VEDANTA RESOURCES PLC

(incorporated with limited liability in England and Wales)

US$100,000,000
6.625 per cent. Bonds due 2010

(to be consolidated and form a single series with the US$500,000,000 6.625 per cent. Bonds due 2010 issued on 21 December 2004)

Issue Price 99.463 per cent.

(plus 35 days' accrued interest)

This is an offering of US$100,000,000 6.625 per cent. bonds due 2010 (the "New Bonds") that are being issued by Vedanta Resources plc ("Vedanta Resources" or the "Company") and are being offered by the Managers named herein in the United States only to qualified institutional buyers in reliance on Rule l44A ("Rule 144A") under the US Securities Act of 1933 (the "Securities Act") and may be offered outside the United States in reliance on Regulation S ("Regulation S") under the Securities Act. The New Bonds will be consolidated and form a single series with the US$500,000,000 6.625 per cent. Bonds due 2010 issued on 21 December 2004 (the "Original Bonds" and, together with the "New Bonds", the "Bonds") on or about 26 January 2005 (the "Closing Date"). Upon consolidation, the aggregate principal amount of the Bonds will total US$600,000,000.

The Bonds will bear interest from 21 December 2004 at the rate of 6.625 per cent. per annum, payable semi-annually in arrear on 22 February and 22 August in each year, commencing 2005, except that the first payment will be made on 22 August 2005. Payments on the Bonds will be made without deduction for or on account of taxes of the United Kingdom to the extent described under "Terms and Conditions of the New Bonds - Taxation".

The Bonds will mature on 22 February 2010. The Bonds may be redeemed at the option of the Company in whole, but not in part, at their principal amount, together with accrued interest, in the event of certain changes affecting taxes of the United Kingdom. See "Terms and Conditions of the New Bonds - Redemption and Purchase".

The New Bonds which are offered and sold outside the United States in reliance on Regulation S under the Securities Act (the "Regulation S Bonds"), if any, will be initially represented by an unrestricted global certificate in registered form (the "Unrestricted Global Certificate"). The New Bonds which are offered and sold in the United States to qualified institutional buyers in reliance on Rule 144A (the "Rule 144A Bonds") will bear the Securities Act Legend (as defined in the Trust Deed dated 21 December 2004 (the "Principal Trust Deed"), as supplemented by a supplemental trust deed dated 26 January 2005 (the "Supplemental Trust Deed" and, together with the Principal Trust Deed, the "Trust Deed") and will be initially represented by a restricted global certificate in registered form (the "Restricted Global Certificate" and together with the Unrestricted Global Certificate, the "Global Certificates"). The Unrestricted Global Certificate, if any, will be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"), and the Restricted Global Certificate will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, the Depository Trust Company ("DTC") on or about the Closing Date. Beneficial interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg and their account holders. Definitive certificates in respect of beneficial interests in the Unrestricted Global Certificate and the Restricted Global Certificate ("Unrestricted Individual Certificates" and "Restricted Individual Certificates", respectively, and together, the "Individual Certificates") will not be issued except as described herein. See "Summary of Provisions relating to the New Bonds while in Global Form".

Application has been made to the Financial Services Authority (the "UK Listing Authority") in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "FSMA") for the New Bonds to be admitted to the official list of the UK Listing Authority (the "Official List") and to London Stock Exchange plc (the "London Stock Exchange") for such New Bonds to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the Official List together with admission to trading on the London Stock Exchange's market for listed securities constitute official listing on a stock exchange. A copy of this document, which comprises listing particulars, has been delivered to the Registrar of Companies in England and Wales as required by Section 83 of the FSMA. Application has been made to have the Rule 144A Bonds designated eligible for trading in the Portal[SM] Market of the Nasdaq Stock Market Inc ("Portal").

Investing in the New Bonds involves risks. For a discussion of certain factors to be considered in connection with an investment in the New Bonds, see "Risk Factors" beginning on page 15.

The Bonds have been rated "Ba2" by Moody's Investors Service, Inc. and "BB" by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Bonds will be structurally subordinated to the claims of holders of debt securities and other creditors of subsidiaries of the Company. See "Risk Factors – Risks relating to the Bonds – Structural subordination to subsidiary debt."

The New Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States (as defined in Regulation S). The New Bonds are being offered and sold outside the United States in reliance on Regulation S and within the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act. Prospective purchasers are hereby notified that sellers of the New Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the New Bonds and distribution of this Offering Circular, see "Plan of Distribution" and "Transfer Restrictions".

Sole Bookrunner and Joint Lead Manager	*Joint Lead Manager*
BARCLAYS CAPITAL	**DEUTSCHE BANK**

Offering Circular dated 27 January 2005

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Company or the Managers to subscribe or purchase, any of the New Bonds. The distribution of this Offering Circular and the offering of the New Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company and the Managers to inform themselves about and to observe any such restrictions. This Offering Circular does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. For a description of certain further restrictions on offers and sales of New Bonds and distribution of this Offering Circular, see "Plan of Distribution" below.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Company or the Managers. The delivery of this Offering Circular at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

The Managers have not separately verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Managers as to the accuracy or completeness of the information contained in this Offering Circular or any other information supplied in connection with the New Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers in connection with its investigation of the accuracy of such information or its investment decision and each person must rely on its own examination of the Company and the merits and risks involved in investing.

Market data and certain industry forecasts (where applicable) used throughout this Offering Circular have been obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and neither the Company nor the Managers make any representation as to the accuracy of that information.

In connection with this issue, Barclays Bank PLC or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail for a limited period. However, there is no obligation on Barclays Bank PLC or any agent of it to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

The New Bonds have not been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Bonds or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE, NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE, CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT, NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION, MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY

UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

The Company has agreed that, for so long as any Bonds are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) of the US Securities Exchange Act of 1934 (the "Exchange Act") nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner or to the Trustee (as defined herein) for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner, prospective purchaser or Trustee, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

ENFORCEABILITY OF JUDGMENTS

The Company is incorporated with limited liability under the laws of England and Wales. None of the directors or executive officers of the Company is a resident of the United States, and all or a substantial portion of the assets of the Company and such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Company or such persons or to enforce against any of them in the United States courts judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States.

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PRESENTATION OF INFORMATION

General

References to Group do not include Konkola Copper Mines plc, unless otherwise indicated.

Presentation of financial information

Unless otherwise indicated, financial information in this Offering Circular has been prepared in accordance with generally accepted accounting principles in the United Kingdom ("UK GAAP"). UK GAAP differs in certain significant respects from accounting principles generally accepted in the United States ("US GAAP") or International Financial Reporting Standards ("IFRS"). For a discussion of the most significant differences between UK GAAP and US GAAP and UK GAAP and IFRS as they apply to the Group, see "Summary of Certain Significant Differences Between UK GAAP and US GAAP" and "Summary of Certain Significant Differences Between UK GAAP and IFRS".

The historical financial information set out herein has been extracted without material change from publicly available information (specifically the Vedanta Resources plc 2004 Annual Report, the IPO Listing Particulars dated 5 December 2003 and the unaudited interim results announcement of Vedanta Resources plc dated 25 November 2004).

To provide information which is meaningful, the Directors have decided to present the historic financial information herein on the basis that the Group, excluding the assets sold to Twin Star International Limited as described in Note 1 to the Accounts, had existed throughout the three-year period beginning 1 April 2001. The Directors believe that this information reflects the ongoing operations of the Group.

See Note 1 to the Accounts for further information.

The Group recently 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 for the period ended 30 September 2004. As required by this abstract, a company's 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 economic interest of the Group in Sterlite Industries (India) Limited ("Sterlite") by virtue of the change in treatment for the shares in Sterlite held by the Sterlite Employee Welfare Trust ("SEWT"). This change has been accounted for as a prior year adjustment and, as a consequence, previously reported figures for the financial year ended 31 March 2004 and the interim financial information for the period ended 30 September 2003 have been restated accordingly as part of the interim results that were announced on 25 November 2004. The interim financial information for the period ended 30 September 2004 was prepared in accordance with UITF abstract 38 'Accounting for ESOP trusts'.

The restated figures for the financial year ended 31 March 2004 have only been used in the section 'Management's Discussion and Analysis of Financial Condition and Results of Operations – Current Trading and Prospects' and nowhere else in this Offering Circular.

The restated figures for the period ended 30 September 2003 and the financial information for the period ended 30 September 2004 have only been used in the section 'Management's Discussion and Analysis of Financial Condition and Results of Operations' and nowhere else in this Offering Circular.

Save as specified above, the previously reported figures for the financial years ended 31 March 2002, 31 March 2003 and 31 March 2004, as set out in the Accounts, have been used in this Offering Circular.

Currencies

In this document, references to "Australian Dollars" or "A$" are to the lawful currency of Australia, references to "Euro" or "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended, references to "Indian Rupee" or "INR" are to the lawful currency of India, references to "Pounds Sterling",

“£”, “pence” or “p” are to the lawful currency of the United Kingdom and references to “US Dollars”, “US$”, “cents” or “¢” are to the lawful currency of the United States.

Unless otherwise indicated, the financial information contained in this document has been expressed in US Dollars.

Ore reserve and mineral resource reporting—basis of preparation

Ore reserves and mineral resources reported in this document comply with the “Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves” other than those relating to KCM which comply with the South African Code for Reporting of Mineral Reserves and Mineral Resources (the “SAMREC Code”). The former Code is prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists, and Minerals Council of Australia, and is commonly referred to as the “JORC Code”. As at the date of this document, the editions of the JORC and SAMREC Codes in force are dated September 1999 and March 2000, respectively. The JORC and SAMREC Codes recognise a fundamental distinction between resources and reserves.

The terms and definitions in the SAMREC Code are consistent with those used in the JORC Code with minor differences in terminology – the JORC Code uses the term Ore Reserve whilst the SAMREC Code uses the term Mineral Reserve.

Mineral resources are based on mineral occurrences quantified on the basis of geological data and an assumed cut-off grade, and are divided into Measured, Indicated and Inferred categories reflecting decreasing confidence in geological and/or grade continuity. The reporting of resource estimates carries the implication that there are reasonable prospects for eventual economic exploitation. An Ore or Mineral Reserve is the economically mineable part of a Measured or Indicated Mineral Resource. It includes dilution and losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, need to have been carried out and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors.

These assessments demonstrate at the time of reporting that extraction could be reasonably justified. Ore Reserves are sub-divided in order of decreasing confidence into Proved Ore Reserves and Probable Ore Reserves.

The Measured and Indicated mineral resources can be reported as either being inclusive of those mineral resources modified to produce the ore reserves or additional to the ore reserves.

The resource and reserve estimates provided in this document comply with the resource and reserve definitions of the JORC Code, other than those relating to KCM which comply with the SAMREC Code. The relevant definitions from the September 1999 edition of the JORC Code and the March 2000 edition of the SAMREC Code can be found in “Definitions and glossary of technical terms”.

In this document, resource and reserve estimates are reported as at 31 March 2004, except for the resource and reserve estimates for KCM, which are reported as at 31 December 2003, or unless otherwise stated. In this document, copper resources are inclusive of reserves (except for copper resources at KCM which are additional to reserves), and bauxite and zinc resources are additional to reserves.

Inferred Resources

The resource and reserve tables in “The Vedanta Resources Group” make reference to “Inferred Resources”. An Inferred Resource is that part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. This categorisation is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

Resources, reserves and production

In this document, unless expressly stated otherwise, references to resources and reserves are to total resources and total reserves. Total resources and total reserves means that part of the resources and reserves from a mine in which subsidiaries of the Group have an economic interest. The Group does not wholly own certain of its subsidiaries and therefore total resources and total reserves include resources and reserves attributable to third party interests in controlled subsidiaries.

In this document, unless expressly stated otherwise, references to production are to total production. Total production means that part of production at mines and operations in which subsidiaries of the Group have an economic interest. The Group does not wholly own certain of its subsidiaries and therefore total production includes production attributable to third party interests in controlled subsidiaries.

Cost curves

This document contains references to ‘‘cost curves’’. A cost curve is a graphic representation in which the total production volume of a given commodity across the relevant industry is arranged on the basis of average unit costs of production from lowest to highest to permit comparisons of the relative cost positions of particular production sites, individual producers or groups of producers within a given country or region. Generally, a producer’s position on a cost curve is described in terms of the particular quartile or tercile, the first quartile or tercile being the lowest cost and the fourth quartile or the third tercile being the highest, in which the production of a given plant or producer or group of producers appears.

The cost curves referred to in this document have been obtained by the Group from an independent industry analyst with recognised experience in constructing cost curves for the relevant commodities, namely CRU International. To construct cost curves, this analyst compiles information from a variety of sources, including reports made available by producers, site visits, personal contacts, trade publications and other analysts’ reports. Although producers may thus participate to some extent in the process through which cost curves are constructed, they are typically unwilling to validate cost analysis directly because of commercial sensitivities. Inevitably, assumptions must be made by the analyst with respect to data that such analyst is unable to obtain and judgment must be brought to bear in the case of virtually all data, however obtained.

In addition, the time required to produce cost curves means that even the most recent available examples will be unable to take account of recent developments; in some cases, the most recent available cost curve may be based on data that is several years old. Costs data for specific producers may be based on costs incurred by the producers over their respective accounting years; to the extent these differ, the direct comparability of their costs may be limited. The cost curves referred to in this document reflect direct cash costs of production only, and exclude non-cash or indirect costs (such as depreciation, interest and unrelated overhead expenses) and costs relating specifically to marketing and export. Delivery costs reflect estimates for each producer to accepted selling points, based on actual sales. They include estimates for all costs involved in delivery, including freight, insurance, warehousing and financing costs as well as sales commissions.

Moreover, all cost curves embody a number of significant assumptions with respect to exchange rates and other variables. In summary, the manner in which cost curves are constructed means that they have a number of significant inherent limitations.

In certain cases, cost curves produced by more than one reputable industry analyst may exist with regard to a specific commodity. The methodologies employed and conclusions reached by such analysts may differ. Moreover, the reliability of any given cost curve may be difficult to assess, as the accuracy of the data, and the reasonableness of the assumptions on which it has been based, usually cannot be tested directly. Particular producers are, however, in a position to validate the accuracy of the presentation with respect to their own costs subject to adjustments to bring their methodology in line with the methods of the others. This can provide a useful indication of the reliability of a cost curve overall and, notwithstanding their shortcomings, independently produced cost curves are widely used in the industries in which the Group operates.

The cost curves to which this document refers are the most recent cost curves which have been obtained by the Group from the industry analyst named above. The cost curves have been prepared using cost data for the Group's and other producers' operations. The Directors have satisfied themselves that the Group's own production costs which were used in the preparation of the cost curves are reasonably represented.

Forward-Looking Statements

Certain statements contained in this document, including those under the captions "Business Summary", ''Risk Factors'', ''Management's Discussion and Analysis of Financial Condition and Results of Operations", "The Vedanta Resources Group'', ''Information on India'', and the Accounts contained in this document constitute ''forward-looking statements.'' These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "intends", "may", "will" or "should" or in each case their negative, or other variations or comparable terminology. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include, among others, general economic and business conditions, industry trends, competition, changes in government regulation, currency fluctuations (including the A$/US$ and the INR/US$ exchange rates), the Group's ability to recover its reserves or develop new reserves, implement its expansion plans and achieve cost reductions and efficiency measures, changes in business strategy or development, political and economic uncertainty and other risks described in ''Risk Factors''. There can be no assurance that the results and events contemplated by the forward-looking statements contained in this document will, in fact, occur.

These forward-looking statements speak only as at the date of this document. The Company will not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this document except as required by law or by any appropriate regulatory authority.

BUSINESS SUMMARY

The following summary highlights significant aspects of the Group's business but investors should carefully read this entire Offering Circular to understand the structure of the offering of the New Bonds, the Group's business, the risks associated with investing in the New Bonds, the terms of the New Bonds and the tax and other considerations that are important to an investment decision.

Summary of the business of the Group

The Group is a diversified non-ferrous mining and metals company, with operations located primarily in India. The Group focuses on the growing Indian copper, aluminium and zinc markets and, in India, is one of the two leading copper producers, has a significant market share in aluminium production and is the leading and only integrated zinc producer.

The Group comprises three major businesses:

- **Copper**. The Copper Business is owned and operated by Sterlite Industries (India) Limited ("Sterlite"), a subsidiary of Vedanta Resources in which the Group currently has an effective interest of 78.8 per cent. Sterlite is one of the two leading domestic copper producers in India. Sterlite's copper operations include a smelter, refinery and copper rod plant at Tuticorin in southern India, a refinery and copper rod plant at Silvassa in western India and two copper mines in Australia.
- **Aluminium**. The Aluminium Business is owned and operated by Bharat Aluminium Company Limited ("BALCO"), in which Sterlite has a 51 per cent. interest, and Madras Aluminium Company Limited ("MALCO"), in which the Group, through Twin Star Holdings Limited ("Twin Star"), has an 80 per cent. interest. BALCO is a fully integrated producer with its own bauxite mine, a captive power plant and refining, smelting and fabrication facilities. MALCO is also a fully integrated producer with two bauxite mines, a captive power plant and refining, smelting and fabrication facilities.
- **Zinc**. The Zinc Business is owned and operated by Hindustan Zinc Limited ("HZL"), a fully integrated zinc producer. HZL is India's leading zinc producer, in which Sterlite indirectly has a 64.9 per cent. interest. HZL's zinc operations include three lead-zinc mines, two smelters in north-west India and one smelter in south-east India.

The Group's other activities include an aluminium conductor business, consisting of two power transmission aluminium conductor plants, and an investment in an aluminium foil business, owned and operated by IFL.

Pursuant to a subscription agreement entered into on 19 August 2004, Vedanta Resources (via its wholly owned subsidiary Vedanta Resources Holdings Limited ("VRHL")) acquired a 51 per cent. stake in Konkola Copper Mines plc ("KCM"), a Zambian company which owns and operates copper mines, a smelter and a refinery in the Republic of Zambia ("Zambia"). This acquisition was completed on 5 November 2004.

The Group is headquartered in London and has approximately 13,210 employees worldwide.

Key strengths

The Directors believe that the key strengths of the Group's businesses are:

- a strong competitive position enjoyed as a result of the Group's market shares in the growing Indian copper, aluminium and zinc markets;
- management's ability to:
  - turn around and optimise underperforming businesses;
  - improve manpower productivity and deliver operational efficiencies;
  - implement capital programmes on time and within budget;

- a well-balanced commodity portfolio; and
- the pipeline of expansion projects.

Group strategy

The Group's strategy is to generate strong financial returns and create a world-class metals and mining company.

The Group is pursuing this strategy by:

- optimising the performance of the existing assets: Vedanta Resources' operational plans for each of its businesses are to debottleneck plants, further improve efficiency, expand output and drive down unit costs;
- completing the projects relating to the 250,000 tpa GAMI-based aluminium smelter at the Korba complex and the proposed 1.0 Mtpa alumina refinery in Orissa, which offer attractive economics and future growth;
- consolidating the group structure: Vedanta Resources will continue to increase its direct ownership in the underlying businesses; and
- leveraging established skills: Vedanta Resources will seek further growth opportunities in India, including through the Government's privatisation programmes, and also outside its traditional Indian base, in operations where its proven transactional, operating and turnaround skills can provide a competitive advantage.

Financial highlights for year ended 31 March 2004

- Group turnover was US$1.3 billion.
- Turnover for the Copper, Aluminium and Zinc Businesses was US$592.8 million, US$223.4 million and US$401.1 million respectively.
- EBITDA for the Copper, Aluminium and Zinc Businesses was US$94.1 million, US$53.6 million and US$179.3 million respectively.
- Group operating profit before exceptional items was US$250.4 million.
- Total Group profit was US$66.6 million.
- The Group had a 16.8 per cent. return on capital employed.

The Group's objective is to take advantage of its low cost base, achieve the best possible margins across its businesses and to consistently earn a return (net of tax) above the weighted average cost of capital to ensure that capital is invested efficiently.

Capitalisation and indebtedness

The following table sets out the called-up share capital of Vedanta Resources and the borrowing and indebtedness of the Group as at 30 September 2004, and as adjusted to give effect to the issuance of the Bonds. This table should be read in conjunction with the Group's UK GAAP Accounts, the related notes and the other financial information contained elsewhere in this Offering Circular.

	As at 30 September 2004		
	(US$ million)		
	Actual	As adjusted for issuance of the Original Bonds	As adjusted for issuance of the New Bonds
Called-up Share Capital[1]	28.6	28.6	28.6
Reserves			
Share premium account	18.6	18.6	18.6
Merger reserve	4.4	4.4	4.4
Other reserve	8.4	8.4	8.4
Profit and loss account	896.2	896.2	896.2
Total Capital and Reserves	956.2	956.2	956.2
Term loans – secured (repayable > 1 year)	470.0	470.0	470.0
Term loans – unsecured (repayable > 1 year)	139.8	139.8	139.8
Other borrowings and indebtedness – secured (repayable < 1 year)	75.5	75.5	75.5
Other borrowings and indebtedness – unsecured (repayable < 1 year)	172.0	172.0	172.0
Original Bonds issued on 21 December 2004	–	500.0	500.0
New Bonds offered hereby	–	–	100.0
Total Indebtedness[2,3]	857.3	1,357.3	1,457.3
Total Capitalisation[4,5]	1,813.5	2,313.5	2,413.5

1 The Company's authorised share capital as at 30 September 2004 was US$40,000,000 and £50,000, comprising 400,000,000 ordinary shares and 50,000 deferred shares, respectively. The Company's issued share capital as at that date was 50,000 deferred shares, one of which had been fully paid and 49,999 of which had been paid up as to one-quarter of their nominal value and 286,388,000 ordinary shares each credited as fully paid.

2 US$68.8 million of the total indebtedness has been guaranteed by Sterlite and no third party has guaranteed any indebtedness in respect of any Group company. As at 30 September 2004, there were no third party guarantees provided by the Company.

3 Contingent liabilities and committed capital expenditure totalled US$1,039.8 million as at 30 September 2004.

4 As at 30 September 2004, the Group had cash balances of US$25.2 million and current asset investments of US$945.8 million.

5 There has been no material change in the Group's authorised and issued share capital, except for the issue of the Original Bonds, and no material change in the borrowings and indebtedness, including contingent liabilities and guarantees, of the Group since 30 September 2004.

Relationship with Volcan

Volcan owns approximately 54 per cent. of the issued ordinary share capital of the Company. Volcan is owned and controlled by members of the Agarwal Family, including Anil Agarwal, the Chief Executive of Vedanta Resources, his father, D P Agarwal, and his son, Agnivesh Agarwal.

Use of Proceeds

The net proceeds of the issue of the New Bonds (inclusive of accrued interest), after the deduction of fees and commissions, are expected to be US$99,707,097. The Company intends to use the net proceeds from the offering primarily (i) to fund the Group's growth projects, in particular the Orissa alumina refinery project and the BALCO aluminium smelter expansion project at Korba, (ii) to repay existing debt and (iii) for general working capital purposes.

SUMMARY OF THE OFFERING

The following is a general summary of the terms of the New Bonds. This summary is derived from, and should be read in conjunction with, the full text of the Terms and Conditions of the New Bonds (the "Conditions") and the Supplemental Trust Deed constituting the New Bonds, which prevail to the extent of any inconsistency with the terms set out in this summary. Capitalised terms used herein and not otherwise defined have the respective meanings given to such terms in the relevant Conditions.

Company	Vedanta Resources plc.
Issue	US$100,000,000 6.625 per cent. Bonds due 2010 (to be consolidated and form a single series with the US$500,000,000 6.625 per cent. Bonds due 2010 issued on 21 December 2004).
Issue Price	The New Bonds will be issued at 99.463 per cent. of their principal amount (plus 35 days' accrued interest).
Issue Date	26 January 2005.
Maturity Date	22 February 2010.
Interest	The New Bonds will bear interest from 21 December 2004 at the rate of 6.625 per cent. per annum, payable semi-annually in arrear on 22 February and 22 August in each year, commencing on 22 August 2005.
Status of the Bonds	The New Bonds constitute senior, unsubordinated, direct, unconditional and (subject to Condition 3(a)) unsecured obligations of the Company and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Company under the New Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3(a), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. The New Bonds will be structurally subordinated to claims of holders of debt securities and other creditors of subsidiaries of the Company. See "Risk Factors – Risks relating to the New Bonds – Structural subordination to subsidiary debt".
Form and Denomination of the Bonds	The New Bonds will be issued in registered form in the denomination of US$1,000 each or integral multiples thereof. Upon issue, the Regulation S Bonds, if any, will be represented by the Unrestricted Global Certificate and the Rule 144A Bonds will be represented by the Restricted Global Certificate, each in registered form. On the Closing Date, the Unrestricted Global Certificate, if any, will be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear and Clearstream, Luxembourg and the Restricted Global Certificate will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC.
Global Certificates	For as long as the New Bonds are represented by the Global Certificates, payments of principal and interest in respect of the New Bonds will be made without presentation or if no further payment falls to be made in respect of the New Bonds against presentation and surrender of the Global Certificates to or to the order of the Principal Agent for such purpose. While the New Bonds are represented by the Global Certificates, they will be

	transferable only in accordance with the rules and procedures for the time being of the relevant clearing system. Except as described herein, Individual Certificates will not be issued in exchange for interests in the Global Certificates.
Rating of the Bonds	The Bonds have been rated "Ba2" by Moody's Investors Service, Inc. and "BB" by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc.
Covenants	So long as any New Bond remains outstanding, the Company will not, and will not permit any of its Material Subsidiaries to, create or permit to subsist any Security upon the whole or any part of its undertaking, assets or revenues, present or future, to secure Indebtedness (in the case of the Company) and Relevant Debt (in the case of the Material Subsidiaries), subject to the exceptions in Condition 3(a). See "Terms and Conditions of the New Bonds – Covenants". The New Bonds have the benefit of certain financial covenants of the Issuer relating to itself and its Subsidiaries. See "Terms and Conditions of the New Bonds – Covenants".
Redemption for Taxation	The New Bonds may be redeemed at the option of the Company in whole, but not in part, at their principal amount, together with accrued interest, in the event of certain changes affecting taxes of the United Kingdom.
Events of Default	For a description of certain events that will permit the Bonds to become immediately due and payable at their principal amount, together with accrued interest, see "Terms and Conditions of the New Bonds – Events of Default".
Transfer Restrictions on the Bonds	The New Bonds represented by the Restricted Global Certificate will bear the Securities Act Legend and such New Bonds (or any beneficial interest therein) may not be transferred except in compliance with the transfer restrictions set forth in such Legend. A transfer of a beneficial interest in the Restricted Global Certificate to a person that takes delivery through an interest in the Unrestricted Global Certificate is subject to certain certification requirements as set forth in the Trust Deed. A transfer of a beneficial interest in the Unrestricted Global Certificate to a person that takes delivery through an interest in the Restricted Global Certificate is also subject to certification requirements. See "Transfer Restrictions".
Selling Restrictions	There are restrictions on the offer, sale and/or transfer of the New Bonds in certain jurisdictions. For a description of the selling restrictions on offers, sales and transfers of the New Bonds, see "Plan of Distribution" and "Transfer Restrictions".
Listing	Application has been made to the UK Listing Authority for the New Bonds to be admitted to the Official List and to the London Stock Exchange for the New Bonds to be admitted to trading on the London Stock Exchange's market for listed securities.
Trustee	Deutsche Trustee Company Limited.
Principal Agent	Deutsche Bank AG, acting through its London branch.

Registrar	Deutsche Bank Trust Company Americas.
Governing Law	The New Bonds and the First Supplemental Trust Deed will be governed by, and construed in accordance with, English law.
Further Issues	The Company may from time to time, without the consent of the Bondholders, create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) so that such further issue shall be consolidated and form a single series with the Bonds or upon such terms as the Company may determine at the time of their issue. See "Terms and Conditions of the New Bonds – Further Issues".
Lock-up Agreement	Neither the Company, nor any of its subsidiaries or other affiliates over which it exercises management or voting control, nor any person acting on its or their behalf will, for a period of 60 days after the date of this Offering Circular, without the prior written consent of the Managers, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal) debt securities issued or guaranteed by the Company and having a maturity of more than one year from the date of issue.

RISK FACTORS

In addition to the other information contained in this document, prospective investors should consider carefully the specific risks set out below before making a decision to invest in the New Bonds. Additional risks not presently known to the Company or that the Company currently deems immaterial may also impair the Group's business operations. The business, financial condition or results of the operations of the Group could be materially adversely affected by any of these risks. The trading price of the New Bonds could decline due to any of these risks and investors could lose part or all of their investment.

Risks relating to the Group

Expansions

The Group has a number of significant expansions planned for its existing operations and plans for new greenfield projects, which involve significant capital expenditure. See "The Vedanta Resources Group—Description of the Businesses" and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital expenditure and financial commitments". The timing, implementation and cost of such expansions are subject to a number of risks, including the failure to obtain necessary leases, licences, permits, consents and approvals, or funding for the expansions. The Group does not yet have all of the leases, licences, permits, consents and approvals that will be required to implement certain of the expansions, including its planned expansions at Tuticorin and the alumina refinery in Orissa. Any delay in completing planned expansions or cost overruns or operational difficulties once the projects are commissioned may have a material adverse effect on the results of operations or financial condition of the Group.

Rapid growth

A substantial portion of the Group's growth in turnover and earnings has historically been generated from acquisitions and subsequent improvements in the performance of the businesses acquired.

The Group expects its growth will place significant demands on management and other resources and will require the Group to continue to develop and improve operational, financial and other internal controls, both in India and elsewhere. The Group has a limited history as a consolidated entity and has a devolved management structure. In addition, the Group's rapid growth has resulted in an increase in, and changes to, the Group's management and new management have a relatively short experience in managing the Group as a consolidated entity. While the Group has in place personnel to manage the strategic, operational and expansion aspects of its operations, there can be no assurance that the Group will be able to continue to provide the necessary resources to support its growth. The Company's inability to manage its growth effectively may have a material adverse effect on the results of operations or financial condition of the Group.

Acquisitions

The Company intends to continue to pursue a strategy of identifying and acquiring businesses with a view to expanding its operating businesses. There can be no assurance that the Company will continue to identify suitable acquisition, strategic investment or joint venture opportunities, obtain the financing necessary to complete and support such acquisitions or investments or that any business acquired as an investment will prove to be profitable. In addition, acquisitions and investments involve a number of risks, including possible adverse effects on the Group's operating results, diversion of management's attention, failure to retain key personnel, risks associated with unanticipated events or liabilities and difficulties in the assimilation of the operations, technologies, systems, services and products of the acquired businesses or investments. Any failure to achieve successful integration of such acquisitions or investments could have a material adverse effect upon the results of operations or financial condition of the Group.

In addition, the Group may not be able to effect such acquisitions or investments on satisfactory terms. While the Group does not currently intend to exercise the options at a price in excess of the market or fair value, the Group may only be able to acquire the Government of India's remaining interests in BALCO and HZL at prices in excess of the market or fair value of those shares. The terms of the BALCO call option by Sterlite (which Sterlite has indicated it intends to exercise) may result in Sterlite only having the opportunity to purchase shares in BALCO at a price in excess of the fair value of those shares. In the case of HZL, the Government of India may exercise its put option until April 2005 to require SOVL to purchase certain of its shares at a price in excess of the market or fair value of the shares. The acquisition of assets and investments at prices in excess of their market or fair value could have a material adverse effect upon the results of operations and financial condition of the Group.

Funding

Following the issuance of the New Bonds, management believe that the Group will have the majority of the required funding for all of its planned expansions and developments and a strategy to obtain the remaining funding required. However, the Group's planned expansions and projects may be materially adversely affected if the Group is unable to obtain funding for such capital expenditure or is unable to obtain funding for such capital expenditure on satisfactory terms, including as a result of certain of the Group's existing facilities becoming repayable before their due date. In addition, there can be no assurance that the Group's planned expansions and projects will be completed on time, which may adversely affect the Group's cash flow.

Third party interests in Group companies and other stock exchange listings

The Company does not wholly own any of its operating subsidiaries. Although the Group has management control of Sterlite, BALCO, MALCO, HZL and KCM and intends to increase its stake in certain of its subsidiaries, each of these companies has other shareholders who, in some cases, hold substantial interests in them. As a result of these shareholdings and the Indian stock exchange listings of Sterlite, MALCO and HZL, these subsidiaries may be subject to additional legal or regulatory requirements, or the Group may be prevented from taking certain courses of action without the prior approval of a particular or a specified majority of shareholders and/or regulatory bodies (either under shareholders' agreements or by operation of law). The existence of minority or other interests in, and stock exchange listings of, the Group's subsidiaries may limit the Group's ability to increase its equity interests in these subsidiaries, to combine similar operations, to utilise synergies that may exist between the operations of different subsidiaries or to reorganise the structure of the Group in a tax effective manner. Such restrictions on the Group's ability to deal freely with its subsidiaries may have a material adverse effect on the Group's results of operations or financial condition, or its ability to make payments of interest and principal on the New Bonds or to move funds freely around the Group.

Under the terms of the shareholders' agreement with the Government of India in relation to the Group's shareholding in HZL, SOVL has agreed not to sell, or transfer or dispose of in any way, its shares in HZL purchased from the Government of India in 2002 (26 per cent. of HZL's issued share capital) until 11 April 2005. These restrictions may limit the Group's ability to sell its interests in HZL, if it considers such a sale to be appropriate, in the event that the Government of India refuses to give its consent. The foregoing may have a material adverse effect on the results of operations or financial condition of the Group.

The shareholders' agreements for BALCO and HZL provide that those companies may not make loans to companies under the same management as BALCO and HZL without the prior consent of the Government of India. Without such consent, the Group's ability to access cash held in BALCO and HZL would be limited to dividend payments from BALCO and HZL, which would be payable to all shareholders. This may have a material adverse effect on the Group's results of operations or financial condition, or its ability to make payments of interest and principal on the New Bonds or to move funds freely around the Group.

Operational risks

The success of each of the Group's businesses is affected by a number of factors which are, to a large extent, outside the Group's control. Such factors include the availability and cost of raw materials (including copper concentrates and alumina), water, power and transport.

Availability and sources of resources

A proportion of the Group's copper concentrate requirements are currently sourced from its own mines. The remaining life of these mines is limited and there can be no assurance that the Group will be able to find other sources for its copper concentrate requirements.

Operating risks and hazards

In addition, the Group's businesses are subject to numerous other operating risks which include: unexpected geological features or unexpected seismic activity; climatic conditions such as flooding or drought; interruptions to power supplies; industrial action or disputes; tribal action or protests; environmental hazards; and technical failures, fires, explosions and other accidents at a mine, smelter, refinery, cargo terminal or related facilities. These risks and hazards could result in damage to, or destruction of, properties or production facilities, may cause production to be reduced or cease at those properties or production facilities, may result in personal injury, environmental damage, business interruption and possible legal liability and may result in actual production differing from estimates of production, including those contained in this document (whether expressly or by implication).

Availability of water

There is limited water available at the Group's operations in India and certain of the Group's operations depend on water being transported by truck to the sites. While the cost of providing water to the Group's operations is not significant at present, there can be no assurance that the cost of providing water for the Group's activities will not increase, or that the water required by the Group's operations will continue to be available in sufficient quantities to maintain or increase current levels of production.

Production stoppages

Metal processing plants are especially vulnerable to interruptions, particularly where an event causes a stoppage which necessitates a shutdown in operations. Stoppages in some types of smelters, even if lasting only a few hours, can cause the contents of furnaces or cells to solidify, resulting in a plant closure for a significant period and necessitating expensive repairs, any of which could adversely affect the results of operations or financial condition of the Group.

Transport

The Group depends upon seaborne freight, rail, trucking, overland conveyor and other systems to deliver ore, bauxite and copper concentrates and other supplies to its operations and to deliver its commodities to market. These transport services in some cases may not be adequate to support the Group's existing operations or to support the Group's expanded operations. Disruptions of these transport services because of weather-related problems, key equipment failures, strikes, lock-outs or other events could temporarily impair the Group's ability to supply its commodities to its customers and could adversely affect the Group's results of operations or financial condition.

Insurance

Although the Group maintains insurance against various risks, its insurance does not cover every potential risk associated with its operations including business interruptions and certain types of environmental hazards. The occurrence of a significant adverse event, the risks of which are not fully covered by insurance, could have a material adverse effect on the results of operations or financial condition of the Group. See "The Vedanta Resources Group—Operational hazards and insurance".

Litigation

Members of the Group are defendants in a number of litigation proceedings. See "General Information - Litigation" and the Group's Accounts contained in this document for a discussion of contingencies. There can be no assurance that the members of the Group will be successful in defending these proceedings. The aggregate amount the Group may be required to pay is substantial. Members of the Group have established provisions in their accounts for litigation where it is considered probable that a claim will be resolved unfavourably and where the Group is able to make a reasonable estimate of the potential cost involved. It is possible that such provisions will be less than the total claims and thus may be insufficient to cover losses relating to litigation. Any claims settled or adverse judgments incurred in excess of these provisions could have a material adverse effect on the results of operations and financial condition of the Group.

Members of the Group have also been subject to a number of investigations and court proceedings by Indian government and regulatory authorities, including the Securities and Exchange Board of India, the Reserve Bank of India and the Indian tax authorities. Some of these investigations and proceedings are ongoing. While the Group is vigorously defending these investigations and proceedings, there can be no assurance that these investigations and proceedings will be resolved in the Group's favour and, if not, this may have a material adverse effect on the Group's results of operations and financial condition.

Challenge to Government of India divestments

On 16 September 2003, the Supreme Court of India ruled that the proposed divestment of shares in Hindustan Petroleum Corporation Limited ("HPC") and Bharat Petroleum Corporation Limited ("BPC") could not be effected by the Government of India exercising its executive power. The rationale for this decision was that the assets of HPC and BPC had originally been transferred to them pursuant to Acts of Parliament which only provided for ownership of those assets to be vested in government-owned companies. As the divestment of shares in HPC and BPC would change the nature of HPC and BPC to non-government owned companies, the assets would consequently be held by non-government owned companies without effecting a change to the original Act passed by Parliament. The Supreme Court ruled that shares could not be divested without repealing or amending the provisions in the Acts of Parliament which provided only for the ownership of their assets by government-owned companies. Since the HPC and BPC decisions, the Supreme Court of India has clarified in a case concerning the proposed disinvestment of Jessop & Company Limited (the "Jessop Divestment Case") that the Government of India can continue with the divestment of public sector undertakings that were not created by Acts of Parliament. The Jessop Divestment Case is still pending before the Supreme Court of India, which has ordered that all challenges relating to divestment of government–owned companies that are currently pending will be heard together (though no date has been set).

HZL was incorporated in 1966 and by Act of Parliament the assets of the Metal Corporation of India were vested in HZL. This Act of Parliament provided for the ownership of those assets only to be vested in government-owned companies. This Act was not amended at the time of disinvestment of HZL shares to SOVL to allow for the ownership of those assets by non-government owned companies. A public interest litigation was filed in 2003 before the High Court of Rajasthan in Jodhpur against the Government of India, HZL, SOVL and others challenging the disinvestment of shares in HZL on the same grounds as the Supreme Court decision relating to HPC and BPC. As noted above, the Supreme Court of India has ordered that all challenges relating to divestment of government–owned companies that are currently pending will be heard together by a larger bench of the Supreme Court. The matter is currently pending before the Chief Justice of India and no date has been set for such a hearing. Given that the Government of India had already transferred a majority of the shares in HZL to SOVL prior to the HPC and BPC judgement, it may be difficult for the petitioner to successfully challenge the validity of the disinvestment of shares in HZL if the court concludes that this judgement should not apply with retrospective effect. However, there can be no assurance that this challenge to the Government's divestment of shares in HZL will be successfully defended or that a challenge will not be made to any future divestment of shares in HZL by the Government of India pursuant to the options described in "The Vedanta Resources Group—Options over further interests in BALCO and HZL".

Residence for Tax Purposes

The tax treatment of the Group is dependent on, among other things, the place of residence for tax purposes of the companies in the Group. It is intended that each Group company is and will be managed in such a way that it is resident for tax purposes in the jurisdiction in which it is incorporated. If any Group companies are found to be resident for tax purposes elsewhere, however, depending on the circumstances this may have a material adverse effect on the taxation liabilities of the Group. The Company's controlling shareholder, Volcan, has agreed to indemnify the Group against, amongst other things, any tax liability arising in consequence of any member of the Group being resident for tax purposes at any time prior to December 2003 in any jurisdiction other than the jurisdiction in which it is incorporated.

UK tax risks

Controlled Foreign Company

The Group is subject to the controlled foreign company taxation rules applicable to UK resident companies. It is likely that many of the Group companies will qualify for exemptions from the rules. However, some may not and, in that case, their profits would be taxable in the UK even if not distributed to the UK (and in certain cases it may not be possible to distribute profits to the UK). Where profits are distributed, dividends from such companies would be segregated from other dividends for the purpose of giving credit for taxes borne on the profits out of which the dividends are paid. The impact of such treatment on the Group could have a material impact on the Group's effective tax rate on an ongoing basis.

Close company and section 704

The Company is not currently considered a close company, as defined for UK tax purposes in the Income and Corporation Taxes Act 1988 ("ICTA"). However, depending on changes in the Company's shareholders, it may become a close company, to which the anti-avoidance provisions in section 704D and 704E ICTA would apply. This would have a material impact on the tax treatment of certain future transactions undertaken by the Group or impact on the flexibility of the Group to undertake such transactions.

Tax holidays and exemptions

The Group currently benefits from some significant tax holidays and exemptions (see the Group's Accounts contained in this document). These tax holidays and exemptions are of limited duration. There can be no guarantee that these tax holidays or exemptions will be renewed when they expire or that any applications the Group makes for new tax holidays or exemptions will be successful. The expiry or loss of existing tax holidays and exemptions or the failure to obtain new tax holidays or exemptions is likely to increase the income tax obligations of the Company and any increase could have a material adverse effect on the financial condition or results of operations of the Group.

Currency fluctuations

The Group produces and sells commodities that are typically priced by reference to prices in US Dollars, while a large portion of the Group's costs are incurred in local currencies, in particular the Indian Rupee and, to a lesser extent, the Australian Dollar. Accordingly, if the Indian Rupee or the Australian Dollar were to strengthen against the US Dollar this could have a detrimental effect on the Group's results of operations or financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Labour

The majority of the Group's workforce is unionised. The Company believes that all of the Group's operations have, in general, good relations with their employees and unions, but the Group's operations in India and Australia have from time to time experienced limited work stoppages and other forms of industrial action. See "The Vedanta Resources Group—Labour and employee relations". There can be no assurance that the Group's operations will not be affected by such problems in the future. In addition, the Group has been subject to union demands and litigation for pay rises and increased benefits. There can be no assurance that work stoppages or other labour-related developments (including the introduction of new labour regulations in India or Australia) will not adversely affect the results of operations or financial condition of the Group.

Key employees

The management of the Group's operations depends on a relatively small number of key employees. The loss of the services of certain key employees, particularly to competitors, could have a material adverse effect on the results of operations or financial condition of the Group. In addition, as the Group's business develops and expands, the Company believes that the Group's future success will depend on its ability to attract and retain highly skilled and qualified personnel, which is not guaranteed.

Title to properties

The Company believes that the Group has valid title to all of the principal establishments from which the Group operates and it has not suffered any adverse claims in relation to its ownership of those properties, some of which have been occupied for a substantial period of time. However, the documents and official records establishing the Group's ownership, including in respect of its freehold title for part of the Karanjawane, Korba and Rampura Agucha operations, are not complete in all respects and there can be no guarantee that adverse claims in respect of its title to the affected properties will not arise in the future.

Industry risks

Changes in tariffs, royalties, customs duties and government assistance

The price of copper, aluminium and zinc in the Indian domestic market is determined by reference to the international market prices of these metals and is subject to a domestic premium calculated by reference to the tariffs which would be payable on the import of such metals. With effect from 1 March 2002, the customs duties on imported copper and zinc metals were reduced from 35 per cent. to 25 per cent., and the customs duty on imported aluminium was reduced from 25 per cent. to 15 per cent., other than for certain aluminium products. In January 2004, customs duties on imported copper and zinc metal were further reduced from 25 per cent. to 20 per cent. and in July 2004, reduced again to 15 per cent. on certain copper and zinc products. In addition, in January 2004, the Special Additional Duty of 4 per cent. which was also levied on imports was abolished. See "The Vedanta Resources Group—Description of the Businesses". The Directors expect that the Government of India will reduce customs duties further in the future, although the timing and extent of such reductions cannot be predicted. As the Group sells the majority of the commodities it produces in the domestic market in India, any further reduction in Indian tariffs will decrease the premium the Group receives in respect of those sales. The Group's profitability is dependent to a significant extent on the continuation of import duties and any material reduction would have a material adverse effect on the results of operations and financial condition of the Group. There is a royalty charge payable to the state of Rajasthan, which is currently 6.6 per cent. of the LME zinc metal chargeable on the contained zinc metal in the ore mined. Similarly, a 5 per cent. charge is payable in respect of lead. While HZL has made representations to the Rajasthan state government requesting a reduction in the royalty rate, there can be no assurance that such a reduction will be implemented.

