

1 June 2006

Vedanta Resources plc Preliminary Results for the Year Ended 31 March 2006

Highlights

- **Record Financial Performance**
 - Group Revenue up 96.5% to \$3,702 million and Group EBITDA up 142.6% to \$1,102 million, driven by better prices and strong volume growth
 - Operating profit up 187.7% to \$944 million
 - Strong balance sheet with net assets of \$2.3 billion and gearing of under 1%
 - ROCE (excluding project capital work in progress) significantly higher at 37.9%, up from 32.0%
 - Basic EPS up 108.3% at 130.2 US cents, EPS on the basis of underlying profits up 166.3%
 - Final dividend proposed at 14.3 US cents per share bringing full year dividend to 20.0 US cents
- **Volume Led Growth**
 - Phase 1 expansion projects in copper and zinc completed
 - Korba aluminium smelter production being ramped up progressively
 - Second phase of expansion projects totalling \$3.1 billion announced during the year
 - 50,000 tpa lead plant commissioned making us India's largest primary producer of lead

(in US\$ millions, except as stated)

Consolidated Group Results	FY 2006	FY 2005 (restated) ¹	Change
Revenue	3,701.8	1,884.2	96.5%
EBITDA	1,101.5	454.0	142.6%
EBITDA Margins	29.8%	24.1%	–
Operating Profit	943.8	328.0	187.7%
Attributable Profit	373.5	178.9	108.8%
Basic Earnings per Share (US cents)	130.2	62.5	108.3%
ROCE (excluding project capital work in progress)	37.9%	32.0%	–
Final Dividend (US cents per share)	14.30	11.55	23.8

(1. Restated for the impact of adopting IFRS)

"I am delighted to report spectacular growth in revenues and profits this year, reflecting the strong growth in volumes and favourable commodity prices. I believe we have only just started to realise our full potential. We have a clear strategy for growth and the strength of our pipeline makes us unique in the industry." said Mr. Anil Agarwal, Chairman, Vedanta Resources plc. "We are on track to becoming the only company producing 1mtpa in each of our three metals, as well as achieving cost leadership. We have already announced \$3.1 billion of investments this year and Vedanta is very well positioned to realise further opportunities in India. I am looking forward to another year of continued growth."

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About Vedanta Resources plc

Vedanta Resources plc is a London listed diversified metals and mining group. Its principal operations are located throughout India, with further operations in Zambia and Australia. The major metals produced are aluminium, copper, zinc and lead. For further information, please visit www.vedantaresources.com.

Disclaimer

This press release contains “forward-looking statements” – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “should” or “will.” Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, uncertainties arise from the behaviour of financial and metals markets including the London Metal Exchange, fluctuations in interest and or exchange rates and metal prices; from future integration of acquired businesses; and from numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive or regulatory nature. These uncertainties may cause our actual future results to be materially different that those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements.

Chairman's Statement

Performance in 2006

I am privileged to be writing to you following a year of spectacular growth in your company. Vedanta's market capitalisation now stands at over \$7 billion compared with under \$2 billion at the time of the IPO in December 2003. Total shareholder returns (TSR) during the year ended 31 March 2006 were 204% with the company achieving record EBITDA of over \$1.1 billion. Using the TSR measure, Vedanta's 2006 returns were superior to all diversified mining and metals companies listed on the UK main market.

I firmly believe we are unique due to the strength of our project growth pipeline. In our first phase of growth, the expanded Tuticorin copper smelter, the new zinc smelter at Chanderiya and the new aluminium smelter at Korba have been commissioned with capital costs and time frames ahead of industry norms. The next phase of our growth with investments of over \$3 billion is well under way. These aspects make Vedanta a creator of value and 2006 saw significant new value created.

I also believe that Vedanta's competitive advantage is its relentless focus on improving the efficiency of its operations. Volume growth, productivity gains and other continuous improvement measures will enable us to achieve our vision of being amongst the lowest cost producers.

Demand and Markets

Demand for metals continues to be robust. Primary and secondary metal demand is especially supported by increased activity in the industrial and infrastructure sectors in emerging markets and Asia will clearly be a driver of growth for metals in the short to medium term.

India is an attractive destination for metal producers in terms of being a natural resources hub, setting up capacities at attractive capital costs and providing access to rapidly growing domestic and nearby Asian markets. The Indian Government continues to maintain its policy of growth and liberalisation. The recently announced 2007 Union Budget promises a continuation of policies to grow the economy and encourage inward investment, by increasing budgetary allocations for infrastructure spending specifically in roads, ports, telecommunications and urban infrastructure. We expect these measures to ensure continuing and accelerating Indian demand growth for metals and the Group is well positioned to play a leading part in this growth.

Growth

We continue to remain focused on our vision of becoming a million-tonne-per-annum producer of each of our key metals and remain firmly on track to achieve this. For this next phase of our growth, several major projects with a total investment of \$3.1 billion were announced last year and are now being implemented.

We see a lot of promise in Zambia and believe that the copper industry will remain a major driver of its economy. The copper belt once produced nearly 750,000 tpa of copper but this has since reduced significantly. We foresee that with its rich copper resource, Zambia can regain its position as a major global producer of copper. Vedanta is making a major contribution to the Zambian economy by developing the Konkola deep ore body, one of the richest in the world with over 215 million tonnes of resource at 3.8% grade, an investment of \$400 million. Our investment in Zambia includes a further \$280 million for a smelter expansion project which will increase our total smelting capacity to 400,000 tpa at KCM.

In India, we are investing in a new 170,000 tpa zinc smelter project at Chanderiya and also in the development and construction of India's largest aluminium asset with its associated 1215 Mw captive power plant in Jharsuguda, Orissa. Upon completion, these projects will service the rapidly increasing demand for these metals and strengthen our competitive position in the global Copper, Zinc and Aluminium businesses.

Closely aligned with our expansion plans is our exploration programme focused on delivering adequate resources that meet and sustain our long-term metal production growth. We have put in place a sustainable exploration model by creating scaleable infrastructure and allocating appropriate resources. I believe these measures will yield good results.

These are landmark projects not only for Vedanta but also for the countries in which we operate. In addition to commercial benefits from primary and secondary economic activity, our investments will bring development to several regional communities in India and Zambia on a previously unforeseen scale.

The efficiency, with which our growth projects continue to be delivered at low costs of development, set against the backdrop of rapidly expanding growth in industrial activity and infrastructure investment in India and Asia allows us to benefit independent of the commodity cycle.

One of the most important aspects of growth is the careful management of the Group's finances. We manage our expansion programmes within conservative gearing levels. Our issue of \$725 million in convertible bonds in February 2006 demonstrated our ability to obtain efficient financing that complements our expansion programme and optimises overall financing costs of the business.

Whilst mergers and acquisitions are not the central platform of our growth, we will evaluate inorganic opportunities that create compelling shareholder value. Given our demonstrated strength in the turn around of underperforming assets, we will look at opportunities where we can add substantial value.

Sustainable and Responsible Development

Sustainable development is at the very heart of our business strategy. Whilst we are humbled by the vast impact of our industry towards the basics of life, we also recognise the potential impact upon the environment and on occupational hazards and safety for communities and habitats close to our operations.

Our continued focus on safety has shown improvements, with the safety index (LTIFR) improving by 30% during the year. In spite of these efforts, we experienced some fatalities at our operations during the year. Any loss of life is not tolerable and we have instituted guidelines and procedures to prevent the recurrence of such incidents.

Sustainable development for us also encompasses conservation of natural resources like water, especially in arid regions such as Rajasthan. We have taken the utmost care in all our expansion projects in selecting energy efficient and environmentally friendly technologies.

I am also pleased to report significant extensions in all parts of the company's social, health and safety and environmental activities in Zambia. Our investment in a company-wide community based HIV immunisation programme and our sponsorship of soccer have been both unprecedented and uplifting. In India, our involvement with micro enterprise through the Self Help Groups ("SHG") especially with women at Lanjigarh, Tuticorin and our other locations has been a great success. Over 3,600 women have been trained for micro enterprise management and are a part of over 180 SHGs. These SHGs play an active role in the development of the communities. We continue to support education for children through *Bal Wadis*, supplemented with midday meal schemes and health checkups. In our state-of-the-art hospitals and clinics at our various operating locations and through mobile health camps conducted in the surrounding villages, we provide quality health care to over a quarter of a million people.

With a conducive policy framework in place and a robust implementation and governance structure, we remain committed to raising the quality of life and social well being of all the communities in which we operate.

Board and management

We have a Board that brings together a broad range of backgrounds and experience. Each Board member brings an individual outlook, which has improved our collective decision making process. Given the increased scale of the group's operations, the work of the several Board committees is an enormous task and I wish to thank the chairmen and members of these committees for their contribution in the year. I also remain grateful for the healthy and constructive direction and support the Board continues to provide to our management team.

In addition, specifically, I am pleased that Mr Kuldip Kaura's service contract with the Company which was due to expire on 30 June 2006 has been extended to 31 March 2008.

People

The successes that I have been able to report in this statement are due to the outstanding commitment and contribution of our employees and I wish to thank them on behalf of the entire Board.

We are proud of the knowledge and intellectual capital that our young professional workforce brings to the organisation. The challenging assignments they are given at an early stage in their careers make them highly motivated, committed and enthusiastic. Our hands-on participative style of management continues to strengthen our organisational culture and values through to the grass roots level.

Talent management remains a key driver of performance across Vedanta. Our access to the substantial pool of high quality professional talent, especially in India, enables us to consistently attract world-class professionals. We have created attractive working environments with highly competitive incentives approaches, which ensure that we are amongst the most preferred employers in the regions in which we operate. I am particularly pleased to report that we have recently issued long-term incentive options to a large proportion of our employees re-emphasising a collective commitment to align their interests to the enhancement of shareholder value over the long-term.

