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Vedanta Resources plc Audited Preliminary Results for the year ended 31 March 2004

Highlights

- Group[(1)] turnover increased by 33.8% to US$1,289.5 million (2003: US$963.1 million)
- Group EBITDA[(1)] increased by 43.9% to US$322.7 million (2003: US$224.3 million)
- Group operating profit before exceptional items[(2)] up by over 50%
- ROCE[(1)] up from 14.4% to 16.8%
- Profit for the year increased 171.8% to US$66.6 million (2003: US$24.5 million)

Listed in London in December 2003, raising net proceeds of US$825.3 million

Significant progress towards strategic objectives

Cost of production significantly reduced

- Copper reduced by 14% to 7.8 US cents per lb (2003: 9.1 US cents per lb)
- Zinc reduced by 14% to 25.9 US cents per lb (2003: 30.1 US cents per lb)
- Aluminium costs will undergo a step change with the commissioning of the Korba smelter, starting in 2006.

Major capacity expansions underway as part of a US$2 billion programme of investment

- At Tuticorin in the copper business
- At Rampura Agucha and Chanderiya in the zinc and lead business
- At Korba and Orissa in the aluminium business

Good progress in consolidating Group ownership

- 5% increase in Vedanta's[(1)] holding in Sterlite[(1)] with a further 2.4% post year end
- 18.92% increase in Sterlite's holding in HZL[(1)]
- Sterlite rights issue will lead to further consolidation of group ownership structure

Brian Gilbertson, Chairman of Vedanta commented:

"This is a sound result for Vedanta. All of our businesses are delivering improved performance, and as the benefits of the US$2 billion capital investment programme come through over the next few years, they will support our progressive dividend policy and superior shareholder returns."

Anil Agarwal, Chief Executive of Vedanta commented:

"I am encouraged by the progress that has been made since flotation. Over that period we have seen good production growth in several areas which, combined with cost control and higher metals prices, has resulted in excellent financial results."

(1) See Note 11 – Glossary and Definitions
(2) See Consolidated Profit and loss account

CHAIRMAN'S STATEMENT

The Listing[(1)] of Vedanta Resources plc ("Vedanta" or the "Company") on the London Stock Exchange in December last year was a watershed for the Group. Thanks to the growing awareness among international investors of the potential of the Indian economy, and thanks equally to the strong growth prospects of the Group, we were able to raise US$825.3 million, net of expenses. This was an amount we judged sufficient to complete the capital programmes at our existing operations, and to bring our two new mega-projects to full production. That outcome constituted the second largest listing on the London Stock Exchange in 2003 and the first primary listing there of an Indian company, a tribute to the initiative of Anil Agarwal in building the Group.

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

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

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

The third pillar of our strategy is to release the value trapped within the Group structure, by consolidating ownership. Here, satisfactory progress has been achieved in the six months since Listing. We have made two purchases of Sterlite shares. The first of 4.98% in January 2004 for US$58.0 million and then 2.4% in April 2004 for US$21.4 million, and we recently announced terms for a US$440 million rights issue in Sterlite, all of which are likely to increase our holding. Studies are currently under way to establish how further consolidation might best be achieved.

Another opportunity open to us, is our option to acquire the Government's[(1)] 49% holding in BALCO[(1)]. A valuer is to be appointed by the Government and the Board[(1)] will then be in a position to report back to shareholders.

Increased ownership of assets with growing profits is a happy outcome. As detailed in the Operating and Financial Review herein, consolidated Group operating profit for the year ended 31 March 2004 was US$237.1 million, up 107% from US$114.6 million in the previous year. Our EBITDA margin [(1)] has climbed from 23%, to 25%, and our return on capital employed ("ROCE") has reached 16.8% (2003: 14.4%). As our capital projects are completed – effectively tripling our pre-Listing capital base – and start contributing to Group cash flows, the financial benefits to our shareholders should be material. On the basis of this year's results and future prospects, and in keeping with the announced progressive dividend policy, the Directors[(1)] are recommending a dividend of 5.5 US cents per Ordinary Share[(1)], representing a dividend for the four months from Listing to the end of the financial year equivalent to 16.5 US cents for the full year. This dividend reflects our confidence in the cash flows and stability of the Group, and translates to a yield of 3.16% at current market prices.

The fourth and final pillar of our strategy is to seek additional investment opportunities where we believe we have the necessary skills to add value. We remain preferred bidder for Konkola Copper Mines, which was indicated as a possible investment in our Listing Particulars[(1)]. We are in the final stages of evaluating an acquisition structure that should bring substantial benefits to our shareholders.