Indian exports of copper, alumina, aluminium and zinc receive assistance premia from the Government of India. The Directors expect that the Government of India will consider reducing assistance premia in the future. Any reduction in these premia will decrease the turnover the Group receives for those sales and may have a material adverse effect on the results of operations or financial condition of the Group.

Commodity price volatility and cost efficiency

The Group's turnover and earnings are dependent upon prevailing prices for the commodities it produces. Historically, such prices have been volatile and are subject to wide fluctuations in response to relatively minor changes in the supply of, and demand for, such commodities, market uncertainty, the overall performance of world or regional economies and the related cyclicality in industries directly served by the Group and a variety of other factors beyond the control of the Company. Prices may also be affected by governmental actions and tariffs and import duties. See "Changes in tariffs, royalties, customs duties and government assistance" above. In addition, speculative trades in certain commodities on the world markets may cause short-term price fluctuations for such commodities. Demand for the Group's products might also be affected if substitutes or replacements for these products develop, if there is an increase in recycling of these products, if the Group's competitors increase their capacity or if there is an oversupply of the Group's products in the domestic market in India. These external factors and the volatile nature of the commodity markets make it difficult to estimate future prices. Any substantial or extended decline in commodity prices would adversely affect the results of operations and financial condition of the Group.

As the Group, in common with its competitors, is unable to influence commodity prices directly, its competitiveness and long-term profitability are, to a significant degree, dependent upon its ability to reduce costs and maintain low-cost, efficient operations. Important cost inputs in the Group's operations generally include the cost of raw materials and consumables, concentrates, power, labour and transport. The Tamil Nadu Government through an order by the Energy Department dated 13 June 2003 imposed electricity tax at the rate of 10 paise per unit and 5 per cent. of the amount received by the licensee who runs the captive generation plant on the surplus electricity sold by it, although the imposition of this tax has been stayed by the Madras High Court on MALCO's application pending final determination of litigation between MALCO and the Tamil Nadu government. See "General Information–Litigation". If this tax is imposed it would adversely affect the results of operations and financial condition of the Group. The Group's production costs are also significantly affected by production volumes and, therefore, the Group's ability to maintain or increase production levels and maximise capacity utilisation is a key factor in determining its overall cost competitiveness. Technology at certain of the Group's operations is outdated and may put the Group at a disadvantage compared to certain of its competitors. Based on current costs and commodity prices, certain of the Group's reserves can only be extracted at a loss and it may become uneconomic to extract some of the Group's other reserves if operating costs were to increase or commodity prices were to fall. The Group's ability to maintain earnings and undertake capital expenditure would be adversely affected in the event of a sustained material fall in world commodity prices, an appreciable rise in its production costs or a decline in its production volumes. There can be no assurance that the Group will be able to maintain or reduce production costs or maintain or increase its production volumes in the future.

Regulatory, environmental and health and safety risks

The Group's operations are extensively regulated. National, state and local authorities in the countries in which the Group has operations regulate the industries in which the Group operates with respect to matters such as labour, employee health and safety, royalties, permitting and licensing requirements, planning and development, tax registrations, mining leases, supply of water, environmental compliance (including, for example, compliance with waste and waste water treatment and disposal, air emissions, discharges and forest and soil conservation requirements), plant and wildlife protection, reclamation and restoration of properties after operations are complete, surface subsidence from underground mining and the effects that mining, smelting and refining operations have on groundwater quality and availability. Numerous governmental permits, approvals and leases are required for the Group's operations. The Group does not currently have all required permits and approvals for its current operations and expansion programmes. The Group is required to prepare and present to national, state or local authorities data pertaining to the effect or impact that any proposed exploration, mining or production activities may have upon the environment. The costs, liabilities and requirements associated with complying with these laws and regulations or to comply with changes in these laws and regulations or the manner in which they are applied or the cost of rehabilitation of site operations which have been closed down may be substantial and time-consuming and may delay the commencement or continuation of exploration, mining or production activities. Failure to comply with these laws and regulations or to obtain or renew the necessary permits, approvals and leases may result in the loss of the right to mine or operate a smelter or refinery. There can be no assurance that compliance with these laws and regulations or changes thereto or the cost of rehabilitation of site operations which have been closed down or the failure to obtain necessary permits, approvals or leases or successful challenges to the grant of such permits, approvals and leases will not adversely affect the results of operations or financial condition of the Group.

In September 2004, a committee of the Supreme Court of India, established to review compliance with and monitor enforcement of environmental regulation, visited Sterlite's facilities at Tuticorin and, in its report, made certain findings which the Company believes to be without foundation. However, the possibility cannot be excluded that this might cause further delay in the granting of consent to operate the new smelter at Tuticorin. In addition, in late December 2004, a committee of the Supreme Court of India, established to review compliance with forestry regulations by various industries and to monitor enforcement of those regulations, visited Vedanta Alumina's facilities in Orissa. In the report of its findings, the committee has made allegations of violations of environmental regulations and the Supreme Court has asked Vedanta Alumina to respond to the allegations made. If the allegations are upheld, the remedies available to the Supreme Court include financial penalties and other remedies that may result in a delay to the construction of the alumina refinery. See "The Vedanta Resources Group – Regulatory, environmental and health and safety matters".

Separate writ petitions have been filed seeking cancellation of the relevant environmental approvals Sterlite holds in respect of its smelter at Tuticorin and demanding the closure of the Vizag zinc smelter. If these petitions are successful (or in the case of the Vizag zinc smelter, if the petitioners successfully appeal against the decision which has been made in HZL's favour), Sterlite and HZL may be required to install additional equipment at a substantial cost or may be required to close down, scale back or relocate their operations at Tuticorin and Vizag. See "General Information–Litigation".

New legislation or regulations may be adopted in the future that may materially adversely affect the Group's operations, its cost structure or its customers' ability to use the Group's products. New legislation or regulations, or different or more stringent interpretation or enforcement of existing laws and regulations, may also require the Group or its customers to change operations significantly or incur increased costs which could have an adverse effect on the results of operations or financial condition of the Group.

In addition, a violation of health and safety laws relating to a mine, smelter, refinery or other plant or a failure to comply with the instructions of the relevant health and safety authorities could lead to, among other things, a temporary shutdown of all or a portion of the mine, smelter, refinery or other plant, a loss of the right to mine or operate the smelter, refinery or other plant or the imposition of costly compliance procedures. If health and safety authorities require the Group to shut down all or a portion of a mine, smelter, refinery or other plant or to implement costly compliance measures, whether pursuant to existing or new health and safety laws and regulations, such measures could have a material adverse effect on the Group's results of operations or financial condition.

See "The Vedanta Resources Group—Regulatory, environmental and health and safety matters".

Risks relating to investments in India

Political risks

The Government of India, since 1991, has pursued policies of economic liberalisation, including significantly relaxing restrictions on private sector involvement in certain industries. Nevertheless, the role of the Indian central and state governments in the Indian economy as producers, consumers and regulators has remained significant. Since 1996, the Government of India has changed four times.

In May 2004, the general election in India brought the United Progressive Alliance coalition led by the Congress Party into power, replacing the Bhartiya Janata Party-led coalition. Following initial market uncertainty as a consequence of the unexpected change in government, the market rallied after the appointment of Dr. Manmohan Singh, former finance minister, as prime minister. Whilst the new government has stated that one of its main tasks is to continue economic reform, there can be no assurance that economic liberalisation policies adopted by the previous government will continue in the future. Government corruption scandals and protests against privatisations, which have occurred in the past, could slow the pace of liberalisation and deregulation. The rate of economic liberalisation could change, and specific laws and policies affecting mining and metals companies, foreign investment, currency exchange rates and other matters affecting investment in India could change as well. A significant change in India's economic liberalisation and deregulation policies could disrupt business and economic conditions in India generally and, as a majority of the Group's assets are located in India and the Group intends to pursue acquisition opportunities in India in the future, the Group's business in particular.

New Disinvestment Policy of the Government of India

The United Progressive Alliance has set out its policies and objectives in the Common Minimum Programme. According to the Common Minimum Programme, profit-making public sector companies will generally not be privatised, and all privatisation will be considered on a transparent and consultative case-by-case basis. Every effort will be made to modernise and restructure loss-making public sector companies and revive loss-making industries, but chronically loss-making companies will either be sold or closed after all workers have been properly compensated. The United Progressive Alliance will involve private industry to turn around companies that have potential for revival. Given the change in government policy on disinvestments, there can be no assurance that any of the proposed privatisations in which the Group has registered expressions of interest will be implemented or completed in the near future or at all.

Regional conflicts in South Asia

South Asia has from time to time experienced instances of civil unrest and hostilities among neighbouring countries, including between India and Pakistan. In April 1999, India and Pakistan conducted long-range missile tests and India has continued to test its nuclear missiles since then. Since May 1999, military confrontations between India and Pakistan have occurred in the Himalayan region of Kargil and other border areas. In October 1999, the leadership of Pakistan changed as a result of a coup led by the military. In December 2001, terrorists attacked India's Parliament and in August 2003, terrorists set off two bombs in Mumbai. Events of this nature in the future could adversely affect the market price of the Bonds and the market in South Asia for the commodities the Group produces.

Economic growth

The Group currently sells a majority of the commodities it produces to customers in India. Any downturn in the rate of economic growth in India, whether due to political instability or regional conflicts, economic slowdown elsewhere in the world, or otherwise, may have a material adverse effect on demand for the commodities the Group produces.

Restrictions on foreign investment

India regulates ownership of Indian companies by foreigners, though restrictions on foreign investment have been significantly relaxed in recent years. These regulations and restrictions may apply to acquisitions by Vedanta Resources, or other members of the Group who are not resident in India, of shares in Indian companies or the provision of funding by Vedanta Resources or any other non-Indian resident entity to Indian companies within the Group. See "Information on India—Foreign investment and exchange restrictions" for further information. There can be no assurance that the Group will be able to obtain any required approvals for future acquisitions or investments in India, or that the Group will be able to obtain such approvals on satisfactory terms.

Risks relating to investment in Zambia

Political Risks

As with any emerging market, Zambia is subject to certain political, economic and social developments that may, individually or in combination, create risks for investors that may be more difficult to predict or measure than would be the case in certain developed economies. The next presidential elections in Zambia are scheduled to be held in 2006 and although risks of political disturbances or economic disruption are considered unlikely, any political instability could have an adverse impact on the economy as a whole. Political disruptions and civil unrest that may occur in any neighbouring countries could potentially have an adverse effect on Zambian exports and consequently, on the Group's business.

Acquisition-related risks

The Group has limited operational experience outside India and while the Group has personnel to manage the strategic and operational aspects of KCM, this may place significant demands on management and other resources in the Group's existing copper business and will require the Group to continue to develop and improve its operational, financial and other controls, both in India and elsewhere.

KCM plans to make significant capital investments in its business. If KCM is unable to fund these investments from its own cash flow, Vedanta Resources may be required to do so. There can be no assurance that KCM will generate sufficient cash flow to fund these capital investments.

Risks relating to the New Bonds

Structural subordination to subsidiary debt

The Group's operations are principally conducted through its subsidiaries. Accordingly, the Company is and will be dependent on its subsidiaries' operations to service its indebtedness, including the New Bonds. The New Bonds will be structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of the Company's subsidiaries, and to all secured creditors of the Company and its subsidiaries. In the event of an insolvency, bankruptcy, liquidation, reorganisation, dissolution or winding up of the business of any subsidiary of the Company, creditors of such subsidiary generally will have the right to be paid in full before any distribution is made to the Company.

In this regard, it should be noted that the subsidiaries of Vedanta Resources including Sterlite, BALCO, MALCO and HZL have raised debt in the past, which is currently outstanding and repayable over the term of the New Bonds. Moreover, some of this debt is secured by a first charge on assets and properties of the respective companies and/or a first charge on current assets including stocks and book debts, which may affect the Company's ability to pay the holders of the New Bonds.

Holding company structure; dependence on subsidiaries

The Company's results of operations and financial condition are entirely dependent on the trading performance of members of the Group. The Company's ability to pay interest and principal on the New Bonds will depend upon the level of distributions, interest payments and loan repayments, if any, received from its operating subsidiaries and associated undertakings, any amounts received on asset disposals and the level of cash balances. Certain of the Group's operating subsidiaries and associated undertakings are and may, from time to time, be subject to restrictions on their ability to make distributions and loans including as a result of restrictive covenants in loan agreements, foreign exchange and other regulatory restrictions and agreements with the other shareholders of such subsidiaries or associated undertakings. See "Management's Discussion and Analysis of Financial Condition and Result of Operations–Liquidity and capital resources" for further information.

In addition, all dividends paid by Indian companies are currently subject to dividend distribution tax at a rate of 12.8125 per cent. (including a surcharge of 2.5 per cent. of 12.5 per cent.) which is payable by the company paying the dividend and which, together with the other taxes payable by the companies, may exceed the UK double tax relief available to reduce UK tax payable on receipt of such dividends within the Group. The Finance Act (2 of 2004) has levied an additional surcharge at the rate of 2 per cent. of the total dividend distribution tax payable (including surcharge). Each Indian company that pays a dividend is liable to pay the dividend distribution tax. There can be no assurance that the Government of India will not further increase the surcharges or dividend taxes it imposes or reintroduce withholding tax on dividends declared, distributed or paid.

There can be no assurance that such restrictions and taxes will not have a material adverse effect on the Group's results of operations or financial condition or on the Company's ability to make payments of interest and principal on the New Bonds.

No prior market

There can be no assurance regarding the future development of a market for the New Bonds, or the ability of holders of the New Bonds to sell their New Bonds, or the price at which such holders may be able to sell their New Bonds. If a market for the New Bonds were to develop, the New Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operating results, the market for similar securities, and the rating of the New Bonds given by rating agencies. Therefore there can be no assurance as to the liquidity of any trading market for the New Bonds or that an active market for the New Bonds will develop.

Volatility of the market for the Bonds

The market price of the New Bonds could be subject to wide fluctuations in response to numerous factors, many of which are beyond the control of Vedanta Resources. These factors include, among other things, actual or anticipated variations in operating results, earnings releases by the Group and its competitors, changes in financial estimates by securities analysts, market conditions in the industry and the general state of the securities markets, governmental legislation or regulation, currency and exchange rate fluctuations, interest rates, the rating of the New Bonds given by the rating agencies, as well as general economic and market conditions, such as recessions.

USE OF PROCEEDS

The net proceeds of the issue of the New Bonds (inclusive of accrued interest), after the deduction of fees and commissions, are expected to be US$99,707,097. The Company intends to use the net proceeds from the offering primarily (i) to fund the Group's growth projects, in particular the Orissa alumina refinery project and the BALCO aluminium smelter expansion project at Korba, (ii) to repay existing debt and (iii) for general working capital purposes.

CAPITALISATION AND INDEBTEDNESS

The following table sets out the called-up share capital of Vedanta Resources and the borrowing and indebtedness of the Group as at 30 September 2004, and as adjusted to give effect to the issuance of the Bonds. This table should be read in conjunction with Vedanta Resources' UK GAAP Accounts, the related notes and the other financial information contained elsewhere in this Offering Circular.

	As at 30 September 2004 (US$ millions)		
	Actual	**As adjusted for issuance of the Original Bonds**	**As adjusted for issuance of the New Bonds**
Called-up Share Capital[1]	28.6	28.6	28.6
Reserves			
Share premium account	18.6	18.6	18.6
Merger reserve	4.4	4.4	4.4
Other reserve	8.4	8.4	8.4
Profit and loss account	896.2	896.2	896.2
Total Capital and Reserves	956.2	956.2	956.2
Term loans – secured (repayable > 1 year)	470.0	470.0	470.0
Term loans – unsecured (repayable > 1 year)	139.8	139.8	139.8
Other borrowings and indebtedness – secured (repayable < 1 year)	75.5	75.5	75.5
Other borrowings and indebtedness – unsecured (repayable < 1 year)	172.0	172.0	172.0
Bonds issued on 21 December 2004	–	500.0	500.0
New Bonds offered hereby	–	–	100.0
Total Indebtedness[2,3]	857.3	1,357.3	1,457.3
Total Capitalisation[4,5]	1,813.5	2,313.5	2,413.5

(1) The Company's authorised share capital as at 30 September 2004 was US$40,000,000 and £50,000, comprising 400,000,000 ordinary shares and 50,000 deferred shares, respectively. The Company's issued share capital as at that date was 50,000 deferred shares, one of which had been fully paid and 49,999 of which had been paid up as to one-quarter of their nominal value and 286,388,000 ordinary shares each credited as fully paid.

(2) US$68.8 million of the total indebtedness has been guaranteed by Sterlite and no third party has guaranteed any indebtedness in respect of any Group company. As at 30 September 2004, there were no third party guarantees provided by the Company.

(3) Contingent liabilities and committed capital expenditure totalled US$1,039.8 million as at 30 September 2004.

(4) As at 30 September 2004, the Group had cash balances of US$25.2 million and current asset investments of US$945.8 million.

(5) There has been no material change in the Group's authorised and issued share capital and, except for the issue of the Original Bonds, no material change in the borrowings and indebtedness, including contingent liabilities and guarantees, of the Group since 30 September 2004.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The selected historical financial information for each of the three years ended 31 March 2002, 31 March 2003 and 31 March 2004 has been extracted without adjustment from the Accounts of the Group for those years and has been prepared on the basis disclosed therein.

See "Presentation of Information – Presentation of financial information" for further information.

Investors should read the whole of this document and not just rely upon summarised information.

Consolidated profit and loss account information

	Financial year ended 31 March		
	2002	**2003 (reclassified)(1)**	**2004(2)**
	US$ millions (except for ratios)		
Group turnover	601.3	963.1	1,289.5
Net operating expenses before exceptional items	(538.1)	(798.4)	(1039.1)
Exceptional items	(5.0)	(50.1)	(13.3)
Group operating profit	58.2	114.6	237.1
Group's share of operating profit/(loss) of associates	0.3	(0.5)	(1.2)
Net interest payable and similar charges	(35.3)	(35.0)	(1.3)
Loss on disposal of fixed assets	–	(0.7)	(1.2)
Profit on ordinary activities before taxation	23.2	78.4	233.4
Tax on profit on ordinary activities	(6.7)	(20.5)	(76.0)
Profit on ordinary activities after taxation	16.5	57.9	157.4
Equity minority interests	(15.3)	(33.4)	(90.8)
Profit for the financial year	1.2	24.5	66.6
Dividends	–	–	(15.8)
Retained profit for the financial year	1.2	24.5	50.8
Basic and diluted profit per share (US cents/share)	0.4	8.6	23.3
Statutory earnings per share(3)	0.4	8.6	23.3
Earnings per share on underlying profit(3)(4)(5)	2.2	11.9	24.5

(1) Certain balances, such as turnover, cost of sales, selling and distribution costs and administrative expenses, within the profit and loss comparatives before Group operating profit for the year ended 31 March 2003 have been reclassified from the information set out in the Vedanta Resources IPO Listing Particulars to ensure a consistent presentation in the Group's Accounts.

(2) The financial information for the year ended 31 March 2004 set forth below has been extracted without adjustment from the Accounts of the Group included in this Offering Circular, and does not give effect to the restatement for that period described in "Presentation of Information – Presentation of Financial Information".

(3) The earnings per share ("EPS") calculation has assumed that the number of Ordinary Shares in issue immediately after the listing of the Ordinary Shares on the London Stock Exchange in December 2003 (the "Listing") (being 286,000,000) had been in issue from 1 April 2001. The only other issue of shares subsequent to the Listing were 388,000 Ordinary Shares issued pursuant to the exercise of the first tranche of awards under the Vedanta Resources Reward Plan on 31 March 2004, and the issue of these shares has been used in determining the 2004 weighted average number of shares.

(4) Certain measures, specifically EBITDA (see Note 3 to the Accounts) and underlying profit (see Note 10 to the Accounts), which are non-GAAP measures have been included in the Accounts.

(5) Underlying profit comprises profit for the year/period after adding back exceptional items and their resultant tax and minority interest effects.

Consolidated balance sheet information

	Financial year ended 31 March		
	2002	2003	2004
	US$ millions, (except for ratios)		
Fixed assets			
Intangible assets	4.0	3.7	3.6
Tangible assets	599.4	889.1	1,268.4
Investments	17.0	30.4	39.2
Total fixed assets	620.4	923.2	1,311.2
Current assets	290.2	490.5	1,686.6
Creditors: amounts falling due within one year	(284.0)	(498.1)	(881.8)
Creditors: amounts falling due after more than one year	(179.6)	(261.4)	(529.9)
Provisions for liabilities and charges	(120.3)	(144.0)	(162.9)
Non-equity minority interest	(4.1)	–	–
Equity minority interests	(260.6)	(405.2)	(437.1)
Net assets	62.0	105.0	986.1
Equity shareholders' funds	62.0	105.0	986.1

Other financial data and ratios(1)

EBITDA(2) before exceptional items	109.7	224.3	322.7
Net (debt)/cash	(230.9)	(331.1)	422.3
Net interest payable	(35.3)	(35.0)	(1.3)
Ratio of net debt to EBITDA	2.1	1.5	–
Ratio of EBITDA to net interest expense	3.1	6.4	248.2

(1) Certain measures, specifically EBITDA (see Note 3 to the Accounts) and underlying profit (see Note 10 to the Accounts), which are non-GAAP measures have been included in the Accounts.

(2) EBITDA is the Group's earnings before interest, tax, depreciation, amortisation and exceptional items, excluding its share of operating profits and losses of its associates. EBITDA is not a measure of financial performance under UK GAAP and may not be comparable to similarly titled measures of other companies because EBITDA is not uniformly defined. Group operating profit is considered to be the UK GAAP financial measure closest to EBITDA. EBITDA should not be considered by investors as an alternative to Group operating profit or profit on ordinary activities before taxation as an indication of operating performance, or as an alternative to cash flow from operating activities as an indication of cash flows.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the financial condition of the Group and its results of operations should be read in conjunction with the Accounts, the announcement of the Group's interim results for the period ended 30 September 2004 set out in "Current Trading and Prospects" below, and the information relating to the businesses of the Group included elsewhere in this document. The discussion includes forward-looking statements which involve risks and uncertainties. See "Presentation of information—Forward-looking statements". The actual results of the Group could differ materially from those contained in any forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this document, particularly in "Risk Factors". Investors should read the whole of this document and not just rely upon summarised information.

The financial information for the period ended 30 September 2003 as contained in this section has been restated to account for the adoption of UITF Abstract 38 'Accounting for ESOP trusts', in accordance with the interim results of the Group that were announced on 25 November 2004. The financial information for the years ended 31 March 2002, 2003 and 2004 contained in this section (other than the financial information for the year ended 31 March 2004 set out in "Current trading and prospects") has not been restated and therefore has not been presented on a basis directly comparable to the financial information for the periods ended 30 September 2003 and 30 September 2004. For further information, see "Presentation of Information – Presentation of financial information".

Introduction

The Group comprises three major businesses:

- **Copper**. The Copper Business is owned and operated by Sterlite, a subsidiary of Vedanta Resources in which the Group, through Twin Star and MALCO, currently has an effective interest of 78.8 per cent. Sterlite is one of the two leading domestic copper producers in India. Sterlite's copper operations include a smelter, refinery and copper rod plant at Tuticorin in southern India, a refinery and copper rod plant at Silvassa in western India and two copper mines in Australia.
- **Aluminium**. The Aluminium Business is owned and operated by BALCO (in which Sterlite has a 51 per cent. interest) and MALCO (in which the Group has an 80 per cent. interest). BALCO is a fully integrated producer with its own bauxite mine, a captive power plant and refining, smelting and fabrication facilities. MALCO is also a fully integrated producer with two bauxite mines, a captive power plant and refining, smelting and fabrication facilities.
- **Zinc**. The Zinc Business is owned and operated by HZL, a fully integrated zinc producer. HZL is India's leading zinc producer, in which Sterlite indirectly (through SOVL) has a 64.9 per cent. interest. HZL's zinc operations include three lead-zinc mines, two smelters in north-west India and one smelter in south-east India.

The Group's other activities include an aluminium conductor business, consisting of two power transmission aluminium conductor plants, and an investment in an aluminium foil business, owned and operated by IFL.

In addition, on 5 November 2004, the Group completed the acquisition of a 51 per cent. stake in KCM, a Zambian company which owns and operates copper mines, a smelter and a refinery in Zambia.

Factors affecting the business

Key factors affecting the results of operations of the Group are discussed below:

Commodity prices

Prices of the commodities that the Group produces have a substantial impact on the Group's results of operations. Commodity prices are significantly affected by changes in global economic conditions and related industry cycles. Prices of commodity products, such as copper, zinc and aluminium, which are the primary products of the Group, can vary significantly when supply and demand fluctuate. Whilst the producers are unable to influence commodity prices directly, events such as changes in commodity production capacity, temporary price reductions or other attempts to capture market share by individual producers, including the Group, may have an effect on market prices. Also, the prices realised by producers on sales of their products can, to some extent, be affected by contractual arrangements, production levels and hedging strategies. Price variations and market cycles have historically influenced, and are expected to continue to influence, the financial performance of the Group.

The following table sets out indicative LME average market cash settlement prices in US Dollars for copper, aluminium and zinc for the periods indicated:

	1 April 2001-30 Sept. 2001 US$/t	1 Oct. 2001-31 March 2002 US$/t	1 April 2002-30 Sept. 2002 US$/t	1 Oct. 2002-31 March 2003 US$/t	1 April 2003-30 Sept. 2003 US$/t	1 Oct. 2003-31 March 2004 US$/t	1 April 2004-30 Sept. 2004 US$/t
Copper	1,563.7	1,487.5	1,563.0	1,605.2	1,698.7	2,400.6	2,820.0
Aluminium	1,441.4	1,347.9	1,333.6	1,373.2	1,409.2	1,581.1	1,694.0
Zinc	881.1	778.7	774.2	777.9	798.4	1,000.6	1,003.0

The Group sells its products in India at a premium to the LME market price. This premium consists of a product premium as well as customs duties, and varies according to the customs duties levied on imports by the Government of India. For a further discussion of these premia, see "Factors affecting the business—Government policy".

For a detailed discussion of recent market conditions and market outlook for each of the Copper, Aluminium and Zinc Businesses, respectively, see "The Vedanta Resources Group—Description of the Businesses—Copper Business—Industry overview", "The Vedanta Resources Group—Description of the Businesses—Aluminium Business—Industry overview" and "The Vedanta Resources Group—Description of the Businesses—Zinc Business—Industry overview".

Production costs and efficiency

As the Group, like its competitors, is unable to influence commodity prices directly, its competitiveness and long-term profitability are, to a significant degree, dependent upon its ability to reduce costs and maintain low-cost, efficient operations. Costs associated with mining and metal production can be broadly categorised into labour costs, raw materials, power costs, manufacturing expenses and other on-site expenses, including equipment costs, port handling costs and freight costs. Despite recent increases in the Group's production costs, in part due to rising energy costs, the Group has generally (except in the case of MALCO) reduced its cash costs per unit over the period under review.

Production costs and costs per unit are also significantly affected by changes in production volumes, and therefore, the Group production levels are a key factor in determining its overall cost competitiveness. The Group has benefited from significant economies of scale as it has increased production volumes. Operating cash costs per unit are reflected in the following table:

		Financial year ended 31 March			Six months ended 30 September	
	Units	2002	2003	2004	2003	2004
Copper[(1)]	US¢/lb	10.0	9.1	7.8	8.6	8.5
Aluminium (BALCO)[(2)]	US$/t	1,577	1,253	1,237	1,121	1,303
Aluminium (MALCO)[(2)]	US$/t	1,208	1,078	1,182	1,123	1,395
Zinc[(2)(3)]	US$/t	850	663	571	568	683

(1) Cash costs per unit for smelting and refining operations (net of by-products).

(2) Net of by-products.

(3) The Group's interests in HZL were acquired in April and July 2002 and in November 2003.

From 1 April 2002 to 30 September 2004, the total number of employees engaged in the Group's businesses has increased by 25 per cent. in the Copper Business, decreased by 29 per cent. in the Aluminium Business, and decreased by 27 per cent. in the Zinc Business. The Group is also reducing its production costs by building captive power plants at Korba, Orissa and Chanderiya and has recently completed the construction of a captive power plant at Tuticorin, thereby lowering its electricity costs and reducing its reliance on the state grid for the supply of electricity. The Group has generally achieved increases in capacity through de-bottlenecking in its existing operations and is also undertaking a number of significant capital projects that are intended to increase further the production capacity of its three principal businesses. See "Capital expenditure and financial commitments".

Production output

For information on the Company's production data for the first half of the current financial year, see "—Current trading and prospects." For information on the production data for the last three financial years for each of the Copper, Aluminium and Zinc Businesses, respectively, see "The Vedanta Resources Group—Description of the Businesses—Copper Business", "The Vedanta Resources Group—Description of the Businesses—Aluminium Business" and "The Vedanta Resources Group—Description of the Businesses—Zinc Business".

Government policy

The Group's profitability is dependant to a significant extent on the continuation of customs duties as the prices of imported metals sold in India reflect these customs duties. The Government of India imposes customs duties on imports of 15 to 20 per cent. on copper metal, 5 per cent. on copper concentrate, 15 to 20 per cent. on aluminium and 15 to 20 per cent. on zinc metal. Copper wire is exempt from customs duty. With effect from 1 March 2002, the customs duties on imports of copper, aluminium and zinc metals were reduced from 35 per cent. to 25 per cent., 25 per cent. to 15 per cent. (except for certain aluminium products) and 35 per cent. to 25 per cent., respectively. Customs duties on imported copper and zinc metal were further reduced from 25 per cent. to 20 per cent. in January 2004. In July 2004, customs duties on imports of certain copper and zinc products were further reduced to 15 per cent., and the customs duty on imported copper and zinc currently ranges from 15 to 20 per cent., depending on the product. The Finance Act (2 of 2004) has levied an additional surcharge at the rate of 2 per cent. of the total customs duty payable (including surcharge). In January 2004, the Special Additional Duty of 4 per cent. which was levied on imports was abolished. Except for the copper concentrate imported from the Group's mines in Australia and other mines directly or indirectly through traders, the Group's products are produced in India and are not subject to import customs duties. The Group therefore prices its products on the Indian domestic market at a premium to LME prices, but at a level somewhat less than prices charged, including customs duties, by importers of similar goods. As a result, the Group has a competitive price advantage in India relative to imported metals. The Directors expect that the Government of India will reduce customs duties further in the future, although the timing and extent of such reductions cannot be predicted. As the Group sells the majority of the commodities it produces in the domestic market in India, any further reduction in Indian tariffs will decrease the premium the Group receives in respect of those sales. The Group's profitability is dependent to a significant extent on the continuation of import duties and any material reduction would have a material adverse effect on the results of operations and financial condition of the Group. For a discussion of customs duties, see "The Vedanta Resources Group—Copper Business—Industry overview", "The Vedanta Resources Group—Aluminium Business—Industry overview" and "The Vedanta Resources Group—Zinc Business—Industry overview".

The Government of India also provides a variety of export incentives to Indian companies. These incentives include both direct financial assistance to exporters and credits to offset other liabilities for customs duties. As the Group increases its export sales, it will receive increased benefits from these export incentives. Any reductions in these export incentives will decrease the turnover the Group receives on those sales. See "Risk factors—Industry risks—Changes in tariffs, royalties, customs duties and government assistance" for further information on the risks associated with further reductions in customs duties and export incentives.

Income tax on Indian companies is charged at a statutory rate of 35 per cent. plus a surcharge of 0.875 per cent. (2.5 per cent. of 35 per cent.). In addition, the Finance Act (2 of 2004) has levied an additional surcharge at the rate of 2 per cent. of the total income tax payable (including surcharge). However, the Group has in the past had a lower effective tax rate, benefiting from capital allowances permitted under Indian tax law, as well as tax incentives for investment in infrastructure projects and in specific locations.

Dividend distribution tax on dividends declared by Indian companies is payable at a rate of 12.8125 per cent, which includes a surcharge of 0.3125 per cent. (2.5 per cent. of 12.5 per cent.). In addition, the Finance Act (2 of 2004) has levied an additional surcharge at the rate of 2 per cent. of the total dividend distribution tax payable (including surcharge). This tax is payable with respect to all distributions of dividends by Indian companies in the Group, including distributions of dividends to other companies in the Group.

The Group is also subject to other government royalties and taxes. The Group pays royalties to state governments of Chattisgarh, Rajasthan and Tamil Nadu based on its extraction of bauxite, zinc and lead, and these royalties are subject to change. The Group also pays an excise tax of 16 per cent. based on all of its domestic production intended for domestic sale and charges this excise tax to domestic customers. In addition, the Finance Act (2 of 2004) has levied an additional surcharge at the rate of 2 per cent. of the total excise tax payable (including surcharge).

Investments

The following discussion sets out the principal acquisitions of the Group, as well as other major investments by the Group, during the three financial years ended 31 March 2004 and the six months ended 30 September 2004. These investments have had a substantial impact on the financial results of the Group, as the acquisitions have contributed significantly to the Group's turnover growth. The timing of these acquisitions may make it difficult to compare year-on-year results of the Group.

In July 2001, MALCO acquired 2,461,000 Sterlite shares at a cost of INR251.6 million (US$5.3 million), increasing MALCO's interest in Sterlite from 0.2 per cent. to 4.6 per cent. at that time. Since then, MALCO has not acquired any Sterlite shares but as a result of the share buy-back and rights issue detailed below, MALCO now owns 4.8 per cent. of Sterlite's issued share capital.

In April 2002, Sterlite, through SOVL, acquired a 26 per cent. interest in HZL from the Government of India. Sterlite, through SOVL, subsequently purchased a further 20 per cent. interest in HZL in July 2002 through an open market offer, bringing its total ownership of HZL to 46 per cent. The total cash consideration paid was INR7,776 million (US$160.4 million). On 29 August 2003, SOVL exercised the first call option granted by the Government to acquire a further 18.9 per cent. interest in HZL for INR3.2 billion (US$70.5 million). This acquisition was completed on 12 November 2003. The Government of India has granted SOVL an option in respect of its remaining stake in HZL, subject to certain terms and conditions. The Government of India also has an option to sell 3.5 per cent. of HZL's share capital to SOVL, subject to certain terms and conditions. See "The Vedanta Resources Group—Options over further interests in BALCO and HZL".

In September 2002, Sterlite completed a share buy-back for total consideration of INR3,010 million (US$61.8 million), which resulted in the repurchase of 20,068,004 shares (representing 36 per cent. of Sterlite's issued share capital at that time) for a consideration of INR150 per share comprised of INR100 per share in cash and INR50 per share in the form of a debenture with a final maturity in August 2008. As a result of the share buy-back, Twin Star's direct interest in Sterlite increased to 55.1 per cent.

Twin Star purchased 4.98 per cent. of Sterlite's issued share capital for US$58 million in January 2004, a further 2.4 per cent. of Sterlite's issued share capital for US$21.4 million in April 2004 and a further 0.19 per cent. for US$1.3 million between June and August 2004.

Sterlite recently undertook a rights issue in which it raised approximately US$434 million. The rights issue, which closed on 10 September 2004, is reflected in the Group's financial statements for the six months ended 30 September 2004. Twin Star took up its full allocation of approximately 62.7 per cent. (including 7.1 per cent. renounced by MALCO) under the rights issue and also took up a further 29.8 per cent. representing the unsubscribed portion of the rights issue, which increased the Group's effective interest in Sterlite's issued share capital to 78.8 per cent.

Exchange rates

The Group produces and sells commodities that are typically priced by reference to US Dollar prices. However, the majority of the direct costs of the Group are incurred in the currencies of India and, to a lesser extent, Australia, these being the countries in which the Group's mining and production facilities are located. In the future the Group will also incur costs in the Zambian currency, Kwacha. Copper concentrate costs are incurred in US Dollars. Accordingly, the Group may be significantly affected by exchange rate fluctuations between the US Dollar and the Indian Rupee, between the US Dollar and the Australian Dollar and between the US Dollar and the Zambian Kwacha.

Prior to 2002, the Indian Rupee and the Australian Dollar weakened against the US Dollar, reducing overall production costs, in US Dollar terms, of the Group's activities in India and Australia. However, the Australian Dollar, beginning in early 2002, and the Indian Rupee, beginning in mid-2002, have strengthened against the US Dollar. If the Indian or Australian currencies continue to appreciate in value against the US Dollar, the Group's US Dollar equivalent production costs will increase.

Results

The following table sets out selected financial information of the Group for the financial years ended 31 March 2002, 2003 and 2004 and for the six months ended 30 September 2003 and 2004:

	Year ended 31 March			Six months ended 30 September	
	2002	**2003 (reclassified)[1]**	**2004**	**2003 (restated)[2]**	**2004**
	(US$ millions)				
Copper	379.0	406.7	592.8	267.7	316.8
Aluminium	168.5	220.7	223.4	107.7	122.8
Zinc	—	291.1	401.1	177.4	196.0
Other	53.8	44.6	72.2	24.0	41.8
Total Group turnover (Exc. Associates)	601.3	963.1	1,289.5	576.8	677.4
Copper	67.2	76.4	65.6	27.8	25.7
Aluminium	(2.2)	29.6	35.4	16.8	24.4
Zinc	—	60.4	155.7	59.4	71.2
Other	(1.8)	(1.7)	(6.3)	0.4	1.4
Operating profit before operating exceptional items[3]	63.2	164.7	250.4	104.4	122.7
Operating exceptional items	(5.0)	(50.1)	(13.3)	(1.3)	(2.6)
Operating profit after operating exceptional items[3]	58.2	114.6	237.1	103.1	120.1
Share of operating profit/(loss) in associate	0.3	(0.5)	(1.2)	(0.5)	(0.8)
Non-operating exceptional items	—	(0.7)	(1.2)	0.9	1.4
Profit on ordinary activities before interest and taxation	58.5	113.4	234.7	103.5	120.7
Investment income	13.3	14.7	39.7	7.5	20.3
Interest payable	(48.6)	(49.7)	(41.0)	(18.2)	(28.9)
Profit on ordinary activities before taxation	23.2	78.4	233.4	92.8	112.1
Tax on profit on ordinary activities	(6.7)	(20.5)	(76.0)	(27.9)	(41.5)
Profit on ordinary activities after taxation	16.5	57.9	157.4	64.9	70.6
Equity minority interests[2]	(15.3)	(33.4)	(90.8)	(38.5)	(35.7)
Profit for the financial year/period	1.2	24.5	66.6	26.4	34.9
Dividends	–	–	(15.8)	–	(15.8)
Retained Profit for the financial year/period[2]	1.2	24.5	50.8	26.4	19.1
Basic earnings per share[4] (US cents/share)					
On profit for the financial year/period	0.4	8.6	23.3	9.2	12.2
On underlying profit for the financial year/period[5][6][7]	2.2	11.9	24.5	9.3	12.3

(1) Certain balances, such as turnover, cost of sales, selling and distribution costs and administrative expenses, within the profit and loss comparatives before Group operating profit for the year ended 31 March 2003 have been reclassified from the information set out in the Vedanta Resources IPO Listing Particulars to ensure a consistent presentation in the Group's Accounts.

(2) The Group has adopted the UITF abstract 38 'Accounting for ESOP trusts' for the period ended 30 September 2004 which has had the effect of increasing the Group's economic interest in Sterlite. This change has been accounted for as a prior year adjustment and the interim financial information for the period ended 30 September 2003 in the above table has been restated accordingly. The financial information for the years ended 31 March 2002, 2003 and 2004 as set out in the Accounts and as set forth in the above table has not been so restated, and therefore has not been presented on a basis directly comparable to the interim financial information for the six-month periods ended 30 September 2003 and 2004 set forth in the table and described herein. See "Presentation of Information – Presentation of financial information" for further information.

(3) Operating profit represents profit after goodwill amortisation and depreciation and is shown both before and after operating exceptional items.

(4) The earnings per share ("EPS") calculation has assumed that the number of Ordinary Shares in issue immediately after the listing of the Ordinary Shares on the London Stock Exchange in December 2003 (the "Listing") (being 286,000,000) had been in issue from 1 April 2001. The only other issue of shares subsequent to the Listing was 388,000 Ordinary Shares issued pursuant to the exercise of the first tranche of awards under the Vedanta Resources Reward Plan on 26 February 2004, and the issue of these shares has been used in determining the 2004 weighted average number of shares.

(5) Underlying profit is profit for the year/period after adding back exceptional items and their resultant tax and minority effects. A reconciliation to the statutory profit for the financial year and period is given in note 10 of the Account and Note 7 to the interim financial information set out in "—Current trading and prospects" respectively.

(6) Certain measures, specifically EBITDA (see Note 3 to the Accounts) and underlying profit (see Note 10 to the Accounts), which are non-GAAP measures have been included in the Accounts.

(7) Underlying profit comprises profit for the year/period after adding back exceptional items and their resultant tax and minority interest effects.

Profit and loss account items

Turnover

The primary sources of turnover and the nature of associated costs for the Group and its businesses are described in "The Vedanta Resources Group—Description of the Businesses—Copper Business", "The Vedanta Resources Group—Description of the Businesses—Aluminium Business" and "The Vedanta Resources Group—Description of the Businesses—Zinc Business".

Copper. The Group's copper turnover comes from the sale by Sterlite of refined copper, copper rods and other by-products. Domestic sale prices for refined copper are broadly based on the LME spot price plus regional premia and a majority of the Group's sales are made pursuant to existing supply arrangements. Sterlite exports approximately 50 per cent. of its total copper production to a range of countries including China, Saudi Arabia, Dubai, Singapore, Taiwan and Thailand. Indian exports of copper receive an assistance premium to the LME price from the Government of India. This assistance premium is currently INR9,000 (US$394) per tonne of copper rod and INR6,500 (US$290) per tonne of copper cathode.

Aluminium. The Group's aluminium turnover comes from the sale of aluminium by BALCO and MALCO. Domestic sale prices for aluminium are broadly based on the LME spot price plus regional premia. BALCO's key customers include electrical conductor manufacturers, state road transport corporations, railways, defence organisations and electrical equipment and machinery manufacturers. MALCO focuses on supplying the power sector. In the six months ended 30 September 2004, electrical conductor grade wire rods accounted for approximately 66 per cent. of MALCO's production. In the year ended 31 March 2004, approximately 23 per cent. of MALCO's sales were to Sterlite's aluminium conductor business, pursuant to an arm's length arrangement, the financial impact of which is excluded from the Group's consolidated results. The majority of aluminium produced in India is consumed domestically.

Zinc. The Group's zinc turnover comes from the sale of zinc, lead and other by-products by HZL. Approximately 50 to 60 per cent. of zinc metal produced is sold under annual contracts, and the price of zinc sold is broadly based on zinc LME prices plus regional premia.

Other. The Group's principal source of turnover from other activities comes from its aluminium conductor business.

Operating profit before operating exceptional items

Operating profit before operating exceptional items consists of turnover less operating costs. Operating costs include cost of sales, distribution and marketing costs, administrative expenses and other income and expense items. The most significant components of cost of sales are raw materials, power costs and labour costs.

Operating exceptional items

Operating exceptional items in the period under review include impairment charges relating to a writedown of the value of Sterlite's Australian mines and of certain of Sterlite's non-operating assets in India. Operating exceptional items also include costs associated with the voluntary retirement schemes ("VRSs") at BALCO and HZL, which totalled approximately US$13.3 million in the financial year ended March 2004 and US$2.6 million (which related to HZL only) in the six months ended 30 September 2004. As the Group continues to optimise its production processes, it may incur similar retirement-related costs in the future, which could be material.

Six months ended 30 September 2004 compared with six months ended 30 September 2003

The Group's turnover and operating profit before exceptional items for the six months ended 30 September 2004 increased over the corresponding figures for the six months ended 30 September 2003, primarily due to increased LME prices. However, reductions in the premium over LME prices on domestic sales due to the decrease in customs duties in January 2004 and July 2004 as described above under " – Government Policy" and higher costs for raw materials used to supply energy in the Group's Aluminium and Zinc Businesses have meant that the Group's turnover and operating profit before exceptional items for the six months ended 30 September 2004 have been lower than for the six months ended 31 March 2004.

Turnover

Group. The Group's turnover, excluding associates, was US$677.4 million in the six months ended 30 September 2004, an increase of US$100.6 million or 17.4 per cent. from US$576.8 million in the six months ended 30 September 2003. This increase was primarily due to increased prices due to higher LME prices in all of the Group's major businesses. The effect of the increase was partially offset by the reductions in customs duties on copper and zinc in January and July 2004.

Copper. Turnover of the Copper Business was US$316.8 million in the six months ended 30 September 2004, an increase of US$49.1 million or 18.3 per cent. from US$267.7 million in the six months ended 30 September 2003. This increase was primarily due to the increase in LME prices in the six months ended 30 September 2004 compared to the six months ended 30 September 2003. The effect of the increase in LME prices was partially offset by a reduction in the sales volume due to a planned maintenance shutdown and unusual flooding, which resulted in a decrease in production, as well as the reductions in customs duties on imports in January and July 2004.

