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Vedanta Resources plc
Preliminary results for the year ended 31 March 2005

Highlights

- Delivery on growth projects – 2 out of 4 projects complete
  - Tuticorin copper smelter now fully operational
  - Chanderiya zinc smelter and Rampura Agucha mine expansions delivered on time and ahead of budget
  - Aluminium expansion project at Korba remains on target for March 2006 commissioning
  - Further progress with 1 mtpa[1] alumina refinery at Orissa

- Strong financial results
  - Group Operating Profit up 40% to $332 million and Group EBITDA[1] up 41% to $455 million driven by production growth and strong pricing
  - Well capitalised balance sheet with Group Gearing[1] at 4% and gross cash of $1.4 billion
  - Strong ROCE[1] at 32%
  - 5% final dividend increase reflects the confidence of the Board in continued successful delivery

- Increased share of earnings – minorities reduced to 45% in the second half (from 63% at Listing)
  - Economic Interest[1] in Sterlite, the largest subsidiary, increased to 80% (from 69% at Listing)
  - Attributable Profit[1] up 66% to $120 million, benefiting from reduction in minority interests

- Successful investment in Konkola Copper Mines with opportunities to improve output, reduce costs and pursue future growth

	Full Year 2005	Full Year 2004 (restated)	% Change
Group Turnover ($ million)	1,884.2	1,289.5	+ 46%
Group EBITDA ($ million)	455.0	322.7	+ 41%
Group EBITDA margin[1]	24.1%	25.0%	
Group Operating Profit ($ million)	331.8	237.1	+ 40%
Attributable Profit ($ million)	120.0	72.3	+ 66%
ROCE[1] (excluding project capital work in progress)	32.0%	24.1%	
Final Dividend [2] (US cents per share)	11.55	11.0	5%

Vedanta's Chairman Anil Agarwal commented:
"Vedanta is a unique growth story and our profile of organic growth is unrivalled in the metals and mining industry. This has been an exciting year for Vedanta. We have made strong progress and have delivered on several of our development projects. We continue to focus on our growth strategy and have moved forward in all areas. We remain confident of continuing to deliver this growth in the year ahead."

(1) *Refer to glossary and definitions*
(2) *The dividend for the full year 2004 of US 5.5 cents per share was based on the four month period following Vedanta's Listing, equivalent to a final dividend of US 11.0 cents*

CHAIRMAN'S STATEMENT

Vedanta is a unique growth story and our profile of organic growth is unrivalled in the metals and mining industry. This has been an exciting year for Vedanta. We have made strong progress and have delivered on several of our development projects. We continue to focus on our growth strategy and have moved forward in all areas. We remain confident of continuing to deliver this growth in the year ahead.

At the time of our Listing we set out a four part strategy. The first pillar of our strategy is to optimise the performance of our existing assets, which included the expansions in our copper and zinc operations. In April 2005 we started commissioning our copper smelter at Tuticorin and the new 300,000 tpa(1) facility is producing metal. On 31 May 2005 we announced the commissioning of the new facilities at Chanderiya, supported by the expanded output at Rampura Agucha mine. This was completed around 15% below the forecast budget of $425 million and well below the benchmark costs for comparable international projects. We will continue to look for opportunities to optimise performance and lower costs in all aspects of our operations.

The second part of our strategy is to complete the two greenfield projects; the 250,000 tpa aluminium complex, at BALCO, and the new 1 million tpa alumina plant at Orissa. The facilities at BALCO are proceeding on schedule, we are carrying out technology trials on some of the pots and are producing metal. The alumina refinery at Orissa is also on track and budget. As mentioned in our recent production report, public interest submissions regarding environmental clearance are currently being addressed within a timetable set by the Supreme Court.

The third pillar of our strategy is the consolidation of our Group structure and further good progress has been made over the year. The most significant change came from the $434 million rights issue in Sterlite which allowed us to increase our Economic Interest in Sterlite to 80% and to inject funds into Sterlite, for use in our expansion programme. The exercise of the option in BALCO continues to proceed with independent valuers having been appointed by the Government. We will continue to pursue opportunities to simplify the structure of the Group where possible.

In November 2004 we completed our acquisition of Konkola Copper Mines, at a gross cost of $49.2 million. This formed the fourth pillar of our strategy; leveraging our existing skills through investment opportunities. At current high copper prices Konkola is profitable, but the aim is to place the operations in a position where they are more profitable through the commodity cycle and to give KCM a more solid long term outlook. Our immediate focus is to improve processes and stabilise production levels. There are considerable opportunities for future development at KCM, including the world class Konkola Ore Body with resources of 210 million tonnes containing copper at 3.8%.

During the year the Company received its first credit rating, Baa3/BB, since upgraded to BB+. This placed us at the Indian sovereign limit, which given the dominance of Indian assets was as high as could be expected. We raised $600 million in a bond issue and the Board believes that we have a well balanced mix of funding in place for our current expansion projects. Over the year we have spent $735 million on our $2.2 billion project pipeline. This brings total spending to date to $1,029 million. We remain confident of remaining within our gearing target of under 45% of Capital Employed(1) throughout our current spending programme.

We believe that there are several opportunities that will allow us to develop our growth strategy further and extend the expansion pipeline. This will take advantage of the strong cashflow that will be produced as the current projects come into production and reflects the many options that we have to continue to achieve volume growth in the long term.

We are reviewing further aluminium smelting capacity, to take advantage of the production from VAL, with the possibility over time of an additional 500,000 tonnes of finished aluminium per annum. We also signed a memorandum of understanding with the State Government of Orissa regarding an iron ore project with related steel facilities. These are both at an early stage and any projects will be pursued on the basis of maintaining positive financial returns. There are opportunities for expansions elsewhere in our existing operations, and we are evaluating projects at both zinc and copper.

This has been an exceptional period for metal prices driven by strong demand from China. This has also had an impact on several input prices, particularly energy related costs such as oil and coal. There has been much talk of a super cycle and the potential for a prolonged period of above average commodity prices. Our policy is to remain focused on delivering our new projects and lowering our costs, which will allow us to take advantage of the significant growth opportunities offered within India and to stay profitable regardless of the commodity market cycles.

A new Government, led by the Congress party, was elected in India in May 2004. The new Government has maintained a policy of growth and liberalisation. Metal use in India continues to grow above global levels and the long term attractions of the Indian economy remain considerable. India has been much talked about as an attractive investment destination, attracting growing levels of foreign investment and the potential to become a major regional manufacturing hub. I believe we are well placed both to take advantage of this growth and also to contribute to the future development of India by providing vital basic resources.

In March 2005 I took over as Chairman of the Board and KK Kaura became Chief Executive. I would like to thank Michael Fowle, my predecessor as Chairman, and Jean-Pierre Rodier for their guidance and input during the past year. Sir David Gore-Booth sadly died during the year and his counsel will be greatly missed. I am pleased that we have appointed three new Non-executive Directors with complementary experience and we intend to appoint a further senior independent Non-executive Director in due course.

The Board is proposing a final dividend for the year of 11.55 US cents per Ordinary Share, an increase of 5% on last year's implied final dividend of 11.0 US cents. Last year we paid a single dividend of 5.5 US cents per Ordinary Share, for the four months for which we were listed, equivalent to an annual payment of 16.5 US cents per Ordinary Share. The total dividend for the year is 17.05 US cents per Ordinary Share. The increase in dividend at this early stage reflects the Board's confidence in continued successful delivery and we remain committed to a progressive dividend policy.

The delivery of our projects and the growth of our business could not have been achieved without the efforts of the Board, management and employees of Vedanta, who have shown great commitment to building this success.

The success in all areas of our strategy over the past year has been encouraging and in the next twelve months we will see progressive benefit from the recently commissioned facilities at Chanderiya and Tuticorin and a full year's contribution from KCM. We remain focused on completing Korba and Orissa as well as evaluating opportunities, to extend our unique growth pipeline. We are confident of showing good progress over the next twelve months and delivering value to all stakeholders.