The currently planned investment programme will be funded from the Listing proceeds, from the Free Cash Flow[(1)] and an increase in debt, which is covered by our balance sheet. We expect our gearing to remain at prudent levels, rising towards 40% during the investment phase.

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

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

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

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

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

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

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

Brian Gilbertson
Chairman

18 June 2004

OPERATING & FINANCIAL REVIEW

Operational and financial highlights

On 10 December 2003, Vedanta Resources plc achieved a primary listing on the London Stock Exchange. Vedanta Resources plc issued 130 million shares at a price of 390p each, giving net proceeds of US $825.3 million. These proceeds are being applied to carry out the strategy stated in our listing particulars:

- Optimise the performance of the existing assets
- Greenfield growth
- Consolidate the Group structure
- Leverage established skills

On 15 March 2004, the Group was admitted to the FTSE 250 index, and became the first major Indian group to achieve a primary listing on the London Stock Exchange.

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

Over that period we have seen good production growth in several areas, which when combined with cost control and strong metal prices, has resulted in strong financial results. Turnover has increased by 34% to US$1,289.5 million. Group operating profit has increased by over 100% to US$237.1 million for the year, compared to US$114.6 million in 2003. At the year end our EPS(1) was 23.3 US cents, (compared to an EPS on Underlying Profit(1) of 24.5 US cents), based on 286 million ordinary shares in issue.

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

We raised US$825.3 million net of expenses when we listed, to support a US$2 billion capital programme, of which US$300 million has been invested so far. The balance is to be spent over the next three years, principally at Korba and Orissa. At the year end net cash was US$422.3 million. The capital raised, combined with the cashflow generated within the Group, will maintain our debt within prudent levels, while enabling us to carry out all of our plans.

Consolidation of group structure

One aim of our strategy has been to simplify the Group structure and enhance shareholder return by increasing our ownership of the underlying assets and reducing minorities. Since Listing we have made two purchases of Sterlite shares and this has taken our effective interest to 68.1% to date. We recently reported a rights issue at Sterlite and we will take up any rights not taken up by other shareholders. This should increase our holding further and will put cash into the subsidiaries for their development plans. Minorities' share of earnings is similar to last year at 57.7%. This is partly due to the success of the zinc business, where minority interests are high. This number is likely to reduce going forward, and was already running at 53.5% in the second half of the year, reflecting the actions that we have taken.

Tariff reductions
In January 2004 the Government of India reduced tariffs across all of our products. The tariffs were reduced by 5% on copper and zinc, and a special tariff of 4% was permanently removed across all product groups including inputs of imported materials, such as imported coal. This has left tariffs of 15% on aluminium and 20% on copper, zinc and lead. The net impact on our EBITDA and operating profit was a reduction of around US$10 million over a period of some 3 months. We believe that tariffs in India will continue to decline, though we cannot predict when any reduction will take place.

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

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

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

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

The output of zinc concentrate rose to 615,000 tpa (2003: 486,000 tpa) and 73,000 tpa of lead (2003: 56,000 tpa). Production of finished zinc metal increased from 207,000 tpa to 221,000 tpa. Several initiatives were taken to reduce costs, through better energy use, purchasing systems and productivity rates. This reduced the unit cost of production from 30.1 US cents per lb to 25.9 US cents per lb. This was particularly pleasing given the increase in metallurgical coal costs. We believe that further work can be done, particularly in reducing power costs and making further operational improvements.

We continue to make good progress with the implementation of our growth plans in the zinc business. Over the course of this financial year we are building a new power plant and smelter at Chanderiya which will take our production there from 100,000 tpa to 270,000 tpa. This should be commissioned by June 2005. Over the same period we are increasing the output at the Rampura Agucha mine by 1.3 million tpa to 3.3 million tpa, which will feed the smelter and is due to commence in December 2004. A captive power plant of 154MW(1) is being installed which should play a significant role in reducing costs. These expansion plans will lift our zinc capacity from a total of 210,000 tpa to 380,000 tpa.

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

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

Due to the tight copper market, combined treatment and refining charges TC/RC[(1)] during 2004 averaged around 8 US cents per lb against the average of 13 US cents per lb during 2003. We source a part of our concentrate requirements through our own mines, and we continue to increase our contracts in the TC/RC market and thereby reduce our exposure to the spot market.