Aluminium. Turnover in the Aluminium Business was US$122.8 million in the six months ended 30 September 2004, an increase of US$15.1 million or 14.0 per cent. compared with US$107.7 million in the six months ended 30 September 2003. This increase was primarily due to higher LME prices and increased realisation as a result of higher premium and more rolled products volume compared to the six months ended 30 September 2003.

Zinc. Turnover of the Zinc Business was US$196.0 million in the six months ended 30 September 2004, an increase of US$18.6 million or 10.5 per cent. from US$177.4 million in the six months ended 30 September 2003. This increase was primarily due to increases in the LME prices of zinc and lead. This increase was partially offset by the reductions in customs duties on imports in January and July 2004 as well as a reduction in sales volume due primarily to a planned shutdown.

Other. Turnover from the Group's other activities was US$41.8 million in the six months ended 30 September 2004, an increase of US$17.8 million or 74.2 per cent. from US$24.0 million in the six months ended 30 September 2003. This increase was mainly due to increased sales volumes and prices in the aluminium conductor business.

Operating profit, before operating exceptional items

Group. The Group's operating profit, before operating exceptional items, was US$122.7 million in the six months ended 30 September 2004, an increase of US$18.3 million or 17.5 per cent. from US$104.4 million in the six months ended 30 September 2003. The overall increase was attributable to the increased LME prices in all of the Group's major businesses, with turnover increasing at a higher rate than operating costs. The benefit of the higher realisation was partially offset by higher prices of met-coke and coal used to provide energy for the Group's Zinc and Aluminium Businesses.

Copper. The Copper Business's operating profit, before operating exceptional items, was US$25.7 million in the six months ended 30 September 2004, a decrease of US$2.1 million or 7.6 per cent. from US$27.8 million in the six months ended 30 September 2003. The decrease in operating profit, before operating exceptional items, was attributable to a reduction in tariffs and a decrease in sales volume as described above. The effect of this decrease was partially offset by the increase in the LME price and an increase in treatment charges and refining charges ("TC/RCs").

Aluminium. The Aluminium Business's operating profit, before operating exceptional items, was US$24.4 million in the six months ended 30 September 2004, an increase of US$7.6 million or 45.2 per cent. from US$16.8 million in the six months ended 30 September 2003. This increase was attributable to the increase in the LME price and price realisations as well as an improved product mix. The effect of this increase was partially offset by higher costs as a result of higher international and domestic coal prices as well as rising water costs.

Zinc. The Zinc Business's operating profit, before operating exceptional items, was US$71.2 million in the six months ended 30 September 2004, an increase of US$11.8 million or 19.9 per cent. from US$59.4 million in the six months ended 30 September 2003. The increase in profitability was primarily due to higher LME prices and realisations. The effect of this increase was partially offset by a decrease in sales volume and an increase in the price of met-coke.

Other. The operating profit, before operating exceptional items, from the Group's other activities was US$1.4 million, an increase of US$1.0 million or 250.0 per cent. over the profit of US$0.4 million in the six months ended 30 September 2003. The increase in profit from the Group's other activities was primarily due to the increased turnover in the aluminium conductor business.

Operating exceptional items

The Group recorded restructuring and redundancy costs of US$2.6 million in the six months ended 30 September 2004, compared with US$1.3 million in the six months ended 30 September 2003. In the six months ended 30 September 2004, these were incurred at HZL under the VRS. The costs in the six months ended 30 September 2003 were incurred under the VRS at BALCO and HZL.

Investment income and interest payable

The Group's investment income was US$20.3 million for the six months ended 30 September 2004, an increase of US$12.8 million or 170.7 per cent. from US$7.5 million in the six months ended 30 September 2003. This increase was due to the interest earned on the Group's cash balances, which increased as a result of the initial public offering. The investment income includes foreign exchange losses of US$5.1 million incurred on current asset investments held by the Group. The Group's interest payable was US$28.9 million in the six months ended 30 September 2004, an increase of US$10.7 million or 58.8 per cent. from US$18.2 million in the six months ended 30 September 2003. The interest payable includes foreign exchange losses of US$8.5 million on the borrowings obtained by the Group. The balance increase of interest payable was primarily due to an increase in debt incurred by the subsidiaries of the Group, in particular the debt incurred by BALCO, to fund capital expenditure relating to the Korba aluminium smelter.

Taxation

Taxation on profit on ordinary activities was US$41.5 million in 2004, an increase of US$13.6 million or 48.7 per cent. from US$27.9 million in the six months ended 30 September 2003. The increase in the effective taxation rate of the Group is due mainly to the proportional increase in profits in the Group's Zinc Business, which has a higher effective tax rate than the Group's Copper and Aluminium Businesses, the gradual use of built-up tax credits as the Group continued to earn profits, as well as a tax charge of US$1.9 million that arose on the purchase of 2.4 per cent. of the issued share capital of Sterlite from the Sterlite Employee Welfare Trust in April 2004, and also an account of dividend distribution tax of US$2.9 million.

Equity Minority Interests

Equity minority interests share of the profits for the six months ended 30 September 2004 decreased to US$35.7 million, compared to US$38.5 million in the six months ended 30 September 2003 due to the increase in the Group's shareholdings in Sterlite and HZL and the adoption of UITF abstract 38. See Note 2 to the financial information set out in "—Current trading and prospects".

Retained profit for the period

The Group's retained profit for the six months ended 30 September 2004 was US$19.1 million, a decrease of US$7.3 million or 27.7 per cent. from US$26.4 million in the six months ended 30 September 2003. This decrease was due to the payment of a dividend of US$15.8 million during the six months ended 30 September 2004 as well as the factors described above.

Year ended 31 March 2004 compared with year ended 31 March 2003

Turnover

Group. The Group's turnover, excluding associates, was US$1,289.5 million in the financial year ended 31 March 2004, an increase of US$326.4 million or 33.9 per cent. from US$963.1 million in the financial year ended 31 March 2003. This increase was primarily due to increased sales volume in all of the Group's major businesses.

Copper. Turnover of the Copper Business was US$592.8 million in the financial year ended 31 March 2004, an increase of US$186.1 million or 45.8 per cent. from US$406.7 million in the financial year ended 31 March 2003. This increase was primarily due to the Group's increased sales volumes in the financial year ended 31 March 2004, which resulted from higher volumes from expanded capacity, also positively impacted by higher LME prices compared to the financial year ended 31 March 2003. The effect of the increase in sales volume of both copper and phosphoric acid and higher LME prices was partially offset by reductions in the premium over LME prices on domestic sales due to the change in customs duties on imports in January 2004.

Aluminium. Turnover in the Aluminium Business was US$223.4 million in the financial year ended 31 March 2004, compared with US$220.7 million in the financial year ended 31 March 2003. This increase was due to higher prices and a marginal increase in sales volume.

Zinc. Turnover of the Zinc Business was US$401.1 million in the financial year ended 31 March 2004, an increase of US$110 million or 37.8 per cent. This increase was primarily due to increased sales volumes and increases in zinc and lead prices.

Other. Turnover from the Group's other activities was US$72.2 million in the financial year ended 31 March 2004, an increase of US$27.6 million or 61.9 per cent. from US$44.6 million in the financial year ended 31 March 2003. This increase was mainly due to increased sales volumes in the aluminium conductor business.

Operating profit/(loss), before operating exceptional items

Group. The Group's operating profit, before operating exceptional items, was US$250.4 million in the financial year ended 31 March 2004, an increase of US$85.7 million or 52.0 per cent. from US$164.7 million in the financial year ended 31 March 2003. The overall increase was attributable to the increased sales volumes in all of the Group's major businesses, with turnover increasing at a higher rate than operating costs.

Copper. The Copper Business's operating profit, before operating exceptional items, was US$65.6 million in the financial year ended 31 March 2004, a decrease of US$10.8 million or 14.1 per cent. from US$76.4 million in the financial year ended 31 March 2003. The decrease in operating profit, before operating exceptional items, was attributable to lower TC/RCs, appreciation of the Indian Rupee against the US Dollar and a reduction in tariffs.

Aluminium. The Aluminium Business's operating profit, before operating exceptional items, was US$35.4 million in the financial year ended 31 March 2004, an increase of US$5.8 million or 19.6 per cent. from US$29.6 million in the financial year ended 31 March 2003. This increase was attributable to the increase in margins as a result of increased prices in the domestic market and an increase in sales volumes in the Aluminium Business.

Zinc. The Zinc Business's operating profit, before operating exceptional items, was US$155.7 million in the financial year ended 31 March 2004, an increase of US$95.3 million or 157.8 per cent. from US$60.4 million in the financial year ended 31 March 2003. The increase in profitability was on account of increased production, higher sales volume and realisations and per unit cost reductions achieved across the business.

Other. The operating loss, before operating exceptional items, from the Group's other activities was US$6.3 million, an increase of US$4.6 million or 270.6 per cent. over the loss of US$1.7 million in the financial year ended 31 March 2003. The increase in loss from the Group's other activities was primarily due to the expenses attributable to Vedanta Resources, the holding company of the Group, which was incorporated in

April 2003, and the one-off cost of US$5 million relating to the award of 776,000 Ordinary Shares that were granted to 43 employees of the Group on 26 February 2004 pursuant to the Vedanta Resources Share Reward.

Operating exceptional items

The Group recorded restructuring and redundancy costs of US$13.3 million in the financial year ended 31 March 2004, compared with US$45.8 million in the financial year ended 31 March 2003. All of these amounts related to VRS costs incurred by BALCO and HZL.

Investment income and interest payable

The Group's investment income was US$39.7 million for the financial year ended 31 March 2004, an increase of US$25 million or 170.0 per cent. from US$14.7 million in the financial year ended 31 March 2003. This increase was due to the interest earned on the Group's cash balances after borrowing money to finance acquisitions but before making those acquisitions, including US$14.1 million of foreign exchange gains on cash and current asset investments held in Pounds Sterling until 31 March 2004. The Group's interest payable was US$41 million in the financial year ended 31 March 2004, a decrease of US$8.7 million or 17.5 per cent. from US$49.7 million in the financial year ended 31 March 2003. This decrease was primarily due to the reduction in Group's average borrowing cost in the financial year ended 31 March 2004.

Retained profit for the financial year

The Group's retained profit for the financial year ended 31 March 2004 was US$50.8 million, an increase of US$26.3 million or 107.4 per cent. from US$24.5 million in the financial year ended 31 March 2003. Taxation on profit on ordinary activities was US$76 million in 2004, an increase of US$55.5 million or 270.7 per cent. from US$20.5 million in the financial year ended 31 March 2003. The increase in the effective taxation rate of the Group was due mainly to the tax deduction of US$1.5 million that was foregone for the cost of shares awarded to Group employees prior to the listing of the Ordinary Shares on the London Stock Exchange in December 2003 and a tax charge of US$5.4 million that arose on the purchase of 4.98 per cent. of the shares of Sterlite from the Sterlite Employee Welfare Trust in January 2004. The profits attributable to equity minority interests for the financial year increased to US$90.8 million from US$33.4 million in the financial year ended 31 March 2003, due to the improved performance of the Group.

Year ended 31 March 2003 compared with year ended 31 March 2002

Turnover

Group. The Group's turnover, excluding associates, was US$963.1 million in the financial year ended 31 March 2003, an increase of US$361.8 million or 60.2 per cent. from US$601.3 million in the financial year ended 31 March 2002. This increase was driven primarily by the effect of the acquisition of a 46 per cent. interest in HZL in two stages in April and July 2002.

Copper. Turnover of the Copper Business was US$406.7 million in the financial year ended 31 March 2003, an increase of US$27.7 million or 7.3 per cent. from US$379.0 million in the financial year ended 31 March 2002. This increase was primarily due to the Group's increased sales volumes in the financial year ended 31 March 2003 which resulted from expanded capacity compared to the financial year ended 31 March 2002, in spite of a scheduled shutdown of the copper smelter in the financial year ended 31 March 2003. The effect of the increase in sales volume of both copper and phosphoric acid and higher LME prices was partially offset by reductions in the premium over LME prices on domestic sales due to a change in customs duties on imports from 35 per cent. to 25 per cent. effective 1 March 2002 and also by the termination of Thalanga open pit mining operations in February 2002.

Aluminium. Turnover in the Aluminium Business was US$220.7 million in the financial year ended 31 March 2003, an increase of US$52.2 million or 31.0 per cent. from US$168.5 million in the financial year ended 31 March 2002. This increase was due to increases in sales volumes, resulting from increased output. The results for the financial year ended 31 March 2002 were also affected by a 67-day strike at BALCO in the spring of 2001. There was no production at BALCO for the duration of the strike and there were additional delays after the end of the strike while BALCO's smelter and refinery were restored to operation. Customs duties fell from 25 per cent. to 15 per cent. effective 1 March 2002 reducing regional premia on product sales. This was partially offset by the Group producing a higher proportion of value-added products such as rods and cold rolled products during the financial year ended 31 March 2003.

Zinc. Turnover of the Zinc Business was US$291.1 million in the financial year ended 31 March 2003. The Zinc line of business was initiated by the Group when Sterlite acquired an interest in HZL in April 2002.

Other. Turnover from the Group's other activities was US$44.6 million in the financial year ended 31 March 2003, a decrease of US$9.2 million or 17.1 per cent. from US$53.8 million in the financial year ended 31 March 2002. This decrease was due to decreased sales volumes in the aluminium conductor business.

Operating profit/(loss), before operating exceptional items

Group. The Group's operating profit, before operating exceptional items, was US$164.7 million in the financial year ended 31 March 2003, an increase of US$101.5 million or 160.6 per cent. from US$63.2 million in the financial year ended 31 March 2002. The overall increase was attributable to the effect of the acquisition of a 46 per cent. interest in HZL in two stages in April and July 2002, as well as increased sales volumes in all of the Group's major businesses, with turnover increasing at a higher rate than operating costs.

Copper. The Copper Business's operating profit, before operating exceptional items, was US$76.4 million in the financial year ended 31 March 2003, an increase of US$9.2 million or 13.7 per cent. from US$67.2 million in the financial year ended 31 March 2002. The increase in operating profit, before operating exceptional items, was attributable to increased sales volumes and cost efficiencies in the Copper Business. However, this was partially offset by lower TC/RCs.

Aluminium. The Aluminium Business's operating profit, before operating exceptional items, was US$29.6 million in the financial year ended 31 March 2003, an increase of US$31.8 million from the loss of US$2.2 million in the financial year ended 31 March 2002. This increase was attributable to increased sales volumes in the Aluminium Business and the effect of reductions in the unit cost of production in both BALCO and MALCO. In addition, the Group continued to incur operating costs during the 67-day strike at BALCO in the financial year ended 31 March 2002 without an equivalent level of output, which resulted in higher operating costs as a percentage of turnover than those incurred during the financial year ended 31 March 2003.

Zinc. The Zinc Business's operating profit, before operating exceptional items, was US$60.4 million in the financial year ended 31 March 2003. The Group did not have an interest in any zinc business prior to the acquisition of an interest in HZL in April 2002.

Other. The operating loss, before operating exceptional items, from the Group's other activities was US$1.7 million in the financial year ended 31 March 2003, a decrease in loss of US$0.1 million or 5.5 per cent. from US$1.8 million in the financial year ended 31 March 2002. Despite decreased sales volumes in the Group's aluminium conductor business for the financial year ended 31 March 2003, the operating loss decreased slightly from the level experienced in the financial year ended 31 March 2002. This was primarily due to the Group being able to realise a higher price and lower cost per unit in its aluminium conductor business in the financial year ended 31 March 2003.

Operating exceptional items

The Group recorded restructuring and redundancy costs of US$45.8 million in the financial year ended 31 March 2003 relating to the VRS at HZL (US$31.9 million) and BALCO (US$13.9 million). In addition, HZL management closed a mine, resulting in an impairment charge of US$4.3 million.

Investment income and interest payable

The Group's investment income was US$14.7 million in the financial year ended 31 March 2003, an increase of US$1.4 million or 10.5 per cent. from US$13.3 million in the financial year ended 31 March 2002. This increase was due to the interest earned on the Group's larger cash balances after borrowing money to finance acquisitions but before making those acquisitions. The Group's interest payable was US$49.7 million in the financial year ended 31 March 2003, an increase of US$1.1 million or 2.3 per cent. from US$48.6 million in the financial year ended 31 March 2002. This increase was due to the Group's higher average borrowing in the financial year ended 31 March 2003, partially to finance acquisitions, offset by lower average interest rates charged on those borrowings.

Retained profit for the financial year

The Group's retained profit was US$24.5 million in the financial year ended 31 March 2003, an increase of US$23.3 million or 1,941.7 per cent. from US$1.2 million in the financial year ended 31 March 2002. Taxation on profit on ordinary activities was US$20.5 million in 2003, an increase of US$13.8 million or 206 per cent. from US$6.7 million in 2002. These higher tax charges arose following the acquisition of an interest in HZL. HZL has a higher effective tax rate relative to certain of the Group's other subsidiaries because it does not have the same level of capital allowances and credits as those subsidiaries. Equity minority interests share of the profits for the financial year increased to US$33.4 million in 2003 from US$15.3 million in 2002 due to improved performance of the Group and the significant minority interest created following the Group's acquisition of an interest in HZL.

Liquidity and capital resources

The following table sets out the Group's cash flows provided by the operating activities of the Group for the financial years ended 31 March 2002, 2003 and 2004 and the six-month periods ended 30 September 2003 and 2004.

	Year ended 31 March			Six months ended 30 September	
	2002	**2003**	**2004**	**2003**	**2004**
			(US$ millions)		
Operating profit	58.2	114.6	237.1	103.1	120.1
Depreciation	46.1	59.2	71.8	32.0	37.1
Goodwill amortisation	0.4	0.4	0.5	0.2	0.2
Decrease/(increase) in stocks	21.5	19.2	(16.1)	(0.9)	(79.6)
Decrease/(increase) in debtors	15.7	(47.5)	(77.2)	(35.8)	(38.2)
(Decrease)/increase in creditors	(10.7)	93.8	263.1	(33.4)	51.5
(Decrease)/increase in other long term creditors	(1.0)	1.8	(6.6)	(0.6)	5.5
Other non cash items	(7.0)	(8.0)	23.7	(3.1)	0.2
Net cash inflow from operating activities	**123.2**	**233.5**	**496.3**	**128.3**	**96.8**

The Group's primary source of liquidity for its operations is cash provided by operating activities and short-term and long-term borrowings. Long-term borrowings and the Group's existing resources will be used in part to finance short-term indebtedness and the Group's expansion projects described in "Capital expenditure and financial commitments" below.

The Group's net cash inflow from operating activities for the six months ended 30 September 2004 decreased by US$31.5 million or 24.6 per cent., from US$128.3 million in the six months ended 30 September 2003 to US$96.8 million in the six months ended 30 September 2004, mainly due to the increase in stocks in order to prepare for the increased capacity and requirements of the Tuticorin plant. In addition, higher commodity prices and increased sales volumes resulted in higher levels of debtors and creditors than in the corresponding period of the previous year, resulting in a net working capital outflow of US$66.3 million.

The Group's net cash inflow from operating activities for the year ended 31 March 2004 increased by US$262.8 million or 112.5 per cent., from US$233.5 million in the financial year ended 31 March 2003 to US$496.3 million in the financial year ended 31 March 2004, mainly due to the increased trading profitability of the Group. In addition, the higher commodity prices and increased sales volumes, which were offset by the extended credit given to certain customers at HZL, resulted in debtor and stock cash outflows of US$93.3 million in the year ended 31 March 2004. These outflows were mostly offset by a higher level of creditors, but when including the increased level of extended trade credit to take advantage of competitive financing, there was a working capital inflow of US$169.8 million.

The Group's net cash inflow from operating activities increased by US$110.3 million or 89.5 per cent., from US$123.2 million in the financial year ended 31 March 2002 to US$233.5 million in the financial year ended 31 March 2003, mainly due to the increased trading profitability of the Group, and the acquisition of a 46 per cent. interest in HZL in April and July 2002. This increase was also affected by the 67-day strike at BALCO in the spring of 2001, which had a negative impact on the cash flows from operating activities in the financial year ended 31 March 2002.

The Government of India holds significant minority interests in BALCO and HZL. Pursuant to shareholders' agreements with respect to both BALCO and HZL, BALCO and HZL may not make loans to other members of the Group without the approval of the Government of India. As a result, BALCO's and HZL's net cash balances are not available to Sterlite for payment against Sterlite's borrowings, absent the approval of the Government of India. The Group does not currently intend to apply for this approval. If the Group were to apply for approval, there is no assurance that it would be granted. For further information regarding the impact of minority interests on the Group, see "Risk Factors—Risks relating to the Group".

The terms of a Guarantee Facility Agreement between MALCO and ICICI Bank Limited provide that MALCO may not make advances or loans to its holding company or other Group companies or pay any dividends during the life of the facility without the prior approval of ICICI Bank Limited. As a result, MALCO's cash balances are not available to fund other Group operations.

Liquidity reserves

The following table shows the total borrowings (excluding amounts falling due in one year or less) of the Group as at 31 March 2002, 2003 and 2004 and as at 30 September 2003 and 2004:

	As at 31 March			As at 30 September	
	2002	2003	2004	2003	2004
	(US$ millions)				
Group	177.8	257.7	523.6	229.9	609.8

At 30 September 2004, the maturity profile of the Group's total debt of US$857.3 million was as follows:

	US$ millions
Due within 1 year	247.5
Due within 1-2 years	73.1
Due within 2-5 years	406.3
Due after 5 years	130.3
Total	857.3

During the six months ended 30 September 2004, BALCO entered into a new loan facility of INR7 billion (US$151.6 million), entered into by BALCO, to finance the expansion of the Aluminium Business. In addition, Sterlite refinanced US$67.6 million of loans which were due in June 2004, which extended the maturity of such loans to 2007.

During the financial year ended 31 March 2004, the Group entered into the following new loan facilities: an INR1,000 million (US$21.1 million) loan facility, entered into in April 2003, for the purpose of strengthening Sterlite's working capital position; an INR10 billion (US$218.1 million) loan, entered into on 16 September 2003, to finance expansion in the Aluminium Business; a US$125 million syndicated loan to finance expansion in the Zinc Business; and the issue of US$50 million of foreign currency convertible bonds in October 2003 to finance in part the acquisition of an additional 18.9 per cent interest in HZL. As at 30 September 2004, the Group had undrawn committed borrowing facilities of US$410 million. Of this total, US$30 million expires within one to two years, and US$380 million expires after more than two years.

The Group generally does not pool borrowings across different companies within the Group; each company generally borrows for its own projects.

Certain of the Group's financing arrangements contain covenants that could cause those borrowings to become repayable before their due date, because of the occurrence of breaches of covenants due to events that themselves do not have any material effect on the financial position of the Group. The Group has obtained new facilities which do not contain such covenants and has obtained waivers of certain covenants under certain existing facilities.

Capital expenditure and financial commitments

The following table shows the capital expenditure for the Group for the financial years ended 31 March 2002, 2003 and 2004 and the six months ended 30 September 2003 and 2004:

	Year ended 31 March			Six months ended 30 September	
	2002	**2003**	**2004**	**2003**	**2004**
			(US$ millions)		
Group	43.4	45.5	347.7	128.1	370.1

Group capital expenditure for the six months ended 30 September 2004 of US$370.1 million was significantly higher than the capital expenditure of US$128.1 million for the six months ended 30 September 2003. Group capital expenditure for the year ended 31 March 2004 of US$347.7 million was also significantly higher than capital expenditure of US$45.5 million for the financial year ended 31 March 2003. These increases were due to expansion of the zinc and lead manufacturing capacity of the Chanderiya smelter as well as commencement of the building of a new power plant at Chanderiya, the expansion of BALCO's Korba facility through a new aluminium smelter and power plant and expenditure relating to the Tuticorin project, all of which are described below.

Management plans to make significant increases in capital expenditures, including approximately US$800 million on a new alumina refinery and captive power plant at Orissa and, over the next three to four years, approximately US$1.5 billion on capital projects (including the alumina refinery and captive power plant at Orissa). These projects are described in more detail below.

The Group, through Vedanta Alumina Limited, intends to commission a new alumina refinery and associated captive power plant in the Lanjigarh district of the State of Orissa in eastern India. The Group expects that the refinery will be commissioned by March 2007. The Group is considering the possibility of introducing a strategic partner into this project. See "The Vedanta Resources Group—Description of the Businesses—Aluminium Business—Sterlite—Projects and developments" for further information.

BALCO is expanding capacity at its Korba aluminium smelter at an estimated cost of US$533.2 million and is also building an additional captive power plant at that site at an estimated cost of US$344.0 million. This expansion is expected to be commissioned in the financial year ending 31 March 2006. This project is expected to be financed through a combination of new borrowings, cash generated from operations and existing resources. The Group has raised the first phase of debt needed for this project through an INR10 billion (US$218.1 million) loan, and a further loan of INR7 billion (US$151.6 million) in August 2004 which are described above. See "The Vedanta Resources Group—Description of the Businesses—Aluminium Business—BALCO—Projects and developments" for further information.

MALCO has recently increased its aluminium smelter capacity from 35,000 tpa to 40,000 tpa, and is progressing the expansion of the captive power plant capacity to match the increased capacity of the smelter.

HZL is commissioning a new zinc smelter at its existing site at Chanderiya and intends to build a new captive power plant at that site. The total cost of these projects is estimated to be approximately US$332.4 million. HZL is also planning to increase the capacity of its Rampura Agucha lead-zinc mine and processing plant at a cost estimated at US$89.4 million. These projects are expected to be financed through a combination of new borrowings and cash generated through operations. The US$125 million syndicated loan that HZL entered into on 31 October 2003 is expected to account for a large part of the necessary borrowings on these projects. See "The Vedanta Resources Group—Description of the Businesses—Zinc Business—Projects and developments" for further information.

In the event that the Government's put option for 3.5 per cent. of HZL's share capital is exercised, the Company may be required to fund such acquisition (approximately US$32 million based on the average closing price of HZL's shares for the six months from 21 May 2004 to 20 November 2004).

On 19 August 2004, Vedanta Resources entered into a subscription agreement to acquire a 51 per cent. stake in KCM. This acquisition was completed on 5 November 2004. Of the total acquisition price of US$48.2 million, US$27.3 million was payable on completion of the acquisition. The remaining US$20.9 million is payable in equal instalments over four years from 31 December 2005. The initial payment amount of US$27.3 million will be financed from existing resources. Vedanta Resources has also agreed to fund any cash flow shortfalls at KCM after sustaining and project capital expenditure, should they arise, to an aggregate limit of US$220 million.

Contingent liabilities and committed capital expenditure totalled US$1,039.8 million as at 30 September 2004. The committed capital expenditures of the Group at 30 September 2004 were US$718.7 million, of which US$273 million relates to BALCO's expansion of the Korba aluminium smelter and the captive power plant to be built at Korba, US$120.7 million relates to HZL's expansion plans and US$325 million relates to the Orissa alumina project being developed by Vedanta Alumina Limited.

The Group has made and the Group may in the future make acquisitions of mines, plants or minerals and metals businesses that complement or enhance its existing production. Other than in relation to KCM, the Group has not entered into any definitive agreements with respect to the acquisition of significant businesses. The Group has registered expressions of interest for several companies that are to be divested by the Government of India. See "The Vedanta Resources Group—Acquisition and diversification opportunities" for further information.

Off-balance sheet arrangements

All pension liabilities of the Group are fully provided for in the consolidated Accounts of the Group. The Group has no material off-balance sheet arrangements.

Quantitative and qualitative disclosures about market risk

The Group maintains conservative treasury policies. Surplus funds are typically deposited in bank accounts or invested in non-equity mutual fund investments. The Group also uses forward exchange contracts and derivative instruments to hedge the effects of movements in exchange rates on foreign currency denominated assets and liabilities. The Group's policy is to hedge selectively the foreign exchange risk on financing transactions and loans. The proportion of the foreign exchange liabilities which are hedged at any point of time varies under the hedging policy. Currently approximately 50% of the total foreign exchange liabilities of the Group in the aggregate are hedged through forward covers or similar instruments. The hedging policy also incorporates stop loss levels which are strictly adhered to. There are also monitoring and reporting systems in place in respect of the policy and the policy is reviewed by the Executive Committee and the Board periodically.

See Note 28 to the Accounts of the Group contained in this document for a discussion of quantitative and qualitative disclosures about market risk.

Critical accounting policies

Detailed accounting policies are presented in Note 2 to the Accounts. The following are the Group's critical accounting policies:

Tangible Fixed Assets – Mining Properties and Leases

The costs of mining properties and leases are capitalised as tangible fixed assets in the year in which they are incurred. When a mining property is viable for commercial production, all further pre-production expenditure is capitalised until the mining property is capable of commercial production. From that point, capitalised mining properties and lease costs are amortised on a unit of production basis over the total estimated remaining commercial reserves. In circumstances where a property is abandoned, the cumulative capitalised costs relating to the property are written off in the period. Commercial reserves are proved and probable reserves. Changes in the commercial reserves affecting unit of production calculations are dealt with prospectively over the revised remaining reserves.

Mining properties include excess purchase consideration created upon acquisition and allocated to tangible fixed assets (to the extent that it is supported by discounted future cash flows). The excess purchase consideration allocated is the gross amount with a corresponding credit to minority interests.

The Group periodically re-evaluates its ore reserves at its mining operations. There are a number of uncertainties inherent in estimating quantities of reserves, including many factors beyond the Group's control. Ore reserve estimates are based upon engineering evaluations of assay values derived from samplings of drill holes and other openings. Additionally, declines in LME market prices may render certain reserves containing relatively lower grades of mineralisation uneconomic to mine. Further, availability of permits, changes in operating and capital costs, and other factors could materially and adversely affect ore reserves. The Group uses ore reserve estimates in determining the unit basis for mine depreciation and closure rates, as well as in evaluating mine asset impairments. Changes in ore reserve estimates could significantly affect these items.

Assets in the Course of Construction

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

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

Impairment

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

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

Restoration, Rehabilitation and Environmental Costs

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

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

Current trading and prospects

The text set forth below is extracted from an announcement the Company made on 25 November 2004[(1)], which describes the Group's trading position as at 30 September 2004. Since 30 September 2004, the Group's trading has been in line with management's expectations.

"Highlights

- Group[(2)] EBITDA[(2)] up 17% to $160 million
  - Attributable Profit[(2)] up 32% to $35 million, benefiting from reduction in minority interests
- $2.2 billion growth pipeline making good progress
  - $652 million invested to date
- Economic Interest[(2)] in Sterlite[(2)] increased to 82% from 61% at Listing[(2)]
- Successful acquisition of Konkola Copper Mines in November for $48.2 million
  - Expected to be earnings enhancing in first year
- Further significant steps since period end
  - $100 million invested in Vedanta Alumina[(2)] which will increase Economic Interest to 95%
  - Announcing offer to acquire minority holdings in MALCO[(2)]
  - Credit rating announced of Baa3/BB

	Interim 2005	**Interim 2004 (restated)**	**Full Year 2004 (restated)**
Group Turnover ($ million)	677.4	576.8	1,289.5
Group EBITDA ($ million)	160.0	136.6	322.7
Group EBITDA margin[(2)]	23.6%	23.7%	25.0%
Group operating profit ($ million)	120.1	103.1	237.1
Attributable Profit ($ million)	34.9	26.4	72.3
ROCE[(2)] (excluding project capital work in progress)	24.2%	17.2%	24.1%
Dividend[(3)] (US cents per share)	5.5	–	5.5

Vedanta's[(2)] Chief Executive Anil Agarwal commented:

"We have delivered good growth in earnings and we have completed some key achievements in our strategy. We have already invested $652 million of our $2.2 billion capital programme and further significant progress will be made in the remainder of this financial year. The demand outlook in India for all our metals continues to be positive and our growth projects are well placed to serve this rising demand. Commodity prices remain firm, though this is accompanied by some high input costs. We remain confident of delivering good progress in the second half of the year and look forward to reporting on the development of our projects over the coming months".

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(1) The Group has adopted the UITF abstract 38 'Accounting for ESOP trusts' for the period ended 30 September 2004 which has resulted in an increase of the Group's economic interest in Sterlite. This change has been accounted for as a prior year adjustment and, as a consequence, previously reported figures for the financial year ended 31 March 2004 and the interim financial information for the period ended 30 September 2003 have been restated accordingly as part of the interim results that were announced on 25 November 2004.

The restated figures for the financial year ended 31 March 2004 have only been included in this section "Management's Discussion and Analysis of Financial Condition and Results of Operations – Current trading and prospects" and nowhere else in this Offering Circular.

The restated figures for the period ended 30 September 2003 and the financial information for the period ended 30 September 2004 have only been used in the section 'Management's Discussion and Analysis of Financial Condition and Results of Operations' and nowhere else in this Offering Circular.

Save as specified above, the previously reported figures for the financial years ended 31 March 2002, 31 March 2003 and 31 March 2004, as set out in Accounts, have been used in this Offering Circular.

(2) See Glossary and Definitions.

(3) 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.

CHIEF EXECUTIVE'S STATEMENT

Operational Summary

Over the first half of the year, the Company[2] has delivered good growth in earnings and we have completed some key achievements in our strategy. Compared to the first half of last year, turnover has increased by 17% to $677.4 million, EBITDA by 17% to $160.0 million and Group operating profit was up 16% to $120.1 million. This is after adverse foreign exchange movements of $11 million. The EBITDA margin was 24%, maintaining the level of the last financial year. Attributable Profit has risen by 32% to $34.9 million, benefiting from a reduction in minority interests to 51%.

As covered in the production report on 11 October 2004, the commissioning of our new projects will create a significant rise in our production capability. The existing aluminium plants are continuing to produce at capacity, while copper and zinc production were slightly down on last year, following the planned shutdowns in the first quarter of this financial year.

The main positive factor has been the rise in aluminium, copper and zinc prices, but this was offset by the tariff cuts made by the Indian Government in January and July 2004, which have reduced turnover and EBITDA by around $30 million. We have continued to manage our operational costs tightly, but high energy prices, mentioned in the first quarter results, have again been present in the second quarter and have had an impact on costs across all Group operations. These prices show no immediate sign of weakening. Treatment and Refining Charges ("TC/RC[2]") in the copper smelting industry have started to recover, but the full benefit of this will not be felt until the second half of the financial year.

Our growth projects are proceeding well with $652 million invested to date. This is from a total planned expenditure of around $2.2 billion, which gives Vedanta a growth pipeline unrivalled in the metals and mining industry. The new smelter at Tuticorin has been ready for some time, but we are still waiting for the final environmental clearance. The adjoining new facilities, such as the acid and power plants, are already in use and operating well.

The economic backdrop in India remains positive, with industrial production increasing at an annual rate of around 8%, during the period. The new Government, elected earlier in the year, has consistently declared its commitment to maintaining growth and creating an attractive environment for investment.

Changes to Structure and Sterlite rights issue

One of the most significant changes over the period has been our increased Economic Interest in Sterlite, our principal subsidiary in India, to 82% compared to 61% at the time of the Listing. This was principally due to the rights issue at Sterlite. This considerable increase enhances Attributable Profit and moves us further towards our aim of a simpler Group structure.

We are making an offer, through a wholly owned subsidiary, to all the minority shareholders in MALCO. The board of MALCO met today to initiate the process. This should complete in the first half of calendar year 2005 and, if successful, will lead to the shares being delisted from the applicable stock exchanges.

In May 2004 Vedanta injected $100 million into Vedanta Alumina, which has been used to progress the development of the project. This investment, following an independent valuation of the assets, will increase Vedanta's Economic Interest to 95%. Following allotment of the shares, 70.5% will be held directly by Vedanta, through a wholly owned subsidiary, and the balance retained by Sterlite.

We continue to look for opportunities to consolidate the Group's structure. Earlier this year we notified the Indian Government of our interest in exercising our option over the remaining 49% of BALCO[2] that they own. As mentioned in our last Annual Report, the Government will then appoint an independent valuer and we hope to report on progress by the end of this financial year.

Konkola Copper Mines

Earlier this month we completed the acquisition of Konkola Copper Mines ("KCM[2]") in Zambia for a total consideration of $48.2 million. KCM produced 97,000 tonnes of finished copper in the first half of calendar year 2004 and generated EBITDA of $59 million. This transaction should be earnings enhancing in its first year. We believe that there are opportunities at KCM to increase output and reduce unit costs. There are also many options to be considered to extend and develop in the area over the medium term. We look forward to working with our new colleagues in developing these assets and improving KCM's competitiveness.

Credit Rating

We are today announcing that we have received a credit rating of Baa3/BB, which is equivalent to the Indian sovereign rating ceiling. Obtaining a rating gives us the potential to access other areas of funding.

Debt

We are today announcing our intention to raise additional financing through the debt markets before the end of this year. This is an important part of managing our debt and strengthening our maturity profile to support our capital investment programme. Over the period, $200 million of additional debt facilities have been added at BALCO, increasing the total facilities there to around $400 million.

The Board[2]

In July, Michael Fowle became Chairman following the resignation of Brian Gilbertson from the Board. Very sadly, just after the end of the period, Sir David Gore Booth died. Sir David's considerable experience and good humour was of great value to the Board and we shall miss him as a friend and colleague.

We have appointed two further independent non-executive Directors to the Board, Aman Mehta and Dr Shailendra Kumar Tamotia, together with Navin Agarwal as Deputy Chief Executive. A separate announcement regarding these appointments has been issued.

Dividend

At this interim stage we are proposing a dividend of US 5.5 cents per share. This equates to one third of the last year's effective dividend of US 16.5 cents per share, as set out in the 2004 Annual Report. The Board intends to pay interim dividends which are one third of the previous year's full payment. The overall dividend level for the year will then be determined at the year end and the Board remains committed to a progressive dividend policy.

Outlook

We remain focused on the delivery of our strategy, which we set out at the time of Listing. We have already invested $652 million of our $2.2 billion capital programme and further significant progress will be made in the remainder of this financial year. The copper expansion is ready to start production on receipt of environmental clearance and the zinc expansion is due to be commissioned in the first half of the next financial year, followed by the expansions at BALCO and Vedanta Alumina in 2006 and 2007 respectively. We now also have the potential of KCM and we are evaluating the many exciting opportunities it offers.

The reduction in minority interests will make a noticeable impact in the second half of the year. The demand outlook in India for all our metals continues to be positive and our growth projects are well placed to serve this rising demand. Commodity prices remain firm, though this is accompanied by some high input costs. We remain confident of delivering good progress in the second half of the year and look forward to reporting on the development of our projects over the coming months.

Anil Agarwal
Chief Executive

OPERATING AND FINANCE REVIEW

Aluminium

	Interim 2005	Interim 2004	Full Year 2004
Turnover ($ million)	122.8	107.7	223.4
EBITDA ($ million)	33.8	24.4	53.6
Operating profit ($ million)	24.4	16.8	35.4
Production alumina (mt[2] ,000's)	130	134	270
Production aluminium (mt ,000's)	66	65	129
Unit cost ($ per mt)	1,328	1,120	1,238
LME[1] price ($ per mt)	1,694	1,408	1,433

The facilities at BALCO and MALCO continue to produce close to capacity. With limited ability to raise production at this stage, volume is similar to the first half of the last financial year. We continue to extract efficiencies and raise profitability wherever possible, but the business will see a major step change when the new production facilities, at BALCO, are commissioned in March 2006.

EBITDA has risen by 39% to $33.8 million. The main drivers were the increase in metals prices and improved product mix. This was partly offset by the removal of the Special Additional Duty, of around 5% on aluminium, by the Indian Government, which took place in January. As mentioned in the first quarter results, costs have been affected by rising energy prices and increased water costs. Overall unit costs have increased by 19% to $1,328 per mt.

Demand for aluminium in India remains positive, with growth of over 10%, and all of our production is sold into the domestic market. Rolled products, on which we earn an attractive premium, represent around 30% of the Group's total aluminium output. Within the existing rolling facilities there is potential to further increase this output and earn additional premium.

The expansion at BALCO and the alumina development at Orissa remain on schedule and we believe that the facilities will be well placed given the strong growth in the Indian market. The aluminium expansion at BALCO is also progressing well and we are working towards testing some of the new pots in the early part of the next financial year, using imported anodes and power.

Copper

	Interim 2005	Interim 2004	Full Year 2004
Turnover ($ million)	316.8	267.7	592.8
EBITDA ($ million)	40.5	42.2	94.1
Operating profit ($ million)	25.7	27.8	65.6
Mined metal content (mt ,000's)	20	24	56
Copper cathode production (mt ,000's)	77	93	179
Copper rod production (mt ,000's)	53	59	123
Unit cost (US cents per lb)	8.5	8.6	7.8
LME price (US cents per lb)	127.9	77.0	80.7
TC/RC (US cents per lb)	6.6	9.2	8.8

Turnover rose by 18% to $316.8 million, as a result of the rise in the copper price, though this was largely offset by the matching rise in the purchase cost of copper concentrate. EBITDA was flat compared to the corresponding period. Import tariffs were reduced by the Government of India in January and July, from 30% to 15%. Copper consumption in India is growing at around 10% per annum, driven mainly by power and automobile demand. Just over half of our output is sold into the export market.

The Australian mines, which represent around 20% of our concentrate requirements, benefited from the rising copper price. Copper TC/RC's were notably weaker than last year but are now improving and the benefit of this should come through in the second half. Costs have risen as a result of energy prices and expenses related to the planned shutdown.

As mentioned in the Production Report for the period, released on 11 October 2004, copper production was reduced in the first quarter by the planned shutdown at Tuticorin after a 24-month production period. In the second quarter, anode production recovered to the level of last year, but cathode production at Silvassa reduced due to unusual flooding during the monsoon. The material will be processed during the second half of this financial year. We continue to emphasise the output of value added product with around 70% of the cathode being converted to rod.

At Tuticorin there is a new smelter with annual capacity of 300,000 tonnes, which will replace the existing smelter of 180,000 tonnes. As previously announced, the new smelter is mechanically complete. We are waiting for final environmental licences from the State Government and the smelter will then be commissioned.

Zinc

	Interim 2005	Interim 2004	Full Year 2004
Turnover ($ million)	196.0	177.4	401.1
EBITDA ($ million)	83.8	68.6	179.3
Operating profit ($ million)	71.2	59.4	155.7
Zinc mined metal content (mt ,000's)	167	152	331
Refined metal output (mt ,000's)	104	109	221
Cost ($ per mt)	683	568	571
LME price ($ per mt)	1,003	797	828

In the first quarter, as a result of the planned shutdown at the Chanderiya smelter, production of refined metal was around 4,000 tonnes lower. In the second quarter production recovered to the level of last year, in line with targets. This left refined metal output at 104,000 tonnes for the half year, a slight decline on the same period last year.

Overall there was a rise in turnover of 10%, while EBITDA has shown a more significant increase of 22%. Prices for zinc and lead are sharply higher than last year, but this has been partly offset by tariff reductions in January and July, moving from 30% to 15%. There were some sales of lead and zinc concentrate which took advantage of higher metal prices and the business further benefited from the release of a provision previously taken regarding potential duties on electricity.

As elsewhere, there was a sharp rise in energy costs and, particularly for zinc, prices of met-coke, which is used in production. This was responsible for a rise in unit costs of some 20% to just under $683 per tonne.

Demand for zinc in India continues to grow in excess of 10% per annum, driven by the increased use of galvanised steel and well ahead of global trends. The increase in production at HZL remains on track with commissioning of the smelter due for June next year. Most of the new mining equipment has been commissioned and our next milestone will be commissioning the new roaster, which we anticipate happening by the end of the financial year.

Finance review

Profits

Profit before tax rose by 21% to $112.1 million after total exceptional item costs of $1.2 million. The operating exceptional items included Voluntary Retirement Scheme costs of $2.6 million, incurred at HZL(2), which was double the amount incurred at BALCO in the same period last year, but considerably below the levels of the second half of the last financial year. Net interest payable was $8.6 million, after taking into account foreign exchange losses of $5 million, which reversed some of the gains recorded in the second half of the last financial year. EPS[2] on Underlying Profit (see note 6b (i)) has increased by 32% to US 12.3 cents.

Tax

The anticipated tax rate for the year stands at 37%, compared to 33% for the last financial year. The rate is sensitive to the mix of profits and it includes 1% for a payment within the Sterlite Employee Welfare Trust ("SEWT[2]"), which is unlikely to recur. The figure does not include the impact of acquiring KCM, which due to accumulated tax losses should bring the tax rate down to a similar level to last year. We expect the Cash Tax Rate[2] to remain unchanged at 25%.

Minority Interest & Attributable Profit

The minority interest in profit was 51%, a decline from 59% seen in the corresponding period. It is slightly higher than the figure for the second half of last year, due to the mix of profits. Some divisions, such as zinc, carry a higher minority charge.

The largest change in the minority interest has come about as a result of the $434 million rights issue held by Sterlite, which closed in late September. In addition to our own allotment, we took up those shares not purchased by minority shareholders. The Sterlite rights issue took effect at the end of the period and the impact of this on reducing the minorities will be seen in the second half of this year.

