Vedanta Resources plc
16 Berkeley Street
London W1J 8DZ

Tel: +44 (0)20 7499 5900
Fax: +44 (0)20 7491 8440
www.vedantaresources.com

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Vedanta Resources plc Adoption of International Financial Reporting Standards

Vedanta will report its results for the six months to 30 September 2005 and subsequent periods in accordance with International Financial Reporting Standards ("IFRS"). This statement presents the Group's IFRS balance sheets as at 30 September 2004 and 31 March 2005 together with the Group's IFRS results and cash flows for the periods then ended. It also presents and explains the differences between the Group's results and shareholders' equity under IFRS and the amounts previously reported for these periods under UK Generally Accepted Accounting Principles ("UK GAAP").

Salient points for year ended 31 March 2005:-

- The change to reporting under IFRS does not affect the cash flow generation of Vedanta's businesses and hence will not affect any commercial decisions.
- 2004-05 IFRS reported EBITDA(1) is almost unchanged at $454 million as compared to $455 million under UK GAAP
- IFRS Profit for the year was $64.6 million higher than under UK GAAP (principally due to a $56.5 million write back of negative goodwill under IFRS).
- To enhance understanding of the performance of Vedanta's businesses an alternative earnings measure, Underlying profit(2), will be presented in addition to Profit for the year.
- IFRS Underlying profit for 2004-05 was $140.1 million which compares with $137.7 million for UK GAAP underlying profit for the year (which included the amortisation of goodwill).
- Shareholders' equity at 31 March 2005 under IFRS is $1,110.5 million which is six per cent higher than under UK GAAP.

(1) EBITDA represents operating profit before exceptional items plus depreciation and amortisation
(2) Underlying Profit excludes the effects of exceptional items and their tax and minority interest impact, and is a more informed measure of the recurring performance of the Group.

For further information, please contact:

John Smelt, Head of Investor Relations Vedanta Resources plc	Tel: +44 20 7659 4734 +44 787 964 2675
Ajay Paliwal, Deputy Chief Financial Officer Vedanta Resources plc	Tel: +44 20 7659 4735 +44 7760 178 530
Robin Walker Finsbury	Tel: +44 20 7251 3801

Website: www.vedantaresources.com

Reconciliation of Profit for the year from UK GAAP to IFRS
(excluding IAS 32/39)

Year ended 31 March 2005 **US$ millions**		**Profit for the year**
UK GAAP		**234.7**
Negative goodwill arising during the year	56.5	
Deferred tax	10.6	
Reversal of amortisation of goodwill	(0.4)	
Share based payments	(2.5)	
Capitalisation of major overhaul expenses	1.8	
Depreciation on capitalisation of major overhaul expenses	(1.9)	
Capitalisation of interest income and expense related to projects	0.9	
Inventory valuation	(0.4)	**64.6**
IFRS		**299.3**

Reconciliation of "shareholders' equity" under UK GAAP to "equity attributable to equity holders of the parent" under IFRS (excluding IAS 32/39)

US$ millions	31 March 2005	30 September 2004	01 April 2004
Shareholders' equity under UK GAAP	**1047.1**	**956.2**	**990.9**
Reversal of negative goodwill and amortisation	64.6	8.2	8.6
Post retirement benefits	(6.6)	(6.2)	(6.6)
Deferred tax	(88.6)	(94.8)	(100.3)
Interim dividend	(15.8)	-	-
Proposed dividend	48.9	15.8	15.8
Minority interest	45.3	52.3	56.3
Capitalisation of trial run expenses	12.8	12.1	12.9
Capitalisation of major overhaul expenses	0.5	1.1	0.6
Capitalisation of interest cost	0.8	0.9	0.3
Depreciation	(1.2)	(1.1)	(1.2)
Discounting of long term provision	0.8	0.8	0.3
Dismantling cost	0.4	0.4	0.5
Inventory valuation	1.5	1.6	1.7
Equity attributable to equity holders of the parent under IFRS	**1,110.5**	**947.3**	**979.8**

The Group's effective transition date for IFRS is 1 April 2004. The principal differences between UK GAAP and IFRS, as applicable to Vedanta, are described below.

Negative goodwill
Opening negative goodwill of $8.6 million has been credited to reserves and negative goodwill arising during the year 2004-05, amounting $56.5 million on acquisition of Konkola Copper Mines has been credited to the income statement.

Reversal of goodwill amortisation
The systematic amortisation of goodwill under UK GAAP, by an annual charge to the profit and loss account, has ceased under IFRS. It has been replaced by annual impairment reviews of the carrying value of goodwill. Impairment charges relating to goodwill may occur in future reporting periods, due to the finite life of the associated ore body and variation of commodity prices.

The impact on Profit for the year in 2004-05 of the reversal of the goodwill amortisation charge under UK GAAP was $0.4 million. The reversal of negative goodwill has resulted in an adjustment to the UK GAAP balance sheet at 31 March 2005 of $8.5 million.

Share based payments
Under UK GAAP, the estimated cost of employee share awards made by the Group is charged to the profit and loss account over the relevant performance period. IFRS requires the economic cost of share option plans to be recognised by reference to fair value on the grant date, and charged to the Income Statement over the expected vesting period. Under IFRS, the additional charge in 2004-05 was $2.5 million.

Post-retirement benefits
Under UK GAAP, the Group applied SSAP 24, 'Accounting for Pension Costs' under which post retirement benefit surpluses and deficits were spread over the expected average remaining service lives of relevant, current employees. Under IAS 19 the basis of calculating the surplus or deficit differs from SSAP 24. In addition, IAS 19 permits three alternative ways in which the surplus or deficit can be recognised. The Group has chosen to recognise actuarial gains and losses directly in shareholders' equity via the Statement of Recognised Income and Expense as at date of adoption of IFRS and going forward to expense the full annual cost as per the actuarial valuation of the Group's post retirement benefit plans.

The impact on retained earnings on the date of adoption of IFRS i.e. as at 1 April 2004 was a $6.6 million reduction due to the charge for post retirement benefits as per IAS 19.

Deferred tax
UK GAAP follows the income statement method of tax effect accounting where as IFRS requires deferred tax to be based on a balance sheet liability method. Temporary differences are recognised as the differences between the tax base of the asset or liability and its carrying amount in the balance sheet.

UK GAAP requires the recognition of deferred tax on all fair value adjustments to monetary items and on fair value adjustments which reduce the carrying value of non-monetary items. IFRS requires deferred tax to be recognised on all fair value adjustments, other than those recorded as goodwill. IFRS profit for the year will therefore benefit as the additional deferred tax provisions on upward revaluations of non-monetary items are released to the income statement in line with the amortisation of the related fair value adjustments.

For future acquisitions, these additional deferred tax provisions will be offset by increases to the value of goodwill or other acquired assets. For acquisitions prior to 1 April 2004, the increase in provisions has been reflected as a reduction in opening shareholders' equity.

The impact on IFRS Profit for the year for 2004-05 was a reduction of $10.6 million. At 31 March 2005, the IFRS balance sheet includes additional provisions of $88.6 million relating to deferred tax on fair value adjustments for prior year acquisitions.

Dividends
Under IFRS, dividends that do not represent a present obligation at the reporting date are not included in the balance sheet. Hence, the Company's proposed dividends are not recognised in the Group accounts until the period in which they are declared by the directors.

This has no effect on Profit for the year or Underlying Earnings, but increases shareholders' equity at 31 March 2005 by $33.1 million (31 March 2004:$15.8 million).

IAS 39 and IAS 32
The Group has elected to adopt IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement" with effect from 1 April 2005 with no restatement of comparative information. The financial information for 30 September 2004 and 31 March 2005 does not therefore incorporate the effect of these Standards and is therefore presented under UK GAAP.

Investments
Under IFRS, all investments have been carried at market value and consequently any notional gain or loss has been taken to revenue reserve, until disposal; these investments were held at cost under UK GAAP. The net impact of this adjustment at 1 April 2005 is US$1.3 million to the opening revenue reserves.

