opportunities, both through direct employment and indirectly through supporting activities in the local and regional economies. The Group has a policy of recruiting local people where possible.

In addition to the numerous informal routes for understanding local community concerns or needs, Group employees regularly meet with elected representatives of the local communities. The Group takes an active role in supporting local needs of which the following are examples:

HZL

- Contributed Indian rupees 51 million (US$1.1 million) for drought relief work in Rajasthan, which included supply of drinking water and the deepening of wells for surrounding villages, cattle camps to provide much needed fodder, water and veterinary services;
- Provided 30% of the funds of around Indian rupees 180 million (US$4.1 million) required for the Mansi Wakal Project, the construction of a dam to supply water for that region, which will be completed during 2005;

Safety Awards

In March 2002 Sterlite's copper smelter at Tuticorin received the British Safety Council five star award, the first copper smelter in the world to achieve such a rating. This builds on a background of safety awards with the Tamil Nadu Government issuing State level safety awards for the years 1999 and 2000, and again in 2003 for the longest accident free period and highest reduction in accident rate.

In September 2003 the National Safety Award was presented to HZL's Debari zinc smelter by the Indian Ministry of Labour for outstanding performance in industrial safety during the year in achieving the longest accident free period.

Corporate Social Responsibility *continued*

- Contributed Indian rupees 63 million (US$1.4 million) for the construction of the HZL Cardiology Centre in Udaipur. It was inaugurated in April 2003 and is now operated by the Government of Rajasthan; and
- Contributed Indian rupees 5 million (US$0.1 million) for the construction of a cultural centre in eastern India.

Sterlite
- Organised mobile health clinics, seven health camps for families below the poverty line (in which more than 2,000 people were given free medical care) and a mega eye camp in association with the Arvind Eye Hospital in which 120 cataract operations were performed; and
- Organised self help groups for rural women to develop skills networks and provide support for self-employment.

BALCO
- Various health initiatives for the local communities including the donation of Indian rupees 1.4 million (US$32,000) for construction of a telemedical centre to provide medical services for 20 surrounding villages, and the provision of free medical consultation and primary medicines to 8,500 patients across four villages during the year. This included regular visits by doctors employed by the Business and the running of a free eye camp in association with district health authorities, during which 202 cases of eye diseases were attended upon and 39 cataract operations carried out; and
- Contributed Indian rupees 10 million (US$0.2 million) to a municipal school project and construction of a cultural centre in eastern India.

MALCO
- Provision of support for a number of medical and health related activities including support to Gonnur Village maternity ward, a free health camp at the MALCO township, an AIDS awareness campaign organised on World AIDS Awareness Day and support to the Government with the Pulse Polio Programme for local villages; and
- Runs a large school of 2,900 pupils in Mettur having provided the land and buildings, financial support and IT equipment.

New Mine Developments and Closures
The Group acknowledges that new mining developments can be controversial. In establishing a mining operation there is frequently a requirement to purchase land. Any new development including extensions to existing abstraction or operating licences undergoes an impact assessment, which includes a review of environmental and social impacts.

Liaison with the elected local community representative is a critical part of the process of opening new mines. The Group makes compensation for any loss of land. This includes the provision of replacement land paid for by the Group for relocated families, the building of new villages or infrastructure such as water provision, healthcare facilities or roads and the opportunity for employment with the Group for a member of each family impacted.

Remediation measures are taken by the Businesses on the closure of mines including, as appropriate, backfilling and replanting. Many of the actions taken by the Businesses in the past are reflected in new laws introduced by the Indian Ministry of Mines in 2003. The laws require the development and implementation of mine closure plans.

Future Plans
Significant improvements in HSE performance have been made in recent years. However the Group acknowledges that performance improvement is a continuing challenge. In particular the Board is keen to ensure that its performance in the area of corporate responsibility is of a standard consistent with international benchmarks set by other leading mining companies.

HSE management will be further enhanced in the coming year through the Group Health, Safety and Environment Committee (the "Committee") which was initially chaired by Sir David Gore-Booth and includes Mr Kaura, the Chief Operating Officer. Following his appointment to the Board on 14 June 2004, Mr Rodier has agreed to replace Sir David as Chairman of the Committee. Additionally, two external specialists are currently being identified to sit on the Committee to bring valuable technical expertise to this Committee. The Committee met for the first time in June 2004 to review its membership and to consider its terms of reference for approval by the Board. This Committee will focus on ensuring common HSE standards across the Group and that HSE performance continues to improve. As part of its proposed terms of reference, the Committee is to report to the Board on a quarterly basis and to undertake regular operational reviews at each of the key Businesses. A Group HSE Manager has been appointed to drive and facilitate the coordination of HSE performance across the Group.

Our objective will be to expand the information about HSE published within our disclosures on Corporate Social Responsibility in future years.

Board of Directors, Senior Management and Advisers







1 2 3 4
5 6 7

EXECUTIVE DIRECTORS

1 Anil Agarwal, Chief Executive Officer (N)

Aged 51. Mr Agarwal is also Chairman and Managing Director of Sterlite and is a director of BALCO, MALCO and HZL. Sterlite was formed by Mr Agarwal in 1976. Mr Agarwal has over 29 years of experience in the mining industry.

2 Peter Sydney-Smith, Finance Director

Aged 51. Mr Sydney-Smith joined the Group in 2003. Prior to joining the Group, he was Finance Director at BPB plc, an international building materials group. Mr Sydney-Smith joined BPB plc from British Gypsum Ltd in 1992, where he had been the Finance Director. Mr Sydney-Smith is a chartered accountant, a member of the Institute of Chartered Accountants of England and Wales and has an MA from the University of Cambridge.

NON-EXECUTIVE CHAIRMAN

3 Brian Gilbertson (N*)

Aged 60. Mr Gilbertson has been a director, chief executive and/or chairman of many major mining companies, including Gencor Limited, Goldfields Limited, Billiton Plc and dual listed company BHP Billiton Plc/Limited. During his career, he has been associated with a variety of company-transforming transactions. Since May 2003, Mr Gilbertson has acted as a consultant to Lonmin plc. He is a director of Incwala Resources Limited, a black economic empowerment company in South Africa and is also a director of Emergofin S.V. a holding company in a group with Russian aluminium assets. Mr Gilbertson has an MSc in Physics from Rhodes University and an MBL from the University of South Africa.

NON-EXECUTIVE DIRECTORS

4 Michael Fowle CBE (A*)(R)
Senior Independent Director

Aged 64. Mr Fowle was the senior partner of KPMG London & South from 1993 to 1998. Throughout his career at KPMG he held numerous leading positions, including Chairman of KPMG India, Head of UK Audit and Chairman of Global Banking & Finance, and he also acted as auditor and adviser to a broad range of corporate clients. Currently Mr Fowle is a non-executive director and Chairman of the audit committee of ICICI Bank UK and Senior Non-executive Director and Chairman of the audit committee of Norwich & Peterborough Building Society. Mr Fowle is a chartered accountant, a member of the Institute of Chartered Accountants of England and Wales and has an MA from the University of Cambridge.

5 Sir David Gore-Booth KCMG KCVO (A)(R*)

Aged 61. Sir David is Special Adviser to the Chairman of HSBC Holdings plc, Chairman of the Windsor Energy Group, Co-Chairman of the Dubai/UK Trade and Economic Committee and holds a number of other board positions including directorships of HSBC Bank Middle East, British Arab Commercial Bank, HSBC Bank Egypt, Saudi British Bank, Group 4 Falck and the Arab-British Chamber of Commerce. Sir David served in a number of posts with the British Diplomatic Service from 1964 to 1998, including the post of High Commissioner to India from 1996 to 1998 and the post of Ambassador to Saudi Arabia from 1993 to 1996. Sir David has an MA from the University of Oxford.

6 Naresh Chandra (N)(R)

Aged 69. 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 the USA from 1996 to 2001. He was Chairman of the Indian Government Committee on Corporate Governance from 2002 to 2003 and is currently Chairman of the Committee on Civil Aviation Policy. He is a non-executive director of Bajaj Auto Ltd and several other Indian industrial companies. Mr Chandra has an MSc in Mathematics from Allahabad University.

7 Jean-Pierre Rodier (A)(N)(H*)

Aged 57. Mr Rodier was Chairman and Chief Executive of Pechiney S.A. from 1994 to 2003. Mr Rodier started his career at the French Ministry of Industry. He was Chief Executive Officer of mining and metals firm Penarroya and Managing Director of Imetal, its parent company. He was Chairman of the Executive Board of Metaleurop France from 1988 to 1991 and head of Groupe Suez's non-ferrous metal operations from 1981 to 1994. Mr Rodier was educated at the École Polytechnique and École Nationale Supérieure des Mines in Paris.

(A) Member of the Audit Committee
(H) Member of the Health, Safety and Environment Committee
(N) Member of the Nomination Committee
(R) Member of the Remuneration Committee
(*) Committee Chairman

Board of Directors, Senior Management and Advisers *continued*

EXECUTIVE COMMITTEE

The Group's Executive Committee is chaired by Anil Agarwal. Its other members are Peter Sydney-Smith, Kuldip Kaura, Navin Agarwal, Tarun Jain and TL Palani Kumar.

Kuldip Kaura

Aged 56. Chief Operating Officer of Vedanta Resources plc and Managing Director of HZL. Mr Kaura joined HZL in 2002. Prior to this Mr Kaura held various positions in operations and business management at ABB India. He was a member of the board of directors of ABB India from 1996 and Managing Director and Country Manager of ABB from 1998. Mr Kaura has a Bachelor of Engineering degree from Birla Institute of Technology & Science, Pilani.

Navin Agarwal

Aged 42. Vice Chairman and Director of Sterlite. Mr Agarwal oversees the current US$2 billion investment programme and many of the operational functions within the Group. Mr Agarwal joined Sterlite at its inception and has over 19 years experience in general management. He has an OPM from Harvard and a Bachelor of Commerce degree from Sydenham College, Mumbai. Mr Agarwal is the brother of the Chief Executive, Mr Anil Agarwal.

Tarun Jain

Aged 43. Director of Finance, Sterlite. Mr Jain is responsible for all financial matters in India as well as strategic planning and corporate communications. Mr Jain has been with Sterlite since 1984. Mr Jain is a member of the Institute of Chartered Accountants in India, the Institute of Chartered Secretaries in India and is a graduate of the Institute of Cost and Works Accountants of India.

TL Palani Kumar

Aged 54. Managing Director of BALCO. Mr Palani Kumar joined the Group in July 2003. Prior to joining the Group he was the Managing Director and Chief Executive of New Holland Tractors (India) Private Limited which is part of the Fiat group. Mr Palani Kumar has a Chemical Engineering degree from the Indian Institute of Technology, Madras and an MBA from the Indian Institute of Management, Ahmedabad.

Company Secretary

Matthew Hird

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Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

Solicitors

Freshfield Bruckhaus Deringer
Amarchand & Mangaldas & Suresh A. Shroff & Co.

Queries relating to Vedanta Resources plc should be addressed to the Company Secretary or the Head of Investor Relations at the Head Office address.

Questions about shareholdings or dividends should be addressed to the Registrar.

Corporate Governance Report

Corporate Governance Philosophy

The Company and its quoted subsidiaries believe in conducting their affairs in a fair and transparent manner and in maintaining the highest ethical standards in their dealings with all their constituents. The Board is committed to following good corporate governance practices and regularly reviews its systems and procedures to achieve higher standards in corporate governance.

Compliance Statement

The Company issued a statement on compliance with the provisions set out in Section 1 of "The Combined Code Principles of Good Corporate Governance and Code of Best Practice" issued by the Financial Services Authority (the "Previous Code") at the time of its Listing in December 2003. As part of that disclosure it also reported on its intended compliance with the Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 (the "Revised Code") which largely incorporates the recommendations of the Higgs Report and will apply to the Company in respect of the period commencing on 1 April 2004. This report sets out the Company's position in relation to compliance with the Previous Code and indicates the steps that have been taken, or which it is intended be taken during 2004 to achieve compliance with the Revised Code.

During the period prior to Listing, the Group underwent an intensive period of preparation in order to become compliant with the provisions of the Previous Code. Consequently, with the exception of the appointment of a Senior Independent Director which has since been made, during the period from the Company's admission to trading on the London Stock Exchange on 10 December 2003 to 31 March 2004, the Board considers that the Group has complied with the provisions set out in the Previous Code.

Directors

Board of Directors

The Board is responsible for providing entrepreneurial leadership, setting the Group's strategic objectives and key policies, ensuring that appropriate resources are in place to enable the Group to meet its objectives and overseeing the Group's internal control systems. The Board has an agreed schedule of matters reserved to it and has instructed its Businesses that decisions on these matters may not be taken without the approval of the Board. The Chief Executive and Finance Director, supported by the Executive Committee, which consists of the senior executives who head up the Group's principal operations and functions in India, have overall responsibility for the executive management of the Group. The biographies of the Directors and members of the Executive Committee appear on pages 27 and 28.

The Board consists of a Non-executive Chairman, two Executive Directors and four Non-executive Directors. Since Listing two new Non-executive Directors have been appointed and Mr Chidambaram, a Non-executive Director appointed prior to Listing, has resigned following his appointment as Finance Minister in the new Government of India. Procedures have been established to allow the Directors to obtain independent professional advice in pursuance of their duties as Directors of the Company.

Prior to Listing, the Board established an Audit Committee, a Remuneration Committee and a Nominations Committee. The terms of reference of these committees comply with the provisions of the Previous Code, but are being reviewed by the applicable committee to ensure that they reflect the recommendations of the Revised Code where appropriate. The revised terms of reference will be submitted to the Board for approval in the second half of 2004. After their approval by the Board, the terms of reference of the committees of the Board will be available on the Company's website.

The Company has recently established a Health, Safety and Environment Committee ("HSE Committee") which met for the first time in June 2004. It is now chaired by Mr Rodier and includes the Chief Operating Officer, Mr Kaura. External HSE specialists will be appointed to the HSE Committee in due course. The Board has requested that the HSE Committee prepare terms of reference for itself for the Board to approve by 31 December 2004.

Chairman, Senior Independent Director and Chief Executive

Separate individuals have been appointed to the positions of Chairman and Chief Executive. Mr Gilbertson was appointed Chairman of the Company on 4 December 2003 and Mr Agarwal became the Chief Executive of the Company on 27 November 2003.

The Chairman is primarily responsible for the working of the Board, and sets the agenda and timing of meetings in consultation with the Chief Executive and Company Secretary. The Chairman also liaises with the Chief Executive on the Group's international development outside India. The Chief Executive is responsible for the running of the business and for implementing Board strategy and policy, with particular focus on delivery of the Group's major expansion projects in India within the approved budget and timescale.

In compliance with the requirements of the Previous Code and the Revised Code, Mr Fowle has been appointed as Senior Independent Director with effect from 14 June 2004. As such, his primary duty is to ensure that the views of each Non-executive Director are given due consideration in Board discussions. Other responsibilities of the post include the authority to call a meeting of the Non-executive Directors in the absence of the Chairman and to conduct periodic performance appraisals of the Chairman.

Corporate Governance Report *continued*

Board Balance

At the time of Listing, the Board consisted of a Non-executive Chairman, two Executive Directors and three independent Non-executive Directors, thus fulfiling the recommendations of the Previous Code that at least one third of the Board should be Non-executive Directors, the majority of whom should be independent of management and free from relationships or circumstances which are likely to affect, or could appear to affect, their independent judgement.

Prior to Listing, the Board recruited Non-executive Directors with a breadth of skills and experience to support the Executive Directors in implementing the Group's strategy of developing and consolidating its position both in the Indian market and further afield. In particular, the Board sought specialist knowledge on the Indian economy and international expertise in mining and the political environment. The Board has continued this approach by the appointments of Mr Naresh Chandra and Mr Jean-Pierre Rodier both of whom bring considerable international experience to the Board, whilst also strengthening its independence. The Board considers that all of the Non-executive Directors are independent of the Company as defined by the Revised Code.

In addition to his appointment as a Non-executive Director, Mr Rodier has been appointed to the Audit Committee (to replace Mr Gilbertson who has subsequently stepped down from that Committee). Furthermore, Messrs Rodier, Fowle and Chandra have been appointed to the Nominations Committee to ensure that the majority of the members of this Committee are independent of the Company. Mr Chandra has also joined the Remuneration Committee. As a result of these appointments, the Company complies with the Revised Code in relation to the constitution of the Board and the committees of the Board.

On 5 December 2003, Volcan Investments Limited and the Company entered into an agreement (the "Relationship Agreement") to regulate the ongoing relationship between them. The principal purpose of the Relationship Agreement was to ensure that the Group is capable of carrying on its 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 comprise a majority of Directors who are independent of Volcan and the Agarwal Family and the Remuneration and Audit Committees shall at all times consist only of 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. Volcan has not exercised that right. Although this method of appointment, if implemented, would not comply with the requirements of the Revised Code, the Relationship Agreement specifies that it is intended that the composition of the Board and committees of the Board should comply with the Revised Code.

The Company has issued a code relating to dealing in its shares, which is based on, and is no less exacting than, the Model Code published in the Listing Rules. The code has been applied to the Directors and relevant employees of the Group.

Supply of Information

The Board has met five times since Listing, with the meeting at the end of February 2004 being held at the offices of HZL in India. The Board is scheduled to meet seven times a year on average, with additional meetings being called if required. Given that the majority of the Group's activities are undertaken in India, the Board plans to hold two meetings a year in India and the remainder in the UK.

In the period since Listing, the Board has approved policies and procedures to ensure that the Directors receive information at least four working days prior to a meeting of the Board to allow sufficient time for Directors to be fully briefed. The Board has also approved an agreed format for the content of papers prepared for the Board, to ensure the Directors receive relevant but sufficiently detailed information to enable them to obtain a thorough understanding of the matters to be discussed by the Board. Since Listing, the Board has also approved policies and procedures relating to financial reporting, capital expenditure, treasury and investor relations such that the Board receives regular reports on these matters from the Executive Committee.

All of the Directors have access to management, in particular to the Company Secretary, and to such information as they may require to fulfil their duties and responsibilities fully and effectively. The Company Secretary is also responsible for ensuring the Directors receive timely and relevant information on matters arising between meetings of the Board.

Each of the Group's principal subsidiaries have management committees appointed by the board of directors of the relevant company, which meet on a monthly basis. At least one member from each of these management committees is also a member of the Executive Committee to ensure that the Executive Committee and the Board are properly informed about the Group's performance.

Appointments to the Board, Training and Evaluation

The Nominations Committee is responsible for regularly reviewing the size and composition of the Board generally and, in particular, the balance between Executive and Non-executive Directors. The Nominations Committee is also responsible for making recommendations to the Board on the membership of committees of the Board. Under its terms of reference, the Nominations Committee will recommend the appointment or re-appointment of Directors to the Board.

Corporate Governance Report *continued*

Through the process of appointing the two new Non-executive Directors since Listing, the Nominations Committee has established a precedent process for Board appointments which it considers to be formal, rigorous and transparent. This process includes a review of the skills, experience and knowledge of the existing Non-executive Directors, and assessing which of the potential candidates identified on an agreed shortlist would most benefit the balance of the Board. The Nominations Committee met the two recently appointed Non-executive Directors prior to their appointments and it was unanimous in its recommendations to the Board concerning their appointments.

The Executive Directors' service agreements and terms of appointment for the Non-executive Directors are available for inspection at the Company's registered office.

When the Directors attend Board meetings in India, a visit to a major operation of the Group is also arranged which provides them with the opportunity to view the Group's assets and to meet with employees. During the Board visit in February 2004, the Directors also visited the BALCO operation at Korba in order to review the expansion of the aluminium smelter and to meet employees responsible for that project.

The Board is currently assessing the most appropriate procedures for providing formal induction and training for the two new Non-executive Directors that will take into account their existing qualifications and experience. These procedures will include, as a minimum, visits to the Group's significant operations and meetings with senior members of management and the Company's brokers and auditors. The Company is also arranging a suitable training programme for the Non-executive Directors which will cover the legal and regulatory aspects of being a director of a UK listed company. The Board will agree its approach to performance evaluation and succession planning for Directors during the second half of 2004.

Re-appointment

The Company's articles of association require Directors appointed by the Board during the year to offer themselves for re-appointment at the first AGM following their appointment. Consequently, Messrs Chandra and Rodier, having been appointed Directors since Listing, will offer themselves for election at the AGM of the Company due to be held on 29 July 2004 at the City Conference Centre, 80 Coleman Street, London EC2R 5BJ at 12 noon. Biographical information about the Directors is set out on page 27. Mr Gilbertson's initial appointment as Chairman of the Company will expire at the AGM.

There is also a process of rotation which ensures that no Director holds office for more then three years without being re-appointed. Accordingly, at least one-third of all Directors are required to retire and seek re-appointment at each subsequent AGM. Accordingly, Mr Agarwal and Sir David Gore-Booth will retire by rotation at the forthcoming AGM and offer themselves for re-appointment. No Director will serve for more than three years without being proposed for re-appointment at an AGM

Remuneration

The Remuneration Report, providing a statement on the Company's policy on Directors' and senior managers' remuneration, benefits, share scheme entitlements and pension arrangements is set out on pages 34 to 40. A resolution to approve the Remuneration Report will be proposed at the forthcoming AGM.

The Remuneration Report sets out the status of the Company's compliance with the requirements of both the Previous Code and the Revised Code with regard to remuneration matters.

Accountability and Audit

Financial Reporting and Going Concern

In presenting the annual and interim financial information and similar significant publications, the Board aims to present a balanced and understandable assessment of the Group's position and prospects. Such assessment is provided in the Chairman's Statement and Chief Executive's Review set out on pages 4 to 14, and in the Financial Review on pages 16 to 21. The respective responsibilities of the Directors and the external auditors are set out on pages 45 and 46.

The Board has adopted the going concern basis in preparing the Financial Statements, as the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. This expectation is based on the most recently approved funding plan which reflected the 2004-05 budget and forecasts beyond 31 March 2005, the use of the net proceeds of US$825 million raised at the time of Listing, and the delivery of the US$2 billion capital expansion programme. The funding plan also reflected the committed borrowing facilities available to the Group. The Board also took into account potential contingent liabilities and other risk factors as interpreted by the "Guidance on Going Concern and Financial Reporting for Directors of Listed Companies registered in the United Kingdom", published in November 1994.