CHIEF EXECUTIVE'S STATEMENT

Over the past twelve months we have shown good operational delivery on our existing assets and made excellent progress on our expansion pipeline. The year was again weighted towards the second half with production, turnover and profitability rising through the year in all areas. Zinc and aluminium both enjoyed significant increases in profitability in comparison to the previous year. The acquisition of KCM, in November 2004, also contributed to our turnover and margin. Strong metals prices were a consistent factor, which more than offset high energy costs and the impact of tariff cuts.

Group turnover has increased 46% to $1,884 million, compared to last year, and EBITDA has increased by 41% to $455 million, of which $295 million was in the second half of the year, including $76 million from KCM. Operating profit has increased by 40% to $332 million Strong metals prices have more than offset rises in some input costs, such as energy, and reductions in import tariffs by the Government. EBITDA margin has remained consistent at 24%. Underlying Profit(1) has increased by 82% to $138 million from $76 million, and EPS(1) by 82% to 48.1 US cents per Ordinary Share. This reflects the benefit of the successful changes in the Group structure, which has increased the proportion of earnings retained within the Group.

The expansions at the Tuticorin copper plant and Chanderiya zinc plant were completed shortly after the year end and the aluminium expansion at BALCO is in its final phase before commissioning. There are many opportunities to develop KCM and we have a clear strategy on how to take these assets forward. These expansions should result in steadily building production over the coming year, with the ramp-ups of copper, zinc and aluminium contributing towards a rise in production in the second half of the current year.

Tariffs on metal imports into India were cut twice during the year, at a special post-election budget in July 2004 and at the annual budget in February 2005. Tariffs now stand at 10% on each of our major metals, around the level recommended in the report produced by the Kelkar Committee, for the Government.

Growth in India has continued at a good pace and this has been reflected in demand for metals. The new Government has continued with policies to promote growth and development in India. Industrial production in India has risen by around 8% during 2004 and official Government forecasts anticipate similar levels for this financial year. Metals' demand should also benefit from a targeted rise of 14% in infrastructure spend by the Government. India is well placed to play a growing role in the global metals and minerals markets, both from domestic demand and the development of resources and facilities.

Our organisation continues to develop and grow. The use of programmes such as TPM and Six Sigma, along with the assistance of external consultants and reviews, help to deliver operational improvements, utilise our assets better, develop and retain our staff and, importantly, to improve service to our customers.

Aluminium

The existing assets performed well over the year and the results benefited from the strong increase in the metal price. The expansion project at Korba is on track for commissioning in March 2006, taking our aluminium capacity to around 400,000 tpa and the new 1 mtpa alumina refinery at Orissa is making good progress.

The total production of finished aluminium in the financial year was 135,926 tonnes, an increase of 5% on last year, and in line with capacity. The introduction of a fifth boiler at BALCO allowed more stable power output with fewer interruptions in power supply and better control of management processes at both companies also helped to increase output. We sold around 35,000 tonnes of rolled products from BALCO over the year.

Turnover in the Aluminium Business increased by 26% to $282 million, with EBITDA increasing 41% to $76 million. The increase in turnover and profitability was principally due to the strength of the price for aluminium, with aluminium prices, as quoted on the LME, averaging $1779 per tonne over the year, an increase of 24% over the previous year. Tariffs on the import of aluminium were reduced in February 2005 from 15% to 10% and thus the impact from tariff changes in the financial year was limited.

Unit costs rose to $1378 per tonne, an increase of 12.5% from the previous financial year. This was primarily caused by the increase in all key input prices, notably petroleum products, coal and caustic soda. The expansion planned at BALCO will introduce more modern 320 KA pre-baked technology, giving the potential for a significant reduction in unit costs, mainly through lower power consumption and better heat rate from the new power plant.

We estimate that demand for aluminium in India increased by around 10% over the year, driven by strong demand from the power, construction, automotive and packaging industries. Power transmission and electrical applications continue to be the single largest domestic user of aluminium.

The domestic market will see significant capacity expansion over the next three years. Consumption in the country is still less than 1 kilogram per capita and we believe that consumption growth over the next three years should average over 9 to 10% per annum with demand being driven by the construction, automotive and power industries.

The expansion project at Korba has made excellent progress over the past year. We have invested a further $431 million over the period, to bring our total spend to $562 million, against a budget $900 million. The captive power plant is at an advanced stage and we anticipate being able to use the first of the four power units in June 2005. The pot rooms are complete and technology testing on the pots has been successfully undertaken. We will start bringing pots into production on a progressive basis as the power plants are introduced.

We should, therefore, see some increase in output towards the end of the year from these first pots and remain on track for our commissioning date of March 2006. I look forward to reporting next year on this expansion, which will transform the size, dynamics and cost of production of this Business.

Alumina

At our major alumina project in Orissa, we have made substantial progress on the alumina refinery with all of the civil works and construction well in hand and around halfway to completion. To date, approximately $101 million has been invested. There have been some public interest submissions to a Supreme Court of India sub-committee, regarding the environmental clearances for the bauxite mining and these are currently being addressed. As mentioned in last year's annual report, we have investigated the possibility of introducing a partner in this project and this option remains under consideration.

Copper

The assets in India made limited headway over the year, given flat TC/RCs(1) and the impact of tariffs. The new smelter received permission to operate in April 2005 and will take our capacity to 300,000 tpa. In November 2004 we acquired KCM, making Vedanta one of the top five global copper producers.

Copper - India/Australia

Production of copper cathode in India declined by 4% from the previous year to 171,992 tonnes. Production was lower in the first quarter as a result of a planned shutdown of 20 days at the smelter, after a long campaign life of 24 months. In the second half of the year this was almost fully recovered, with the plant running above capacity through both the third and fourth quarters.

Turnover increased 29% to $766 million, though EBITDA declined by 10% to $85 million. The rise in turnover reflects the significant increase in the copper price over the period. The average price on the LME over the financial year was 136 US cents per pound, an increase of 68% on the previous year. Around 20% of our copper concentrate was supplied by our own mines in Australia and these operations benefited from this rise.

The average TC/RC we received in the year was 8.6 US cents per pound, similar to the levels of 2003/4. TC/RC's in the first half were 6.6 US cents per pound and were improving towards the end of the year. We anticipate that our TC/RC's should increase significantly in the current year. We have made good progress towards our strategy of obtaining around two-thirds of our concentrate on long term contract, having signed some frame contracts over the year.

The impact of tariffs was most significant in the Copper Business. Over the course of the year, tariffs on imports of finished copper were reduced from 20% to 10%. Duty assistance on exports of copper was also reduced during the year. On current prices of copper cathodes this export assistance broadly offsets the tariff of 5% paid on copper concentrate imports.

Cash costs were improved from 7.8 US cents per pound to 7.1 US cents per pound. This was driven by better recovery of metal and improved by product management, notably sulphuric and phosphoric acids. Our copper operations in India are already in the first quartile of cash costs for copper producers globally, however we believe we can improve this further and are targeting a cost of 6 US cents per pound.

During the year, further drilling was undertaken at CMT and a further 13.2 million tonnes of ore has been added to reserves, reflecting an extension to the mine life of around five years. CMT produced around 27,600 tonnes of copper in concentrate over the year and the operation gained substantially from the increase in the copper price. Production at TCM was around 12,300 tpa. The operation is likely to be closed in the first quarter of the 2005/06 financial year and closure costs, as estimated, have been fully provided.

We estimate that growth in demand for copper in India has grown at around 7% per annum, over the past two years. This growth rate should benefit from growing power sector demand, construction, air conditioning and the automotive sector. At the end of 2002, India had power generation facilities of 105,000 mw[(1)]; this is planned to double by 2012.