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

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

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

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

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

The production of aluminium at Vedanta is divided between two separate Group subsidiaries, MALCO(1) and BALCO. Both companies have output close to operating capacity with combined production of 129,000 tpa (2003: 127,000 tpa). BALCO represents around 75% of aluminium output. Production has seen a modest increase, but there was a focus on improving product mix with higher value added products, such as rods and rolled products. We anticipate that the impact of value added product will increase next year. A new cold rolling facility of 36,000 tpa was commissioned during the year and will reach full production in 2005.

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

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

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

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

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

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

The financial information has been prepared on the basis that the Group had existed throughout the two year period beginning 1 April 2002. The Directors believe that this information reflects the ongoing business of the Group more clearly.

Financial results for the year ended 31 March 2004
Group operating profit was US$237.1 million, an increase of 107% on the prior year. These excellent results were underpinned by an outstanding contribution from the Zinc Business, as well as a steady increase in profits from the Aluminium Business whilst operating at close to full capacity. Copper contributed robust profits despite challenging TC/RC conditions.

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

The operating profit includes US$14.0 million of foreign exchange gains on working capital balances that were largely offset by charges of US$9.9 million relating to the Reward Plan(1) and against old debtor balances. The foreign exchange gains were partly reversed in the first two months after the year end as a result of the weakening of the Indian rupee.

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

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

Taxation
The Group's effective taxation rate has risen to 32.6% (2003: 26.1%). The reasons for this increase are two-fold. Firstly, change in profit mix and lower tax shelters increased the effective rate of tax, and secondly, there were two significant unusual tax items in the year. Of the unusual items, the Group has foregone a tax deduction of US$1.5 million for the cost of shares awarded to employees in recognition of their contribution to the Company's development and growth over the period leading up to the Listing. In addition, a tax charge of US$5.4 million arose on the purchase of 4.98% of Sterlite from the SEWT(1). The Group has incurred this tax charge but the profit relating to the charge was eliminated upon consolidation. If these two items are excluded, the Group's effective tax rate would be 29.6%. The cash tax rate of the Group was 24.6% (2003: 32.5%). The future cash tax rate is expected to remain around this level, benefiting from capital investments.

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

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

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

The Underlying Profit was US$70.2 million, an increase of 106% on the prior year Underlying Profit of US$34.1 million (See note 4).

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

To provide a meaningful comparison, the EPS for both years has been calculated using the total number of shares in issue immediately after Listing (286 million). Any issue of shares after Listing has been included in calculating the weighted average number of shares for 2004. There is no difference between basic and diluted EPS (see note 4).

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

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

If approved by shareholders at the AGM(1) to be held on 29 July 2004, the final dividend will be paid on 20 August 2004 to shareholders on the register as at the close of business on 23 July 2004.

Subject to shareholder approval, the dividend will be paid in US dollars unless shareholders elect to receive dividends in pounds sterling. Included within the Annual Report will be a currency option which should be completed if shareholders wish to receive a dividend in pounds sterling. The exchange rate to be applied to convert the dividends into pounds sterling will be 0.547 which is the average exchange rate for the five business days prior to 18 June 2004.

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

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

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

Acquisition expenditure includes US$70.5 million to exercise a call option to acquire an additional holding in HZL and deferred consideration of US$10.6 million for the acquisition of 20% of SOVL(1) in 2003.

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

Expenditure to date on these projects totalled US$294.3 million with a further US$1.8 billion outstanding, of which two thirds has been committed and 80% is to be spent over the next two years.

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

Balance sheet

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

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

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

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

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

- **Sterlite (4.98%)**
  In January 2004, the Group acquired an additional 4.98% holding in Sterlite from the SEWT (a quasi-subsidiary) for a consideration of US$58.0 million with the funds being retained within the Group. This increased the Group's effective interest in Sterlite to 65.8%.

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

- **Sterlite rights issue**
  In December 2003 Sterlite initiated a rights issue that received clearance from SEBI in June 2004. The terms of this offer were altered to a 1 for 2 offer to take account of market developments and this has been re-submitted to SEBI for final approval. The Group has fully underwritten the issue in support of the strategy to fund expansion and simplify the Group structure. Completion is expected in the second half of 2004.

Net cash/(debt) and gearing(1)
The receipt of the Listing proceeds resulted in the Group holding net cash of US$422.3 million at 31 March 2004, compared to US$331.1 million of net debt in 2003. Therefore, the Group was not geared at 31 March 2004 (2003: gearing 39.4%). In the medium term, the gearing ratio is expected to peak below 40% in 2006-07 as we invest in the expansion projects.