As mentioned in the Chief Executive's Statement the assets of Vedanta Alumina will be held 70.5% directly by Vedanta, through a wholly owned subsidiary, with an overall Economic Interest of 95%. This will not impact earnings in the short term, as the project is not due to be commissioned until March 2007.

The minority interest figures have been restated to take account of a new accounting policy, which is required by UITF abstract 38 'Accounting for ESOP trusts', which affects the SEWT's holding of 3.3% of the issued share capital of Sterlite (see note 2). This requires that own shares held by employee trusts are reclassified from other investments and are recorded as a reduction in shareholders' funds. From a Group perspective the shares are effectively treated as cancelled, which raises Vedanta's Economic Interest.

Cashflow & Balance Sheet

There was a decrease in net cash of $308.6 million leaving a net cash position of $113.7 million at 30 September 2004. The Group's capital expenditure for the period was $370.1 million, however, when the project extended credit (which forms part of debt) is considered, the net cash outflow in respect of capital expenditure was $270.2 million. Since Listing, the Group has spent $652 million, or 30%, of the $2.2 billion earmarked for our major investment programme.

Working capital rose by $66.3 million due to increased stock levels. Stock levels in copper were reduced ahead of the planned shutdown and have been rebuilt over the period in anticipation of commissioning the expansion at Tuticorin. Working capital should reduce in the second half. As mentioned in the 2004 Annual Report we are seeking to dispose of certain non core assets and are pursuing opportunities, which we hope we will complete within the current financial year. This will release further funds.

ROCE, one of our key performance indicators, is higher than the same period last year, at 24.2%. This excludes project capital work in progress, comprising the substantial funds being invested and which are not yet producing revenue. Overall Capital Employed[1] has increased by 30% to $1.3 billion.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

	Note	Six months ended 30 September 2004 $ million	Six months ended 30 September 2003 (restated) $ million	Year ended 31 March 2004 (restated) $ million
Group and share of associate's turnover		682.5	582.9	1,300.6
Less: associate's turnover		(5.1)	(6.1)	(11.1)
Group turnover	3	677.4	576.8	1,289.5
Cost of sales		(507.5)	(440.7)	(973.9)
Gross profit		169.9	136.1	315.6
Selling and distribution costs		(18.7)	(13.9)	(35.6)
Administrative expenses		(40.8)	(28.0)	(60.1)
Normal		(38.2)	(26.7)	(46.8)
Exceptional		(2.6)	(1.3)	(13.3)
Other operating income		9.7	8.9	17.2
Group operating profit	3	120.1	103.1	237.1
Operating profit before operating exceptional items	3	122.7	104.4	250.4
Operating exceptional items	4a	(2.6)	(1.3)	(13.3)
Share of operating loss in associate		(0.8)	(0.5)	(1.2)
Profit/(loss) on disposal of fixed assets	4b	1.4	0.9	(1.2)
Profit on ordinary activities before interest and taxation		120.7	103.5	234.7
Investment income		20.3	7.5	39.7
Interest payable and similar charges		(28.9)	(18.2)	(41.0)
Profit on ordinary activities before taxation	3	112.1	92.8	233.4
Tax on profit on ordinary activities	5	(41.5)	(27.9)	(76.0)
Profit on ordinary activities after taxation		70.6	64.9	157.4
Equity minority interests		(35.7)	(38.5)	(85.1)
Profit for the financial period/year		34.9	26.4	72.3
Dividends	7	(15.8)	–	(15.8)
Retained profit for the period/year	8	19.1	26.4	56.5

Dividend per share (US cents/share)	7	5.5	–	5.5
Earnings per share (US cents/share)				
Basic earnings per share for the period/year	6a (i)	12.2	9.2	25.3
Diluted earnings per share for the period/year	6a (ii)	11.6	9.2	24.8

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

All turnover and operating profit for the period/year are derived from continuing operations.

Non-statutory information				
Underlying Profit ($ million)	6b	35.2	26.5	76.2
Earnings per share thereon: (US cents/share)........				
Basic EPS on Underlying Profit for the period/year ..	6b (i)	12.3	9.3	26.6
Diluted EPS on Underlying Profit for the period/year	6b (ii)	11.7	9.3	26.2

CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2004

	Note	As at 30 September 2004 $ million	As at 30 September 2003 (restated) $ million	As at 31 March 2004 (restated) $ million
Fixed assets				
Intangible assets		3.3	3.6	3.6
Goodwill		11.2	12.4	12.2
Negative goodwill		(7.9)	(8.8)	(8.6)
Tangible fixed assets		1,520.2	1,020.7	1,268.4
Investment in associate		5.1	3.8	2.7
Other investments		23.5	27.4	27.5
		1,552.1	1,055.5	1,302.2
Current assets				
Stocks		263.6	177.4	199.9
Debtors		265.3	204.9	245.5
Current asset investments		945.8	75.0	1,188.5
Cash at bank and in hand		25.2	91.1	52.7
		1,499.9	548.4	1,686.6
Creditors: amounts falling due within one year				
Short-term borrowings		(247.5)	(322.9)	(295.3)
Loans		(198.0)	(322.9)	(245.8)
Convertible bonds		(49.5)	–	(49.5)
Other current liabilities		(623.2)	(316.6)	(586.5)
		(870.7)	(639.5)	(881.8)
Net current assets/(liabilities)		629.2	(91.1)	804.8
Total assets less current liabilities		2,181.3	964.4	2,107.0
Creditors: amounts falling due after more than one year		(621.9)	(226.1)	(529.9)
Provisions for liabilities and charges		(159.5)	(153.7)	(162.9)
Equity minority interests		(443.7)	(442.5)	(423.3)
Net assets	3	956.2	142.1	990.9
Capital and reserves				
Called up equity share capital	8	28.6	–	28.6
Shares to be issued	8	–	–	–
Share premium account	8	18.6	–	18.6
Merger reserve	8	4.4	–	4.4
Other reserves	8	8.4	37.9	8.3
Profit and loss account	8	896.2	104.2	931.0
Equity shareholders' funds	8	956.2	142.1	990.9

CONSOLIDATED CASH FLOW STATEMENT

	Note	Six months ended 30 September 2004 $ million	Six months ended 30 September 2003 $ million	Year ended 31 March 2004 $ million
Net cash inflow from operating activities	9	96.8	128.3	496.3
Returns on investments and servicing of finance				
Interest received and other income		33.1	10.7	34.6
Interest paid		(31.8)	(20.7)	(42.0)
Dividend received from fixed asset investments		–	2.5	0.8
Dividend paid to minority shareholders in subsidiary companies		(1.7)	(5.5)	(10.1)
Dividend paid to shareholders		(15.8)	–	–
		(16.2)	(13.0)	(16.7)
Taxation		(15.0)	(17.8)	(57.5)
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets		(270.2)	(124.8)	(349.0)
Proceeds from the sale of fixed assets		1.6	1.9	2.8
Purchase of fixed asset investments		(0.2)	(3.2)	(9.2)
Proceeds from sale of fixed asset investments		0.2	–	1.8
		(268.6)	(126.1)	(353.6)
Acquisitions				
Purchase of additional shareholding in subsidiary companies		(4.4)	–	(81.1)
		(4.4)	–	(81.1)
Cash outflow before use of liquid resources and financing		(207.4)	(28.6)	(12.6)
Management of liquid resources				
Sale/(purchase) of current asset investments	10	207.1	9.8	(1,065.0)
		207.1	9.8	(1,065.0)

	Note	Six months ended 30 September 2004 $ million	Six months ended 30 September 2003 $ million	Year ended 31 March 2004 $ million
Financing				
Issue of ordinary shares (net of share issue expenses)		–	–	825.3
Proceeds from rights issue in subsidiary company		0.6	–	–
Repayment of share application money pending allotment in SOVL		–	–	(26.2)
(Decrease)/increase in short term borrowings	10	(195.8)	92.1	141.7
Increase/(decrease) in long term borrowings	10	169.0	(51.2)	120.8
		(26.2)	40.9	1,061.6
(Decrease)/increase in cash in the period/year	10	(26.5)	22.1	(16.0)

At 30 September 2004, current asset investments included $18.0 million held by the Sterlite Employee Welfare Trust ("SEWT") (30 September 2003 and 31 March 2004 – nil).

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

	Note	Six months ended 30 September 2004 $ million	Six months ended 30 September 2003 $ million	Year ended 31 March 2004 $ million
(Decrease)/increase in cash in the period/year	10	(26.5)	22.1	(16.0)
Decrease/(increase) in debt	10	26.8	(40.9)	(262.5)
Cash (outflow)/inflow from management of liquid resources	10	(207.1)	(9.8)	1,065.0
(Decrease)/increase in net cash/(debt) resulting from cash flows		(206.8)	(28.6)	786.5
Non-cash movement in debt	10	(99.9)	–	–
Foreign exchange differences	10	(1.9)	(20.0)	(33.1)
(Decrease)/increase in net cash/(debt) in the period/year	10	(308.6)	(48.6)	753.4
Net cash/(debt) at the beginning of the period/year	10	422.3	(331.1)	(331.1)
Net cash/(debt) at the end of the period/year	10	113.7	(379.7)	422.3

The non-cash movement in debt of $99.9 million in the six months ended 30 September 2004 relates to the re-financing of project capital work in progress creditors.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Note	Six months ended 30 September 2004 $ million	Six months ended 30 September 2003 (restated) $ million	Year ended 31 March 2004 (restated) $ million
Profit for the financial period/year				
Group		36.7	27.9	75.6
Associated undertaking		(1.8)	(1.5)	(3.3)
		34.9	26.4	72.3
(Loss)/gain on reduction of minority interest due to increase in interest in subsidiary shareholding	8	(19.5)	–	3.1
Repayment of share application money pending allotment in SOVL		–	–	(26.2)
Foreign exchange differences on foreign currency net investments..........................	8	(34.3)	3.4	13.8
Total recognised (loss)/gain relating to the period/year		(18.9)	29.8	63.0
Prior year adjustment	2	4.8		
Total loss recognised since last annual report		(14.1)		

NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation

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 eighteen month period beginning 1 April 2003. The Directors believe that this information reflects the ongoing operations of the Group more clearly. Vedanta Resources plc (the "Company" or "Vedanta") and Vedanta Resources Holdings Limited's ("VRHL") combination with the Twin Star Holdings Group[2] 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 period presented.

2. Accounting policies

The financial information has been prepared in accordance with generally accepted accounting principles in the UK. 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 period. 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 Economic Interest in Sterlite Industries (India) Limited ("Sterlite") by virtue of the change in treatment for the Sterlite shares held by the Sterlite Employee Welfare Trust ("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:

	Six months ended 30 September 2003		
	New treatment $ million	Previous treatment $ million	Difference $ million
Profit after tax	64.9	64.9	–
Equity minority interests	(38.5)	(41.1)	2.6
Profit for the financial period	26.4	23.8	2.6
Dividends	–	–	–
Retained profit for the period	26.4	23.8	2.6

	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 year	56.5	50.8	5.7

The adoption of this policy led to an increase in the net assets of the Group of $4.8 million at 31 March 2004 (30 September 2003 – $10.0 million, 1 April 2003 – $8.4 million).

Certain balances within the profit and loss comparatives before Group operating profit for the six months ended 30 September 2003 have been reclassified to ensure a consistent presentation in the Group's Financial Statements. Where reclassifications have occurred, these are disclosed in the relevant notes.

The financial information for the year ended 31 March 2004 has been derived from the Group's statutory accounts for that period as filed with the Registrar of Companies. The auditors' report on the statutory accounts for the year ended 31 March 2004 was unqualified and did not contain statements under section 237(2) of the Companies Act 1985 (regarding adequacy of accounting records and returns) or under section 237(3) (regarding provision of necessary information and explanations). The financial information in respect of the six months ended 30 September 2004 is unaudited but has been reviewed by the auditors and their report is set out on page 21. The interim financial information does not constitute statutory accounts as defined under section 240 of the Companies Act 1985.

The currency rates used in the preparation of the financial information set out herein are as follows:

	As at 30 September 2004	Six months ended 30 September 2004	As at 30 September 2003	Six months ended 30 September 2003	As at 31 March 2004	Year ended 31 March 2004
One US Dollar translates to						
Indian Rupee (INR)	46.160	45.577	45.875	46.620	43.390	45.916
Euro (€)	0.812	0.824	0.862	0.884	0.817	0.853
Australian Dollar (A$)	1.388	1.407	1.476	1.539	1.312	1.445
UK Pounds Sterling (£)	0.553	0.551	0.600	0.619	0.545	0.591

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 the Company, VRHL, Vedanta Alumina Limited, Sterlite Paper Limited, Monte Cello Corporation NV, Twin Star Holdings Limited and the aluminium conductor business of Sterlite.

Group Turnover

	Six months ended 30 September 2004 $ million	Six months ended 30 September 2003 (reclassified) $ million	Year ended 31 March 2004 $ million
Class of business			
Aluminium	122.8	107.7	223.4
Copper	316.8	267.7	592.8
Zinc	196.0	177.4	401.1
Other	41.8	24.0	72.2
	677.4	576.8	1,289.5

Group Operating Profit

	Six months ended 30 September 2004 $ million	Six months ended 30 September 2003 $ million	Year ended 31 March 2004 $ million
Aluminium	24.4	16.8	35.4
Copper	25.7	27.8	65.6
Zinc	71.2	59.4	155.7
Other	1.4	0.4	(6.3)
Group operating profit before operating exceptional items	122.7	104.4	250.4
Operating exceptional items	(2.6)	(1.3)	(13.3)
Group operating profit	120.1	103.1	237.1
Aluminium	24.4	15.5	22.1
Copper	25.7	27.8	65.6
Zinc	68.6	59.4	155.7
Other	1.4	0.4	(6.3)

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

Class of business

	Six months ended 30 September 2004 $ million	Six months ended 30 September 2003 $ million	Year ended 31 March 2004 $ million
Aluminium	33.8	24.4	53.6
Copper	40.5	42.2	94.1
Zinc	83.8	68.6	179.3
Other	1.9	1.4	(4.3)
Group EBITDA	160.0	136.6	322.7
Goodwill amortisation	(0.2)	(0.2)	(0.5)
Depreciation	(37.1)	(32.0)	(71.8)
Operating exceptional items	(2.6)	(1.3)	(13.3)
Group operating profit	120.1	103.1	237.1

Depreciation

Class of business

	Six months ended 30 September 2004 $ million	Six months ended 30 September 2003 $ million	Year ended 31 March 2004 $ million
Aluminium	9.4	7.7	18.1
Copper	14.7	14.3	28.5
Zinc	12.6	9.2	23.6
Other	0.4	0.8	1.6
	37.1	32.0	71.8

Profit on ordinary activities before taxation

Class of business

	Six months ended 30 September 2004 $ million	Six months ended 30 September 2003 $ million	Year ended 31 March 2004 $ million
Aluminium	23.9	18.7	22.8
Copper	13.9	16.8	37.9
Zinc	74.0	60.6	163.9
Other	2.1	(1.8)	12.1
	113.9	94.3	236.7
Share of loss in associate before taxation	(1.8)	(1.5)	(3.3)
Profit on ordinary activities before taxation	112.1	92.8	233.4

Net assets

Class of business	As at 30 September 2004 $ million	As at 30 September 2003 (restated) $ million	As at 31 March 2004 (restated) $ million
Aluminium	533.7	253.6	353.9
Copper	209.8	296.8	160.2
Zinc	454.4	344.6	391.4
Other	85.0	65.7	82.8
Net assets before net cash/(debt), goodwill and minority interests	1,282.9	960.7	988.3
Goodwill	3.3	3.6	3.6
Net cash/(debt)	113.7	(379.7)	422.3
Equity minority interests	(443.7)	(442.5)	(423.3)
Net assets	956.2	142.1	990.9

Net cash/(debt)

Class of business	As at 30 September 2004 $ million	As at 30 September 2003 $ million	As at 31 March 2004 $ million
Aluminium	(264.5)	0.7	(75.8)
Copper	76.8	(387.7)	(318.0)
Zinc	10.6	16.2	43.9
Other	290.8	(8.9)	772.2
	113.7	(379.7)	422.3

At 30 September 2003 and 31 March 2004, copper net debt included loans of $87.2 million and $17.3 million respectively, which were raised to purchase the zinc business, Hindustan Zinc Limited ("HZL").

(b) By location

Net assets/(liabilities)

Class of business	As at 30 September 2004 $ million	As at 30 September 2003 (restated) $ million	As at 31 March 2004 (restated) $ million
Australia	11.6	23.7	11.9
India	1,235.6	934.1	999.7
Other	35.7	2.9	(23.3)
Net assets before net cash/(debt), goodwill and minority interests	1,282.9	960.7	988.3
Goodwill	3.3	3.6	3.6
Net cash/(debt)	113.7	(379.7)	422.3
Equity minority interests	(443.7)	(442.5)	(423.3)
Net assets	956.2	142.1	990.9

4. Exceptional Items

(a) Operating exceptional items

	Six months ended 30 September 2004 $ million	Six months ended 30 September 2003 (restated) $ million	Year ended 31 March 2004 (restated) $ million
Restructuring and redundancies	(2.6)	(1.3)	(13.3)
Gross effect of operating exceptional items	(2.6)	(1.3)	(13.3)
Taxation	0.9	0.4	4.8
Minority interests	0.9	0.5	5.4
Net effect of operating exceptional items	(0.8)	(0.4)	(3.1)

During the period ended 30 September 2004, HZL incurred Voluntary Retirement Scheme ("VRS") costs of $2.6 million (30 September 2003 – $1.3 million in BALCO). In the year ended 31 March 2004, HZL and BALCO incurred VRS costs of $13.3 million.

(b) Non-operating exceptional items

	Six months ended 30 September 2004 $ million	Six months ended 30 September 2003 (restated) $ million	Year ended 31 March 2004 (restated) $ million
Profit on sale of fixed asset investment	–	–	0.6
Profit/(loss) on disposal of tangible fixed assets	1.4	0.9	(1.8)
Gross effect of non-operating exceptional items	1.4	0.9	(1.2)
Taxation	(0.5)	(0.3)	0.4
Minority interests	(0.4)	(0.3)	–
Net effect of non-operating exceptional items	0.5	0.3	(0.8)

5. Tax on profit on ordinary activities

Reconciliation of Group tax charge

	Six months ended 30 September 2004 $ million	Six months ended 30 September 2003 (restated) $ million	Year ended 31 March 2004 (restated) $ million
Tax charge/(credit) for the period/year			
UK corporation tax at 30% (31 March 2004 – 30%)	–	–	4.6
Indian corporation tax at 36.59% (30 September 2003 and 31 March 2004 – 35.88%)	25.4	22.2	69.6
Adjustments in respect of prior year	–	(2.4)	(4.9)
Minimum alternate tax	1.5	1.2	0.7
Current tax on exceptional items	0.5	–	(1.2)
Dividend distribution tax on overseas subsidiaries	1.4	–	–
Total current tax	28.8	21.0	68.8
Deferred tax	13.6	7.0	11.2
Deferred tax on exceptional items	(0.9)	(0.1)	(4.0)
Total deferred tax	12.7	6.9	7.2
Total tax charge	41.5	27.9	76.0
Group effective tax rate	37.1%	30.1%	32.6%

6. Earnings per Ordinary Share

(a) Earnings per share on the profit for the period/year

(i) Basic earnings per share on the profit for the period/year

	Six months ended 30 September 2004	Six months ended 30 September 2003 (restated)	Year ended 31 March 2004 (restated)
Profit for the financial period/year ($ million)	34.9	26.4	72.3
Weighted average number of shares of the Company in issue (millions)	286.4	286.0	286.0
Earnings per share on profit for the period/ year (US cents/share)	12.2	9.2	25.3

(ii) Diluted earnings per share on the profit for the period/year

	Six months ended 30 September 2004	Six months ended 30 September 2003 (restated)	Year ended 31 March 2004 (restated)
Profit for the financial period/year before dilutive adjustments ($ million)	34.9	26.4	72.3
Adjustment in respect of convertible bond in Sterlite ($ million)	(1.4)	–	(1.3)
Profit for the financial period/year after dilutive adjustments ($ million)	33.5	26.4	71.0
Weighted average number of shares in the Company in issue after dilutive adjustments (millions)	288.4	286.0	286.2
Diluted earnings per share on profit for the period/year (US cents/share)	11.6	9.2	24.8

For the purposes of the 30 September 2003 and 31 March 2004 results, the Earnings per share ("EPS") calculation has assumed that the number of Ordinary Shares[(1)] in issue immediately after Listing (being 286,000,000) had been in issue from 1 April 2003. 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 only other issue of shares subsequent to the Listing were 388,000 Ordinary Shares issued pursuant to the exercise of the first tranche of awards under the Vedanta Resources Share Reward Plan ("Reward Plan") on 26 February 2004, and the issue of these shares has been used in determining the 30 September 2004 and 31 March 2004 weighted average number of shares.

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.

(b) Earnings per share based on Underlying Profit

The Group's Underlying Profit is the profit for the financial period/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:

	Six months ended 30 September 2004 $ million	Six months ended 30 September 2003 (restated) $ million	Year ended 31 March 2004 (restated) $ million
Profit for the financial period/year	34.9	26.4	72.3
Net effect of operating exceptional items (Note 4a)	0.8	0.4	3.1
Net effect of non-operating exceptional items (Note 4b)	(0.5)	(0.3)	0.8
Underlying Profit for the period/year	35.2	26.5	76.2

(i) Basic earnings per share on Underlying Profit for the period/year

	Six months ended 30 September 2004	Six months ended 30 September 2003 (restated)	Year ended 31 March 2004 (restated)
Underlying Profit for the financial period/year ($ million)	35.2	26.5	76.2
Weighted average number of shares in the company in issue (millions)	286.4	286.0	286.0
Earnings per share on Underlying Profit for the period/year (US cents/share)	12.3	9.3	26.6

(ii) Diluted earnings per share on Underlying Profit for the period/year

	Six months ended 30 September 2004	Six months ended 30 September 2003 (restated)	Year ended 31 March 2004 (restated)
Underlying Profit for the financial period/year before dilutive adjustments ($ million)	35.2	26.5	76.2
Adjustment in respect of convertible bond in Sterlite ($ million)	(1.4)	–	(1.3)
Underlying Profit for the financial period/year after dilutive adjustments ($ million)	33.8	26.5	74.9
Weighted average number of shares in the Company in issue after dilutive adjustments (millions)	288.4	286.0	286.2
Diluted earnings per share on profit for the period/year (US cents/share)	11.7	9.3	26.2

7. Dividend

The Directors have declared an interim dividend of US 5.5 cents per ordinary share (30 September 2003 – nil, 31 March 2004 – final dividend of US 5.5 cents per share) equating to a total interim dividend of $15.8 million (30 September 2003 – nil, 31 March 2004 – $15.8 million).

8. **Consolidated reconciliation of movement in equity shareholders' funds**

	Share capital $ 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 (per annual report)	28.6	18.6	4.4	8.3	926.2	986.1
Prior year adjustment (note 2)	–	–	–	–	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 period	–	–	–	–	19.1	19.1
Loss on reduction of minority interest due to increase in interest in subsidiary shareholding	–	–	–	–	(19.5)	(19.5)
Foreign exchange differences	–	–	–	0.1	(34.4)	(34.3)
Equity shareholders' funds at 30 September 2004	28.6	18.6	4.4	8.4	896.2	956.2

9. **Reconciliation of operating profit from to net cash inflow from operating activities**

	Six months ended 30 September 2004 $ million	Six months ended 30 September 2003 $ million	Year ended 31 March 2004 $ million
Operating profit..	120.1	103.1	237.1
Depreciation	37.1	32.0	71.8
Goodwill amortisation	0.2	0.2	0.5
Increase in stocks	(79.6)	(0.9)	(16.1)
Increase in debtors	(38.2)	(35.8)	(77.2)
Increase in creditors	51.5	33.4	263.1
Increase/(decrease) in other long term creditors	5.5	(0.6)	(6.6)
Other non cash items	0.2	(3.1)	23.7
Net cash inflow from operating activities.....................................	96.8	128.3	496.3

Net cash inflow from operating activities is stated after cash outflows relating to operating exceptional items of $2.6 million in the six months ended 30 September 2004 (30 September 2003 – $1.3 million, 31 March 2004 – $13.3 million).

10. Analysis of net cash/(debt)

	At 1 April 2004 $ million	Cash flow $ million	Other non-cash changes $ million	Foreign exchange differences $ million	At 30 September 2004 $ million
Cash at bank and in hand	52.7	(26.5)	–	(1.0)	25.2
Debt due within one year	(295.3)	195.8	(165.3)	17.3	(247.5)
Debt due beyond one year	(523.6)	(169.0)	65.4	17.4	(609.8)
	(766.2)	0.3	(99.9)	33.7	(832.1)
Current asset investments	1,188.5	(207.1)	–	(35.6)	945.8
Net cash/(debt)	422.3	(206.8)	(99.9)	(1.9)	113.7

NOTICE OF INTERIM DIVIDEND

Notice is hereby given that an interim dividend on the Company's Ordinary Share Capital in respect of the year to 31 March 2005 will be payable as follows:

Amount	US 5.5 cents per Ordinary Share
Currency conversion date	24 November 2004
Ex-dividend on the London Stock Exchange from the commencement of trading on	Wednesday 15 December 2004
Record date	Friday 17 December 2004
Dividend warrants posted	Thursday 13 January 2005
Payment date of dividend	Friday 14 January 2005

Shareholders may elect to be paid their dividends in UK Pounds Sterling provided the UK Registrar receives such election by Friday 31 December 2004. The equivalent of the dividend in UK Pounds Sterling will be 3.0 pence per ordinary share based on an exchange rate of $1 = £0.537.

GLOSSARY AND DEFINITIONS

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

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

Cash Tax Rate -Current taxation as a percentage of profit before taxation

Company or Vedanta - Vedanta Resources plc

Directors - The directors of the Company

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 - EBITDA as a percentage of turnover

Effective Holding and Economic Interest - The Group's Economic Interest in operating companies is different to 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 and its shares held in Sterlite are recorded as a reduction in shareholders' funds, and are treated 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

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

GoI - The Government of the Republic of India

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

GRZ - The Government of the Republic of Zambia

HZL - Hindustan Zinc Limited, a company incorporated in India

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

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

LME - The London Metal Exchange

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 (excluding project capital work in progress)

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 Holdings Limited, a company incorporated in Mauritius and its subsidiaries and associated undertaking

Underlying Profit - Profit for the period/year after adding back operating and non-operating exceptional items and their resultant tax and minority interest effects (see note 6)

Vedanta or Company - Vedanta Resources plc

Vedanta Alumina - Vedanta Alumina Limited, a company incorporated in India

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

THE VEDANTA RESOURCES GROUP

Overview

The Group comprises three major businesses:

- the Copper Business;
- the Aluminium Business; and
- the Zinc Business.

The Group's other activities include an aluminium conductor business, consisting of two power transmission aluminium conductor plants, and an investment in an aluminium foil business, owned and operated by IFL.

On 19 August 2004, Vedanta Resources, via its wholly owned subsidiary VRHL, entered into a subscription agreement to acquire a 51 per cent. stake in KCM, a Zambian company which owns and operates three copper mines, a smelter and a refinery in Zambia. This acquisition was completed on 5 November 2004.

Key strengths

The Directors believe that the key strengths of the Group's businesses are:

- a strong competitive position enjoyed as a result of the Group's market shares in the growing Indian copper, aluminium and zinc markets;
- management's ability to:
    - turn around and optimise underperforming businesses;
    - improve manpower productivity and deliver operational efficiencies;
    - implement capital programmes on time and within budget;
- a well-balanced commodity portfolio; and
- the pipeline of expansion projects.

Group strategy

The Group's strategy is to generate strong financial returns and create a world-class metals and mining company.

The Group is pursuing this strategy by:

- optimising the performance of the existing assets: Vedanta Resources' operational plans for each of its businesses are to debottleneck plants, further improve efficiency, expand output and drive down unit costs;
- completing the projects relating to the 250,000 tpa GAMI-based aluminium smelter at the Korba complex and the proposed 1.0 Mtpa alumina refinery in Orissa;
- consolidating the group structure: Vedanta Resources will continue to increase its direct ownership in the underlying businesses; and
- leveraging established skills: Vedanta Resources will seek further growth opportunities in India, including through the Government's privatisation programmes, and also outside its traditional Indian base, in operations where its proven transactional, operating and turnaround skills can provide a competitive advantage.

History and development of the Group

In 1979, Mr Anil Agarwal acquired, through a family firm, Shamsher Sterling Corporation, which manufactured polyvinyl chloride power and control cables, overhead power transmission conductors and enamelled copper wire. Sterlite Cables Limited, in which the Agarwal family had a substantial interest, subsequently acquired this business and in 1986 changed its name to Sterlite Industries (India) Limited.

In 1988, Sterlite made an initial public offering of its shares and convertible debentures to finance in part its first polythene insulated jelly filled copper telephone cables plant. As part of its strategy to concentrate on businesses with high growth potential, Sterlite discontinued production of polyvinyl chloride power and control cables and enamelled copper wires in 1990 and in 1991 established a continuous cast copper rod plant.

In 1993, Sterlite commissioned a plant for the manufacture of aluminium sheets and foils. In the same year, Sterlite Communications Limited, which was subsequently merged with Sterlite, established a plant for the manufacture of optical fibre at Aurangabad. The Group entered the aluminium production business in 1995 by acquiring an 80 per cent. interest in MALCO as part of MALCO's financial restructuring.

In 1997, in order to obtain captive sources of copper for its copper rod plant, Sterlite commissioned the first privately developed copper smelter in India at Tuticorin. In April 1999, to source copper concentrate for the Tuticorin copper smelter, Monte Cello BV (a subsidiary of Monte Cello Corporation NV, which was wholly owned by Twin Star Holdings Limited ("Twin Star") at that time) acquired Copper Mines of Tasmania Pty Ltd, which owned the Mt Lyell copper mine. In October 1999, Monte Cello BV acquired Thalanga Copper Mines Pty Ltd ("TCM"). Monte Cello Corporation NV subsequently sold Monte Cello BV to Sterlite.

To increase its interests in aluminium, MALCO acquired a 38.8 per cent. interest in India Foils Limited ("IFL") in March 2000.

In July 2000, Sterlite's telecommunications cables and optical fibre business was demerged into a new company, Sterlite Optical Technologies Limited ("SOTL"). The Agarwal Family also has substantial interests in Sterlite Optical Technologies Inc, which owns an optical fibre cables business in the US, and Sterlite Gold Limited, which is listed on the Toronto Stock Exchange and has interests in gold mines and production facilities. SOTL, Sterlite Optical Technologies Inc and Sterlite Gold Limited do not form part of the Group.

Sterlite acquired a 51 per cent. interest in BALCO from the Government of India in March 2001. In 2002, Sterlite, through Sterlite Opportunities and Ventures Limited ("SOVL"), acquired a 26 per cent. interest in HZL from the Government of India and a further 20 per cent. interest through an open market offer. SOTL transferred its 20 per cent. interest in SOVL to Sterlite in February 2003 and SOVL is now a wholly owned subsidiary of Sterlite. On 12 November 2003, SOVL acquired a further 18.9 per cent. interest in HZL following exercise of a call option granted by the Government of India, taking its interest in HZL to 64.9 per cent.

On 10 December 2003, Vedanta Resources' Ordinary Shares were admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange. At the same time Vedanta Resources completed the global offer of 130,000,000 Ordinary Shares raising approximately £477 million (US$825 million) net of underwriting commissions and other fees and expenses.

Immediately prior to the global offering of Ordinary Shares in December 2003, the Group divested a number of subsidiaries and associated undertakings, including SOTL (save for nominal interests held by MALCO and Sterlite in SOTL), Sterlite Optical Technologies Inc and Sterlite Gold Ltd, which carried on businesses which were considered to be non-core to the Group. These companies were transferred to Twin Star International Limited, which is a wholly owned subsidiary of Volcan. At the same time, Vedanta Resources and Vedanta Resources Holdings Limited, which had been newly incorporated for the purpose of the global offering, acquired the entire issued share capital of Twin Star, and Vedanta Resources became the new holding company of the Group.

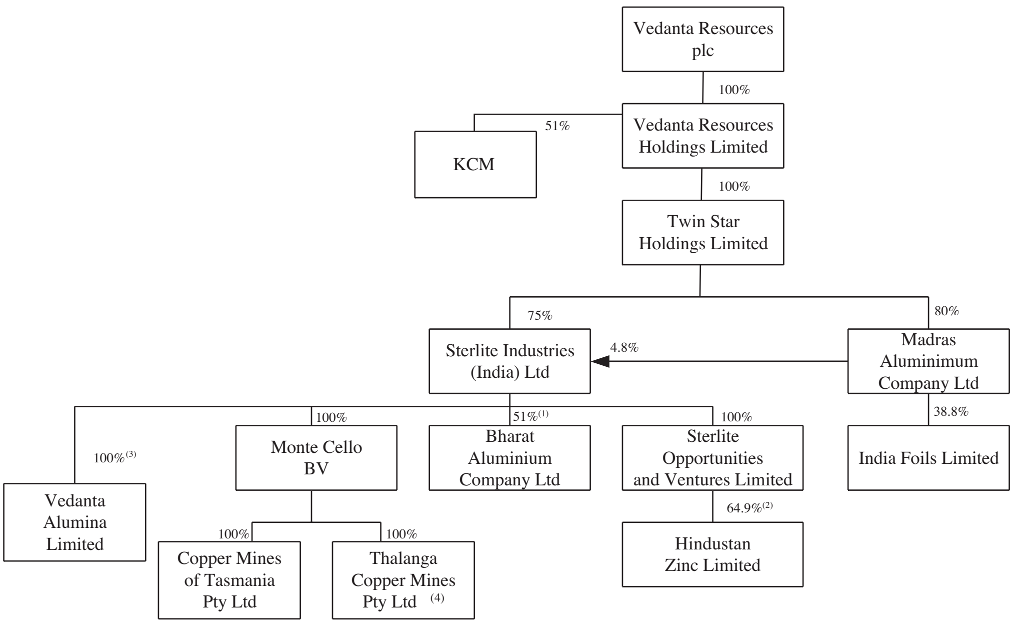
During the first half of 2004, the Group increased its stake in Sterlite by 7.5 per cent. by purchasing Sterlite shares held by the Sterlite Employee's Welfare Trust. Sterlite recently undertook a rights issue, the subscription period for which closed on 10 September 2004. Under the terms of the rights issue, one new share was issued for every two existing shares, at a price of INR550, and raised approximately US$434 million for Sterlite. Twin Star took up its full allocation of approximately 62.7 per cent. (including 7.1 per cent. renounced by MALCO) under the rights issue and took up a further 29.8 per cent, representing the unsubscribed portion of the rights issue. Twin Star has been allocated 35.7 million shares at a total price of approximately US$432 million, which increased the Group's effective interest in Sterlite's issued share capital to 78.8 per cent.

The Government of India has expressed its intent to offer up to 5 per cent. of its shareholding in BALCO to the employees of BALCO. Following this transfer, Sterlite has the right to purchase the Government of India's remaining shareholding in BALCO at a price determined in accordance with the shareholders' agreement.

On 20 August 2004, Vedanta Resources announced that it had entered into a subscription agreement to acquire a 51 per cent. interest in KCM, via its wholly owned subsidiary VRHL, for a total cash consideration of US$48.2 million. The acquisition was completed on 5 November 2004.

Current Group structure

Vedanta Resources holds its interests in the Copper, Aluminium and Zinc Businesses through two subsidiaries—Sterlite Industries (India) Ltd and Madras Aluminium Company Ltd. It holds its interest in KCM through its wholly owned subsidiary VRHL. The following diagram summarises the Group's current corporate structure:



(1) Sterlite has an option over the 49 per cent. owned by as the Government of India. See "Options over further interests in BALCO and HZL" for further information.

(2) Sterlite has options over a further 29.5 per cent. or such lower amount as the Government of India may own at the time of exercise of the relevant options. The Government of India also has a put option that is exercisable from 11 October 2004. See "Options over further interests in BALCO and HZL" for further information.

(3) Following the issue and allotment of shares in Vedanta Alumina, it is expected that Vedanta Resources (via its wholly owned subsidiary Twin Star) will own 70.5 per cent. of Vedanta Alumina's issued share capital and that Sterlite will own the remaining 29.5 per cent. of Vedanta Alumina's issued share capital.

(4) Thalanga Copper Mines Pty Ltd has an interest in approximately 70 per cent. of the Highway Reward mine and a 100 per cent. interest in the Thalanga processing facility.

Sterlite Industries (India) Ltd. Sterlite is incorporated in Aurangabad, State of Maharashtra, India and is headquartered in Mumbai in Maharashtra. Sterlite is currently listed on the National Stock Exchange ("NSE") in India and the Bombay and Calcutta Stock Exchanges, although an application has been made to de-list the shares from the Calcutta Stock Exchange. The Group, through Twin Star and MALCO, currently has an effective interest in 78.8 per cent. of Sterlite's issued share capital and has management control. The remainder of Sterlite's share capital is held by the Sterlite Employees Welfare Trust (3.3 per cent.), Life Insurance Corporation of India (2.9 per cent.) and other institutional and public shareholders (14 per cent.).

The Group's Copper Business is owned and operated by Sterlite and its interests in copper mines in Australia are held through subsidiaries of Sterlite. The Group's Zinc Business and part of its Aluminium Business are owned and operated by HZL and BALCO, respectively, both of which are subsidiaries of Sterlite. At the date of this document, Sterlite's Copper Business has approximately 1,100 employees.

Bharat Aluminium Company Ltd. BALCO is incorporated in New Delhi, State of Delhi, India and is headquartered in Korba in Chattisgarh. Sterlite owns 51 per cent. of BALCO's share capital and has management control. The Government of India owns the remaining 49 per cent. Part of the Group's Aluminium Business is owned and operated by BALCO. Sterlite is party to a shareholders' agreement with the Government of India in connection with its shareholding in BALCO, which includes an option for Sterlite to acquire the Government's remaining shares in BALCO. Pursuant to the shareholders' agreement between the Government of India and Sterlite, Sterlite has the option to acquire the Government of India's 49 per cent. shareholding in BALCO. See "Options over further interests in BALCO and HZL". Sterlite has written to the Government of India indicating that it intends to exercise the call option and it has been agreed that the Government of India will offer up to 5 per cent. of its shareholding in BALCO to the employees of BALCO, following which the Government of India's remaining shareholding in BALCO shall be purchased by Sterlite. Sterlite currently expects the acquisition of the Government's shareholding to be completed by 31 March 2005. At the date of this document, BALCO has approximately 4,500 employees.

Hindustan Zinc Limited. HZL is incorporated in Jaipur, State of Rajasthan, India and is headquartered in Udaipur in Rajasthan. HZL is listed on the Bombay, Delhi and Jaipur Stock Exchanges, although a resolution was passed at the annual general meeting held on 30 September 2004 which proposed de-listing HZL from the Delhi and Jaipur Stock Exchanges. Sterlite (through SOVL) owns 64.9 per cent. of HZL's share capital. The remainder of HZL's share capital is owned by the Government of India (29.5 per cent.), HZL employees (1.5 per cent.) and public shareholders (4.1 per cent.). Sterlite, through SOVL, has management control of HZL with the right to nominate a majority of directors, including the Managing Director and the Chairman. The Group's Zinc Business is owned and operated by HZL. SOVL is party to a shareholders' agreement with the Government of India in connection with its shareholding in HZL, which includes put and call options for SOVL to acquire the Government's remaining shares (see "Options over further interests in BALCO and HZL" for further information). At the date of this document, HZL has approximately 6,000 employees.

Vedanta Alumina Ltd. Vedanta Alumina is incorporated in Mumbai, State of Maharashtra, India. Sterlite currently owns 100 per cent. of the issued share capital of Vedanta Alumina. In May 2004 Vedanta Resources (via its wholly owned subsidiary Twin Star) invested US$100 million in Vedanta Alumina. Shares in Vedanta Alumina will be issued in due course as consideration for this investment. Following allotment of the shares, it is expected that Vedanta Resources (via its wholly owned subsidiary Twin Star) will own 70.5 per cent. of Vedanta Alumina's issued share capital and that Sterlite will own the remaining 29.5 per cent. of Vedanta Alumina's issued share capital. The Group intends to develop the Orissa alumina project through its subsidiaries, Vedanta Alumina and Sterlite. The Group is considering the possibility of introducing a strategic partner into this project and may seek a joint venture partner for offtake and/or investment in the project. At the date of this document, Vedanta Alumina has approximately 70 employees.

Madras Aluminium Company Ltd. MALCO is incorporated in Mettur, State of Tamil Nadu, India where it is also headquartered. MALCO is listed on the Bombay and Madras Stock Exchanges. The Group owns 80 per cent. of MALCO's share capital and has management control. The remaining 20 per cent. is held by public shareholders. Part of the Group's aluminium interests are owned and operated by MALCO. MALCO owns 38.8 per cent. of IFL, which owns an aluminium foil business. The Group intends to make an offer through a wholly owned subsidiary to the minority shareholders of MALCO to purchase the shares of MALCO held by them. The Group expects the offer process to be substantially completed by the middle of 2005 and, if successful, it would result in the shares of MALCO being de-listed from the Bombay and Madras Stock Exchanges. At the date of this document, MALCO has approximately 800 employees.

India Foils Limited. IFL is incorporated in Kolkata, State of West Bengal, India where it is also headquartered. IFL is listed on the Calcutta and Bombay Stock Exchanges and the NSE. MALCO owns 38.8 per cent. of IFL's share capital. Other major shareholders are companies controlled by the Williamson Magor Group (17.3 per cent.) and the ICICI Bank (13.7 per cent.). At the date of this document, IFL has approximately 650 employees.

Consolidation of Group structure

Subject to obtaining any necessary approvals, the Directors intend to continue increasing the Group's interest in its underlying businesses and to simplify the Group's ownership structure by increasing its interests in Sterlite, BALCO, MALCO and HZL. The Directors intend to increase the Group's interest in Sterlite, subject to regulatory approvals and requirements. The Group may increase its holding in BALCO by exercising the call option (which it has indicated it intends to exercise) and acquiring the Government of India's remaining interest in BALCO. The Directors intend to increase the Group's interest in MALCO by making an offer to acquire all MALCO shares not currently owned by the Group. The Group's interest in HZL will increase in the event the put and call options over the Government of India's remaining stake in HZL are exercised. The Government of India may exercise its put option until April 2005.

The acquisition of a 51 per cent. stake in KCM was completed on 5 November 2004. The Directors have no current intention to increase the Group's interest in KCM.

Description of the Businesses

Copper Business

Introduction

The Copper Business is owned and operated by Sterlite. Sterlite's copper operations include a smelter at Tuticorin in southern India, a refinery and two copper rod plants at Silvassa in western India and two mines in Australia. Sterlite is one of the two leading copper producers in India and had a domestic market share of approximately 42 per cent. of copper production in the year ended 31 March 2004. Sterlite's Tuticorin smelter, commissioned in 1997, was the first privately developed copper smelter in India. The Silvassa refinery was commissioned in the same year. The smelter and refinery each have an installed capacity of 180,000 tpa from which Sterlite produced approximately 179,000 tonnes of copper cathode and approximately 123,000 tonnes of copper rod in the year ended 31 March 2004. Sterlite's Australian copper mines supply approximately 20 per cent. of Sterlite's copper concentrate requirements.

In recent years, Sterlite has improved its operating performance by debottlenecking, improving productivity and efficiencies and reducing unit costs (including power costs, through the construction of a captive power plant). In the year ended 31 March 2004, unit operating cash costs of the Copper Business were 7.8 cents per pound of copper produced, compared with 10.0 cents per pound for the year ended 31 March 2002.

Sterlite intends to improve its operating performance further:

- through the recent expansion of asset capacity at the Tuticorin copper smelter from 180,000 tpa to 300,000 tpa of copper anode and the construction of a new 22.5 MW captive power plant;
- through the recent construction of a 127,000 tpa copper refinery and a new copper wire rod plant of 100,000 tpa at the Tuticorin site; and
- by further reducing unit operating costs (through improvements in recovery rates, lower power and transport costs, economies of scale and efficiencies).

Production

The table below sets out Sterlite's total production from Tuticorin and Silvassa for the three years ended 31 March 2004:

Facility[1]	Product	Year ended 31 March 2002(t)[2]	Year ended 31 March 2003(t)	Year ended 31 March 2004(t)
Tuticorin	Copper anode	113,500	158,400	175,200
	Sulphuric acid	367,200	482,100	541,700
	Phosphoric acid	67,600	109,400	117,600
Silvassa	Copper cathode	113,900	155,700	178,700
	Copper rods	85,100	95,100	122,700

(1) See "Presentation of information—Resources, reserves and production" for an explanation of the basis of preparation of production amounts.

(2) These figures reflect production for the nine months ended 31 March 2002.