Corporate Governance Report *continued*

Internal Control

The Board is responsible for the Group's internal control framework and for reviewing its effectiveness. At the time of the Listing, the Board received reports on key areas of risk within the Group, both from management and the Company's professional advisers who assisted with the Listing. These risks were summarised in the Listing Particulars dated 5 December 2003. That review embraced the requirements of the Previous Code relating to internal control as set out in "Internal Control Guidance for Directors on the Combined Code" produced by the Institute of Chartered Accountants in England and Wales (the "Turnbull Guidance").

Each of the Group's principal subsidiaries have in place procedures to ensure that sufficient internal control is maintained. These procedures include a monthly meeting of the management committee and a quarterly meeting of the audit committee of that subsidiary. These committees are appointed by the board of directors of the relevant company.

The Group's internal audit activity is managed through the Management Assurance department and is an important element of the overall process by which the Board obtains the assurance it requires that risks are being properly identified, managed and controlled. It also provides assurance on the effectiveness of relevant internal controls. The scope of work, authority and resources of the Management Assurance department are periodically reviewed by the Audit Committee and its work is supported by the services of leading international accountancy firms, other than the Group's external auditors. Audit plans have been approved by the Audit Committee and significant findings of internal audit are reviewed periodically by the Audit Committee. The Audit Committee has reviewed the level of internal audit resources within the Group and believes that it is appropriate to the Group's size.

The Company is currently undertaking a formal risk management process which involves a formal comprehensive review to identify and prioritise risks throughout the Group. Existing control strategies are also being reviewed for each of the identified and prioritised risks.

The principal aim of the system of internal controls is the management of risks that are significant to the fulfilment of the Group's business objectives. The internal control systems have been designed to manage rather than to eliminate risk and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Since Listing, the Directors have continued to review the system of internal control and are satisfied that up to the date of approval of this Annual Report, the Group has an ongoing process for identifying, managing and evaluating risks which meets the Turnbull Guidance.

Relations with Shareholders

The Board recognises that its primary role is to represent and promote the interests of its shareholders and that it is accountable to shareholders for the performance and activities of the Group.

The interim and annual reports remain the primary means of communicating with the Company's shareholders. At the time of the Listing, the Company launched a website (www.vedantaresources.com) on which press releases, financial reports and other information are posted. The Company recognises the importance of electronic communication and is currently redesigning the website to ensure a greater range of information is made available to shareholders.

The Company recently appointed a Head of Investor Relations, Mr John Smelt, to facilitate effective communications between the Board and the Company's major institutional shareholders. The Board is briefed on the Company's relationship with its institutional shareholders on a regular basis.

A series of roadshow presentations were made to analysts and major shareholders prior to, and after, Listing. The principal objectives behind these presentations were to illustrate the strength of the existing assets within the Group and to explain the core strategy underpinning the Listing. An analysts' trip was organised in April 2004 which involved visits to some of the Group's key operations in India and meetings with senior members of management.

The Company will announce its results on a quarterly basis and analysts presentations will be made following the release of the interim and year end results. The Chief Executive and Finance Director are available to meet with shareholders during the year. The Chairman and, if appropriate, the Senior Independent Director are available to discuss issues and concerns of major shareholders. Contact with the Chairman and/or the Senior Independent Director may be made directly or through the Head of Investor Relations.

Corporate Governance Report *continued*

Shareholders are also provided with the opportunity to ask questions of the Board, including the chairmen of the various committees, and to present their views at the forthcoming AGM. Separate resolutions will be proposed on each substantially separate issue put before the meeting. A presentation will be given on the performance of the Group prior to the formal business of that meeting.

Board Committees

Audit Committee

The Audit Committee is chaired by Mr Fowle, whose financial experience is described in the biographical details set out on page 27. Its other members are Mr Rodier and Sir David Gore-Booth. Mr Rodier replaced Mr Gilbertson as a member of the Audit Committee on 14 June 2004. The Audit Committee, which is scheduled to meet at least four times a year, has met three times since Listing. Provision is made for representatives from both the internal and external auditors to attend meetings of the Audit Committee, and to discuss issues with Audit Committee members without any executive management present.

The Audit Committee has responsibility for the review of the Group's interim and annual reports, prior to their submission to the Board for approval. The Audit Committee also reviews the Group's internal and external audit activities and monitors compliance with statutory and regulatory requirements for financial reporting. The Audit Committee also receives regular assurance reports from internal and external audit on the operational effectiveness of matters related to risk management and internal control, and reviews the timeliness and the effectiveness of corrective action taken by management.

Audit committees exist in each of the Group's principal subsidiaries which meet on a quarterly basis and comprise a majority of independent non-executive directors as required by Indian corporate governance requirements. The external and internal auditors attend these audit committees. The Group's Audit Committee is currently establishing procedures to ensure that issues considered by the audit committees of the Group's quoted subsidiary companies in India are escalated to the Group's Audit Committee on a timely and relevant basis.

Remuneration Committee

The Remuneration Committee was chaired by Mr Chidambaram until his resignation as a Director on 22 May 2004. Since that date the Remuneration Committee has been chaired by Sir David Gore-Booth and its other members are Messrs Chandra and Fowle. Mr Chandra was appointed to the Committee on 14 June 2004. The Chairman, Chief Executive and Head of Human Resources attend Remuneration Committee meetings at the invitation of the Committee chairman. The Remuneration Committee has met three times since Listing. The Remuneration Committee has responsibility for making recommendations to the Board on the Group's policy on remuneration of Executive Directors and senior managers and for the determination, within agreed terms of reference, of specific remuneration packages for each of the Executive Directors. Further information on the activities of the Remuneration Committee is set out in the Remuneration Report on pages 34 to 40.

Nominations Committee

The Nominations Committee is chaired by Mr Gilbertson and its other members are Messrs Agarwal, Chandra, Fowle and Rodier. Mr Chidambaram was a member of the Nominations Committee until his resignation as a Director on 22 May 2004, and Messrs Chandra, Fowle and Rodier were appointed to the Committee on 14 June 2004. The Nominations Committee has responsibility for nominating candidates to fill Board vacancies and making recommendations to the Board on Board composition and balance. It has met once since Listing to consider the shortlist and appointment of new Non-executive Directors.

Health, Safety and Environment Committee

The Company has recently established a Health, Safety and Environment Committee ("HSE Committee"). The HSE Committee is chaired by Mr Rodier and the Chief Operating Officer, Mr Kaura, is also a member. The Company is currently seeking two external specialists to sit on the HSE Committee who will bring valuable technical expertise to this Committee. HSE representatives from each of the Group's principal subsidiaries attend Committee meetings at the invitation of the HSE Committee chairman. The HSE Committee will meet not less than four times a year and have responsibility for formulating and recommending to the Board the Group's policy for HSE issues as they affect the Group's operations. The HSE Committee will focus particularly on compliance with national and international standards and legislation to ensure that an effective system of HSE standards, procedures and practices is in place at each of the Group's operations. The HSE Committee also has responsibility for investigating any incidents or accidents that might occur in order to assess whether policy improvements are required. The ultimate responsibility for establishing HSE policy will remain with the Board.

Executive Committee

The Executive Committee comprises such Executive Directors and senior management of the Group as the Chief Executive recommends and the Board approves. The Committee meets on a monthly basis and is chaired by Mr Anil Agarwal. Its other members are Messrs Sydney-Smith, Navin Agarwal, Jain, Kaura and Palani Kumar. The respective roles of the members of the Executive Committee are described in the biographical details set out on pages 27 and 28.

Remuneration Report

Introduction

The Remuneration Report sets out the remuneration policies and practices adopted by the Company since its Listing in December 2003 in respect of the Executive Directors, the key operational and functional heads within the Group whose remuneration falls within the remit of the Remuneration Committee (the "Senior Management Group") and the Non-executive Directors. Since Listing, the Company has complied with the relevant provisions of the Previous Code and has taken steps to ensure that its policy and practices in relation to Directors' remuneration are compliant with the Revised Code, which has applied to the Company since 1 April 2004.

The Group's operations, primarily located in India, have grown through acquisition so that today the Group employs over 12,500 people. This number will increase further as the Group continues with its US$2 billion investment programme. The Group has progressively sought to develop the capability of its senior management team over the past few years. Consequently, the Committee regards the recruitment, retention and incentivisation of the Senior Management Group as a whole, most of whom are located in India, as critical to ensuring the successful management of the Group's activities and implementation of the Group's strategic priorities.

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 (the "Regulations"). Part II of this report contains the information on which the auditors are required to report to the Company's members.

PART I

Remuneration Committee (the "Committee")

The Committee is responsible, on behalf of the Board, for recommending remuneration policy to the Board and setting the remuneration packages for the Senior Management Group. The Committee's role is to set levels of remuneration to attract and retain Executive Directors, other members of the Senior Management Group and the Chairman. The Committee's aim is to ensure that the Executive Directors and members of the Senior Management Group are rewarded for their contribution to the Group and are motivated to enhance the return to shareholders.

The Committee was formed on 11 November 2003 shortly before Listing and its members at that time were Mr Chidambaram (Chairman) and Sir David Gore-Booth. Mr Fowle joined the Committee upon his appointment to the Board on 14 November 2003. Messrs Gilbertson and Agarwal, in their respective capacities of Chairman and Chief Executive, attend the meetings by invitation. On 22 May 2004 Mr Chidambaram resigned as a Director. Sir David Gore-Booth was appointed Chairman of the Committee in place of Mr Chidambaram and Mr Chandra was appointed to the Committee on 14 June 2004.

No Director plays a part in any discussions about his own remuneration.

The Committee has a responsibility to monitor trends in executive pay throughout the Group and, therefore, it has involved Mr Venkatesh (Head of Human Resources) and Mr Agarwal in determining the remuneration and benefits offered to the Senior Management Group in general during the period.

In addition, independent advice on executive remuneration and share schemes was received from PricewaterhouseCoopers LLP following their appointment by the Committee and who provided no other services to the Company in the UK during the year. The Indian associate firm of PricewaterhouseCoopers provided internal assurance services to the Group during the year. The Australian associate firm of PricewaterhouseCoopers are the external auditors to one of the Group's operating companies in Australia, Thalanga Copper Mines Pty Limited.

The Committee's terms of reference, along with the terms of reference of the other Board committees, are currently being reviewed to ensure that they reflect the recommendations of the Revised Code. Upon completion of this review, the terms of reference of all the Board committees will be available on the Company's website.

Remuneration Policy

The policy of the Committee is to reward the Senior Management Group competitively, enabling the Group to recruit, motivate and retain executives of high calibre, whilst avoiding paying excess remuneration. The Committee is particularly concerned to ensure that the members of the Senior Management Group are motivated and incentivised to continue to perform at high levels. To this end, the Group strives to recruit senior managers with strong track records in multinational companies, both in India and the UK, and to remunerate them appropriately. In setting the remuneration policy for the Senior Management Group, the

Remuneration Report *continued*

Committee takes into account:

- the levels of remuneration throughout the Group;
- the market practices prevailing in the countries in which the senior managers work; and
- the market practices in the Indian mining and industrial sectors (in respect of operational management) and in all sectors (in respect of corporate and supporting functions).

The Committee attempts to align the interests of the Senior Management Group with those of the shareholders, by linking share and cash incentives to corporate performance. Therefore, the remuneration packages of the Senior Management Group comprise:

- a basic salary for day-to-day performance of duties;
- an annual bonus as an incentive to meet short term goals;
- awards under the long term incentive plan referred to below in order to incentivise long-term and strategic performance; and
- benefits in kind in accordance with local market practice.

In addition, certain members of the Senior Management Group (excluding the Executive Directors) received awards under the Reward Plan, which was used solely to provide awards on Listing as a reward for employees who had significantly contributed to the Company's development and growth over the period leading up to Listing.

Basic Salaries, Pensions and Other Benefits

Basic Salaries

Basic salaries for the Executive Directors are established by reference to those prevailing in the employment market for company directors in the mining sector and for companies in the FTSE 250 Index. In India salaries for members of the Senior Management Group are set by reference to those positions of comparable status, skills and responsibility in the metals and mining industries, and in the manufacturing and engineering industries more generally. Salaries for members of the Senior Management Group utilising specialist professional knowledge are set by reference to the prevailing levels of pay for executives in similar roles in companies of similar size, scope of activities and geographical location.

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. In view of the weak share price since Listing, the Chief Executive has waived any salary increase for the year ending 31 March 2005, as well as any bonus entitlement in respect of the year ended 31 March 2004. The Finance Director received an increase to his basic salary effective from 1 April 2004 taking his basic salary to £250,000 per annum.

Pensions

The Company does not currently provide pension benefits to the Executive Directors or any of the UK-based employees and this is reflected in the determination of the overall remuneration packages for those members of the Senior Management Group. The members of the Senior Management Group based in India are entitled to membership of the Central Provident Fund and Superannuation Scheme which provide pension benefits consistent with local market practice.

Benefits in Kind

Benefits in kind provided to the Executive Directors and UK-based employees are private medical insurance, permanent health insurance and life assurance cover. Similar benefits are provided to other members of the Senior Management Group based in India in line with local market practice. The Chief Executive is also provided with a car and a driver for business use and the exclusive use of a Company-owned house on his frequent business visits to India.

Annual Bonus

The Company operates an annual bonus scheme providing the Senior Management Group with an opportunity to earn a cash amount based on the achievement of demanding annual performance targets and will be set by the Committee prior to the commencement of the financial year over which performance will be measured. The annual bonus is non-pensionable.

The maximum bonus payable to the Chief Executive and Finance Director is 100% of salary. As noted above, the Chief Executive has waived any bonus entitlement for the reporting period. The bonus payable to the Finance Director was £20,000, which equated to 33% of basic salary earned in the period from Listing to 31 March 2004. The bonus was discretionary in nature as pre-defined bonus criteria had not been set in place at the time of Listing. The bonus payable reflected the contribution made by the Finance Director leading up to and after the Listing, as judged by the Committee.

Remuneration Report *continued*

In addition, the Finance Director was contractually entitled to a retention bonus of £30,000 in recognition of his services prior to Listing. This bonus was included in the terms of his service contract.

With effect from 1 April 2004, the payment of the annual bonus is dependent on the achievement of a combination of individual and corporate objectives, which closely correlate to the responsibilities of the Director and the Group budget for the following year.

Employee Share Schemes

The Group aims to provide superior rewards for outstanding performance and a high proportion of "at risk" remuneration for Executive Directors and senior employees. Consequently, on Listing, the Company introduced three employee share schemes.

The Vedanta Resources Long Term Incentive Plan ("LTIP")

The Committee intends that the LTIP will be the primary arrangement under which share-based incentives will be provided to Executive Directors and senior management. Awards were made under the LTIP on 26 February 2004 and further awards are expected be made on an annual basis following the announcement of the Group's results.

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

The performance condition attaching to outstanding awards under the LTIP is that the Company's performance, measured in terms of Total Shareholder Return ("TSR") (being the movement in a company's share price plus reinvested dividends), is compared over a three-year period with the performance of the companies constituting the FTSE Worldwide Mining Index (excluding precious metals) from the date of grant. The extent to which an award vests will depend on the Company's TSR rank 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 and rounding down to the nearest whole share.

Vedanta's TSR Performance against Index	% of Award Vesting
Below median	0
At median	40
At or above upper quartile	100

The performance condition will be measured by taking the Company's TSR over the four weeks immediately preceding the date of grant and over the four weeks immediately preceding the end of the three-year performance period and comparing its performance with that of the comparator group described above. The calculation will be carried out on behalf of the Committee by PricewaterhouseCoopers LLP. The Committee considers that this performance condition, which requires that the Company's total return has out-performed the mining sector, provides a reasonable alignment of the interests of the Senior 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.

Details of the awards held by the Executive Directors at 31 March 2004 are shown in the table of "Directors' Long Term Incentive Awards" on page 40. There were no outstanding options or share awards over Company shares under pre-Listing arrangements held by Executive Directors or other members of the Senior Management Group at the time of Listing in December 2003.

The Vedanta Resources Share Reward Plan (the "Reward Plan")

The Reward Plan was adopted for the purpose of rewarding 43 employees (none of whom are Executive Directors) of the Group who had contributed to the Company's development and growth over the period leading up to Listing. It was used solely to provide awards on Listing and no further awards will be granted under the Reward Plan.

Under the Reward Plan, awards were made in respect of 776,000 shares on 26 February 2004 and vest in two installments: half of the award vested immediately and the shares were receivable upon the payment of their nominal price of the shares within one month of the date of award and the other half will vest on the first anniversary of the date of award (subject generally to the employees' continued employment at that date) and the relevant shares will be receivable on payment of the nominal value of the shares within one month of that date. Awards made under the Reward Plan are not subject to performance conditions as these are considered to be rewards for past service rather than incentives for future performance.

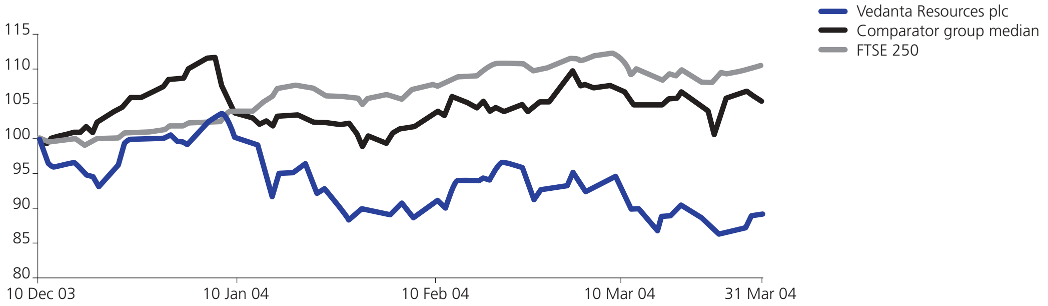
Remuneration Report *continued*

The Vedanta Resources Share Option Plan (the "Share Option Plan")

The Share Option Plan was adopted to provide maximum flexibility in the design of incentive arrangements over the long term. However, at this stage, it is not intended that share options will be granted in the foreseeable future.

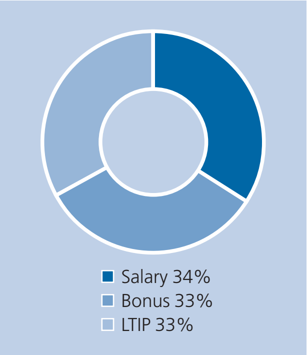
Total Shareholder Return Performance Graph

The graph below shows the TSR performance of the Company in comparison with that of the FTSE 250 Index and the FTSE Worldwide Mining Index (excluding precious metals) for the period from 10 December 2003 (the date of Listing) to 31 March 2004. The FTSE 250 Index has been chosen as a suitable comparator index because it comprises UK listed companies of similar size and complexity to the Company. The FTSE Worldwide Mining Index (excluding precious metals) is also presented as it is the comparator group for the LTIP. To provide more detail the graph is based on a daily moving average rather than on year end dates as required by the Regulations. The period covered by the graph is short and is not necessarily representative of the Group's underlying financial performance over the period since Listing.



Relative Importance of Fixed and Variable Pay

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



Relative importance of elements of remuneration

Executive Directors' Service Contracts

The Executive Directors are employed under contracts of employment with the Company which took effect from Listing and which in the case of Mr Agarwal may be terminated by not more than 12 months' notice. Mr Sydney-Smith's initial contract of employment was for a fixed term of 12 months from Listing and would have automatically been renewed for a further period of 12 months unless terminated by either party giving three months notice to the other at any time during the Employment as defined therein. Mr Sydney-Smith's contract of employment has subsequently been amended so that it may be terminated by not more than 12 months' notice.

Both Executive Directors have provision in their contracts for payment to be made in lieu of notice equal to (i) in the event of the Chief Executive's departure, basic salary and costs to the Company for providing certain benefits during the notice period or part thereof; and (ii) in the event of the Finance Director's departure, basic salary and bonus during the notice period or part thereof. There are no other provisions for compensation to be paid on early termination of either contract.

Non-executive Directors' fees

In setting the fees of Non-executive Directors, the Board has taken into account the complexity of the Company, the significant travel and time commitment required for attending Board and other meetings in India and the unusual risk profile of an Indian company listed in the UK. The Board reviews Non-executive Directors' fees annually.

Remuneration Report *continued*

Non-executive Directors' fees are made up of three elements:

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

Chairman's Fees

The Chairman's fees are approved by the Board (without the Chairman being present) on the recommendation of the Committee and the Chief Executive, who take advice on market fee levels in comparable companies.

Mr Gilbertson is entitled to a fee of £350,000 per annum. The Company has agreed to reimburse Mr Gilbertson for up to half his costs of retaining executive office accommodation other than at the Company's offices and secretarial assistance for the period of his tenure and three months thereafter, although no such costs have been claimed or paid during the year ended 31 March 2004. The Company also paid £15,000 of costs for Mr Gilbertson's professional advice in connection with the terms of his appointment.

Non-executive Directors' Letters of Appointment

The Non-executive Directors have letters of appointment which may be terminated by either party giving three months' notice. All Directors who have been appointed by the Board during the period since Listing will have their appointments confirmed at the AGM and one-third of the other Directors will retire and be put forward for re-appointment at the AGM. The articles of association require one-third of the Directors to retire and be put forward for re-appointment at each subsequent annual general meeting. Consequently, no Director may serve for more than three years without being re-appointed.

There are no provisions in the letters of appointment of the Non-executive Directors or the Chairman for compensation to be paid in the event of early termination.

Mr Gilbertson has been appointed for a fixed term commencing on Listing and terminating at the Company's 2004 AGM.

Individual Service Contract Details

Director	Date of contract	Notice period	Outstanding term
AK Agarwal	27 Nov 2003	12 months	12 months
PE Sydney-Smith	27 Nov 2003	12 months	12 months
BP Gilbertson	4 Dec 2003	None	Until 29 July 2004
Sir D Gore-Booth	14 Nov 2003	3 months	Until 13 Nov 2006
WMT Fowle	14 Nov 2003	3 months	Until 13 Nov 2006
N Chandra	14 May 2004	3 months	Until 13 May 2005
J-P Rodier	14 June 2004	3 months	Until 13 June 2007

External Appointments

The Board's policy on external appointments is that an Executive Director may accept one appointment (other than any Group appointment) as non-executive director of a publicly listed company anywhere and that the fees for any such appointment may be retained by the individual. Currently, neither of the Executive Directors holds any such outside appointments, other then Mr Agarwal's directorships of the Group's quoted Indian subsidiaries.

Equity Dilution resulting from Employee Share Schemes

The dilution limits set out in the rules of the employee share schemes adopted 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 ten years. Up to 5% of the Company's issued share capital may be used for the Company's discretionary schemes over a ten-year period. As anticipated in the Company's Listing Particulars, shares issued or issuable pursuant to awards made under the Reward Plan are not counted for these purposes. Currently 0.71% of the Company's issued share capital is issuable in respect of outstanding awards under these schemes (including the Reward Plan).