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

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

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

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

Outlook
Metal prices may soften from current high levels, though stocks are low and the supply-demand balances in several areas suggest that pricing could remain firm. Regardless of the influence on pricing, the outlook for metal demand in India is strong and we are well placed to take advantage of this.

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

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

In the first quarter we have carried out planned shutdowns for maintenance at Tuticorin (copper) and Chanderiya (zinc and lead). These shutdowns will lead to a more modest first quarter, but without affecting our overall expectations for the year.

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

FINANCIAL AND PRODUCTION HIGHLIGHTS

	31 March 2004	31 March 2003
Group turnover (US$ million)	1,289.5	963.1
Group EBITDA (US$ million)	322.7	224.3
EBITDA margin	25.0%	23.3%
Group operating profit (US$ million)	237.1	114.6
Group operating profit margin	18.4%	11.9%
Group operating profit before exceptional items (2) (US$ million)	250.4	164.7
Group operating profit before exceptional items margin	19.4%	17.1%
Group operating exceptional items (US$ million)	(13.3)	(50.1)
Net interest payable (US$ million)	(1.3)	(35.0)
Effective tax rate	32.6%	26.1%
Equity minority interests (US$ million)	57.7%	57.7%
Profit for the year (US$ million)	66.6	24.5
Underlying Profit (US$ million)	70.2	34.1
Return on capital employed	16.8%	14.4%
Average US$/INR exchange rate	45.92	48.49

SEGMENTAL ANALYSIS

Copper	31 March 2004	31 March 2003
Production cathode (tonnes)	178,654	155,700
Production copper rods (tonnes)	122,713	95,100
Unit cost (US cents per lb)	7.8	9.1
Turnover (US$ million)	592.8	406.7
EBITDA (US$ million)	94.1	101.0
Net assets (US$ million)	169.2	283.6

Aluminium	31 March 2004	31 March 2003
Production MALCO (tonnes)	32,226	31,000
Unit cost MALCO (US cents per lb)	53.8	48.9
Production BALCO (tonnes)	96,829	96,000
Unit cost BALCO (US cents per lb)	56.2	56.8
Turnover (US$ million)	223.4	220.7
EBITDA combined (US$ million)	53.6	38.3
Net assets (US$ million)	353.9	187.6

Zinc	31 March 2004	31 March 2003
Production (tonnes)	220,664	207,100
Unit cost (US cents per lb)	25.9	30.1
Turnover (US$ million)	401.1	291.1
EBITDA (US$ million)	179.3	87.1
Net assets (US$ million)	391.4	299.3

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 (reclassified) US$ million
Group and share of associate's turnover		1,300.6	975.8
Less: associate's turnover		(11.1)	(12.7)
Group turnover	2	1,289.5	963.1
Cost of sales		(973.9)	(733.7)
Gross profit		315.6	229.4
Selling and distribution costs		(35.6)	(30.8)
Administration expenses		(60.1)	(107.2)
-normal		(46.8)	(57.1)
-exceptional		(13.3)	(50.1)
Other operating income		17.2	23.2
Group operating profit	2	**237.1**	**114.6**
Operating profit before operating exceptional items	2	250.4	164.7
Operating exceptional items		(13.3)	(50.1)
Share of operating loss in associate		(1.2)	(0.5)
Loss on disposal of fixed assets		(1.2)	(0.7)
Profit on ordinary activities before interest and taxation		**234.7**	**113.4**
Investment income		39.7	14.7
Interest payable		(41.0)	(49.7)
Profit on ordinary activities before taxation	2	**233.4**	**78.4**
Tax on profit on ordinary activities	3	(76.0)	(20.5)
Profit on ordinary activities after taxation		**157.4**	**57.9**
Equity minority interests		(90.8)	(33.4)
Profit for the financial year		**66.6**	**24.5**
Dividends	5	(15.8)	-
Retained profit for the year	5	50.8	24.5
Basic earnings per share (US cents/share)			
Profit for the year	4	23.3	8.6
Underlying Profit for the year	4	24.5	11.9
Diluted earnings per share (US cents/share)			
Profit for the year	4	23.3	8.6
Underlying Profit for the year	4	24.5	11.9