Shortly after the year end we started commissioning the new copper smelter at Tuticorin. This will take our capacity to around 300,000 tpa of copper anode. A new refinery of 120,000 tpa and rod plant of 100,000 tpa has also been built at Tuticorin, so that the additional anode will be processed at Tuticorin. This will allow production of around 300,000 tpa of cathode and 240,000 tpa of rod. The expansion also included a new 22.5 mw power plant, and new acid and oxygen plants. The smelter is producing metal and we are moving through the ramp-up phase, towards full production in the second half of the year.

Copper - Zambia

In November 2004 we acquired a 51% holding in Konkola Copper Mines. KCM is the largest mining company in Zambia, contributing significantly to the nation's economy and export earnings. Over the five months from the date of acquisition KCM produced 67,547 tonnes of copper cathode and contributed $76 million of EBITDA to the Group. The cash cost of production was 106 US cents per pound.

A new chief executive, Mr CV Krishnan, has been appointed to KCM. He has extensive experience in the Copper Business, having worked previously with the Group at Tuticorin. The immediate aim is for a substantial improvement in operations and processes. We are seeking to raise plant availability and deliver better process management. Training for staff is taking place along with the transfer of around 15 specialists from elsewhere in the Group.

There are several projects underway at KCM, all with the aim of enhancing production and reducing costs. A new 500 tonne per day acid plant is being built to improve the availability of sulphuric acid and reduce costs for the leaching plant. We are also moving to de-bottleneck the smelter and improve recovery in the smelters and concentrators.

The most significant project at Konkola is the Konkola Ore Body Extension Project. This involves mining the ore below the current depth at Konkola underground mine and expanding production from 2 million tonnes per annum to 6 million tonnes per annum. Our intention is to make full use of the existing infrastructure and thereby deliver the project at a lower cost and shorter timescale than had previously been thought possible. The project should also have several economic and environmental benefits for the surrounding area. It is intended that the additional production of concentrates from Konkola will be treated in the smelter at Nkana, producing copper cathodes for export.

Zinc

The Zinc Division performed exceptionally well over the period, assisted by strong sales and a firm zinc price. Our expansion at Chanderiya was completed and trial production commenced in May 2005 and this will increase our refined zinc output close to 400,000 tpa of finished metal.

Mine output has improved considerably and all the mines have performed well. Rampura Agucha in particular did better than the previous year due to de-bottlenecking. This is reflected in an increase in mined metal content of 7% over the year to 354,641 tonnes. Production of refined zinc declined by 4% to 212,445 tonnes, due to inconsistent qualities of met coke, caused by short supply, which impacted the production process.

Sales of zinc metal at about 289,000 mt are about 12% higher than the prior year, using our own production of 212,445 mt[(1)] along with additional tonnage from tolling activities and stocks.

Turnover rose 21% to $486 million and EBITDA rose 22% to $219 million. Both turnover and profitability were driven by the increase in finished metal sales and the strong rise in the zinc price. The average price for zinc over the period, quoted on the LME, rose 34% to $1,108 per tonne. This has more than offset rising costs and tariff reductions. Cash costs of production rose 22% to $695 per tonne. These were impacted by rising energy prices and the costs of met coke. Import tariffs on zinc were reduced in 5% stages, from 20% to 10% in July 2004 and February 2005.

Zinc demand in India grew at around 10% over the year. The growth is driven by galvanising, which protects steel from corrosion, and the end users of galvanised materials in construction, the automotive sector, housing and power transmission. About 50% of zinc demand is driven by sheet galvanising.

There have been focused efforts on expanding new zinc applications, notably galvanised reinforcement bars and structures used in construction. These should benefit from Government infrastructure spend.

Shortly after the year end we commissioned the new facilities at Chanderiya zinc smelter. The final cost of the expansion is around 15% below the budget of $425 million, set out at the time of Listing. First metal was poured in May 2005, and we will build up towards full capacity in the second half of the financial year, which will take our total zinc capacity close to 400,000 tpa. The new facilities should assist in reducing unit costs in the future towards our target of $500 per tonne, subject to variations in energy and coal prices. The operations are already in the first quartile of global costs and reaching our target will make them one of the lowest cost zinc producers in the world.

The lead smelting facilities are currently being increased by 50,000 tpa to take total output to 85,000 tpa. These new facilities should be commissioned by the end of the financial year. The cost of this will be around $35 million.

Exploration

The replacement and growth of our resource base is fundamental to our Businesses. During the year, we appointed a Head of Exploration, who will lead a team responsible for exploration across the Group. The team is tasked with developing our competence in this area and producing a meaningful exploration programme.

The importance of exploration has already been demonstrated at our zinc operations. The reserves at Rampura Agucha have been increased to 50.1 million tonnes from 40.1 million tonnes. These contain zinc at 12.8% and lead at 1.9%. The life of the mine has increased to well over 15 years, even at the increased levels of production required by the expansion at the smelter. We will continue with further exploration work around the mines.

New Projects

The four projects set out at Listing are around 50% complete in terms of budget, with two already commissioned, zinc and copper, and the third, aluminium, on track for the end of the 2005/06 financial year. Costs are within budget, in spite of input cost pressures, such as steel, through a combination of the timing of the initial contracts and sound project management.

We believe that there are some significant further opportunities to expand our production in the future and this coincides with a unique period in India's economic growth and development. There is also the potential to move our Zambian assets forward considerably. This will extend our pipeline of growth into the future and retain our profile of growth led through projects. We are undertaking a detailed feasibility study for the development of aluminium production in the state of Orissa. We are at a preliminary stage in evaluating the potential for iron development in the same state. We believe that there is potential for further additions in other areas, particularly aluminium and zinc, and these possibilities should develop over the year ahead.

Sustainable Development

We believe in sustainable development and are committed to effective management of health, safety, environment and community development as an integral part of our business.

The acquisition of KCM brings our total workforce to around 22,450 and as the Group has grown, so have our responsibilities to our employees and the communities around us. We have made considerable progress over the past year with many initiatives undertaken. We have appointed Group managers for both HSE and CSR, who will further develop tasks and performance indicators across the Group.

We seek to meet needs in the community by providing assistance in the three key areas of primary health, education and distress relief. It is our wish to assist those around us, far beyond their minimum needs. Across the Group we undertake considerable work ranging from funding schools and school meals, to skill training programmes for adults and the sponsorship of sports. There is a wide range of activity in health care, from providing centres and medicine to extensive treatment programmes. KCM has a strong track record in malaria and HIV programmes, the learning from which we can spread around the Group.

Over the year we have undertaken several initiatives to ensure that we meet environmental requirements and the use of third party audits by international specialists, has validated our belief in our practices. The selection of the new technology being introduced in our expansion programmes will assist our efforts by improving on energy efficiency and waste recycling. Investment has taken place to improve air quality well within current permissible standards, in anticipation of more stringent legislation that will inevitably be introduced in the future.

Outlook

This year will see further delivery of the tasks we set out at Listing, as new production ramps up from our copper and zinc expansions and our aluminium project is fully commissioned. I also anticipate improvements in production and costs at KCM. The delivery of our strategy will reduce our unit costs, through the increase in volumes, new technology and greater productivity and take us towards our goal of being in the top decile of cost of production in all of our Businesses. Our growth strategy combined with growing demand for metals in India gives a positive outlook and I look forward to reporting on this over the year.

FINANCIAL REVIEW

EBITDA increased 41.0% to $455.0 million, including a $76.0 million contribution from KCM. Depreciation rose to $101.7 million split between $77.5 million from our existing Businesses and $24.2 million from KCM. Depreciation is forecast to rise next year with the commissioning of new plant in our Aluminium, Zinc and Copper Businesses and a full year of depreciation from KCM.