The table below sets out Sterlite's total mine production for the three years ended 31 March 2004:

Mine[(1)]	Type of Mine	Year ended 31 March 2002 Ore mined (t)	Year ended 31 March 2002 Copper concentrate (t)	Year ended 31 March 2002 Copper in concentrate (t)	Year ended 31 March 2003 Ore mined (t)	Year ended 31 March 2003 Copper concentrate (t)	Year ended 31 March 2003 Copper in concentrate (t)	Year ended 31 March 2004 Ore mined (t)	Year ended 31 March 2004 Copper concentrate (t)	Year ended 31 March 2004 Copper in concentrate (t)
Mt Lyell	Underground	2,696,700	111,300	31,400	2,717,100	102,500	30,400	2,674,900	97,000	28,300
Highway Reward[(2)(3)]	Underground	366,200	193,500	49,900	195,000	30,600	8,400	792,600	103,300	27,200
Total Copper Business		3,062,900	304,800	81,300	2,912,100	133,100	38,800	3,467,500	200,400	55,500

(1) See "Presentation of information—Resources, reserves and production" for an explanation of the basis of preparation of production amounts.

(2) TCM, an indirect wholly owned subsidiary of Sterlite, has an interest of approximately 70 per cent. of the Highway Reward mine. The figures shown represent total mine production at the Highway Reward mine, including that attributable to TCM's joint venture partner, BML Holdings.

(3) The table includes production from the Thalanga open pit mine where mining was completed in February 2002. Mining commenced at Highway Reward underground mine in August 2002. The Highway Reward mine did not reach full production until March 2003.

Resource and reserve base

The table below sets out Sterlite's copper reserves as at 31 March 2004[(1)]:

	Reserves[(2)]					
	Proved Reserve		Probable Reserve		Total Proved and Probable Reserve	
Orebody	(Mt)	Copper (%)	(Mt)	Copper (%)	(Mt)	Copper (%)
Mt Lyell	3.3	1.30	1.1	1.80	4.33	1.42
Highway Reward[(3)]	–	–	–	–	0.1	3.98

(1) The reserve estimate for the year ended 31 March 2004 has been derived by deducting the production for the year ended 31 March 2004 from the reserve estimate for 31 March 2003. Additional drilling at Mt Lyell has proved additional mineral deposits which have not yet been quantified. The split of the reserves for Highway Reward into Proved and Probable categories was not available.

(2) Copper resources are inclusive of reserves. See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation" and "Presentation of information – Resources, reserves and production" for an explanation of the basis of preparation of resource and reserve amounts.

(3) TCM, an indirect wholly owned subsidiary of Sterlite, has an interest of approximately 70 per cent. of the Highway Reward mine. The figures shown represent total mine reserves at the Highway Reward mine, including those attributable to TCM's joint venture partner, BML Holdings.

The table below sets out Sterlite's copper resources as at 31 March 2004[(1)]:

	Resources[(2)]							
	Measured Resource		Indicated Resource		Total Measured Resource and Indicated Resource		Inferred Resource[(3)]	
Orebody	(Mt)	Copper (%)	(Mt)	Copper (%)	(Mt)	Copper (%)	(Mt)	Copper (%)
Mt Lyell	3.4	1.59	17.5	1.36	20.9	1.40	11.7	1.31
Highway Reward[(4)]	–	–	–	–	0.5	4.18	0.1	3.70

(1) The resource estimate for the year ended 31 March 2004 has been derived by deducting the production for the year ended 31 March 2004 adjusted as necessary for the appropriate modifying factors from the resource estimate for 31 March 2003. Additional drilling at Mt Lyell has proved additional mineral deposits which have not yet been quantified. The split of the resources for Highway Reward into Measured and Indicated categories was not available.

(2) Copper resources are inclusive of reserves. See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation" and "Presentation of information – Resources, reserves and production" for an explanation of the basis of preparation of resource and reserve amounts.

(3) See "Presentation of information – Inferred Resources" for an explanation of the basis of calculation of Inferred Resources.

(4) TCM, an indirect wholly owned subsidiary of Sterlite, has an interest of approximately 70 per cent. of the Highway Reward mine. The figures shown represent total mine resources at the Highway Reward mine, including those attributable to TCM's joint venture partner, BML Holdings.

Competitive position

A cost curve produced by CRU International for 2003 ranked Sterlite's copper smelting operations in the first quartile of western world production of primary smelted copper. See "Presentation of information—Cost curves".

All refining is currently performed at Silvassa but following the completion of the refinery at the Tuticorin site anodes from the expanded smelter capacity will be refined at Tuticorin. Sterlite management expects this to reduce transport costs.

Industry overview

Background. Copper's principal uses reflect its properties of high conductivity, ductility, corrosion resistance and strength. It is used principally in electrical and electronic applications and in piping. The main end-use industries are construction (40 per cent. of worldwide end-user demand), electrical and electronic goods and power generation. Copper is also used in a number of alloys, including brass (copper and zinc), bronze (copper and tin), nickel silver, phosphor bronze and aluminium bronze.

Copper producers can be divided into three broad categories:

- Copper mining businesses produce copper concentrate containing 25 to 30 per cent. copper, which is sold in the custom market to copper smelters.
- Copper smelting and refining businesses purchase concentrates which are first smelted to produce blister copper and then processed into copper anode before being refined to produce copper cathode. There is a small market in blister copper as a result of mismatching in smelting and refining capacity, but this only accounts for a very small proportion of total refined copper production.
- Integrated production businesses produce both concentrate and refined metal. Around two-thirds of mine production is integrated with smelting and refining facilities.

Copper supply. The four leading copper mining countries in the world currently account for approximately 58 per cent. of world production. Chile now accounts for some 36 per cent. of total world production, the United States accounts for 8.1 per cent., Indonesia accounts for 7.3 per cent. and Australia accounts for 6.1 per cent. The four leading mines account for nearly 18 per cent. of output. These include three Chilean mines: Escondida, the world's largest mine with production of nearly 1.0 Mtpa of copper concentrate, Chuquicamata and Collahuasi.

The five leading refined copper producing countries are Chile, Japan, China, Russia and the United States, which together account for 54 per cent. of world production of refined copper. The largest single producer is the state run Chilean company Codelco, which has fully integrated operations. Refined copper production from scrap recovery accounts for approximately 12 per cent. of world production of refined copper.

Around one-third of mine production is sold on the custom market. The main exporters of copper concentrates are Chile, Indonesia, Australia, the United States and Peru. The main importers are Japan, China and western Europe.

During 2001 and 2002 the major producers, including Codelco, Phelps Dodge and BHP Billiton, initiated production cuts at both mines and smelters in order to prevent an oversupply of copper. The production cut reduced world mine production by 1.3 per cent. and refined copper production by 1.9 per cent. in 2002 compared to 2001. However, world mine production increased by 1.4 per cent. in 2003 and is expected to increase by approximately 8.9 per cent. in 2004. This is in line with higher copper demand from China.

Pricing. Copper is an LME traded metal.

A large proportion of custom copper concentrates are sold under frame contracts. Copper concentrate prices are calculated by reference to LME prices for refined copper metal from which a TC/RC is deducted. The TC/RCs are negotiated annually. Terms will alter depending on the availability of copper concentrates.

Refined copper is sold direct to consumers or on a terminal market such as the LME. The price is determined on the LME but producers are also able to charge regional premia, which generally reflect the cost of obtaining metal from an alternative source.

Indian copper market. The Indian copper industry currently consists of three producers. The leading producers are Sterlite and Birla Copper (owned by Hindalco). Neither Sterlite nor Birla Copper has any mines in India, although both entities own mining operations in Australia. The third primary domestic producer is state-owned Hindustan Copper Ltd ("HCL"), which is currently in the process of being privatised. HCL is an integrated producer with domestic mining and smelting operations. A fourth entity, SWIL, is due to start secondary production from low-grade scrap in 2004 and primary production from concentrates in 2006.

Copper production in India increased by 5.3 per cent. in the year ended 31 March 2004 with overall production of approximately 396,000 Mt compared to 376,000 Mt in the year ended 31 March 2003.

The demand growth for copper in the Indian market in 2004 is expected to be approximately 10 per cent. Consumption of refined copper in India reached 312,000 tonnes in 2003, an increase of 6 per cent. over the previous year. The principal use of copper in the Indian market is in the electrical sector, which currently accounts for an estimated 60 per cent. of total consumption. A particular focus of usage is winding wire and the telecommunications sector. Other important end-use sectors include construction and industrial equipment. In terms of product, the major source of consumption is in the form of wire and cable. This contrasts with overall western world consumption trends, where construction and transport are of relatively greater importance.

Imports of copper metal are currently subject to a customs duty of between 15 to 20 per cent. (depending on the type of product) charged on the LME-based spot price. Domestic producers of copper are subject to an excise duty of 16 per cent. charged on domestic production prices.

Imports of copper concentrate are subject to a total import tariff of 5 per cent. charged on the purchase price of the concentrate.

In addition, the Finance Act (2 of 2004) has levied an additional surcharge at the rate of 2 per cent.

With effect from 1 March 2002, the customs duty on imported copper metal was reduced from 35 per cent. to 25 per cent. A further reduction of 5 per cent. was made in January 2004. In July 2004, the customs duty on imports of certain copper products was reduced to 15 per cent. and the customs duty on imported copper currently ranges from 15 to 20 per cent. depending on the product. In January 2004 the Special Additional Duty ("SAD") of 4 per cent. that was levied on imports was also abolished. The Government of India may reduce this customs duty further in the future. See ''Risk factors—Industry risks'' for further information on the risks associated with further reductions in customs duties.

Indian exports of copper currently receive an assistance premium from the Government to the LME price of INR9,000 per tonne of copper rod and INR6,500 per tonne of copper cathode.

Consumption, markets and outlook. World refined copper consumption rose by 3.7 per cent. in 2003 to nearly 15.7 Mt. Much of the growth was in Asia, notably in China which is a major importer of refined copper and where demand rose by 19.5 per cent. in 2003. Western world demand was relatively unchanged in 2003, with a fall in western Europe offsetting growth in Asia.

The world copper market experienced a deficit of 351,000 tonnes in 2003 following a surplus of approximately 77,000 tonnes in 2002 and as a result the price remained strong, averaging US$1,780 per tonne (80.7 cents per pound). With production cuts remaining in force and consumption expected to grow, the market is expected to continue to be in deficit in 2004 and 2005.

As in other base metal markets, concerns over signs of slowing economic growth in China led to volatility in the copper price in the third quarter of 2004. After very strong net imports of refined copper into China in 2003 and the first quarter of 2004, there was a reduction in the level of net imports in the second quarter but a revival in August and September. Stocks held on commodity exchanges fell to only 137,000 tonnes at the end of the third quarter of 2004, and the ratio of stocks to consumption was at a very low level. However, the Chinese authorities may continue to impose some constraint on economic growth, with the result that growth in copper consumption in China could fall in 2005, though it is expected to remain high by world standards, supported by continuing investment in the power sector. In contrast to the rest of the world, the power sector is the largest copper-consuming sector of the economy in China.

Against a tight US market, a robust Japanese market and potentially improving demand in Europe, the copper market could remain in deficit for the remainder of 2005. Although scrap availability is increasing and copper mine output is expected to improve, inventories in the refined market are expected to remain low in the short-term. Average prices for 2005 are expected to be lower than that for 2004 but still higher than 2003. World demand for copper is expected to grow by 6.9 per cent. in 2004. Growth in global demand in 2005 is expected to fall from the very high level seen in 2004. Supply is also expected to increase in 2005, in response to the recent period of strong prices, with the result that the market should move close to a global balance in 2005.

Description of operations

Smelters and refineries

Tuticorin complex. The Tuticorin complex was commissioned by Sterlite in 1997 and is located approximately 17 kilometres inland from the port of Tuticorin in Tamil Nadu in southern India. Tuticorin is one of India's two leading copper smelters. The Tuticorin complex consists of a smelter, a sulphuric acid plant, a phosphoric acid plant and a 24 MW captive power plant. In addition, Sterlite has recently completed an expansion of the smelter which will increase installed capacity from approximately 180,000 tpa to approximately 300,000 tpa of copper anode and the commissioning of a 127,000 tpa copper refinery and has also installed a copper rod plant. An additional captive power plant of 22.5 MW has also been completed as part of the expansion and this, together with a further 10 MW generated from the smelter waste heat boiler and the supply from the existing power plant, meet most of the complex's power requirements. The recently completed expanded smelter, copper refinery, copper rod plant and captive power plant will be commissioned once the necessary operating and environmental permits and approvals have been obtained. It is currently expected that these will be obtained, and the expanded operations commissioned, by 31 March 2005. Management expects Tuticorin will operate at full installed capacity from late in the year ending 31 March 2006. The smelter utilises ISASMELT technology. Sulphuric acid is produced, some of which is converted into phosphoric acid, and both are then sold to fertiliser manufacturers and other industries. The recently completed refinery will use ISAPROCESS technology to produce copper cathode and the new copper rod plant will use Properzi technology to produce copper rods.

Silvassa refinery. Silvassa comprises a refinery and copper rod fabrication facility and is located approximately 140 kilometres from Mumbai in the union territory of Dadra Nagar Haveli in western India. ISAPROCESS technology is used in the refinery to produce copper cathode and Properzi technology is used at the fabrication facility to produce copper rods. The refinery has an installed capacity of approximately 180,000 tpa of copper cathode and the copper rod fabrication facility has an installed capacity of approximately 140,000 tpa of copper rods.

Mines

CMT and TCM were acquired in 1999 to supply part of Sterlite's copper concentrate requirements. Although the grade of copper at CMT's Mt Lyell mine is low, both Mt Lyell and the Highway Reward mine operated by TCM produce a clean concentrate which assists the smelting process.

Mt Lyell. Mt Lyell comprises an underground copper mine and a copper processing facility and is owned and operated by CMT (an indirect wholly owned subsidiary of Sterlite). It is located near Queenstown on the west coast of Tasmania, Australia. The mine has a current ore production capacity of approximately 2.75 Mtpa. Contractors are largely used to mine the ore. Management estimates the life of mine at Mt Lyell to be approximately 2 years based on current reserves.

Thalanga. Thalanga comprises the Highway Reward underground copper mine, located approximately 100 kilometres south of Townsville in Queensland, Australia, and the Thalanga copper processing facility, which is located approximately 104 kilometres from the Highway Reward mine. Approximately 70 per cent. of the Highway Reward mine is owned by TCM (an indirect wholly owned subsidiary of Sterlite), which manages the mine, and approximately 30 per cent. is owned by BML Holdings. TCM owns 100 per cent. of the Thalanga processing facility. The mine has a current ore production capacity of approximately 950,000 tpa. The majority of operations at the Highway Reward mine and the Thalanga processing facility are performed by contractors. Management estimates that the mine at Highway Reward will be exhausted by February 2005.

A provision of US$10.3 million has been made for restoration, rehabilitation and environmental liabilities and any other costs of closure of the site operations.

Transport

Copper concentrate from the Mt Lyell and Thalanga processing facilities is transported by road and rail to the ports of Burnie, Tasmania and Townsville, Queensland, respectively. The copper concentrate is shipped to the port of Tuticorin in India for transport by road to Sterlite's Tuticorin complex. Copper concentrate sourced from third parties is also transported from the Tuticorin port by road to the Tuticorin complex.

Once processed at the Tuticorin complex, the copper anodes are either refined at Tuticorin or transported by road to Silvassa. The sulphuric and phosphoric acids produced are currently transported to customers by road and by ship.

Sales and marketing

Sterlite has field sales and marketing offices and personnel in Mumbai, New Delhi, Kolkata, Bangalore, Hyderabad, Indore, Jaipur, Vapi and Faridabad. Sterlite sells its copper products both in the domestic and export markets. In early 2003, the LME listed the metal produced by Sterlite and gave the copper a 'Grade A' label. In the financial year ended 31 March 2004, Sterlite exported approximately 40 per cent. of copper rod produced and 62 per cent. of saleable copper cathode produced to a range of countries including China, Japan, the Philippines, Singapore, South Korea, Taiwan, Thailand and in the Middle East. Sterlite management expects the percentage of exports to increase as the recently expanded capacity at Tuticorin comes into operation. Sterlite also sells the sulphuric acid, phosphoric acid and gypsum produced at Tuticorin and the anode slimes containing gold and silver produced at Silvassa.

Projects and Developments

See "Acquisition and diversification opportunities – Konkola Copper Mines" for information on Vedanta Resources' acquisition of a 51 per cent. stake in KCM.

Concentrate suppliers

The Mt Lyell and Highway Reward copper mines provide approximately 20 per cent. of Sterlite's copper concentrate requirements. A further 38 per cent. is purchased under long-term contracts and the remainder is purchased in the spot market. The percentage of copper concentrates sourced from Sterlite's own mines is expected to fall as reserves at Mt Lyell and Highway Reward are exhausted and the recently expanded capacity at Tuticorin comes into operation. Sterlite is currently seeking to source additional concentrate requirements with the objective of sourcing 70 per cent. from long term sources or under toll smelting arrangements.

Aluminium Business

Introduction

The Aluminium Business is owned and operated by BALCO and MALCO. BALCO and MALCO are fully integrated aluminium producers, which were established in 1965 and 1960, respectively. In the year ended 31 March 2004, the combined domestic market share of BALCO and MALCO was approximately 16 per cent. of aluminium sales.

BALCO's aluminium operations comprise a bauxite mine and the Korba alumina refining and aluminium smelting complex, which includes a captive power plant and fabrication facility, all of which are located in the State of Chattisgarh in central India. BALCO's bauxite mine produced approximately 517,000 tonnes of bauxite in the financial year ended 31 March 2004 and supplies all of BALCO's bauxite requirements. The Korba complex has an installed capacity of approximately 200,000 tpa of alumina and approximately 100,000 tpa of aluminium.

Since Sterlite acquired its interest in BALCO, BALCO has improved its operating performance by debottlenecking, improving productivity and efficiencies and reducing unit costs. In the year ended 31 March 2004, BALCO's unit operating cash costs were US$1,237 per tonne, compared with US$1,577 per tonne for the year ended 31 March 2002.

BALCO intends to improve its operating performance further by:

- reducing unit operating costs at the Korba complex by lowering power consumption, improving the operating efficiency of the captive power plant, reducing the purchase of power from the grid through the installation of a fifth boiler in its captive power plant and further rationalising the workforce; and
- expanding aluminium smelting capacity at Korba to approximately 350,000 tpa.

BALCO also intends to focus on the production of fabricated products with higher margins.

MALCO's aluminium operations comprise two bauxite mines and the Mettur Dam alumina refining and aluminium smelting complex, which includes a captive power plant and fabrication facility, all of which are located in the State of Tamil Nadu in southern India. MALCO's two bauxite mines produced approximately 272,000 tonnes of bauxite in the financial year ended 31 March 2004 and are supplying all of MALCO's bauxite requirements. The Mettur Dam complex has a capacity of approximately 80,000 tpa of alumina and approximately 40,000 tpa of aluminium.

Since the Group acquired its interest in MALCO, MALCO has improved its operating performance by setting up a coal-fired captive power plant, providing reliable power at reduced cost, though in the financial year ended 31 March 2004, operating costs were affected by the increased costs of imported coal. In the year ended 31 March 2004, MALCO's unit operating cash costs were US$1,182 per tonne, compared with US$1,208 per tonne for the year ended 31 March 2002.

MALCO intends to improve its operating performance further by improving consumption efficiencies.

Sterlite has entered into a memorandum of understanding with the state government of Orissa in relation to the establishment of an alumina refinery with an initial installed capacity of 1.0 Mtpa and an associated captive power plant in the State of Orissa in eastern India. Provided that the necessary funding, leases and approvals are obtained, management expects that the refinery will be commissioned in March 2007. Alumina from the proposed Orissa refinery is expected initially to be transported to BALCO's aluminium smelter at Korba for processing, or sold on the domestic or export markets.

Production

The table below sets out BALCO's and MALCO's total alumina and aluminium production for the three years ended 31 March 2004:

	Year ended 31 March 2002		Year ended 31 March 2003		Year ended 31 March 2004	
Company[1]	**Alumina (t)**	**Aluminium (t)**	**Alumina (t)**	**Aluminium (t)**	**Alumina (t)**	**Aluminium (t)**
BALCO	139,000	68,000	196,000	96,000	203,000	96,900
MALCO	60,000	30,000	61,000	31,000	66,700	32,200
Total Aluminium Business	199,000	98,000	257,000	127,000	269,700	129,100

(1) See "Presentation of information – Resources, reserves and production" for an explanation of the basis of preparation of production amounts.

Resource and reserve base

The table below sets out BALCO's and MALCO's bauxite reserves as at 31 March 2004[1]:

		Reserves[2]					
		Proved Reserve		Probable Reserve		Total Proved Reserve and Probable Reserve	
Orebody		**(Mt)**	**Aluminium Oxide (%)**	**(Mt)**	**Aluminium Oxide (%)**	**(Mt)**	**Aluminium Oxide (%)**
BALCO	Mainpat	4.6	48	2.0	48	6.6	48
	Bodai-Daldali	7.1	48	–	–	7.1	48
MALCO	Yercaud	0.8	42	–	–	0.8	42
	Kolli	0.9	44	–	–	0.9	44
Total		13.3	47	2.0	48	15.3	47

(1) The reserve estimate was derived by deducting the production for the financial year ending 31 March 2004 from the reserve estimate for 31 March 2003. No material changes have been identified since the last estimate was prepared.

(2) Bauxite resources are additional to reserves. See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation" and "Presentation of information – Resources, reserves and production" for an explanation of the basis of preparation of resource and reserve amounts.

The table below sets out BALCO's and MALCO's bauxite resources as at 31 March 2004[(1)]:

Orebody		Resources[(2)] Measured Resource (Mt)	Measured Resource Aluminium Oxide (%)	Indicated Resource (Mt)	Indicated Resource Aluminium Oxide (%)	Total Measured Resource and Indicated Resource (Mt)	Total Measured Resource and Indicated Resource Aluminium Oxide (%)	Inferred Resource[(3)] (Mt)	Inferred Resource[(3)] Aluminium Oxide (%)
BALCO[(4)]	Mainpat	–	–	–	–	0	0	5.0	48
	Bodai-Daldali	–	–	–	–	0	0	2.0	48
	Pandrapat	–	–	–	–	0	0	8.0	48
MALCO	Kolli	–	–	0.8	44	0.8	44	1.3	44
	Poondi	–	–	–	–	0	0	1.6	44
Total		–	–	0.8	44	0.8	44	17.9	47

(1) The resource estimate was extracted without material change from the estimate prepared for the year ended 31 March 2003.

(2) Bauxite resources are additional to reserves. See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation" and "Presentation of information – Resources, reserves and production" for an explanation of the basis of preparation of resource and reserve amounts.

(3) See "Presentation of information – Inferred Resources" for an explanation of the basis of calculation of Inferred Resources.

(4) The exploration lease for the Jamirapat deposit was allowed to lapse following the decisions to develop the Lanjigarh alumina refinery and to not expand the capacity of the Korba alumina refinery. This has reduced BALCO's inferred resources by 15.7 Mt.

Competitive position

A cost curve produced by CRU International for 2003 ranked each of BALCO's and MALCO's aluminium operations in the third quartile of worldwide production of aluminium. See ''Presentation of information— Cost curves''. Both BALCO and MALCO benefit from being fully integrated, with captive bauxite mines and power supplies, and have single-site refining and smelting operations.

Industry overview

Background. The key properties of aluminium have defined its uses. Aluminium is lightweight in relation to its strength, is durable and is resistant to corrosion. It can also be extruded, rolled, formed and painted. Three end use sectors account for about 70 per cent. of total world consumption of aluminium: construction; transport; and packaging. The remaining 30 per cent. is accounted for by a wide variety of consumer and capital goods. Aerospace and defence applications, once the main market for aluminium, now account for less than 5 per cent. of total world consumption. In the automobile industry, aluminium is increasingly being substituted for steel to reduce weight and improve fuel economy.

The raw material from which aluminium is produced is bauxite, which is a very common mineral found mainly in tropical regions. It normally occurs close to the surface and can be mined by open pit methods. The bauxite is refined into alumina. Typically bauxite ranges from 35 to 60 per cent. of contained alumina. There are several different types of bauxite and, as a result, alumina refineries are usually designed to treat a specific type of bauxite. The majority of alumina refineries are therefore integrated with mines.

An electrolytic process is used to produce aluminium from alumina. Around 60 per cent. of worldwide alumina production is integrated with aluminium smelting facilities and the remainder is sold. Aluminium smelters tend towards downstream integration through the production of value added products.

Aluminium supply. The major bauxite producing countries are Australia, Brazil and Guinea. Bauxite supplies are highly concentrated as a result of the considerable infrastructure investment required to access large bauxite deposits.

Until the 1970's, aluminium was produced predominantly in the advanced industrialised countries. However, aluminium smelting is electricity intensive and production has and continues to shift to regions with cheap electricity. In 2003, China was the largest aluminium producing country, with Russia second, Canada third, the United States fourth and Australia fifth. The Chinese aluminium industry has developed rapidly in recent years, due to an increase in domestic demand.

As a result of recent rationalisation of the industry, aluminium production has become more concentrated, with the leading five producers accounting for approximately 41.5 per cent. of world primary aluminium production in 2003. The largest producer, Alcoa, accounted for approximately 12.6 per cent. of world sales (on a volume basis) in 2003. The other major producers were Alcan, Russian Aluminium, Norsk Hydro and BHP Billiton.

Global aluminium capacity and production have risen steadily in recent years. Between 1997 and 2003, capacity increased by 26.4 per cent. to 30.6 Mtpa and production by 28.1 per cent. to 28.0 Mtpa.

Pricing. Aluminium is an LME traded metal. It is either sold direct to consumers or on a terminal market. The price is determined by the LME but producers are also able to charge regional premia, which generally reflect the cost of obtaining the metal from an alternative source.

Alumina prices are negotiated on an individual basis between buyer and seller but are usually determined by reference to the LME price for aluminium. The negotiated agreements generally take the form of long-term contracts, but fixed prices can be negotiated for shorter periods and a relatively small spot market also exists.

Indian aluminium market. The four primary aluminium producers in India, in order of market share of primary aluminium production, are Hindalco, NALCO, BALCO and MALCO. Total aluminium production in India for 2003 was approximately 799,000 tonnes, an increase of 19 per cent. on 2002, making India the eighth largest producer worldwide. The majority of aluminium produced in India is consumed domestically, with limited exports to countries including Singapore, Taiwan and the United Arab Emirates.

The demand growth for aluminium in the Indian aluminium market for 2004 is expected to be approximately 8 per cent. Total consumption of primary aluminium in India in 2003 reached 798,000 tonnes, representing an increase of 32.2 per cent. from 2002. In 1970, the Government of India instituted the Aluminium Control Order to regulate the domestic aluminium industry, which compelled domestic producers to sell around 50 per cent. of their primary aluminium to the Indian electricity sector. Despite the removal of this order in 1989, electrical applications continue to be the largest end-use sector consuming around 35 per cent. of aluminium production as a result of the continuing drive to provide electricity throughout the country. Transport is also a major consumer contributing 20 per cent. of demand, but average aluminium use in Indian-made automobiles is still approximately one-third of that in western-made automobiles.

Imports of aluminium are currently subject to an import tariff of approximately 15 to 20 per cent. charged on the LME-based spot price. Domestic producers of aluminium are subject to an excise duty of 16 per cent. charged on domestic production prices.

In addition, the Finance Act (2 of 2004) has levied an additional surcharge on the excise duty at the rate of 2 per cent.

With effect from 1 March 2002, the customs duty on imported aluminium was reduced from 25 per cent. to 15 per cent. (except for certain aluminium products). In January 2004, the Special Additional Duty ("SAD") of 4 per cent. that was levied on imports was also abolished. The Government of India may reduce this customs duty further in the future. See "Risk factors—Industry risks" for further information on the risks associated with further reductions in customs duties.

Indian exports of aluminium receive an assistance premium from the Government to the LME price of 3 per cent. for aluminium ingots and wire rods and 7 per cent. for rolled products. Alumina exports also receive a premium of 7 per cent. to the free on board price.

Consumption, markets and outlook. World primary aluminium consumption reached approximately 24.9 Mt in 2000 and fell to 24 Mt in 2001, before recovering to 25.3 Mt and 27.4 Mt in 2002 and 2003, respectively. The year on year trend of aluminium demand growth closely reflects macroeconomic business cycles.

The aluminium market was in deficit in 2000. However, 2001 was a year of surplus following an estimated decline of 4.9 per cent. in consumption. In 2002, the market was in surplus, despite the recovery in demand as production was boosted by capacity additions and the relaxation of some power-related production cutbacks. The LME three months price averaged $1,364/tonne in 2002 and rose slightly to average $1,428/tonne in 2003. In the first nine months of 2004, the three months price averaged $1,690/tonne.

Driven mainly by growth in demand in China, Japan and Europe, world demand for aluminium increased by 8.1 per cent. in 2003 compared to 2002. It is expected to grow by approximately 8.8 per cent. in 2004, driven principally by the markets in China, the US and Japan. The ratio between aluminium consumption and reported inventories at producers, consumers and exchanges has fallen sharply in 2004, to approximately 6.5 weeks of stock at the end of the third quarter, compared to almost 9 weeks at the end of the third quarter of 2003. The ratio is expected to remain low throughout 2005, despite a probable increase in production.

Chinese exports reached 280,000 tonnes in the first nine months of 2004, which exceeds the rate of exports for the whole of 2003. However the 8 per cent. Chinese VAT rebate on exports of metal is expected to be removed and an export tax is under consideration. These moves could lead to reduced exports of metals from China in 2005.

Construction and power transmission are the largest end-use sectors for aluminium in China. Chinese aluminium demand is expected to grow at a slower rate in 2004, compared to the 21.6 per cent. growth rate in 2003. Global demand is expected to grow by almost 9 per cent. in 2004, driven by strong growth in demand not only in China but also in other geographical regions, especially the US, which is still the largest consuming region in the world. Growth in US demand is expected to be approximately 10 per cent. in 2004.

Description of operations

BALCO

Refinery and smelter

Korba aluminium complex. BALCO's integrated aluminium complex is located at Korba in the State of Chattisgarh in central India. The refinery was commissioned in 1973 and the smelter was commissioned in 1975. The complex consists of a conventional high pressure Bayer alumina refinery, a vertical stud Soderberg cell aluminium smelter, a 270 MW power plant and a fabrication facility. The Korba complex has an installed capacity of approximately 200,000 tpa of alumina refining and approximately 100,000 tpa of aluminium smelting. The power requirements of the complex are largely met by its captive coal-fired power plant. BALCO produces both primary metal, in the form of ingots, and finished products, such as rods and cold rolled sheets and coils. In 2004, BALCO commissioned a new 36ktpa cold rolling facility to increase its capacity to produce fabricated products, which are sold at higher margins.

Mine

Mainpat. The Mainpat mining complex is located in the Surguja district in the State of Chattisgarh in central India and was commissioned in 1993. The open pit mine produced approximately 500,000 tonnes of bauxite in the financial year ended 31 March 2004. The life of mine at Mainpat is estimated by management to be approximately 11 years.

Transport

Bauxite is transported approximately 250 kilometres from the Mainpat mine by truck to the Korba aluminium complex. Public road conditions can vary and therefore a road building and improvement programme between Mainpat and Korba is underway and is expected to be completed in 2005.

Sales and marketing

BALCO has sales and marketing offices in Mumbai, New Delhi, Kolkata, Nagpur, Hyderabad and Bangalore and sells its primary aluminium and aluminium products primarily in the domestic market. BALCO's key customers include conductor manufacturers, state road transport corporations, railways, defence organisations and electrical equipment and machinery manufacturers.

BALCO sells approximately 90 per cent. of its products directly from its plants and the remaining 10 per cent. through its depots. Rods, which in the year ended 31 March 2004 accounted for approximately 50 per cent. of total sales, are largely sold directly to end users, and part of the ingot and cold rolled product sales are also made directly to end users. The remainder of sales are through BALCO's own dealers.

Projects and developments

Korba aluminium complex. BALCO is currently expanding capacity at its Korba aluminium smelter to approximately 350,000 tpa at an estimated cost of approximately US$900 million. The expanded capacity is expected to be commissioned in the financial year ending 31 March 2006. BALCO plans to use technology provided by Guiyang Aluminium and Magnesium Institute ("GAMI") of the People's Republic of China in the expansion of the Korba smelter. A 540 MW coal-fired power plant is being constructed to supplement the existing 270 MW coal-fired power plant and is expected to be completed in the financial year ending 31 March 2006. Work to expand the aluminium smelter and construct the power plant has commenced. The expansion is being partly financed from bank facilities and from existing resources.

Bauxite deposits. BALCO plans to commission the Bodai-Daldali deposit, which is located approximately 260 kilometres from Korba in the Kawardha district of the State of Chattisgarh, India, by 31 March 2005. BALCO also has interests in the Pandrapat deposit located in the Jashpur districts of the State of Chattisgarh, which are currently under exploration.

Total capital expenditure over the two years ending 31 March 2006 by BALCO is estimated at approximately US$900 million. See "Management's discussion and analysis of financial condition and results of operations – Capital expenditure and financial commitments" for further information.

MALCO

Refinery and smelters

Mettur Dam aluminium complex. MALCO's integrated aluminium complex is located at Mettur Dam in the Mettur region of the State of Tamil Nadu, India and was commissioned in 1965. The complex consists of a Bayer alumina refinery, a vertical stud Soderberg aluminium smelter, a 75 MW captive power plant and a fabrication facility. The Mettur Dam complex has an installed capacity of approximately 80,000 tpa of alumina and approximately 40,000 tpa of aluminium. MALCO produces both primary metal, in the form of ingots, and finished products, in the form of rods for domestic sale.

Mines

Yercaud. The Yercaud mining complex is located approximately 85 kilometres east of the Mettur Dam complex in the State of Tamil Nadu, India. The open pit mine is worked by private mining contractors and produced approximately 149,000 tonnes of bauxite in the financial year ended 31 March 2004. The life of mine at Yercaud is estimated by management to be approximately 5 years.

Kolli. The Kolli mining complex is located approximately 150 kilometres south-east of the Mettur Dam complex in the State of Tamil Nadu, India. The open pit mine is worked by private mining contractors and produced approximately 123,000 tonnes of bauxite in the financial year ended 31 March 2004. The life of mine at Kolli is estimated by management to be approximately 8 years.

Transport

Bauxite from the Yercaud and Kolli mines is transported by truck to Mettur Dam. The Mettur Dam complex has road and rail connections for the transport of supplies and products.

Sales and marketing

MALCO's alumina and aluminium products are marketed through BALCO's sales and marketing offices. MALCO has the advantage of being the only operating aluminium smelter in southern India and is therefore closer to its customers than its competitors are. All of MALCO's alumina and aluminium products are sold in the domestic market.

MALCO focuses on serving the power sector and in the financial year ended 31 March 2004 approximately 88 per cent. of its production was electrical conductor grade wire rods.

In the financial year ended 31 March 2004, three customers accounted for approximately 48 per cent. of MALCO's sales and, of these three, one customer accounted for approximately 25 per cent. of sales.

Projects and developments

MALCO has increased, through debottlenecking, its aluminium smelter capacity from 35,000 tpa to 40,000 tpa, at a cost of US$5.1 million. The expansion of the captive power plant capacity to match the increased capacity of the smelter was completed at the end of 2004.

The level of production at the Kolli mine will be increased following the planned expansion of the Mettur Dam complex.

Vedanta Alumina Limited

Projects and developments

Orissa alumina refinery and bauxite deposit. The Group is setting up an alumina refinery with an initial installed capacity of 1.0 Mtpa and an associated 85 MW to 125 MW captive power plant in the Lanjigarh district of State of Orissa, which is located approximately 450 kilometres from the Korba complex. Management estimates the cost of the project to be approximately US$800 million and the Group is developing this project through its subsidiaries, Vedanta Alumina and Sterlite. Sterlite has entered into a memorandum of understanding with the state government of Orissa, pursuant to which the state government has undertaken to assist Sterlite in procuring land and obtaining certain consents for the purposes of the alumina refinery and captive power plant and to establish bauxite mining facilities at Lanjigarh. Sterlite has also entered into a leasehold agreement with the Orissa Infrastructure Development Corporation pursuant to which it leases the land on which the alumina refinery is intended to be constructed. The Orissa Mining Corporation (''OMC'') has agreed to permit Vedanta Alumina, through a joint venture company, to undertake prospecting operations in Lanjigarh, which has an Inferred Resource of approximately 72 Mt. Vedanta Alumina and the state government of Orissa have also had discussions regarding the possibility of making other deposits available so as to provide total reserves of 150 Mt of bauxite to the alumina refinery. Subject to obtaining the necessary funding, leases, permits and approvals, management expects that the Orissa refinery and power plant will be commissioned by March 2007. Alumina from the proposed Orissa refinery is expected initially to be transported to BALCO's aluminium smelter at Korba for processing or sold on the domestic or export markets. Management expects that part or all of the funding for Orissa to be contributed by the Group will come directly from Vedanta Resources. Vedanta Alumina had committed capital expenditure of approximately US$327 million up to 30 September 2004 and plans to commit a further approximately US$475 million on capital expenditure over the next 11 months. The designs and plans have been completed and civil engineering work has begun on the site and the surrounding facilities. The Group is considering the possibility of introducing a strategic partner into this project and may seek a joint venture partner for offtake and/or investment in the project.

Zinc Business

Introduction

The Zinc Business is owned and operated by HZL, India's only integrated zinc producer, and had a domestic market share of 75 per cent. of zinc sales for the year ended 31 March 2004. HZL's zinc operations include three lead-zinc mining complexes, one lead-zinc smelter and one zinc smelter in the State of Rajasthan in north-west India and one zinc smelter in the State of Andhra Pradesh in south-east India. HZL's three lead-zinc mining complexes have a total capacity of 4.2 Mtpa. The three smelters have the combined capacity to produce approximately 210,000 tpa of zinc metal and 34,000 tpa of lead metal. HZL's mines supply all of its concentrate requirements. HZL also exports excess zinc and lead concentrates.

Since Sterlite first acquired an interest in HZL, HZL has improved its operating performance by debottlenecking, improving productivity and efficiencies and reducing unit costs (including power costs at the Debari smelter through the construction of a captive power plant). In the year ended 31 March 2004, the unit operating cash costs of the Zinc Business were US$571 per tonne of metal produced, compared with US$850 per tonne for the year ended 31 March 2002.

HZL intends to improve its operating performance further by:

- expanding installed capacity at its zinc smelters to approximately 400,000 tpa of zinc through the expansion of its current installed capacity and the construction of a 170,000 tpa hydrometallurgic zinc smelter and a 154 MW coal-fired captive power plant at Chanderiya in the State of Rajasthan;
- expanding production at its Rampura Agucha lead-zinc mine to 3.3 Mtpa of ore and eventually to 3.75 Mtpa;
- expanding lead manufacturing capacity by 50,000 tpa by increasing capacity from 34,000 tpa to 84,000 tpa of lead metal at the Chanderiya lead-zinc smelter;
- continuing debottlenecking initiatives underway at its existing operations; and
- reducing power and royalty unit costs, further rationalising the workforce through the voluntary retirement scheme, increasing productivity and upgrading existing technology.

HZL also intends to develop markets in India for its zinc, including in the construction industry.

HZL benefits from being the only producer in India with integrated zinc mining operations. One factor specific to HZL's mining cost profile is a royalty charge payable to the State of Rajasthan. This charge is currently 6.6 per cent. of the LME zinc metal price chargeable on the contained zinc metal in ore mined. Similarly, a 5 per cent. charge is payable in respect of lead.

Production

The table below sets out HZL's total zinc metal and lead metal production for the three years ended 31 March 2004:

Metal[1]	Year ended 31 March 2002(t)	Year ended 31 March 2003(t)	Year ended 31 March 2004(t)
Zinc metal	176,300	207,100	220,700
Lead metal	32,700	33,800	25,100

(1) See "Presentation of information—Resources, reserves and production" for an explanation of the basis of preparation of production amounts.

The tables below set out HZL's total ore, zinc concentrate and lead concentrate production for the three years ended 31 March 2004:

	Year ended 31 March 2002			
Mine[1]	**Type of mine**	**Ore production (t)**	**Zinc concentrate production (t)**	**Lead concentrate production (t)**
Rampura Agucha	Opencut	1,550,000	317,000	19,700
Rajpura Dariba	Underground	379,000	36,900	7,800
Zawar	Underground	697,000	44,400	17,500
Total		2,626,000	398,300	45,000

	Year ended 31 March 2003			
Mine[1]	**Type of mine**	**Ore production (t)**	**Zinc concentrate production (t)**	**Lead concentrate production (t)**
Rampura Agucha	Opencut	1,774,000	379,200	28,900
Rajpura Dariba	Underground	508,000	55,500	9,400
Zawar	Underground	748,000	51,200	17,500
Total		3,030,000	485,900	55,800

	Year ended 31 March 2004			
Mine[1]	**Type of mine**	**Ore production (t)**	**Zinc concentrate production (t)**	**Lead concentrate production (t)**
Rampura Agucha	Opencut	2,200,000	509,800	40,600
Rajpura Dariba	Underground	593,000	54,000	10,100
Zawar	Underground	851,100	51,100	23,600
Total		3,444,100	614,900	74,300

(1) See "Presentation of information—Resources, reserves and production" for an explanation of the basis of preparation of production amounts.

Resource and reserve base

The table below sets out HZL's zinc and lead reserves base as at 31 March 2004:

	Reserves[(1)]:								
	Proved Reserve			Probable Reserve			Total Proved and Probable Reserve		
Mine	Mt	Zn %	Pb %	Mt	Zn %	Pb %	Mt	Zn %	Pb %
Rampura Agucha[(2)]	24.6	13.4	2.0	15.5	12.5	1.9	40.1	13.0	2.0
Rajpura Dariba	1.8	8.0	1.9	4.6	5.8	1.4	6.4	6.4	1.6
Zawar	1.5	3.9	2.1	6.1	3.6	1.9	7.6	3.7	2.0
Total	27.9	12.5	2.0	26.1	9.2	1.8	54.1	10.9	1.9

(1) Resources are additional to reserves. See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation" and "Presentation of information – Resources, reserves and production" for an explanation of the basis of preparation of resource and reserve amounts.

(2) The reserve estimate for Rampura Agucha was derived by deducting production for the year ended 31 March 2004 from the reserve estimate for 31 March 2003. No material changes have been identified since the last estimate was prepared.

The table below sets out HZL's zinc and lead resources base as at 31 March 2004[(1)]:

	Resources[(2)]											
	Measured Resource			Indicated Resource			Total Measured and Indicated Resource			Inferred Resource[(3)]		
Mine	Mt	Zn %	Pb %	Mt	Zn %	Pb %	Mt	Zn %	Pb %	Mt	Zn %	Pb %
Rampura Agucha				6.2	14.1	2.4	6.2	14.1	2.4	15.1	13.0	2.2
Rajpura Dariba	4.6	9.5	2.9	12.8	7.1	2.9	17.4	7.7	2.9	7.8	5.2	1.8
Zawar	23.2	5.1	1.9	4.9	4.3	2.7	28.1	4.9	2.0	12.3	4.4	2.6
Total Resource	27.9	5.8	2.0	23.8	8.3	2.7	51.7	7.0	2.4	35.2	8.3	2.3

(1) The resource estimate for Rampura Agucha was extracted without material change from the estimate prepared for the year ended 31 March 2003. The resource estimates for Rajpura Dariba and Zawar were re-estimated for the year ended 31 March 2004.

(2) Resources are additional to reserves. See "Presentation of information – Ore reserve and mineral resource reporting – basis of preparation" and "Presentation of Information – Resources, reserves and production" for an explanation of the basis of preparation of resource and reserve amounts.

(3) See "Presentation of information – Inferred Resources" for an explanation of the basis of calculation of Inferred Resources.

Competitive position

A cost curve produced by CRU International for 2003 ranked HZL's zinc smelting operations, on a weighted average basis, in the first quartile of western world production of refined zinc. See ''Presentation of information—Cost curves''.

HZL benefits from being the only producer in India with integrated zinc mining operations. One factor specific to HZL's mining cost profile is a royalty charge payable to the State of Rajasthan. This charge is currently 6.6 per cent. of the LME zinc metal price chargeable on the contained zinc metal in ore mined. Similarly, a 5 per cent. charge is payable in respect of lead. HZL had made representations to the Rajasthan state government requesting a reduction in the royalty rate.

The Rajasthan state government had previously agreed to defer up to 50 per cent. of the royalties payable on the ore extracted from the expanded mine. This concession has since been withdrawn and HZL is making further representations to the state government of Rajasthan requesting such a reduction in the royalty rate.

Industry overview

Background. The principal use for zinc worldwide is galvanising, which involves coating steel with zinc to guard against corrosion. Galvanising, including sheet, tube, wire and general galvanising, accounts for around 52 per cent. of total western world consumption of zinc. The main end-use industries for galvanised steel products are the manufacture of automobiles and domestic appliances and the construction industry, and it is these industries on which zinc consumption is ultimately dependent. Other major uses for zinc include diecastings (12 per cent. of western world consumption), brass semis (used in construction materials, electrical and engineering goods) and castings (18 per cent. of western world consumption), oxides and chemicals (7 per cent. of western world consumption), rolled products (7 per cent. of western world consumption) and dust (used in a variety of chemical and metallurgical applications) and other uses (4 per cent. of western world consumption). Diecastings are principally used in toys, vehicles and hardware.