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

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

CONSOLIDATED BALANCE SHEET

	Note	31 March 2004 US$ million	31 March 2003 US$ million
Fixed assets			
Intangible assets		3.6	3.7
Goodwill		12.2	12.5
Negative goodwill		(8.6)	(8.8)
Tangible fixed assets		1,268.4	889.1
Investment in associate		2.7	0.3
Other investments		36.5	30.1
		1,311.2	**923.2**
Current assets			
Stocks		199.9	170.1
Debtors		245.5	173.5
Current asset investments		1,188.5	81.7
Cash at bank and in hand		52.7	65.2
		1,686.6	**490.5**
Creditors: amounts falling due within one year			
Short-term borrowings		(295.3)	(220.3)
Loans		(245.8)	(220.3)
Convertible bonds		(49.5)	–
Other current liabilities		(586.5)	(277.8)
		(881.8)	**(498.1)**
Net current assets/(liabilities)		**804.8**	**(7.6)**
Total assets less current liabilities		**2,116.0**	**915.6**
Creditors: amounts falling due after more than one year		(529.9)	(261.4)
Provisions for liabilities and charges		(162.9)	(144.0)
Equity minority interests		(437.1)	(405.2)
Net assets	2	**986.1**	**105.0**
Capital and reserves			
Called up equity share capital	6	28.6	–
Shares to be issued	6	–	–
Share premium account	7	18.6	–
Merger reserve	7	4.4	–
Other reserves	7	8.3	37.9
Profit and loss account	7	926.2	67.1
Equity shareholders' funds		**986.1**	**105.0**

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 US$ million
Net cash inflow from operating activities	6	**496.3**	**233.5**
Returns on investments and servicing of finance			
Interest and other income		34.6	19.6
Interest paid		(42.0)	(47.7)
Dividend received from fixed asset investments		0.8	–
Dividend paid to minority shareholders		(10.1)	(4.9)
		(16.7)	**(33.0)**
Taxation		**(57.5)**	**(25.5)**
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(349.0)	(45.5)
Proceeds from the sale of fixed assets		2.8	1.4
Purchase of fixed asset investments		(9.2)	–
Proceeds from sale of fixed asset investments		1.8	0.8
		(353.6)	**(43.3)**
Acquisitions			
Purchase of interest in subsidiary company		(81.1)	(160.4)
Net cash acquired with subsidiaries		–	11.6
Issue of shares to minorities		–	0.7
Buyback of shares from minorities		–	(40.8)
		(81.1)	**(188.9)**
Cash outflow before use of liquid resources and financing		**(12.6)**	**(57.2)**
Management of liquid resources			
(Purchase)/sale of current asset investments		(1,065.0)	9.8
		(1,065.0)	**9.8**
Financing			
Issue of ordinary shares (net of share issue expenses)	7	825.3	–
Repayment of share application money pending allotment in SOVL	7	(26.2)	–
Increase in short term borrowings	9	141.7	53.2
Increase in long term borrowings	9	120.8	45.5
Repayment of non-equity minority interests	9	–	(4.1)
		1,061.6	**94.6**
(Decrease)/increase in cash in the year		**(16.0)**	**47.2**

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

	Note	Year ended 31 March 2004 US$ million	Year ended 31 March 2003 US$ million
(Decrease)/increase in cash in the year	9	(16.0)	47.2
Increase in debt	9	(262.5)	(98.7)
Cash inflow/(outflow) from management of liquid resources	9	1,065.0	(9.8)
Increase/(decrease) in net cash/(debt) resulting from cash flows	9	**786.5**	**(61.3)**
Non cash movements in debt	9	-	(25.6)
Loans and finance leases acquired with subsidiary	9	-	(3.8)
Foreign exchange differences	9	(33.1)	(9.5)
Increase/(decrease) in net cash/(debt) in the year	9	**753.4**	**(100.2)**
Net debt at the beginning of the year	9	(331.1)	(230.9)
Net cash/(debt) at the end of the year	9	**422.3**	**(331.1)**

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

NOTES TO THE ACCOUNTS

1. Basis of preparation

Vedanta Resources plc ("Vedanta" or the "Company") was incorporated on 22 April 2003 and its Ordinary Shares(1) were listed on the London Stock Exchange on 10 December 2003 (the "Listing") having become the new parent company of the Twin Star Holdings Group, after the group reorganisation of Volcan Investments Limited ("Volcan"), Vedanta, Vedanta Resources Holdings Limited ("VRHL") and Twin Star Holdings Limited ("Twin Star").