Mark to market of derivative contracts

It remains the Group's policy to generally hedge the ongoing exposures, arising on account of fluctuations in exchange rates, prices or interest rates. All the derivative contracts are marked-to-market and the mark-to-market difference for all the hedges, which does not qualify for hedge accounting as per IAS 39, are immediately recognised in the income statement. The mark-to market difference for all qualifying fair value hedges is taken to the income statement and mark-to-market difference for all qualifying cash flow hedges is recognised in the balance sheet and released to the income statement upon the occurrence of the underlying transaction.

At 1 April 2005, the marked to market value of derivative contracts, under IFRS decreases shareholders' equity by $7.4 million.

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Vedanta restatement of 2004-05 Financial Information under IFRS

1. INTRODUCTION

The European Union (EU) approved a Regulation in 2002 that requires listed companies in the EU to prepare consolidated financial statements for accounting periods beginning on or after 1 January 2005 in accordance with the Standards and Interpretations included within International Financial Reporting Standards (IFRS) that have been endorsed by the EU. Konkola Copper Mines plc, the Group's Zambian subsidiary, which already reports under IFRS in Zambia and the Australian companies (Copper Mines of Tasmania and Thalanga Copper Mines) are required to adopt IFRS from 1 April 2005. Accordingly, Vedanta will prepare its consolidated accounts for the six months ending 30 September 2005 and subsequent reporting periods on the basis of the Standards and Interpretations within IFRS that have been (or, in the case of the interim accounts, are expected to be) endorsed by the EU.

As part of the Group's transition to IFRS, the directors have prepared IFRS financial information for the opening balance sheet as at 1 April 2004, six months ended 30 September 2004 and the year ended 31 March 2005 (”the 2004-05 IFRS financial information”), which is included on pages 19 to 36 of this Press Release. It is intended that this financial information will be included as the comparative information in the Group's half year report for the period ending 30 September 2005 and its financial statements for the year ending 31 March 2006 respectively.

The basis of preparation and accounting policies used in preparing the 2004-05 IFRS financial information are set out below, which describe how IFRS has been applied under IFRS 1, including the assumptions made by the Group about the Standards and Interpretations expected to be effective, and the policies expected to be adopted, when the Group issues its first complete set of IFRS financial statements for the year ending 31 March 2006. However, the basis of preparation and accounting policies may require certain adjustment before the Group issues its first complete set of IFRS financial statements. This is because the standards currently in issue and endorsed by the EU are subject to Interpretations issued from time to time by the International Financial Reporting Interpretations Committee ('IFRIC'), and further Standards may be issued by the International Accounting Standards Board ('IASB') that will be adopted by the Group in its first complete set of IFRS financial statements for the year ending 31 March 2006.

Additionally, IFRS is currently being applied in a large number of countries for the first time. Due to a number of new and revised Standards included within IFRS, there is not yet a significant body of established practice on which to draw in forming opinions regarding interpretation and application. Accordingly, practice is continuing to evolve.

At this preliminary stage, therefore, the full financial effect of reporting under IFRS as it will be applied in the Group's first complete set of IFRS financial statements for the year ending 31 March 2006 may be subject to change.

2. BASIS OF PREPARATION

Except as described below, the 2004-05 IFRS financial information on pages 19 to 36 has been prepared on the basis of all IFRS Standards and Interpretations published by 31 March 2005.

A number of IFRS Standards and Interpretations are not yet mandatory but can be adopted early under their respective transition arrangements. The Group has early adopted IFRS 6 'Exploration for and Evaluation of Mineral Resources' and IFRS 2 'Share-based Payment'.

The Group's transition date to IFRS is 1 April 2004. The rules for first-time adoption of IFRS are set out in IFRS 1 'First-time adoption of International Financial Reporting Standards'. In preparing the 2004-05 IFRS financial information, these transition rules have been applied to the amounts reported previously under generally accepted accounting principles in the United Kingdom ('UK GAAP').

IFRS 1 generally requires full retrospective application of the Standards and Interpretations in force at the first reporting date. However, IFRS 1 allows certain exemptions in the application of particular Standards to prior periods in order to assist companies with the transition process. Vedanta has applied the following exemptions:

- The Group has not restated business combinations that occurred before the date of transition to comply with IFRS 3 'Business Combinations'. This means that:
    - The 2003 merger of the economic interests of Vedanta and Twin Star into the listed company structure continues to be accounted for as a merger;
    - Additional deferred tax provisions in respect of upward revaluations of non-monetary assets held by previously acquired entities have been recognised as a reduction of equity attributable to equity holders of the parent on the date of transition;
- The Group has deemed cumulative translation differences for foreign operations to be zero at the date of transition. Any gains and losses on subsequent disposals of foreign operations will not therefore include translation differences arising prior to the transition date;
- The Group has elected to adopt IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement' with effect from 1 April 2005, with no restatement of comparative information for 2004-05. Accounting policy note 3 explains the basis of accounting for financial instruments in the 2004-05 IFRS financial information; and
- The Group has applied IFRS 2 'Share-based Payment' retrospectively to all share-based payments which had not vested at 1 April 2004, the date chosen by the Group as the effective date for application of IFRS 2.

In addition, IFRS 1 requires that estimates made under IFRS must be consistent with estimates made for the same date under UK GAAP except where adjustments are required to reflect any differences in accounting policies.

UK GAAP FINANCIAL INFORMATION

The UK GAAP financial information for the year ended 31 March 2005, presented on pages 19 to 25, is based on the Group's full financial statements for that year, which were prepared in accordance with UK GAAP and on the historical cost basis. These financial statements have been filed with the Registrar of Companies.

The auditors' report on the financial statements for the year ended 31 March 2005 was unqualified and did not contain statements under section 237(2) of the United Kingdom Companies Act (regarding adequacy of accounting records and returns) or under section 237(3) (regarding provision of necessary information and explanations).

The UK GAAP financial information for the period ended 30 September 2004, presented on page 26 to 33, is based on the Group's half year report for that period, which was prepared using accounting policies consistent with those applied in the Group's full financial statements for the year ended 31 March 2005. This interim financial information is unaudited but reviewed.

Certain changes have been made to the presentation of the UK GAAP financial information reported in the Group's full financial statements for the year ended 31 March 2005 and half year report for the period ended 30 September 2004, as follows:

- The formats of the balance sheet, profit and loss account and cash flow statement have been modified to align them with the IFRS formats, to simplify presentation of the adjustments required to arrive at the IFRS figures; and
- Operating profit has been restated to present the net impact of the share of profit/ (loss) of associate after tax as a separate line item. This has no effect on total equity, Profit for the year or Underlying earnings;
- Items of income and expense that are material and require separate disclosure, in accordance with IAS 1.87, are classified as "exceptional items" on the face of the income statement. Exceptional items that relate to the underlying performance of the business are classified as "Operating exceptional items" and include impairment charges and reversals. Exceptional items not relating to underlying business performance are classified as "non-operating exceptional items" and are presented below "Total profit from operations and associates" on the income statement. Non-operating exceptional items include profits and losses on disposals of investments, fixed assets and businesses, and costs of, or reversals of, provisions for fundamental reorganisations or restructuring. An analysis of exceptional items is provided in the notes to the financial information.

3. ACCOUNTING POLICIES ADOPTED UNDER IFRS

First time adoption of IFRS

The transition date to IFRS for the Group is 1 April 2004 and the end of the last period presented under previous GAAP (UK GAAP) shall be 31 March 2005. The rules for first-time adoption of IFRS are set out in IFRS 1 'First-time adoption of International Financial Reporting Standards'. These transition rules have been applied to the amounts reported previously under UK GAAP to arrive at the IFRS financial statements. While the applicable Standards and Interpretations in force at the first reporting date, 1 April 2004, have been applied to financial statements from that date, the Group has availed itself of certain exemptions given under IFRS 1 in application of particular Standards to prior periods. These exemptions are:

- The Group has elected to adopt IAS 32 and IAS 39 with effect from 1 April 2005 with no re-statement of comparative information for 2004-05.
- The Group will not restate business combinations that occurred before the transition date in order to comply with IFRS 3 'Business Combinations'.
- The Group will set the cumulative translation differences arising on translation of net assets of foreign operations to zero at the date of transition. In the event that a foreign subsidiary is disposed of then cumulative translation differences arising after the transition date will be taken to the profit and loss account as part of gains and losses that arise on disposal.
- The Group has recognised in full all actuarial gains and losses on defined benefit pension schemes and similar benefits as at the date of transition to IFRS.