Remuneration Report *continued*

PART II (Audited)

Directors' Remuneration

Period from 10 December 2003 to 31 March 2004

The following table sets out an analysis of the pre tax remuneration for the period from 10 December 2003 to 31 March 2004 for individual directors who held office in the Company during this period. All amounts are in UK pounds sterling.

	Base salary and fees £'000	Annual performance bonus £'000	Benefits in kind £'000	Total £'000
Executive Directors				
AK Agarwal[1]	129	–	–	129
PE Sydney-Smith[1 2]	90	20	–	110
Chairman				
BP Gilbertson	117	–	15	132
Non-executive Directors				
Sir D Gore-Booth	20	–	–	20
P Chidambaram	23	–	–	23
WMT Fowle	25	–	–	25
	404	20	15	439

Notes:

1 Whilst the Executive Directors are entitled to private medical insurance, permanent health insurance and life insurance cover, these arrangements were not put in place by the Company until June 2004.

2 Mr Sydney-Smith was entitled to a guaranteed retention bonus of £30,000 to reflect his services prior to the Listing in December 2003, and this amount has been included in base salary in the above table.

Year ended 31 March 2003 and Period from 1 April 2003 to 9 December 2003

Throughout the period from 1 April 2002 to 9 December 2003, with the exception of Mr Agarwal, none of the Directors were directors of the predecessor group. Mr Agarwal had a service contract with Sterlite which began on 20 October 1999 and terminated on 9 December 2003, following the agreement of his service contract with the Company. All amounts are in UK pounds sterling unless disclosed.

The pre tax remuneration of Mr Agarwal under his service contract with Sterlite for the period from 1 April 2002 to 9 December 2003 was as follows:

Anil Agarwal	Year ended 31 March 2003 £'000	Period from 1 April 2003 to 9 December 2003 £'000
Salary	144	96
Bonus	167	96
Pension contributions	46	33
Other benefits	183	110
Total	540	335

Mr Agarwal was entitled to a bonus of up to 2% of the amount of net profits appearing in Sterlite's audited annual profit and loss account for each financial year, unless otherwise decided by the Sterlite board subject to the restriction that the total remuneration (salary, bonus and benefits payable by Sterlite) in any one financial year shall not exceed the limits prescribed from time to time under Sections 198, 309 and other applicable provisions of the Indian Companies Act 1956 along with Schedule XIII to that Act.

Contributions were made to the Provident, Superannuation and Gratuity Funds in line with market practice.

Under the terms of his Sterlite service contract, in addition to salary and bonus payable, Mr Agarwal was entitled to benefits including furnished accommodation, or house rent in lieu thereof, together with gas, electricity, water, furnishings, medical reimbursements, leave travel concessions for him and his family, club fees and medical and personal insurance in accordance with the rules of Sterlite or as may be agreed to by the Sterlite board of directors. Benefits receivable in India were restricted to an amount equal to his annual salary. As accommodation in India was provided in a Sterlite-owned house, a deduction of 10% was made from his basic salary to compensate Sterlite for this cost.

Sterlite paid a fixed contribution to a service company, Hill Street Services Company Limited, for Mr Agarwal's use of office facilities in London. Mr Agarwal was also entitled to the reimbursement of expenses related to this office by Sterlite.

Remuneration Report *continued*

In the period from 1 April 2003 to 9 December 2003, Mr Sydney-Smith received consultancy fees and a basic salary amounting to £82,055 in aggregate. In the same period, Sir David Gore-Booth received a consultancy fee of £10,000.

No other emoluments were received by any of the directors of the Company, save as noted above, for Mr Agarwal, Mr Sydney-Smith and Sir David Gore-Booth, in the period from 1 April 2002 to 9 December 2003.

Directors' Long Term Incentive Awards

	Number of Options					
	At 10 December 2003	Granted	At 31 March 2004	Exercise price US$	Earliest exercise date	Latest exercise date
AK Agarwal	–	120,000	120,000	0.10	26.2.07	26.8.07
PE Sydney-Smith	–	50,000	50,000	0.10	26.2.07	26.8.07

The performance conditions attaching to LTIP awards granted in the current year require the Company's TSR to equal or exceed the TSR performance of the median company of the FTSE Worldwide Mining index (excluding precious metals) before 40% of the award can vest and to be equal or greater than the performance of the Company at the upper quartile of that group for the whole award to vest. Awards vest on a sliding scale in between these points.

The mid-market price of the shares at 31 March 2004 was 330p and from the date of Listing to 31 March 2004 the share price varied between 320p and 383p. The mid-market price at the date of award was 350p. No options lapsed or were exercised in the period to 31 March 2004.

Directors' Interests in Ordinary Shares

The interests of the Directors (which are beneficial unless otherwise stated) in Ordinary Shares as at 31 March 2004 were:

Number of Ordinary Shares held in the Company	At 31 March 2004	At 10 December 2003 (or date of appointment if later)
AK Agarwal (1)	154,157,911	154,157,911
PE Sydney-Smith	13,000	–
BP Gilbertson	938,128	938,128
Sir D Gore-Booth	–	–
WMT Fowle	60,000	–
N Chandra	–	–
J-P Rodier	–	–

(1) Mr Agarwal has an interest in the 154,157,911 Ordinary Shares held by Volcan Investments Limited.

In addition Mr Agarwal held one share in each of Sterlite Paper Limited, Vedanta Alumina Limited (formerly Sterlite Transmission Limited) and Sterlite Copper Limited as a nominee for Sterlite. These companies are indirect subsidiaries of the Company.

There have been no changes in the beneficial shareholdings of the Directors between the end of the financial year and 18 June 2004.

Mr Gilbertson received 1,842,089 Ordinary Shares from Volcan in consideration for his agreeing to act as Chairman of the Company. Mr Gilbertson agreed to reimburse the Company for employers' national insurance contributions in respect of this transfer and sold 903,961 Ordinary Shares on Listing to raise sufficient funds to pay this amount and discharge his own consequential tax liabilities.

Approval

This report has been approved by the Board of Directors of Vedanta Resources plc.

Signed on behalf of the Board of Directors

Sir David Gore–Booth
Chairman of the Remuneration Committee

18 June 2004

Directors' Report

The Directors have pleasure in presenting the first report and audited Financial Statements of Vedanta Resources plc and its subsidiaries for the year ended 31 March 2004.

Principal Activities

The Company is a holding company for a diversified metals and mining group. The Group has three major activities:

- the Aluminium Business, comprising bauxite mining, alumina refining and aluminium smelting operations;
- the Copper Business, comprising mining, smelting and refining operations; and
- the Zinc Business, comprising zinc-lead mining and smelting operations.

The Group's other activities include an aluminium conductor business and an investment in an aluminium foil business. With the exception of the two copper mines in Australia, the Group's operations are all located in India. The principal subsidiaries and associated undertakings of the Group are listed in note 40 to the Financial Statements.

Business Review and Future Developments

The Chairman's Statement on pages 4 to 5, the Chief Executive's Review on pages 8 to 14 and the Financial Review on pages 16 to 21 provide a review of the business during the year and likely future developments.

Financial Results

The audited Financial Statements are presented on pages 47 to 93.

Dividend

In the Listing Particulars of the Company published in December 2003 the Board stated that, in the absence of unforeseen circumstances, the Directors intended to pay a final dividend for the year ended 31 March 2004 of 5.5 US cents per Ordinary Share in August 2004. Given that the financial results for the year are in line with the Directors' expectations at the time of Listing, the Directors recommend a final dividend for the year ended 31 March 2004 of 5.5 US cents per Ordinary Share. Subject to the approval of shareholders, the dividend will be paid on 20 August 2004 to shareholders on the register of members as at 23 July 2004.

Change in the Name of Company

The Company was incorporated on 22 April 2003 as Angelchange Limited. On 26 June 2003, the Company changed its name to Vedanta Resources Limited. In preparation for Listing, the Company was re-registered as a public company and changed its name to Vedanta Resources plc on 20 November 2003.

Share Capital

The Company's authorised share capital on incorporation was £1,000 divided into 1,000 ordinary shares of £1 each, one of which was issued to the subscriber of the memorandum of association. On 16 May 2003, the subscriber share was transferred to Volcan, a company which is 100% owned and controlled by the Agarwal family.

In preparation for re-registration as a public company, the authorised share capital of the Company was increased to £50,000 by a written resolution of the Company's members on 13 November 2003 and on that date 48,999 shares were allotted and issued to Volcan and 1,000 shares were allotted and issued to Mr DP Agarwal (the father of Mr Anil Agarwal), each of these ordinary shares being paid up as to one-quarter of their nominal value.

At an extraordinary general meeting of the Company held on 4 December 2003, the 50,000 ordinary shares of £1 each in the Company then in issue were redesignated as 50,000 deferred shares of £1 each ("Deferred Shares"). Concurrently, the authorised share capital of the Company was increased to US$40,000,000 Ordinary Shares and £50,000 Deferred Shares by the creation of 400,000,000 Ordinary Shares. The rights and restrictions relating to the Ordinary Shares and Deferred Shares are set out in the Company's articles of association.

In accordance with an agreement dated 5 December 2003, 156,000,000 Ordinary Shares fully paid were issued to Volcan on 10 December 2003, the date of Listing, as consideration for the transfer of the entire issued share capital of Twin Star from Volcan to the Company. On 10 December 2003, 130,000,000 Ordinary Shares were also issued to public shareholders fully paid under the terms of the Listing.

Directors' Report *continued*

On 31 March 2004, 388,000 Ordinary Shares were issued as fully paid and allotted to 43 senior executives within the Group following the exercise of awards under the Reward Plan. Further details of the Reward Plan can be found on page 36 of the Remuneration Report.

The Company's authorised share capital as at 31 March 2004 was US$40,000,000 and £50,000, comprising 400,000,000 Ordinary Shares and 50,000 Deferred Shares, respectively. The Company's issued share capital as at that date was 50,000 Deferred Shares, one of which has been fully paid and 49,999 of which have been paid up as to one-quarter of their nominal value; and 286,388,000 Ordinary Shares each credited as fully paid.

As at the date of this report, there had been no other change to the authorised and issued share capital since 31 March 2004.

The authorised and issued share capital of the Company as at 31 March 2004 is also set out in note 22 to the Financial Statements.

Reorganisation of the Group

In preparation for Listing, Twin Star, the holding company of the predecessor group, divested a number of subsidiaries and associated undertakings carrying on businesses which were considered to be non-core to the Group. These interests, together with certain amounts receivable from such interests and from Mr DP Agarwal, were transferred to Twin Star International Limited, a wholly-owned subsidiary of Volcan, under an agreement dated 1 December 2003. Twin Star International Limited is not part of the Group and no transactions have occurred since the date of Listing between the Group and this company.

Until 1 December 2003, Vedanta Resources Holdings Limited was a wholly-owned subsidiary of Volcan and had an issued share capital of £1. On 1 December 2003 the issued share capital of Vedanta Resources Holdings Limited was transferred by Volcan to the Company for a consideration of £1. On 10 December 2003, the entire issued share capital of Twin Star was transferred by Volcan to the Company in exchange for the issue to Volcan of 156,000,000 Ordinary Shares in the Company. Thereafter, the entire issued share capital of Twin Star was transferred by the Company to Vedanta Resources Holdings Limited in exchange for the issue to the Company of 10,000 ordinary shares of £1 each in Vedanta Resources Holdings Limited.

Under the terms of the Company's offer of shares last year, 130,000,000 Ordinary Shares were issued at £3.90 each. The issue of these shares at £3.90 per share less the nominal value of 10 US cents per share resulted in the Company crediting US$863.7 million to its share premium account as at 10 December 2003. Being a newly incorporated company, the Company had no existing distributable reserves. In order to create distributable reserves, the Company passed a resolution to reduce the share premium account of the Company by an amount equal to the share premium arising on Listing less an amount of US$70.0 million. This reduction was sanctioned by the High Court on 10 December 2003 and thus distributable reserves of US$793.7 million were created.

After deduction of share issue costs of US$51.4 million which were directly associated with the offering of shares, the share premium account was US$18.6 million as at 31 March 2004.

Directors and Directors' Interests

The names, specific responsibilities and biographical details of the current Board of Directors are shown on page 27. Under the Company's articles of association, any Director appointed by the Board must retire at the annual general meeting following his or her appointment. As the AGM is being held on 29 July 2004, Directors appointed by the Board since Listing are being put forward for re-appointment. In addition, the articles of association require that at least one-third of the remaining Directors retire by rotation and seek re-appointment. Accordingly Mr Agarwal and Sir David Gore-Booth will retire at the forthcoming AGM and offer themselves for re-appointment to the Board.

The following Directors held office during the year ended 31 March 2004:

	Appointed	Resigned	Designation
BP Gilbertson	4 December 2003	–	Chairman
AK Agarwal	16 May 2003	–	Chief Executive
PE Sydney-Smith	14 November 2003	–	Finance Director
P Chidambaram	14 November 2003	22 May 2004	Non-executive Director
WMT Fowle	14 November 2003	–	Non-executive Director
Sir David Gore-Booth	14 November 2003	–	Non-executive Director
Instant Companies Limited	22 April 2003	16 May 2003	Initial incorporation Director
Swift Incorporations Limited	22 April 2003	16 May 2003	Initial incorporation Director

Directors' Report *continued*

Mr Naresh Chandra and Mr Jean-Pierre Rodier were appointed to the Board as Non-executive Directors on 18 May and 14 June 2004, respectively.

Following his appointment as Finance Minister in the new Indian Government, Mr Chidambaram resigned as a Director on 22 May 2004.

Details of the Directors' service contracts, emoluments, the interests of the Directors and their immediate families in the share capital of the Company, options to subscribe for shares in the Company and the share capital of its subsidiaries are shown in the Remuneration Report on pages 34 to 40.

Corporate Social Responsibility
Details of the Group's approach to Corporate Social Responsibility are set out in the report headed Corporate Social Responsibility on pages 22 to 26.

Employment Policies
A summary of the Group's employment policies is set out in the report headed Corporate Social Responsibility on pages 22 to 26.

Charitable and Political Donations
During the year the Group made charitable donations of US$460,000. The most significant charitable donation was US$330,000 to the Sterlite Foundation. Details about the activities of the Sterlite Foundation and of the Group's involvement with local communities during the year can be found in the Corporate Social Responsibility report.

During the year, Sterlite made a donation of US$1.2 million to the Political and Public Awareness Fund in India, a trust with political objectives, further details of which are provided in note 30 to the Financial Statements.

Substantial Shareholdings
As at 18 June 2004, the Company has been notified, in accordance with sections 198 to 208 of the Companies Act 1985, of the following interests in the Ordinary Shares of the Company:

Notification received from	No. of Ordinary Shares	% of Issued Share Capital
Volcan Investments Limited[1]	154,157,911	53.83%
Ospraie Portfolio Limited	10,163,124	3.55%
Deutsche Bank AG	8,618,982	3.01%

[1] The Company has also been notified that Agnivesh Agarwal and DP Agarwal are indirectly interested in 154,157,911 Ordinary Shares (representing 53.83% of the Company's issued share capital) by virtue of their beneficial interest in shares in Volcan.

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 account local market and industry practice. As a Group, the policy for determining payment terms is either to agree terms of payment at the start of a binding contract or to ensure that the supplier is aware of the individual business' usual payment terms. Payment is made in accordance with contractual and other legal obligations, and reflects local market practices.

The Company is a holding company and, as such, has few suppliers. Trade creditor days of the Company at 31 March 2004 were 14.5 days.

Post-Balance Sheet Events
As disclosed in note 34 to the Financial Statements, on 2 April 2004, the Group acquired a 2.4% interest in Sterlite which was acquired from the Sterlite Employees Welfare Trust for an aggregate consideration of US$21.4 million. After completing this acquisition, the Company's direct and effective interests in Sterlite increased to 62.5% and 68.1%, respectively.

In June 2004, SEBI approved a three-for-ten rights issue by Sterlite. This has subsequently been amended to a one-for-two rights issue and re-submitted to SEBI for approval. Completion is expected in the second half of 2004, with expected proceeds of US$440 million, net of all costs. The Company has fully underwritten the rights issue.

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 one point in time, since the market values depend on commodity prices which fluctuate on a day-to-day basis.

Directors' Report *continued*

Auditors

A resolution to re-appoint the auditors, Deloitte & Touche LLP, will be proposed at the forthcoming AGM in accordance with Section 385 of the Companies Act 1985. The re-appointment of Deloitte & Touche LLP has been approved by the Audit Committee who will also be responsible for determining their audit fee on behalf of the Directors.

Annual General Meeting Business

The first annual general meeting of the Company will be held at the City Conference Centre, 80 Coleman Street, London EC2R 5BJ on Thursday 29 July 2004 at 12.00 noon. The Notice convening the AGM is included within the accompanying Chairman's Letter, together with details of the business to be considered, and full explanations of each resolution that is being proposed.

By order of the Board

Matthew Hird
Company Secretary

18 June 2004

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

Registered in England No. 4740415

Statement of Directors' Responsibilities

United Kingdom company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those 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;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

Independent Auditors' Report to the Members of Vedanta Resources plc

We have audited the Financial Statements of Vedanta Resources plc for the year ended 31 March 2004 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the reconciliation of movements in equity shareholders' funds and the related notes 1 to 41. These Financial Statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the 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 the report, or the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities, the Company's Directors are responsible for the preparation of the Financial Statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the Annual Report including the Remuneration Report. Our responsibility is to audit the Financial Statements and the part of the Remuneration Report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements and the part of the Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the Financial Statements, if 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 transactions with the Company and other members of the Group is not disclosed.

We review whether the Corporate Governance Report reflects the Company's compliance with the seven provisions of the 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 Directors' Report and the other information contained in the Annual Report for the above year as described in the contents section including the unaudited part of the Remuneration Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements.

Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements and the part of the Remuneration Report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, 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 Financial Statements and the part of the Remuneration Report described as having been 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 Financial Statements and the part of the Remuneration Report described as having been audited.

Opinion

In our opinion, the Financial Statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2004 and of the profit of the Group for the year then ended, and the Financial Statements and the part of the Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

18 June 2004

Consolidated Profit and Loss Account

	Note	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 (reclassified) US$ million
Group and share of associate's turnover		**1,300.6**	**975.8**
Less: associate's turnover		(11.1)	(12.7)
Group turnover	3	**1,289.5**	**963.1**
Cost of sales		(973.9)	(733.7)
Gross profit		**315.6**	**229.4**
Selling and distribution costs		(35.6)	(30.8)
Administrative expenses		(60.1)	(107.2)
– normal		(46.8)	(57.1)
– exceptional	6	(13.3)	(50.1)
Other operating income		17.2	23.2
Group operating profit	3,4	**237.1**	**114.6**
Operating profit before operating exceptional items	3	250.4	164.7
Operating exceptional items	6	(13.3)	(50.1)
Share of operating loss in associate	14a	(1.2)	(0.5)
Loss on disposal of fixed assets	6	(1.2)	(0.7)
Profit on ordinary activities before interest and taxation		**234.7**	**113.4**
Investment income	7	39.7	14.7
Interest payable and similar charges	8	(41.0)	(49.7)
Profit on ordinary activities before taxation	3	**233.4**	**78.4**
Tax on profit on ordinary activities	9	(76.0)	(20.5)
Profit on ordinary activities after taxation		**157.4**	**57.9**
Equity minority interests	21	(90.8)	(33.4)
Profit for the financial year		**66.6**	**24.5**
Dividends	11	(15.8)	–
Retained profit for the financial year	23	**50.8**	**24.5**
Basic earnings per share (US cents/share)			
Profit for the financial year	10	23.3	8.6
Underlying Profit for the financial year	10	24.5	11.9
Diluted earnings per share (US cents/share)			
Profit for the financial year	10	23.3	8.6
Underlying Profit for the financial year	10	24.5	11.9

There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above, and their historical cost equivalents.

All turnover and operating profit for the year is derived from continuing operations.

Consolidated Balance Sheet

	Note	31 March 2004 US$ million	31 March 2003 US$ million
Fixed assets			
Intangible assets	12	3.6	3.7
Goodwill	12	12.2	12.5
Negative goodwill	12	(8.6)	(8.8)
Tangible fixed assets	13	1,268.4	889.1
Investment in associate	14a	2.7	0.3
Other investments	14b	36.5	30.1
		1,311.2	**923.2**
Current assets			
Stocks	15	199.9	170.1
Debtors	16	245.5	173.5
Current asset investments	17	1,188.5	81.7
Cash at bank and in hand		52.7	65.2
		1,686.6	**490.5**
Creditors: amounts falling due within one year			
Short-term borrowings	19	(295.3)	(220.3)
Loans	19	(245.8)	(220.3)
Convertible bonds	19	(49.5)	–
Other current liabilities	18	(586.5)	(277.8)
		(881.8)	**(498.1)**
Net current assets/(liabilities)		**804.8**	**(7.6)**
Total assets less current liabilities		**2,116.0**	**915.6**
Creditors: amounts falling due after more than one year	19	(529.9)	(261.4)
Provisions for liabilities and charges	20	(162.9)	(144.0)
Equity minority interests	21	(437.1)	(405.2)
Net assets		**986.1**	**105.0**
Capital and reserves			
Called up equity share capital	22	28.6	–
Shares to be issued	22	–	–
Share premium account	23	18.6	–
Merger reserve	23	4.4	–
Other reserves	23	8.3	37.9
Profit and loss account	23	926.2	67.1
Equity shareholders' funds		**986.1**	**105.0**

These Financial Statements were approved by the Board of Directors on 18 June 2004.