Outlook

In the last 24 months Vedanta has built a strong reputation for creating lasting shareholder value underpinned by delivery and growth. Looking ahead, we must progress the next phase of our growth in a responsible manner commensurate with our position as a leading mining and metals company while continuing to generate superior returns for our shareholders. In light of my comments on demand and markets I remain confident that we are well on our way to deliver on this.

Business Review

Group revenue has doubled to \$3,701.8 million and EBITDA at \$1,101.5 million has increased by 142.6% compared with the previous year. Operating profit at \$943.8 million is also higher as compared to \$328.0 million in the previous year. These increases are due to higher volumes from expanded facilities, better prices across all metals and a full year contribution from the operations at KCM. Operating costs are generally in line with our expectations at all businesses except the copper business in Zambia.

EBITDA margin has increased to 29.8% from 24.1% in the previous year mainly due to higher prices and product mix. Underlying profit has increased to US\$ 373.5 million from \$140.1 million and EPS, based on underlying profit, to 130.2 US cents per share from 48.9 US cents per share.

Capital employed has increased by \$529.7 million during the year on account of capitalisation of expansion projects and the consequent increase in working capital. Despite this increase, ROCE (before capital work in progress) increased to 37.9% from 32.0% in the previous year mainly due to improved productivity and higher prices.

Operations

Aluminium

The Aluminium Business comprises two companies, BALCO and MALCO. BALCO is a fully integrated producer with its own bauxite mines, a captive power plant and refining, smelting and fabrication facilities at Korba in the eastern part of India. MALCO is also a fully integrated producer with two bauxite mines, a captive power plant and refining, smelting and fabrication facilities at Mettur in Southern India.

This year was a milestone for our Aluminium business as the BALCO expansion project comprising the new 250,000 tonne aluminium smelter with associated 540 MW captive power plant came on stream. This project was completed in record time from ground breaking in May 2003 to the start of commissioning in May 2005. By March 2006, 216 pots and all four units of the power plant were progressively commissioned. The production of 70,000 tonnes from the new smelter and overall good performance of existing facilities resulted in a higher output of 211,000 tonnes, an increase of 55.1% from the previous year.

The existing plants at BALCO and MALCO have performed well and have operated to full capacity during the year, producing 141,000 tonnes, an increase of 4% compared with the previous year. The new Korba plant has achieved production of 14,000 tonnes in March 2006. However, as a result of power plant tripping due to stormy weather in the 3rd week of May 2006, the pot-line was destabilised. Efforts to stabilise the production from disrupted pots are ongoing. These will be stabilised along with the commissioning of all pots progressively by the second quarter of the current financial year according to our present assessment. As a result of this, the overall production effect is estimated to be a reduction of by 25,000 tonnes. As all the four units of the new power plant ramped up ahead of the smelter we exported surplus power to the local grid during the year and will continue to do so until all of the pots are stabilised.

Despite better capacity utilisation and higher output, the unit costs of BALCO's existing plant rose to \$1,497 per tonne during the current year from \$1,347 per tonne in the previous year on account of increased power costs due to a change in coal mix and higher coal prices coupled with an increase in the input prices of caustic soda, fluoride and carbon, etc impacting the industry. We will continue to debottleneck and further improve output, which will partially mitigate the trend of rising input costs. Unit costs of MALCO have also been affected by similar factors, increasing to \$1,671 per tonne from \$1,466 per tonne.

The unit costs of BALCO's new plant were \$2,045 per tonne. During the year alumina was sourced from third party vendors at an average cost of \$1,160 per tonne of metal produced. Other manufacturing costs were \$885 per tonne. These costs are progressively reducing with the increase in volumes, stabilisation of operating parameters and efficient running of the captive power plant and we expect these to stabilise towards the end of the year. We expect a gradual softening of alumina prices during the year.

We continue to focus on improving the sales mix in terms of a higher tonnage of value added products such as rolled products which rose by 31% during the year to 46,000 tonnes, thereby improving our contribution. We started exporting during this year to countries including in South East Asia and the Middle East. We will continue to develop these and other markets as the production from our new smelter ramps up.

Revenues in the aluminium business increased by 60.8% to \$453.0 million, with EBITDA at \$135.3 million, an increase of 79.0% from the previous year. The increase in revenue and profitability is mainly due to better volumes, improved product mix and higher LME prices which were about 14% higher than that in the previous year. These factors have more than offset the higher alumina prices for the new Korba smelter and other input costs and the reduction in import tariff on aluminium from 10% to 7.5% effective March 2006.

Work on the \$800 million alumina project at Lanjigarh, Orissa is progressing well. This includes a 1-1.4 million tpa alumina refinery with an associated captive power plant and bauxite mines. For the refinery and power plant, the delivery of major equipment, vessels and materials are on schedule, with constructive activities in full swing. We expect the mechanical completion of the refinery and power plant by the end of the second quarter of the current financial year and, thereafter, we plan to start commissioning activities using bauxite sourced from third parties.

In respect of the mine, there have been public interest submissions to the Honourable Supreme Court of India sub-committee regarding certain environmental aspects in 2004. After due process of investigation and deliberation, on 3 February 2006, the Honourable Supreme Court of India has passed an order that the Ministry of Environment & Forests (MOEF) should consider this matter and submit its report to the Forest Advisory Committee. The next hearing is expected to take place in July 2006 and we are hopeful of an early resolution of the matter.

The green-field 500,000 tpa aluminium smelter and associated 1,215 Mw captive power plant in Jharsuguda, Orissa, to be built at an investment of an estimated at \$2.1 billion, have been approved by the Board in December 2005. This project will be implemented in two phases of 250,000 tpa each. Construction of the first phase, including 5 units of the 135 Mw each captive power plant, is expected to be completed in the second half of 2009. The second phase comprising the remaining 4 units of the captive power plant is expected to be completed by the end of 2010. This investment includes the cost of the smelter, associated power facilities and all necessary infrastructures including a railway network, water pipelines and a township for employees. Activities related to the ordering of critical equipment and regulatory clearances has commenced. Design engineering and other pre-construction activities are also in progress.

Copper

The Copper Business consists of three major operations: the Sterlite smelter in India, the CMT copper mine in Australia and the KCM operations in Zambia. Sterlite is the leading copper producer in India. Sterlite's copper operations include a smelter, refinery, phosphoric acid plant, and copper rod plant at Tuticorin in Southern India, a refinery and two copper rod plants at Silvassa in Western India and a copper mine at Tasmania in Australia. KCM is a large integrated copper producer operating three copper mines, a smelter, a refinery and a tailing leach plant in Zambia.

Copper - India/Australia

We completed the expansion of the Tuticorin smelter to 300,000 MT during the year and quickly ramped up the production. From the third quarter onwards the smelter has been operating at its capacity of 75,000 tonnes per quarter. We produced 273,000 tonnes of cathodes, an increase of 58.7% from the previous year. From these, we produced 167,000 tonnes of copper rods, an increase of 33.6% from the previous year. We continue to focus on increasing the production of copper rods which was 61.2% of the total production. As planned, the maintenance shutdown of the Tuticorin smelter for a period of 21 days in April 2006 has been completed and the smelter is back on line.

Despite higher energy prices, unit conversion costs decreased to 6.1 cents/lb from 7.1 cents/lb in the previous year on account of higher volumes, better recovery of metal and improved realisation of by-products.

We exported 165,000 tonnes of copper cathodes and copper rods, 60.4% of production, against 89,000 tonnes in the previous year. Exports included 79,000 tonnes of copper rods against 56,000 tonnes in previous year. The Middle East, China, Japan, Philippines and Thailand are our key export markets and we continue to develop a larger customer base for the export of copper rods.

On the back of strong market conditions, TC/RC realisation increased substantially to 23.1 c/lb, from 8.6 c/lb in the previous year. The effect of stronger TC/RC globally in the first half of the year was felt mainly in the second half. We see a softening of TC/RC terms is likely to be reflected in future settlements. We continue to make good progress in our strategy of securing long term contracts with mines.

Revenues at the Copper-India/Australia business more than doubled to \$1,537.9 million, with EBITDA of \$219.0 million, an increase of 151.7% as compared to the previous year primarily on account of significant increase in the LME copper prices by approximately 37% over the previous year. The increase in EBITDA is attributable mainly to better TC/RC's, improved product mix and a reduction in overall unit costs of production.

While import tariffs on copper were reduced from 10% to 7.5% effective March 2006, the effect is negligible due to a corresponding reduction in import duty on copper concentrate to 2% from 5%. Duty assistance on the export of copper is equivalent to import duty on copper concentrate.

CMT produced 30,000 tonnes of copper in concentrate during the year, an increase of 8.7% over the previous year production due to operational efficiencies and improved grade. Australian mines contributed a total of 34,000 tonnes during the year including marginal production from TCM in the first half of the year which accounted for about 11 % of total concentrate requirements of the Indian copper smelter operations. Operations at TCM were closed and the processing plant was disposal off during the year along with associated liabilities.

Copper - Zambia

Copper cathode production in the year was at 164,000 tonnes, out of which 110,000 tonnes was from the Nkana smelter and the balance of 54,000 tonnes was from the tail leach plant. Mined metal production in the year was 99,000 tonnes. On the back of strong commodity prices, revenues at the Copper-Zambia business were \$703.4 million for the year with EBITDA at \$206.3 million.

Overall production performance at KCM was not up to our expectations largely due to the low head-grade in the ore which has affected concentrate production, lower acid soluble feed the for tail leach plant and lower equipment availability throughout all operations. Mining operations at the open pit were also affected in last quarter of the financial year due to adverse weather conditions.

Unit costs of production (including mining) were at 127.9 cents/lb for the year, compared to 106.2 cents/lb for the 5 months period in the previous year. Apart from lower output, the main factors contributing to the increase in unit costs were the appreciation of about 30% in the Zambian Kwacha, local wage increases and a higher expenditure on plant maintenance, higher crude and sulphuric acid prices.