Prior to the Listing the Twin Star Holdings Group(1) comprised Twin Star, a company incorporated and resident in Mauritius, and its principal operating subsidiaries were Sterlite Industries (India) Limited ("Sterlite"), Bharat Aluminium Company Limited ("BALCO"), Madras Aluminium Company Limited ("MALCO") and Hindustan Zinc Limited ("HZL"). The Twin Star Holdings Group was a wholly owned subsidiary of Volcan. After the Group reconstruction on 10 December 2003, Twin Star became an intermediate holding company in the Group, with its underlying investments remaining unchanged, and its immediate parent becoming VRHL, which in turn became a wholly owned subsidiary of Vedanta. Subsequent to the Listing, Vedanta was 53.9% owned by Volcan.

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

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

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

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

2. Segmental analysis

(a) By class of business

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

Group turnover

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

Group operating profit

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

2. 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 2004 US$ million	Year ended 31 March 2003 US$ million
Aluminium	53.6	38.3
Copper	94.1	101.0
Zinc	179.3	87.1
Other	(4.3)	(2.1)
Group EBITDA	**322.7**	**224.3**
Goodwill amortisation	(0.5)	(0.4)
Depreciation	(71.8)	(59.2)
Operating exceptional items	(13.3)	(50.1)
Group operating profit	**237.1**	**114.6**

Depreciation

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

Profit on ordinary activities before taxation

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

2. Segmental analysis (continued)

(a) By class of business (continued)

Net assets

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

Net cash/(debt)

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

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

2. Segmental analysis (continued)

(b) By location

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

Turnover by destination

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

Net assets/(liabilities)

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

3. Tax on profit on ordinary activities

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

4. Earnings per Ordinary Share

Earnings per share on the profit for the year

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

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

4. Earnings per Ordinary Share (continued)

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

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

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

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

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

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

5. Dividends

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

6. Called up Equity Share Capital

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

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

The holders of deferred shares 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.

The Reward Plan

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

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

Initial Public Offering

On Listing, 156,000,000 ordinary shares in the Company were issued to Volcan Investments Limited in exchange for its investment in the Twin Star Holdings Group[(1)], and 130,000,000 Ordinary Shares were issued to public shareholders at £3.90.

7. Consolidated reconciliation of movement in equity shareholders' funds

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

During the year, the Company repaid share application funds of US$26.2 million that were pending allotment in SOVL, a subsidiary company.
.
The investment in Twin Star had a carrying value of US$20.0 million in the accounts of Volcan. As the Company was not incorporated as at 31 March 2003, and the comparatives are prepared on a pro-forma basis, as disclosed in note 1, the issued share capital and share premium account of Twin Star have been included in the profit and loss account reserves as at 31 March 2003. As required by the Companies Act 1985, Section 132, upon issue of 156,000,000 ordinary shares to Volcan, Twin Star's issued share capital and share premium account have been eliminated and a merger reserve of US$4.4 million arose, being the difference between the carrying value of the investment in Twin Star in Volcan's accounts and the issued share capital to Volcan.

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

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

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

8. Reconciliation of operating profit from to net cash inflow from operating activities

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

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

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

9. Analysis of net cash/(debt)

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

10. Announcement based on audited accounts

The financial information set out herein does not constitute the Company's statutory accounts for the year ended 31 March 2004, but is derived from these accounts. The first statutory accounts of the Company, for the year ended 31 March 2004, will be delivered to the Registrar of Companies following the Company's AGM subsequent to their approval by shareholders. The auditors have reported on those accounts and their report was unqualified and did not contain statements under Sections 237(2) or (3) Companies Act 1985.

11. Glossary and definitions

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

BALCO - Bharat Aluminium Company Ltd, a company incorporated in India

Board - The board of Directors of the Company

Capital Employed - Net assets before net cash/(debt) and equity minority interests

Directors - The directors of the Company

EBITDA - Profit before interest, taxation, depreciation, goodwill amortisation and exceptional items (see note 2)

EBITDA Margin - EBITDA as a percentage of turnover

EPS – Earnings per share

Free Cash Flow - Cash flow arising from EBITDA after net interest, taxation, sustaining capital expenditure and working capital movements

Gearing - Net debt as a percentage of Capital Employed

Government - The Government of the Republic of India

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

HZL - Hindustan Zinc Limited, a company incorporated in India

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

Listing Particulars - The listing particulars dated 5 December 2003 issued by the Company in connection with its Listing

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

MT - Metric tonnes

MW - Megawatts of electrical power

Ordinary Shares – ordinary shares of 10 US cents each in the Company

Return on Capital Employed or ROCE - Profit before interest, taxation, operating and non-operating 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

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

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

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

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 operating and non-operating exceptional items and their resultant tax and minority interest effects (see Note 4)

Vedanta or Company- Vedanta Resources plc

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