During the year, foreign exchange losses of $11.2 million in the first half were largely reversed in the second half resulting in a net foreign exchange loss of $1.6 million in the year. This compared to the $14.0 million gain arising during the prior year.

Group operating profit after exceptional items increased to $331.8 million, a 39.9% increase. Operating exceptional items were $21.9 million; these related to a $4.1 million charge arising from voluntary retirement schemes (2004: $13.3 million) and a $17.8 million impairment charge recognised against certain non-core assets identified in last year's annual report. Whilst these non-core assets have been substantially written down, we are pursuing a number of opportunities to maximise realisation over and above their net carrying value of $52 million (2004: $65 million).

Foreign Exchange and Net Interest

Net interest income was $3.6 million compared with a $1.3 million net interest charge in the prior year. This included a net foreign exchange loss of $7.6 million (2004 $14.1 million gain) arising on foreign currency funds and borrowings within the Group. Investment income totalled $41.3 million (2004: $39.7 million) and interest payable $37.7 million (2004: $41.0 million); this excludes net interest capitalised on our growth projects of $24.2 million (2004 $4.6 million).

Taxation

The tax rate in the year was 29.4% (2004: 32.6%) split between current tax of 19.7% (being the cash rate for the Group) and deferred tax of 9.7%. The tax rate for the current year benefited from several factors including the acquisition of KCM with significant tax losses, a 3% reduction in Indian income tax rates and fiscal breaks arising from the extensive capital expenditure programme. These mostly occurred in the second half of the financial year reducing the full year tax rate compared to that estimated in the interim accounts. The tax rate is expected to be moderately higher in the future although the capital expenditure fiscal breaks will continue.

Minority Interests

Minority interests have been restated to reflect a new accounting policy, required by UITF Abstract 38 'Accounting for ESOP Trusts'. The SEWT's holding of 3.2% in the issued share capital of Sterlite is reclassified from other investments and instead, recorded as a reduction in shareholders' funds. From a Group perspective, the shares are effectively treated as cancelled, which increases Vedanta's Economic Interest in Sterlite. As a consequence of this change in accounting policy, the minority interest reflected in the profit and loss account decreased from 57.7% to 54.1% for the year ended 31 March 2004.

After reflecting the change in accounting policy, our share of post-tax profit absorbed by minority interests decreased from the restated 54.1% for the prior year to 48.9% in the current year, split as to 50.6% in the first half of the year and then reduced further to 48.0% in the second half of the year, or 44.5% when excluding operating exceptional items. This reduction reflects the success in implementing our strategy to increase ownership in subsidiaries, principally arising from Sterlite's rights issue concluded in September 2004. Further details are discussed below.

Profit for the Year

The profit for the year was $120.0 million against $72.3 million in the previous year, an increase of 66.0%. This increase was due to a combination of the improved results reported across our Businesses and the reduction in minority interests.

The Underlying Profit was $137.7 million, an improvement of 80.7% against the prior year. Underlying Profit excludes the effects of exceptional items, their tax and minority interest impact, and is a more informed measure of the recurring performance of the Group.

Earnings per Share and Dividends

EPS based on profit for the year rose by 65.6% to 41.9 US cents per Ordinary Share whilst EPS based on Underlying Profit rose by 80.8% to 48.1 US cents per Ordinary Share. There was no material difference between basic EPS and diluted EPS as the only effects on profit after dilutive adjustments are shares to be issued under the Vedanta Resources LTIP totalling $0.2 million, and an adjustment in respect of the convertible bond in Sterlite totalling $1.9 million.

The Board has proposed a final dividend of 11.55 US cents per Ordinary Share in respect of the year ended 31 March 2005 which, together with the interim dividend of 5.5 US cents per share paid in January 2005, gives a total for the year of 17.05 US cents per share. The final dividend is increased by an equivalent of 5% on the previous year when a final dividend of 5.5 US cent per share was paid for the four month period to 31 March 2004 following the Company's Listing in December 2003. The Company has a progressive dividend policy but recognises that in the year there was no benefit from the $2.2 billion growth projects.

Cash Flow

During the year, there was a decrease in net cash of $496.6 million reflected in a net cash position of $422.3 million as at 31 March 2004 moving to a net debt position of $74.3 million as at 31 March 2005. This movement arose from significant Expansion Capital Expenditure which more than offset free cash flow.

The Free Cash Flow in the year of $204.4 million is lower than last year's figure of $335.4 million, which had benefited from extended trade credit received of over $200 million included within the working capital movement. This year there was a significant working capital outflow of $180.2 million due to a combination of a higher level of copper concentrate inventory compared to the previous year's unusually low level and increased trade debtors arising from strong fourth quarter sales volumes and selling prices. Sustaining Capital Expenditure was again tightly controlled, this year including KCM, increasing modestly to $67.1 million against $64.5 million in the previous year.

Tax paid was limited to $65.8 million, equivalent to 19.8% of profit before tax, benefiting from the advantageous fiscal breaks noted earlier and tax losses including five months of KCM ownership. After the Group’s expansion projects are commissioned it is anticipated that the cash tax rate will remain at these levels in future years.

The main feature of the year was progress with the $2.2 billion expansion projects with $734.6 million spent in the year bringing the total spent at 31 March 2005 to $1.03 billion, approximately 47% of the planned $2.2 billion programme. A further $1.2 billion was outstanding at the year end of which 40% has been committed.

The most significant acquisition expenditure in the year related to the purchase of a 51% equity interest in KCM on 5 November 2004 for $28.2 million.

This acquisition, at a total gross cost of $49.2 million, was implemented through a $25.0 million subscription to newly issued shares by KCM which has been retained in the enlarged group and agreement to pay $23.2 million to ZCI, a minority shareholder in KCM, comprising an initial payment of $2.3 million at the date of acquisition, with the remaining $20.9 million payable in equal instalments over four years from 31 December 2005.

Minority Interests and Simplification of Ownership

A major element of the Group's strategy at the time of Listing was to consolidate the ownership interests in subsidiary companies where significant minority interests were present. During the last year the Group's Economic Interests in Sterlite, BALCO, HZL and VAL all showed significant increases as set out below.

Sterlite

During the year, substantial progress has been achieved against this strategic objective for Sterlite as shown below:

- in April 2004, 2.4% of Sterlite's issued share capital was purchased from the SEWT for $21.4 million. As the SEWT is consolidated, this transaction had no cash impact at a consolidated level, although cash within the SEWT is restricted. This purchase was in addition to the acquisition of 4.98% of Sterlite's issued share capital from the SEWT in January 2004 for $58.0 million; and

- in September 2004 , the Group completed the Sterlite rights issue, which raised $434 million in aggregate. Of this, only $1 million was funded by minority shareholders with the balance of $433 million being funded by the Company through the investment of proceeds raised from the Listing. Subscribing to the rights issue in this way was a highly tax efficient manner of remitting funds to our projects in India, and also ensured the Company's Economic Interest in Sterlite increased substantially.

However, towards the end of the year, $25.8 million of Sterlite's convertible bond issued with a face value of $50 million was converted into 2.13 million Sterlite ordinary shares, thereby reducing debt by $25.8 million, but diluting the Group's Economic Interest in Sterlite by 1.4%. Conversions in the period from 31 March 2005 to 1 June 2005 were minimal at $1.5 million.

These changes resulted in the Group's Economic Interest in Sterlite increasing by 9.1% from 1 April 2004 to 31 March 2005.

If the outstanding convertible bonds were converted into Sterlite's ordinary shares, the conversion would result in dilution of the Group's Economic Interest by a further 1.4%.

BALCO

Progress on the exercise of the option to acquire all or substantially most of the shares in BALCO held by the Government of India continues. The Group has confirmed to the Government that it wishes to exercise its option and consequently a valuation of the shares by an independent valuer, in accordance with the shareholder agreement, is in process. Discussions with the Government continue on the matter of offering shares not exceeding 5% of the total to the employees.