Signed on behalf of the Board of Directors

Anil Agarwal
Chief Executive

Peter Sydney-Smith
Finance Director

Consolidated Cash Flow Statement

	Note	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 US$ million
Net cash inflow from operating activities	24	**496.3**	**233.5**
Returns on investments and servicing of finance			
Interest received and other income		34.6	19.6
Interest paid		(42.0)	(47.7)
Dividend received from fixed asset investments		0.8	–
Dividend paid to minority shareholders		(10.1)	(4.9)
		(16.7)	**(33.0)**
Taxation		**(57.5)**	**(25.5)**
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(349.0)	(45.5)
Proceeds from the sale of tangible fixed assets		2.8	1.4
Purchase of fixed asset investments		(9.2)	–
Proceeds from sale of fixed asset investments		1.8	0.8
		(353.6)	**(43.3)**
Acquisitions			
Purchase of interest in subsidiary company	26	(81.1)	(160.4)
Net cash acquired with subsidiaries		–	11.6
Issue of shares to minorities		–	0.7
Buyback of shares from minorities		–	(40.8)
		(81.1)	**(188.9)**
Cash outflow before use of liquid resources and financing		**(12.6)**	**(57.2)**
Management of liquid resources			
(Purchase)/sale of current asset investments	25	(1,065.0)	9.8
		(1,065.0)	**9.8**
Financing			
Issue of ordinary shares (net of share issue expenses)	23	825.3	–
Repayment of share application money pending allotment	23	(26.2)	–
Increase in short term borrowings	25	141.7	53.2
Increase in long term borrowings	25	120.8	45.5
Repayment of non-equity minority interests		–	(4.1)
		1,061.6	**94.6**
(Decrease)/increase in cash in the year		**(16.0)**	**47.2**

Reconciliation of Net Cash Flow to Movement in Net Cash/(Debt)

	Note	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 US$ million
(Decrease)/increase in cash in the year	25	(16.0)	47.2
Increase in debt	25	(262.5)	(98.7)
Cash inflow/(outflow) from management of liquid resources	25	1,065.0	(9.8)
Increase/(decrease) in net cash/(debt) resulting from cash flows		**786.5**	**(61.3)**
Non-cash movements in debt	25	–	(25.6)
Loans and finance leases acquired with subsidiary	25	–	(3.8)
Foreign exchange differences	25	(33.1)	(9.5)
Increase/(decrease) in net cash/(debt) for the year		**753.4**	**(100.2)**
Net debt at the beginning of the year	25	(331.1)	(230.9)
Net cash/(debt) at the end of the year	25	**422.3**	**(331.1)**

Consolidated Statement of Total Recognised Gains and Losses

	Note	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 US$ million
Profit for the financial year			
Group		69.9	26.8
Associated undertaking	14a	(3.3)	(2.3)
		66.6	**24.5**
Gain on reduction of minority interest due to increase in interest in subsidiary shareholding	23	13.0	25.2
Repayment of share application funds in Sterlite Opportunities and Ventures Ltd pending allotment	23	(26.2)	–
Foreign exchange differences on foreign currency net investments	23	13.2	(6.7)
Total recognised gains relating to the year		**66.6**	**43.0**

Company Balance Sheet

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts.

	Note	31 March 2004 US$ million
Fixed assets		
Investments	35	15.6
		15.6
Current assets		
Debtors	36	67.1
Current asset investments	37	743.4
Cash at bank and in hand		33.0
		843.5
Creditors: amounts falling due within one year	38	**(21.9)**
Net current assets		**821.6**
Net assets		**837.2**
Capital and reserves		
Called up equity share capital	22	28.6
Shares to be issued	22	–
Share premium account	39	18.6
Profit and loss account	39	790.0
Equity shareholders' funds		**837.2**

These Financial Statements were approved by the Board of Directors on 18 June 2004.

Signed on behalf of the Board of Directors

Anil Agarwal
Chief Executive

Peter Sydney-Smith
Finance Director

Notes to the Financial Statements

1. Basis of Preparation

Vedanta Resources plc ("Vedanta" or the "Company") was incorporated on 22 April 2003 and its Ordinary Shares were listed on the London Stock Exchange on 10 December 2003 (the "Listing") having become the new parent company of the Twin Star Holdings Group, after the group reorganisation of Volcan Investments Limited ("Volcan"), Vedanta, Vedanta Resources Holdings Limited ("VRHL") and Twin Star Holdings Limited ("Twin Star").

Prior to the Listing the Twin Star Holdings Group comprised Twin Star, a company incorporated and resident in Mauritius, and its principal operating subsidiaries were Sterlite Industries (India) Limited ("Sterlite"), Bharat Aluminium Company Limited ("BALCO"), Madras Aluminium Company Limited ("MALCO") and Hindustan Zinc Limited ("HZL"). The Twin Star Holdings Group was a wholly owned subsidiary of Volcan. After the Group reconstruction on 10 December 2003, Twin Star became an intermediate holding company in the Group, with its underlying investments remaining unchanged, and its immediate parent becoming VRHL, which in turn became a wholly-owned subsidiary of Vedanta. Subsequent to the Listing, Vedanta was 53.9% owned by Volcan.

The accountants' report for the Twin Star Holdings Group as presented in the Listing Particulars was prepared on the basis that the disposal of certain assets (being Sterlite Optical Technologies Limited, Sterlite Optical Technologies Inc, Allumo AG ZUG, Manjiri Finvest Pvt Ltd and Sterlite Gold Limited, together with certain amounts receivable from these entities and from Mr DP Agarwal) to Twin Star International Limited had taken effect prior to 1 April 2000.

To provide information which is meaningful to the Company's shareholders, the Directors believe that it is necessary to prepare the accounts on the basis that the Group, excluding the assets sold to Twin Star International Limited, had existed throughout the two-year period beginning 1 April 2002. The Directors believe that this information reflects the ongoing operations of the Group more clearly. Vedanta and VRHL's combination with the Twin Star Holdings Group has been accounted for as a group reconstruction under the provisions of FRS 6 ("Mergers and Acquisitions") and is presented as if the Company and VRHL had been the holding company and intermediate holding company, respectively, of the Twin Star Holdings Group for each year presented.

Certain balances within the profit and loss comparatives before Group operating profit for the year ended 31 March 2003 have been reclassified to ensure a consistent presentation in the Group's Financial Statements. Where reclassifications have occurred, these are disclosed in the relevant notes.

As Vedanta was only incorporated on 22 April 2003, the Company balance sheet is presented at 31 March 2004 only and no comparatives are presented.

The consolidated financial information for the Group has been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

2. Accounting Policies

Basis of Consolidation

The consolidated financial information incorporates the Financial Statements 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.

The principal subsidiaries included in the consolidation are set out in note 40. The abbreviations used throughout these Financial Statements, in respect of these subsidiaries, are detailed in note 40.

Acquisitions

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 acquisition method.

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 tangible fixed assets as mining properties and leases. Other excess purchase consideration relating to the acquisition of subsidiaries is capitalised as goodwill within intangible fixed assets and is amortised over its estimated useful life up to a maximum of 20 years. Provision is made for any impairment.

Notes to the Financial Statements *continued*

2. Accounting Policies *continued*

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

Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or disposal. Negative goodwill in excess of the fair value of the non-monetary assets acquired is credited to the profit and loss account through amortisation over the periods expected to benefit.

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 incorporated in the financial statements for the first full financial year following the acquisition.

Investments in Associates
In the consolidated Financial Statements, investments in associates, being investments over which the Group exercises significant influence and normally owns between 20% and 50% of the voting equity, are accounted for using the equity method.

The consolidated profit and loss account includes the Group's share of associates' profits less losses, whilst the Group's share of the net assets of the associates is shown in the consolidated balance sheet, based upon the most recent audited financial statements or unaudited interim financial information.

Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Other Investments
Fixed asset investments, other than investments in subsidiaries and associates, are recorded at cost less provision for impairment.

Current asset investments primarily comprise bank term deposits, short term unit trusts, liquidity funds and fixed and floating rate debt securities. These are stated at the lower of cost and net realisable value.

Tangible Fixed Assets – Mining Properties and Leases
The costs of mining properties and leases, which include the costs of acquiring and developing mining properties and mineral rights, are capitalised as tangible fixed assets 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 expenditure is capitalised 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.

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 Tangible Fixed Assets
The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing an asset to working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the profit and loss account in the period in which the costs are incurred.

Assets in the Course of Construction
Assets in the course of construction are capitalised in the capital work-in-progress account. Upon completion, the cost of construction is transferred to the appropriate category of tangible fixed assets. Costs associated with the commissioning of an asset are capitalised where the asset is available for use but incapable of operating at normal levels until a period of commissioning has been completed.

Interest payable on borrowings and foreign exchange gains or losses from hedging activities related to construction or development projects are capitalised until substantially all of the activities that are necessary to bring the asset into productive use have been completed.

Notes to the Financial Statements *continued*

2. Accounting Policies *continued*

Depreciation
Mining properties and other assets in the course of development or construction, and freehold land, are not depreciated. Capitalised mining properties and lease costs are amortised once commercial production commences, as described in "Tangible Fixed Assets – Mining Properties and Leases". Leasehold land and buildings are depreciated over the period of the lease.

Other buildings, plant and equipment, office equipment and fixtures, and motor vehicles are stated at cost less accumulated depreciation and any provision for impairment. Depreciation 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

Impairment
The carrying amounts of tangible fixed assets, investments in associates, other investments and goodwill are reviewed for impairment if events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. 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 profit and loss account.

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 tangible fixed assets, 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.

Research and Exploration Expenditure
Research and exploration expenditure is written off in the year in which it is incurred unless a decision is taken that a mining property becomes viable for commercial production.

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

Stocks
Stocks 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:

- raw materials (including ore and concentrates) and consumables are recorded at cost on a first-in, first-out ("FIFO") basis, except for stores and spare parts which are carried at weighted average cost;
- coal and furnace oil used in the Aluminium Business, and metal and coke stocks are valued at weighted average cost;
- 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.

Notes to the Financial Statements *continued*

2. Accounting Policies *continued*

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

Deferred tax is recognised in respect of all timing differences that have originated, but have not reversed, at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the Financial Statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the Financial Statements.

Deferred tax is measured on an undiscounted basis at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

Pensions
The Group operates a number of pension schemes, the assets of which are (where funded) held in separately administered funds. The pension schemes are generally funded by payments from employees and the relevant Group companies, taking account of the recommendations of independent qualified actuaries.

For defined benefit schemes, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Details of the pension schemes are provided in note 29.

Employee Share Awards
The estimated cost of employee share awards made by the Group is charged to the profit and loss account over the relevant performance period. Where shares are held by an employee benefit trust, the carrying value of these shares is included within other fixed asset investments, less amounts charged to the profit and loss account relating to those shares. The estimated cost of awards is the market value of shares awarded or the intrinsic value of the awards (being the difference between the exercise price of the award and the market price at the date of grant) adjusted to reflect any applicable performance conditions.

Provisions for Liabilities and Charges
Provisions are recognised when the Group has a present obligation, 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. 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 capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged to the profit and loss account over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision.

Notes to the Financial Statements *continued*

2. Accounting Policies *continued*

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 profit and loss account as extraction progresses. Where the costs of site restoration are not anticipated to be material, they are expensed as incurred.

Revenue Recognition
Turnover represents the net invoice value of goods and services provided to third parties after deducting sales taxes and duties, and is recognised when all significant risks and rewards of ownership of the asset sold are transferred. Dividends are recognised when paid.

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
In the financial statements of individual group companies, transactions in currencies other than the local functional currency are translated into local currency at the exchange rates ruling at the date of transaction or, where forward exchange contracts are in place, at contractual rates. Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated into local currency at year end exchange rates, or at a contractual rate if applicable.

For the purposes of consolidation, the results of those entities for whom the US dollar is not the reporting 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 total recognised gains and losses. All other exchange differences are included in the profit and loss account.

The exchange rates applied for the translation of the Group's financial information are set out below:

US$ Currency rates	As at 31 March 2004	Average 2003/2004	As at 31 March 2003
Indian rupee (INR)	43.39	45.92	47.65
Euro	0.817	0.853	0.926
Australian dollar (A$)	1.312	1.445	1.663
UK pounds sterling (GBP)	0.545	0.591	0.635

Capital Instruments
Ordinary Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefit and, if not, they are included in shareholders' funds.

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The finance cost recognised in the profit and loss account in respect of capital instruments, other than equity shares, is allocated to periods over the term of the instrument at a constant rate on the carrying value. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period. Convertible debt is reported as a liability unless conversion actually occurs. No gain or loss is recognised on conversion.

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 nor issue derivative financial instruments for speculative purposes.

The Group uses the derivative financial instruments described above to reduce exposure to foreign exchange, interest rate and commodity price risks. The Group considers that its derivative instruments qualify for hedge accounting when the following criteria are met:

- the instrument is related to a foreign currency asset or liability that is probable and whose characteristics have been identified;
- it involves the same currency as the hedged item; and
- it reduces the risk of foreign currency exchange movements on operations.

Notes to the Financial Statements *continued*

2. Accounting Policies *continued*

Gains and losses arising on these contracts are deferred and are recognised in the profit and loss account, or as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in the Financial Statements. The rates applicable to such contracts are used to record the hedged item.

For an interest rate swap to be treated as a hedge, the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the period of the contract.

Where commodity option contracts hedge anticipated future production or purchases, the option premiums paid are amortised over the life of the option and any realised gains and losses on exercise, in the period in which the hedged production is sold or commodity purchases are made, are recognised.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss is recognised at that time.

3. Segmental Analysis

(a) By Class of Business

The segmental analyses by class of business set out below include a category called "Other" which comprises the results and balance sheet items for Vedanta, VRHL, Vedanta Alumina Limited, Sterlite Paper Limited, Monte Cello Corporation NV, Twin Star and the aluminium conductor business of Sterlite.

Group Turnover

Class of Business	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 (reclassified) US$ million
Aluminium	223.4	220.7
Copper	592.8	406.7
Zinc	401.1	291.1
Other	72.2	44.6
	1,289.5	**963.1**

Group Operating Profit

Class of Business	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 US$ million
Aluminium	35.4	29.6
Copper	65.6	76.4
Zinc	155.7	60.4
Other	(6.3)	(1.7)
Group operating profit before operating exceptional items	**250.4**	**164.7**
Operating exceptional items	(13.3)	(50.1)
Group operating profit	**237.1**	**114.6**
Aluminium	22.1	15.8
Copper	65.6	76.4
Zinc	155.7	24.1
Other	(6.3)	(1.7)

Notes to the Financial Statements *continued*

3. Segmental Analysis *continued*

(a) By Class of Business *continued*

Earnings Before Interest, Tax, Depreciation, Amortisation and Exceptional Items ("EBITDA")

Class of Business	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 US$ million
Aluminium	53.6	38.3
Copper	94.1	101.0
Zinc	179.3	87.1
Other	(4.3)	(2.1)
Group EBITDA	**322.7**	**224 .3**
Goodwill amortisation (note 12)	(0.5)	(0.4)
Depreciation (note 13)	(71.8)	(59.2)
Operating exceptional items (note 6)	(13.3)	(50.1)
Group operating profit	**237.1**	**114.6**

Depreciation

Class of Business	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 US$ million
Aluminium	18.1	10.8
Copper	28.5	25.3
Zinc	23.6	21.3
Other	1.6	1.8
	71.8	**59.2**

Profit on Ordinary Activities Before Taxation

Class of Business	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 US$ million
Aluminium	22.8	13.9
Copper	37.9	42.8
Zinc	163.9	29.8
Other	12.1	(5.8)
	236.7	**80.7**
Share of loss in associate before taxation (note 14a)	(3.3)	(2.3)
	233.4	**78.4**

Notes to the Financial Statements *continued*

3. Segmental Analysis *continued*

(a) By Class of Business *continued*

Net Assets

Class of Business	31 March 2004 US$ million	31 March 2003 US$ million
Aluminium	353.9	187.6
Copper	169.2	283.6
Zinc	391.4	299.3
Other	82.8	67.1
Net assets before goodwill net cash/(debt) and minority interests	**997.3**	**837.6**
Goodwill	3.6	3.7
Net cash/(debt)	422.3	(331.1)
Equity minority interests	(437.1)	(405.2)
Net assets	**986.1**	**105.0**

Tangible Fixed Assets

Class of Business	31 March 2004 US$ million	31 March 2003 US$ million
Aluminium	433.9	257.0
Copper	404.4	302.6
Zinc	348.9	277.3
Other	81.2	52.2
	1,268.4	**889.1**

Net Current Assets/(Liabilities)

Class of Business	31 March 2004 US$ million	31 March 2003 US$ million
Aluminium	92.4	8.6
Copper	(311.2)	(92.3)
Zinc	259.7	69.7
Other	763.9	6.4
	804.8	**(7.6)**

Net Cash/(Debt)

Class of Business	31 March 2004 US$ million	31 March 2003 US$ million
Aluminium	(75.8)	(3.2)
Copper	(318.0)	(346.3)
Zinc	43.9	32.7
Other	772.2	(14.3)
	422.3	**(331.1)**

At 31 March 2004 and 2003, copper net debt included loans of US$17.3 million and US$36.7 million respectively, which were raised to purchase the Zinc Business, HZL.

Notes to the Financial Statements *continued*

3. Segmental Analysis *continued*

(b) By Location

All turnover and operating profit for the Group is derived from India.

Turnover by Destination

Destination	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 US$ million
Far East	200.3	50.0
India	980.9	827.8
Other	108.3	85.3
	1,289.5	**963.1**

Net Assets/(Liabilities)

Location	31 March 2004 US$ million	31 March 2003 US$ million
Australia	11.9	14.9
India	1,008.7	817.1
Other	(23.3)	5.6
Net assets before goodwill net cash/(debt) and minority interests	**997.3**	**837.6**
Goodwill	3.6	3.7
Net cash/(debt)	422.3	(331.1)
Equity minority interests	(437.1)	(405.2)
Net assets	**986.1**	**105.0**

4. Group Operating Profit

	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 US$ million
Operating profit is stated after charging:		
Depreciation – owned assets (note 13)	71.8	59.2
Goodwill amortisation (note 12)	0.5	0.4
Research and exploration costs	0.2	0.7
Auditors' remuneration for audit services	0.7	0.2
Operating exceptional items (note 6)	13.3	50.1

The table below shows the fees paid globally to the Group's auditors, Deloitte & Touche, for audit services, as well as the fees paid to other accountancy firms for audit services in the two years ended 31 March 2004.

	Year ended 31 March 2004			Year ended 31 March 2003		
Audit fees	UK US$ million	Other US$ million	Total US$ million	UK US$ million	Other US$ million	Total US$ million
Deloitte & Touche	0.5	0.1	0.6	–	–	–
Other accountancy firms	–	0.1	0.1	–	0.2	0.2
	0.5	0.2	0.7	–	0.2	0.2

Notes to the Financial Statements *continued*

4. Group Operating Profit *continued*

The following table shows the fees payable to accountancy firms in respect of non-audit services provided in the two years ended 31 March 2004.

	Year ended 31 March 2004			Year ended 31 March 2003		
Non-audit fees	**UK US$ million**	**Other US$ million**	**Total US$ million**	**UK US$ million**	**Other US$ million**	**Total US$ million**
Deloitte & Touche	6.4	0.1	6.5	–	–	–
Other accountancy firms	0.1	0.3	0.4	–	0.3	0.3
	6.5	0.4	6.9	–	0.3	0.3

Included in the non-audit fees payable to Deloitte & Touche for the year ended 31 March 2004 are US$6.4 million of fees for services in respect of the Listing on the London Stock Exchange. These costs have been included in the share issue costs that have been capitalised in the share premium account as set out in note 23.

5. Employee Numbers and Costs

Average number of persons employed by the Group in the year

Class of Business	**Year ended 31 March 2004 Number**	**Year ended 31 March 2003 Number**
Aluminium	5,531	5,871
Copper	914	876
Zinc	5,982	6,015
Other	179	23
	12,606	**12,785**

The principal locations of employment

Location	**Year ended 31 March 2004 Number**	**Year ended 31 March 2003 Number**
Australia	132	134
India	12,463	12,651
United Kingdom	11	–
	12,606	**12,785**

Costs incurred during the year in respect of employees and Directors	**Year ended 31 March 2004 US$ million**	**Year ended 31 March 2003 (reclassified) US$ million**
Wages and salaries	73.2	51.0
Social security costs	7.8	5.8
Defined contribution pension scheme costs (note 29)	4.2	5.6
Defined benefit pension scheme costs (note 29)	3.9	5.6
	89.1	**68.0**
Voluntary Retirement Scheme ("VRS") costs	13.3	45.8
	102.4	**113.8**

Disclosures on Directors' emoluments, pension entitlements, share awards and long time incentive plan awards required by the Companies Act 1985 and those specified for audit by the Directors' Remuneration Report Regulations 2002 are included in the Remuneration Report on pages 34 to 40 and form part of these Financial Statements.

Notes to the Financial Statements *continued*

6. Exceptional Items

Operating exceptional items	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 US$ million
Impairment of fixed assets	–	(4.3)
Restructuring and redundancies	(13.3)	(45.8)
	(13.3)	**(50.1)**
Taxation	4.8	18.1
Minority interests	5.6	22.6
Net effect of operating exceptional items	**(2.9)**	**(9.4)**

During the year ended 31 March 2004, BALCO and HZL incurred VRS costs of US$13.3 million. In the year ended 31 March 2003, HZL and BALCO incurred VRS costs of US$31.9 million and US$13.9 million respectively.

During the year ended 31 March 2003, HZL management made a decision to close a mine resulting in a provision for impairment of US$4.3 million, being the carrying value of that mine at the date of closure.

Non-operating exceptional items	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 US$ million
Profit on sale of fixed asset investment	0.6	–
Loss on disposal of tangible fixed assets	(1.8)	(0.7)
	(1.2)	**(0.7)**
Taxation	0.4	–
Minority interests	0.1	0.5
Net effect of non-operating exceptional items	**(0.7)**	**(0.2)**

7. Investment Income

	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 US$ million
Interest and other financial income	24.8	14.5
Foreign exchange gains	4.2	–
Share of investment income in associate	–	0.2
Dividend income from other financial assets	0.8	–
Foreign exchange gain on cash and current asset investments	14.1	–
Capitalisation of foreign exchange gains	(4.2)	–
	39.7	**14.7**

During the year ended 31 March 2004, the Group benefited from a US$14.1 million foreign exchange gain on cash and current asset investments held in UK pounds sterling. The gain related to funds raised at the time of Listing and which were retained in UK pounds sterling during the period from Listing until 31 March 2004.

Notes to the Financial Statements *continued*

8. Interest Payable and Similar Charges

	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 US$ million
Bank loans and overdrafts	29.3	25.7
Other loans	14.2	22.7
Share of interest payable in associate	2.1	2.0
Capitalisation of borrowing costs	(4.6)	(0.7)
	41.0	**49.7**

In the year ended 31 March 2004, the Group made a US$0.9 million gain on interest rate swaps. These gains are included within interest on bank loans and overdrafts.