We have taken steps to reduce operating costs by increasing capacity utilisation and improving the efficiency of existing plants and the new sulphur based acid plant. Better recovery from the smelter and availability of improved grade from the Konkola mine will further help in reducing costs of production and enhancing output. Upgrading of tank houses at the tail leach plant, better slag management, stabilisation of cranes and furnace, and replacement of the CT hood and mouth at the Nkana smelter will enhance the plant availability and output. Similarly for the Konkola and Nchanga mines, we are making efforts to improve the plant availability, de-bottlenecking their capacities and improving the operating parameters to enhance mined metal output.

During the year, we have commissioned the sulphuric acid plant and achieved the rated output. This will increase our captive capacity of acid by 180,000 tonnes per annum which will help in reducing our dependence on acid procurement from external parties at higher prices and thus reduce our overall costs for tailing leach plant production.

The KDMP expansion project will increase the copper ore output from the Konkola mine by 4 million tpa to 6 million tpa at an estimated cost of \$400 million. This project includes the sinking of a new shaft, widening an existing downcast shaft, installing a new headgear, establishing a new pumping station to expand copper ore mining operations and 6 mtpa concentrator. All government approvals for KDMP have been received. The project is due for completion in late 2009 and activities for ordering of major infrastructure contracts have commenced.

After a detailed feasibility analysis, the concept of the augmentation and smelting capacity has been modified to establish a new smelter at the Nchanga mine premises with a capacity of 250,000 tpa. This shift in location will give us an advantage in terms of locational synergies and savings in transportation costs of the acid to the tail leach plant and for concentrate from KDMP. After this, the overall smelting capacity at KCM will increase to 400,000 tpa, which will enable us to treat concentrate from other mines over and above that from our captive mines. The overall project cost of this smelter, including the associated facilities, is now estimated at \$280 million and is expected to be completed by mid 2008. The technology contract has been signed with Outokumpu and further tenders for detailed engineering have been released and the process of short-listing the vendors has started.

Zinc

The Zinc Business is operated by HZL, the third largest integrated producer in the world. HZL's zinc operations include three lead-zinc mining complexes, one lead-zinc smelter and two zinc smelters in the state of Rajasthan in northwest India and one zinc smelter in the state of Andhra Pradesh in southeast India. HZL has a smelting capacity of about 400,000 tpa of zinc metal and 85,000 tpa of lead metal.

The new hydro smelter at Chanderiya and the associated 154 MW coal based captive power plant were commissioned in the year and ramped-up on time and below budget. The new smelter produced 71,000 tonnes of zinc in the year, operating close to its rated capacity in March 2006. The total zinc metal output during the year was 284,000 tonnes, an increase of 34.0% compared with the previous year. We produced 472,000 of tonnes mined metal content, an increase of 33.0% from the previous year, primarily due to increased output from Rampura Agucha mines post-expansion. The Zinc business posted excellent all round results on account of higher volumes from mines and smelters, controlling of costs and high LME prices.

Unit cost of production was at \$691 per tonne, which is marginally lower than the previous year's level of \$695 per tonne. During the year, cost reduction as a result of various positive improvement measures in terms of volumes, productivity, and savings in procurement costs, were offset by higher LME linked royalties impacting costs adversely by \$35 per tonne. With the progressive stabilisation of volumes from the new plant, costs of production improved appreciably towards the last quarter.

We sold 323,000 tonnes of zinc metal in the year, 11.8% more than the prior year, with the additional output coming from tolling activities. We maintained a leadership position in the domestic Indian market which accounted for about 96% of sales, and we exported small quantities to develop the near-by market potential. With double-digit growth in the domestic market, we will continue to sell most of our output domestically. In addition to refined zinc metal, we also sold 195,000 dmt, of surplus zinc concentrate in the year, having zinc metal content of about 100,000 tonnes.

Revenues at the Zinc business rose to \$875.5 million from \$486.4 million, an increase of 80.0% with EBITDA for the year at \$532.9 million, up from \$218.5 million, an increase of 143.9% compared with the previous year. The increase in revenues is due to better metal volumes and increased zinc prices approximately 46% from the previous year. The increase in EBITDA is mainly attributable to better volumes and realisation and partly to a reduction in unit costs of production. The import tariffs on zinc were reduced from 10% to 7.5% effective March 2006 and tariff on lead remains the same at 5%.

A new ausmelt lead smelter was commissioned in early February 2006 and is expected to achieve its rated rate capacity by mid 2006. This has increased capacity from 35,000 tpa to 85,000 tpa of lead metal at the Chanderiya lead zinc smelter.

We announced a second 170,000 tpa smelter to be built at Chanderiya, identical to the hydro smelter recently commissioned at Chanderiya. Activities related to ordering and regulatory clearances have commenced. 60% of ordering and 80% of engineering is now complete and pre-construction activities are in full swing. The smelter and the captive power plant are expected to be commissioned by early 2008.

Others

The Group's other activities include an aluminium conductor business which is a division of Sterlite consisting of two power transmission aluminium conductor plants.

During the year we sold 57,000 tonnes of conductors an increase of 14% from the previous year. Revenues increased to \$132.0 million, an increase of 30.2% from the previous year, mainly due to an increase in aluminium prices. EBITDA increased to \$8.0 million mainly due to increased profitability in the conductor business attributable to increases in aluminium prices and lower costs.

Group Structure

We continue in our endeavours to acquire the outstanding minority stakes in BALCO and KCM. Upon completion of these two transactions, we will have further consolidated our ownership in the aluminium and copper businesses.

People

We have invested in developing our organisation, processes and people to support and sustain a growing business of global size and stature. The Group has an SBU based flat organisation structure to promote empowerment, wider ownership and a higher degrees of commitment and accountability. Our hands-on participative management style and the involvement of top management continue to strengthen our operational architecture and value system down to grass-roots level. A robust performance management system that aligns organisational and individual goals sustains the development of employees and the organisation.

The Group has 23,000 employees, of whom 4,000 are professionals in engineering, business management, HR and finance. It is a core belief for the Group to attract, develop and retain high quality talent to produce top quality results. The Group considers all management positions to be leadership positions where people are expected to make a meaningful contribution in their respective work- areas as well as the organisation as a whole. There is a well-defined process for the career development of employees whereby challenging assignments with commensurate responsibilities are given to deserving employees, even at a young age.

As the Group charts an aggressive and determined course of action to grow rapidly and achieve ambitious targets, each employee's contribution will be a key ingredient for the success of the Group. In this sense, the key to unlocking the phenomenal potential that lies ahead of Vedanta rests with each one of our employees. Group management has a strong belief that the fruits of success must be shared with the employees. Towards this objective we have a unique programme called the Long Term Incentive Plan (LTIP) designed to create wealth for our employees. Under this plan, a large proportion of our employees are covered and they stand to benefit from the superior performance of the Company reflected in higher shareholder return-in comparison with its peers.

Exploration

The clear focus of exploration within the Vedanta Group is to deliver resources which enable Vedanta to meet and sustain its long term metal production growth objectives. The core commodities for exploration are copper, zinc and bauxite. During the year, exploration focused on identifying and delineating near mine resources which have the potential to add significant value to our existing mining operations, whilst also building a portfolio of green-field opportunities particularly in zinc. The most significant success was increasing the resources at depth below the Rampura Agucha zinc deposit in Rajasthan, India. The Group continues to increase the allocation of resources and funds in the field of exploration.

Sustainable Development

We remain committed to managing our businesses in a socially responsible manner. The management of environment, employees, health and safety and community issues, in respect of our operations is central to the success of our businesses. Our commitment to quality, health, education and livelihood opportunities for the communities where we operate has been consistent and progressive.

Awards and Recognition

Our pursuit of excellence in all areas of our business has been widely recognised. We won the 2005 Recognition of Commitment Award from the Institute of Internal Auditors, USA. This award values three attributes, Excellence, Quality and Outreach and recognises our demonstrated strengths and continued focus on assurance practices and process improvements, making us the only manufacturing company out of a total of four companies in India to have ever received this award.

In the areas of HSE, there have been a number of landmarks during the year, including:

- Tuticorin copper smelter received the British Safety Council award for 2005
- Rampura Agucha mine received the National Energy Conservation Award for 2005 in the mining sector from the Ministry of Power, Govt. of India, the first ever given under this category.
- The Confederation of Indian Industries (CII) has awarded the Sterlite copper operations the National Award for Excellence in energy management.
- MALCO received the first place for excellent water efficiency at a national level and third place for leadership and excellence in HSE in Southern India, awarded by CII for year 2005.

Future Outlook

The current growth in the global copper, aluminium and zinc markets is consistent with that in 2005-06 and markets are expected to remain expected to be healthy in the future. Growth in all these metals will primarily be driven by Asia and emerging markets such as China and India. Real Indian GDP has grown at an average rate of 6% p.a. over the last ten years, and is now growing at almost 8%. The Indian Government has continued its focus on investments, job creation, rural development, infrastructure growth, employment, health and education with requisite stress on comprehensive economic reforms. Industrial growth in India has risen by around 10% per annum and similar growth levels are expected to continue. Investments in the power generation and transmission, housing, real estate, automobile and transport sectors are expected to drive future growth for copper, aluminium and zinc into double-digits, thus increasing the per capita consumption of these metals.

In 2006-7 we expect to have higher production from our expanded capacities. Volume growth and productivity and process improvements through the use of modern tools such as six-sigma are expected to continue to improve our cost of production.

Our new projects are also progressing well and we expect will be delivered on schedule, thereby adding to volumes progressively until 2009-10 consistent with growing demand. Once these projects are completed our capacities in copper, aluminium and zinc will be closer to our vision of 1 million tpa in each of these metals. This increase in volumes will ensure growth and relative insulation from changes in commodity cycle.