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 has 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.

All other Standards and Interpretations issued up to 31 March 2005 have been applied in the preparation of the financial statements for year the ended 31 March 2005 and the interim accounts for the six months ended 30 September 2004.

Principal Accounting Policies

Basis of preparation

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

Basis of Consolidation

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

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

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

Acquisitions and Disposals

The results of subsidiaries acquired or sold during the year are consolidated for the periods from, or to, the date on which control passed. Acquisitions are accounted for under the acquisition method.

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

To the extent that such excess purchase consideration relates to the acquisition of mining properties and leases, that amount is capitalised within tangible fixed assets as "mining properties and leases". Other excess purchase consideration relating to the acquisition of subsidiaries is capitalised as "goodwill" within intangible fixed assets. Goodwill arising on acquisitions is reviewed for impairment annually.

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

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

Goodwill arising on acquisitions before 1 April 2004, the date of transition to IFRS, has been retained at the previous UK GAAP amounts as at that date, subject to being tested for impairment at that date.

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

Internally generated goodwill is not recognised.

Investments in Associates

In the consolidated financial information, investments in associates are accounted for using the equity method. An associate is an entity over which the Group exercises significant influence and normally owns between 20% and 50% of the voting equity but is neither a subsidiary nor a joint venture. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above and is included in the carrying value of investments in associate.

The consolidated income statement includes the Group's share of associates results. The investment is initially recorded at the cost to the Group in the consolidated Balance Sheet and then, in subsequent periods, the carrying value of investment is adjusted to reflect the Group's share of the associate's profits or losses and for impairment of goodwill and any other changes to the associate's net assets.

Other Investments

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

Property, plant and equipment – Mining Properties and Leases

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

The costs of mining properties and leases, which include the costs of acquiring and developing mining properties and mineral rights, are capitalised as tangible fixed assets under the heading 'Mining Properties and Leases' in the year in which they are incurred.

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

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

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

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

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

Other property, plant and equipment

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

Assets in the Course of Construction

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

Depreciation

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

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

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

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

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

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

Impairment

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

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

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

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

Government Grants

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

Stocks

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

Cost is determined on the following bases:

- purchased concentrate is recorded at cost on a first-in, first-out ("FIFO") basis; all other materials including stores and spares are valued on weighted average basis;

- finished products are valued at raw material cost plus costs of conversion, comprising labour costs and an attributable proportion of manufacturing overheads based on normal levels of activity; and

- by-products and scrap are valued at net realisable value.

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

Taxation

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

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

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

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

Pensions

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

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

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

Employee Share Awards

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

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

Provisions for Liabilities and Charges

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

Restoration, Rehabilitation and Environmental Costs

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

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

Revenue Recognition

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

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

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

Leases

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

Foreign Currency Translation

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

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

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

Borrowing costs

Interest on borrowings directly relating to the financing of a qualifying capital project under construction is capitalised and added to the project cost during construction until such time the assets are substantially ready for their intended use i.e. when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

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

Cash and cash equivalents

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

Derivative Financial Instruments

In order to hedge its exposure to foreign exchange, interest rate and commodity price risks, the Group enters into forward, option, swap contracts and other derivative financial instruments. The Group does not hold nor issue derivative financial instruments for speculative purposes.

The Group uses the derivative financial instruments described above to manage exposure to foreign exchange, interest rate and commodity price risks.

The policy for accounting for financial instruments from 1 April 2005 is as follows:

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

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

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

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

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

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

4. Group financial information restated for IFRS

4.1.1 Group Income Statement

Year ended 31 March 2005 (excluding IAS 32/39)

US$ million

	31 March 2005 UK GAAP	Adjustments	31 March 2005 IFRS
Revenue			
Continuing operations	1,635.0	-	**1,635.0**
Acquisitions	249.2	-	**249.2**
Group Revenue	**1,884.2**	**-**	**1,884.2**
Cost of sales	(1,414.8)	(0.9)	**(1,415.7)**
Gross profit	**469.4**	**(0.9)**	**468.5**
Other operating income	25.9	-	**25.9**
Distribution costs	(51.5)	-	**(51.5)**
Administrative Expenses	(90.1)	(2.5)	**(92.6)**
Operating exceptional items	(21.9)	-	**(21.9)**
Operating profit	**331.8**	**(3.4)**	**328.4**
Investment revenues	41.3	(3.8)	**37.5**
Finance costs	(37.7)	7.6	**(30.1)**
Share of loss of associate	(2.7)	(2.9)	**(5.6)**
Non-operating exceptional item	(0.4)	56.5	**56.1**
Profit before taxation	**332.3**	**54.0**	**386.3**
Income tax expense	(97.6)	10.6	**(87.0)**
Profit for the year	**234.7**	**64.6**	**299.3**
Attributable to:			
Equity holders of the parent	120.0	58.9	**178.9**
Minority interest	114.7	5.7	**120.4**
	234.7	**64.6**	**299.3**
Basic earnings per ordinary share (US Cents)	**41.9**	20.6	**62.5**
Diluted earnings per ordinary share (US Cents)	**41.0**	20.5	**61.5**

4.1.2 Group Cash Flow Statement
For year ended 31 March 2005 (excluding IAS 32/39)

			US$ million
	UK GAAP	**Adjustments**	**IFRS**
Operating activities			
Profit before taxation	332.3	54.0	386.3
Adjustments for:			
Depreciation	101.7	2.1	103.8
Goodwill amortisation	(0.4)	0.4	-
Investment income	(41.3)	3.8	(37.5)
Interest expense	37.7	(7.6)	30.1
Other non-cash items	28.3	(55.6)	(27.3)
Others	3.1	2.9	6.0
	461.4	-	461.4
Increase in trade and other receivables	(79.1)	-	(79.1)
Increase in Inventories	(61.0)	-	(61.0)
Decrease in trade payables	(18.1)	-	(18.1)
Cash generated from operations	303.2	-	**303.2**
Interest / investment income received	60.6	-	60.6
Interest paid	(64.1)	-	(64.1)
Income taxes paid	(65.8)	-	(65.8)
Dividends paid	(15.8)	-	(15.8)
Net cash from operating activities	218.1	-	**218.1**
Cash flows from investing activities			
Purchase of subsidiary company	(28.3)	-	(28.3)
Payment to acquire tangible fixed assets	(535.3)	-	(535.3)
Proceeds from sale of fixed assets	14.1	-	14.1
Dividends paid to minority interest of subsidiary companies	(7.7)	-	(7.7)
Purchase of current asset investments	(193.4)	-	(193.4)
Investment in associate	(6.2)	-	(6.2)
Buyback of shares from minorities	(2.3)	-	(2.3)
Cash acquired with subsidiary	41.2	-	41.2
Other movements	-	29.4	29.4
Net cash used in investing activities	(717.9)	29.4	**(688.5)**
Cash flows from financing activities			
Issue of ordinary shares	0.1	-	0.1
Decrease in short term borrowings	(96.6)	-	(96.6)
Increase in long term borrowings	607.0	-	607.0
Issue of shares to subsidiary undertakings to Minority interests	1.7	-	1.7
Net cash from financing activities	512.2	-	**512.2**
Net increase in cash and cash equivalents	12.4	29.4	**41.8**
Exchange Difference	(3.5)	-	(3.5)
Cash and cash equivalents at beginning of period	52.7	1,094.6	1,147.3
Cash and cash equivalents at end of period	61.6	1,124.0	**1,185.6**

4.1.3 Group Balance Sheet

As at 31 March 2005 (excluding IAS 32/39)