9. Tax on Profit on Ordinary Activities

(a) Analysis of Charge for the Year

	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 US$ million
Tax charge/(credit) for the year		
UK corporation tax (2004: 30%: 2003: 30%)	4.6	–
Indian corporation tax (2004: 35.88%: 2003: 36.75%)	69.6	22.6
Adjustments in respect of prior years	(4.9)	0.7
Minimum alternate tax	0.7	2.8
Current tax on exceptional items	(1.2)	(2.0)
Total current tax	**68.8**	**24.1**
Deferred taxation	11.2	12.5
Deferred taxation on exceptional items	(4.0)	(16.1)
Total deferred tax (note 20)	**7.2**	**(3.6)**
Total tax charge	**76.0**	**20.5**
Effective tax rate	32.6%	26.1%

There is no current or deferred tax charge relating to the Group's associate, India Foils Limited ("IFL") (note 14a).

Notes to the Financial Statements *continued*

9. Tax on Profit on Ordinary Activities *continued*

(a) Analysis of Charge for the Year *continued*

Overview of the Indian Direct Tax Regime

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

- Companies are subject to Indian income tax on a stand-alone basis. There is no concept of tax consolidation or group relief in India.

- Companies are charged tax on profits of assessment years which run from 1 April to 31 March. For each assessment year, a company's profits will be subject to either regular income tax or Minimum alternate tax ("MAT"), whichever is the greater.

- Regular income tax is charged on book profits (prepared under Indian GAAP) adjusted in accordance with the provisions of the Indian Income Tax Act. Typically the required adjustments generate significant timing differences in respect of the depreciation of fixed assets, relief for provisions and accruals, the use of tax losses brought forward and pension costs. Regular income tax is charged at 35% (plus a surcharge).

- MAT is charged on book profits (prepared under Indian GAAP) but typically with a limited number of adjustments. MAT is charged at 7.5% (plus a surcharge).

- There are various tax exemptions or tax holidays available to companies in India. The most important to the Group are:

  - *The export exemption*. For the five years to 31 March 2004, profits earned from export activities can be exempt. In the year to 31 March 2000, the extent of the exemption was 100% reducing each year to 30% in the final year to 31 March 2004.

  - *The industrial undertakings' exemption*. Profits of newly constructed industrial undertakings located in designated areas of India can benefit from a tax holiday. A typical tax holiday would exempt 100% of the plant's profits for five years, and 30% for the next five years.

  - *The power plants' exemption*. Profits on newly constructed power plants can benefit from a tax holiday. A typical holiday would exempt 100% of profits in ten consecutive years within the first 15 years of the power plants' operation. The start of the ten-year period can be chosen by a company.

- Tax is payable in the assessment year to which it relates.

- Tax returns submitted by companies are regularly subjected to a comprehensive review and aggressive challenge by the tax authorities. There are appeals procedures available to both the tax authorities and taxpayers and it is not uncommon for significant or complex matters in dispute to remain outstanding for several years before they are finally resolved in the High Court or the Supreme Court.

Notes to the Financial Statements *continued*

9. Tax on Profit on Ordinary Activities *continued*

(b) Factors Affecting Current Tax Charge for the Year

	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 US$ million
Profit on ordinary activities before taxation	233.4	78.4
Tax on profit on ordinary activities at 35.88% (2003: 36.75%)	83.7	28.8
Effect of timing differences:		
Accelerated capital allowances	(2.2)	2.6
Utilisation of tax losses	(3.9)	1.2
Other short term timing differences	(1.0)	–
Permanent differences:		
Disallowable expenses	18.0	1.7
Non-taxable income	(0.7)	–
Tax holiday and similar exemptions	(18.0)	(14.1)
Impact of tax rate differences	(2.9)	0.4
Minimum alternate tax	0.7	2.8
Adjustments in respect of prior years	(4.9)	0.7
Current tax charge for the year	68.8	24.1

The majority of the Group's profits are earned and taxed in India. During the period the effective tax rate has been significantly less than the applicable Indian corporate rate of income tax. This is primarily as a result of the significant tax exemptions (export exemptions, industrial undertakings and tax holidays) which have been available to shelter profits of Sterlite and HZL from regular income tax. The beneficial effect of these exemptions on the Group's rate has been tempered to some extent by the impact of losses in Australia and IFL, which are not available to shelter profits from tax and disallowed expenditure.

(c) Factors that may Affect Future Tax Charges

The effective tax rate of the Group in future periods is likely to be influenced most significantly by the following factors:

- the availability of exemptions and tax holidays to shelter profits from regular Indian income tax;
- the potential utilisation of accumulated tax losses of CMT and IFL, the potential benefit of which has not been fully recognised as a deferred tax asset; and
- incremental tax costs, if any, of distributing earnings to shareholders through the Group structure.

Notes to the Financial Statements *continued*

10. Earnings per Ordinary Share

Earnings Per Share Based on Profit for the Year

Basic earnings per share on the profit for the year	**Year ended 31 March 2004**	**Year ended 31 March 2003**
Profit for the financial year (US$ million)	66.6	24.5
Weighted average number of shares of the Company in issue (million)	286.0	286.0
Earnings per share on profit for the year (US cents/share)	**23.3**	**8.6**

Diluted earnings per share on the profit for the year	**Year ended 31 March 2004**	**Year ended 31 March 2003**
Profit for the financial year after dilutive adjustments (US$ million)	66.6	24.5
Weighted average number of shares of the Company in issue after dilutive adjustments (million)	286.2	286.0
Diluted earnings per share on profit for the year (US cents/share)	**23.3**	**8.6**

The earnings per share ("EPS") calculation, has assumed that the number of Ordinary Shares in issue immediately after Listing (being 286,000,000) had been in issue from 1 April 2002. The only other issue of shares subsequent to the Listing were 388,000 Ordinary Shares issued pursuant to the exercise of the first tranche of awards under the Vedanta Resources Reward Plan (the "Reward Plan") on 31 March 2004, and the issue of these shares has been used in determining the 2004 weighted average number of shares. The Directors believe that this pro-forma EPS provides a more meaningful comparison of the Group's ongoing business than using the statutory EPS which would only reflect shares issued at the date of Listing.

The second tranche of awards under the Reward Plan and the oustanding awards under the Vedanta Resources Long Term Incentive Plan ("LTIP") are reflected in the diluted EPS figure through an increased number of weighted average shares.

Earnings Per Share Based on Underlying Profit

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

	Year ended 31 March 2004 US$ million	**Year ended 31 March 2003 US$ million**
Profit for the financial year	**66.6**	**24.5**
Operating exceptional items	13.3	50.1
Tax effect of operating exceptional items (note 6)	(4.8)	(18.1)
Minority interest effect of operating exceptional items (note 6)	(5.6)	(22.6)
Non-operating exceptional items	1.2	0.7
Tax effect of non-operating exceptional items (note 6)	(0.4)	–
Minority interest effect of non-operating exceptional items (note 6)	(0.1)	(0.5)
Underlying Profit	**70.2**	**34.1**

Basic earnings per share on Underlying Profit	**Year ended 31 March 2004**	**Year ended 31 March 2003**
Underlying Profit for the financial year (US$ million)	70.2	34.1
Weighted average number of shares of the Company in issue (million)	286.0	286.0
Earnings per share on Underlying Profit (US cents/share)	**24.5**	**11.9**

Diluted earnings per share on Underlying Profit	**Year ended 31 March 2004**	**Year ended 31 March 2003**
Underlying Profit for the financial year after dilutive adjustments (US$ million)	70.2	34.1
Weighted average number of shares of the Company in issue after dilutive adjustments (million)	286.2	286.0
Diluted earnings per share on Underlying Profit (US cents/share)	**24.5**	**11.9**

Notes to the Financial Statements *continued*

11. Dividends

The Directors have proposed a dividend for the year ended 31 March 2004 of 5.5 US cents per Ordinary Share. This equates to a total dividend payable of US$15.8 million.

12. Goodwill

	US$ million
Cost	
At 1 April 2003	**4.9**
Foreign exchange differences	0.5
At 31 March 2004	**5.4**
Accumulated amortisation	
At 1 April 2003	**(1.2)**
Charge for the year	(0.5)
Foreign exchange differences	(0.1)
At 31 March 2004	**(1.8)**
Net book value	
At 1 April 2003	**3.7**
At 31 March 2004	**3.6**
Comprising:	
Goodwill	12.2
Negative goodwill	(8.6)

Notes to the Financial Statements *continued*

13. Tangible Fixed Assets

	Mining property and leases US$ million	Long term leasehold land and buildings US$ million	Freehold land and buildings US$ million	Plant and equipment US$ million	Assets under construction US$ million	Other US$ million	Total US$ million
Cost							
At 1 April 2003	**341.8**	**3.1**	**64.6**	**954.7**	**61.9**	**64.0**	**1,490.1**
Additions	1.1	–	14.5	13.0	316.6	2.5	347.7
Disposals	–	–	(0.9)	(6.3)	–	(12.2)	(19.4)
Transfers and other movements	(0.6)	6.3	24.4	52.6	(50.5)	(32.2)	–
Foreign exchange differences	42.8	0.7	8.6	105.6	21.8	3.8	183.3
At 31 March 2004	**385.1**	**10.1**	**111.2**	**1,119.6**	**349.8**	**25.9**	**2,001.7**
Accumulated depreciation							
At 1 April 2003	**62.6**	**0.5**	**19.2**	**467.8**	**–**	**50.9**	**601.0**
Charge for the period	16.7	0.7	2.4	50.2	–	1.8	71.8
Disposals	–	–	(0.6)	(3.4)	–	(10.8)	(14.8)
Transfers and other movements	0.5	3.0	7.2	14.8	–	(25.5)	–
Foreign exchange differences	13.6	0.3	2.4	56.1	–	2.9	75.3
At 31 March 2004	**93.4**	**4.5**	**30.6**	**585.5**	**–**	**19.3**	**733.3**
Net book value							
At 1 April 2003	**279.2**	**2.6**	**45.4**	**486.9**	**61.9**	**13.1**	**889.1**
At 31 March 2004	**291.7**	**5.6**	**80.6**	**534.1**	**349.8**	**6.6**	**1,268.4**

At 31 March 2004 land of US$5.7 million (31 March 2003: US$4.9 million) was not depreciated.

At 31 March 2004 cumulative capitalised interest and foreign exchange gains or losses included within the table above was US$19.7 million (31 March 2003: US$15.6 million).

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

The ability of the Group to realise the net book value of mining properties in the future is dependent upon the commercial viability of mineral reserves. The Directors are satisfied that the Group's estimate of the discounted future net revenues to be derived from such remaining reserves is greater than the net book value of the mining properties both individually and in aggregate.

As part of the process for the Listing of the Company in December 2003, Steffen Robertson and Kirsten (UK) Limited, an international engineering consultancy company, undertook an independent review of the procedures used by the Company to estimate the resources and reserves as at 31 March 2003 according to the internationally recognised JORC Code (see page 95). The results of their review can be found in Section 10 of the Company's Listing Particulars.

Notes to the Financial Statements *continued*

14. Fixed Asset Investments

(a) Investment in Associate – IFL

The principal activity of IFL, a company incorporated in Kolkata, State of West Bengal, India, is the manufacture of aluminium foils and flexible packaging products. IFL's operations are located in West Bengal. IFL is listed on the National, Calcutta and Bombay Stock Exchanges. The Group has a 38.8% interest in IFL which is held as an associate company. Further details of the Group's share of the results and net assets of IFL are set out below.

	31 March 2004 US$ million	31 March 2003 US$ million
Analysis of movements in investment in associate		
At beginning of year	**0.3**	**3.8**
Share of loss for the year	(3.3)	(2.3)
Operating loss	(1.2)	(0.5)
Investment income	–	0.2
Interest payable	(2.1)	(2.0)
Other movements	(0.6)	(1.2)
Preference share investment (see below)	6.3	–
At end of year	**2.7**	**0.3**
Market value	**1.7**	**1.0**

During the year ended 31 March 2004, an adjustment of US$0.6 million was made to bring the Group's carrying value of IFL in line with the net assets attributable to the Group.

Although the market value at IFL is below the Group's carrying value, the Directors believe that this diminution is temporary and accordingly no impairment has been recorded.

Profit and Loss Account – Group's share	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 US$ million
Turnover	11.1	12.7
Loss before taxation	(3.3)	(2.3)
Taxation	–	–
Loss after taxation	(3.3)	(2.3)

Notes to the Financial Statements *continued*

14. Fixed Asset Investments *continued*

(a) Investment in Associate – IFL *continued*

Balance Sheet – Group's share	31 March 2004 US$ million	31 March 2003 US$ million
Fixed assets	17.6	17.5
Current assets	5.3	6.2
Liabilities due within one year	(6.5)	(13.4)
Liabilities due after one year	(18.1)	(10.3)

IFL's debt includes a loan of US$22.6 million with ICICI Bank. There is an option to convert this debt to equity shares at par value at any time up to the maturity of the loan in 2012. If this option were exercised, MALCO's holding in IFL would reduce from 38.8% to 8.7%. As this option has not been exercised, the Group's interest in IFL has been accounted for using 38.8%.

During the year ended 31 March 2004, IFL issued preference shares to the value of US$6.3 million to Sterlite (US$5.5 million) and MALCO (US$0.8 million) for non-cash consideration in full settlement of its liabilities to these companies at that time.

Fixed assets in IFL were revalued between 1980 and 1994.

(b) Other Investments

Analysis of other investments	31 March 2004 US$ million	31 March 2003 US$ million
Quoted	11.6	12.7
Unquoted	24.9	17.4
Carrying value of other investments	**36.5**	**30.1**
Market value of quoted investments	62.5	17.0

Analysis of movements in other investments	Quoted US$ million	Unquoted US$ million	Total US$ million
At 1 April 2003	**12.7**	**17.4**	**30.1**
Additions	3.8	5.5	9.3
Disposals	(5.0)	–	(5.0)
Carrying value adjustment	(1.1)	–	(1.1)
Foreign exchange differences	1.2	2.0	3.2
At 31 March 2004	**11.6**	**24.9**	**36.5**

Notes to the Financial Statements *continued*

14. Fixed Asset Investments *continued*

(b) Other Investments *continued*

The table below sets out the carrying value of the quoted investments held by the Group at each year end together with the number of shares held and their open market value.

Quoted Investments

	31 March 2004 US$ million	31 March 2003 US$ million
Sterlite Optical Technologies Limited		
Carrying value	1.3	2.3
Market value	1.1	0.5
Shares in Sterlite held through the Sterlite Employee Welfare Trust		
Carrying value	9.0	7.6
Market value	59.4	13.8
Morgan Stanley Growth Fund		
Carrying value	1.3	2.5
Market value	2.0	2.4

Number of Shares	31 March 2004	31 March 2003
Sterlite Optical Technologies Limited ("SOTL")	952,709	952,709
Shares in Sterlite held through the Sterlite Employee Welfare Trust	5,049,297	4,144,957
Morgan Stanley Growth Fund	5,217,261	11,948,900

Shares in Sterlite held through the Sterlite Employee Welfare Trust ("SEWT")

Sterlite operates the SEWT, a long term investment plan for its senior management. When award conditions are met, the income and/or investments held by the SEWT may be distributed to the beneficiaries. The SEWT holds shares in Sterlite that were purchased in the open market. The administration costs of the SEWT are borne by Sterlite.

In April 2003, the SEWT awarded 1,075 of the shares it held in Sterlite to its beneficiaries. On 2 January 2004, the Group purchased 1,790,000 of the Sterlite shares held by the SEWT (equating to 4.98% of Sterlite's issued share capital) for US$58.0 million (see note 26). In January 2004, Sterlite executed a one-for-one bonus issue of its ordinary share capital, resulting in an additional shareholding of 2,370,792. During the year ended 31 March 2004, the SEWT also purchased an additional 324,623 shares in Sterlite at fair value on the open market.

At 31 March 2004, the SEWT held 5,049,297 shares in Sterlite, at a cost of US$9.0 million (31 March 2003: 4,144,957 shares at US$7.6 million).

Unquoted Investments

The Group holds an investment in the equity share capital of the Andhra Pradesh Gas Power Corporation Limited. This holding was 8.1% (with a book value of US$22.7 million) at 31 March 2004, the holding having been 6.8% (with a book value of US$17.4 million) at 31 March 2003. Investments in long term mutual funds held through the SEWT total US$2.2 million at 31 March 2004 (31 March 2003: nil).

15. Stocks

	31 March 2004 US$ million	31 March 2003 US$ million
Raw materials and consumables	107.6	85.6
Work-in-progress	60.5	52.0
Finished products	31.8	32.5
	199.9	**170.1**

There is no material difference between the balance sheet value of stocks and their replacement cost.

Notes to the Financial Statements *continued*

16. Debtors

	31 March 2004 US$ million	31 March 2003 US$ million
Trade debtors	139.2	67.1
Amounts due from associate (note 30)	1.9	5.8
Amounts due from related companies (note 30)	2.3	0.4
Other debtors	99.5	65.1
Prepayments and accrued income	2.6	35.1
	245.5	**173.5**
Debtors due within one year	225.4	167.0
Debtors due after one year	20.1	6.5
	245.5	**173.5**

17. Current Asset Investments

	31 March 2004 US$ million	31 March 2003 US$ million
Bank term deposits	362.9	80.4
Quoted fixed and floating rate debt securities	–	1.3
Short term unit trusts and liquidity funds	590.1	–
Other current asset investments	235.5	–
	1,188.5	**81.7**

At 31 March 2004, US$743.4 million of the Listing proceeds were held in the United Kingdom by the Company (see note 37). Of these, US$590.1 million were held in short term unit trusts and liquidity funds which earn superior rates of return. It is the Group's intention to hold these amounts in such funds for the medium term.

The carrying value of current asset investments is not materially different from market value.

18. Other Current Liabilities

	31 March 2004 US$ million	31 March 2003 US$ million
Trade creditors	157.0	86.4
Bills of exchange payable	295.4	93.5
Taxation and social security	14.5	22.1
Proposed subsidiary dividend to minority interests	–	9.1
Proposed dividend to shareholders	15.8	–
Other creditors	73.5	47.7
Accruals and deferred income	30.2	19.0
	586.5	**277.8**

19. Creditors: Amounts Falling due After More than One Year

	31 March 2004 US$ million	31 March 2003 US$ million
Bank loans	484.9	208.1
Other loans	38.7	49.6
	523.6	**257.7**
Other creditors	6.3	3.7
	529.9	**261.4**

Notes to the Financial Statements *continued*

19. Creditors: Amounts Falling due After More than One Year *continued*

Maturity Profile of Financial Liabilities

	31 March 2004 US$ million	31 March 2003 US$ million
Due within one to two years	63.2	161.9
Due within two to five years	287.5	79.8
Due after five years	172.9	16.0
	523.6	**257.7**
Short term borrowings:		
Due within one year	295.3	220.3
	818.9	**478.0**

The principal loans held by Group companies at 31 March 2004 were as follows:

Sterlite Opportunities and Ventures Limited ("SOVL")

Non-Convertible Debentures
In July 2003, SOVL issued five year non-convertible debentures to external investors which are redeemable at par and have a coupon rate of 7% per annum. These debentures are guaranteed by ICICI Bank and that guarantee is secured by 194,364,674 of the shares that SOVL holds in HZL (being 46% of HZL's issued share capital) as well as a first charge over specific receivables of SOVL and Sterlite relating to dividends or interest that may be received from their subsidiaries. At 31 March 2004, the debentures were carried at US$57.6 million, US$11.5 million of which is classified as short term borrowings.

Hindustan Zinc Limited

Foreign Currency Syndicated Loan
In September 2003, HZL secured a US$125 million syndicated loan. The loan is secured by a first charge on certain of HZL's fixed assets. The interest rate on the loan is approximately LIBOR plus 120 basis points. The loan is repayable in November 2006 (US$30.0 million), November 2008 (US$65.0 million) and November 2010 (US$30.0 million).

Bharat Aluminium Company Limited

Term Loans
At 31 March 2004, BALCO held Indian rupee term loans totalling US$200 million with applicable interest rates of 8.33% per annum. After the year end these were negotiated down to 7.75%. These loans are secured by a first charge on the fixed assets of BALCO and are repayable in 12 quarterly instalments due to commence in January 2007.

Non-Convertible Debentures
At 31 March 2004, BALCO had unsecured Indian rupee non-convertible debentures with a value of US$23.0 million. These debentures bear interest at a rate of 7.25% per annum. The debentures are redeemable at par on 27 July 2004.

Short Term Foreign Currency Loans
BALCO holds foreign currency loans totalling US$13.7 million. These are repayable in two tranches in December 2004 and January 2005. The loans bear interest at rates from LIBOR plus 75 basis points to LIBOR plus 100 basis points per annum and are secured on fixed deposits of an equivalent amount held by BALCO.

Working Capital Loans
At 31 March 2004, BALCO held working capital loans of US$13.8 million repayable in one year. The loans are secured by stock, debtors and moveable assets. The loans bear interest rates of MIBOR plus 30 to 40 basis points per annum.

Notes to the Financial Statements *continued*

19. Creditors: Amounts Falling due After More than One Year *continued*

Madras Aluminium Company Limited

Term Loans
At 31 March 2004, MALCO held two Indian rupee term loans with a value of US$4.5 million. These loans mature between September 2004 and June 2005. The interest rates on these loans range from 11.18% to 11.75% per annum. These loans are secured by a first charge on the assets of MALCO.

Working Capital Loans and Commercial Papers
MALCO holds short term Indian rupee loans of US$9.1 million with various banks. These loans bear interest at rates from 5.8% to 6.2% per annum and are secured by charges on the current assets of MALCO as well as by corporate guarantees.

MALCO also holds Indian rupee commercial papers with a value of US$9.2 million. These papers are short term and have an applicable interest rate of 4.93% per annum.

Sterlite Industries (India) Limited

Non-Convertible Debentures
Sterlite had US$69.2 million of Indian rupee non-convertible debentures in issue with various institutions at 31 March 2004. The debentures are repayable from April 2004 to April 2013 with interest rates varying from 7% to 13.25% These debentures are secured upon Sterlite's immoveable property at Lonavala, Tuticorin, Gujarat and Chinchpada.

Floating Rate Loan Note
At 31 March 2004, Sterlite had a floating rate loan note of US$89.7 million. Interest currently accrues at 7.68% after taking into account currency and interest rate swaps. The loan is guaranteed by ICICI Bank, which has a first charge on all immovable assets at Tuticorin and Chinchpada. This loan was repaid in June 2004 at which time it was rated into a loan maturing in 2008.