MALCO

Whilst we were unsuccessful in our attempt to acquire the 20% interest in MALCO held by minority interests, market conditions will be continuously reviewed to ensure our options are kept open.

Balance Sheet

Capital Employed increased in the year to $1.80 billion from $0.99 billion last year mostly due to $734.6 million of capital expenditure incurred for the major growth projects. For the year ended 31 March 2005, ROCE was 13.7% (2004: 16.9%) although $1.03 billion was attributable to the major projects on which no return was made during the year. Excluding this project capital work in progress, ROCE increased in the year to 32.0% (2004: 24.1%).

Working capital movements have also had an upwards effect on capital employed as did the acquisition of KCM where net assets acquired of $201.4 million was offset in part by negative goodwill on acquisition of $56.6 million.

The balance sheet is funded by equity shareholders' funds totalling $1.05 billion (2004: $990.9 million), minority interests of $681.6 million (2004: $423.2 million) and net debt of $74.3 million (2004: net cash of $422.3 million). It is expected that based on current investment plans net debt will peak during the next two years after which it should decrease as the major projects become operational.

Provision for liabilities and charges increased to $424.2 million from $162.9 million from the prior year, which is largely attributable to the KCM acquisition.

Transition to International Financial Reporting Standards

All companies listed in the European Union are required to present consolidated financial statements for accounting periods commencing from 1 January 2005 that comply with IFRS. Vedanta's first set of IFRS-compliant results will be the first quarter results to be announced in July 2005, followed by its interim results for the six months ending 30 September 2005 to be announced in November 2005. Vedanta will prepare its first full year IFRS-compliant consolidated financial statements for the year ending 31 March 2006. The IFRS transition project is well advanced and the Group is on course to meet its reporting deadlines.

FINANCIAL AND PRODUCTION HIGHLIGHTS

	31 March 2005	31 March 2004
Group turnover ($ million)	1,884.2	1,289.5
Group EBITDA ($ million)	455.0	322.7
EBITDA margin	24.1%	25.0%
Group operating profit ($ million)	331.8	237.1
Group operating profit margin	17.6%	18.4%
Group operating profit before exceptional items ($ million)	353.7	250.4
Group operating profit before exceptional items margin	18.8%	19.4%
Group operating exceptional items ($ million)	(21.9)	(13.3)
Net interest ($ million)	3.6	(1.3)
Effective tax rate	29.4%	32.6%
Equity minority interests	48.9%	54.1%
Profit for the year ($ million)	120.0	72.3
Underlying Profit ($ million)	137.7	76.2
Return on capital employed	13.7%	16.9%
Average $/INR exchange rate	44.96	45.92

SEGMENTAL ANALYSIS

Copper	31 March 2005	31 March 2004
Production cathode- Sterlite (MT)	171,992	178,654
Production cathode- KCM (MT)	67,547	-
Production copper rods (MT)	125,406	122,713
Unit cost- Sterlite (US cents per lb)	7.1	7.8
Unit cost- KCM (US cents per lb)	106.2	-
Turnover ($ million)	1014.7	592.8
EBITDA ($ million)	161.2	94.1
Net assets before net (debt)/cash ($ million)	484.1	160.2

Aluminium	31 March 2005	31 March 2004
Production MALCO (MT)	35,649	32,226
Unit cost MALCO (US cents per lb)	66.5	53.8
Production BALCO (MT)	100,277	96,829
Unit cost BALCO (US cents per lb)	61.1	56.2
Turnover ($ million)	281.7	223.4
EBITDA combined ($ million)	75.6	53.6
Net assets before net (debt)/cash ($ million)	752.9	353.9

Zinc	**31 March 2005**	**31 March 2004**
Production (MT)	212,445	220,664
Unit cost (US cents per lb)	31.5	25.9
Turnover ($ million)	486.4	401.1
EBITDA ($ million)	218.8	179.3
Net assets before net (debt)/cash ($ million)	589.6	391.4

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Acquisition Year ended 31 March 2005 $ million	Continuing operations Year ended 31 March 2005 $ million	Total Year ended 31 March 2005 $ million	Year ended 31 March 2004 (restated) $ million
Group and share of associate's turnover		249.2	1,645.8	1,895.0	1,300.6
Less: associate's turnover		-	(10.8)	(10.8)	(11.1)
Group turnover	3	249.2	1,635.0	1,884.2	1,289.5
Cost of sales		(161.3)	(1,253.5)	(1,414.8)	(973.9)
Gross profit		87.9	381.5	469.4	315.6
Selling and distribution costs		(8.0)	(43.5)	(51.5)	(35.6)
Administration expenses		(27.7)	(84.3)	(112.0)	(60.1)
-normal		(27.7)	(62.4)	(90.1)	(46.8)
-exceptional		-	(21.9)	(21.9)	(13.3)
Other operating income		0.5	25.4	25.9	17.2
Group operating profit	3	**52.7**	**279.1**	**331.8**	**237.1**
Operating profit before operating exceptional items		52.7	301.0	353.7	250.4
Operating exceptional items		-	(21.9)	(21.9)	(13.3)
Share of operating loss in associate		-	(2.7)	(2.7)	(1.2)
Loss on disposal of fixed assets		-	(0.4)	(0.4)	(1.2)
Profit on ordinary activities before interest and taxation	3	**52.7**	**276.0**	**328.7**	**234.7**
Investment income				41.3	39.7
Interest payable and similar charges				(37.7)	(41.0)
Profit on ordinary activities before taxation				**332.3**	**233.4**
Tax on profit on ordinary activities	4			(97.6)	(76.0)
Profit on ordinary activities after taxation				**234.7**	**157.4**
Equity minority interests				(114.7)	(85.1)
Profit for the financial year				**120.0**	72.3
Dividends	6			(48.9)	(15.8)
Retained profit for the financial year				71.1	56.5
Basic earnings per share (US cents/share)					
Profit for the financial year	5			41.9	25.3
Underlying Profit for the financial year	5			48.1	26.6
Diluted earnings per share (US cents/share)					
Profit for the financial year	5			41.0	24.9
Underlying Profit for the financial year	5			47.2	26.2

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

CONSOLIDATED BALANCE SHEET

	Note	31 March 2005 $ million	31 March 2004 (restated) $ million
Fixed assets			
Intangible assets		(52.6)	3.6
Positive goodwill		10.8	12.2
Negative goodwill		(63.4)	(8.6)
Tangible fixed assets		2,275.0	1,268.4
Investment in associate		3.3	2.7
Other investments		24.8	27.5
		2,250.5	**1,302.2**
Current assets			
Stocks		336.3	199.9
Debtors		464.2	245.5
Current asset investments		1,386.0	1,188.5
Cash at bank and in hand		61.6	52.7
		2,248.1	**1,686.6**
Creditors: amounts falling due within one year			
Short-term borrowings		(218.4)	(295.3)
Loans		(194.7)	(245.8)
Convertible bonds		(23.7)	(49.5)
Other current liabilities		(723.2)	(586.5)
		(941.6)	**(881.8)**
Net current assets		**1,306.5**	**804.8**
Total assets less current liabilities		**3,557.0**	**2,107.0**
Creditors: amounts falling due after more than one year		(1,344.7)	(529.9)
Provisions for liabilities and charges		(424.2)	(162.9)
Non equity minority interests		(59.4)	-
Equity minority interests		(681.6)	(423.3)
Net assets	3	**1,047.1**	**990.9**
Capital and reserves			
Called up equity share capital		28.7	28.6
Shares to be issued		0.9	—
Share premium account		18.6	18.6
Merger reserve		4.4	4.4
Other reserves		26.9	8.3
Profit and loss account		967.6	931.0
Equity shareholders' funds	8	**1,047.1**	**990.9**