			US$ million
	UK GAAP	**Adjustments**	**IFRS**
ASSETS			
Non-current assets			
Goodwill	**10.8**	1.4	**12.2**
Negative goodwill	**(63.4)**	63.4	**-**
Property, plant and equipment	**2,275.0**	13.6	**2,288.6**
Investment in associate	**3.3**	-	**3.3**
Other investments	**24.8**	-	**24.8**
Other non-current assets	**-**	34.6	**34.6**
Deferred tax asset	**90.0**	-	**90.0**
	2,340.5	113.0	**2,453.5**
Current assets			
Inventories	**336.3**	1.4	**337.7**
Trade and other receivables	**374.2**	(34.6)	**339.6**
Current asset investments	**1,386.0**	(1,124.0)	**262.0**
Cash and cash equivalents	**61.6**	1,124.0	**1,185.6**
	2,158.1	(33.2)	**2,124.9**
TOTAL ASSETS	**4,498.6**	79.8	**4,578.4**
Current liabilities			
Short term loans	**194.7**	-	**194.7**
Convertible loan notes	**23.7**	-	**23.7**
Other current liabilities	**708.1**	(33.1)	**675.0**
Provisions	**37.0**	-	**37.0**
Income tax payable	**15.1**	-	**15.1**
	978.6	(33.1)	**945.5**
Net current assets/(liabilities)	**1,179.5**	(0.1)	**1,179.4**
Non-current liabilities			
Creditors falling due after more than one year	**1,344.7**	-	**1,344.7**
Deferred tax liabilities	**146.3**	88.6	**234.9**
Provisions	**240.9**	6.3	**247.2**
Non equity minority interests	**59.4**	-	**59.4**
	1,791.3	94.9	**1,886.2**
Total liabilities	**2,769.9**	61.8	**2,831.7**
Net Assets	**1,728.7**	18.0	**1,746.7**
Equity			
Share capital	**28.7**	-	**28.7**
Shares to be issued	**0.9**	(0.9)	**-**
Share based payment reserve	**-**	2.5	**2.5**
Share premium account	**18.6**	-	**18.6**
Other reserves	**31.3**	12.6	**43.9**
Profit and loss Account	**967.6**	49.2	**1,016.8**
Equity attributable to equity holders of the parent	**1,047.1**	63.4	**1,110.5**
Minority interest	**681.6**	(45.4)	**636.2**
Total Equity	**1,728.7**	18.0	**1,746.7**

4.1.4 Statement of changes in equity under IFRS
Year ended 31 March 2005

US$ million

	Share Capital	Shares based payment reserve	Share Premium	Other reserves*	Profit and Loss Reserves	Total
As at 1 April 2004	28.6	-	18.6	12.7	919.9	979.8
Profit for the year	-	-	-	-	178.9	178.9
Loss on reduction of minority interest	-	-	-	-	(32.4)	(32.4)
CTA reserve	-	-	-	13.2	-	13.2
Transfers	-	-	-	18.0	(18.0)	-
Shares issued under reward plan	0.1	-	-	-	-	0.1
Share based payment reserve	-	2.5	-	-	-	2.5
Dividends paid	-	-	-	-	(31.6)	(31.6)
As at 31 March 2005	**28.7**	**2.5**	**18.6**	**43.9**	**1,016.8**	**1,110.5**

*As at 31 March 2005, other reserves comprise merger reserve of US$4.4 million and the general reserves established in the statutory accounts of the Group's Indian subsidiaries. Under Indian law, a general reserve is created through a year on year transfer from the profit and loss account. The amount transferred is 5% of the profits for the year for each Indian company as stated in Indian GAAP. The purpose of these transfers is to ensure that distributions in a year are less than the total distributable results for that year. This general reserve becomes fully distributable in future periods.

IAS 21 - Recycling of consolidated currency translation adjustments from non US dollar operations on their disposal
IAS 21 requires cumulative currency translation adjustments ("CTA") arising on translation of a foreign operation to be recycled through the income statement when that entity is disposed of. Currently, under UK GAAP, the CTA is not included in the gain or loss calculated if that operation is sold. In accordance with IFRS 1, the Group has taken the exemption from recycling foreign currency gains or losses arising before 1 January 2004. The translation adjustment arising during the year is US$13.3 million, being included in other reserves.

4.1.5 Tax reconciliation under IFRS for year ended 31 March 2005

	IFRS US$ million
Profit before tax	386.3
At Indian statutory income tax rate of 36.59%	**141.7**
Accelerated capital allowances	1.2
Utilisation of tax losses	(3.0)
Disallowable expenses	12.4
Non-taxable income	(26.5)
Impact of tax rate differences	(15.4)
Tax holiday and similar exemptions	(27.5)
Dividend distribution tax on overseas subsidiaries	3.0
Minimum alternative tax	1.1
At effective income tax rate of 22.5%	**87.0**

4.1.6 EBITDA Reconciliation under UK GAAP and IFRS for year ending 31 March 2005

	2004-05 $ million
EBITDA as per UK GAAP	455.0
IAS 16- Overhaul expenses capitalised	1.9
IAS 2- Share based payment	(2.5)
IAS 2 – Inventory Valuation	(0.4)
EBITDA as per IFRS	**454.0**

EBITDA represents operating profit before exceptional items plus depreciation and amortisation

4.1.7 Reconciliation of underlying (1) profit for the year under UK GAAP to IFRS for year ended 31 March 2005

	UK GAAP	Adjustments	$ million IFRS
Equity shareholders share of profit for the financial year	**120.0**	**58.9**	**178.9**
Operating exceptional items	21.9	-	21.9
Tax effect on operating exceptional items	(1.5)	-	(1.5)
Minority interest effect of operating exceptional items	(3.1)	-	(3.1)
Non-operating exceptional items	0.4	(56.5)	(56.1)
Tax effect on non-operating exceptional items	(0.1)	-	(0.1)
Minority interest effect of non-operating exceptional items	0.1	-	0.1
Underlying profit as per IFRS	**137.7**	**2.4**	**140.1**

(1) Underlying Profit excludes the effects of exceptional items and their tax and minority interest impact.

4.1.8 Notes to financial information
Segment Analysis
Year ended 31 March 2005

Business segments

The following tables present revenue and profit information and certain asset and liability information regarding the Group's business segments for the year ended 31 March 2005.

($ million)

Year ended 31 March 2005	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	193.0	–	–	(219.3)	-
Segment revenue	308.0	1,207.7	486.4	101.4	(219.3)	1,884.2
Result						
Operating profit	57.4	105.0	189.	(23.2)		328.4
Non-operating exceptional items						56.1
Operating profit after exceptional						384.5
Net finance income						7.4
Share of associate's loss						(5.6)
Profit before taxation						386.3
Income tax expense						(87.0)
Profit for the year						299.3
Assets and liabilities						
Segment assets	965.9	1,703.2	877.	712.0	-	4,258.6
Investment in an associate						3.3
Unallocated assets						316.5
Total assets						4,578.4
Segment liabilities	694.7	1,081.2	337.8	552.4	-	2,666.1
Unallocated liabilities						165.6
Total liabilities						2,831.7
Other segment information						
Capital expenditure:						
Tangible fixed assets	438.3	49.5	245.8	70.7	-	804.3
Depreciation	18.3	55.9	28.8	0.8	-	103.8
Impairment losses	-	-	-	17.8	-	17.8

Operating exceptional Items

	2004-05 $ million
Restructuring and redundancies	(4.1)
Impairment of assets	(17.8)
	(21.9)

Non-operating exceptional Items

	2004-05 $ million
Loss on sale of assets	(0.4)
Release of negative goodwill	56.5
	56.1