Foreign Currency Loans
Sterlite had foreign currency loans with various banks amounting to US$114.6 million as at 31 March 2004. The loans mature between October 2005 and September 2008 and bear effective interest rates (after taking account of currency swaps, where applicable) of between 1.85% and 6.8% per annum. Of these, loans amounting to US$89.5 million are secured by a first charge on all the assets of Tuticorin and Silvassa sites, with loans amounting to US$25.1 million being unsecured.

Foreign Currency Redeemable Convertible Bonds
In October 2003, Sterlite issued 50,000 1% US$1,000 redeemable convertible bonds which are redeemable at a premium of US$180 per bond on 27 October 2008. These bonds can be converted into ordinary shares of Sterlite at a conversion price of INR550 per share, subject to adjustment on the occurrence of certain dilutive effects, and a fixed exchange rate, which equates to 82.4 ordinary shares in Sterlite per bond held. The bonds became convertible on 4 December 2003 and can be converted at any time before 27 September 2008. At 31 March 2004, 500 of these bonds had been converted into ordinary shares in Sterlite, leaving a carrying value of US$49.5 million.

Working Capital Loans
Sterlite has US$17.8 million of Indian rupee working capital loans with various banks. The loans bear interest at rates between 3.5% and 4.0% per annum and are secured by a charge over Sterlite's stocks and trade debtors, with a second charge on the immovable assets.

Short Term Loan
Sterlite has a short term unsecured Indian rupee loan of US$5.8 million at an interest rate of 5.75%.

Notes to the Financial Statements *continued*

20. Provisions for Liabilities and Charges

	Pension and similar obligations US$ million	Deferred taxation US$ million	Restoration, rehabilitation and environmental US$ million	Other US$ million	Total US$ million
Balance at 1 April 2003	**8.7**	**105.4**	**8.7**	**21.2**	**144.0**
Charged/(credited) to profit and loss	3.9	7.2	(0.4)	1.4	12.1
Amounts applied	(8.6)	–	(0.2)	–	(8.8)
Foreign exchange differences	0.6	10.6	2.2	2.2	15.6
Balance at 31 March 2004	**4.6**	**123.2**	**10.3**	**24.8**	**162.9**

(a) Pensions
Details of pension provisions are provided in note 29.

(b) Deferred Taxation
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, net of losses carried forward by MALCO and CMT. No benefit has been recognised for excess losses of CMT, TCM and IFL on the grounds that their successful application against future profits is not probable in the foreseeable future.

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

Provided – Liabilities/(Assets)

	31 March 2004 US$ million	31 March 2003 US$ million
Accelerated capital allowances	145.9	130.7
Unutilised tax losses	(26.7)	(25.3)
Other timing differences	4.0	–
	123.2	**105.4**

Not Provided – Liabilities/(Assets)

	31 March 2004 US$ million	31 March 2003 US$ million
Accelerated capital allowances	3.3	–
Unutilised tax losses	(4.1)	(4.7)
Other timing differences	(0.1)	(0.5)
	0.9	**(5.2)**

(c) Restoration, Rehabilitation and Environmental
The provisions for restoration, rehabilitation and environmental liabilities represent management's best estimate of the costs which will be incurred in the future to meet the Group's obligations under existing Indian and Australian law and the terms of the Group's mining and other licences and contractual arrangements.

(d) Other
Other provisions represent management's best estimate of the costs which may be incurred in the future to settle certain legal and tax claims outstanding against the Group, primarily in India.

Notes to the Financial Statements *continued*

21. Equity Minority Interests

	US$ million
Balance at 1 April 2003	**405.2**
Profit and loss for the period	90.8
Reduction in minority interests due to increase in interest in subsidiary shareholding:	
– HZL (note 26a)	(82.4)
– Sterlite (note 26b)	(15.9)
Foreign exchange differences	39.4
Balance at 31 March 2004	**437.1**

22. Called up Equity Share Capital

	31 March 2004		31 March 2003	
	Number of shares	Value of shares US$ million	Number of shares	Value of shares US$ million
Authorised				
Ordinary shares of 10 US cents each	400,000,000	40.0	–	–
Deferred shares of £1 each	50,000	0.1	–	–
	400,050,000	**40.1**	**–**	**–**
Called up and fully paid				
Ordinary shares of 10 US cents each	286,388,000	28.6	–	
Deferred shares of £1 each	12,500	–	–	
	286,400,500	**28.6**	**–**	**–**
Shares to be issued				
Ordinary shares of 10 US cents each	388,000	–	–	–
	388,000	**–**	**–**	**–**

At general meetings each member present or by proxy has one vote on a show of hands, and on a poll every member who is present in person or by proxy has one vote for every Ordinary Share.

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.

Initial Public Offering

On Listing, 156,000,000 Ordinary Shares in the Company were issued to Volcan in exchange for its investment in the Twin Star Holdings Group (as defined in note 1), and 130,000,000 Ordinary Shares were issued to public shareholders at £3.90.

The Reward Plan

On 26 February 2004, awards of 776,000 Ordinary Shares were granted to 43 employees pursuant to the Reward Plan. The exercise price of these awards was 10 US cents per share. The first tranche of awards vested immediately, and upon exercise, 388,000 Ordinary Shares were issued and credited as fully paid on 31 March 2004.

The second tranche of awards vests on 26 February 2005. The shares to which the second tranche of awards relate are classified as shares to be issued.

The full cost of the Reward Plan was US$5.0 million and has been recorded in the current year profit and loss account. Further details of the Reward Plan are found on page 36 in the Remuneration Report.

Notes to the Financial Statements *continued*

22. Called up Equity Share Capital *continued*

LTIP

Awards under the LTIP were granted on 26 February 2004. The exercise price of the awards is 10 US cents per share and the performance period of each award is three years, 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 page 36.

Year of grant	Exercise date	Exercise price US cents per share	Options outstanding 1 April 2003	Options granted during the year	Options exercised in year	Options lapsed in year	Options outstanding 31 March 2004
2004	26 February 2007 to 26 August 2007	10	–	1,633,500	–	–	1,633,500

23. Consolidated Reconciliation of Movement in Equity Shareholders' Funds

	Share capital US$ million	Share premium account US$ million	Merger reserve US$ million	Other reserves US$ million	Profit and loss account US$ million	Total US$ million
Equity shareholders' funds at 1 April 2003	**–**	**–**	**–**	**37.9**	**67.1**	**105.0**
Retained profit for the year	–	–	–	–	50.8	50.8
Gain on reduction of minority interest due to increase in interest in subsidiary shareholding	–	–	–	–	13.0	13.0
Repayment of share application funds in SOVL pending allotment (see below)	–	–	–	(26.2)	–	(26.2)
Shares issued to Volcan (see below)	15.6	–	4.4	–	(20.0)	–
Shares issued to public shareholders	13.0	863.7	–	–	–	876.7
Share issue costs (see below)	–	(51.4)	–	–	–	(51.4)
Transfer due to capital reduction (see below)	–	(793.7)	–	–	793.7	–
Shares issued/to be issued under Reward Plan (note 22)	–	–	–	–	5.0	5.0
Net transfer of current year profits to general reserve (see below)	–	–	–	(6.0)	6.0	–
Foreign exchange differences	–	–	–	2.6	10.6	13.2
Equity shareholders' funds at 31 March 2004	**28.6**	**18.6**	**4.4**	**8.3**	**926.2**	**986.1**

During the year, the Company repaid share application funds of US$26.2 million that were pending allotment in SOVL, a subsidiary company. See note 30 for further details.

The investment in Twin Star had a carrying value of US$20.0 million in the accounts of Volcan. As the Company was not incorporated as at 31 March 2003, and the comparatives are prepared on a pro-forma basis (as disclosed in note 1), the issued share capital and share premium account of Twin Star have been included in the profit and loss account reserves as at 31 March 2003. As required by the Companies Act 1985, Section 132, upon issue of 156,000,000 Ordinary Shares to Volcan, Twin Star's issued share capital and share premium account have been eliminated and a merger reserve of US$4.4 million arose, being the difference between the carrying value of the investment in Twin Star in Volcan's accounts and the nominal value of the shares issued to Volcan.

As required by the Companies Act and FRS 4 "Capital Instruments", the Company wrote off US$51.4 million of costs incurred as a direct result of the Company's Listing.

Being a newly incorporated company, Vedanta had no distributable reserves. On 10 December 2003, the High Court in London sanctioned a capital reduction, under which the share premium account was reduced by US$793.7 million in order to create distributable reserves.

Notes to the Financial Statements *continued*

23. Consolidated Reconciliation of Movement in Equity Shareholders' Funds *continued*

As at 31 March 2004, other reserves comprise the general reserves established in the statutory accounts of the Group's Indian subsidiaries. Under Indian law, a general reserve is created through a year on year transfer from the profit and loss account. The amount transferred is 5% of the profits for the year for each Indian company as stated in Indian GAAP. The purpose of these transfers is to ensure that distributions in a year are less than the total distributable results for that year. This general reserve becomes fully distributable in future periods.

24. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 US$ million
Operating profit	237.1	114.6
Depreciation	71.8	59.2
Goodwill amortisation	0.5	0.4
(Increase)/decrease in stocks	(16.1)	19.2
Increase in debtors	(77.2)	(47.5)
Increase in creditors	263.1	93.8
Increase in other long term creditors	(6.6)	1.8
Other non cash items	23.7	(8.0)
Net cash inflow from operating activities	**496.3**	**233.5**

Net cash inflow from operating activities is stated after cash outflows relating to operating exceptional items of US$13.3 million in the year ended 31 March 2004 and US$41.4 million in the year ended 31 March 2003.

Included in the other non-cash items for the year ended 31 March 2004 is the US$5.0 million cost of the share Reward Plan. The remainder of this movement relates to non-cash working capital movements.

25. Analysis of Net Cash/(Debt)

	At April 1 2003 US$ million	Cash flow US$ million	Other non-cash changes US$ million	Foreign exchange differences US$ million	At 31 March 2004 US$ million
Cash at bank and in hand	65.2	(16.0)	–	3.5	52.7
Debt due within one year	(220.3)	(141.7)	88.1	(21.4)	(295.3)
Debt due after one year	(257.7)	(120.8)	(88.1)	(57.0)	(523.6)
	(412.8)	**(278.5)**	**–**	**(74.9)**	**(766.2)**
Current asset investments	81.7	1,065.0	–	41.8	1,188.5
Net (Debt)/Cash	**(331.1)**	**786.5**	**–**	**(33.1)**	**422.3**

26. Acquisitions

(a) Hindustan Zinc Limited
On 12 November 2003 SOVL completed the acquisition of an additional 18.92% of the ordinary share capital of HZL by exercising a call option available under the original share purchase agreement. Following this transaction, SOVL's holding in HZL increased to 64.9% giving the Group an effective holding of 42.7% at 31 March 2004. The consideration for this transaction was US$70.5 million, and resulted in a reduction in Group minority interests of US$82.4 million (see note 21).

(b) Sterlite Employee's Welfare Trust
On 2 January 2004 the Group purchased 4.98% of Sterlite's issued share capital from the SEWT for a cash consideration of US$58.0 million, being the open market price at that date. However, as this acquisition is an intra-group transaction, this cash consideration eliminates on consolidation and is thus not included as an acquisition cash flow in the Consolidated Cash Flow Statement. Following this acquisition the Group's effective holding in Sterlite increased to 65.8%.

This acquisition led to a reduction in Group minority interests of US$15.9 million (see note 21). There was no cash effect on the Group as the SEWT is consolidated as a quasi-subsidiary.

(c) Transaction with Sterlite Optical Technologies Limited
During the year ended 31 March 2004 the Group paid deferred consideration of US$10.6 million to SOTL relating to the acquisition of 20% of SOVL from SOTL in January 2003.

Notes to the Financial Statements *continued*

27. Operating Lease Commitments

The Group does not have any material operating lease commitments.

28. Financial Instruments

The Group's accounting policies with regard to financial instruments are detailed in note 2. The Group does not trade in financial instruments. As permitted by FRS 13 "Derivatives and Other Financial Instruments: Disclosure", short term debtors and creditors have been excluded from the disclosures, other than the currency disclosures.

Derivatives, Financial Instruments and Risk Management

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

Foreign Exchange Risk

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

Interest Rate Risk

The short term debt of the Group is principally denominated in Indian rupees with fixed rates of interest. While no significant interest rate risk arises on this portion of the debt the Group utilises interest rate swap products to optimise the interest liability. On foreign currency denominated debt the Group has a policy of selectively using interest rate swap and option contracts to hedge its exposure to interest rate movements. Most of the foreign currency debt is on floating rates of interest linked to six-month US dollar LIBOR. These exposures are reviewed by appropriate levels of management on a monthly basis.

Counterparty and Concentration of Credit Risk

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

Commodity Price Risk

Aluminium

The raw material is mined in India with sales in the domestic market being linked to the average LME price prior to the month of despatch. Currently no hedging is undertaken in this commodity.

Copper

A large portion of the copper turnover benefits from a natural hedge created by matching quotational periods for concentrate purchases with the timing of finished metal sales. The balance, the "free metal" (being the difference between payable metal and the recovery) and the precious metal content are hedged through forward sales or options.

Presently, approximately 13,000 tonnes of copper is considered as iron stock and no hedging is undertaken. Depending on opportunities offered by the market, put/call options are taken against free metal available.

Zinc

The raw material is mined in India with sales in the domestic market being linked to the average LME price for the fortnight prior to the fortnight of despatch. Currently no hedging is undertaken in this commodity.

Notes to the Financial Statements *continued*

28. Financial Instruments *continued*

(a) Interest Rate and Currency Profile

	Total US$ million	Floating rate financial assets US$ million	Fixed rate financial assets US$ million	Equity investments US$ million	Non-interest bearing assets US$ million	Fixed rate financial assets: Weighted average interest rate %	Fixed rate financial assets: Weighted average period for which the rate is fixed (years)
At 31 March 2003							
INR	167.9	53.9	81.7	22.4	9.9	8.0	0.4
US$	–	–	–	–	–	–	–
Australian $	1.6	–	–	–	1.6	–	–
Gross financial assets	**169.5**	**53.9**	**81.7**	**22.4**	**11.5**		
At 31 March 2004							
INR	486.1	248.7	209.8	27.5	–	5.8	0.8
GBP	256.8	256.8	–	–	–	–	–
US$	520.1	520.1	–	–	–	–	–
Australian $	5.7	5.7	–	–	–	–	–
Gross financial assets	**1,268.7**	**1,031.3**	**209.8**	**27.5**	**–**		

At 31 March 2004 financial assets include US$2.9 million (2003: US$6.4 million), of cash held in short term deposit accounts that is restricted in use, as it relates to unclaimed deposits, dividends, interest on debentures, share application monies or monies held by the SEWT.

Financial assets at 31 March 2004 exclude US$9.0 million relating to shares held in Sterlite by the SEWT (2003: US$7.6 million – see note 14b).

	Total US$ million	Floating rate financial liabilities US$ million	Fixed rate financial liabilities US$ million	Non-interest bearing financial liabilities US$ million	Fixed rate financial liabilities: Weighted average interest rate %	Fixed rate financial liabilities: Weighted average period for which the rate is fixed (years)	Non-interest bearing financial liabilities: Weighted average period until maturity (years)
At 31 March 2003							
INR	514.3	150.6	355.8	7.9	9.1	1.2	8.6
US$	49.1	49.1	–	–	–	–	–
Australian $	8.1	7.9	–	0.2	–	–	12.7
Gross financial liabilities	**571.5**	**207.6**	**355.8**	**8.1**			
At 31 March 2004							
INR	411.4	30.5	369.1	11.8	7.9	3.0	4.0
US$	664.9	615.2	49.7	–	1.0	4.6	–
Japanese Yen	36.6	36.6	–	–	–	–	–
Australian $	1.4	–	–	1.4	–	–	1.0
Gross financial liabilities	**1,114.3**	**682.3**	**418.8**	**13.2**			

Notes to the Financial Statements *continued*

28. Financial Instruments *continued*

(b) Fair Value of Financial Assets and Liabilities

Primary financial instruments held or issued to finance the Group's operations.

	Estimated fair value US$ million	Carrying value US$ million
At 31 March 2003		
Cash at bank and in hand	65.2	65.2
Current asset investments	81.7	81.7
Long term investments	22.6	22.6
Gross financial assets	**169.5**	**169.5**
Short term borrowings	220.3	220.3
Bank loans	208.1	208.1
Other loans	49.6	49.6
Bills payable	93.5	93.5
Gross financial liabilities	**571.5**	**571.5**
At 31 March 2004		
Cash at bank and in hand	52.7	52.7
Current asset investments	1,188.5	1,188.5
Long term investments	28.0	27.5
Gross financial assets	**1,269.2**	**1,268.7**
Short term borrowings	295.3	295.3
Bank loans	486.6	484.9
Other loans	38.9	38.7
Bills payable	295.4	295.4
Gross financial liabilities	**1,116.2**	**1,114.3**

Derivative financial instruments relate to interest rate swaps and financial contracts and have a carrying value of nil. For the year ended 31 March 2004 the fair values of financial assets and liabilities have been calculated by discounting anticipated future returns and payments at an appropriate discount rate.

(c) Undrawn Borrowing Facilities

The Group has various borrowing facilities available to it. The undrawn committed facilities available at 31 March 2004 were as follows:

	31 March 2004 US$ million
Expiry date:	
One to two years	41.6
More than two years	132.0
	173.6

Notes to the Financial Statements *continued*

28. Financial Instruments *continued*

(d) Net Foreign Currency Monetary Assets and Liabilities

The main currencies of the Group include the US dollar, UK pounds sterling, Indian rupee and Australian dollar. The analysis of the net monetary assets and liabilities indicates the Group's exposures in various operating companies that are denominated in currencies other than the functional currency of the Company. These exposures represent the transactional exposures that may give rise to net currency gains and losses recognised in the profit and loss account. These exposures are net of the forward contracts and derivative products used to manage currency exposures.

	Net foreign currency monetary assets/(liabilities)					
At 31 March 2003	US$ US$ million	GBP US$ million	INR US$ million	EUR US$ million	A$ US$ million	Total US$ million
Financial currency of entity						
US$	N/A	–	–	–	–	–
GBP	–	N/A	–	–	–	–
INR	(49.1)	–	N/A	–	–	(49.1)
EUR	–	–	–	N/A	–	–
Australian $	–	–	–	–	N/A	–
Total	**(49.1)**	**–**	**–**	**–**	**–**	**(49.1)**

	Net foreign currency monetary assets/(liabilities)					
At 31 March 2004	US$ US$ million	GBP US$ million	INR US$ million	EUR US$ million	A$ US$ million	Total US$ million
Financial currency of entity						
US$	N/A	257.1	–	–	–	257.1
GBP	–	N/A	–	–	–	–
INR	(317.0)	–	N/A	–	–	(317.0)
EUR	–	–	–	N/A	–	–
Australian $	–	–	–	–	N/A	–
Total	**(317.0)**	**257.1**	**–**	**–**	**–**	**(59.9)**

(e) Hedging

As described in note 2, the Group's policy is to hedge the following exposures:

- interest rate exposures by using interest rate swaps; and
- structural and transactional currency exposures, and currency exposures on future expected sales by using currency swaps and forward foreign currency contracts.

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. The carrying value of financial derivatives are thus held on the Financial Statements at their original cost of nil.

	Gains US$ million	Losses US$ million	Net gain/ (loss) US$ million
Unrecognised gains/(losses) on hedges at 1 April 2003	**1.0**	**(8.0)**	**(7.0)**
Less: Gains/(losses) arising in previous years that were recognised in 2003-04	(0.3)	2.6	2.3
Add: Gains/(losses) arising in 2003-04 that were not recognised during the year	1.4	(31.0)	(29.6)
Unrecognised gains/(losses) on hedges at 31 March 2004	**2.1**	**(36.4)**	**(34.3)**
Of which:			
Gains/(losses) expected to be recognised during the year 2004-05	1.1	(14.6)	(13.5)
Gains/(losses) expected to be recognised after 2005	1.0	(21.8)	(20.8)

Notes to the Financial Statements *continued*

29. Pensions

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

(a) Defined Contribution 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, 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 throughout India, is applicable only to senior executives. Each relevant company holds a policy with the Life Insurance Corporation of India ("LIC"), to which each company contributes a fixed amount relating to superannuation, and the pension annuity is met by LIC as required, taking into consideration the number of years of service of the executive, and the contributions made. Accordingly, this scheme has been accounted for on a defined contribution basis and contributions are charged directly to the profit and loss account.

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. This must be provided for every permanent employee on the payroll.

At the age of 60 (the statutory retirement age for all non-professional employees), contributions cease and the individual receives a monthly payment based on the level of contribution 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, and thus the Group has no additional liability beyond the contributions that it makes, regardless of whether the central fund is in surplus or deficit.

It is not possible to assess the Group's own level of assets or liabilities within the fund as it is effectively a multi-employer scheme. On this basis it is accounted for as a defined contribution scheme. No information regarding the overall level of surplus or deficit in the fund is publicly available.

Australian Pension Schemes
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 at least 9% of the employee's gross remuneration into the employee's fund of choice and the employee has the option to make additional voluntary contributions.

(b) Defined Benefit Schemes
The defined benefit schemes operate in India.

Gratuity
Gratuity is a defined benefit scheme which is open to all Group employees in India who have a minimum of five years of service with their employing company. This scheme is funded by the Group, either through cash contributions or provisions each year, based on actuarial valuations. Under this scheme, benefits are provided based on final pensionable pay.

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

(c) Pension Schemes existing within Group Companies

Sterlite
Sterlite holds a policy with the LIC under which the company contributes a pre-determined premium, such that the LIC will meet the payments, when required, to the individual employee concerned in accordance with an actuarial valuation. In this situation, the exposure is limited to the amount of the contribution each year and is not affected by valuation deficits. The insurance is pooled with other employers and it is therefore not possible to assess the Group's own level of assets or liabilities within the scheme. Accordingly, with respect to Sterlite, the scheme has been accounted for on a defined contribution basis and contributions are charged directly to the profit and loss account.

Notes to the Financial Statements *continued*

29. Pensions *continued*

(c) Pension Schemes existing within Group Companies *continued*

MALCO

MALCO does not contribute to the LIC. MALCO's Gratuity scheme is therefore accounted for on a defined benefit basis. The latest actuarial valuation was performed as at 31 March 2004 using the projected unit actuarial method. At that date the fund was in deficit. The main assumptions used in the actuarial valuation were a discount rate of 8% per annum and an annual salary increase of 5%.