FINANCE REVIEW

Key financial performance indicators

KPIs	UoM	2005-06	2004-05	2003-04	2002-03
EBITDA	\$ million	1,101.5	454.0	322.7	224.3
Underlying EPS	US cents	130.2	48.9	24.5	11.9
	per share				
Free Cash Flow	\$ million	634.8	204.4	367.7	144.2
ROCE (excluding project capital work in progress)	%	37.9	32.0	24.1	14.6
Net Debt/(Cash)	\$ million	11.9	74.3	(422.3)	331.1

Note: Figures for 2005-06 and 2004-05 are under IFRS and figures for 2003-04 and 2002-03 are under UK GAAP

Key financial highlights

- \$725 million, 20-year convertible bonds issued at a coupon of 4.6%. The issue, the largest of its kind in the UK during the year, extended the maturity profile of Group debt and broadened the Company's investor base.
- Net Debt was reduced to under \$12.0 million and gearing to under 1% even after incremental project capex of \$605.5 million
- Record Free Cash Flow of \$634.8 million due to higher operational earnings sustained by the efficient management of working capital..

Summary of financial performance

Strong contributions from all of our metals resulted in an increase in profit before tax from \$352.1 million (before special items) to \$934.7 million, growth of 165.5%. Similarly, Underlying Earnings Per Share grew to US cents 130.2 up from US cents 48.9, an increase of 166.3%.

Net Debt as at 31 March 2006 was \$11.9 million, down from \$74.3 million as at 31 March 2005 as a result of record Free Cash Flow of \$634.8 million and expansion capex of \$605.5 million. Free Cash Flow in 2005 was \$204.4 million and the increase of over \$430.4 million was due to good operating results and management of working capital balances partially offset by tax.

Our Phase I capital investments of \$2.2 billion are largely complete and at a level below the budgeted amounts. Production has been ramped up at Tuticorin (copper) and Chanderiya I (zinc) and the ramp up of capacity at Korba (aluminium) continues. The refinery project at Orissa is also progressing. \$211.2 million remains committed but as yet unspent on these projects.

Phase II of our expansion programme is now underway with \$3.1 billion of projects announced during the year. A significant proportion of funding for this programme will be from operational cash flows.

A summary of the Group's income statement is set out below:

Summary of income statement	31 March 2006	31 March 2005	% change
	\$ million	\$ million	
EBITDA	1,101.5	454.0	142.6
<i>EBITDA margin %</i>	29.8	24.1	
Operating special items	-	(22.3)	
Depreciation and amortisation	(157.7)	(103.7)	
Operating profit	943.8	328.0	187.7
Share of loss of associate	(1.4)	(5.6)	
Surplus from acquisition	-	56.5	
Profit before interest and tax	942.4	378.9	148.7
Net interest	(7.7)	7.4	
Profit before tax	934.7	386.3	142.0
Income tax expense	(280.4)	(87.0)	
<i>Tax rate %</i>	30.0	22.5	
Minority Interest	(280.8)	(120.4)	
<i>Minority Interest rate %</i>	42.9	40.2	
Attributable to equity shareholders in parent	373.5	178.9	108.8
Basic earnings per share (US cents/share)	130.2	62.5	108.3
Underlying earnings per share (US cents/share)	130.2	48.9	166.3

Note : The results of 31 March 2005 include five months of KCM's post acquisition earnings.

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

Revenue

Vedanta's full year revenue grew by 96.5 % to \$3,701.8 million (2005: \$1,884.2 million) on account of, additional metal produced by all businesses, higher metals prices and the inclusion of KCM's full year revenues. In addition to overall sales volume growth, the proportion of sales made up of value-added products in the Aluminium and Copper businesses was increased as these products command a higher premium.

Revenue by product	31 March 2006 (\$million)	31 March 2005 (\$million)	% change
Aluminium	453.0	281.7	60.8
Copper	2,241.3	1,014.7	120.9
Zinc	875.5	486.4	80.0
Others	132.0	101.4	30.2
Total	3,701.8	1,884.2	96.5

All metals continue to earn a premium over LME in both Indian and international markets and benefit from Indian import tariffs.

The Group is organised into product segments and its production is marketed both domestically and internationally. A large portion of Copper production is sold principally to countries in Asia whereas Aluminium and Zinc are principally sold into the Indian market. Revenues from sales to customers in India was \$1,762.3 million (47.6%), while sales to the rest of Asia were \$1,448.1 million (39.1%) and to Europe were \$353.5 million (9.5%).

EBITDA and Operating Profit

Higher volumes and better prices have led to EBITDA growth of 142.6% to \$1,101.5 million (2005: \$454.0 million). While costs have been contained in our Indian Copper and Zinc businesses, unit costs in Aluminium have increased similar to other major global aluminium producers. Unit costs at our Zambian copper operations increased due to low production levels and certain other external factors described more fully in the business review. Tariff reductions from 10% to 7.5% effective 28th February 2006 and applicable to all our metals other than lead, had only a marginal impact on the results for the financial year.

The EBITDA margin increased to 29.8 % from 24.1% as a result of better prices including improved TC/RCs, a product mix skewed towards the higher margin zinc business and the management of costs in the Indian Copper business and the Zinc business.

EBITDA by product	31 March 2006 (\$million)	31 March 2005 (\$million)	% change
Aluminium	135.3	75.6	79.0
Copper	425.3	163.0	160.9
Zinc	532.9	218.5	143.9
Others	8.0	(3.1)	-
Total	1,101.5	454.0	142.6

The increase in average metal prices achieved plus volume gains, (excluding KCM which was included in the 2004-5 results for 5 months) together contributed \$521.7 million of the \$647.5 million increase.

Sales of surplus zinc concentrate having zinc metal content of about 100,000 tonnes generated EBITDA of \$130.1 million during the year.

On the cost side, significant increases in mining royalties in the Zinc business and the Copper mines in Australia were more than offset by cost savings despite industry-wide inflationary pressures. However the Aluminium business in India experienced a cross-industry surge in energy and other input costs as well as the impact of a start-up phase at the new Korba smelter. The Zambian copper business was adversely affected by the appreciation of the Zambian Kwacha against the US Dollar and higher labour costs.

Group operating profit increased to \$943.8 million up from \$328.0 million, an increase of 187.7%. Depreciation charges increased to \$157.7 million from \$103.7 million reflecting a full year depreciation charge on KCM assets of \$43.3 million (2005: \$24.2 million for five months) and projects commissioned during the year. The operating profit of the previous year included an impairment charge of \$17.8 million for certain non-core assets and restructuring costs of \$4.1 million. Operating profit on a comparable basis rose by \$593.5 million or 169.4%.

Net Finance Costs

Net finance costs were \$7.7 million compared to net finance income of \$7.4 million in the previous year. Commissioning of new capacity borrowing costs which had previously been capitalised are now charged to the income statement. In addition to general interest rate rises, the unwinding of the discount on environmental and other provisions related to the acquisition of KCM in the previous year has contributed to the change in finance costs compared with last year.

Net Finance Costs	31 March 2006 (\$million)	31 March 2005 (\$million)
Interest payable	(124.1)	(60.8)
Unwinding of discount and interest on defined benefit pension arrangements	(11.3)	(1.9)
Interest and other investment income	75.7	45.0
Capitalisation of borrowing costs net of foreign exchange differences and interest income	52.0	25.1
Net interest in income statement	(7.7)	7.4

Taxation

The effective tax rate for the year is 30.0% which is higher than that of the previous year at 26.4% after adjusting for the surplus on the KCM acquisition and 22.5% on an unadjusted basis. The main reason for the higher tax rate is the change in profit mix, a higher tax charge for the copper operations in India where the business moved to a normal tax regime having achieved certain threshold levels of profitability and due to changes in tax laws in some subsidiaries. Of the overall tax charge, current tax has remained relatively constant at just under 20%.

Minority interests

The Group's ownership in subsidiaries has increased to 57.1% from 50.4% in the previous year on a comparable basis (after adjusting for the treatment of the KCM surplus on acquisition in 2005). The full year impact in 2005-06 of increased ownership in Sterlite together with higher profits from companies in which there are lower minority shareholdings have affected the overall minority interest level.

Attributable Profit

Attributable profit for the year was \$373.5 million against \$178.9 million in the previous year, an increase of 108.8%. This has been the result of strong performances across all our businesses. The increase in underlying earnings over the previous year was \$233.4 million, an increase of 166.6% over the previous year. Underlying earnings exclude the effects of special items and their tax and minority impact and we believe it is an important tool to measure the recurring performance of the Group.

Reconciliation to underlying profit	31 March 2006 (\$million)	31 March 2005 (\$million)	% change
Profit for the year attributable to the equity holders of the parent	373.5	178.9	108.8
Special items	-	22.3	
Surplus on acquisition of KCM	-	(56.5)	
Taxation effect	-	(1.6)	
Minority interest impact	-	(3.0)	
Underlying profit for the year	373.5	140.1	166.6
EPS on profit for the year (US cents per share)	130.2	62.5	108.3
EPS on Underlying Profit (US cents per share)	130.2	48.9	166.3

Earnings per share and dividends

EPS for the year increased to US cents 130.2 per ordinary share, a growth of 108.3 % compared with the previous year. EPS on underlying profit rose by 166.3 % over the previous year.

Dilutive elements include adjustments for the convertible bond of 3.1 million shares and 3.6 million shares to be issued under the LTIP. On this basis, the fully diluted EPS increased by 108.5 % compared with the previous year from 61.5 US cents to 128.2 US cents.

In line with the Company's progressive dividend policy, the Board proposes a final dividend of 14.3 US cents per ordinary share for the year 31 March 2006 giving a total dividend for the full year of US cents 20.0 per Ordinary Share. The total dividend is higher by 17.3% than the previous year's dividend of 17.05 US cents per share.

Cash flow

The Group delivered strong Free Cash Flow of \$634.8 million, an increase of \$430.4 million reflecting improved operating cash and working capital management. Cash inflows have been utilised in funding the Group's expansion projects.