4.2 Group financial information for six months ended 30 September 2004

4.2.1 Group Income Statement
Six months ended 30 September 2004

US$ million

	UK GAAP	Adjustments	IFRS
Revenue			
Group Revenue	**677.4**	-	**677.4**
Cost of sales	**(507.5)**	1.0	**(506.5)**
Gross profit	**169.9**	1.0	**170.9**
Other operating income	**9.7**	-	**9.7**
Distribution costs	**(18.7)**	-	**(18.7)**
Administrative Expenses	**(38.2)**	(1.8)	**(40.0)**
Operating exceptional items	**(2.6)**	-	**(2.6)**
Operating profit	**120.1**	(0.8)	**119.3**
Investment income	**20.3**	(3.2)	**17.1**
Finance costs	**(28.9)**	4.8	**(24.1)**
Share of loss of associate	**(0.8)**	(1.0)	**(1.8)**
Non-operating exceptional item	**1.4**	-	**1.4**
Profit before taxation	**112.1**	(0.2)	**111.9**
Income tax expense	**(41.5)**	0.2	**(41.3)**
Profit for the period	**70.6**	-	**70.6**
Attributable to:			
Equity holders of the parent	**34.9**	(0.6)	**34.3**
Minority interest	**35.7**	0.6	**36.3**
	70.6	-	**70.6**
Basic earnings per ordinary share (US Cents)	**12.2**	(0.2)	**12.0**
Diluted earnings per ordinary share (US Cents)	**11.6**	(0.2)	**11.4**

4.2.2 Group Cash Flow Statement

For the six months ended 30 September 2004

US$ million

Particulars	UK GAAP	Adjustment	IFRS
Operating activities			
Profit before taxation	**112.1**	(0.2)	**111.9**
Adjustments for:			
Depreciation	**37.1**	1.0	**38.1**
Goodwill amortisation	**0.2**	(0.2)	**-**
Investment income	**(20.3)**	3.2	**(17.1)**
Interest expense	**28.9**	(4.8)	**24.1**
Others	**(0.6)**	(1.0)	**(1.6)**
Other non-cash items	**0.2**	2.0	**2.2**
	157.6	-	**157.6**
Increase in trade and other receivables	**(38.2)**	-	**(38.2)**
Increase in Inventories	**(79.6)**	-	**(79.6)**
Increase in trade payables	**57.0**	-	**57.0**
Cash generated from operations	**96.8**	-	**96.8**
Interest / investment income received	**33.1**	-	**33.1**
Interest paid	**(31.8)**	-	**(31.8)**
Income taxes paid	**(15.0)**	-	**(15.0)**
Dividends paid	**(15.8)**	-	**(15.8)**
Net cash from operating activities	**67.3**	-	**67.3**
Cash flows from investing activities			
Purchase of additional holding in subsidiary companies	**(4.4)**	-	**(4.4)**
Payment to acquire tangible fixed assets	**(270.2)**	-	**(270.2)**
Proceeds from sale of fixed assets	**1.6**	-	**1.6**
Dividends paid to minority interest of subsidiary companies	**(1.7)**	-	**(1.7)**
Sale of current asset investments	**0.2**	-	**0.2**
Purchase of fixed asset investment	**(0.2)**	-	**(0.2)**
Sale of current asset investments	**207.1**	-	**207.1**
Other movements	**-**	(281.6)	**(281.6)**
Net cash used in investing activities	**(67.6)**	(281.6)	**(349.2)**
Cash flows from financing activities			
Proceeds from rights issue of subsidiary company	**0.6**	-	**0.6**
Decrease in short term borrowings	**(195.8)**	-	**(195.8)**
Increase in long term borrowings	**169.0**	-	**169.0**
Net cash used in financing activities	**(26.2)**	-	**(26.2)**
Net decrease in cash and cash equivalents	**(26.4)**	(281.6)	**(308.0)**
Exch Diff	**(1.1)**	(0.1)	**(1.2)**
Cash and cash equivalents at beginning of period	**52.7**	1,094.6	**1,147.3**
Cash and cash equivalents at end of period	**25.2**	812.9	**838.1**

4.2.3 Group Balance Sheet
As at 30 September 2004

US$ million

	UK GAAP	Adjustments	IFRS
ASSETS			
Non-current assets			
Goodwill	11.2	0.3	**11.5**
Negative goodwill	(7.9)	7.9	**-**
Property, plant and equipment	1,520.2	13.4	**1,533.6**
Investment in associate	5.1	-	**5.1**
Other investments	23.5	-	**23.5**
Other non-current assets	-	23.4	**23.4**
	1,552.1	45.0	**1,597.1**
Current assets			
Inventories	263.6	1.6	**265.2**
Trade and other receivables	265.3	(23.4)	**241.9**
Current asset investments	945.8	(812.9)	**132.9**
Cash and cash equivalents	25.2	812.9	**838.1**
	1,499.9	(21.8)	**1,478.1**
TOTAL ASSETS	3,052.0	23.2	**3,075.2**
Current liabilities			
Short term loans	198	-	**198.0**
Convertible loan notes	49.5	-	**49.5**
Other current liabilities	599.6	(15.8)	**583.8**
Provisions	11.6	-	**11.6**
Income tax payable	23.6	-	**23.6**
	882.3	(15.8)	**866.5**
Net current assets/(liabilities)	617.6	(6.0)	**611.6**
Non-current liabilities			
Creditors falling due after more than one year	621.9	-	**621.9**
Deferred tax liabilities	131.3	94.8	**226.1**
Provisions	16.6	5.4	**22.0**
	769.8	100.2	**870.0**
Total liabilities	1,652.1	84.4	**1,736.5**
Net assets/(liabilities)	1,399.9	(61.2)	**1,338.7**
Equity			
Share capital	28.6	-	**28.6**
Share premium account	18.6	-	**18.6**
Other reserves	12.8	-	**12.8**
Profit and loss Account	896.2	(8.9)	**887.3**
Equity attributable to equity holders of the parent	956.2	(8.9)	**947.3**
Minority interest	443.7	(52.3)	**391.4**
Total Equity	1,399.9	(61.2)	**1,338.7**

4.2.4 Statement of changes in equity under IFRS
Period ended 30 September 2004

US$ million

	Share Cap	Share Premium	Other reserves	P&L reserves	Total
As at 1 April 2004	**28.6**	**18.6**	**12.7**	**919.9**	**979.8**
Profit for the period	-	-	-	34.3	**34.3**
Loss on reduction of minority interest	-	-	-	(19.5)	**(19.5)**
CTA reserve				(33.4)	**(33.4)**
Foreign exchange differences	-	-	0.1	-	**0.1**
Dividend paid	-	-	-	(15.8)	**(15.8)**
Reward plan and LTIP credited to reserves	-	-	-	1.8	**1.8**
As at 30 September 2004	**28.6**	**18.6**	**12.8**	**887.3**	**947.3**

4.2.5 EBITDA[1] Reconciliation from UK GAAP to IFRS for period ending 30 September 2004

	2004-05 $ million
EBITDA under UK GAAP	160.0
IAS 16- Overhaul expenses capitalised	1.5
IAS 2- Share based payment	(1.7)
IAS 2 – Inventory Valuation	0.2
EBITDA under IFRS	**160.0**

(1) EBITDA represents operating profit before exceptional items plus depreciation and amortisation

4.3 Group Balance Sheet

As at 1 April 2004 (excluding IAS 32/39)

US$ million

	UK GAAP	Adjustments	IFRS
ASSETS			
Non-current assets			
Goodwill	**12.2**	-	**12.2**
Negative goodwill	**(8.6)**	8.6	**-**
Property, plant and equipment	**1,268.4**	13.1	**1,281.5**
Investment in associate	**2.7**	-	**2.7**
Other investments	**27.5**	(2.3)	**25.2**
Other non-current assets	**-**	22.3	**22.3**
	1,302.2	41.7	**1,343.9**
Current assets			
Inventories	**199.9**	1.7	**201.6**
Trade and other receivables	**245.5**	(22.4)	**223.1**
Current asset investments	**1,188.5**	(1,092.2)	**96.3**
Cash and cash equivalents	**52.7**	1,094.6	**1,147.3**
	1,686.6	(18.3)	**1,668.3**
TOTAL ASSETS	**2,988.8**	23.4	**3,012.2**
Current liabilities			
Short term loans	**245.8**	-	**245.8**
Convertible loan notes	**49.5**	-	**49.5**
Other current liabilities	**575.3**	(15.8)	**559.5**
Provisions	**25.3**	-	**25.3**
Income tax payable	**11.2**	-	**11.2**
	907.1	(15.8)	**891.3**
Net current assets/(liabilities)	**779.5**	(2.5)	**777.0**
Non-current liabilities			
Creditors falling due after more than one year	**529.9**	-	**529.9**
Deferred tax liabilities	**123.2**	100.3	**223.5**
Provisions	**14.4**	6.3	**20.7**
	667.5	106.6	**774.1**
Total liabilities	**1,574.6**	90.8	**1,665.4**
Net Assets/(liabilities)	**1,414.2**	(67.4)	**1,346.8**
Equity			
Share capital	**28.6**	**-**	**28.6**
Share premium account	**18.6**	-	**18.6**
Other reserves	**12.7**	-	**12.7**
Profit and loss account	**931.0**	(11.1)	**919.9**
Equity attributable to equity holders of the parent	**990.9**	(11.1)	**979.8**
Minority interest	**423.3**	(56.3)	**367.0**
Total Equity	**1,414.2**	(67.4)	**1,346.8**