Zinc producers can be divided into three broad categories:

- Zinc mining businesses produce zinc concentrate containing 50 to 55 per cent. zinc for sale to smelters, and usually receive payment for 85 per cent. of the zinc contained in the concentrates less a treatment charge and a refining charge (‘‘TC/RC’’). Their revenue therefore depends on the LME price and the level of the TC/RC.

- Zinc smelting businesses purchase concentrates and sell refined metal. A few have a proportion of integrated production further downstream. A smelting operation's net revenue depends on the LME price, the market premium, the level of the TC and also the amount of ‘‘free zinc’’ which they can recover. ‘‘Free zinc’’ is the difference between the amount of zinc recovered from zinc concentrates, typically over 95 per cent. for an electrolytic plant, and the amount which is paid for, usually 85 per cent.

- Integrated production businesses are involved in both the mining and smelting of zinc. Most integrated producers are only partially integrated and therefore need to either buy or sell some custom concentrates. Only around one-third of total western world zinc production can be attributed to integrated producers.

The zinc mining industry is highly fragmented with the top five companies accounting for only 33 per cent. of western world production. The zinc smelting industry is also fragmented with the top five producers accounting for approximately 43 per cent. of western world production.

Zinc supply. There are zinc mining operations in approximately 40 countries, of which China, Australia, Peru, Canada and the US are the largest producers. Together these five countries now account for approximately 67 per cent. of total world mine production. Australia and Peru are the largest net exporters, and Peru is the world's largest supplier of custom zinc concentrates. Much of this is supplied through traders rather than sold directly to smelters.

The largest importing region is western Europe, followed by South Korea and Japan. The main custom smelters are located in these regions. China has a large net concentrate import requirement.

Mine production has fallen in North America and Europe in the last few years as a result of mine closures, which have resulted principally from reserve exhaustion and also from economic pressures. Production has increased in Australia and Peru due to new mine start-ups.

Zinc smelting is geographically less concentrated. With a production of 2.3 Mtpa of zinc in 2003 (and rising) China is the largest single country producer. Regionally, Australia and non-communist Asia have overtaken western Europe to be the leading producing region with an output of 2.3 Mt of zinc in 2003 (western Europe: 2.2 Mt). Canada is the second largest country producer followed by Japan, South Korea, Australia and Spain. Together, the top six zinc producing countries accounted for 55 per cent. of the total world zinc production in 2003 of 9.8 Mt.

World production of refined zinc has risen continuously between 1998 and 2003 as new capacity has been brought on stream and this has contributed to the current oversupply. However, a combination of low prices and TCs unfavourable to zinc smelting operations has resulted in the temporary or permanent idling of a number of smelters this year, and production is expected to fall as a result.

Pricing. Most zinc concentrates are purchased under long-term frame contracts under which the TC is negotiated annually. The TC should reflect the relative supply of and demand for concentrates. Price participation agreements allow the TC to increase and decrease with the price, thus sharing the price risk between mining and smelting operations. Most mining operations sell directly to smelting operations.

Zinc is a LME traded metal. It is generally sold directly to consumers or, in times of surplus, on a terminal market. The price is determined on the LME but producers are also able to charge regional premia, which generally reflect the cost of obtaining the metal from an alternative source.

Indian zinc market. The Indian zinc industry comprises two producers. The leading producer is HZL, which had a domestic market share in 2003 of 75 per cent. of zinc sales. The other primary producer is Binani Zinc, which imports its zinc concentrate requirements and has a refined zinc capacity of 40,000 tpa. In 2003 Binani Zinc had a domestic market share of 12 per cent. of zinc sales, with the remaining 20 per cent. of market share accounted for by imports.

The demand growth for zinc in the Indian market in 2004 is expected to be approximately 10 per cent. Consumption of refined zinc in India reached 332,000 tonnes in 2003, an increase of 7.1 per cent. on the previous year. The principal use of zinc in the Indian market is in the galvanising sector, which currently accounts for an estimated 70 per cent. of total consumption. By product, usage in galvanising is primarily split between tube, sheet and structural products. The other significant end-user of zinc in India is the alloys sector. This contrasts with western world consumption trends, where galvanising, although still the most common use of zinc, is relatively less important and increased demand has been seen in the construction and diecasting sector, and reflects the emphasis of India's current five year economic programme on infrastructure.

Imports of zinc into India are currently subject to a total tariff of between 15 to 20 per cent. (depending on the product) charged on the LME-based spot price. Domestic producers of zinc are subject to an excise duty of 16 per cent. charged on domestic production prices. In addition, the Finance Act (2 of 2004) has levied an additional surcharge at the rate of 2 per cent. on the total excise duty payable.

Indian exporters of various zinc and lead products receive an assistance premium from the Government of India of 9 per cent. for zinc ingots and 3 per cent. for zinc and lead concentrate.

With effect from 1 March 2002, the customs duty on imported zinc metal was reduced from 35 per cent. to 25 per cent. A further reduction of 5 per cent. was made in January 2004. In July 2004, customs duty on imports of certain zinc products was reduced to 15 per cent. and the customs duty on imported zinc currently ranges from 15 to 20 per cent. depending on the product. In January 2004 the Special Additional Duty ("SAD") of 4 per cent. that was levied on imports was also abolished. The Government of India may reduce this customs duty further in the future. See "Risk factors—Industry risks" for further information on the risks associated with further reductions in customs duties.

After accounting for production and consumption, and including the impact of estimated net trade flows of primary zinc, India is currently a net importer of zinc.

Consumption, markets and outlook. Compared to the previous year, global slab zinc consumption was flat in 2001, recovered by 3.7 per cent. in 2002 and further increased by 3.7 per cent. in 2003, largely as a result of strong growth in China. Western European consumption fell in 2001–2003, as did zinc consumption in Japan and the US. Despite this, the world zinc market was in overall surplus by over 400,000 tonnes in 2002 which, combined with the surplus of 291,000 tonnes in 2001, continued to put downward pressure on prices. In 2002, the LME cash price averaged US$779 per tonne and the LME three month forward price averaged US$797 per tonne. In 2003, the LME cash price rose to an average of US$828/tonne and the three months price to an average of $844/tonne.

A major contributor to the global surplus is China. Despite strong growth in consumption, Chinese production was considerably in excess of demand and China was a net exporter of 315,000 tonnes of refined zinc in 2003. China will continue to be a major factor in the world zinc markets for both concentrates and metal but is expected to reduce exports in 2004 to substantially less than the 2003 level.

Zinc continues to have strong price prospects. Stocks are being drawn down, mine output remains constrained, and global demand is strong. World demand for zinc is expected to grow by approximately 6.1

per cent. in 2004. China is now exporting less refined zinc, and in past commodity price cycles, zinc has tended to lag price peaks in other base metals. It is expected that the low rate of mine supply growth will keep Chinese zinc smelters operating at well below full capacity.

US market demand is particularly strong, while galvanised steel output and production capacity continues to grow in China, driven by construction and autos. Chinese zinc demand is expected to grow by approximately 10 per cent. this year compared to 16.9 per cent. in 2003. In 2004 and 2005, the global refined zinc market is expected to be restricted by a shortage of concentrates. This would push the market into deficit, and prices are likely to remain above their real historical average in the short term.

Description of operations

Smelters and refineries

Chanderiya. The Chanderiya lead-zinc smelter is located approximately 120 kilometres east of Udaipur in the State of Rajasthan in north-west India and was commissioned in 1991. The smelter utilises ISF technology and has a current installed capacity of approximately 97,000 tpa of zinc metal and 34,000 tpa of lead metal. It also produces sulphuric acid, silver, cadmium and copper sulphate.

Debari. The Debari zinc smelter is located approximately 10 kilometres east of Udaipur in the State of Rajasthan and was commissioned in 1968. An RLE process is used to produce zinc ingots and sulphuric acid. The smelter's current installed capacity is approximately 68,000 tpa of zinc metal. A 29 MW low sulphur fuel oil-fired captive power station was commissioned in March 2003.

Vizag. The Vizag zinc smelter is located approximately 17 kilometres from Visakhapatnam inner harbour on the Bay of Bengal in the State of Andhra Pradesh and was commissioned in 1977. The Vizag smelter uses the same process as the Debari smelter. The smelter has installed capacity to produce 45,000 tpa of zinc. HZL obtains part of its power requirements at Vizag at relatively low cost due to its investment as a shareholder in a gas utility company in Andhra Pradesh. HZL may in the future consider converting Vizag to a toll smelter treating imported concentrates.

Mines

Rampura Agucha. The Rampura Agucha lead-zinc mine is located approximately 225 kilometres north of Udaipur in the State of Rajasthan, India and was commissioned in 1991. The mine has an installed capacity of 2.0 Mtpa of ore. Management estimate the life of mine at Rampura Agucha, including the planned expansion, to be approximately 11 years. Management believe the potential exists to increase the life of the mine by converting existing resources to reserves.

Rajpura Dariba. The Rajpura Dariba lead-zinc mining complex is located approximately 75 kilometres north-east of Udaipur in the State of Rajasthan and was commissioned in 1983 with commercial production commencing in 1984. The complex has an installed capacity of 1.0 Mtpa of ore. Management estimate the life of mine at Rajpura Dariba to be approximately 7 years. Management believe the potential exists to increase the life of the mine by converting existing resources to reserves.

Zawar. The Zawar mining complex is located approximately 42 kilometres east of Udaipur in the State of Rajasthan and was initially commissioned in 1971. The group comprises four underground mines. Three of the mines are operated by HZL. The fourth has been recently reopened and is operated by a third party. The mining complex has a total installed capacity of 1.2 Mtpa of ore. Management estimate the life of mine at Zawar to be approximately 7 years.

Transport

Zinc and lead concentrates from HZL's lead-zinc mines are transported to the Chanderiya and Debari smelters by road. Zinc concentrates from HZL's mines are also transported by rail to the Vizag smelter, which is located approximately 1,200 kilometres south-east of the mines.

Sales and marketing

HZL has sales and marketing offices in Bangalore, Hyderabad, Kolkata, Mumbai, New Delhi and Udaipur.

HZL sells substantially all the zinc and lead metal it produces in the domestic market. The ten largest customers accounted for approximately 52 per cent. of sales in the year ended 31 March 2004. Following the planned expansions at Chanderiya, HZL management expects HZL will export some of the zinc metal it produces. HZL also sells any zinc concentrates which are surplus to its requirements. In order to meet domestic demand, and until the Chanderiya expansion comes into production, HZL sends some zinc concentrate to smelters overseas and receives back zinc metal on a tolling basis.

HZL caters to consumers in a number of sectors including galvanising and manufacture of dry cell batteries. Approximately 50 to 60 per cent. of zinc metal produced is sold under annual contracts, which provide for the supply of fixed amounts of zinc metal of varying grades at an agreed premium to the LME spot price. The remainder of sales are spot sales. Following the brownfield expansion at Chanderiya, HZL intends to increase sales of premium SHG products.

Projects and developments

Chanderiya expansion. HZL intends to commission a 170,000 tpa hydrometallurgical zinc smelter as a brownfield expansion of its existing smelter at Chanderiya in June 2005. Preliminary work on the smelter has commenced. In conjunction with the brownfield expansion, HZL intends to commission a 154 MW captive power plant at Chanderiya by June 2005 and has also commenced construction of a 50,000 tpa lead smelter. The cost of the brownfield expansion is estimated to be approximately US$231 million. Of this, the estimated cost of the captive power plant is US$111 million and the estimated cost of the zinc smelter is US$120 million. With the exception of the lead smelter, HZL has obtained the necessary environmental permits for the establishment of the Chanderiya expansion.

Rampura Agucha. HZL intends to increase capacity of the Rampura Agucha lead-zinc mine and processing plant from 2.0 Mtpa to 3.75 Mtpa of ore by February 2005 to supply the brownfield zinc smelter expansion at Chanderiya at an estimated cost of approximately US$90 million. The expansion is at an advanced state of completion. HZL has obtained the necessary water abstraction permits and a certificate of no objection from the State Pollution Control Board to expand operations at Rampura Agucha to up to 4 Mtpa and expects to receive the final permits shortly.

These expansions will be partly financed from bank facilities and the remainder of the cost will be financed from HZL's existing resources.

Management estimate the total capital expenditure by HZL over the two years ending 31 March 2006 at US$425 million. See "Management's discussion and analysis of financial condition and results of operations – Capital expenditure and financial commitments" for further information.

Other activities

The Group's other activities include:

- an aluminium conductor business which is a division of Sterlite, consisting of two power transmission aluminium conductor plants; and
- an investment in an aluminium foil business, carried on by IFL.

Aluminium conductor business

Sterlite's aluminium conductor business has two fully developed plants at Karanjawane, Pune in the State of Maharashtra and at Rakholi, Silvassa, both in western India.

An in-house Properzi aluminium rod rolling mill feeds the manufacture of transmission conductors. The mill manufactures both electrical grade aluminium and alloy rods and has a current production capacity of approximately 21,000 tpa. The installed capacity for transmission conductors is 59,580 tpa.

The major customers in the domestic market are Power Grid Corporation of India Limited and AP Transco, which in the financial year ended 31 March 2004 accounted for approximately 64 per cent. and approximately 7 per cent. respectively of the business's sales. Other customers include the State Electricity Boards and, in the export market, turnkey contractors.

India Foils Limited

IFL has two manufacturing facilities, only one of which is currently operating. The active facility is in eastern India at Kamarhati and includes continuous casters, a cold rolling mill, foil mills and conversion facilities.

On 17 October 2001, IFL gave notice to the relevant statutory authority that pursuant to the Sick Industrial Companies (Special Provisions) Act 1985 ("SICA Act") it was a "potentially sick company". A "potentially sick company" is a company that has accumulated losses at the end of a financial year which result in the erosion of 50 per cent. or more of paid up share capital and free reserves compared to the highest total during the four immediately preceding financial years. IFL's accounts for the year ended 30 September 2003 confirmed that, due to such erosion, IFL would be a "sick company" for the purpose of the SICA Act. However, the SICA Act is in the course of being repealed and the legislation replacing it has not become effective.

IFL has been accounted for as an associate in the Group's financial statements. Sterlite has provided certain continuing corporate guarantees in respect of loans totalling INR795 million granted to IFL by HDFC Bank Limited, ICICI Banking Corporation Limited and ABN AMRO Bank N.V.

Options over further interests in BALCO and HZL

Under the terms of the shareholders' agreements between the Government of India and Sterlite in respect of Sterlite's shareholdings in BALCO and HZL, the Government of India and Sterlite have agreed to certain put and call options pursuant to which Sterlite may acquire or be required to acquire the Government of India's remaining interests in BALCO and HZL.

BALCO call option

On 2 March 2001, Sterlite acquired a 51 per cent. stake in BALCO for a cash consideration of INR5,533 million (approximately US$121.1 million) from the Government of India. The Government of India, Sterlite and BALCO entered into a shareholders' agreement which sets out various terms, including regarding the management of BALCO and dealings in BALCO shares. Under the terms of this shareholders' agreement, as long as Sterlite holds at least 51 per cent. of the share capital of BALCO, Sterlite is entitled to nominate one more director than the Government of India, including the managing director. There are various matters reserved for approval by both the Government of India and Sterlite, including, *inter alia*, amendments to Sterlite's articles of association, commencement of a new line of business, non-preemptive issues of shares or convertible debentures, making loans or providing guarantees or security to other companies under the same management as BALCO.

If Sterlite or the Government of India wish to sell any of their shares in BALCO to a third party, they must first offer them to the other at the same price at which they are proposing to sell them to a third party. The other party shall have the right to purchase all, but not less than all, of the shares so offered. If a shareholder does not exercise their first right of refusal they shall have certain tag along rights, except if the sale is by the Government of India by way of public offer.

Under the terms of this shareholders' agreement dated 2 March 2001 between the Government of India and Sterlite, Sterlite has a call option to acquire the shares in BALCO held by the Government of India at the time of exercise of the option. The call option is exercisable after 2 March 2004. The Government of India currently owns 49 per cent. of BALCO's issued share capital.

On 19 March 2004, Sterlite notified the Government of India of its intention to exercise the call option. In accordance with the shareholders' agreement, the exercise price for the call option will be the higher of:

- the fair value of the shares on the date they are called as determined by an independent valuer; and
- the original sale price (INR49.01 per share) together with interest at a rate of 14 per cent. per annum compounded half yearly from 2 March 2001, less all dividends received by the Government of India since 2 March 2001.

The Government of India has expressed its intention to offer up to 5 per cent. of its shareholding in BALCO to the employees of BALCO, which would reduce the number of shares over which Sterlite has a call option. Sterlite and the Government of India have agreed that following this transfer of BALCO shares to the employees of BALCO, the Government of India's remaining shareholding in BALCO shall be purchased by Sterlite at a price that will be determined in accordance with the shareholders' agreement. Sterlite has agreed to extend the time for the Government of India to complete this transfer of BALCO shares to the employees of BALCO, provided that any interest payable by Sterlite, as part of the exercise price of the shares purchased pursuant to the call option, will be limited to a period of 60 days from 19 March 2004. An independent valuer is expected to be appointed shortly. Sterlite currently expects the acquisition of the Government's shareholding to be completed within the next few months.

HZL put and call options

On 11 April 2002, Sterlite, through its wholly owned subsidiary, SOVL, acquired a 26 per cent. stake in HZL from the Government of India and it subsequently acquired a further 20 per cent. from public shareholders through an open offer. The total cash consideration paid was INR7,776 million (US$160.4 million). The Government of India and SOVL entered into a shareholders' agreement which sets out various terms, including regarding the management of HZL and dealings in HZL shares held by the Government and

SOVL. Under the terms of this shareholders' agreement, as long as SOVL holds at least 26 per cent. of the share capital of HZL, SOVL is entitled to nominate one more director than the Government of India, including the managing director. As long as the agreement remains in force, the Government of India has certain rights in respect of the appointment of directors. There are various matters reserved for approval by both the Government of India and SOVL, including *inter alia* amendments to HZL's articles of association, commencement of a new line of business, issuing shares prior to 11 April 2004, non-preemptive issues of shares or convertible debentures, a discounted rights issue, making loans or providing guaranties or security to other companies under the same management as HZL.

Under the terms of this shareholders' agreement, two call options and one put option allowed SOVL to acquire or may require it to acquire shares in HZL held by the Government of India at the time of exercise of the relevant option. SOVL exercised the first call option on 29 August 2003 and acquired a further 18.9 per cent. of HZL's issued share capital at a cost of INR3,238 million (US$71.6 million) on 12 November 2003. This acquisition was partly funded by the issue of US$50 million of foreign currency convertible bonds by Sterlite. The Government of India currently owns 29.5 per cent. of HZL's issued share capital.

Under the terms of the shareholders' agreement, prior to selling its shares to a third party, either party must first issue a sale notice to the other offering those shares to the other party at the price it intends to sell them to the third party, except as provided below. If the offeree accepts this it must purchase all of the shares so offered. This does not apply where the Government of India transfers shares to employees of HZL, provided that the number of shares to be transferred to employees does not exceed 5 per cent. of the issued share capital of HZL. The Government of India is not obliged to offer its shares to SOVL or to issue a sale notice in relation to a sale of its shares by way of a public offer.

The Government of India has transferred 1.5 per cent. of HZL's share capital to HZL employees and may transfer up to an additional 3.5 per cent. of HZL's share capital to HZL employees. Any such transfer or other transfer of shares to a third party in accordance with the terms of the shareholders' agreement would decrease the number of shares over which SOVL has an option.

Government's put option. Between 11 October 2004 and 10 April 2005, the Government of India can require SOVL to purchase additional shares in HZL so that, following exercise of the option, the Government of India holds only 26 per cent. of HZL's issued share capital. Based on the Government of India's current shareholding of 29.5 per cent. of HZL's issued share capital, this put option is in respect of 14.96 million shares (or 3.5 per cent. of HZL's issued share capital). The exercise price would be the higher of:

- the market value of the shares as determined by reference to the weighted average of the weekly high and low of the closing price of HZL shares, as quoted on the stock exchange where the shares are most frequently traded, during the 26 weeks prior to exercise of the option; and
- the original sale price (INR40.50 per share) adjusted for any bonus shares issued by HZL or stock split.

SOVL's call option. SOVL has an indefinite call option to acquire all of the remaining shares in HZL held by the Government of India exercisable after 11 April 2007, subject to obtaining any necessary approvals. Based on the Government of India's current shareholding of 29.5 per cent. of HZL's issued share capital and assuming exercise of the Government of India's put option, this represents 109.86 million shares or 26 per cent. of HZL's current issued share capital. The exercise price would be the fair market value of the shares as determined by an independent valuer.

As SOVL made an open offer for 20 per cent. of HZL's voting share capital when it acquired a 26 per cent. interest from the Government of India in 2002, exercise of the put and call options will not trigger any requirements under the Indian Takeover Code to make a public offer.

See "Risk factors—Risks relating to the Group" for a discussion of the Supreme Court of India's ruling in relation to the proposed divestment of interests in Hindustan Petroleum Corporation Limited and Bharat Petroleum Corporation Limited and the public interest litigation brought in the High Court of Rajasthan challenging the divestment of shares in HZL.

Acquisition and diversification opportunities

Konkola Copper Mines

Introduction

On 19 August 2004, Vedanta Resources entered into a subscription agreement to acquire a 51 per cent. interest in KCM for a total cash consideration of US$48.2 million. This acquisition was completed on 5 November 2004.

KCM is incorporated in Zambia. Currently, its other shareholders are Zambia Copper Investments Limited ("ZCI") (owning, through its wholly owned subsidiary ZCI Holdings S.A. ("ZCIH"), 28.4 per cent. of KCM's issued share capital) and ZCCM Investment Holdings plc ("ZCCM") (owning 20.6 per cent. of KCM's issued share capital), in which the Government of the Republic of Zambia ("GRZ") has a controlling stake. Pursuant to a subscription agreement, Vedanta Resources subscribed, through its wholly owned subsidiary, VRHL, for US$25 million of new ordinary shares, representing 51 per cent. of the enlarged issued share capital of KCM. Vedanta Resources has agreed to pay US$23.2 million to ZCI, made up of an initial payment of US$2.32 million that was paid on completion of the acquisition with the remaining US$20.88 million payable in equal instalments over four years from 31 December 2005. Under the terms of the shareholders' agreement signed at completion, Vedanta Resources has operating, management and board control of KCM and has the right to appoint the Chief Executive Officer and Chairman of KCM. See "Description of Acquisition Agreements" below for further details. Navin Agarwal and Kuldip Kaura have recently been appointed as Chairman and Deputy Chairman of KCM respectively.

KCM was formed following the privatisation of a number of Zambian copper mines which was completed in 2000. Following the privatisation, KCM was controlled by Anglo American plc, through its stake in ZCI. KCM was restructured in 2002 following Anglo American plc's decision to exit from its investment in KCM. This restructuring included settlement payments by Anglo American, the waiver of various shareholder loans, the transfer of Anglo American's interest in ZCI to the ZCI employee share ownership trust and the Copperbelt Development Foundation and the transfer of the Nkana copper smelter and refinery to KCM. Following completion of the restructuring, KCM sought a strategic investor in KCM to take a controlling stake and provide the funding needed to develop KCM's assets.

KCM operates the Konkola underground and Nchanga open pit underground copper mines, the Nampundwe pyrite mine and the Nkana copper smelter and refinery. As at June 2004 KCM had approximately 10,100 employees. The Konkola mine is an underground mine which is located in the Copperbelt Province in Zambia and has reserves of 21Mt at 3.4 per cent. copper. The Nchanga copper mines are also located in the Copperbelt Province comprise an open pit and an underground mine which have reserves of 28Mt at 1.7 per cent. copper and 18Mt at 2.7 per cent. copper, respectively. The leaching plant at Nchanga has a capacity of 100,000 tpa of copper cathode. The Nkana smelter and refinery, which was commissioned in 1932, is located in the Copperbelt Province and has capacity to produce 180,000 tpa of copper cathode.

Vedanta Resources intends to improve operating performance at KCM's assets by:

- reducing operating costs by more stable production and by increasing capacity utilisation of the facility and improving the efficiency of the existing sulphuric acid plant and by more efficient sulphur dioxide capture, hence reducing the purchase of sulphuric acid from external sources; and

- in the medium term, expanding capacity at the Konkola mine by increased investments in the underground infrastructure and reduction in operating costs through improvements in recovery rates and economics of scale.

In addition, the potential exists to develop extensive resources in the Konkola Deeps ore body ("Konkola Deeps"). However, Vedanta Resources has assessed its investment in KCM based on the existing assets and without assuming any benefit from the Konkola Deeps. Vedanta Resources has undertaken to evaluate the resources at Konkola Deeps and will contribute US$1 million towards the cost of a feasibility study.

The majority of KCM's products are exported, mainly to markets in the Middle East, South East Asia and the Far East. The copper is exported in the form of copper cathodes and is transported from Zambia to the ports of Dar-e-Salaam, Tanzania and Durban, South Africa by road and rail.

Financial information

The table below sets out the consolidated income statement of KCM for the three years ended 31 December 2003[(1)]:

	31 December 2003 US$ million	31 December 2002 US$ million	31 December 2001 US$ million
Turnover	**356.3**	**394.1**	**370.7**
Cost of sales	(286.2)	(352.1)	(406.8)
Gross profit/(loss)	**70.1**	**42.0**	**(36.1)**
Other operating expenses	(75.4)	(69.2)	(23.7)
Goodwill write back/(amortisation)	1.8	(1.8)	–
Negative goodwill written off	0.5	–	–
Depreciation	(30.0)	(30.3)	(20.2)
Operating loss	**(32.6)**	**(59.3)**	**(80.0)**
Other income	2.0	4.6	4.7
Net exchange gain	0.1	0.3	(3.4)
Impairment adjustment	–	(104.6)	–
Write back of provisions	–	7.7	–
Loss before finance costs and taxation	**(30.5)**	**(151.3)**	**(78.7)**
Interest expense	(1.1)	(8.1)	(15.9)
Loss before taxation	**(31.6)**	**(159.4)**	**(94.6)**
Taxation (charge)/credit	(5.0)	58.9	24.5
Loss for the year	**(36.6)**	**(100.5)**	**(70.1)**
Loss per share (cents)	6	17	117

(1) The financial information in these tables has been extracted without material adjustment from the publicly available audited financial statements of KCM for the three years ended 31 December 2003. The financial information has been prepared in accordance with KCM's accounting policies which are based on International Financial Reporting Standards.

The table below sets out the consolidated balance sheet of KCM as at 31 December 2003[1]:

	31 December 2003 US$ million
Non Current Assets	
Goodwill	–
Tangible fixed assets	290.3
Deferred secondary development expenditure	25.8
Deferred tax asset	82.5
	398.6
Current Assets	87.9
Stocks	46.9
Bank and cash balances	2.5
Taxation recoverable	–
	137.3
Current Liabilities	
Trade creditors	(19.6)
Other creditors and accrued expenses	(39.8)
Short term loans and bank overdraft	(25.9)
Taxation	(0.0)
	(85.3)
Net Current Assets	52.0
Total Assets less Current Liabilities	450.6
Liabilities due after more than one year	
Long term loans	(35.1)
Deferred taxation	(0.8)
Provisions for liabilities and charges	(89.4)
Deferred purchase consid.	–
Shareholders long-term loans	–
	(125.3)
Net Assets	325.3
Capital and Reserves	
Share capital	64.8
Share premium	473.6
Deficit on revenue reserves	(216.9)
Capital reserves	7.5
Other reserves	(3.7)
Shareholder's Interest	**325.3**

(1) The financial information in these tables has been extracted without material adjustment from the publicly available audited financial statements of KCM for the three years ended 31 December 2003. The financial information has been prepared in accordance with KCM's accounting policies which are based on International Financial Reporting Standards.

Production

The table below sets out KCM's total production for the year ended 31 December 2003 and the six months ended 30 June 2004:

Product	Year ended 31 December 2003 (t)	Six months ended 30 June 2004 (t)
Copper cathode	188,000	92,800

Resource and reserve base

The table below sets out KCM's copper resources and reserves as at 31 December 2003:

Mine	Reserves[1]	Resources[1][2]
Konkola underground	21 Mt @ 3.4% Copper	252 Mt @ 3.8% Copper[3]
Nchanga underground	18 Mt @ 2.7% Copper	40 Mt @ 2.8% Copper[4]
Nchanga open pit	28 Mt @ 1.7% Copper	154 Mt @ 1.1% Copper[5]
Tailings dump	84 Mt @ 0.7% Copper	–
Chingola refractory ore	–	151 Mt @ 0.9% Copper[6]

(1) Resources are additional to reserves. KCM's reserve and resource estimates and reporting comply with the SAMREC code.

(2) Resources as reported comprise the three categories of Measured, Indicated and Inferred.

(3) Konkola underground has an Inferred resource of 114.1 Mt @ 3.6% Copper.

(4) Nchanga underground has an Inferred resource of 37.3 @ 2.7% Copper.

(5) Nchanga open pit has an Inferred resource of 126.4 Mt @1.1% Copper.

(6) Chingola refractory ore has an Inferred resource of 2.3 Mt @ 0.6% Copper.

Description of operations

Smelters and refineries

The Nkana operations are located in Kitwe approximately 400 kilometres from Lusaka in the Copperbelt Province.

Nkana Smelter. The Nkana smelter utilises the Reverberatory Furnace route to process copper concentrate and pyrite concentrate to produce copper anodes. The Nkana smelter has recently undergone significant refurbishment to rehabilitate the primary operating units and has implemented Teniente technology. The Nkana smelter and refinery has capacity to produce 180,000 tpa of copper cathode.

Nkana Refinery. The Nkana refinery utilises conventional processes to produce copper cathode, including cathode starter sheets.

Tailings Leach plant. The Tailings leach plant produces copper cathode from current concentrator tailings and reclaimed tailings and has capacity to produce 100,000 tpa of copper cathode.

Nkana Acid Plant. The Nkana acid plant produces sulphuric acid and has capacity to produce 120,000 tpa of sulphuric acid.

Mines

Konkola. Konkola comprises the Konkola mine and Konkola concentrator. It is located in the Copperbelt Province of Zambia, approximately 20 kilometres north of Chingola. The introduction of mechanised mining operations is currently underway and is expected to increase production from 1.8 Mtpa to 2.4 Mtpa by 2007.

Nchanga. Nchanga comprises the Nchanga open pit and Nchanga underground mine and Nchanga concentrators. These are located in the Copperbelt Province of Zambia, near Chingola. Nchanga has capacity to produce 150,000 tpa of copper concentrate.

Nampundwe. Nampundwe comprises the Nampundwe underground mine and Nampundwe concentrators. These are located in the Central Province of Zambia, approximately 50 kilometres west of Lusaka. Nampundwe has capacity to produce 60,000 tpa of pyrite concentrate which is used to blend with copper concentrate for smelting.

Description of Acquisition Agreements

Subscription Agreement

Under a subscription agreement dated 19 August 2004 between GRZ acting through the Minister of Finance and National Planning, ZCIH, ZCCM, KCM and Vedanta Resources, Vedanta Resources agreed to subscribe for and KCM agreed to issue to Vedanta Resources 560,325,511 new ordinary shares in KCM at a subscription price of US$25 million, representing 51 per cent. of the enlarged issued share capital of KCM. Vedanta Resources also agreed to pay ZCIH US$23.2 million consisting of an initial payment of US$2.4 million on completion of the acquisition, with the remaining US$20.8 million payable in equal instalments over four years from 31 December 2005. The subscription was approved by the shareholders of ZCI on 26 October 2004, and the acquisition was completed on 5 November 2004.

Shareholders' Agreement

A shareholders' agreement between GRZ, ZCI, ZCIH, ZCCM, KCM, VRHL and Vedanta Resources was entered into on 5 November 2004 and sets out, inter alia, primary objects of KCM, the structure of KCM's board of directors, rules relating to the transfer of shares in KCM, financing of KCM and alteration of the share capital of KCM. Pursuant to this agreement, KCM's board will comprise ten directors and Vedanta Resources will have the right to appoint, remove or replace five of the ten directors, including the Chairman. ZCCM, ZCI and ZCIH and GRZ, subject to certain conditions, have the right to appoint, remove or replace two, two and one of the remaining directors on the KCM board, respectively, although the director appointed by GRZ will not have a right to vote at board meetings except in limited circumstances related to any non-arm's length contracts.

In the event that cash flow shortfalls arise at KCM after sustaining and project capital expenditure, Vedanta Resources has agreed to fund any such cash flow shortfalls up to an aggregate limit of US$220 million. Pursuant to the shareholders' agreement, Vedanta Resources has the right to exit KCM at any time after 31 December 2007, subject to providing twelve months' notice. Vedanta Resources will be required to make a payment equivalent to the budgeted capital expenditure of KCM for the notice period and to meet its obligation to cover cash flow shortfalls in KCM during the notice period.

Vedanta Call Option Deed

A Vedanta call option deed between ZCIH, KCM and Vedanta Resources was entered into on 5 November 2004, pursuant to which ZCIH has granted to Vedanta Resources a call option that will require ZCIH to transfer to Vedanta Resources by way of a sale, all the shares in the issued share capital of KCM held by ZCI or its affiliates on a specified date at a price to be agreed by ZCIH and Vedanta Resources or, in the absence of agreement, to be determined by an independent investment bank. The exercise period will commence on the earlier of (1) the date of approval by GRZ of an application by KCM to proceed with an extension project at Konkola Deeps or (2) the date immediately succeeding four consecutive calendar quarters of ore extraction from the existing mines during which in each such calendar quarter ore is extracted at a rate of 3Mt per annum or more.

ZCI/ZCCM Call Option Deed

A call option deed between ZCIH, ZCCM, KCM, VRHL and Vedanta Resources was entered into on 5 November 2004 pursuant to which VRHL has granted to ZCIH and to ZCCM (in proportion to their respective shareholdings in KCM) an option to require VRHL to sell to ZCIH and to ZCCM (in proportion to their respective shareholdings in KCM) a certain percentage of the shares of KCM held by VRHL or its affiliates on a specified date at a price to be agreed by ZCIH, ZCCM and Vedanta Resources or, in the absence of agreement, to be determined by an independent investment bank. The exercise period for each call option will commence on either 31 December 2009 or 31 December 2014 depending on certain specified conditions, including if the board of directors of KCM resolves not to proceed with an extension project at Konkola Deeps.

Amended and Restated Development Agreement

An Amended and Restated Development Agreement between GRZ and KCM was entered into on 5 November 2004 which regulates the legal and fiscal framework under which KCM operates in Zambia. In addition to providing legislative certainty to KCM for the agreed stability period, this agreement also provides certain incentives and concessions which benefit KCM. This agreement also sets out the terms and conditions on which GRZ will grant its approval to any proposed Konkola Deeps extension project proposed by KCM.

Management Agreement

A management agreement between Vedanta Resources and KCM was entered into on 5 November 2004. Under this agreement, Vedanta had agreed to provide a variety of specified "know-how" related services for an annual fee of US$1,000,000. Additional services may be requested by KCM and will be provided by Vedanta on a per diem basis.

Other opportunities

In line with its strategy, the Group actively considers on an ongoing basis a range of potential opportunities in India and internationally to acquire underperforming assets where management believes it can generate superior returns. The Group is considering the following acquisitions. There can be no certainty as to whether the Group will acquire any of the assets in which it has expressed an interest.

The Group has been an active participant in the Government of India's divestment programme through the acquisition of its interests in BALCO and HZL. The Group continues to consider Government of India divestments and regularly registers expressions of interest to allow the Group to review in further detail the merits of opportunities as they arise. Among the opportunities for which the Group has registered expressions of interest that relate to its core business are the proposed privatisations of Hindustan Copper Limited, Madras Fertilisers Ltd, Manganese Ore India Limited, NALCO, Punjab Alkalies and Chemicals Limited. Due to the recent change in the policy of the Government of India in relation to divestments of public sector undertakings (in particular the Government's new policy not to divest Government of India interests in any profit-making public sector organisations), the privatisation of these companies may be cancelled or delayed. In addition, proposed privatisation may be affected following the Supreme Court of India's decision in relation to the proposed divestment of interests in Hindustan Petroleum Corporation Limited and Bharat Petroleum Corporation Limited last year and further divestment cases are pending before the Supreme Court. See "Risk factors—Risks relating to the Group" and "Risk factors—Risks relating to investment in India".

The Group has expressed an interest in the purchase of the Kombinat Aluminijuma Podgorica ("KAP") in Montenegro and in September 2004, Vedanta Resources was shortlisted as one of four potential bidders for KAP. Final bids are due to be submitted in January 2005.

The Group will also consider opportunities to diversify its portfolio of base metals, where management believe this will be beneficial to the Group.

On 15 October 2004, a memorandum of understanding was entered into between a member of the Volcan group and the state government of Orissa with a view to the potential development of an iron ore mine in the state of Orissa, combined with steel production. Discussions are at a preliminary stage but, if the development proceeds, it is envisaged that arrangements would be made between Vedanta Resources and the Volcan group pursuant to which Vedanta Resources would develop iron ore production and Volcan would control any steel production.

Regulatory, environmental and health and safety matters

In common with other diversified natural resources and mineral processing companies, the Group's operations generate hazardous and non-hazardous waste, effluent and emissions into the atmosphere, water and soil. There are many national, state and local environmental laws and regulations which apply to the Group's operations, the scope of which varies according to the jurisdiction concerned. Examples include those relating to waste and waste water treatment, disposal of waste, air emissions, discharges and soil and forest conservation. In India, centrally made environmental legislation is administered at a national and state level and compliance is monitored at a state level. If any of the Group's operations fail to comply with the relevant laws and regulations in any jurisdiction in which it operates, the relevant authorities could require additional equipment to be installed at substantial cost or the whole or part of the operation could be closed down or scaled back. In addition, if the Group is found to have committed a breach of the relevant law or regulation, it may be liable to pay a fine imposed by the relevant authority or, in some cases, compensation to individuals affected by the breach and the Group and its officers may be subject to criminal proceedings.

Historic mining and smelting activities in the vicinity of the Mt Lyell copper mine in Queenstown, Tasmania have caused considerable environmental damage as a result of acid drainage and contamination of the soil by dust from the smelter. Some acid mine drainage continues and the area around the mine remains affected by the pollution from the mine and smelter. As part of the acquisition of Copper Mines of Tasmania Pty Ltd ("CMT") by Sterlite, CMT entered into a mining operations agreement with the State of Tasmania under which CMT is indemnified by the State of Tasmania against all damage arising from contamination of the environment by the Mt Lyell copper mine prior to the date of the agreement. The agreement is given effect by the Copper Mines of Tasmania Pty Ltd (Agreement) Act 1999.

The copper smelter in Tuticorin emits sulphur dioxide as a by-product of the copper smelting process. Three writ petitions have been filed by local individuals seeking that the Tuticorin smelter be closed and seeking cancellation of the relevant environmental approvals Sterlite holds in respect of Tuticorin on the basis that sulphur dioxide emissions are damaging the marine ecosystem and the health of local inhabitants. An independent body has been appointed by the court to inspect and report on the alleged pollution. The State Pollution Control Board was directed by the High Court of Madras to consider Sterlite's request for approval for operation of the smelter at full capacity and the State Pollution Control Board has granted such approval. In addition, a writ petition was filed against HZL seeking compensation for pollution from the Vizag zinc smelter and an order that the smelter and any other polluting facilities at Vizag be closed down. HZL has successfully defended the petition, although it is still possible for the petitioners to file an appeal.

Although neither Sterlite nor HZL expect the petitions (or any appeal) in relation to the Tuticorin copper smelter or the Vizag zinc smelter to be successful, if the court does find that the emissions, by-products or effluents are causing damage, the court and/or relevant authorities could require that additional equipment be installed at a substantial cost or that all or part of the operations be closed down, scaled back or relocated and may order that Sterlite or HZL pay compensation to the petitioners or others affected by the pollution. See "General Information—Litigation" for further information.

In addition, in September 2004, Sterlite's facilities at Tuticorin were visited by a committee of the Supreme Court of India, established to review compliance by various industries with environmental regulation and monitor the enforcement of that regulation by the pollution control authority in each region. During its visit to the site, which was one of a number of visits made in the State of Tamil Nadu, the committee asked questions of Tuticorin personnel and met with various interest groups. Although it has not received formal notice, Sterlite has learned that a report of the committee's visit to Tamil Nadu was filed with the Supreme Court on 11 November 2004 on behalf of the committee and the Ministry of Environment and Forest. The report provides details of the committee's visit to Tamil Nadu and includes allegations that hazardous waste is not being appropriately dealt with at Tuticorin. This report directs the relevant authorities in Tamil Nadu to undertake a detailed environmental audit of Tuticorin and states that, in the opinion of the committee, pending an assessment of the management of hazardous waste, the Ministry of Environment and Forests should withhold or revoke the environmental clearance for the new smelter. In addition, the report directs the Tamil Nadu Pollution Control Board to visit the site and assess whether appropriate consents have been obtained in relation to the new smelter. Following the visit of the committee, the Company commissioned a detailed environmental audit by an international environmental consultancy, which concluded that hazardous waste practices at the site were compliant in all material respects with regulations and were either in accordance with or being developed to meet standards of best international practice. As a result, the Company believes the statements in the report are without foundation, but cannot exclude the possibility that they might cause further delay in the granting of consent to operate the new smelter at Tuticorin.

In addition, in late December 2004, a committee of the Supreme Court of India, established to review compliance with forestry regulations by various industries, visited the site at Lanjigarh in Orissa where Vedanta Alumina is developing its alumina refinery. The committee has filed a report of its findings with the Supreme Court. Its findings include allegations of violation of environmental regulations and recommendations that action be taken in respect of such violations. The Supreme Court has asked Vedanta to respond to the allegations made by mid-February 2005. If the allegations made against Vedanta Alumina were upheld, the remedies available to the Supreme Court would range from financial penalties to remedies that may result in a delay to the construction process.

Each of the Group's businesses is subject to various laws and regulations relating to its ability to carry out operations, as well as environmental and health and safety laws. The application of these laws varies from operation to operation and is also dependent on the jurisdiction in which they operate. Compliance with relevant environmental laws is the responsibility of respective managers at the operating companies, who are directly responsible to the Group's senior management.

In most jurisdictions, businesses are required to rehabilitate site operations which have been closed down. Accordingly, the Group, to the extent it has not already done so, will have to make provision for the costs involved in closure and other rehabilitation of any of its site operations in the future. This may involve substantial costs. In the event that pollution of surrounding land and water occurs, or has already occurred, the Group is likely to be required to remedy pollution and incur substantial costs. In particular, the Group could be required either to lodge security bonds or make ongoing cash contributions for the purpose of rehabilitation at the end of a mine's life. In respect of its Indian operations, the Group is required to submit an independent environmental audit report for each financial year to the relevant State Pollution Control Board. The relevant companies must state in these reports, at a minimum, that they have complied with all relevant laws and regulations.

The Group's operations require various environmental and other permits covering, among other things, water use and discharges, stream diversions, solid waste disposal and air and other emissions. The Group does not currently have all required permits and approvals. Under current Indian legislation, new operations or major expansions in India such as Sterlite's expanded operations at Tuticorin and HZL's new smelter at Chanderiya are not permitted to start until the necessary permits have been received. In the case of the existing Indian operations which require periodic renewal of permits to operate, if an application to renew a permit is submitted before an existing permit has expired, operations continue in practice until otherwise advised by the relevant authority.

In India, mining rights are granted under mining leases with the central or state governments. The terms of mining leases are prescribed by statute and include provisions that the lessee shall not enter into any reserved forest areas, and that the lease shall not be transferred, sublet or made subject to the control of a person other than the lessee, without prior approval. See "Risk factors—Industry risks".

The Group's health and safety standards are reviewed by the Group on an ongoing basis. In addition, the Group's operations are subject to government authority inspections throughout the year, as well as health and safety audits at most operations. These inspections and audits have not resulted in any significant capital expenditures by the Group. However, certain of the Group's activities are inherently dangerous and the authorities responsible for administering health and safety standards have considerable inspection, injunction and penalty powers and powers to require the payment of compensation that, if exercised against the Group, could have an adverse impact on the Group's financial condition or results of operations.

New legislation or regulations may be adopted in the future that may materially adversely affect the Group's operations, its cost structure or its customers' ability to use the Group's products. New legislation or regulations, or different or more stringent interpretation or enforcement of existing laws and regulations, may also require the Group or its customers to change operations significantly or incur increased costs. It is possible that environmental laws and regulations in certain countries in which the Group operates will, in the future, become more stringent with the result that the amount and timing of future expenditure required to enable the Group to remain in compliance with such laws and regulations could increase substantially from their current levels.

The Group recognises that the health and safety of its employees and the maintenance of high environmental performance standards are significant responsibilities in the context of its operations.