Cash flow	31 March 2006 (\$million)	31 March 2005 (\$million)
EBITDA	1,101.5	454.0
Special items	-	(21.9)
Working capital movements	(169.7)	(181.7)
Changes in long term creditors and non-cash items	(17.1)	52.8
Sustaining capital expenditure	(80.6)	(67.1)
Sale of tangible fixed assets	0.7	14.1
Net interest paid	(20.5)	17.2
Dividend received	7.0	2.8
Tax paid	(186.5)	(65.8)
Free Cash Flow	634.8	204.4
Expansion Capital Expenditure	(605.5)	(734.4)
Acquisitions	-	(30.6)
Dividends paid to equity shareholders	(49.4)	(15.8)
Dividends paid to minority shareholders	(8.9)	(7.7)
Foreign exchange	(7.7)	(9.9)
Equity component of convertible loan notes	123.3	-
De-consolidation of SEWT - cash and preference shares	(58.7)	-
Other movements ¹	34.5	97.6
Movement in net(debt)/cash	62.4	(496.6)

¹ Project creditors of \$2.0 million (2005: \$80.5 million) re-classified from working capital movements into other movements shown below Free Cash Flow.

Working capital levels were affected by increased inventories at the Korba smelter and at the expanded copper business at Tuticorin. In addition, higher metal prices and strong fourth quarter sales have led to higher levels of trade receivables.

The cash tax rate has been consistent to last year's levels.

The Group has invested \$80.6 million in Sustaining Capital Expenditure during the year for operational efficiencies and to meet HSE commitments. In addition, full year cash flows have been included for KCM.

Gross debt was \$2,103.6 million as at 31 March 2006, including \$600.4 million in respect of convertible bonds issued during the year. The equity component of the convertible bond of \$123.3 million is recorded as part of equity in the balance sheet. Cash and cash equivalents together with liquid investments were \$2,091.7 million as at 31 March 2006. We continue to remain focused on maintaining a strong balance sheet.

Projects

Total capital expenditure during the year on expansion projects announced at the time of the IPO was \$546.3 million.

Expansion projects - announced in previous years	Original estimated cost (\$million)	Spent to 31 March 2006 (\$million)	Committed but not yet spent (\$million)	Status
Orissa (Alumina)	800.0	417.1	188.1	In progress
Korba Smelter (Aluminium)	550.0	471.5	14.6	In progress
Korba Power Plant (Aluminium)	350.0	289.7	5.6	Completed
Tuticorin (Copper)	87.0	87.0	-	Completed
Chanderiya (Zinc-Lead)	335.0	264.7	2.9	Completed
Rampura Agucha (Zinc- Lead)	90.0	45.2	-	Completed
Total	2,212.0	1,575.2	211.2	

During the year, we have announced four large expansion projects with an estimated capital cost of \$3,080 million. Funds spent on new projects announced during the year totalled to \$48.8 million to March 2006. Commitments on these new projects at 31 March 2006 are \$961.3 million.

Expansion projects - announced during the year	Estimated cost (\$million)	Spent to 31 March 2006 (\$million)	Committed but not yet spent (\$million)
Jharsuguda (Aluminium)	2,100.0	32.1	763.3
Konkola Mine (Copper)	400.0	4.3	62.0
Nchanga Smelter (Copper)	280.0	3.1	46.7
Chanderiya (Zinc)	300.0	9.3	89.3
Total	3,080.0	48.8	961.3

We believe such a strong growth pipeline is unparalleled in our industry.

Acquisitions

We have exercised our right to buy the 49% stake held by Government of India in BALCO. The value of this stake is to be determined by an independent valuer. The independent valuer's report has been submitted to the Government and on 30 March 2006 Sterlite delivered a cheque to the Government for \$246.3 million together with a request for a transfer of shares. This amount is subject to final determination by an arbitrator in respect of the interest included in the consideration. As at the date of this report, the Government had not encashed the cheque. In respect of this, no change in Sterlite's interest in BALCO is reflected in these financial statements.

We have also sent a notice expressing our interest to acquire ZCI's stake of 28.5% in KCM. The process of appointing an independent valuer is underway.

Balance sheet

Shareholders' equity as at 31 March 2006 stood at \$1,417.1 million up from \$1,110.5 million as at 31 March 2005. Minority interests increased to \$921.7 million (2005: \$636.2 million) and Net Debt decreased to \$11.9 million as at 31 March 2006 as compared to \$74.3 million at 31 March 2005. Cash and cash equivalents as at 31 March 2006 was \$2,091.7 million which included \$719.7 million (net of issue cost) raised on the convertible bond issue.

As a result of capital expenditure during the year, capital employed increased by \$529.7 million to \$2,350.7 million. The net book value of the Group's property, plant and equipment increased from \$2,288.6 million at the end of previous year to \$2,763.0 million as at 31 March 2006.

Goodwill which arose as a result of the acquisition of Sterlite is carried in the balance sheet at \$12.1 million. Goodwill has not been impaired during the year.

Working capital increased in absolute terms for the reasons mentioned earlier.

ROCE on an adjusted capital employed basis (capital employed reduced by project capital work-in-progress) rose to 37.9% from 32.0% due principally to higher prices and we expect an increased impact on account of projects delivered during this year 2006-07. ROCE is affected by the timing of expansion projects being delivered during the year as the full benefit of additional capacities is not captured.

Capital Employed/ROCE	31 March 2006 (\$million)	31 March 2005 (\$million)
Equity shareholders' funds (\$ million)	1,417.1	1,110.5
Minority interests	921.7	636.2
Net Debt	11.9	74.3
Capital Employed	2,350.7	1,821.0
ROCE (net of tax) (%)	28.1 %	13.9 %

Adjusted Capital Employed/ROCE	31 March 2006 (\$million)	31 March 2005 (\$million)
Capital Employed	2,350.7	1,821.0
Less : Project capital work in progress	(608.6)	(1,028.9)
Adjusted Capital Employed	1,742.1	792.1
Adjusted ROCE (net of tax) (%)	37.9%	32.0 %

New debt of \$725 million was raised during the year through the issue of convertible bonds at a coupon rate of 4.6 %. The bonds can be converted into one ordinary share each represented by a Depository Receipt (“DRs”). The bond holders earliest redemption option is after seven years. The holders of the DRs will not be entitled to exercise voting rights. The convertible bond has been accounted for in accordance with IFRS whereby the compound instrument has been split into equity and debt portions. The equity component has been valued at \$123.3 million and the balance is treated as debt.

External debt held by subsidiaries was \$905.6 million on 31 March 2006 as compared to \$929.7 million on 31 March 2005. Cash flows generated from operations have been utilised to repay part of the subsidiary debt, particularly in Sterlite and BALCO.

Until 28 March 2006, Sterlite operated the Sterlite Employee Welfare Trust (“SEWT”), a long term investment plan, the activities of which included granting share options in Sterlite to its senior management. The SEWT was previously consolidated into the Group accounts by virtue of its status as an ESOP Trust controlled by the Group.

On 28 March 2006, the Trustees decided to amend the SEWT’s objectives to exclude share option plans for Sterlite employees and to include social and charitable activities.

Vedanta reviewed the treatment of the SEWT under IFRS and concluded that due to the change in its objectives it ceased to represent an ESOP Trust. Moreover, the SEWT is no longer controlled by the Group and therefore does not qualify for consolidation in Vedanta’s Group accounts.

Deconsolidation of the SEWT resulted in a reduction in the Group’s effective shareholding in Sterlite by 2.49% to 75.93%. At 28 March 2006, being the date of deconsolidation, the net assets of the Group were reduced by \$58.7 million. Equity shareholders’ funds reduced by \$88.2 million.

Consolidated income statement

	Note	Year ended 31 March 2006 \$ million	Year ended 31 March 2005 \$ million
Continuing operations			
Revenue	2	3,701.8	1,884.2
Cost of sales		(2,591.4)	(1,415.7)
Gross profit		1,110.4	468.5
Other operating income		41.5	25.9
Distribution costs		(81.1)	(51.5)
Administrative expenses		(127.0)	(92.6)
Administrative expenses – special items	3a	-	(22.3)
Operating profit	2	943.8	328.0
Investment revenue	4	51.6	37.5
Finance costs	5	(59.3)	(30.1)
Share of loss of associate		(1.4)	(5.6)
Special item – surplus on acquisition	3b	-	56.5
Profit before taxation		934.7	386.3
Tax expense	6	(280.4)	(87.0)
Profit for the year		654.3	299.3
Attributable to:			
Equity holders of the parent		373.5	178.9
Minority interests		280.8	120.4
		654.3	299.3
Basic earnings per ordinary share (US Cents)	7	130.2	62.5
Diluted earnings per ordinary share (US Cents)	7	128.2	61.5

Consolidated balance sheet

	Note	As at 31 March 2006 \$ million	As at 31 March 2005 \$ million
ASSETS			
Non-current assets			
Goodwill		12.1	12.2
Property, plant and equipment		2,763.0	2,288.6
Interest in associate		1.8	3.3
Financial asset investments		27.1	24.8
Other non-current assets		27.3	34.6
Other financial assets (derivatives)		63.2	-
Deferred tax asset		71.9	90.0
		2,966.4	2,453.5
Current assets			
Inventories		535.0	337.7
Trade and other receivables		593.0	339.6
Other current financial assets (derivatives)		49.0	-
Liquid investments	10	244.4	262.0
Cash and cash equivalents	10	1,847.3	1,185.6
		3,268.7	2,124.9
TOTAL ASSETS		6,235.1	4,578.4
LIABILITIES			
Current liabilities			
Short term borrowings	9	(239.8)	(194.7)
Convertible loan notes		-	(23.7)
Trade and other payables		(942.5)	(675.0)
Other current financial liabilities (derivatives)		(114.7)	-
Provisions		(12.2)	(37.0)
Current tax liabilities		(34.7)	(15.1)
		(1,343.9)	(945.5)
Net current assets		1,924.8	1,179.4
Non-current liabilities			
Medium and long term borrowings	9	(1,236.0)	(1,303.5)
Convertible loan notes		(600.4)	-
Trade and other payables		(15.6)	(41.2)
Other financial liabilities (derivatives)		(93.4)	-
Deferred tax liabilities		(286.9)	(234.9)
Retirement benefits		(38.2)	(38.6)
Provisions		(222.5)	(208.6)
Non equity minority interests		(59.4)	(59.4)
		(2,552.4)	(1,886.2)
Total liabilities		(3,896.3)	(2,831.7)
Net assets		2,338.8	1,746.7
EQUITY			
Share capital		28.7	28.7
Share premium account		18.6	18.6
Share based payment reserves		4.1	2.5
Convertible bond reserve		123.3	-
Hedging reserves		(29.1)	-
Other reserves		213.1	43.9
Retained earnings		1,058.4	1,016.8
Equity attributable to equity holders of the parent		1,417.1	1,110.5
Minority interests		921.7	636.2
Total equity		2,338.8	1,746.7