4.4 Group Balance Sheet
As at 1 April 2005 (including IAS 32/39)

US$ million

	IFRS 31 March 2005	IAS 32/39	IFRS 1 April 2005
ASSETS			
Non-current assets			
Goodwill	12.2	-	**12.2**
Property, plant and equipment	2,288.6	-	**2,288.6**
Investment in associate	3.3	-	**3.3**
Other investments	24.8	1.3	**26.1**
Other non-current assets	34.6	-	**34.6**
Deferred tax asset	90.0	-	**90.0**
	2,453.5	1.3	**2,454.8**
Current assets			
Inventories	337.7	-	**337.7**
Trade and other receivables	339.6	-	**339.6**
Other financials asset (derivatives)		2.5	**2.5**
Current asset investments	262.0	-	**262.0**
Cash and cash equivalents	1,185.6	1.0	**1,186.6**
	2,124.9	3.5	**2,128.4**
TOTAL ASSETS	4,578.4	4.8	**4,583.2**
Current liabilities			
Short term loans	194.7	-	**194.7**
Convertible loan notes	23.7	(17.7)	**6.0**
Other current liabilities	675.0	(3.2)	**671.8**
Other financials liabilities (derivatives)		42.1	**42.1**
Provisions	37.0	-	**37.0**
Income tax payable	15.1	-	**15.1**
	945.5	38.7	**984.2**
Net current assets/(liabilities)	1,179.4	(35.2)	**1,144.2**
Non-current liabilities			
Creditors falling due after more than one year	1,344.7	(22.0)	**1,322.7**
Other financials liabilities (derivatives)		17.5	**17.5**
Deferred tax liabilities	234.9	(6.6)	**228.3**
Provisions	247.2	-	**247.2**
Non equity minority interests	59.4	-	**59.4**
	1,886.2	(11.1)	**1,875.1**
Total liabilities	2,831.7	19.0	**2,850.7**
Net Assets	1,746.7	(14.2)	**1,732.5**
Equity			
Share capital	28.7	-	**28.7**
Shares to be issued	-	-	**-**
Share based payment reserve	2.5	-	**2.5**
Share premium account	18.6	-	**18.6**
Other reserves	43.9	-	**43.9**
Hedging reserves	-	(3.2)	**(3.2)**
Profit and loss Account	1,016.8	(8.9)	**1,007.9**
Equity attributable to equity holders of the parent	1,110.5	(12.1)	**1,098.4**
Minority interest	636.2	(2.1)	**634.1**
Total Equity	1,746.7	(14.2)	**1,732.5**

4.5 Reconciliation of profit for the period
Six months ended 30 September 2004

US$ million	UK GAAP	IAS-16 Overhaul expenses	IAS-2 Share based payment	IAS-23 Capitalisation of interest income/ expense	IAS-12 Deferred tax	IFRS-1 Reversal of goodwill amortisation	IAS 28 Associate reporting	IAS -2 Inventory valuation	Total adjustment	IFRS
<u>Revenue</u>										
Continuing operations	**677.4**	-	-	-	-	-	-	-	**-**	**677.4**
Cost of sales	**(507.5)**	0.6	-	-	-	0.2	-	0.2	**1.0**	**(506.5)**
Gross profit	**169.9**	0.6	-	-	-	0.2	-	0.2	**1.0**	**170.9**
Other operating income	**9.7**	-	-	-	-	-	-	-	**-**	**9.7**
Distribution costs	**(18.7)**	-	-	-	-	-	-	-	**-**	**(18.7)**
Administrative Expenses	**(38.2)**	-	(1.8)	-	-	-	-	-	**(1.8)**	**(40.0)**
Operating exceptional item	**(2.6)**	-	-	-	-	-	-	-	**-**	**(2.6)**
Operating profit	**120.1**	0.6	(1.8)	-	-	0.2	-	0.2	**(0.8)**	**119.3**
Investment income	**20.3**	-	-	(3.2)	-	-	-	-	**(3.2)**	**17.1**
Finance costs	**(28.9)**	-	-	3.8	-	-	1.0	-	**4.8**	**(24.1)**
Share loss of associate	**(0.8)**	-	-	-	-	-	(1.0)	-	**(1.0)**	**(1.8)**
Non-operating exceptional item	**1.4**	-	-	-	-	-	-	-	**-**	**1.4**
Profit before taxation	**112.1**	0.6	(1.8)	0.6	-	0.2	-	0.2	**(0.2)**	**111.9**
Income tax expense	**(41.5)**	-	-	-	0.2	-	-	-	**0.2**	**(41.3)**
Profit for the period	**70.6**	0.6	(1.8)	0.6	0.2	0.2	-	0.2	**-**	**70.6**

4.6 Group Net Assets As at 30 September 2004

US$ million	UK GAAP	IAS-10 Proposed dividend	Capitalisation of expenses	IAS-19 Employee benefits	IAS-23 capitalisation of intetest	IAS-12 Deferred tax	IAS-37 Discounting of long term provision	IFRS-1 Presentation	IAS-7 Cash and cash equivalent	IAS-2 Inventory valuation	Total adjustment	IFRS
Non-current assets												
Goodwill	**3.3**	-	-	-	-	-	-	8.2	-	-	**8.2**	**11.5**
Property, plant and equipment	**1,520.2**	-	12.5	-	0.9	-	-	-	-	-	**13.4**	**1,533.6**
Investment in associate	**5.1**	-	-	-	-	-	-	-	-	-	**-**	**5.1**
Other investments	**23.5**	-	-	-	-	-	-	-	-	-	**-**	**23.5**
Other non-current assets	**-**	-	-	-	-	-	-	23.4	-	-	**23.4**	**23.4**
	1,552.1	-	12.5	-	0.9	-	-	31.6	-	-	**45.0**	**1,597.1**
Current assets												
Inventories	**263.6**	-	-	-	-	-	-	-	-	1.6	**1.6**	**265.2**
Trade and other receivables	**265.3**	-	-	-	-	-	-	(23.4)	-	-	**(23.4)**	**241.9**
Current asset investments	**945.8**	-	-	-	-	-	-	-	(812.9)	-	**(812.9)**	**132.9**
Cash and cash equivalents	**25.2**	-	-	-	-	-	-	-	812.9	-	**812.9**	**838.1**
	1,499.9	-	-	-	-	-	-	(23.4)	-	1.6	**(21.8)**	**1,478.1**
TOTAL ASSETS	**3,052.0**	-	12.5	-	0.9	-	-	8.2	-	1.6	**23.2**	**3,075.2**
Current liabilities												
Short term loans	**198.0**	-	-	-	-	-	-	-	-	-	**-**	**198.0**
Convertible loan notes	**49.5**	-	-	-	-	-	-	-	-	-	**-**	**49.5**
Other current liabilities	**599.6**	(15.8)	-	-	-	-	-	-	-	-	**(15.8)**	**583.8**
Provisions	**11.6**	-	-	-	-	-	-	-	-	-	**-**	**11.6**
Income tax payable	**23.6**	-	-	-	-	-	-	-	-	-	**-**	**23.6**
	882.3	(15.8)	-	-	-	-	-	-	-	-	**(15.8)**	**866.5**
Net current assets	**617.6**	15.8	-	-	-	-	-	(23.4)	-	1.6	**(6.0)**	**611.6**
Non-current liabilities												
Creditors falling due after more than one year	**621.9**	-	-	-	-	-	-	-	-	-	**-**	**621.9**
Deferred tax liabilities	**131.3**	-	-	-	-	94.8	-	-	-	-	**94.8**	**226.1**
Provisions	**16.6**	-	-	6.2	-	-	(0.8)	-	-	-	**5.4**	**22.0**
	769.8	-	-	6.2	-	94.8	(0.8)	-	-	-	**100.2**	**870.0**
Total Liabilities	**1,652.1**	(15.8)	-	6.2	-	94.8	(0.8)	-	-	-	**84.4**	**1,736.5**
Net Assets	**1,399.9**	15.8	12.5	(6.2)	0.9	(94.8)	0.8	8.2	-	1.6	**(61.2)**	**1,338.7**