There is a serious problem with HIV/AIDS in Zambia generally. KCM is addressing HIV/AIDS in the workforce at its operations by providing voluntary counselling and testing for employees and participating in awareness programmes. A voluntary test of approximately 7,000 employees out of a total of approximately 11,000 employees indicated an HIV prevalence rate of approximately 20 per cent.

The Company has established a Health, Safety and Environment ("HSE") committee. The HSE committee is chaired by Shailendra Kumar Tamotia and the Chief Operating Officer, Kuldip Kaura is also a member. The Company also intends to engage one or two people with appropriate technical expertise to be members of this committee. The committee will meet not less than twice a year and have responsibility for formulating and recommending to the Board the Group's policy for HSE issues as they affect the Group's operations. The committee will focus particularly on compliance with national and international legal requirements to ensure that an effective system of HSE standards, procedures and practices is in place at each of the Group's operations. The committee will also have responsibility for investigating any incidents or accidents that occur in order to assess whether policy improvements are required. The ultimate responsibility for establishing HSE policy remains with the Board.

Operational hazards and insurance

The Group's operations are subject to numerous operating risks which include geological conditions (such as unexpected geological features), unexpected seismic activity, climatic conditions (such as flooding or drought), interruptions to power supplies, environmental hazards, technical failures, fires, explosions and other accidents at a mine, processing plant, cargo terminal, smelter, refinery or related facility. These risks and hazards could also result in damage to, or destruction of, properties or production facilities, personal injury, environmental damage, business interruption and possible legal liability.

The Group maintains property insurance which protects against losses relating to the Group's assets, and freight insurance which protects against losses relating to the transport of the Group's equipment, product inventory and concentrates. The Group's insurance does not cover other potential risks associated with its operations. In particular, the Group does not hold insurance for business interruptions or certain types of environmental hazards, such as pollution or other hazards as a result of the disposal of waste products. The occurrence of a significant adverse event, the risks of which are not fully covered by insurance, could have a material adverse effect on the Group's financial condition or results of operations. Moreover, no assurance can be given that the Group will be able to maintain existing levels of insurance in the future at rates it considers reasonable. The Group's operating entities in India can only seek insurance from domestic insurance companies. See "Risk factors—Risks relating to the Group".

Labour and employee relations

At the date of this document, the Group has approximately 13,210 employees worldwide. These employees are divided between each of the businesses and operations approximately as follows:

Copper	1,081
Aluminium	
BALCO	4,526
MALCO	777
Vedanta Alumina	74
IFL	644
Zinc	6,026
Head Office	82

See Note 5 to the Accounts for further information.

BALCO's, MALCO's and HZL's employees and Sterlite's Australian mine employees are unionised. The Group has in place wage settlement agreements with the Group's unionised workforce which set out agreed rates of pay and benefits. In India, the Group is required to have in place certified standing orders which are registered with the relevant authority and set out minimum terms and conditions of employment for the Group's employees. At certain remote locations, the Group provides housing and other services and benefits to employees.

In 2001, there was a 67 day strike by BALCO's workforce opposing the privatisation of BALCO. As a result, aluminium within 408 cells at the Korba plant solidified and most of the cells had to be relined at a significant cost. This strike action had a significant effect on the Group's financial position and results of operations.

In June 2002, the management of the captive power plant at Korba was transferred to BALCO. The workforce have opposed the transfer and certain employees and unions have lodged a petition requesting that the court overturn the transfer. The court refused this petition and the transfer of the employees to BALCO has been effected, but this order is being appealed. The dispute has not affected the operation of the power plant. In February 2004, operations ceased at HZL's lead smelter located at Tundoo in the State of Jharkand in eastern India. The unionised workforce at Tundoo are rejecting the closure plans for the smelter. Whilst negotiations are ongoing HZL is obliged to continue paying the workforce. Certain other operations within the Group have also experienced work stoppages and other forms of industrial action in recent years. Notwithstanding such stoppages and industrial action, management believes that the Group's operations have, in general, good relations with their employees and unions. See "Risk factors—Risks relating to the Group".

Since Sterlite acquired control of BALCO and HZL from the Government of India, in an effort to rationalise their workforces and as required by the shareholders' agreements with the Government, BALCO and HZL have continued voluntary retirement schemes for employees. Under the voluntary retirement schemes, employees volunteering to retire receive an ex gratia payment based on the number of years of completed service.

The Group is a party to various defined benefit retirement plans covering the majority of employees worldwide.

Social responsibility

A number of the Group's subsidiaries have social responsibility projects aimed at providing assistance to the communities in which they operate.

Sterlite

At certain plant locations, Sterlite supports tuition centres, district hospitals and health schemes for villagers without medical facilities. Sterlite also supports community infrastructure projects such as the establishment of drinking water facilities and re-laying of village roads. Sterlite also provides self-help schemes for village women. The Sterlite Foundation helps underprivileged young people by providing them with computer training.

BALCO

BALCO operates a 75 bed hospital in Korba which caters for the health needs of 25,000 people. BALCO has adopted five villages where water, education, health, sports and games, electricity and other facilities have been provided. In an effort to conserve the environment, around 100,000 saplings have been planted, 50,000 of which were planted near mine locations.

MALCO

MALCO has established a higher secondary school with over 2,900 students enrolled. MALCO also regularly participates in several community initiatives to upgrade the living standards of the people living near its plant. These initiatives include supplying drinking water to the local villages around the plant, renovating childcare centres, desilting the lake at Yercaud, and offering periodical free health check-ups and medical assistance camps.

HZL

HZL provides facilities to the economically and socially disadvantaged and tribal population in the areas of its mining and smelting units in the States of Rajasthan and Andhra Pradesh. HZL's education facilities include schooling, teaching aids, scholarships and female and adult education. HZL's health facilities include a cardiology centre at Udaipur, dispensaries and hospitals, women's health education, family welfare camps and immunisation camps. HZL also provides water supply and infrastructure support, drought relief assistance, promotes sports and makes donations to social and community welfare institutions. HZL contributed INR5 million for drought relief in Rajasthan and provided 30 per cent. of the funds for the Mansi Wakal Project, the construction of a dam to supply water for that region, which will be completed during 2005.

Directors and senior management

Directors

Vedanta Resources' Board of Directors is chaired by Michael Fowle CBE. The other members of the Board are Anil Agarwal, Navin Agarwal, Peter Sydney-Smith, Naresh Chandra, Aman Mehta, Jean-Pierre Rodier, and Shailendra Kumar Tamotia.

Executive Directors

Anil Agarwal, aged 52. Chief Executive Officer of Vedanta Resources. Mr Agarwal is also Chairman of Sterlite and is a director of BALCO, HZL, Vedanta Alumina Ltd and Sterlite Copper Ltd. Sterlite was formed by Mr Agarwal in 1976 and since then it has grown under his leadership. Mr Agarwal has over 30 years of experience as an industrialist.

Navin Agarwal, aged 43. Mr Agarwal is also Deputy Chief Executive Officer – Vedanta Resources plc, Executive Vice Chairman and director of Sterlite, Chairman of KCM and MALCO and a director of each of BALCO, MALCO, HZL and KCM. Mr Agarwal is the brother of Anil Agarwal and joined Sterlite at its inception. He joined the Board in November 2004. Mr Agarwal has over 20 years experience in general management and commercial matters. Mr Agarwal has completed the Owner/President Management Programme at Harvard University and has a Bachelor of Commerce from Sydenham College, Mumbai.

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

Non-executive Directors

Michael Fowle CBE, aged 64. Non-executive Director. Chairman. Mr Fowle joined the board in 2003 and was appointed Chairman in July 2004. Mr Fowle is a chartered accountant and was senior partner of KPMG London & South (1993-98). Throughout his career at KPMG he held numerous leading positions, including Chairman of KPMG India, Head of UK Audit and Chairman of Global Banking & Finance and he also acted as auditor and adviser to a broad range of corporate clients. Currently, Mr Fowle is a Non-executive Director and Audit Committee Chair of ICICI Bank UK and Senior Non-executive Director and Audit Committee Chair of Norwich & Peterborough Building Society. In 2000, Mr Fowle was appointed CBE for services to Business in the Community. He has an MA from Cambridge University.

Naresh Chandra, aged 70. Non executive Director, Mr Chandra joined the board in May 2004. Mr Chandra was Home Secretary in India in 1990, Cabinet Secretary from 1990 to 1992, Senior Adviser to the Prime Minister of India from 1992 to 1995 and the Indian Ambassador to United States of America from 1996 to 2001. He was Chairman of the Indian Government Committee on Corporate Governance from 2002 to 2003 and is currently Chairman of the Committee on Civil Aviation Policy. Mr Chandra has an MSc in Mathematics from Allahabad University.

Aman Mehta, aged 58. Mr Mehta joined the board in November 2004. Throughout his career at HSBC, spanning more than 30 years, he held numerous positions, including as Chairman and Chief Executive Officer of HSBA USA Inc. (the New York-based arm of HSBC Holdings plc), and as Deputy Chairman of HSBC Bank Middle East, based in Dubai with responsibility for the HSBC Group's operations in the Middle East. In 1999, Mr Mehta was appointed Chief Executive Officer of the Hong Kong and Shanghai Banking Corporation, a position he held until his retirement in 2003. Mr Mehta has an economics degree from Delhi University.

Jean-Pierre Rodier, aged 58. Non executive Director. Mr Rodier was Chairman and Chief Executive of Pechiney S.A from 1994 to 2003. Mr Rodier started his career at the French Ministry of Industry. He was Chief Executive Officer of mining and metals firm Penarrova from 1986 to 1988 and Managing Director of Imetal, its parent company, from 1986 to 1988. He was Chairman of the Executive Board of Metaleurop France from 1998 to 1991 and head of Groupe Suez's non-ferrous metal operations from 1981 to 1994. Mr Rodier was educated at the École Polytechnique and École Nationale Supérieure des Mines in Paris.

Shailendra Kumar Tamotia, aged 65. Dr Tamotia joined the board in November 2004. He started his career in 1962 with an initial appointment at Bhilai Steel Plant in Chhattisgarh. Dr Tamotia held numerous positions at NALCO from 1984 until 1996, including as Chairman and Managing Director in 1993. He was also President and Chief Executive Officer of Indian Aluminium Company Limited from 2000 until 2003. Dr Tamotia has a Bachelor of Engineering (Honours) in Civil Engineering, a Masters in Engineering in Soil Mechanics and Foundation Engineering and a doctorate in Mechanical Engineering.

Executive committee

The Group's executive committee is chaired by Anil Agarwal. Its other members are Navin Agarwal, Peter Sydney-Smith, Kuldip Kaura, Tarun Jain, Aditya Narayan, T L Palani Kumar and Ramesh Venkat.

Kuldip Kaura, aged 57. Chief Operating Officer of Vedanta Resources, Managing Director of Sterlite and Deputy Chairman of KCM. Mr Kaura joined HZL in 2002. Mr Kaura is also a director of HZL and KCM. Mr Kaura has held various positions in operations and business management at ABB India, including Head-Power transmission and distribution, India and Head-Power generation business, India, and was a member of the board of directors of ABB India from 1996 and was appointed Managing Director and Country Manager of ABB in 1998. Mr Kaura has a Bachelor of Engineering in Mechanical Engineering (Honours) from Birla Institute of Technology & Science, Pilani.

Tarun Jain, aged 44. Director of Finance, Sterlite. Mr Jain is a director of BALCO, MALCO, IFL, HZL and Sterlite. Mr Jain is responsible for all financial matters at the Sterlite group, as well as strategic planning and corporate communications. Mr Jain has been with Sterlite since 1984. Mr Jain is a member of the Institute of Chartered Accountants of India, a graduate of the Institute of Cost and Works Accountants of India and a member of the Institute of Company Secretaries of India.

T L Palani Kumar, aged 55. Managing Director of BALCO. Mr Palani Kumar is a director of Vedanta Alumina Ltd. Mr Palani Kumar is responsible for the Aluminium Business and joined the Group in July 2003. Prior to joining the Group, Mr Palani Kumar was the Managing Director and CEO of New Holland Tractors (India) Private Limited which is part of the Fiat group, Executive Director and CEO of Escorts Tractors Limited, Sr Vice President (Engineering Division) with Tube Investments of India Limited and All India Sales Manager (Latex Division) with Asian Paints (India) Limited. Mr Palani Kumar has a degree in Chemical Engineering from the Indian Institute of Technology, Madras and an MBA from the Indian Institute of Management, Ahmedabad.

Aditya Narayan, aged 52. Managing Director of HZL. Mr Narayan is responsible for the Zinc Business and joined the Group in August 2004. Prior to joining the Group, Mr Narayan was the Managing Director and CEO of ICI India. For the past 21 years he held various positions in ICI Group globally. Mr Narayan has a degree in Engineering from the Indian Institute of Technology, Kanpur, a Bachelor of Laws and Master of Science from the University of Rochester, USA.

Ramesh Venkat, aged 40. Group Chief Financial Officer, Sterlite Group. Mr Venkat is in charge of the corporate finance, treasury, accounting, reporting, taxation and related functions of the Group and is closely involved in all financial planning and structuring initiatives of the Group. Mr Venkat joined the Group in 2001. Mr Venkat started his career at Hindustan Lever (Unilever India) and has over 15 years of experience with multinational companies and banks, in particular, in corporate finance, project finance, investment, treasury and related areas. Mr Venkat is a member of the Institute of Chartered Accountants of India and the Institute of Cost Accountants of India, and a graduate of the Institute of Company Secretaries of India.

Other senior management

Corporate management

D D Jalan, aged 48. Head of Operational Finance of Sterlite. Mr Jalan oversees the operational finance function of the metals group and also oversees the Australian mining operations of Sterlite. Mr Jalan joined Sterlite in 2001 as President—Australian Operations, responsible for TCM and CMT. Mr Jalan has over 25 years of experience with various companies in the engineering, mining and non-ferrous metals sectors. Mr Jalan has been associated with the Birla group in various capacities and, from 1996 to 2000, was in charge of the commercial and financial activities of Indo-Gulf Fertiliser Limited, a fertiliser and copper conglomerate. Mr Jalan is a Chartered Accountant.

M S Mehta, aged 48. Director of Marketing, Sterlite Group. Mr Mehta is responsible for the marketing of base metals (copper, aluminium, lead and zinc), copper concentrate procurement, zinc concentrate export and tolling and coal procurement. Mr Mehta joined Sterlite in 2000. Prior to joining Sterlite, Mr Mehta was with Lloyds Steel Limited in charge of marketing steel products, working capital finance and the cold rolled coils and galvanised steel projects. Mr Mehta has also held various other marketing, finance and commercial positions in the steel industry. Mr Mehta has a Bachelor of Engineering in Mechanical Engineering from the MBM Engineering College, University of Jodhpur and a Master of Business Management from the Indian Institute of Management Ahmedabad.

Rajeev Batra, aged 38, Group Head of Management Assurance – Sterlite Group. Mr Batra joined the Group in 2004. Prior to joining the Group, Mr Batra was an Associate Director, Risk and Business Solutions Practice at Ernst & Young, India. Mr Batra is a Chartered Accountant and is qualified as Certified Systems Information Auditor from the Information Systems Audit and Control Association, USA. He is also a member of the Project Management Institute, USA. Mr Batra has had over 15 years work experience, 12 of which have been in the field of risk consulting and assurance. Mr Batra has also worked at Coca Cola, India as Head of Internal Audit.

S Venkatesh, aged 41. Group Head of Human Resources—Sterlite Group. Mr Venkatesh is responsible for strategic and operational aspects of the Group's human resources. Mr Venkatesh joined Sterlite in 2002. Mr Venkatesh has held various human resources positions with several Indian and multinational companies such as IBM Inc., BPL Innovision Business Group, PowerGen and ITC Limited. Mr Venkatesh has a Bachelor of Science from Madras University and a Master of Personnel Management and Industrial Relations from the Tata Institute of Social Sciences, Mumbai.

D K Vasal, aged 48. Group Legal Counsel—Sterlite Group. Mr Vasal has overall responsibility for advice on legal and commercial matters. Mr Vasal joined Sterlite in June 2003. Mr Vasal has held positions at the Bank of Baroda, Times Bank and Standard Chartered Bank. Mr Vasal has a Bachelor of Commerce (Honours) and a Bachelor of Law from Delhi University and a Diploma in Labour Law from Indian Law Institute.

Priyank Thapliyal, aged 33. Corporate Development—Vedanta Resources. Mr Thapliyal is based in London and is responsible for the Group's strategic development and merger and acquisition activities. Prior to joining the Group, Mr Thapliyal was an investment banker at CIBC World Markets and a metallurgical engineer at Falconbridge Ltd. Mr Thapliyal has a Bachelor of Technology from the Indian Institute of Technology, Kanpur and a Master of Engineering from McMaster University, Canada, both in Metallurgical Engineering. Mr Thapliyal also has an MBA from the University of Western Ontario, Canada.

Matthew Hird, aged 32. Company Secretary – Vedanta Resources plc. Mr Hird jointed the Group in 2003. Prior to joining the Group, he worked within the audit and assurance division of Deloitte & Touche LLP for over 10 years, specialising in the audits of mining and resource companies. Mr Hird is a chartered accountant and a member of the Institute of Chartered Accountants of England and Wales and has an MA in Natural Sciences from the University of Cambridge.

John Smelt, aged 43. Investor Relations – Vedanta Resources plc. Mr Smelt joined the Group in March 2004. He has had 17 years of experience in investment management, concentrating over the last seven years in resource and mining stocks as manager of the Emerging Markets Fund and then Head of Global Resources Research at Aegon Asset Management. Mr Smelt has an MA (Hons) Edinburgh University and is a member of the Securities Institute (Dip).

Dhanpal Jhaveri, aged 36. Director Corporate Strategy – Sterlite Group. Mr Jhaveri is a director of KCM. Mr Jhaveri is based in Mumbai and is responsible for the Group's strategic development. Mr Jhaveri joined the Sterlite Group in 2004. Prior to joining the Group, Mr Jhaveri worked with ICICI Securities where he headed the Investment Banking, M&A Advisory Function. Mr Jhaveri has also held positions at Merwanjee Securities, Sigma Capital Corporation and KPMG India where he was Partner, Corporate Finance. Mr Jhaveri has a Bachelor of Commerce (Honours) from JaiHind College, Mumbai and has an MBA from Babson Graduate School of Business, United States.

Scott Caithness, aged 45. Group Head of Exploration – Sterlite Group. Mr Caithness is responsible for the development of exploration strategies, implementation of exploration techniques and the discovery of new resources through near-mine and green field exploration. Mr Caithness has a Bachelor of Science in applied Geology from the Royal Melbourne Institute of Technology. Prior to joining the Group, Mr Caithness worked with CRA Exploration and was a Senior Trade Commissioner with the Australia Trade Commission (Austrade). Mr Caithness has also held the position of General Manager, Southern District, Australasia Region with Rio Tinto Exploration.

Operational management

Copper Business

T Venkatesan, aged 52. President - Sterlite Copper Division. Mr Venkatesan is responsible for overall management of the Copper Business. Mr Venkatesan joined Sterlite in 1999. Prior to joining Sterlite, Mr Venkatesan was Senior Vice President with the AV Birla Group in their telecommunication business. Mr Venkatesan has over 20 years work experience and has held senior executive positions in Triveni Engineering and with the Eicher Group. Mr Venkatesan has a Bachelor of Economics from Madras University and is a member of the Institute of Chartered Accountants of India.

K Thiruppathi, aged 63. President (Projects) - Sterlite Copper Business. Mr Thiruppathi is responsible for the Tuticorin copper smelter and joined Sterlite in January 2000. Mr Thiruppathi has over 35 years of experience in project management and the operation and maintenance of petrochemical, fertiliser and power plants. Mr Thiruppathi was Managing Director and CEO of Tamil Nadu Petro Products Limited and has held positions with the SPIC group. From 1995 to 2000, Mr Thiruppathi headed the SPIC Electric Power Corporation, an independent power producer for the development of a 525 MW coal-fired thermal power plant. Mr Thiruppathi is a member of the American Society of Mechanical Engineers and has a Bachelor of Engineering in Mechanical Engineering.

Jordan Soko, aged 41. Chief Financial Officer and acting Chief Executive Officer, KCM. Prior to joining KCM in 2003, Mr Soko was Deputy Managing Director of Standard Bank of South Africa, Zambia and has also held senior positions with Zambia Industrial and Mining Corporation Limited. Mr Soko is a member of the Chartered Institute of Management Accountants and the Zambia Institute of Certified Accountants. He holds a Diploma in Accountancy from the Evelyn Hone College, Zambia and has an MBA from the University of Lincoln, United Kingdom.

Aluminium Business

T L Palani Kumar, aged 55. Managing Director of BALCO. Mr Palani Kumar is responsible for the Aluminium Business. (Details as set out in "Executive committee", above).

C P Baid, aged 51. President and Locations Head of BALCO. Mr Baid is a director of BALCO. Mr Baid is responsible for operations at BALCO. Mr Baid joined BALCO as President in September 2003 and prior to this had been President of MALCO since January 2001. Prior to joining MALCO, Mr Baid had been an Executive Director at Southern Iron & Steel Company Limited, Vice President of Atul Products Limited, Senior Manager at Hindustan Lever Limited and Senior Manager at Engineers India Limited. Mr Baid has a Bachelor of Engineering in Mechanical Engineering (Honours) from the Birla Institute of Technology and Sciences, Pilani and also a post graduate Diploma in Project Management from the Project Management Association, New Delhi.

R K Jain, aged 43 years. Chief Financial Officer of BALCO. Mr Jain is a director of MALCO. Mr Jain is responsible for finance and commercial aspects of BALCO. He started his career with the Birla Group and held various positions in operations and business management whilst at the Birla Group, including President of Vindhya Telelinks Ltd. Mr Jain is a member of The Institute of Chartered Accountants of India, The Institute of Cost and Works Accountants of India, The Institute of Company Secretaries of India and The Institute of Chartered Secretaries and Administrators of UK. He has also obtained a Post Graduate Diploma in Tax Management from the Institute of Chartered Accountants of India. He has over 21 years of experience in financial, commercial and administrative areas.

J R Venkatraman, aged 58. Managing Director of MALCO. Mr Venkatraman is responsible for operations at MALCO and took over this position in September 2003. Mr Venkatraman joined the Group in 1995 and was with BALCO from 2001 to 2003 and with Sterlite from 1995 to 2001. At both BALCO and Sterlite he was responsible for various areas of operations and production. Prior to joining the Group, he was with Hindustan Copper Ltd for over 20 years. Mr. Venkatraman has a Bachelor of Engineering in Mechanical Engineering from Jabalpur University.

S B Nayak, aged 59. President of Sterlite (Aluminium Technology). Mr Nayak is responsible for all technology initiatives for the aluminium and alumina projects including sourcing and implementation of appropriate technology. Mr Nayak joined the Group in 2002 as Group Technical Adviser. Prior to joining the Group, Mr Nayak had been with NALCO, in Orissa, as additional chief engineer where he was responsible for the conceptualisation and implementation of NALCO's alumina and aluminium smelter projects and was a member of the Board. Mr Nayak has a Bachelor of Science Engineering (Honours) from the University College of Engineering, Sambalpur University.

Dr Nat Annamalai, aged 60. Head of Aluminium Projects at Sterlite. Dr Annamalai is responsible for the proposed expansions of the Group's Aluminium Business. Dr Annamalai joined the Group in February 2003. Dr Annamalai has experience in engineering design, procurement and construction in the areas of infrastructure, nuclear as well as fossil power, oil and gas, mining and metals and prior to joining Sterlite had worked for the Halliburton/Brown & Root group of companies for over 30 years. In 1994/1995 he was director of the Tuticorin copper smelter project until its commissioning. Dr Annamalai has a Bachelor of Engineering from Madras University, a Masters of Science and a Doctorate of Philosophy in Civil Engineering from Purdue University, Indiana and a Master of Liberal Arts from Houston Baptist University.

M Siddiqi, aged 51. Projects Director – BALCO in charge of expansion projects. Mr Siddiqi joined Sterlite in 1991. Prior to joining Sterlite, Mr Siddiqi worked at Hindustan Copper. Mr Siddiqi has had 28 years of experience in various areas of operations and project management. Mr Siddiqi has a Bachelor of Technology from the Indian Institute of Technology, Delhi and a diploma in management from the All India Management Association, Delhi.

Arthur Bursle, aged 53. Project Manager – Alumina Project. Mr Bursle joined the Group in 2004. He is responsible for the development, implementation, commissioning and initial production of the alumina refinery and associated power plant in Lanjigarh in the State of Orissa. Mr Bursle has had 26 years of experience in the metals and mining industry. Prior to joining Sterlite, his last assignment was with Comalco Minerals and Alumina, in Gladstone, Australia. Mr Bursle has a Bachelor of Science in Physical Metallurgy and a Doctorate in Philosophy.

B C P Singh, aged 58. President Power – BALCO. Mr Singh is mainly responsible for power projects and power plant operations at BALCO and also oversees the development of power projects in other parts of the Sterlite Group. Mr Singh has had 35 years of experience in the power sector. Prior to joining Sterlite, Mr Singh worked at the National Thermal Power Corporation, Essar Power and the AV Birla Group. Mr Singh has a Bachelors of Technology from PSG College of Technology, Coimbatore.

Zinc Business

Aditya Narayan, aged 52. Managing Director of HZL. Mr Narayan is responsible for the Zinc Business. (Details as set out in "Executive Committee", above).

B K Sharma, aged 52. Chief Operating Officer of HZL. Mr Sharma is responsible for the operations of all HZL's mines and smelters. Mr Sharma joined the Group in 1997 as General Manager (Marketing), and later Chief Operating Officer, of the cable business. Prior to taking up his current role he was Vice President (Marketing) of HZL. Before joining the Group, he was Deputy General Manager (Marketing) of Westcoast Paper Mills. Mr Sharma has approximately 24 years experience in the areas of commercial, sales and marketing functions in various companies. Mr Sharma holds a Bachelor of Science and an MBA in Marketing from Patiala University.

K S Choudhary, aged 57. Executive Director. Mr Choudhary is responsible for exploration and expansion and environment and safety at HZL's mines. Mr Choudhary joined HZL in 1971. Prior to his current role he was Executive Director (Mining Operations) with responsibility for operations of all the HZL mines and has also held a number of other positions at HZL. Mr Choudhary holds a Bachelor of Mining from the MBM Engineering College, University of Jodhpur and a First Class Mine Manager's Certificate.

Jeyakumar Janakaraj, aged 33. General Manager. Mr Janakaraj is responsible for the current brown field expansion of the zinc and lead smelters and establishment of the 154 MW captive power plant at Chanderiya. Mr Janakaraj joined the group in 1995 in the copper smelter project team where he held the positions of Manager (Maintenance) and Senior Manager (Operations). Mr Janakaraj has 11 years experience and prior to joining the Group worked for Essar Steel Limited. Mr Janakaraj holds a Bachelor of Mechanical Engineering from the PSG College of Technology, Bharathiar University in Coimbatore.

Somnath Patil, aged 47, Chief Financial Officer of HZL. Mr Patil is responsible for finance, taxation and strategic planning functions of HZL. Mr Patil joined the Sterlite Group in 2000. He started his career with A F Ferguson & Co. Chartered Accountants and subsequently held senior management positions with Essar Group and the Garware Group. Mr Patil is a member of the Institute of Company Secretaries of India and has had over 22 years of experience in finance, commercial and administrative functions.

Employee share schemes

The Company operates the Vedanta Resources Long-Term Incentive Plan (the "LTIP"). Awards are made to certain senior employees and Executive Directors on an annual basis.

The Company's remuneration committee (the "Committee") has introduced the LTIP to provide an opportunity for significant wealth creation by participants if the Group achieves outstanding performance for shareholders. The LTIP is consistent with the Group's reward philosophy, which aims to provide superior rewards for outstanding performance, and to provide a high proportion of "at risk" remuneration for Executive Directors and senior employees. The maximum value of shares which may be conditionally awarded in any financial year to a participant in the LTIP who is an Executive Director is restricted to 100 per cent. of that Executive Director's annual basic salary.

The performance target which currently applies to vesting of awards is that the Company's performance will be measured in terms of comparative total shareholder return against a peer group of companies comprising the FTSE Worldwide Mining Index (excluding precious metals).

The Committee has also adopted the Vedanta Resources Share Option Plan. The Committee has no intention to grant options under the Vedanta Resources Share Option Plan for the foreseeable future and has adopted that plan for maximum flexibility in the design of incentive arrangements in the long term.

Corporate governance

The revised Combined Code (which applies with effect from Vedanta Resources' current financial year) recommends that at least half the board (excluding the chairman) should be non-executive directors who are independent in character and judgment and free from relationships or circumstances which are likely to affect, or could appear to affect, the director's judgment.

The revised Combined Code recommends that all members of the audit committee should be non-executive directors, all of whom are independent in character and judgment and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgment and that at least one member should have recent and relevant financial experience. The audit committee is chaired by Mr Mehta. Its other members are Mr Rodier and Mr Chandra. The audit committee is scheduled to meet at least four times a year. Provision is made for representatives from both the internal and external auditors to attend meetings of the audit committee, and to discuss issues with audit committee members without any executive management present.

The audit committee has responsibility for the review of the Group's interim and annual reports, prior to their submission to the Board for approval. The audit committee also reviews the Group's internal and external audit activities and monitors compliance with statutory and regulatory requirements for financial reporting. The audit committee also receives regular assurance reports from internal and external audit on the operational effectiveness of matters related to risk management and internal control, and reviews the timelines and the effectiveness of corrective action taken by management. The Company is in compliance with the revised Combined Code recommendations regarding audit committee membership.

The revised Combined Code recommends that all members of the remuneration committee should be non-executive directors, all of whom are independent in character and judgment and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgment. The remuneration committee is chaired by Mr Chandra and its other members are Mr Rodier and Mr Mehta. The committee has responsibility for making recommendations to the Board on the Group's policy on remuneration of senior executives and for the determination, within agreed terms of reference, of specific remuneration packages for each of the Executive Directors, including pension rights and any compensation payments. The remuneration committee has responsibility for determining grants of options under the Vedanta Resources Long Term Incentive Plan. The Company is in compliance with the revised Combined Code recommendations regarding remuneration committee membership.

The revised Combined Code recommends that a majority of the members of the nominations committee should be non-executive directors, all of whom are independent in character and judgment and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgment. The nominations committee is chaired by Mr Fowle and its other members are Mr Anil Agarwal, Mr Chandra, Mr Rodier and Dr Tamotia. The committee has responsibility for nominating candidates to fill Board vacancies and makes recommendations to the Board on Board composition and balance. The Company is in compliance with the revised Combined Code recommendations regarding nominations committee membership.

The Company has also established a Health, Safety and Environment Committee. See "Regulatory, environmental and health and safety matters" for further information.

The Executive Committee comprises such Executive Directors and senior management of the Group as the Chief Executive Officer recommends and the Board approves. The committee meets monthly and is chaired by Anil Agarwal. Its other members are Peter Sydney-Smith, Navin Agarwal, Tarun Jain, Kuldip Kaura, T L Palani Kumar, Ramesh Venkat and Aditya Narayan.

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

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

The Group's principal Indian subsidiaries also have in place various procedures to ensure that sufficient internal control is maintained. These subsidiaries have a monthly meeting of a management committee appointed by the board of the relevant company, consisting of the senior executives of the relevant company, at which the company's management accounts are approved. These subsidiaries also have an audit committee appointed by the board of the relevant company, consisting of a majority of independent non-executive directors as required by Indian corporate governance requirements, which meets each quarter. The external and internal auditors attend these audit committees. Vedanta Resources' audit committee is currently establishing procedures to ensure that issues considered by the audit committees of the Group's listed subsidiary companies in India are notified to Vedanta Resources' audit committee on a timely and relevant basis.

At least one member from each of the management committees of the principal Indian subsidiaries is also a member of the Executive Committee to ensure that the Executive Committee and the Board is adequately informed of the Group's performance. The Board has also adopted a schedule of matters reserved for the Board and has instructed its subsidiaries that decisions on these matters may not be taken without the approval of the Board.

Principal Shareholders

As at 24 January 2005 (the latest practicable date prior to the publication of this Offering Circular), the Company was aware of the following persons, other than Directors of the Company and other than the Company itself by virtue of it holding treasury shares, who, directly or indirectly, were interested in 3 per cent. or more of the Company's share capital (calculated exclusive of treasury shares):

	Number of ordinary shares	Approximate percentage of issued share capital
Volcan Investments Limited	154,157,911	53.8%
Agnivesh Agarwal[1]	154,157,911	53.8%
D. P. Agarwal[2]	154,157,911	53.8%

(1) Agnivesh Agarwal is indirectly interested in the Company's share capital by virtue of his beneficial interest in shares of Volcan Investments Limited.

(2) D. P. Agarwal is indirectly interested in the Company's share capital by virtue of his beneficial interest in shares of Volcan Investments Limited.

See Note 30 to the Accounts for further information.

Relationship with Volcan

Volcan owns approximately 54 per cent. of the issued ordinary share capital of the Company. Volcan is owned and controlled by members of the Agarwal Family, including Anil Agarwal, the Chief Executive of Vedanta Resources, his father, D P Agarwal, and his son, Agnivesh Agarwal. The Agarwal Family also has controlling interests in SOTL and Sterlite Gold Ltd, which are publicly listed companies in India and Canada, respectively, and which were demerged (save for nominal interests held in SOTL by MALCO and Sterlite) from the Group in December 2003.

Relationship Agreement

Volcan, D P Agarwal and Agnivesh Agarwal (the "Volcan Shareholders"), Anil Agarwal and the Company entered into an agreement dated 5 December 2003 (the "Relationship Agreement") which regulates the ongoing relationship between them. The principal purpose of the Relationship Agreement is to ensure that the Group is capable of carrying on its business independently of Volcan and of the Agarwal Family and of any of their associates and that transactions and relationships with Volcan and with members of the Agarwal Family and their associates are at arm's length and on normal commercial terms. The Relationship Agreement will continue for so long as the Ordinary Shares are listed on the Official List and traded on the London Stock Exchange. The Relationship Agreement shall terminate in respect of Volcan at such time as each of the Volcan Shareholders, Volcan and its subsidiary undertakings, parent undertakings and fellow subsidiary undertakings from time to time cease to be a controlling shareholder in the Company for the purposes of the UK Listing Rules. In addition, the Relationship Agreement shall terminate in respect of Anil Agarwal, D P Agarwal or Agnivesh Agarwal if any of them individually or jointly ceases to be a controlling shareholder in the Company or Volcan. Currently, a controlling shareholder for the purposes of the UK Listing Rules is any person (or persons acting jointly by agreement whether formal or otherwise) who is: (a) entitled to exercise, or to control the exercise of, 30 per cent. or more of the rights to vote at general meetings of the Company or (b) able to control the appointment of directors who are able to exercise a majority of votes at board meetings of the Company.

Under the Relationship Agreement:

- the parties agree to ensure that Vedanta Resources is capable, at all times, of carrying on its business independently of Volcan and the Agarwal Family and their associates as required by the UK Listing Rules;
- the Board and the Nominations Committee and any other committee of the Board (other than the Audit Committee or the Remuneration Committee or any committee which may be established by the Board in connection with a specific transaction, the constitution of which is approved by the Board) to which significant powers, authorities or discretions are delegated shall at all times comprise a majority of Directors who are independent of Volcan and the Agarwal Family and their associates;
- the Remuneration Committee and the Audit Committee shall at all times consist only of Non-executive Directors;
- Volcan is entitled to nominate for appointment as a Director such number of persons as is one less than the number of Directors who are independent of Volcan, the Agarwal Family and their associates and who are free from any business or other relationship with any member of the Agarwal Family, Volcan or any of their associates which could materially interfere with the exercise of the Director's judgment concerning the Company;
- Neither Anil Agarwal nor any non-independent Directors shall be permitted, unless the independent Directors agree otherwise, to vote on any resolutions of the Board to approve any arrangement or transaction with Volcan or any member of the Agarwal Family or any of their associates;
- Volcan may not exercise voting rights attaching to its shares in Vedanta Resources in respect of any transactions or arrangements between the Company and Volcan or the Agarwal Family or any of their associates;
- Volcan, the Volcan Shareholders and Anil Agarwal represent and warrant to the Company that they do not currently own any interests in the smelting, refining, mining or sale of any Base Metals or Mineral otherwise than through the Group except for the interest of Sterlite Gold Ltd in certain exploration blocks which contain both gold and copper together as is common. Sterlite Gold Ltd has not announced any intention to develop these exploration blocks. These copper deposits are not considered by the Directors to be sufficiently large to give rise to a conflict of interest with the Group's Copper Business;
- Volcan, the Volcan Shareholders and Anil Agarwal undertake to, and undertake to procure that each member of the Agarwal Family and their respective associates shall only, directly or indirectly, acquire or otherwise invest in any company, business, business operation or other enterprise which engages in the smelting, refining or mining of Base Metals or Minerals through the Group. These undertakings shall not prevent, restrict or limit:

  (a) the acquisition or ownership by Volcan, Anil Agarwal, the Volcan Shareholders or their respective associates of:

    (i) any securities of Sterlite Gold Ltd; or

    (ii) not more than five per cent. in aggregate of any class of shares, debentures or other securities in issue from time to time of any company which engages in the smelting, refining or mining of Base Metals or Minerals which is for the time being listed on any stock exchange; or

  (b) the acquisition or ownership, directly or indirectly, by Volcan, Anil Agarwal, the Volcan Shareholders or their respective associates (each an "Interested Party") of, or of any interest in, a Base Metal or Mineral property or asset (together with any associated property, plant and equipment), which is not adjacent or geographically proximate to an existing property or operation of the Group so as to give them operational synergies, where the acquisition cost (including assumed indebtedness), including any related capital expenditures committed at the date of acquisition for the following 12 months, is equal to US$50 million or less, for which purpose any acquisitions of two or more related or adjacent Base Metal or Mineral properties or assets shall be aggregated when calculating the acquisition cost, provided that the relevant Interested Party (i) is not an officer or director of a Group company; and (ii) has procured that the opportunity to acquire such property or asset is first made available to the Group, with a reasonable period for the independent Directors to consider the opportunity, on terms no less favourable than those on which they are proposed to be acquired by the Interested Party and a majority of the independent Directors has determined that the Group should not make that acquisition;

- transactions and relationships between Vedanta Resources and Volcan and members of the Agarwal Family and their associates shall be conducted at arm's length and on a normal commercial basis, including those to be provided under the Shared Services Agreement (as defined below).

Sterlite's copper refinery produces anode slimes, which contain gold, as a by-product of the refining process. These anode slimes are sold to precious metal producers who extract and refine the gold. Sterlite Gold Ltd produces gold doré bars. The quantities of gold within the anode slimes produced by Sterlite are small and, therefore, are not considered by the Directors to give rise to a conflict of interest with Sterlite Gold Ltd's business.

Shared Services Agreement

SOTL, Sterlite Gold Ltd, Sterlite and the Company entered into an agreement dated 5 December 2003 (the "Shared Services Agreement"). The Company and Sterlite have agreed to provide SOTL and Sterlite Gold Ltd with certain commercial services on an ongoing basis consisting primarily of access to certain of the directors, officers and employees of the Group.

Under the Shared Services Agreement:

- a party may terminate the agreement or a particular service which is provided pursuant to the agreement if, inter alia, another party commits a material breach of the agreement, upon another party being affected by insolvency related events or following a change of control in another party or by 31 December 2006. A party may also terminate a particular service on three months' notice.
- the services under this agreement will be provided by the Company and/or Sterlite, as appropriate, to SOTL and Sterlite Gold and the transactions between the parties will be on an arm's length basis.
- the cost of access to certain of the directors, officers and employees of the Group shall be paid by SOTL and/or Sterlite Gold, as appropriate, to the Company and/or Sterlite, as appropriate.
- the cost of the services provided pursuant to the agreement is calculated by apportioning the total salary cost to the Group of the employment of the relevant director, officer or employee to SOTL and/or Sterlite Gold.

TERMS AND CONDITIONS OF THE NEW BONDS

The following (subject to completion and amendment), other than the paragraphs in italics, is the text of the terms and conditions of the New Bonds which will be endorsed on the Individual Certificates issued in respect of the New Bonds. References in the following to the "Issuer" are to Vedanta Resources plc:

The US$100,000,000 6.625 per cent. Bonds due 2010 (the "New Bonds") are consolidated and form a single series with the US$500,000,000 6.625 per cent. Bonds due 2010 (the "Original Bonds") issued by Vedanta Resources plc (the "Issuer") on 21 December 2004. The Issue of the New Bonds and the Original Bonds was authorised by a resolution of the Board of Directors of the Issuer on 24 November 2004. The New Bonds are constituted by a supplemental trust deed dated 26 January 2005 (the "Supplemental Trust Deed") between the Issuer and Deutsche Trustee Company Limited (the "Trustee" which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Bonds, supplemental to a trust deed dated 21 December 2004 (the "Principal Trust Deed" and, together with the Supplemental Trust Deed, the "Trust Deed") between the same parties. In these terms and conditions (the "Conditions"), the expression Bonds shall, unless the context otherwise requires, include the New Bonds, the Original Bonds and any further Bonds issued pursuant to Condition 15 and forming a single series therewith. The Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Issuer has entered into a paying agency agreement dated 21 December 2004 (the "Principal Paying Agency Agreement") as supplemented by a supplemental paying agency agreement dated 26 January 2005 (the "Supplemental Paying Agency Agreement" and, together with the Principal Paying Agency Agreement, the "Paying Agency Agreement") between the Issuer, the Trustee, Deutsche Bank AG, acting through its London branch, as principal paying and transfer agent, Deutsche Bank Trust Company Americas as registrar, and the other paying and transfer agents appointed under it. The Principal Agent, registrar, paying agents and transfer agents for the time being are referred to herein as the "Principal Agent", the "Registrar", the "Paying Agents" (which expression shall include the Principal Agent), and the "Transfer Agents" (which expression shall include the Registrar), respectively, each of which expressions shall include the successors from time to time of the relevant persons, in such capacities, under the Paying Agency Agreement, and are collectively referred to herein as the "Agents". Copies of the Trust Deed, and of the Paying Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at Winchester House, 1 Great Winchester Street, London EC2N 2DB) and at the specified offices of each of the Paying Agents. The Bondholders (as defined in Condition 1(b)) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of the provisions of the Paying Agency Agreement applicable to them.

1. Form, Denomination, Title and Status

(a) **Form and denomination:** The Bonds are in registered form in the minimum denomination of US$1,000 each or in integral multiples thereof, without coupons attached. A bond certificate (each a "Certificate") will be issued to each Bondholder in respect of its registered holding of Bonds. Each Bond and each Certificate will have an identifying number which will be recorded on the relevant Certificate and in the Register (as defined in Condition 2(a)).

Certificates issued with respect to Rule 144A Bonds will bear the Securities Act Legend (as defined in the Trust Deed), unless determined otherwise in accordance with the provisions of the Paying Agency Agreement by reference to applicable law. Certificates issued with respect to the Regulation S Bonds will not bear the Securities Act Legend.

Upon issue, the Rule 144A Bonds will be represented by the Restricted Global Certificate and the Regulation S Bonds, if any, will be represented by the Unrestricted Global Certificate. The Restricted Global Certificate will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, The Depository Trust Company ("DTC") and the Unrestricted Global Certificate will be registered in the name of, and deposited with a common depositary for, Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme

("Clearstream, Luxembourg"). The Conditions are modified by certain provisions contained in the Global Certificates. See "Summary of Provisions relating to the New Bonds while in Global Form".

Except in the limited circumstances described in the Global Certificates, owners of interests in Bonds represented by the Global Certificates will not be entitled to receive Individual Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

(b) **Title:** Title to the Bonds passes only by transfer and registration in the Register (as defined in Condition 2(a)). The holder of any Bond will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or the theft or loss of, the Certificate (if any) issued in respect of it or anything written on it or on the relevant Certificate) and no person will be liable for so treating the holder. In these Conditions, "Bondholder" and (in relation to a Bond) "holder" mean the person in whose name a Bond is registered in the Register.

(c) **Status:** The Bonds constitute senior, unsubordinated, direct, unconditional and (subject to Condition 3(a)) unsecured obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3(a), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

2. Transfer of Bonds

(a) **The Register:** The Issuer will cause to be kept at the specified office of the Registrar and in accordance with the terms of the Paying Agency Agreement a register (the "Register") on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers and redemptions of Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding.

(b) **Transfers:** Subject to the terms of the Paying Agency Agreement and to Conditions 2(e) and 2(f), a Bond may be transferred by delivering the Certificate issued in respect of it, with the form of transfer on the back duly completed and signed, to the specified office of the Registrar or any of the Transfer Agents. No transfer of a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds evidenced by the Global Certificates will be effected in accordance with the rules of the relevant clearing systems.

Upon the transfer, exchange or replacement of a Rule 144A Bond, a Transfer Agent will only deliver Certificates with respect to Rule 144A Bonds that bear the Securities Act Legend unless there is delivered to such Transfer Agent such satisfactory evidence, which may include an opinion of legal counsel, as may be reasonably required by the Issuer, that neither the Securities Act Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

An interest in Bonds represented by the Unrestricted Global Certificate may be transferred to a person within the United States subject to any applicable transfer restrictions under the Securities Act.