The consolidated balance sheet was approved by the Board on 31 May 2006

Consolidated cash flow statement

	Note	Year ended 31 March 2006 \$ million	Year ended 31 March 2005 \$ million
Operating activities			
Profit before taxation		934.7	386.3
Adjustments for:			
Depreciation		157.7	103.7
Investment revenue		(51.6)	(37.5)
Finance costs		59.3	30.1
Other non-cash items		8.5	(27.3)
Other adjustments		1.4	6.1
Operating cash flows before movements in working capital		1,110.0	461.4
Increase in inventories		(190.1)	(61.0)
Increase in receivables		(236.8)	(79.1)
Increase/(decrease) in payables		231.6	(18.1)
Cash generated from operations		914.7	303.2
Dividends received		7.0	2.8
Interest income received		58.5	57.8
Interest paid		(112.1)	(64.1)
Income taxes paid		(186.5)	(65.8)
Dividends paid		(49.4)	(15.8)
Net cash from operating activities		632.2	218.1
Investing activities			
Acquisition of subsidiary		-	(28.3)
Cash acquired with subsidiary		-	41.2
Purchases of property, plant and equipment		(656.2)	(535.3)
Proceeds on disposal of property, plant and equipment		0.7	14.1
Dividends paid to minority interests of subsidiaries		(8.9)	(7.7)
Disposal/(purchase) of liquid investments		12.8	(164.0)
Investment in associate		0.1	(6.2)
Buyback of shares from minority interests of subsidiaries		-	(2.3)
Deconsolidation of cash held by SEWT		(19.5)	-
Net cash used in investing activities		(671.0)	(688.5)
Financing activities			
Issue of ordinary shares		-	0.1
Proceeds from issue of convertible loan notes		719.7	-
Increase/(decrease) in short term borrowings		28.4	(96.6)
(Decrease)/increase in long-term borrowings		(20.9)	607.0
Proceeds from issue of shares to minority interests of subsidiaries		-	1.7
Net cash from financing activities		727.2	512.2
Net increase in cash and cash equivalents		688.4	41.8
Exchange difference		(26.7)	(3.5)
Cash and cash equivalents at beginning of year	10	1,185.6	1,147.3
Cash and cash equivalents at end of year	10	1,847.3	1,185.6

Consolidated statement of changes in equity

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

* Other reserves comprise:

	Currency translation reserve	Merger reserve	Investment revaluation reserve	General reserves	Total
At 1 April 2004	-	4.4	-	8.3	12.7
Exchange differences on translation of foreign operations	13.2	-	-	-	13.2
Transfer from retained earnings	-	-	-	18.0	18.0
At 31 March 2005	13.2	4.4	-	26.3	43.9
Adjustment for adoption of IAS 39**	-	-	0.9	-	0.9
At 1 April 2005	13.2	4.4	0.9	26.3	44.8
Exchange differences on translation of foreign operations	(16.1)	-	-	-	(16.1)
Revaluation of available-for-sale investments	-	-	(0.3)	-	(0.3)
Transfer from retained earnings	-	-	-	184.7	184.7
At 31 March 2006	(2.9)	4.4	0.6	211.0	213.1

** Details of the accounting policy change are provided in note 38.

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

Notes to the financial information

1. General information and accounting policies

For accounting periods beginning on or after 1 April 2005, the Group is required to prepare consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs") in place of United Kingdom Generally Accepted Accounting Principles ("UK GAAP"). For these purposes, IFRSs comprise the Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") that have been endorsed by the European Union by 31 March 2006.

This preliminary results announcement is for the year ended 31 March 2006. The announcement, including all comparatives, has been prepared using the accounting policies consistent with all IFRS Standards and Interpretations which are mandatory for accounting periods beginning on or after 1 April 2005. The following Standards have been adopted early by the Group:

- IFRS 6 'Exploration for and Evaluation of Mineral Resources' is applicable to the Group from 1 April 2006. However, the Group adopted this standard early from 1 April 2004.
- IFRS 2 'Share based payments' has been adopted early by the Group from 1 April 2004, for its grant of equity instruments to its employees.

The accounting policies and methods of computation followed in this announcement are those set out in the news release "Vedanta Resources plc Adoption of International Financial Reporting Standards" published by the Company on 27 September 2005. The news release is published on the Company's website, www.vedantaresources.com, and includes explanations of the significant UK GAAP to IFRS differences and reconciliations for:

- total shareholders' equity as at 1 April 2004 (date of transition to IFRS), 30 September 2004 and 31 March 2005; and
- profit attributable to shareholders for the period ended 30 September 2004 and the year ended 31 March 2005.

While the financial information contained in this preliminary results announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRSs. This announcement does not constitute the Group's statutory accounts for the year ended 31 March 2006 but is derived from those accounts. The statutory accounts for the year ended 31 March 2006 will be delivered to the Registrar of Companies following the Company's AGM. The auditors have reported on those accounts and their reports were unqualified and did not contain statements under Sections 237(2) or (3) Companies Act 1985.

1. General information and accounting policies (continued)

The information contained in this announcement for the year ended 31 March 2005 does not constitute statutory accounts. A copy of the statutory accounts for that year, which were prepared under UK GAAP, has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain statements under section 237(2) of the Companies Act 1985 (regarding adequacy of accounting records and returns) or under section 237(3) (regarding provision of necessary information and explanations).

2. Segment information

The Group's primary format for segment reporting is business segments. The business segments consist of non-ferrous metals i.e. aluminium, copper and zinc, with residual components being reported as others. Business segment data includes an allocation of corporate costs to each sector on an appropriate basis. The risks and returns of the Group's operations are primarily determined by the nature of the different activities that the Group engages in. Inter-segment sales are charged based on prevailing market prices. The Group's activities are organised on a global basis.

2. Segment information (continued)

(a) Business segments

The following table presents revenue and profit information and certain asset and liability information regarding the Group's business segments for the years ended 31 March 2006 and 2005.

Year ended 31 March 2006 \$ million	Continuing Operations					Total Operations
	Aluminium	Copper	Zinc	Other	Elimination	
Revenue						
Sales to external customers	453.0	2,241.3	875.5	132.0	-	3,701.8
Inter-segment sales	40.1	-	-	-	(40.1)	-
Segment revenue	493.1	2,241.3	875.5	132.0	(40.1)	3,701.8
Result						
Operating profit	102.8	338.6	489.5	12.9	-	943.8
Net finance costs						(7.7)
Share of associate's loss						(1.4)
Profit before taxation						934.7
Tax expense						(280.4)
Profit for the year from continuing operations						654.3
Assets and liabilities						
Segment assets	1,214.1	2,001.4	1,223.3	811.5	-	5,250.3
Interest in associate						1.8
Unallocated assets						983.0
Total assets						6,235.1
Segment liabilities	(745.7)	(1,405.8)	(319.5)	(614.3)	-	(3,085.3)
Unallocated liabilities						(811.0)
Total liabilities						(3,896.3)
Other segment information						
Additions to property, plant and equipment	540.5	96.6	49.0	-	-	686.1
Depreciation	(32.5)	(80.6)	(43.5)	(1.1)	-	(157.7)

2. Segment information (continued)
(a) Business segments (continued)

Year ended 31 March 2005 \$ million	Continuing Operations					Total Operations
	Aluminium	Copper	Zinc	Other	Elimination	
Revenue						
Sales to external customers	281.7	1,014.7	486.4	101.4		1,884.2
Inter-segment sales	26.3	-	-	-	(26.3)	-
Segment revenue	308.0	1,014.7	486.4	101.4	(26.3)	1,884.2
Result						
Operating profit/(loss)	57.4	103.2	190.€	(23.2)	-	328.0
Non-operating special items						56.5
Operating profit after special items						384.5
Net finance revenues						7.4
Share of associate's loss						(5.6)
Profit before taxation						386.3
Tax expense						(87.0)
Profit for the year from continuing operations						299.3
Assets and liabilities						
Segment assets	965.9	1,703.2	877.5	712.0		4,258.6
Interest in associate						3.3
Unallocated assets						316.5
Total assets						4,578.4
Segment liabilities	(694.7)	(1,081.2)	(337.8)	(552.5)		(2,666.2)
Unallocated liabilities						(165.5)
Total liabilities						(2,831.7)
Other segment information						
Additions to property, plant and equipment	438.3	49.5	245.8	70.7		804.3
Depreciation	(18.3)	(55.9)	(28.8)	(0.7)		(103.7)
Impairment losses	-	-	-	(17.8)		(17.8)

2. Segment information (continued)
(b) EBITDA¹ by segment

	Year ended 31 March 2006 \$ million	Year ended 31 March 2005 \$ million
Aluminium	135.3	75.6
Copper	425.3	163.0
- India/ Australia	219.0	87.0
- Zambia	206.3	76.0
Zinc	532.9	218.5
Other	8.0	(3.1)
EBITDA	1,101.5	454.0
Depreciation	(157.7)	(103.7)
Operating special items	-	(22.3)
Group operating profit	943.8	328.0