BALCO

At BALCO, all employees who are scheduled to retire on or before 31 March 2005 are covered by the LIC and therefore their remaining contributions are accounted for on a defined contribution basis. However, the scheme is accounted for as a defined benefit scheme for all employees scheduled to retire after 31 March 2005, who are not covered by the LIC. The latest actuarial valuation was performed as at 31 March 2004 using the projected unit actuarial method. At that date the fund was in deficit. The main assumptions used in the actuarial valuation were a discount rate of 7.5% per annum and an annual salary increase of 5%.

HZL

HZL contributes to the LIC but the policy does not cover the full deficit of the Gratuity scheme. HZL's Gratuity scheme is therefore accounted for on a defined benefit basis. The latest actuarial valuation was performed as at 31 March 2004 using the projected unit actuarial method. At that date the fund was in deficit. The main assumptions used in the actuarial valuation were a discount rate of 7.5% per annum and an annual salary increase of 4.5%.

As at 31 March 2004 membership across MALCO, BALCO and HZL stood at 10,735 employees (31 March 2003: 11,943). The deficits and other aspects of these schemes are disclosed in further detail in notes (d) and (e) below.

(d) SSAP 24 – Accounting for Pension Costs

The Group accounts for pension costs in accordance with "Statement of Standard Accounting Practice 24 – Accounting for Pension Costs".

The retirement benefit charge for the year was as follows:

	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 US$ million
Defined contribution pension schemes	4.2	5.6
Defined benefit pension schemes	3.9	5.6
	8.1	**11.2**

There were no outstanding or prepaid contributions for either the defined contribution or the defined benefit schemes as at 31 March 2004 or 31 March 2003.

The latest full actuarial valuations of the Gratuity schemes for MALCO, BALCO and HZL as at 31 March 2004, were carried out by R. Krishnawamy, Watson Wyatt India Pvt Ltd and Charan Gupta Consultants Pvt Ltd, consulting actuaries to MALCO, BALCO and HZL, respectively.

The results of these valuations have been used as the basis for assessing pension costs for the two years ended 31 March 2004.

(e) FRS 17 – Retirement Benefits – Transitional Disclosures

The results for the year ended 31 March 2004 continue to include a pension charge calculated under the principles of SSAP 24. Transitional arrangements for the adoption of FRS 17 require the disclosures set out below. The disclosures relate to the second year of the transitional provisions. The United Kingdom Accounting Standards Board has deferred the date for full adoption of FRS 17.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuations of the MALCO, BALCO and HZL Gratuity schemes. Scheme assets are stated at their market value as at the relevant period end date.

Notes to the Financial Statements *continued*

29. Pensions *continued*

(e) FRS 17 – Retirement Benefits – Transitional Disclosures *continued*

The other pension schemes have been treated as defined contribution schemes for FRS 17 disclosure purposes. The principal financial assumptions used to calculate the Gratuity schemes' liabilities under FRS 17 are set out below:

	MALCO			BALCO			HZL	
	31 March 2002 %	31 March 2003 %	31 March 2004 %	31 March 2002 %	31 March 2003 %	31 March 2004 %	31 March 2003 %	31 March 2004 %
Discount rate	8.0	8.0	8.0	10.5	8.0	7.5	8.5	7.5
Salary increases	5.0	5.0	5.0	5% for office staff, 2% for non office	5% for office staff, 3% for non office	5% for office staff, 3% for non office	5.0	4.5
Number of employees	958	861	845	6,538	5,069	3,944	6,013	5,946

FRS 17 balance sheet disclosures	MALCO Fair value US$ million	BALCO Fair value US$ million	HZL Rate of return	HZL Fair value US$ million	Group Total Rate of return	Group Total Fair value US$ million
At 31 March 2002						
Present value of pension scheme liabilities	(1.1)	(11.5)		–		(12.6)
Deficit in pension scheme	**(1.1)**	**(11.5)**		**–**		**(12.6)**
Deferred tax	0.4	4.2		–		4.6
Net pension liability	**(0.7)**	**(7.3)**		**–**		**(8.0)**
At 31 March 2003						
LIC funding	–	–	7.4%	4.8	7.4%	4.8
Fair value of pension scheme assets	–	–		4.8		4.8
Present value of pension scheme liabilities	(1.1)	(10.3)		(9.6)		(21.0)
Deficit in pension scheme	**(1.1)**	**(10.3)**		**(4.8)**		**(16.2)**
Deferred tax	0.4	3.7		1.7		5.8
Net pension liability	**(0.7)**	**(6.6)**		**(3.1)**		**(10.4)**
At 31 March 2004						
LIC funding			8.4%	10.7	8.4%	10.7
Fair value of pension scheme assets	–	–		10.7		10.7
Present value of pension scheme liabilities	(1.2)	(8.3)		(12.2)		(21.7)
Deficit in pension scheme	**(1.2)**	**(8.3)**		**(1.5)**		**(11.0)**
Deferred tax	0.4	3.0		0.5		3.9
Net pension liability	**(0.8)**	**(5.3)**		**(1.0)**		**(7.1)**

Notes to the Financial Statements *continued*

29. Pensions *continued*

(e) FRS 17 – Retirement Benefits – Transitional Disclosures *continued*

FRS17 Profit and Loss Account Disclosure

Had the Group adopted FRS 17 early, amounts included in the Consolidated Profit and Loss Account for the years ended 31 March 2004 and 31 March 2003 in respect of defined benefit pension plans would have been as follows:

	31 March 2004				31 March 2003			
	MALCO US$ million	BALCO US$ million	HZL US$ million	Total US$ million	MALCO US$ million	BALCO US$ million	HZL US$ million	Total US$ million
Analysis of the amount charged to operating profit:								
Current service cost	0.2	0.5	0.6	1.3	–	0.4	0.5	0.9
Previously unrecognised surplus deducted from past service costs	–	–	0.6	0.6	–	–	–	–
Cost of settlements	–	2.2	–	2.2	–	–	–	–
Total operating charge	**0.2**	**2.7**	**1.2**	**4.1**	**–**	**0.4**	**0.5**	**0.9**
Analysis of the amount charged to other finance income:								
Expected return on scheme assets	–	–	(0.4)	(0.4)	–	–	(0.4)	(0.4)
Interest cost of scheme liabilities	0.1	0.6	0.7	1.4	0.1	0.9	1.0	2.0
Net charge to other finance income	**0.1**	**0.6**	**0.3**	**1.0**	**0.1**	**0.9**	**0.6**	**1.6**
Total charge to profit and loss account	**0.3**	**3.3**	**1.5**	**5.1**	**0.1**	**1.3**	**1.1**	**2.5**

Statement of Total Recognised Gains and Losses Disclosure

Had the Group adopted FRS 17 early, amounts included in the Statement of Total Recognised Gains and Losses ("STRGL") for the years ended 31 March 2004 and 31 March 2003 would have been as follows:

	31 March 2004				31 March 2003			
	MALCO US$ million	BALCO US$ million	HZL US$ million	Total US$ million	MALCO US$ million	BALCO US$ million	HZL US$ million	Total US$ million
Experience losses arising on scheme liabilities	–	(0.6)	(0.8)	(1.4)	–	(1.3)	(5.2)	(6.5)
Percentage of the present value of the scheme liabilities	–	7.2%	6.8%	–	–	12.6%	53.5%	–
Effects of changes in assumptions underlying the scheme liabilities	–	(0.4)	(0.4)	(0.8)	–	(2.2)	(1.1)	(3.3)
Total actuarial losses recognised in the STRGL	**–**	**(1.0)**	**(1.2)**	**(2.2)**	**–**	**(3.5)**	**(6.3)**	**(9.8)**
Percentage of the present value of the scheme liabilities	–	12.0%	9.7%	–	–	34.1%	65.0%	–

Notes to the Financial Statements *continued*

29. Pensions *continued*

(e) FRS 17 – Retirement Benefits – Transitional Disclosures *continued*

FRS 17 Liability Disclosure

The movement during the year ended 31 March 2004 in the FRS 17 pension liability (before allowance for deferred tax) shown above can be analysed as follows:

	31 March 2004				31 March 2003			
	MALCO US$ million	BALCO US$ million	HZL US$ million	Total US$ million	MALCO US$ million	BALCO US$ million	HZL US$ million	Total US$ million
Balance at start of year	**(1.1)**	**(10.3)**	**(4.8)**	**(16.2)**	**(1.1)**	**(11.5)**	**–**	**(12.6)**
At acquisition	–	–	–	–	–	–	(7.0)	(7.0)
Current service cost	(0.2)	(0.5)	(0.6)	(1.3)	–	(0.4)	(0.5)	(0.9)
Previously unrecognised surplus deducted from past service costs	–	–	(0.6)	(0.6)				
Settlement costs	–	(2.2)	–	(2.2)	–	–	–	–
Gratuity benefits paid	0.2	7.1	6.4	13.7	0.2	6.2	9.6	16.0
Net finance costs	(0.1)	(0.6)	(0.3)	(1.0)	(0.1)	(0.9)	(0.6)	(1.6)
Actuarial losses	–	(1.0)	(1.2)	(2.2)	–	(3.5)	(6.3)	(9.8)
Foreign exchange differences	–	(0.8)	(0.4)	(1.2)	(0.1)	(0.2)	–	(0.3)
Balance at end of year	**(1.2)**	**(8.3)**	**(1.5)**	**(11.0)**	**(1.1)**	**(10.3)**	**(4.8)**	**(16.2)**

Had the Group adopted FRS 17 early, the consolidated profit and loss reserve would have been restated as follows:

	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 US$ million	Year ended 31 March 2002 US$ million
Profit and loss reserve at year end in the financial statements	**926.2**	**67.1**	**32.7**
Less: FRS 17 balances			
Deficit in pension scheme	(11.0)	(16.2)	(12.6)
add: attributable deferred tax	3.9	5.8	4.6
Add: SSAP 24 balances			
Pension provision	4.6	8.7	11.0
less: attributable deferred tax	(1.6)	(3.1)	(4.0)
Profit and loss reserve as adjusted	**922.1**	**62.3**	**31.7**

30. Related Party Transactions

The following are significant related party transactions entered into during the two years ended 31 March 2004:

(a) Transactions with Senior Management and their Connected Persons

During the year ended 31 March 2004, the full repayment of a rental deposit of US$30,000 was received from the wife of Mr CV Krishnan, a former director of HZL and Sterlite.

"Other debtors" in note 16 at 31 March 2004 and 2003 include a housing loan of US$0.3 million receivable from the wife of Mr Tarun Jain, a director of HZL, BALCO and MALCO and a member of the Company's Executive Committee. Mrs Jain will repay US$150,000 of the housing loan by 31 March 2005, with the balance being repaid by 30 September 2005. Such housing loans are provided to members of senior management in accordance with local market practice.

Group owned or leased residential buildings are made available to certain members of management as part of their remuneration packages in line with prevailing market practice. Deductions are typically made from individuals' salaries to cover the cost of such accommodation. A residence is also made available to the Chief Executive for his frequent business trips to India.

Until 9 December 2003, the Group paid approximately £65,000 per month (US$0.1 million) to Hill Street Services Company Limited for use of office facilities at 44 Hill Street, London as well as the reimbursement of expenses relating to the London office costs. 44 Hill Street is owned by Dino Trading and Investment Corporation, which is controlled by relatives of Mr Navin Agarwal, a member of the Company's Executive Committee and a director of Sterlite, BALCO and HZL.

Notes to the Financial Statements *continued*

30. Related Party Transactions *continued*

(b) Corporate Related Party Transactions

The table below sets out transactions and balances between the Group and various related parties during the two years ended 31 March 2004. These related parties are IFL, SOTL, Sterlite Gold Limited, Sterlite Telelink Limited and Volcan which are related by virtue of having the same controlling party as the Group.

The tables below sets out transactions with related parties that occurred in the normal course of trading.

SOTL

	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 US$ million
Sales to SOTL	–	0.4
Re-imbursement of seconded staff salaries	0.6	–
Profit and loss impact (before tax)	**0.6**	**0.4**
Amounts receivable at year end	**1.7**	**0.4**

Volcan

Amounts receivable at year end	**0.6**	**–**

IFL

Sales to IFL	12.8	0.4
Re-imbursement of seconded staff salaries	0.1	–
Net interest received	0.1	–
Profit and loss impact (before tax)	**13.0**	**0.4**
Amounts receivable at year end	**1.9**	**5.8**

In the year ended 31 March 2004, IFL issued preference shares to the value of US$6.3 million to Sterlite (US$5.5 million) and MALCO (US$0.8 million) for non-cash consolidation in full settlement of its liabilities to these companies.

Loans Receivable

During the year ended 31 March 2004 the Group held two loans receivable from related parties. Both were repaid in full during the year. The details of these loans are as follows:

- Brockway Inc.
  The Group held a loan due from Brockway Inc., a related party controlled by relatives of Mr Navin Agarwal. The loan bore interest at LIBOR plus 100 basis points. The loan was for US$1.5 million and was repaid in full in October 2003.

- Ararat Gold Recovery Company Limited
  During the year ended 31 March 2004, the Group held a loan due from Ararat Gold Recovery Company Limited of US$0.6 million. Ararat Gold Recovery Company Limited is a related party by virtue of being controlled by the same ultimate parent company as the Company. This loan was repaid in full in October 2003.

Loans payable – Oasis International Trading Corporation

During the two years ended 31 March 2004, the Group held a loan payable to Oasis International Trading Corporation, a related party controlled by relatives of Mr Navin Agarwal. The loan bore interest at 3.5% until 1 April 2003 when the interest rate changed to LIBOR. The balance outstanding at 31 March 2004 was US$2.6 million (31 March 2003: US $9.7 million).

Transactions with Volcan

- MALCO
  In relation to the distraint on shares of Sterlite held by Twin Star, MALCO issued guarantees to the Income Tax Department of India at the request of Volcan. The cost of bank charges borne by MALCO in respect of issuing these guarantees is to be reimbursed by Volcan and is included in "Other debtors" in note 16 at 31 March 2004. The total amount paid by MALCO in respect of these costs was US$0.5 million. Volcan will reimburse MALCO's costs by 30 June 2004. Interest at LIBOR has been applied on this balance.

Notes to the Financial Statements *continued*

30. Related Party Transactions *continued*

(b) Corporate Related Party Transactions *continued*

- Twin Star

  During the year ended 31 March 2004, the Group paid fees amounting to US$268,539 to Blake, Cassels & Graydon LLP, a Canadian firm of lawyers, in respect of corporate finance and legal advice provided to the Company. US$42,900 of these fees related to the de-merger of Twin Star International Limited from Twin Star, and are regarded as having been incurred on behalf of Volcan.

  As at 31 March 2004 the US$42,900 of fees were included within "Amounts due from related parties" in note 16. Payment in full was received from Volcan on 5 April 2004. No interest has been applied on this balance given the short time period between the date when the fees were remitted to Blake, Cassels and Graydon LLP, and the date of receipt from Volcan.

Transactions with SOTL

During the year ended 31 March 2004, the Group paid deferred consideration of US$10.6 million to SOTL, relating to the acquisition of 20% of SOVL from SOTL in January 2003. As a result of this acquisition, share application funds pending allotment of US$26.2 million in SOVL were returned to SOTL.

Also during the year, the Group purchased an electricity generator from SOTL for US$1.8 million. US$0.4 million of this had been advanced in the year ended 31 March 2003, with the balance of US$1.4 million being paid during the year ended 31 March 2004.

SOTL is a related party by virtue of being controlled by the same ultimate parent company as Vedanta.

Political and Public Awareness Trust

During the year, the Group contributed US$1.2 million to the Political and Public Awareness Trust. This Trust makes contributions to political parties and related causes. The Trust is a related party as it is controlled by members of the Agarwal family.

Sterlite Foundation

During the year, US$0.3 million was paid by BALCO and HZL to the Sterlite Foundation. The Sterlite Foundation is a registered not-for-profit entity engaged in computer education and other related social and charitable activities. The major activity of the Sterlite Foundation is providing computer education for disadvantaged students. The Foundation is a related party as it is controlled by members of the Agarwal family.

31. Commitments and Guarantees

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

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

The principal capital commitments of the Group were as follows:

	31 March 2004 US$ million	31 March 2003 US$ million
Contracted but not provided	958.7	103.6

The commitments at 31 March 2004 primarily relate to the expansion projects at HZL (US$215.9 million), BALCO (US$515.8 million) and Vedanta Alumina Limited (US$222.2 million).

In addition, companies within the Group provide guarantees within the normal course of business. Guarantees have also been provided in respect of certain short term and long term borrowings, details of which are provided in note 19.

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

Secured Loans

At 31 March 2004, the Group had US$666.2 million of loans secured upon its assets. See note 19 for further details.

Notes to the Financial Statements *continued*

31. Commitments and Guarantees *continued*

Guarantees to Banks

The Group has given corporate guarantees to certain banks and financial institutions in relation to IFL, an associate of the Group. The value of these guarantees was US$19.6 million at 31 March 2004 against an outstanding balance of US$13.1 million.

32. Contingencies

The Group has the following contingencies. With regard to the claims against Group companies included below, 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

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 Tamil Nadu Electricity Board ("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$72.1 million. The case was heard in November 1999 and the Court found in MALCO's favour. TNEB has appealed the decision and this appeal has not yet been heard.

TNEB is also claiming US$23.6 million from MALCO for an electricity self-generation levy. This claim has arisen since the opening of MALCO's captive power plant in 1999. MALCO has applied for an exemption from the levy and a decision is pending.

In February 1999, MALCO entered into an agreement with TECHMO Car SpA ("TECHMO") to modernise the smelter pot rooms at Mettur Dam. In February 2003, this contract was terminated by TECHMO following disputes over the project. In March 2003, MALCO issued a claim against TECHMO to recover expenditure incurred on the project, citing non-performance by TECHMO. The value of this claim is US$6.3 million. The District Court had ordered TECHMO to provide the full amount of the claim to MALCO as security, which was subsequently stayed by the Madras High Court. MALCO has since filed a petition with the Supreme Court of India.

MALCO has cashed a bank guarantee, provided by TECHMO for the project, amounting to US$0.7 million.

In June 2003, TECHMO moved for arbitration claiming a total of US$2.8 million being the unpaid portion of the contract. Arbitration proceedings under ICC rules are ongoing.

Sterlite Disputed Tax Liability

In December 1999, the Indian tax authorities carried out a search at Sterlite's locations, as well as at the residential premises of its directors and senior officials. Following this search the tax department alleged that, *inter alia*, Sterlite had claimed tax relief for unsupported purchases of fixed assets and required Sterlite to make a return of undisclosed income for the block assessment period from 1 April 1989 to 8 December 1999.

Sterlite made a return and paid US$3.9 million of additional tax in respect of the block assessment period. Based on their findings, the tax authorities then issued a block assessment, claiming total tax of US$6.4 million. Sterlite lodged an appeal against the US$2.5 million additional tax charged by the authorities, but also allocated a tax overpayment against this contested liability pending the appeal. The appeal was decided in Sterlite's favour reducing the tax claim to US$4.1 million, which is covered by the amount previously paid by Sterlite. The appeal ruling stated that there were no unsupported purchases of fixed assets. The tax authorities are expected to initiate a further appeal to the tax tribunal. Sterlite intends to launch an appeal over certain aspects of the ruling in the first appeal. The balance sheet at 31 March 2004 includes a provision of US$1.9 million against this tax overpayment receivable balance.

Excise Duty Disputes – Sterlite, HZL and BALCO

The Indian excise authorities have made claims against Sterlite for additional excise duties on the grounds that they dispute the assessable value of finished goods applied by Sterlite in its returns. The amount of the duties in dispute is US$9.3 million. At 31 March 2004, the balance sheet includes a provision of US$6.6 million in respect of this claim.

The authorities are also claiming additional duties of US$3.1 million from BALCO, the majority of which relates to materials used for the construction of BALCO's cold rolling mill. The balance sheet at 31 March 2004 includes a provision of US$0.5 million in respect of outstanding duties.

Notes to the Financial Statements *continued*

32. Contingencies *continued*

In addition, HZL has received demands for US$8.7 million in relation to excise duties. There is a related provision of US$4.5 million in the balance sheet at 31 March 2004.

All claims are being vigorously contested by management.

Central Bank of India Claim – BALCO
The Central Bank of India is claiming US$2.2 million from BALCO in relation to its Bidhanbagh unit. This claim relates to loan facilities provided between 1974 and 1978 to Aluminium Corporation of India Limited (now part of BALCO). The BALCO management continues to contest the claim.

HZL Sales Tax Declaration Forms
In order to benefit from a refund rate of sales tax (4% instead of 12%) on zinc product sales, certain States require the completion of specific documentation. At 31 March 2004, documentation relating to claims for benefits of US$4.0 million had not been submitted. The balance sheet at 31 March 2004 includes a provision of US$1.4 million against benefits which would be lost if appropriate documents cannot be filed.

HZL Sales Tax Demands
HZL has received demands for US$1.9 million of additional sales taxes relating primarily to the transfer of goods to sales offices. HZL is appealing against the demand and expects to pay US$0.2 million of additional tax. A provision for this amount is included in the balance sheet at 31 March 2004.

Chanderiya Lead and Zinc Smelter Claim – HZL
Prior to privatisation, HZL purchased land adjacent to the Chanderiya site in order to facilitate the expansion of operations. The land was purchased by the Government at the open market price. Subsequently the previous owner has issued a claim against HZL stating that the consideration was below the fair value. There is no reliable estimate of the potential liability. The HZL management believe that the claim is unlikely to succeed.

33. Share transactions

Call and Put Options – HZL
With effect from 11 April 2007, SOVL has the right to purchase all of the Government's remaining shares in HZL at fair market value.

If the Government's holding in HZL is greater than 26% at 11 October 2004, it has the right to exercise a put option requiring SOVL to buy sufficient shares to reduce the Government's holding to 26%. The exercise price will be the higher of the open market price and INR 40.50 per share. The option is open for the six months from 11 October 2004 to 10 April 2005. As at 31 March 2004, the Government's holding in HZL was 35.1%.

Call Option – BALCO
Sterlite purchased a 51% holding in BALCO from the Government on 2 March 2001. Under the terms of this purchase agreement for BALCO, Sterlite has a call option that allows it to purchase any remaining Government holding in BALCO at any point from 2 March 2004. The purchase price per share under this option would be the higher of fair market value and INR 49.01 (plus 14% interest per annum).

HZL Share Allotment from Open Offer
SOVL purchased its initial holding in HZL in two stages, 26% in April 2002 and a further 20% under an open offer in June 2002. Under Securities Exchange Board of India rules, where an open offer is used, a SEBI approved bank must be responsible for the allotment of shares to ensure that the smaller shareholders are protected.