4.7 Reconciliation of profit for the year
Year ended 31 March 2005

US$ million	UK GAAP	IAS-16 Overhaul Expenses	IFRS-1 Negative goodwill KCM acquisition	IAS-2 Share based Payment	IAS-23 Capitalisation of interest income/ expense	IAS-12 Deferred Tax	IFRS-1 Rev. Goodwill Amortisation	IAS 28 Associate Reporting	IAS -2 Inventory Valuation	Total Adjustment	IFRS
Revenue											
Continuing operations	1,635.0	-	-	-	-	-	-	-	-	-	1,635.0
Acquisitions	249.2	-	-	-	-	-	-	-	-	-	249.2
Group Revenue	**1,884.2**	-	-	-	-	-	-	-	-	-	**1,884.2**
Cost of sales	(1,414.8)	(0.1)	-	-	-	-	(0.4)	-	(0.4)	(0.9)	(1,415.7)
Gross profit	**469.4**	**(0.1)**	-	-	-	-	(0.4)	-	(0.4)	**(0.9)**	**468.5**
Other operating income	25.9	-	-	-	-	-	-	-	-	-	25.9
Distribution costs	(51.5)	-	-	-	-	-	-	-	-	-	(51.5)
Administrative Expenses	(90.1)	-	-	(2.5)	-	-	-	-	-	(2.5)	(92.6)
Operating exceptional items	(21.9)	-	-	-	-	-	-	-	-	-	(21.9)
Operating profit	**331.8**	(0.1)	-	(2.5)	-	-	(0.4)	-	(0.4)	**(3.4)**	**328.4**
Investment income	41.3	-	-	-	(3.8)	-	-	-	-	(3.8)	37.5
Finance costs	(37.7)	-	-	-	4.7	-	-	2.9	-	7.6	(30.1)
Share of result of associate	(2.7)	-	-	-	-	-	-	(2.9)	-	(2.9)	(5.6)
Non-operating exceptional item	(0.4)	-	56.5	-	-	-	-	-	-	56.5	56.1
Profit before taxation	**332.3**	(0.1)	56.5	(2.5)	0.9	-	(0.4)	-	(0.4)	54.0	**386.3**
Income tax expense	(97.6)	-	-	-	-	10.6	-	-	-	10.6	(87.0)
Profit for the year	**234.7**	(0.1)	56.5	(2.5)	0.9	10.6	(0.4)	-	(0.4)	**64.6**	**299.3**

4.8 Group Net Assets As at 31 March 2005

US$ million	UK GAAP	IAS-10 Proposed dividend	Capitalisation of expenses	IAS-19 Employee benefits	IAS-23 capitalisation of intetest	IAS-12 Deferred tax	IAS-37 Discounting of long term provision	IFRS-1 Presentation	IAS-7 Cash and cash equivalent	IAS-2 Inventory valuation	Total adjustment	IFRS
Non-current assets												
Goodwill	**10.8**	-	-	-	-	-	-	1.4	-	-	**1.4**	**12.2**
Negative goodwill	**(63.4)**							63.4			**63.4**	**-**
Property, plant and equipment	**2,275.0**	-	12.7	-	0.9	-	-	-	-	-	**13.6**	**2,288.6**
Investment in associate	**3.3**	-	-	-	-	-	-	-	-	-	**-**	**3.3**
Other investments	**24.8**	-	-	-	-	-	-	-	-	-	**-**	**24.8**
Other non-current assets	**-**	-	-	-	-	-	-	34.6	-	-	**34.6**	**34.6**
Deferred tax asset	**90.0**	-	-	-	-	-	-	-	-	-	**-**	**90.0**
	2,340.5	-	12.7	-	0.9	-	-	99.4	-	-	**113.0**	**2,453.5**
Current assets												
Inventories	**336.3**	-	-	-	-	-	-	-	-	1.4	**1.4**	**337.7**
Trade and other receivables	**374.2**	-	-	-	-	-	-	(34.6)	-	-	**(34.6)**	**339.6**
Current asset investments	**1,386.0**	-	-	-	-	-	-	-	(1,124.0)	-	**(1,124.0)**	**262.0**
Cash and cash equivalents	**61.6**	-	-	-	-	-	-	-	1,124.0	-	**1,124.0**	**1,185.6**
	2,158.1	-	-	-	-	-	-	(34.6)	-	1.4	**(33.2)**	**2,124.9**
TOTAL ASSETS	**4,498.6**	-	12.7	-	0.9	-	-	64.8	-	1.4	**79.8**	**4,578.4**
Current liabilities												
Short term loans	**194.7**	-	-	-	-	-	-	-	-	-	**-**	**194.7**
Convertible loan notes	**23.7**	-	-	-	-	-	-	-	-	-	**-**	**23.7**
Other current liabilities	**708.1**	(33.1)	-	-	-	-	-	-	-	-	**(33.1)**	**675.0**
Provisions	**37.0**	-	-	-	-	-	-	-	-	-	**-**	**37.0**
Income tax payable	**15.1**	-	-	-	-	-	-	-	-	-	**-**	**15.1**
	978.6	(33.1)	-	-	-	-	-	-	-	-	**(33.1)**	**945.5**
Net current assets	**1,179.5**	33.1	-	-	-	-	-	(34.6)	-	1.4	**(0.1)**	**1,179.4**
Non-current liabilities												
Creditors due after a year	**1,344.7**	-	-	-	-	-	-	-	-	-	**-**	**1,344.7**
Deferred tax liabilities	**146.3**	-	-	-	-	88.6	-	-	-	-	**88.6**	**234.9**
Provisions	**240.9**	-	-	6.6	-	-	(0.3)	-	-	-	**6.3**	**247.2**
Non-equity minority interest	**59.4**										**-**	**59.4**
	1,791.3	-	-	6.6	-	88.6	(0.3)	-	-	-	**94.9**	**1,886.2**
Total liabilities	**2,769.9**	(33.1)	-	6.6	-	88.6	(0.3)	-	-	-	**61.8**	**2,831.7**
Net Assets	**1,728.7**	33.1	12.7	(6.6)	0.9	(88.6)	0.3	64.8	-	1.4	**18.0**	**1,746.7**