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

(c) Geographical segmental analysis

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

	Year ended 31 March 2006 \$ million	Year ended 31 March 2005 \$ million
Far East	963.8	487.1
India	1,762.3	1,130.6
Africa	136.6	19.0
Other	839.1	247.5
Total	3,701.8	1,884.2

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	Year ended 31 March 2006 \$ million	Year ended 31 March 2005 \$ million	Year ended 31 March 2006 \$ million	Year ended 31 March 2005 \$ million
Australia	163.1	112.8	3.8	2.4
India	3,869.2	3,456.8	618.6	780.0
Zambia	768.4	639.8	63.7	20.9
Other	1,434.4	369.0	-	1.0
Total	6,235.1	4,578.4	686.1	804.3

3. Special Items

a. Administrative expenses

	Year ended 31 March 2006 \$ million	Year ended 31 March 2005 \$ million
Restructuring and redundancies	-	(4.1)
Impairment of non-core assets	-	(17.8)
Loss on sale of assets	-	(0.4)
	-	(22.3)

3. Special Items (continued)

b. Others

	Year ended 31 March 2006 \$ million	Year ended 31 March 2005 \$ million
Release of surplus on acquisition ¹	-	56.5
	-	56.5

¹ As set out in the Group's financial statements for the year ended 31 March 2005 as presented under UK GAAP, the Group acquired KCM in November 2004. The assets and liabilities acquired were included at provisional fair values. The difference between the total consideration of \$46.1 million and provisional fair value of net assets acquired (\$102.0 million) was recognised in the UK GAAP financial statements as negative goodwill totalling \$56.5 million.

As explained in the press release dated 27 September 2005 (see note 1), under IFRS negative goodwill is not recognised in the balance sheet but is recognised immediately in the income statement.

4. Investment revenue

	Year ended 31 March 2006 \$ million	Year ended 31 March 2005 \$ million
Interest and other financial income	67.6	48.3
Dividend income from other financial investments	7.0	2.8
Foreign exchange gain/(loss) on cash and liquid investments	1.1	(6.1)
Expected return on defined benefit arrangements	1.1	0.9
Capitalisation of foreign exchange differences and interest income	(25.2)	(8.4)
Total investment revenue	51.6	37.5

5. Finance costs

	Year ended 31 March 2006 \$ million	Year ended 31 March 2005 \$ million
Interest on bank loans and overdrafts	75.6	49.8
Interest on convertible loan notes	4.0	-
Interest on other loans	44.5	11.0
Unwinding of discount on provisions	5.6	-
Unwinding of discount on KCM deferred consideration	2.1	-
Interest on defined benefit arrangements	4.7	2.8
Capitalisation of borrowing costs	(77.2)	(33.5)
Total finance costs	59.3	30.1

6. Tax

	Year ended 31 March 2006 \$ million	Year ended 31 March 2005 \$ million
Current tax:		
UK Corporation tax	-	(0.6)
Foreign tax - India	177.8	65.3
Zambia	1.1	0.2
Other	7.1	0.5
	186.0	65.4
Deferred tax:		
Current year movement in deferred tax	94.4	29.3
Attributable to decrease in the rate of Indian corporation tax	-	(7.7)
	94.4	21.6
Total tax expense	280.4	87.0
Effective tax rate	30.0%	22.5%

Major components of income tax expense for the year ended 31 March 2006 are:

	Year ended 31 March 2006 \$ million	Year ended 31 March 2005 \$ million
Consolidated income statement		
Current tax		
Current tax charge	186.0	65.4
Deferred tax		
Deferred tax charged to income statement	94.4	21.6
Income tax expense reported in consolidated income statement	280.4	87.0
Consolidated statement of changes in equity		
Deferred tax reported in equity	13.5	-

Overview of the Indian direct tax regime

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

- companies are subject to Indian income tax on a stand alone basis. There is no concept of tax consolidation or Group relief in India;
- companies are charged tax on profits of assessment years which run from 1 April to 31 March. For each assessment year, a company's profits will be subject to either regular income tax or Minimum Alternative Tax ("MAT"), whichever is the greater;
- regular income tax is charged on book profits (prepared under Indian GAAP) adjusted in accordance with the provisions of the Indian Income Tax Act. Typically the required adjustments generate significant timing differences in respect of the depreciation of fixed assets, relief for provisions and accruals, the use of tax losses brought forward and pension costs. Regular income tax is charged at 30% (plus surcharges) taking the effective tax rate to 33.66%. The corporate tax rate up to 2004-05 was 35% (plus surcharges) taking the effective tax rate to 36.59%.
- MAT is charged on book profits but typically with a limited number of adjustments. MAT is charged at 7.5% (plus surcharges). From the year 2006-07, MAT will be charged at 10% (plus surcharges). However, MAT paid during a year can be set off against normal tax within a period of seven years succeeding the assessment year in which the MAT credit arose.

6. Tax (continued)

- there are various tax exemptions or tax holidays available to companies in India. The most important to the Group are:
 - (i) The industrial undertakings' exemption. Profits of newly constructed industrial undertakings located in designated areas of India can benefit from a tax holiday. A typical tax holiday would exempt 100% of the plant's profits for five years, and 30% for the next five years, and
 - (ii) 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 financial year to which it relates; and
- 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.

Overview of the Zambian Tax Regime

- copper and cobalt mining companies pay company tax at 25%;
- period for carry forward of tax losses for KCM and Smelterco is 20 years;
- companies are charged tax on profits of accounting years;
- income tax is charged on book profits (prepared under IFRS) adjusted in accordance with the provisions of the Income Tax Act 1996 as amended; and
- tax returns are submitted on a self assessment basis to the Zambian Revenue Authority ("ZRA") which will review the return if found inadequate. Any disputes will be referred to the Revenue Appeals Tribunal and subsequently to the High Court or the Supreme Court.

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended 31 March 2006 is as follows:

	Year ended 31 March 2006 \$ million	Year ended 31 March 2005 \$ million
Accounting profit before income tax	934.7	386.3
At Indian statutory income tax rate of 33.66% (2005: 36.59%)	314.6	141.4
Temporary difference not recognised in deferred tax	(6.0)	1.2
Utilisation of tax losses	0.6	(3.0)
Disallowable expenses	7.1	12.7
Non-taxable income	(5.0)	(26.5)
Impact of tax rate differences	(14.3)	(15.4)
Tax holiday and similar exemptions	(17.8)	(27.5)
Dividend distribution tax on overseas subsidiaries	2.7	3.0
Minimum Alternative Tax	1.7	1.1
Adjustments in respect of previous years	(3.2)	-
At effective income tax rate of 30.0% (2005: 22.5%)	280.4	87.0

7. Earnings per share

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

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

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

	Year ended 31 March 2006 \$ million	Year ended 31 March 2005 \$ million
Net profit attributable to equity holders of the parent	373.5	178.9
	Year ended 31 March 2006 million	Year ended 31 March 2005 million
Weighted average number of ordinary shares for basic earnings per share	286.8	286.4
Effect of dilution:		
Convertible loan notes	3.1	-
Share options	3.6	1.5
Adjusted weighted average number of ordinary shares for diluted earnings per share	293.5	287.9

(a) Earnings per share based on profit for the year

	Year ended 31 March 2006	Year ended 31 March 2005
Basic earnings per share on the profit for the year		
Profit for the year attributable to equity holders of the parent (\$ million)	373.5	178.9
Weighted average number of shares of the Company in issue (million)	286.8	286.4
Earnings per share on profit for the year (US cents per share)	130.2	62.5

	Year ended 31 March 2006	Year ended 31 March 2005
Diluted earnings per share on the profit for the year		
Profit for the year attributable to equity holders of the parent (\$ million)	373.5	178.9
Adjustment in respect of convertible bonds of Vedanta (\$ million)	2.7	-
Adjustment in respect of convertible bonds in Sterlite (\$ million)	-	(1.9)
Profit for the year after dilutive adjustment (\$ million)	376.2	177.0
Adjusted weighted average number of shares of the Company in issue (million)	293.5	287.9
Diluted earnings per share on profit for the year (US cents per share)	128.2	61.5

Shares issued during the year ended 31 March 2005 were 303,000 on 18 March 2005 and 85,000 on 31 March 2005 pursuant to the exercise of the second tranche of awards under the Reward Plan. Shares issued under the Long Term Incentive Plan on 22 February 2006 were 2,506,350.

7. Earnings per share (continued)

The issue of these shares has been included in determining the 2006 weighted average number of shares.