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 March 2005 $ million	Year ended 31 March 2004 $ million
Net cash inflow from operating activities	9	**303.2**	**496.3**
Returns on investments and servicing of finance			
Interest received and other income		57.8	34.6
Interest paid		(64.1)	(42.0)
Dividend received from fixed asset investments		2.8	0.8
Dividend paid to equity shareholders		(15.8)	-
Dividend paid to minority shareholders		(7.7)	(10.1)
		(27.0)	**(16.7)**
Taxation		**(65.8)**	**(57.5)**
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(535.3)	(349.0)
Proceeds from the sale of tangible fixed assets		14.1	2.8
Purchase of fixed asset investments		-	(9.2)
Proceeds from sale of fixed asset investments		-	1.8
		(521.2)	**(353.6)**
Acquisitions			
Purchase of interest in subsidiary undertakings		(28.3)	(81.1)
Net cash acquired with subsidiaries		41.2	—
Investment in associate		(6.2)	—
Buyback of shares from minorities		(2.3)	—
		4.4	**(81.1)**
Cash outflow before use of liquid resources and financing		**(306.4)**	**(12.6)**
Management of liquid resources			
Purchase of current asset investments		(193.4)	(1,065.0)
		(193.4)	**(1,065.0)**
Financing			
Issue of ordinary shares (net of share issue expenses)		0.1	825.3
Repayment of share application money pending allotment		-	(26.2)
(Decrease)/Increase in short term borrowings		(96.6)	141.7
Increase in long term borrowings		607.0	120.8
Issue of shares of subsidiary undertakings to minority interest		1.7	-
		512.2	**1,061.6**
Increase/(decrease) in cash in the year	10	**12.4**	**(16.0)**

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT)/CASH

	Note	Year ended 31 March 2005 $ million	Year ended 31 March 2004 $ million
(Decrease)/increase in cash in the year		12.4	(16.0)
Increase in debt		(510.4)	(262.5)
Cash inflow from management of liquid resources		193.4	1,065.0
Increase/(decrease) in net cash resulting from cash flows		**(304.6)**	**786.5**
Non-cash movements in debt		(138.5)	-
Current asset investments, loans and finance leases acquired with subsidiary		(43.6)	-
Foreign exchange differences		(9.9)	(33.1)
(Decrease)/increase in net cash for the year		**(496.6)**	**753.4**
Net cash/(debt) at the beginning of the year		422.3	(331.1)
Net (debt)/cash at the end of the year	10	**(74.3)**	**422.3**

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Year ended 31 March 2005 $ million	Year ended 31 March 2004 (restated) $ million
Profit/(loss) for the financial year		
Group	125.6	75.6
Associate	(5.6)	(3.3)
	120.0	**72.3**
(Loss)/gain on change in minority interests in subsidiary shareholdings	(27.7)	3.1
Repayment of share application funds in Sterlite Opportunities and Ventures Ltd pending allotment	-	(26.2)
Foreign exchange differences on foreign currency net investments	12.7	13.8
Total recognised gains relating to the year	105.0	63.0
Prior year adjustment	**4.8**	
Total gains recognised since last Annual Report	**109.8**	

NOTES TO THE ACCOUNTS

1. Prior Year Adjustment

The accounting policies applied in preparing the financial information are consistent with those adopted and disclosed in the Group's statutory accounts for the year ended 31 March 2004, with the exception of the Group's accounting policy in respect of employee trusts. The Group has reviewed its accounting policy for employee trusts in light of UITF abstract 38 "Accounting for ESOP trusts", which has been adopted for the first time this year. As required by this abstract, own shares held by employee trusts have been reclassified from other investments and are now recorded as a reduction in shareholders' funds. This has the effect of increasing the Group's interest in Sterlite by virtue of the change in treatment for the Sterlite shares held by the SEWT. This change has been accounted for as a prior year adjustment and previously reported figures have been restated accordingly.

The effect on the profit and loss account of adopting this policy is as follows:

Year ended 31 March 2004	New treatment $ million	Previous treatment $ million	Difference $ million
Profit after tax	157.4	157.4	-
Equity minority interests	(85.1)	(90.8)	5.7
Profit for the financial year	72.3	66.6	5.7
Dividends	(15.8)	(15.8)	-
Retained profit for the financial year	56.5	50.8	5.7

Year ended 31 March 2005	New treatment $ million	Previous treatment $ million	Difference $ million
Profit after tax	234.7	234.7	-
Equity minority interests	(114.7)	(119.5)	4.8
Profit for the financial year	120.0	115.2	4.8
Dividends	(48.9)	(48.9)	-
Retained profit for the financial year	71.1	66.3	4.8

The adoption of this policy led to an increase in the net assets of the Group of $4.8 million at 31 March 2004 (1 April 2003: $8.4 million).

2. Basis of Preparation

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

To provide information which is meaningful to the Company's shareholders, the Directors believe that it is necessary to prepare the accounts on the basis that the Group had existed throughout the period from 1 April 2003. The Directors believe that this information reflects the ongoing operations of the Group more clearly. Vedanta and VRHL's combination with the Twin Star Holdings Group has been accounted for as a group reconstruction under the provisions of FRS 6 ("Mergers and Acquisitions") and is presented as if the Company and VRHL had been the holding company and intermediate holding company, respectively, of the Twin Star Holdings Group for each year.

3. Segmental Analysis

(a) By Class of Business

The segmental analyses by class of business set out below include a category called "Other" which comprises the results and balance sheet items for Vedanta, other holding companies within the Group and the aluminium conductor business of Sterlite.

All figures under the heading "Zambia" represent the acquisition of KCM during the year which completed on 5 November 2004.

Group turnover

Class of business	Year ended 31 March 2005 $ million	Year ended 31 March 2004 $ million
Aluminium	281.7	223.4
Copper	1,014.7	592.8
India/Australia	765.5	592.8
Zambia	249.2	-
Zinc	486.4	401.1
Other	101.4	72.2
	1,884.2	**1,289.5**

Group operating profit

Class of business	Year ended 31 March 2005 $ million	Year ended 31 March 2004 $ million
Aluminium	57.4	35.4
Copper	108.1	65.6
India/Australia	55.4	65.6
Zambia	52.7	-
Zinc	190.0	155.7
Other	(1.8)	(6.3)
Group operating profit before operating exceptional items	**353.7**	**250.4**
Operating exceptional items	(21.9)	(13.3)
Group operating profit	**331.8**	**237.1**
Aluminium	57.4	22.1
Copper	105.0	65.6
India/Australia	52.3	65.6
Zambia	52.7	-
Zinc	189.5	155.7
Other	(20.1)	(6.3)

3. Segmental Analysis (continued)

(a) By Class of Business (continued)

Earnings before interest, tax, depreciation, goodwill amortisation and exceptional items (“EBITDA”)

Class of business	Year ended 31 March 2005 $ million	Year ended 31 March 2004 $ million
Aluminium	75.6	53.6
Copper	161.2	94.1
India/Australia	85.2	94.1
Zambia	76.0	-
Zinc	218.8	179.3
Other	(0.6)	(4.3)
Group EBITDA	**455.0**	**322.7**
Goodwill amortisation	0.4	(0.5)
Depreciation	(101.7)	(71.8)
Operating exceptional items	(21.9)	(13.3)
Group operating profit	**331.8**	**237.1**

Depreciation

Class of business	Year ended 31 March 2005 $ million	Year ended 31 March 2004 $ million
Aluminium	18.2	18.1
Copper	54.0	28.5
India/Australia	29.8	28.5
Zambia	24.2	-
Zinc	28.8	23.6
Other	0.7	1.6
	101.7	**71.8**

3. Segmental Analysis (continued)

(a) By Class of Business (continued)

Profit on ordinary activities before taxation

Class of business	Year ended 31 March 2005 $ million	Year ended 31 March 2004 $ million
Aluminium	55.6	22.8
Copper	75.3	37.9
India/Australia	22.6	37.9
Zambia	52.7	-
Zinc	197.3	163.9
Other	9.7	12.1
	337.9	**236.7**
Share of loss in associate before taxation	(5.6)	(3.3)
	332.3	**233.4**

Net assets

Class of business	Year ended 31 March 2005 $ million	Year ended 31 March 2004 (restated) $ million
Aluminium	752.9	353.9
Copper	484.1	160.2
India/Australia	225.6	160.2
Zambia	258.5	-
Zinc	589.6	391.4
Other	88.4	82.8
Net assets before goodwill, net (debt)/cash and minority interests	**1,915.0**	**988.3**
Intangible assets	(52.6)	3.6
Net (debt)/cash	(74.3)	422.3
Non equity minority interest	(59.4)	-
Equity minority interests	(681.6)	(423.3)
Net assets	**1,047.1**	**990.9**

Other includes $138.9 million of net assets before net debt attributable to the alumina project in VAL.