It has been deemed by SEBI that the allotment by SOVL and SBI Capital (SOVL's bankers) was not equitable in nature and SEBI are to rule on the issue.

RBI Approval Relating to Non-resident Indians – SOVL
Under Indian law, non-resident Indians ("NRI's") must apply to SEBI to sell any shares. During the acquisition of HZL in 2002, SOVL entered a combined application for NRI's. The approval of nine shareholders' applications was delayed resulting in payments not being made within the 30 day limit.

SEBI is claiming interest totalling US$0.1 million as a result of the delay but management believe this will fail as the delay was not attributable to SOVL, since the application was made on behalf of others and no financial gain was made, as the monies were held in escrow. The matter is awaiting hearing by the Securities Appellate Tribunal.

As at 31 March 2004, and at the date of this report, 9,512,801 shares (being 2.2% of HZL's issued share capital) out of the 274,315,331 shares held in HZL by SOVL, are held in an escrow account pending completion of formalities with SEBI.

Notes to the Financial Statements *continued*

33. Share Transactions *continued*

Convertible Debt – IFL

IFL has a loan of US$22.6 million with ICICI Bank. ICICI has an option to convert this debt to equity shares at par value at any time up to maturity of the loan in 2012. If this option is exercised, MALCO's holding in IFL will reduce from 38.8% to 8.7%.

34. Subsequent Events

Purchase of 2.4% of Sterlite from the SEWT

On 2 April 2004, the Group purchased an additional 2.4% (being 1,695,794 shares) of Sterlite's issued share capital from the SEWT at an open market price of US$21.4 million. This acquisition increased the Group's effective holding in Sterlite to 68.1%.

Sterlite rights issue

In December 2003, Sterlite initiated a rights issue, which was fully underwritten by the Group. In June 2004, Sterlite obtained SEBI approval for a three-for-ten rights issue which has been altered to a one-for-two, and re-submitted for approval. Completion of the issue is expected in the second half of 2004, with expected proceeds of US$440 million, net of all costs.

BALCO dispute with National Thermal Power Corporation ("NTPC")

Subsequent to 31 March 2004, BALCO has been in dispute with NTPC over the rates at which water and coal are being supplied to the BALCO captive power plant (which BALCO took over from NTPC). One of the key points in the dispute is the assertion of non co-operation by NTPC, which has prevented BALCO from setting up its own coal handling and water pipeline facilities.

The matter was taken to arbitration, where BALCO was successful. However, NTPC appealed to the High Court in Delhi, where NTPC gained an interim order raising the coal and water pipeline charges by around ten times the original level. BALCO is appealing this ruling and the hearing is expected in July 2004.

35. Company Fixed Asset Investments

	US$ million
Cost	
At incorporation	–
Additions	15.6
Net book value	
At 31 March 2004	**15.6**
At incorporation	–

At 31 March 2004, the Company held 10,000 shares in VRHL, being 100% of VRHL's issued equity share capital. The Company also held one deferred share in VRHL.

36. Company Debtors

	31 March 2004 US$ million
Loan to subsidiary undertaking	66.0
Deferred tax asset	0.7
Other debtors	0.1
Prepayments and accrued income	0.3
	67.1

At 31 March 2004, Vedanta had a loan due from Twin Star of US$66.0 million. The loan bears interest at LIBOR plus 50 basis points. Included in the loan balance is accrued interest of US$0.3 million.

Notes to the Financial Statements *continued*

37. Company Current Asset Investments

	31 March 2004 US$ million
Bank term deposits	153.3
Short term unit trusts and liquidity funds	590.1
	743.4

38. Company Creditors: Amounts Falling due Within One Year

	31 March 2004 US$ million
Trade creditors	0.4
Corporation tax payable	3.8
Other taxes payable	0.5
Accruals and deferred income	1.4
Proposed dividend to shareholders	15.8
	21.9

39. Company Reconciliation of Movement in Equity Shareholders' Funds

	Share capital US$ million	Share premium account US$ million	Profit and loss account US$ million	Total US$ million
Equity shareholders' funds at incorporation on 22 April 2003	–	–	–	–
Profit for the year	–	–	7.1	7.1
Proposed final dividend	–	–	(15.8)	(15.8)
Shares issued to Volcan	15.6	–	–	15.6
Shares issued to public shareholders	13.0	863.7	–	876.7
Share issue costs	–	(51.4)	–	(51.4)
Transfer due to capital reduction	–	(793.7)	793.7	–
Shares issued/to be issued under Reward Plan (note 22)	–	–	5.0	5.0
Equity shareholders' funds at 31 March 2004	**28.6**	**18.6**	**790.0**	**837.2**

Notes to the Financial Statements *continued*

40. Principal Subsidiaries

The consolidated Financial Statements comprise the financial statements of the following subsidiaries. Details of the Group's associate are provided in note 14(a).

Subsidiaries	Principal activities	The Company's effective percentage holding 31 March 2003	31 March 2004	Country of incorporation	Immediate holding company
Bharat Aluminium Company Limited ("BALCO")	Aluminium mining	31.0%	33.6%	India	Sterlite
Copper Mines of Tasmania Pty Limited ("CMT")	Copper mining	60.8%	65.8%	Australia	MCBV
Hindustan Zinc Limited ("HZL")	Zinc mining and smelting	28.0%	42.7%	India	SOVL
Madras Aluminium Company Limited ("MALCO")	Aluminium mining and smelting	80.0%	80.0%	India	Twin Star
Monte Cello BV ("MCBV")	Holding company	60.8%	65.8%	Netherlands	Sterlite
Monte Cello Corporation NV ("MCNV")	Holding company	100.0%	100.0%	Netherlands Antilles	Twin Star
Sterlite Employee Welfare Trust ("SEWT")*	Employee Trust	60.8%	65.8%	India	Sterlite
Sterlite Industries (India) Limited ("Sterlite")	Copper smelting	60.8%	65.8%	India	Twin Star
Sterlite Opportunities and Ventures Limited ("SOVL")	Holding company	60.8%	65.8%	India	Sterlite
Sterlite Paper Limited ("SPL")	Non-trading	60.8%	65.8%	India	Sterlite
Thalanga Copper Mines Pty Limited ("TCM")	Copper mining	60.8%	65.8%	Australia	MCBV
Twin Star Holdings Limited ("TSHL")	Holding company	100.0%	100.0%	Mauritius	VRHL
Vedanta Alumina Limited (formerly Sterlite Transmissions Ltd) ("VAL")	Alumina mining and smelting	60.8%	65.8%	India	Sterlite
Vedanta Resources Holdings Limited ("VRHL")	Holding company	100.0%	100.0%	UK	VR plc

*Quasi-subsidiary

The following subsidiaries of the Group are listed on stock exchanges in India as follows:

Subsidiaries	Stock Exchanges
MALCO	Bombay and Madras
Sterlite	Bombay, Calcutta, Ahmedabad, Delhi and National
HZL	Bombay, Delhi and Jaipur

41. Ultimate Controlling Party

At 31 March 2004, the ultimate controlling party of the Group was Volcan, which is controlled by persons related to the Chief Executive, Mr Anil Agarwal. The company, which is incorporated in the Bahamas, does not produce group accounts.

Production and Reserves Summary

Copper Production Summary

Facility	Product	31 March 2004 MT	31 March 2003 MT
Tuticorin	Copper anode	175,242	158,400
	Sulphuric acid	541,721	482,100
	Phosphoric acid	117,614	109,400
Silvassa	Copper cathode	178,654	155,700
	Copper rods	122,713	95,100

Copper Mining Summary

		Ore Mined		Copper Concentrate		Copper in Concentrate	
Mine	Type of Mine	31 March 2004 MT	31 March 2003 MT	31 March 2004 MT	31 March 2003 MT	31 March 2004 MT	31 March 2003 MT
Mt Lyell	Underground	2,674,946	2,717,100	97,007	102,500	28,334	30,400
Highway Reward	Underground	792,568	195,000	103,345	30,600	27,211	8,400

Copper Mines Resource and Reserves Summary

	Resources[1]				Reserves	
Mine	Measured and Indicated million MT	Copper grade %	Inferred million MT	Copper grade %	Proved and Probable Reserves million MT	Copper grade %
Mt Lyell	23.1	1.38	11.7	1.31	4.3	1.35
Highway Reward	1.2	5.16	0.1	3.70	0.1	4.82

Aluminium Production Summary

Company	31 March 2004 MT	31 March 2003 MT
BALCO	96,829	96,000
MALCO	32,226	31,000

Bauxite Production Summary

Company	Type of Mine	31 March 2004 MT	31 March 2003 MT
BALCO	Opencut	517,322	558,000
MALCO	Opencut	272,000	238,000

Bauxite Mines Resource and Reserves Summary

Aluminium Mines

	Resources[1]				Reserves	
BALCO	Measured and Indicated million MT	Aluminium Oxide %	Inferred million MT	Aluminium Oxide %	Proved and Probable Reserves million MT	Aluminium Oxide %
Mainpat	–	–	5.0	48.0	6.6	48.0
Bodai - Daldali	–	–	2.0	48.0	7.1	48.0
Pandrapat	–	–	8.0	48.0	–	–
Jamirapat	–	–	15.7	51.0	–	–
Total BALCO	**–**	**–**	**30.7**	**49.0**	**13.7**	**48.0**
MALCO						
Yercaud	–	–	–	–	0.8	42.0
Kolli Hills	0.8	44.0	1.3	44.0	0.9	44.0
Poondi	–	–	1.6	44.0	–	–
Total MALCO	**0.8**	**44.0**	**2.9**	**44.0**	**1.6**	**43.0**
Total Aluminium	**0.8**	**44.0**	**33.6**	**49.1**	**15.3**	**47.5**

[1] Resources are additional to the reserves

Production and Reserves Summary *continued*

Zinc and Lead Smelter Production Summary

Metal	31 March 2004 MT	31 March 2003 MT
Zinc	220,664	207,100
Lead	24,941	33,800

Zinc and Lead Concentrate Production Summary

		Ore Production		Zinc Concentrate		Lead Concentrate	
Zinc Mines	Type of Mine	31 March 2004 MT	31 March 2003 MT	31 March 2004 MT	31 March 2003 MT	31 March 2004 MT	31 March 2003 MT
Rampura Agucha	Opencut	2,200,025	1,774,000	509,780	379,200	40,643	28,900
Rajpura Dariba	Underground	593,038	508,000	54,036	55,500	10,061	9,400
Zawar	Underground	851,100	748,000	51,122	51,200	23,612	17,500
Total Zinc		**3,444,163**	**3,030,000**	**614,938**	**485,900**	**74,316**	**55,800**

Zinc and Lead Resource and Reserves Summary

	Resources[1]						Reserves		
	Measured and Indicated million MT	Zinc Grade %	Lead Grade %	Inferred million MT	Zinc Grade %	Lead Grade %	Proved and Probable Reserves million MT	Zinc Grade %	Lead Grade %
Rampura Agucha	6.2	14.1	2.4	15.1	13.0	2.2	40.1	13.0	2.0
Rajpura Dariba	17.4	7.7	2.9	7.8	5.2	1.8	6.4	6.4	1.6
Zawar	28.1	4.9	2.0	12.3	4.4	2.6	7.6	3.7	2.0
Total Zinc	**51.7**	**7.0**	**2.4**	**35.2**	**8.3**	**2.3**	**54.1**	**10.9**	**1.9**

[1] Resources are additional to the reserves

Source of Information

The resources and reserves information for the year ended 31 March 2003 has been extracted from the Company's Listing Particulars without material change. The information for the year ended 31 March 2004 has been derived from 2003 information as adjusted for subsequent production during the year.

Basis of Preparation

Ore reserves and mineral resources reported herein comply with the "Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves". This Code is subtitled "Report of 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". The edition of the JORC Code in force as at the date of this Annual Report is dated September 1999. The JORC Code recognises a fundamental distinction between resources and reserves.

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. No allowances are included for dilution and losses during mining, but the reporting of resource estimates carries the implication that there are reasonable prospects for eventual economic exploitation. Resources may therefore be viewed as the estimation stage prior to the application of more stringent economic criteria for reserve definition, such as a rigorously defined cut-off grade and mine design outlines, along with allowances for dilution and losses during mining.

Ore reserves, as defined by the JORC Code, are designated as proved and probable, and are derived from the corresponding measured and indicated resource estimates by including allowances for dilution and losses during mining. It is an explicitly stated further requirement that other modifying economic, mining, metallurgical, marketing, legal, environmental, social and governmental factors must also be taken into account.

References to resources and reserves are to total resources and reserves respectively. Total resources and reserves means that part of the resource and reserve from a mine in which subsidiaries of the Group have an economic interest. The Group does not wholly own certain of its subsidiaries and therefore total resources and total reserves include resources and reserves attributable to third party interests in controlled subsidiaries.

References to production are to total production. Total production means that part of production at mines and operations in which subsidiaries of the Group have an economic interest. The Group does not wholly own certain of its subsidiaries and therefore total production includes production attributable to third party interests in controlled subsidiaries.

Four Year Summary

Summary profit and loss account

	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 (reclassified) US$ million	Year ended 31 March 2002 US$ million	Year ended 31 March 2001 US$ million
Group turnover	1,289.5	963.1	601.3	481.6
Group EBITDA	322.7	224.3	109.7	104.7
Depreciation	(71.8)	(59.2)	(46.1)	(29.5)
Goodwill amortisation	(0.5)	(0.4)	(0.4)	(0.4)
Exceptional items	(13.3)	(50.1)	(5.0)	–
Group operating profit	**237.1**	**114.6**	**58.2**	**74.8**
Share of (loss)/profit in associate	(1.2)	(0.5)	0.3	1.5
Non-operating exceptional items	(1.2)	(0.7)	–	11.1
Profit before interest	**234.7**	**113.4**	**58.5**	**87.4**
Net interest	(1.3)	(35.0)	(35.3)	(37.2)
Profit before taxation	**233.4**	**78.4**	**23.2**	**50.2**
Taxation	(76.0)	(20.5)	(6.7)	(15.2)
Profit after taxation	**157.4**	**57.9**	**16.5**	**35.0**
Equity minority interests	(90.8)	(33.4)	(15.3)	(13.0)
Profit attributable to shareholders	**66.6**	**24.5**	**1.2**	**22.0**
Dividends	(15.8)	–	–	–
Retained profit	**50.8**	**24.5**	**1.2**	**22.0**
Basic earnings per share (US cents/share)				
Profit for the financial year	23.3	8.6	0.4	7.7
Underlying Profit for the financial year	24.5	11.9	2.2	3.9
Dividend per share (US cents/share)	5.5	–	–	–

The financial information for the years ended 31 March 2003, 2002 and 2001 has been derived from the Listing Particulars without material change.

Four Year Summary *continued*

Summary balance sheet

	31 March 2004 US$ million	31 March 2003 US$ million	31 March 2002 US$ million	31 March 2001 US$ million
Goodwill	3.6	3.7	4.0	7.2
Tangible fixed assets	1,268.4	889.1	599.4	628.1
Fixed asset investments/associate	39.2	30.4	17.0	10.0
Total fixed assets	**1,311.2**	**923.2**	**620.4**	**645.3**
Stocks	199.9	170.1	96.6	123.0
Debtors	245.5	173.5	85.6	105.7
Cash and current asset investments	1,241.2	146.9	108.0	116.4
Total current assets	**1,686.6**	**490.5**	**290.2**	**345.1**
Short term borrowings	(295.3)	(220.3)	(161.1)	(158.7)
Other current liabilities	(586.5)	(277.8)	(122.9)	(161.1)
Total current liabilities	**(881.8)**	**(498.1)**	**(284.0)**	**(319.8)**
Net current assets/(liabilities)	**804.8**	**(7.6)**	**6.2**	**25.3**
Total assets less current liabilities	**2,116.0**	**915.6**	**626.6**	**670.6**
Long term borrowings	(523.6)	(257.7)	(177.8)	(218.7)
Other long term liabilities	(6.3)	(3.7)	(1.8)	(3.0)
Provisions	(162.9)	(144.0)	(120.3)	(116.0)
Total long term liabilities	**(692.8)**	**(405.4)**	**(299.9)**	**(337.7)**
Equity minority interests	(437.1)	(405.2)	(264.7)	(287.8)
Net assets	**986.1**	**105.0**	**62.0**	**45.1**

Four Year Summary *continued*

Turnover	2004 US$ million	2003 (reclassified) US$ million	2002 US$ million	2001 US$ million
Aluminium	223.4	220.7	168.5	50.1
Copper	592.8	406.7	379.0	384.6
Zinc	401.1	291.1	–	–
Other	72.2	44.6	53.8	46.9
Group	**1,289.5**	**963.1**	**601.3**	**481.6**

EBITDA	2004 US$ million	2003 US$ million	2002 US$ million	2001 US$ million
Aluminium	53.6	38.3	10.4	7.0
Copper	94.1	101.0	101.4	100.6
Zinc	179.3	87.1	–	–
Other	(4.3)	(2.1)	(2.1)	(2.9)
Group	**322.7**	**224.3**	**109.7**	**104.7**

EBITDA Margin	2004	2003	2002	2001
Aluminium	24.0%	17.4%	6.2%	14.0%
Copper	15.9%	24.8%	26.8%	26.2%
Zinc	44.7%	29.9%	–	–
Group	**25.0%**	**23.3%**	**18.2%**	**21.7%**

Production	2004 000's MT	2003 000's MT	2002 000's MT	2001 000's MT
Aluminium	129	127	98	116
BALCO	97	96	68	87
MALCO	32	31	30	29
Copper	179	156	114	109
Zinc	221	207	–	–

Cash costs of production	2004 US Cents/lb	2003 US Cents/lb	2002 US Cents/lb	2001 US Cents/lb
Aluminium – BALCO	56.2	56.8	71.5	72.4
Aluminium – MALCO	53.8	48.9	54.8	54.1
Copper	7.8	9.1	10.0	13.0
Zinc	25.9	30.1	38.6	48.6

Capital expenditure	2004 US$ million	2003 US$ million	2002 US$ million	2001 US$ million
Sustaining	64.5	35.7	43.4	31.8
Expansion	284.5	9.8	–	–
Total capital expenditure	**349.0**	**45.5**	**43.4**	**31.8**

Net cash/(debt)	2004 US$ million	2003 US$ million	2002 US$ million	2001 US$ million
Aluminium	(75.8)	(3.2)	(7.0)	(0.4)
Copper	(318.0)	(346.3)	(194.1)	(219.2)
Zinc	43.9	32.7	–	–
Other	772.2	(14.3)	(29.8)	(41.4)
Group	**422.3**	**(331.1)**	**(230.9)**	**(261.0)**

	2004	2003	2002	2001
Gearing	**–**	**39.4%**	**41.7%**	**44.5%**

	2004 US$ million	2003 US$ million	2002 US$ million	2001 US$ million
Group Free Cash Flow	**367.7**	**144.2**	**34.9**	**(32.0)**

	2004 US$ million	2003 US$ million	2002 US$ million	2001 US$ million
Capital Employed	**1,000.9**	**841.3**	**553.5**	**586.4**

	2004	2003	2002	2001
ROCE	**16.8%**	**14.4%**	**8.2%**	**9.1%**

Glossary and Definitions

Aluminium Business
The aluminium businesses of the Group comprising its fully integrated bauxite mining, alumina refining and aluminium smelting in India

AGM
The annual general meeting of the Company which is scheduled to be held on Thursday 29 July 2004 at 12 noon at the City Presentation Centre, 80 Coleman Street, London EC2R 5BJ

BALCO
Bharat Aluminium Company Limited, a company incorporated in India

Board
The board of directors of the Company

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

Capital Employed
Net assets before net cash/(debt) and equity minority interests (see Financial Review)

Capex
Capital expenditure

Copper Business
The copper business of the Group comprising a copper smelter, a refinery and two copper rod plants in India and two copper mines in Australia

Directors
The directors of the Company

EBITDA
Profit before interest, taxation, depreciation, goodwill amortisation and exceptional items (see note 3)

EBITDA Margin
EBITDA as a percentage of turnover

EPS
Earnings per share

Expansion Capital Expenditure
Capital expenditure that increases the Group's operating capacity

Free Cash Flow
Cash flow arising from EBITDA after net interest, taxation, Sustaining Capital Expenditure and working capital movements (see Financial Review)

Executive Directors
The executive directors of the Company

Financial Statements
The audited Financial Statements for the Company and the Group for the year ended 31 March 2004

GAAP
Generally Accepted Accounting Principles

Gearing
Net debt as a percentage of Capital Employed

Government
The Government of the Republic of India

Group
The Company and its subsidiary undertakings and, where appropriate, its associated undertaking

HZL
Hindustan Zinc Limited, a company incorporated in India

IPO
Initial Public Offering

LIBOR
London Inter Bank Offered Rate

Listing
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.

LME
London Metal Exchange

London Stock Exchange
London Stock Exchange plc

LTIP
The Vedanta Resources Long Term Incentive Plan

MALCO
Madras Aluminium Company Limited, a company incorporated in India

MIBOR
Mumbai Inter Bank Offered Rate

MT
Metric tonnes

MW
Megawatts of electrical power

Non-executive Directors
The non-executive directors of the Company

Ordinary Shares
Ordinary shares of US$0.10 each in the Company

Return on Capital Employed or ROCE
Profit before interest, taxation, exceptional items, tax effected at the Group's effective tax rate as a percentage of Capital Employed

Reward Plan
The Vedanta Resources Share Reward Plan

SEBI
The Securities and Exchange Board of India

SEWT
The Sterlite Employee Welfare Trust, a long term investment plan for Sterlite senior management

SOTL
Sterlite Optical Technologies Limited, a company incorporated in India

SOVL
Sterlite Opportunities and Ventures Limited, a company incorporated in India

Sterlite
Sterlite Industries (India) Limited, a company incorporated in India

Sustaining Capital Expenditure
Capital expenditure to maintain the Group's operating capacity

TC/RC
Treatment charge/refining charge being the terms used to set the smelting and refining costs

tpa
Metric tonnes per annum

Twin Star
Twin Star Holdings Limited, a company incorporated in Mauritius

Twin Star Holdings Group
Twin Star and its subsidiaries and associated undertaking

Underlying Profit
Profit for the year after adding back exceptional items and their resultant tax and minority interest effects

Vedanta or Company
Vedanta Resources plc

Volcan
Volcan Investments Limited, a company incorporated in the Bahamas

Zinc Business
The zinc-lead business of the Group comprising its fully integrated zinc-lead mining and smelting operations in India

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