4.9 Group Net Assets As at 1 April 2005 (including IAS 32/39 Adjustments)

US$ million	IFRS pre IAS 32/39	Cash Flow hedge	Fair Value Hedge	Derivatives	Fair Value of Financial Asset	Convertible debt	Total Adjustments	IFRS post 32/39
Non-current assets								
Goodwill	**12.2**	-	-	-	-	-	**-**	**12.2**
Property, plant and equipment	**2,288.6**	-	-	-	-	-	**-**	**2,288.6**
Investment in associate	**3.3**	-	-	-	-	-	**-**	**3.3**
Other investments	**24.8**	-	-	-	1.3	-	**1.3**	**26.1**
Other non-current assets	**34.6**	-	-	-	-	-	**-**	**34.6**
Deferred tax asset	**90.0**	-	-	-	-	-	**-**	**90.0**
	2,453.5	-	-	-	1.3	-	**1.3**	**2,454.8**
Current assets								
Inventories	**337.7**	-	-	-	-	-	**-**	**337.7**
Trade and other receivables	**339.6**	-	-	-	-	-	**-**	**339.6**
Other financial asset (derivatives)	**-**	1.5	0.6	0.4	-	-	**2.5**	**2.5**
Current asset investments	**262.0**	-	-	-	-	-	**-**	**262.0**
Cash and cash equivalents	**1,185.6**	-	1.0	-	-	-	**1.0**	**1,186.6**
	2,124.9	1.5	1.6	0.4	-	-	**3.5**	**2,128.4**
TOTAL ASSETS	**4,578.4**	1.5	1.6	0.4	1.3	-	**4.8**	**4,583.2**
Current liabilities								
Short term loans	**194.7**	-	-	-	-	-	**-**	**194.7**
Convertible loan notes	**23.7**	-	-	-	-	(5.4)	**(5.4)**	**18.3**
Other current liabilities	**675.0**	-	(3.2)	-	-	-	**(3.2)**	**671.8**
Other financial liabilities (derivatives)	**-**	7.9	15.7	0.8	-	14.3	**38.7**	**38.7**
Provisions	**37.0**	-	-	-	-	-	**-**	**37.0**
Income tax payable	**15.1**	-	-	-	-	-	**-**	**15.1**
	945.5	7.9	12.5	0.8	-	8.9	**30.1**	**975.6**
Net current assets	**1,179.4**	(6.4)	(10.9)	(0.4)	-	(8.9)	**(26.6)**	**1,152.8**
Non-current liabilities								
Creditors falling due after more than one year	**1,344.7**	-	(21.3)	(0.7)	-	-	**(22.0)**	**1,322.7**
Other financial liabilities (derivatives)	**-**	-	17.5	-	-	-	**17.5**	**17.5**
Deferred tax liabilities	**234.9**	(2.1)	(2.0)	0.1	0.4	(3.0)	**(6.6)**	**228.3**
Provisions	**247.2**	-	-	-	-	-	**-**	**247.2**
Non equity minority interests	**59.4**	-	-	-	-	-	**-**	**59.4**
	1,886.2	(2.1)	(5.8)	(0.6)	0.4	(3.0)	**(11.1)**	**1,875.1**
Total liabilities	**2,831.7**	5.8	6.7	0.2	0.4	5.9	**19.0**	**2,850.7**
Net Assets	**1,746.7**	(4.3)	(5.1)	0.2	0.9	(5.9)	**(14.2)**	**1,732.5**

5. Directors' responsibilities

The directors are required by United Kingdom company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group as at the end of the financial period and of the profit or loss and cash flows for that period. To ensure that this requirement is satisfied the directors are responsible for establishing and maintaining adequate internal controls and procedures for financial reporting throughout the Group.

For the year ending 31 March 2006, the directors will be preparing the Group's financial statements in accordance with International Financial Reporting Standards (IFRS) for the first time. As part of the transition to IFRS, the directors are presenting financial information prepared under IFRS for the opening balance sheet as at 1 April 2004, year ended 31 March 2005 and the six months ended 30 September 2004.

The directors are responsible for the selection and consistent application of the accounting policies and the selection of transition options under IFRS 1, including the assumptions made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when the Group's first complete set of IFRS financial statements are prepared.

The directors are responsible for maintaining proper accounting records and they have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the Group's website. The work carried out by the independent accountants does not involve responsibility for any changes that may have occurred to the IFRS financial information since it was initially loaded on to the website.

Directors' declaration

The IFRS financial information for the year ended 31 March 2005 and period ended 30 September 2004 has been prepared in accordance with the basis of preparation and accounting policies set out on pages 10 to 20. We consider that the accounting policies and transition options we have selected are appropriate for Vedanta's business and supported by reasonable and prudent judgements.

The IFRS financial information has been prepared on the going concern basis since, in our opinion, each of the Vedanta Group companies has adequate financial resources to continue in operational existence for the foreseeable future and to pay its debts as and when they become due and payable.

By order of the board

K.K. Kaura
26 September 2005

6. INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF VEDANTA RESOURCES PLC ON THE PRELIMINARY IFRS FINANCIAL INFORMATION

We have audited the accompanying non-statutory preliminary consolidated balance sheet of Vedanta Resources plc ("the Company") and its subsidiaries (together the "Group") prepared in accordance with International Financial Reporting Standards ("IFRS") as at 1 April 2004 (the "opening balance sheet") and the non-statutory preliminary comparative IFRS financial information for the year ended 31 March 2005, which comprises the consolidated income statement prepared in accordance with IFRS, the consolidated balance sheet prepared in accordance with IFRS and certain information set out in Section 4 (the "comparative IFRS financial information") (together "the preliminary IFRS financial information").

This report is made solely to the Board of Directors, in accordance with our engagement letter dated 4 August 2005 and solely for the purpose of assisting with the transition to IFRS. Our audit work will be undertaken so that we might state to the company's board of directors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the company for our audit work, for our report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Company's directors are responsible for ensuring that the Company and the Group maintains proper accounting records and for the preparation of the preliminary comparative on the basis set out in Section 2, which describes how IFRS will be applied under IFRS 1, including the assumptions the directors have made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when the Company prepares its first complete set of IFRS financial statements as at 31 March 2006.

Our responsibility is to audit the the preliminary IFRS financial information in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards and report to you our opinion as to whether the preliminary comparative IFRS financial information is prepared, in all material respects, on the basis set out in Section 2.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the comparative IFRS financial information. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the the preliminary IFRS financial information and of whether the accounting policies are appropriate to the circumstances of the group, consistently applied and adequately disclosed.

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

Without qualifying our opinion, we draw attention to Section 2 "Basis of preparation" which explains why there is a possibility that the preliminary IFRS financial information may require adjustment before constituting the final IFRS financial information. Moreover, we draw attention to the fact that, under IFRSs, only a complete set of financial statements comprising a balance sheet, income statement, statement of changes in equity, cash flow statement, together with comparative financial information and explanatory notes, can provide a fair presentation of the Company's financial position, results of operations and cash flows in accordance with IFRSs.

Opinion

In our opinion the preliminary IFRS financial information is prepared, in all material respects, on the basis set out in Section 2, "Basis of preparation", which describes how IFRS will be applied under IFRS

1, including the assumptions the directors have made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when the Company prepares its first complete set of IFRS financial statements as at 31 March 2006.

Deloitte & Touche LLP

Chartered Accountants
London

26 September 2005

7. INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF VEDANTA RESOURCES PLC ON THE PRELIMINARY COMPARATIVE FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

We have reviewed the accompanying preliminary International Financial Reporting Standards (IFRS) consolidated financial information of Vedanta Resources plc ("the Company") and its subsidiaries (together, "the Group") for the six months ended 30 September 2004 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes set out in Section 4 (hereinafter referred to as "preliminary financial information").

This preliminary financial information is the responsibility of the Company's directors. It has been prepared as part of the Company's conversion to IFRS in accordance with the basis set out in Section 2 which describes how IFRSs have been applied under IFRS 1, including the assumptions the directors have made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when the company prepares its first complete set of IFRS financial statements as at 31 March 2006. Our responsibility is to express an opinion on this preliminary IFRS comparative financial information based on our review.

Our review report is made solely to the Company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Review work performed

We conducted our review in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of management and applying analytical procedures to the preliminary financial information and underlying financial data and, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of control and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the preliminary financial information.

Emphasis of matter

Without modifying our review conclusion, we draw attention to the fact that Section 2 explains why there is a possibility that the accompanying preliminary financial information may require adjustment before constituting the final IFRS comparative information for the six months ended 30 September 2004. Moreover, we draw attention to the fact that, under IFRSs, only a complete set of financial statements comprising an income statement, balance sheet, statement of changes in equity, cash flow statement, together with comparative financial information and explanatory notes, can provide a fair presentation of the Group's financial position, results of operations and cash flows in accordance with IFRSs.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the preliminary financial information for the six months ended 30 September 2004 which has been prepared in accordance with the basis set out in Section 2.

Deloitte & Touche LLP
Chartered Accountants
London
26 September 2005