3. Segmental Analysis (continued)

(a) By Class of Business (continued)

Net debt/(cash)

Class of business	31 March 2005 $ million	31 March 2004 $ million
Aluminium	(441.7)	(75.8)
Copper	127.6	(318.0)
India/Australia	84.7	(318.0)
Zambia	42.9	-
Zinc	26.6	43.9
Other	213.2	772.2
	(74.3)	**422.3**

(b) By Location

Turnover by destination

Location	Year ended 31 March 2005 $ million	Year ended 31 March 2004 $ million
Far East	487.1	200.3
India	1,130.6	980.9
Africa	19.0	-
Other	247.5	108.3
	1,884.2	**1,289.5**

Net assets/(liabilities)

Location	31 March 2005 $ million	31 March 2004 (restated) $ million
Australia	67.8	11.9
India	1,526.2	999.7
Zambia	258.5	-
Other	62.5	(23.3)
Net assets before net (debt)/cash and minority interests	**1,915.0**	**988.3**
Intangible assets	(52.6)	3.6
Net (debt)/cash	(74.3)	422.3
Non equity minority interests	(59.4)	-
Equity minority interests	(681.6)	(423.3)
Net assets	**1,047.1**	**990.9**

4. Tax on Profit on Ordinary Activities

(a) Analysis of Charge for the Year

	31 March 2005 $ million	31 March 2004 $ million
Tax charge/(credit) for the year		
UK corporation tax (2005:30%, 2004:30%)	(0.6)	4.6
Indian corporation tax (2005:36.59%, 2004:35.88%)	63.1	69.6
Zambian corporation tax (2005:25%)	0.2	-
Adjustments in respect of prior years	0.1	(4.9)
Minimum alternate tax	1.1	0.7
Dividend distribution tax	3.0	-
Current tax on exceptional items	(1.5)	(1.2)
Total current tax	**65.4**	**68.8**
Deferred tax	32.3	11.2
Deferred tax on exceptional items	(0.1)	(4.0)
Total deferred tax	**32.2**	**7.2**
Total tax charge	**97.6**	**76.0**
Effective tax rate	29.4%	32.6%

4. Tax on Profit on Ordinary Activities (continued)

(b) Factors Affecting Current Tax Charge for the Year

	Year ended 31 March 2005 $ million	Year ended 31 March 2004 $ million
Profit on ordinary activities before taxation	**332.3**	**233.4**
Tax on profit on ordinary activites at 36.59% (2004: 35.88%)	**121.6**	**83.7**
Effect of timing differences:		
Accelerated capital allowances	(29.1)	(2.2)
Utilisation of tax losses	(10.6)	(3.9)
Other short term timing differences	(12.2)	(1.0)
Permanent differences:		
Disallowable expenses	23.0	18.0
Non-taxable income	(6.5)	(0.7)
Tax holiday and similar exemptions	(17.3)	(18.0)
Impact of tax rate differences	(7.7)	(2.9)
Dividend distribution tax	3.0	-
Minimum Alternate Tax	1.1	0.7
Adjustments in respect of prior years	0.1	(4.9)
Current tax charge for the year	**65.4**	**68.8**

The majority of the Group's profits are earned and taxed in India and in Zambia. During the period the effective tax rate has been significantly less than the applicable Indian corporate rate of income tax. This is primarily as a result of the significant tax exemptions (industrial undertakings and tax holidays) which have been available to shelter profits of Sterlite and HZL from regular income tax. The statutory tax rate in Zambia applicable to KCM is 25%, which also has a reducing impact on the effective tax rate. A further reduction in the corporate tax rate from the financial tax year 2005-06 has reduced the overall effective tax rate due to its impact on deferred tax.

5. Earnings Per Ordinary Share

Earnings Per Share based on Profit for the Year

Basic earnings per share on the profit for the year	Year ended 31 March 2005	Year ended 31 March 2004 (restated)
Profit for the financial year ($ million)	120.0	72.3
Weighted average number of shares of the Company in issue (millions)	286.4	286.0
Earnings per share on profit for the year (US cents per share)	**41.9**	**25.3**

Diluted earnings per share on the profit for the year	Year ended 31 March 2005	Year ended 31 March 2004 (restated)
Profit for the financial year ($ million)	120.0	72.3
Adjustment in respect of convertible bonds in Sterlite	(1.9)	(1.3)
Profit for the financial year after dilutive adjustment ($ million)	118.1	71.0
Weighted average number of shares in the Company in issue after dilutive adjustments (millions)	287.9	286.2
Diluted earnings per share on profit for the year (US cents per share)	**41.0**	**24.9**

The only issues of shares 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. The issue of these shares has been used in determining the 2005 weighted average number of shares.

Profit for the year would be diluted if holders of the convertible bonds in Sterlite exercised their right to convert these bond holdings into Sterlite equity. The impact on profit for the year of this conversion would be the difference between interest payable on the convertible bond and the higher charge attributable to minority interests if conversion was to occur.

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

5. Earnings Per Ordinary Share (continued)

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

	Year ended 31 March 2005 $ million	Year ended 31 March 2004 (restated) $ million
Profit for the financial year	120.0	72.3
Operating exceptional items	21.9	13.3
Tax effect of operating exceptional items	(1.5)	(4.8)
Minority interest effect of operating exceptional items	(3.1)	(5.4)
Non-operating exceptional items	0.4	1.2
Tax effect of non-operating exceptional items	(0.1)	(0.4)
Minority interest effect of non-operating exceptional items	0.1	-
Underlying Profit for the year	**137.7**	**76.2**

Basic earnings per share on Underlying Profit	**Year ended 31 March 2005**	**Year ended 31 March 2004 (restated)**
Underlying Profit for the financial year ($ million)	137.7	76.2
Weighted average number of shares in the company in issue (millions)	286.4	286.0
Earnings per share on Underlying Profit for the year (US cents per share)	**48.1**	**26.6**

Diluted earnings per share on Underlying Profit for the year	**Year ended 31 March 2005**	**Year ended 31 March 2004 (restated)**
Underlying Profit for the financial year ($ million)	137.7	76.2
Adjustment in respect of convertible bond in respect of Sterlite	(1.9)	(1.3)
Underlying profit for the financial year after dilutive adjustments ($ million)	**135.8**	**74.9**
Weighted average number of shares of the Company in issue after dilutive adjustments (million)	**287.9**	**286.2**
Diluted earnings per share on Underlying Profit (US cents per share)	**47.2**	**26.2**

6. Dividends

	Year ended 31 March 2005 $ million	Year ended 31 March 2004 $ million
Interim dividend (2005: 5.5 US cents per Ordinary Share; 2004: nil)	15.8	-
Final dividend (2005: 11.55 US cents per Ordinary Share; 2004: 5.5 US Cents per Ordinary Share)	33.1	15.8
	48.9	**15.8**