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

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

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

(b) Earnings per share based on Underlying Profit for the year

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

	Year ended 31 March 2006 \$ million	Year ended 31 March 2005 \$ million
Profit for the year attributable to equity holders of the parent	373.5	178.9
Administrative expenses - special items (note 3a)	-	22.3
Special item - release of surplus on acquisition (note 3b)	-	(56.5)
Tax effect of special items	-	(1.6)
Minority interest effect of special items	-	(3.0)
Underlying profit for the year	373.5	140.1

	Year ended 31 March 2006	Year ended 31 March 2005
Basic earnings per share on Underlying Profit for the year		
Underlying profit for the year (\$million)	373.5	140.1
Weighted average number of shares of the Company in issue (million)	286.8	286.4
Earnings per share on Underlying Profit for the year (US cents per share)	130.2	48.9

	Year ended 31 March 2006	Year ended 31 March 2005
Diluted earnings per share on Underlying Profit for the year		
Underlying profit for the year (\$ million)	373.5	140.1
Adjustment in respect of convertible bonds of Vedanta (\$ million)	2.7	-
Adjustment in respect of convertible bonds in Sterlite (\$ million)	-	(1.9)
Underlying profit for the year after dilutive adjustment (\$ million)	376.2	138.2
Adjusted weighted average number of shares of the Company in issue (million)	293.5	287.9
Diluted earnings per share on Underlying profit for the year (US cents per share)	128.2	48.0

8. Dividends

	Year ended 31 March 2006 \$ million	Year ended 31 March 2005 \$ million
Amounts recognised as distributions to equity holders:		
Equity dividends on ordinary shares:		
Final dividend for 2004-05 : 11.55 US cents per share (2003-04 : 5.5 US cents per share)	33.1	15.8
Interim dividend paid during the year : 5.7 US cents per share (2004-05 : 5.5 US cents per share)	16.3	15.8
	49.4	31.6

Proposed for approval at AGM but not provided

Equity dividends on ordinary shares:		
Final dividend for 2005-06: 14.3 US cents per share (2004-05: 11.55 US cents per share)	41.0	33.1

9. Borrowings

	As at 31 March 06 \$ million	As at 31 March 05 \$ million
Bank loans	700.7	815.6
Bonds	567.6	615.9
Other loans	207.5	66.7
Total	1,475.8	1,498.2

Borrowings are repayable as:

On demand within one year (shown as current liabilities)	239.8	194.7
In the second year	257.9	145.2
In two to five years	949.6	1,004.4
After five years	28.5	153.9
Total borrowings	1,475.8	1,498.2
Less: payable within one year	(239.8)	(194.7)
Medium and long term borrowings	1,236.0	1,303.5

At 31 March 2006, the Group had available US\$ 443.7 million (2005: \$307.0 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

10. Movement in Net Debt ⁽¹⁾

US\$ million	<u>Debt due within one year</u>			<u>Debt due after one year</u>		Liquid investments US\$ million	Total Net Debt
	Cash and cash equivalents	Debt carrying value	Debt related derivatives ⁽²⁾	Debt carrying value	Debt related derivatives ⁽²⁾		
At 31 March 2005	1,185.6	(218.4)	-	(1,303.5)	-	262.0	(74.3)
IAS 32 and IAS 39 adjustments	1.0	5.4	(15.1)	15.8	(17.5)	-	(10.4)
Adjusted opening balance sheet at 1 April 2005	1,186.6	(213.0)	(15.1)	(1,287.7)	(17.5)	262.0	(84.7)
Cash flow	688.4	(28.4)	-	(704.1)	-	(12.8)	(56.9)
Other non-cash changes	(1.0)	(2.0)	17.9	135.2	(12.7)	-	137.4
Foreign exchange differences	(26.7)	3.6	-	20.2	-	(4.8)	(7.7)
At 31 March 2006	1,847.3	(239.8)	2.8	(1,836.4)	(30.2)	244.4	(11.9)

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

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

5 Year Summary

	As per IFRS		As per UK GAAP		
	Year ended	Year ended	Year ended	Year ended	Year ended
	31 March 06	31 March 05	31 March 04	31 March 03	31 March 02
	\$ million	\$ million	\$ million	\$ million	\$ million
Revenue	3,701.8	1,884.2	1,289.5	963.1	601.3
EBITDA	1101.5	454.0	322.7	224.3	109.7
Depreciation	(157.7)	(103.7)	(71.8)	(59.2)	(46.1)
Goodwill amortisation/impairment	-	-	(0.5)	(0.4)	(0.4)
Exceptional/special items	-	(22.3)	(13.3)	(50.1)	(5.0)
Operating profit	943.8	328.0	237.1	114.6	58.2
Share of (loss)/profit in associate	(1.4)	(5.6)	(1.2)	(0.5)	0.3
Non-operating exceptional/special items	-	56.5	(1.2)	(0.7)	-
Profit before interest and taxation	942.4	378.9	234.7	113.4	58.5
Net finance (costs)/investment revenues	(7.7)	7.4	(1.3)	(35.0)	(35.3)
Profit before taxation	934.7	386.3	233.4	78.4	23.2
Taxation	(280.4)	(87.0)	(76.0)	(20.5)	(6.7)
Profit after taxation	654.3	299.3	157.4	57.9	16.5
Equity minority interests	(280.8)	(120.4)	(85.1)	(33.4)	(15.3)
Profit attributable to equity shareholders in parent	373.5	178.9	72.3	24.5	1.2
Dividends paid during the year	(49.4)	(31.6)	-	-	-
Retained profit	324.1	147.3	72.3	24.5	1.2
Basic earnings per share (US cents per share)					
Profit for the financial year	130.2	62.5	25.3	8.6	0.4
Underlying Profit for the financial year	130.2	48.9	26.6	11.9	2.2
Dividend paid during the year (US cents per share)	17.25	11.0	-	-	-

Dividends declared in relation to year ended 31 March 2004 under UK GAAP of \$15.8 million are included in the year ended 31 March 2005 on payment basis.

The financial information for the years ended 31 March 2003 and 2002 has been derived from the Listing Particulars without material change. The information for the year ended 31 March 2004 has been restated for the effect of UITF Abstract 38 "Accounting for ESOP Trusts" as disclosed in note 1 to the financial statements for that year. No restatement has been made for 2003 and 2002.

All numbers in the five year summary for the years ended 31 March 2005 and 31 March 2006 are stated under IFRS and numbers for the years ended 31 March 2004, 31 March 2003 and 31 March 2002 are stated under UK GAAP. The Group adopted IFRS with effect from 1 April 2004.

Five Year Summary (continued)	Year ended				
	31 March 2006	31 March 2005	31 March 2004	31 March 2003	31 March 2002
Production	000's mt				
Aluminium	211	136	129	127	98
BALCO	174	100	97	96	68
MALCO	37	36	32	31	30
Copper	437	240	179	156	114
Sterlite	273	172	179	156	114*
KCM	164	68	-	-	-
Zinc	284	212	221	207	-

* 9 months

Cash costs of production	US cents/lb				
Aluminium - BALCO #	67.9	61.1	56.2	56.8	71.5
Aluminium - MALCO	75.8	66.5	53.8	48.9	54.8
Copper - Sterlite*	6.1	7.1	7.8	9.1	10
Copper - KCM	127.9	106.2	-	-	-
Zinc	31.3	31.5	25.9	30.1	38.6

This excludes new smelter COP

* Only smelting cost

Glossary and Definitions

Aluminium Business

The aluminium business of the Group comprising its fully-integrated bauxite mining, alumina refining and aluminium smelting operations in India

Attributable Profit

Profit for the financial year before dividends attributable to the equity shareholders of Vedanta Resources plc

BALCO

Bharat Aluminium Company Limited, a company incorporated in India

Board

The board of directors of the Company

Businesses

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

Capital Employed

Net assets before Net (Debt)/Cash

Cash Tax Rate

Current taxation as a percentage of profit before taxation

CMT

Copper Mines of Tasmania Pty Ltd, a company incorporated in Australia

Company or Vedanta

Vedanta Resources plc

Copper Business

The copper business of the Group comprising a copper smelter, two refineries and two copper rod plants in India, two copper mines in Australia and an integrated operation in Zambia consisting of three mines, a leaching plant and a smelter

CSR

Corporate social responsibility

Directors

The directors of the Company

Dollar or \$

United States dollars, the currency of the United States of America

EBITDA

Earnings before interest, taxation, depreciation, goodwill amortisation/impairment and special items

EBITDA Margin

EBITDA as a percentage of turnover

Economic Holdings

The Economic Holdings are derived by combining the Group's direct and indirect shareholdings in the operating companies.

EPS

Earnings per Ordinary 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

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 associate undertaking

HSE

Health, safety and environment

HZL

Hindustan Zinc Limited, a company incorporated in India

IFL

India Foils Limited, a company incorporated in India

IFRS

International Financial Reporting Standards

KCM or Konkola Copper Mines

Konkola Copper Mines PLC, a company incorporated in Zambia

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

LSE

London Stock Exchange
London Stock Exchange plc

LTIFR

Lost Time Injury Frequency Rate: the number of lost time injuries per million man hours worked

LTIP

The Company's Long Term Incentive Plan

MALCO

The Madras Aluminium Company Limited, a company incorporated in India

mt or tonnes

Metric tonnes

Mw

Megawatts of electrical power

Net (Debt)/Cash

Total debt after fair value adjustments under IAS 32 and 39, cash and cash equivalents and liquid investments

Non-executive Directors

The non-executive directors of the Company

Ordinary Shares

Ordinary shares of \$0.10 each in the Company

Return on Capital Employed or ROCE

Profit before interest, taxation, special items, tax effected at the Group's effective tax rate as a percentage of Capital Employed

Reward Plan

The Company's Reward Plan

SEWT

Sterlite Employee Welfare Trust

SOTL

Sterlite Optical Technologies Limited, a company incorporated in India

SOVL

Sterlite Opportunities and Ventures Limited, a company incorporated in India

Special items

Items which derive from events and transactions that need to be disclosed separately by virtue of their size or nature

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 used to set smelting and refining costs

tpa

Metric tonnes per annum

TCM

Thalanga Copper Mines Pty Limited, a company incorporated in Australia

Twin Star

Twin Star Holdings Limited, a company incorporated in Mauritius

Twin Star Holdings Group

Twin Star and its subsidiaries and associated undertaking

Underlying EPS

Underlying profit per Ordinary Share

Underlying Profit

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

VAL

Vedanta Alumina Limited, a company incorporated in India

VFJL

Vedanta Finance (Jersey) Limited, a company in Jersey

Volcan

Volcan Investments Limited, a company incorporated in the Bahamas

VRCL

Vedanta Resources Cyprus Limited, a company incorporated in Cyprus

VRFL

Vedanta Resources Finance Limited, a company incorporated in the United Kingdom

VRHL

Vedanta Resources Holdings Limited, a company incorporated in the United Kingdom

ZCI

Zambia Copper Investment Limited, a company incorporated in Bermuda

ZCCM

ZCCM Investments Holdings plc, a company incorporated in Zambia

Zinc Business

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