7. Called up Equity Share Capital

	31 March 2005		31 March 2004	
	Number of shares	Value of shares $ million	Number of shares (restated)	Value of shares $ million
Authorised				
Ordinary Shares of 10 US cents each	400,000,000	40.0	400,000,000	40.0
Deferred shares of £1 each	50,000	0.1	50,000	0.1
	400,050,000	**40.1**	**400,050,000**	**40.1**
Called up and fully paid				
Ordinary Shares of 10 US cents each	286,776,000	28.7	286,388,000	28.6
Deferred shares of £1 each	50,000	-	50,000	-
	286,826,000	**28.7**	**286,438,000**	**28.6**
Shares to be issued				
Ordinary Shares of 10 US cents each	1,527,500	0.9	2,021,500	-
	1,527,500	**0.9**	**2,021,500**	**-**

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

The holders of deferred shares shall not have the right to receive notice of any general meeting of the Company nor the right to attend, speak or vote at any such general meeting. The deferred shares have no rights to dividends and, on a winding-up or other return of capital entitle the holder only to the payment of the amounts paid on such shares after repayment to the holders of Ordinary Shares of the nominal amount paid up on the Ordinary Shares and the payment of £100,000 per Ordinary Share. Of the 50,000 deferred shares, one deferred share was issued at par and has been fully paid, and 49,999 deferred shares were each paid up as to one-quarter of their nominal value.

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

The second tranche of awards vested on 26 February 2005 and upon exercise 303,000 Ordinary Shares and 85,000 Ordinary Shares were issued and credited as fully paid on 18 March 2005 and 31 March 2005, respectively.

The full cost of the Reward Plan was $5.0 million and was recorded in the prior year profit and loss account.

7. Called up Equity Share Capital (continued)

LTIP
Initial awards under the LTIP were granted on 26 February 2004 with further awards made on 11 June 2004 and 23 November 2004. The exercise price of the awards is 10 US cents per share and the performance period of each award is three years, with no re-testing being allowed. The exercise period is six months from the date of vesting. The number of awards outstanding as at 1 April 2004 was 1,633,500. 226,000 and 120,000 awards lapsed and were awarded respectively, during the year ended 31 March 2005 such that 1,527,500 awards were outstanding as at 31 March 2005.

8. Consolidated Reconciliation of Movement in Equity Shareholders' Funds

	Share capital $ million	Shares to be issued $ million	Share premium account $ million	Merger reserve $ million	Other reserves $ million	Profit and loss account $ million	Total $ million
Equity shareholders' funds at 1 April 2004	**28.6**	**-**	**18.6**	**4.4**	**8.3**	**926.2**	**986.1**
Prior year adjustment (note 1)	-	-	-	-	-	4.8	4.8
Equity shareholders' funds at 1 April 2004 (restated)	28.6	-	18.6	4.4	8.3	931.0	990.9
Retained profit for the year	-	-	-	-	-	71.1	71.1
Transfers	-	-	-	-	18.0	(18.0)	-
Loss on change in minority interests in subsidiary shareholdings	-	-	-	-	-	(27.7)	(27.7)
Shares issued under the Reward Plan	0.1	-	-	-	-	-	0.1
Shares to be issued under LTIP	-	0.9	-	-	-	(0.9)	-
Foreign exchange differences	-	-	-	-	0.6	12.1	12.7
Equity shareholders' funds at 31 March 2005	**28.7**	**0.9**	**18.6**	**4.4**	**26.9**	**967.6**	**1,047.1**

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

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

	Year ended 31 March 2005 $ million	Year ended 31 March 2004 $ million
Operating profit	331.8	237.1
Depreciation	101.7	71.8
Impairment change	17.8	-
Goodwill amortisation	(0.4)	0.5
Increase in stocks	(61.0)	(16.1)
Increase in debtors	(79.1)	(77.2)
Decrease in provisions	(5.1)	-
(Decrease)/increase in creditors	(35.0)	263.1
Increase/(decrease) in other long term creditors	22.0	(6.6)
Other non cash items	10.5	23.7
Net cash inflow from operating activities	**303.2**	**496.3**

Net cash inflow from operating activities is stated after cash outflows relating to operating exceptional items of $4.1 million in the year ended 31 March 2005 and $13.3 million in the year ended 31 March 2004 relating to VRS expenses.

10. Analysis of Net (Debt)/Cash

	At 1 April 2004 $ million	Cash flow $ million	Acquisition and disposals excluding cash and overdraft $ million	Other non-cash changes $ million	Foreign exchange differences $ million	At 31 March 2005 $ million
Cash at bank and in hand	52.7	12.4	-	-	(3.5)	61.6
Debt due within one year	(295.3)	96.6	(6.8)	(17.2)	4.3	(218.4)
Debt due after one year	(523.6)	(607.0)	(47.0)	(121.3)	(4.6)	(1,303.5)
	(766.2)	**(498.0)**	**(53.8)**	**(138.5)**	**(3.8)**	**(1,460.3)**
Current asset investments	1,188.5	193.4	10.2	-	(6.1)	1,386.0
Net cash/(debt)	**422.3**	**(304.6)**	**(43.6)**	**(138.5)**	**(9.9)**	**(74.3)**

11. Announcement based on Audited Accounts
The financial information set out herein does not constitute the Company's statutory accounts for the years ended 31 March 2005 or 2004 but is derived from these accounts. The statutory accounts for the year ended 31 March 2004 have been delivered to the Registrar of Companies and those for 2005 will be delivered 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.

12. Glossary and Definitions

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

AGM
The Annual General Meeting of the Company which is scheduled to be held on Wednesday 3 August 2005 at 3.00 pm at the City Presentation Centre, 4 Chiswell Street, London EC1Y 4UP

Attributable Profit
Profit for the financial period/year before dividends to the 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 cash/(debt) and equity minority interests

Cash Tax Rate
Current taxation as a percentage of profit on ordinary activities 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, a refinery 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

Dollar or $
United States Dollars, the currency of the United States of America

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

EBITDA Margin
EBIDTA as a percentage of turnover

Effective Holding and Economic Interest
The Group's Economic Interest in operating companies is different from its Effective Holdings as a consequence of the Sterlite shares owned by the SEWT. The Effective Holdings are derived by combining the Group's direct and indirect shareholdings in the operating companies. The SEWT is treated as an ESOP trust, its shares held in Sterlite are recorded as a reduction in shareholders' funds, as if the shares were cancelled. This has the effect of the Group's Economic Interest being higher compared to its Effective Holdings. The Group's Economic Interest is the basis on which the Attributable Profit and net assets are determined in the consolidated accounts.

EPS
Earnings per share

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

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 associated undertaking

HSE
Health, safety and environment

HZL
Hindustan Zinc Limited, a company incorporated in India

IFRS
International Financial Reporting Standards

KCM
Konkola Copper Mines PLC, a company incorporated in Zambia

Listing
The Listing of the Company's Ordinary Shares on the London Stock Exchange on 10 December 2003

LME
London Metal Exchange

LTIP
The Vedanta Resources Long Term Incentive Plan

MALCO
The Madras Aluminium Company Limited, a company incorporated in India

mt
Metric Tonnes

mtpa
Million tonnes per annum

mw
Megawatts of electrical power

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, exceptional items, tax effected at the Group's effective tax rate as a percentage of Capital Employed

Reward Plan
The Vedanta Resources Share Reward Plan

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

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

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

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

TCM
Thalanga Copper Mines Pty Limited, a company incorporated in Australia

tpa
Metric tonnes per annum

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

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

VAL
Vedanta Alumina Limited, a company incorporated in India

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

ZCI
Zambia Copper Investments Limited, a company incorporated in Bermuda

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

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