Interests in Bonds represented by the Restricted Global Certificate may be transferred to a person who wishes to take delivery of any such interest in the form of an interest in Bonds represented by the Unrestricted Global Certificate only if a Transfer Agent receives a written certificate from the transferor (in the form provided in the Paying Agency Agreement) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 (if available).

Prior to the 4th day after commencement of the offering of the New Bonds (the "Restricted Period"), an interest in Bonds represented by the Unrestricted Global Certificate may be exchanged for an interest in Bonds represented by the Restricted Global Certificate only if a Transfer Agent receives a written certificate from the transferee of the interest in Bonds represented by the Unrestricted Global

Certificate (in the form provided in the Paying Agency Agreement) to the effect that the transferee is a qualified institutional buyer (as defined in Rule 144A) and is obtaining such interest in a transaction meeting the requirements of Rule 144A and any applicable securities laws of any state of the United States or any other jurisdiction. After the expiration of the Restricted Period, this certification requirement will no longer apply to such transfers.

Transfers of New Bonds are also subject to the restrictions described under "Plan of Distribution" and "Transfer Restrictions" below.

(c) **Delivery of new Certificates:** Each new Certificate to be issued on transfer of a Bond or Bonds will, within five Business Days of receipt by the relevant Transfer Agent of the duly completed and signed form of transfer, be made available for collection at the specified office of the relevant Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds transferred (free of charge to the holder), to the address specified in the form of transfer.

Except in the limited circumstances described in "Summary of Provisions relating to the New Bonds while in Global Form — Registration of Title", owners of interests in Bonds represented by the Global Certificates will not be entitled to receive physical delivery of Individual Certificates. Issues of Certificates upon transfers of Bonds are subject to compliance by the transferor and transferee with the certification procedures described above and in the Paying Agency Agreement and, in the case of Rule 144A Bonds, compliance with the Securities Act Legend.

Where some but not all the Bonds in respect of which a Certificate is issued are to be transferred or redeemed, a new Certificate in respect of the Bonds not so transferred or redeemed, will, within five Business Days of delivery or surrender of the original Certificate to the relevant Transfer Agent or Registrar, be made available for collection at the specified office of the relevant Agent or, if so requested by the holder, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred or redeemed (free of charge to the holder), to the address of such holder appearing on the Register.

In this Condition 2, "Business Day" means a day (other than a Saturday or a Sunday) on which banks are open for business in the city in which the specified office of the Registrar and the relevant Transfer Agent to which the Certificate in respect of the Bonds to be transferred or relevant form of transfer is delivered is situated.

(d) **Formalities free of charge:** Registration of transfer of Bonds will be effected without charge by or on behalf of the Issuer or any of the Transfer Agents, but only upon the person making such application for transfer, paying or procuring the payment (or the giving of such indemnity as the Issuer or any of the Transfer Agents may require) of any tax, duty or other governmental charges which may be imposed in relation to such transfer.

(e) **Closed periods:** No Bondholder may require the transfer of a Bond to be registered during the period of 15 days ending on (and including) the due date for any payment of principal of that Bond or seven days ending on (and including) any Interest Record Date (as defined in Condition 6(a)).

(f) **Regulations:** All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Paying Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Bondholder upon request.

3. Covenants

(a) **Negative Pledge:** So long as any Bond remains outstanding (as defined in the Trust Deed):

(i) the Issuer will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("Security") upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any Indebtedness or any guarantee or indemnity in respect of any Indebtedness;

(ii) the Issuer will not permit any of its Material Subsidiaries to create or permit to subsist any Security upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any Relevant Debt, or any guarantee of or indemnity in respect of any Relevant Debt (other than any security subsisting in respect of the Sterlite Industries (India) Limited US$67,000,000 Floating Rate Notes due 2007 issued on 5 June 1997),

unless, at the same time or prior thereto, the Issuer's obligations under the Bonds and the Trust Deed, (x) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, in each case to the satisfaction of the Trustee; or (y) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

Provided that sub-clause (i) above shall not apply to Security (x) arising by operation of law or (y) created in respect of Indebtedness (which for this purpose shall exclude Relevant Debt) in an aggregate principal amount not exceeding 10 per cent. of Total Assets.

As used in these Conditions:

"Excluded Indebtedness" means any Indebtedness to finance the ownership, acquisition, development and/or operation of projects, assets or installations (including, without limitation, (1) the discovery, mining, extraction, transportation or development (in each case whether directly or indirectly) of metals or minerals, or (2) the development or operation of processing facilities (in each case whether directly or indirectly) related to natural resources including, without limitation, metals smelting, processing and refining) (the "Relevant Property") in respect of which the person or persons (in this definition the "Lender") to whom any Indebtedness is or may be owed by the relevant borrower (whether or not a member of the Group) has or have no recourse whatsoever to any member of the Group for the repayment of all or any portion of such indebtedness other than:

(i) recourse to such borrower for amounts limited to the present and future cash flow or net cash flow from the Relevant Property; and/or

(ii) recourse to the proceeds of enforcement of any Security given by such borrower over the Relevant Property or the income, cash flow or other proceeds deriving therefrom (or given by any shareholder or the like in the borrower over its shares or the like in the capital of the borrower) to secure such Indebtedness, provided that (A) the extent of such recourse to such borrower is limited solely to the amount of any recoveries made on any such enforcement, and (B) such Lender is not entitled, by virtue of any right or claim arising out of or in connection with such Indebtedness, to commence proceedings for the winding-up or dissolution of such borrower or to appoint or procure the appointment of any receiver, trustee or similar person or officer in respect of such borrower generally or any of its projects, assets or installations (save for the Relevant Property the subject of such security; and/or

(iii) recourse to such borrower generally, or directly or indirectly to a member of the Group, under any form of assurance, undertaking or support, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for breach of an obligation (not being a payment obligation or an obligation to procure payment by another person or an indemnity in respect thereof or an obligation to comply or to procure compliance by another person with any financial ratios or other tests of financial condition) by the person against whom such recourse is available;

"Group" means the Issuer and its Subsidiaries;

"Indebtedness" means any obligation (whether present or future, actual or contingent, secured or unsecured, as principal, surety or otherwise) for the payment or repayment of money;

"Relevant Debt" means any present or future indebtedness of the Issuer or any other person in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market having an original maturity of more than one year from its date of issue and denominated, payable or optionally payable in a currency other than Rupees or which are denominated Rupees and more than 50 per cent. of the aggregate principal amount of which is initially distributed outside India by or with the authority of the Issuer and other than Excluded Indebtedness;

"Subsidiary" means any company or other business entity of which the Issuer owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of the Issuer or which, under English or other applicable law or regulations and under generally accepted accounting principles in the United Kingdom, or International Financial Reporting Standards, as the case may be, from time to time, should have its accounts consolidated with those of the Issuer; and

"Total Assets" means the aggregate of consolidated total current assets and consolidated total non-current assets of (i) the Issuer as shown in the balance sheet of the latest available audited consolidated financial statements of the Issuer; and (ii) any Subsidiary of the Issuer acquired by the Issuer or any Subsidiary of the Issuer since the date of the latest available audited consolidated financial statements of the Issuer as shown in the balance sheet of the latest available audited consolidated financial statements of such Subsidiary.

(b) **Dividend restriction**: The Issuer shall not, and shall procure that each of its Material Subsidiaries shall not, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the payment of dividends to, or the making of any other distribution with respect to its Share Capital or on the making or repayment of loans to, the Issuer or any other Material Subsidiary of the Issuer, other than (x) such encumbrance or restriction arising by operation of law; (y) such encumbrance or restriction as is in existence on 16 December 2004; or (z) in respect of any Person which becomes a Material Subsidiary after the date of issue of the Bonds, any encumbrance or restrictions on such Person as may be in existence on the date such Person becomes a Material Subsidiary provided such restrictions were not imposed in contemplation of such Person becoming a Material Subsidiary.

(c) **Limitation on Subsidiary Net Borrowings**: The Issuer shall procure that its Subsidiaries shall not Incur, directly or indirectly, any Subsidiary Net Borrowings, if after giving pro forma effect to the Incurrence of such Subsidiary Net Borrowings, the ratio of Subsidiary Net Borrowings on the date of such Incurrence to EBITDA for the Reference Period immediately prior to such Incurrence exceeds 2.75:1 in the period 21 December 2004 to 31 March 2007 and 2.25:1 thereafter.

(d) **Limitation on Consolidated Net Borrowings**: The Issuer shall not, and shall procure that each of its Subsidiaries shall not, Incur directly or indirectly any Borrowings, if after giving pro forma effect to the Incurrence of such Borrowings, the ratio of Consolidated Net Borrowings on the date of such Incurrence to EBITDA for the Reference Period immediately prior to such Incurrence exceeds 3.75:1 in the period 21 December 2004 to 31 March 2007 and 2.75:1 thereafter.

(e) **Limitation on distribution of Net Proceeds of Asset Sales**: The Issuer shall not, and shall procure that each of its Subsidiaries shall not pay any dividend in respect of or otherwise distribute the Net Proceeds from any Asset Sale to any Person other than to the Issuer or any of its Subsidiaries if, such dividend or distribution, individually or when aggregated with all other dividends or distributions in respect of the Net Proceeds from any Asset Sales in the twelve month period prior to the date of the declaration of such dividend or distribution, exceeds US$50 million or its equivalent in other currencies (as reasonably determined by the Trustee).

(f) **Material Subsidiaries**: So long as any of the Bonds are outstanding (as defined in the Trust Deed), the Issuer shall retain Control, and directly or indirectly, own more than 50 per cent. of the issued equity share capital of each of its Material Subsidiaries.

(g) **Limitation on acquisitions**: The Issuer shall not, and shall procure that each of its Subsidiaries and any Person Controlled by it shall not, acquire the Share Capital or Assets of any Person which following consolidation with the Assets of the Issuer or any of its Subsidiaries, as the case may be, would constitute a material part of the consolidated Assets of the Group, unless substantially all of the business and/or undertaking relating to such Share Capital or substantially all of the Assets being acquired are associated with the mining, metals, coal, power or energy industries.

(h) **Accounts**: The Issuer agrees that (i) as soon as reasonably practicable after the issue or publication thereof and in any event within 180 days after the end of each financial year (beginning with 31 March 2005) it will deliver to the Trustee and the specified office of each of the Paying Agents three copies of its annual report and audited Accounts as at the end of and for the financial year ending on such 31 March; (ii) as soon as reasonably practicable after the issue or publication thereof, it will deliver to the Trustee and the specified office of each of the Paying Agents three copies of its unaudited interim Accounts as at the end of the six month period ending on 30 September (beginning with 30 September 2005), provided that if and to the extent that the financial statements are not prepared or adjusted on a basis consistent with that used for the preceding relevant semi-annual or annual fiscal period, that fact shall be stated; and (iii) with each set of Accounts delivered by it under this Condition 3 or otherwise within 14 days of the request of the Trustee, the Issuer will deliver to the Trustee and the specified office of each of the Paying Agents the Compliance Certificate.

As used in these Conditions:

"Accounts" means (i) as at each 31 March and for the twelve month period then ending, the audited consolidated profit and loss account and balance sheet of the Issuer prepared in accordance with Applicable Accounting Principles and (ii) as at each 30 September and for the six month period then ending, the unaudited consolidated profit and loss account and balance sheet of the Issuer prepared in accordance with Applicable Accounting Principles; PROVIDED THAT if the accounting principles, standards and practices generally accepted in the United Kingdom, or International Finance Reporting Standards, as the case may be, should be changed and the consolidated profit and loss account and balance sheet of the Issuer are prepared on such changed basis, the Accounts may comprise such consolidated financial statements together with a certificate of the independent auditors of the Issuer setting out the adjustments necessary to restate such financial statements in accordance with Applicable Accounting Principles;

"Applicable Accounting Principles" means (i) for periods ending on or before 31 March 2005, the accounting principles, standards and practices generally accepted in the United Kingdom and in accordance with the laws of England on the basis of which the audited consolidated accounts of the Issuer were prepared as at and for the twelve months ended 31 March 2004, and includes the accounting policies which were used in the preparation of those accounts, and (ii) for periods beginning on or after 1 April 2005, the accounting principles notified to the Trustee by the Company on or before 31 March 2005 (which shall apply to all subsequent periods for which Accounts are prepared), the accounting principles so notified to be either (x) the accounting principles, standards and practices generally accepted in the United Kingdom and in accordance with the laws of England on the basis of which the audited consolidated accounts of the Issuer were prepared as at and for the twelve months ended 31 March 2004, and includes the accounting policies which were used in the preparation of those accounts, or (y) the provisions of International Financial Reporting Standards applicable to the Issuer and its Subsidiaries as at 1 April 2005;

"Assets" of any Person means all or any of its shares, business, undertaking, property, assets, revenues (including any right to receive revenues) and uncalled capital;

"Asset Sale" means any sale, transfer or other disposition (including by way of merger, consolidation or sale leaseback transactions) in one or a series of transactions in any twelve month period by the

Issuer or any Subsidiary to any Person other than the Issuer or any of its Subsidiaries of a material part of the consolidated Assets of the Issuer;

"Balance Sheet Date" means each 30 September and 31 March or other semi-annual date at which the Issuer prepares its audited or unaudited Accounts;

"Borrowings" means, with respect to any Person at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iii) all obligations of such Person as lessee which are capitalised in accordance with Applicable Accounting Principles, (iv) all Borrowings secured by Security on any Asset of such Person, whether or not such Borrowings are otherwise an obligation of such Person, (v) all non contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, except in respect of trade accounts payable arising in the ordinary course of business and (vi) all Borrowings of others guaranteed by such Person, except such guarantees as are in existence on 16 December 2004 and disclosed in the Offering Circular dated 16 December 2004 issued in connection with the Bonds;

"Compliance Certificate" means a certificate signed by two directors of the Issuer confirming compliance with the financial ratios set out in this Condition 3 in each case as at each Balance Sheet Date and in respect of the whole of the financial year for each Balance Sheet Date falling on 31 March and in respect of the whole of the six month period ending on the Balance Sheet Date for each Balance Sheet Date falling on 30 September, and setting out in reasonable detail the computations necessary to demonstrate such compliance;

"Consolidated Total Borrowings" means the aggregate of consolidated total Borrowings of the Group without duplication and excluding any amounts owing by any Subsidiary to any other Subsidiary or (provided that there shall not be or have been any transfer, pledge, assignment or other disposal, including by way of security, in respect thereof by the Issuer to any other Person, other than another Subsidiary) to the Issuer, as at the relevant date;

"Consolidated Net Borrowings" means Consolidated Total Borrowings minus consolidated cash and cash equivalents as at the relevant date;

"Control", "Controlling" or "Controlled" means the right to appoint and/or remove all or the majority of the members of the board of directors or other governing body or the right to direct or cause the direction of the management and policies, in each case whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

"Debt Service" means with respect to a Reference Period, the aggregate interest expense (excluding, for the avoidance of doubt, capitalised interest accrued or paid during such period) including, without limitation, (i) the portion of any obligation under a capital lease allocable to interest expense in accordance with Applicable Accounting Principles and (ii) the portion of any debt discount that shall be amortised in such period, provided that the foregoing shall be adjusted to reflect only the net effect of any interest rate swap, interest hedging transaction or other similar arrangement entered into in order to reduce or eliminate variations in interest expenses. In calculating Debt Service, the interest to be paid on the new debt shall be included and calculated for a period equal to the lesser of the Reference Period and the period to maturity of the new debt;

"EBITDA" means with respect to any Reference Period, profit before minority interest of the Issuer and its Subsidiaries on a consolidated basis during the relevant period, (A) plus any amounts deducted in determining such profit before minority interest for such period in respect of (i) taxation, (ii) Debt Service, (iii) depreciation, (iv) amortisation expenses and (v) realised and unrealised foreign exchange losses and (B) minus any amounts added in determining such earnings before minority interest for such period in respect of realised and unrealised foreign exchange gains;

"Group" means the Issuer and its Subsidiaries;

"Incur" means, as applied to any obligation, to directly or indirectly, create, incur, issue, assume, guarantee or in any other manner become directly or indirectly liable, contingently or otherwise. Such obligation and "Incurred", "Incurrence" and "Incurring" shall each have a correlative meaning;

"Material Subsidiary" has the meaning specified in Condition 8;

"Net Proceeds" means the aggregate cash proceeds received by the Issuer or any Subsidiary of the Issuer in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale;

"Person" means any individual, firm, corporation, partnership, association, joint venture, tribunal, limited liability company, trust, government or political subdivision or agency or instrumentality thereof, or any other entity or organisation;

"Reference Period" means the most recent two semi-annual periods ending on the Balance Sheet Date, in either case immediately preceding the date of Incurrence of such debt in respect of which the Issuer has published its financial results;

"Share Capital" means any and all shares, interests (including joint venture and partnership interests), participations or other equivalents of capital stock of a corporation or any and all equivalent ownership interests in a Person; and

"Subsidiary Net Borrowings" means the aggregate of the Consolidated Total Borrowings minus the non-consolidated Borrowings of the Issuer and cash and cash equivalents of the Subsidiaries as at the relevant date.

4. Interest

The Bonds bear interest from 21 December 2004 at the rate of 6.625 per cent. per annum, payable semi-annually in arrear on 22 February and 22 August in each year (each an "Interest Payment Date"), except that the first payment of interest, to be made on 22 August 2005, will be made in respect of the period from 21 December 2004 to 22 August 2005. Each Bond will cease to bear interest from the due date for redemption unless, upon surrender in accordance with Condition 6, payment of the full amount of principal is improperly withheld or refused or unless default is otherwise made in respect of any such payment. In such event each Bond shall continue to bear interest at the applicable rate (both before and after judgment) until, but excluding whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day which is seven calendar days after the Trustee or the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh calendar day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions). If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

5. Redemption and Purchase

(a) **Final redemption:** Unless previously redeemed, or purchased and cancelled as provided herein, the Bonds will be redeemed at their principal amount on 22 February 2010. The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 5.

(b) **Redemption for taxation reasons:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 calendar days' notice to the Bondholders (which notice shall be irrevocable), at their principal amount (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 16 December 2004, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 calendar days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which event it shall be conclusive and binding on the Bondholders.

(c) **Purchase**: Subject to the requirements (if any) of any stock exchange on which the Bonds may be listed at the relevant time the Issuer and any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike and such Bonds may be retained for the account of the relevant purchaser or resold or otherwise dealt with at its discretion. The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Condition 12(a).

(d) **Cancellation:** All Bonds so redeemed will be cancelled and may not be re-issued or resold. All Bonds purchased pursuant to this Condition may be cancelled at the discretion of the relevant purchaser. Bonds may be surrendered for cancellation by surrendering each such Bond to the Principal Agent and if so surrendered shall be cancelled forthwith (and may not be reissued or resold) and the obligations of the Issuer in respect of any such Bonds shall be discharged.

6. Payments

(a) **Principal and Interest:** Payment of principal and interest due other than on an Interest Payment Date, will be made by transfer to the registered account of the Bondholder or by United States dollar cheque drawn on a bank in New York City mailed to the registered address of the Bondholder if it does not have a registered account. Payment of principal will only be made after surrender of the relevant Certificate at the specified office of any of the Paying Agents.

Interest on Bonds due on an Interest Payment Date will be paid on the due date for the payment of interest to the holder shown on the Register at the close of business on the fifteenth day before the due date for the payment of interest (the "Interest Record Date"). Payments of interest on each Bond will be made by transfer to the registered account of the Bondholder or by United States dollar cheque drawn on a bank in New York mailed to the registered address of the Bondholder if it does not have a registered account.

(b) **Registered accounts:** For the purposes of this Condition, a Bondholder's registered account means the United States dollar account maintained by or on behalf of it with a bank in New York City, details of which appear on the Register at the close of business on the second business day (as defined below) before the due date for payment, and a Bondholder's registered address means its address appearing on the Register at that time.

(c) **Payments subject to fiscal laws:** All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(d) **Payment initiation:** Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a business day (as defined below), for value on the first following day which is a business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder) on the due date for payment (or, if it is not a business day, the first following day which is a business day) or, in the case of a payment of principal, if later, on the business day on which the relevant Certificate is surrendered at the specified office of a Paying Agent.

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day, if the Bondholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

(e) **Business Day:** In this Condition, "business day" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in New York City and London and, in the case of the surrender of a Certificate, in the place of the specified office of the Paying Agent to whom the Certificate is surrendered. If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

(f) **Paying Agents:** The initial Paying Agents, Transfer Agents and Registrar and their initial specified offices are listed below. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of any Paying Agent, Transfer Agents or Registrar and appoint additional or other Paying Agents, Transfer Agents or Registrar, provided that it will maintain: (i) a Principal Agent; (ii) Paying Agents and Transfer Agents having specified offices in at least two major European cities approved by the Trustee (including London, so long as the Bonds are listed on the Official List of the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 and admitted to trading on the London Stock Exchange plc's market for listed securities); and (iii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; and (iv) a Registrar. Notice of any change in the Paying Agents, Transfer Agents or Registrar or their specified offices will promptly be given to the Bondholders.

7. Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond:

(a) to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the United Kingdom other than the mere holding of the Bond; or

(b) (in the case of payment of principal or interest (other than interest due on an Interest Payment Date)) if the Certificate in respect of such Bond is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting such Certificate for payment on the last day of such period of 30 days; or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) if the Certificate in respect of such Bond is presented for payment by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the relevant Certificate to another Paying Agent in a Member State of the European Union.

"Relevant Date" means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received in New York City by the Principal Agent or the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and cheques despatched or payment made.

Any reference in these Conditions to principal and/or interest in respect of the Bonds shall be deemed to include any additional amounts which may be payable under this Condition or any undertaking given in addition to or substitution for it under the Trust Deed.

8. Events of Default

The Trustee at its discretion may, and if so requested by holders of not less than 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall (subject in each case to it being indemnified to its satisfaction), give notice in writing to the Issuer that the Bonds are, and they shall immediately become, due and payable at their principal amount together with accrued interest, if applicable, if any of the following events (each an "Event of Default") shall have occurred:

(a) **Non-Payment:** (i) the Issuer fails to pay all or any part of the principal of any of the Bonds when the same shall become due and payable, whether at maturity, upon redemption or otherwise and such failure continues for a period of seven calendar days; or (ii) the Issuer fails to pay any instalment of interest upon any of the Bonds as and when the same shall become due and payable, and such failure continues for a period of 14 calendar days; or

(b) **Breach of Other Obligations:** the Issuer defaults in the performance or observance of or compliance with any of its other obligations set out in the Bonds or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 45 calendar days after the date on which written notice specifying such failure, stating that such notice is a "Notice of Default" under the Bonds and demanding that the Issuer remedy the same, shall have been given to the Issuer by the Trustee; or

(c) **Cross-Default:** (i) any other present or future indebtedness of the Issuer or any of its Material Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity (otherwise than at the option of the Issuer or such Material Subsidiary, as the case may be) by reason of any actual or potential default, event of default or the like (howsoever described); or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period originally provided for; or (iii) the Issuer or any of its Material Subsidiaries fails to pay when due (or within any applicable grace period originally provided for) any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which any one or more of the events mentioned above in this Condition 8 (c) has or have occurred equals or exceeds US$20,000,000 or its equivalent in other currencies (as reasonably determined by the Trustee); or

(d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process (other than distraint or attachment imposed by any government, authority or agent prior to enforcement foreclosure) is levied, enforced or sued out, as the case may be, on or against a substantial part (in the opinion of the Trustee) of the property, assets or revenues of the Issuer or all or a substantial part (in the opinion of the Trustee) of the property, assets or revenues of any of its Material Subsidiaries and is not (i) either discharged or stayed within 60 calendar days or in circumstances where, in the opinion of the Trustee, the levy, enforcement or suing out, as the case may be, of such legal process is not, or does not become, materially prejudicial to the interests of the Bondholders, within 120 calendar days;

or (ii) being contested in good faith on the basis of appropriate legal advice provided by reputable independent counsel in the relevant jurisdiction or jurisdictions and by appropriate proceedings; or

(e) **Security Enforced:** an encumbrancer takes possession or a receiver, administrative receiver, administrator, manager or other similar person is appointed over, or an attachment order is issued in respect of, the whole or a substantial part (in the opinion of the Trustee) of the undertaking, property, assets or revenues of the Issuer or any of its Material Subsidiaries and in any such case such possession or appointment is not stayed or terminated or the debt on account of which such possession was taken or appointment made is not discharged or satisfied within 60 calendar days of such appointment or the issue of such order; or

(f) **Insolvency:** the Issuer or any of its Material Subsidiaries (i) is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts or stops, suspends or threatens to stop or suspend payment of all or a substantial part (in the opinion of the Trustee) of (or of a particular type of) its debts as they mature; or (ii) applies for or consents to or suffers the appointment of an administrator, administrative receiver, liquidator, manager or receiver or other similar person in respect of the Issuer or any of its Material Subsidiaries or over the whole or a substantial part (in the opinion of the Trustee) of the undertaking, property, assets or revenues of the Issuer or any of its Material Subsidiaries; or (iii) proposes or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or a substantial part (in the opinion of the Trustee) of (or of a particular type of) the debts of the Issuer or any of its Material Subsidiaries, except, in any such case, for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Trustee or by an Extraordinary Resolution of the Bondholders; or

(g) **Winding-up, Disposals:** an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any of its Material Subsidiaries, or the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or a substantial part (in the opinion of the Trustee) of its business or operations, or the Issuer or any of its Material Subsidiaries sells or disposes of all or a substantial part (in the opinion of the Trustee) of its assets or business whether as a single transaction or a number of transactions, related or not; except, in any such case, for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger, consolidation or other similar arrangement (i) on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Material Subsidiary, not including arising out of the insolvency of such Material Subsidiary and under which all or substantially all of its assets are transferred to another member or members of the Group or to a transferee or transferees which immediately upon such transfer become(s) a Subsidiary of Subsidiaries of the Group; or

(h) **Expropriation:** any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates (excluding any distraint or attachment prior to enforcement or foreclosure) all or a substantial part (in the opinion of the Trustee) of the assets or shares of the Issuer or any of its Material Subsidiaries; or

(i) **Analogous Events:** any event occurs which under the laws of England or, in the case of the Issuer's Material Subsidiaries, the laws of the relevant Material Subsidiary's place of incorporation or principal place of business has an analogous effect to any of the events referred to in paragraphs (d) to (h) above.

Upon any such notice being given to the Issuer, the Bonds will immediately become due and payable at their principal amount together with accrued interest as provided in the Trust Deed, provided that no such notice may be given unless an Event of Default shall have occurred and provided that, in the case of paragraphs (b), (d), (e) and (h), the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Bondholders.

For the purposes of paragraph (c) above, any indebtedness which is in a currency other than US dollars shall be translated into US dollars at the middle spot rate for the sale of US dollars against the purchase of the relevant currency quoted by any leading bank selected by the Trustee on any day when the Trustee requests a quotation for such purposes.

"Material Subsidiary" means, at any particular time, a Subsidiary of the Issuer:

(a) whose (i) total assets or (ii) gross revenues (in each case (x) attributable to the Issuer and (y) consolidated in respect of a Subsidiary which itself has Subsidiaries) are equal to or greater than 10 per cent. of the consolidated total assets or consolidated gross revenues, as the case may be, of the Issuer, in each case as calculated by reference to the then latest audited consolidated or, as the case may be, unconsolidated financial statements of the relevant Subsidiary or Subsidiaries and the then latest audited consolidated financial statements of the Issuer; or

(b) to which is transferred all or substantially all of the business, assets and undertaking of a Subsidiary of the Issuer which immediately prior to such transfer is a Material Subsidiary, whereupon the transferor Subsidiary of the Issuer shall immediately cease to be a Material Subsidiary and the transferee Subsidiary shall immediately become a Material Subsidiary (subject to the provisions of paragraph (a) above).

A report by two Directors of the Issuer certified by the Issuer's auditor that in their opinion a Subsidiary of the Issuer is or is not, or was or was not, at any particular time or throughout any specified period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Trustee and the Bondholders.

9. Consolidation, Amalgamation or Merger

The Issuer will not consolidate with, merge or amalgamate into or transfer its properties and assets substantially as an entirety to any corporation or convey or transfer its properties and assets substantially as an entirety to any person (the consummation of any such event, a "Merger"), unless:

(a) the corporation formed by such Merger or the person that acquired such properties and assets shall expressly assume, by a supplemental trust deed in form and substance satisfactory to the Trustee, all obligations of the Issuer under the Trust Deed and the Bonds and the performance of every covenant and agreement applicable to it contained therein;

(b) immediately after giving effect to any such Merger, no Event of Default or Potential Event of Default (as defined in the Trust Deed) shall have occurred or be continuing or would result therefrom as confirmed to the Trustee by (i) a certificate of two directors of the Issuer and (ii) a certificate of two directors of the corporation that would result from such Merger or, as the case may be, a certificate from any such person referred to above; and

(c) the corporation formed by such Merger, or the person that acquired such properties and assets, shall expressly agree, among other things, not to redeem the Bonds pursuant to Condition 5(b) as a result of it becoming obliged to pay any additional amounts as provided or referred to in Condition 7 arising solely as a result of such Merger.

10. Prescription

Claims in respect of principal and interest will become void unless made as required by Condition 6 within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

11. Replacement of Certificates

If any Certificate representing a Bond is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the costs and expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. Meetings of Bondholders, Modification and Waiver

(a) **Meetings of Bondholders:** The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of the Bondholders of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Bondholders holding not less than 15 per cent in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution of the Bondholders will be two or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds or (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution of the Bondholders, in which case the necessary quorum will be two or more persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution of the Bondholders duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed and whether or not they voted in favour).

(b) **Modification and Waiver:** The Trustee may agree, without the consent of the Bondholders, to (i) any modification to these Conditions or to the provisions of the Trust Deed which is in its opinion of a formal, minor or technical nature or is made to correct a manifest or proven error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed which is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, if the Trustee so requires, such modification shall be notified to the Bondholders as soon as practicable.

(c) **Written resolutions of 90 per cent. holders:** The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Trust Deed shall be as valid and effective as a duly passed Extraordinary Resolution of the Bondholders.

(d) **Entitlement of the Trustee:** In connection with the exercise of its powers, trusts, authorisations or discretions (including but not limited to those referred to in this Condition), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders (including as a result of their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory) and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13. Enforcement

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Bonds, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by Bondholders holding at least one-quarter in principal amount of the Bonds outstanding, and (b) it shall have been indemnified to its satisfaction. No Bondholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee may rely without liability to Bondholders on any certificate or report prepared by the Auditors pursuant to the Conditions and/or the Trust Deed, whether or not addressed to the Trustee and whether or not the Auditors liability in respect thereof is limited by a monetary cap or otherwise; any such certificate shall be conclusive and binding on the Issuer, the Trustee, and the Bondholders.

15. Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Bonds. Any further securities forming a single series with the outstanding securities of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of securities of other series where the Trustee so decides.

16. Notices

Notices to Bondholders will be valid if published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) or, if in the opinion of the Trustee such publication shall not be practicable, in an English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Bonds are represented by the Global Certificates and the Global Certificates are held on behalf of DTC, Euroclear or Clearstream, Luxembourg or the alternative clearing system (as defined in the Global Certificates), notices to Bondholders may be given by delivery of the relevant notice to DTC, Euroclear or Clearstream, Luxembourg or the alternative clearing system, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

17. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

18. Governing Law

(a) **Governing Law:** The Trust Deed and the Bonds are governed by and shall be construed in accordance with English law.

(b) **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with the Bonds or the Trust Deed ("Proceedings") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

SUMMARY OF PROVISIONS RELATING TO THE NEW BONDS WHILE IN GLOBAL FORM

The Global Certificates contain provisions which apply to the New Bonds while they are in global form, some of which modify the effect of the Conditions of the New Bonds set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of certain of those provisions.

Registration of Title

Individual Certificates will not be issued in exchange for interests in the New Bonds in respect of which the Global Certificates are issued, except in the following circumstances (where they shall be issued free of charge to the holder):

(i) (in the case of the Restricted Global Certificate) DTC (or any clearing system as shall have been designated by the Company and approved by the Trustee (the "Alternative Clearing System") on behalf of which the New Bonds evidenced by the Restricted Global Certificate may be held) notifies the Company that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the New Bonds, or ceases to be a "Clearing Agency" registered under the Exchange Act or is at any time no longer eligible to act as such and the Company is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC (or, as the case may be, such Alternative Clearing System); or

(ii) (in the case of the Unrestricted Global Certificate, if any) either Euroclear or Clearstream, Luxembourg (or any other Alternative Clearing System on behalf of which the New Bonds evidenced by the Unrestricted Global Certificate may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(iii) if instructions have been given for the transfer of an interest in the New Bonds evidenced by a Global Certificate to a person who would otherwise take delivery thereof in the form of an interest in the New Bonds evidenced by the other Global Certificate where such other Global Certificate has been exchanged for definitive Certificates.

In such circumstances, the Company will cause sufficient Individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Bondholders. A person with an interest in the New Bonds in respect of which the Global Certificate is issued must provide the Registrar with a written order containing instructions and such other information as the Company and the Registrar may require to complete, execute and deliver such Individual Certificates and, in the case of a person with an interest in the New Bonds represented by the Restricted Global Certificate, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous sale pursuant to Rule 144A, Regulation S or Rule 144 under the Securities Act ("Rule 144"), a certification that the transfer is being made in compliance with the provisions of Rule 144A, Regulation S or Rule 144, as the case may be, in accordance with the Paying Agency Agreement. Restricted Individual Certificates issued in respect of the Rule 144A Bonds shall bear the legends applicable to transfers pursuant to Rule 144A.

Payments

Payments of principal and interest in respect of New Bonds represented by a Global Certificate will be made without presentation or, if no further payment falls to be made in respect of the New Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose.

Notices

So long as the New Bonds are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg, DTC or an Alternative Clearing System, notices to Bondholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions.

Meetings

The registered holder of each Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each US$1,000 in principal amount of the New Bonds for which the Global Certificates may be exchanged. The Trustee may allow a person with an interest in the New Bonds in respect of which a Global Certificate has been issued to attend and speak at a meeting of Bondholders on appropriate proof of his identity and interest.

Purchase and Cancellation

Cancellation of any New Bond required by the Conditions to be cancelled following its purchase will be effected by reduction in the principal amount of the New Bonds in the register of Bondholders.

Trustee's Powers

In considering the interests of Bondholders while a Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may have regard to any information provided to it by or on behalf of the relevant clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the New Bonds and may consider such interests as if such accountholders were the holders of the New Bonds.

INFORMATION ON INDIA

The following statistics and information relating to India have been extracted from certain publicly available information and are provided for background purposes only.

Territory, population and resources

India is located in southern Asia and covers a land area of approximately 3.29 million square kilometres. India's neighbours are Bangladesh, Bhutan, Nepal, Pakistan, People's Republic of China and Sri Lanka.

India has a population of approximately 1.05 billion and is the world's second most populous country after China. India's population grew at an average rate of approximately 2 per cent. per annum between 1980 and 2000. English is the accepted business language in India. India is the world's largest democracy.

India has the world's fifth largest known bauxite reserves, with an estimated 770 Mt in 2002, representing approximately 4 per cent. of the world's total known bauxite reserves. India also has the world's sixth largest known iron ore reserves, with an estimated 4,200 Mt in 2002, representing approximately 6 per cent. of the world's total known iron ore reserves.

Government and political system

India achieved independence on 15 August 1947 and is a sovereign democratic republic consisting of 29 states and six union territories. The Constitution of India provides for the separation of executive, legislative and judicial powers. The legislative power of the Government of India is vested in a bicameral legislature consisting of the Lok Sabha (Lower House) and the Rajya Sabha (Upper House).

The Lok Sabha consists of 545 members, two of whom are nominated by the President. The other members of the Lok Sabha are directly elected for a term of five years on the basis of a general election. The Constitution of India provides that the Rajya Sabha can consist of not more than 250 members, 12 of whom are nominated by the President and the rest are elected indirectly by the elected members of the legislatures of the States. The Rajya Sabha is not subject to dissolution, but one-third of its members are required to retire every two years.

The President of India is the constitutional head of the executive branch of the Government of India, exercising power under the Constitution generally upon the advice of the cabinet of ministers, headed by the Prime Minister. Executive power essentially resides with the Prime Minister and the cabinet of ministers who are responsible to the Lok Sabha. The Prime Minister is elected by the members of the Lok Sabha and appointed by the President who also appoints other ministers on the advice of the Prime Minister.

The system of government in the states generally resembles that of the central government with the states having a legislature, a governor, a chief minister and a council of ministers. The union territories are administered by the President. There is an extensive system of local government in India, which is principally controlled through local corporations or municipalities. The system of local self-government extends to the village level.

Since 1996, the Government of India has changed four times. Parliamentary elections were conducted in May 2004, resulting in the United Progressive Alliance coalition led by the Congress Party coming into power, replacing the Bharatiya Janata Party led coalition. A significant change in the Government of India's economic liberalisation and deregulation policies could adversely affect business and economic conditions in India in general. See "Risk factors—Risks relating to investments in India".

The Indian economy

India had a real Gross National Income, based on purchasing power parity, of approximately US$2.91 trillion for 2001 making it the fourth largest economy in the world, after the United States of America, China and Japan according to the World Development Indicators 2003 published by the World Bank. Agriculture remains India's largest economic sub-sector and employs a significant proportion of the workforce. The

Government of India has played a dominant role in the economy. Economic policy has been formulated in a series of successive five-year plans.

Economic performance in the period from 1951 to 1985 was mixed. Growth in real gross domestic product or GDP averaged about 3.6 per cent. during this period. Though the per capita GDP in this period grew at a lower rate of 1.2 per cent., a substantial middle class has emerged over the years.

In the 1980s, fiscal imbalances began to arise and the Government of India's gross fiscal deficit reached 6.6 per cent. of GDP in 1991/92. There was also a deterioration in India's balance of payments position. Import payments increased consistently in the 1980s and more so after the Persian Gulf conflict in fiscal year 1991. India's external debt service obligations rose significantly.

The fiscal and external payments problems reached a crisis point in 1991. After the assassination of the former Prime Minister Rajiv Gandhi in 1991, the Congress Party with P V Narasimha Rao as Prime Minister, initiated a major structural transformation in the economy.

Economic reforms

Confronted with a major economic crisis, the government of Prime Minister Rao undertook a comprehensive economic reform programme that has been continued by all the successive governments. These reforms have primarily included:

- the elimination of industrial licensing requirements for the majority of industries;
- the lowering of tariff barriers and simplification of the trade regime;
- reductions in subsidies;
- substantial liberalisation of the restrictions on foreign investment, including limitations on foreign equity participation;
- reductions in the role of the public sector;
- increased deregulation of interest rates and introduction of more stringent standards for the financial sector;
- full convertibility of the rupee on current account;
- reductions in marginal tax rates and simplification of tax procedures;
- the introduction of a programme to make prices in the petroleum sector market-determined; and
- several initiatives for the development of infrastructure.

Trends in the economy

	As at and for the year ended 31 March (annual percentage change, except for foreign exchange assets)				
	1999	2000	2001	2002	2003
Real GDP growth[(1)]	6.5	6.1	4.4	5.6	4.0
Real per capita GDP growth[(1)]	4.4	4.2	2.5	3.7	2.4
Agricultural production[(1)]	6.2	0.3	(0.4)	5.7	(12.5)
Industrial production[(1)]	3.7	4.8	6.6	3.3	5.7
Inflation Rate based on Wholesale Price Index (average)[(2)]	6.0	3.3	7.1	3.5	3.4
Imports (% of GDP)[(2)]	10.2	11.1	11.0	10.7	13.2
Exports (% of GDP)[(2)]	8.0	8.2	9.7	9.1	11.3
Foreign Exchange Assets (in US$ billions)[(2)]	29.5	35.1	39.6	51.0	71.9

(1) Central Statistics Organisation, Ministry of Planning and Programme Implementation, Government of India.

(2) Handbook of Statistics on Indian Economy, Annual Series, Reserve Bank of India publication.

The following table sets out, for the periods indicated, the inflows into India of foreign direct investment and portfolio investment.

	Year ended 31 March				
	1999	2000	2001	2002	2003
	(US$ millions)				
Foreign direct investment	2,462	2,155	2,339	3,904	4,660
Portfolio investment	(61)	3,026	2,760	2,021	979

Source: Handbook of Statistics on Indian Economy, Annual Series, Reserve Bank of India publication

Real Indian GDP has grown at an average rate of 6 per cent. per annum over the last 10 years. The per capita metal consumption in India is low when compared to other countries. Indian metal consumption per capita for copper, aluminium and zinc was 0.27 kg, 0.59 kg and 0.30 kg, respectively per head in 2002. This compares with US copper, aluminium and zinc consumption of 8.57 kg, 21.39 kg and 4.28 kg, respectively, per head and Chinese consumption of 2.16 kg, 3.70 kg and 1.35 kg, respectively, per head in 2002.

Union Budget Fiscal 2004-05

The theme of the Budget 2004-05 is to ensure the economic objectives of the Government's Common Minimum Programme which includes maintaining a sustained annual growth rate of 7-8 per cent., providing universal access to basic education and health facilities, generating employment and promoting investment, focusing on agriculture and infrastructure, accelerating fiscal consolidation and reform and ensuring higher and more efficient fiscal devolution.

In order to promote investment, the Budget proposes various initiatives to simplify and encourage investment in India. This includes the establishment of an Investment Commission to engage, discuss and invite domestic and foreign businesses to invest in India. The role of the Foreign Investment Promotion Board ("FIPB"), which currently serves as a one-stop centre for securing regulatory approvals from the various ministries and departments in relation to a proposed investment, may be redefined. Several of its current functions may potentially be administered through the "automatic route", leaving the FIPB as essentially a service centre and facilitator. The Budget also proposes that the limits on Foreign Direct Investment in key infrastructure and service sectors, such as civil aviation, telecommunications and insurance, be increased. Measures have also been proposed to simplify the entry of foreign institutional investors and to allow them greater access to the debt market.

In relation to infrastructure development, the Budget proposes that a consortium of financial institutions and banks should assist in the implementation of infrastructure projects with an initial focus on airports, seaports and tourism. The Budget also included initiatives in the area of urban water supply projects. In an effort to aid and sustain the growth of the manufacturing sector, the Government is considering the establishment of a National Manufacturing Competitiveness Council and has also proposed that special economic packages be implemented for certain states.

The Budget proposes that disinvestment and privatisation be selectively employed and that a Board for Reconstruction of Public Sector Enterprises ("BRPSE") be established to advise the Government on the various measures and options that may be taken to restructure public sector entities.

In the area of indirect tax, the Budget proposes to align the tariff structure in India to those of the other member countries of the Association of South East Asian Nations countries in a measured manner.

In addition to the above proposals, the following fiscal measures have become effective through the enactment of the Finance Act (2 of 2004):

- an additional surcharge (known as "education cess") of 2 per cent. shall be levied on income tax, corporation tax, excise duties, certain customs duties and service tax.
- in relation to direct taxes, the rates of income tax have remained constant. Long-term capital gains from certain sources shall be exempt from taxation and short-term capital gains from certain sources shall be taxed at a reduced rate of 10 per cent. The income tax exemptions granted to certain non-resident Indian accounts have been removed. Further, an additional tax (known as "securities transaction tax") has been introduced on certain transactions involving securities on recognized stock exchanges.
- the rates of certain excise and custom duties (including duties in relation to steel, copper, zinc and certain other metals) have been reduced.
- the service tax rate has been raised from 8 per cent. to 10 per cent. and certain additional services, including the survey and exploration of minerals, have been brought within this tax regime. In a step towards integrating the tax on goods and services, the Budget proposes that service tax and excise duty across goods and services be creditable and also proposes to implement the value added tax regime by 1 April 2005.

Foreign investment and exchange restrictions

India regulates ownership of securities issued by Indian companies by persons resident outside India, although restrictions on foreign investment have been significantly relaxed in recent years. The Foreign Exchange Regulation Act, 1973 was replaced by the Foreign Exchange Management Act, 1999 ("FEMA") with effect from 1 June 2000. There are certain requirements of FEMA which may affect the Group's ability to acquire additional shares or subscribe for new shares in Indian companies and which may affect the Group's Indian subsidiaries" ability to pay royalties in respect of non-Indian technology and to borrow money from non-Indian Group companies or non-Indian third parties. These requirements are described below.

See "Risk factors—Risks relating to investments in India" for further information regarding the risks associated with India's foreign investment and exchange restrictions.

Restrictions relating to the inflow of foreign funds into India

Equity. Foreign investment in Indian securities is regulated by FEMA and the Government of India's Industrial Policy Resolutions (the "Industrial Policy"), as modified from time to time. This policy sets out caps on foreign investment in certain industrial sectors. The Industrial Policy is administered by the Government of India through the Foreign Investment Promotion Board ("FIPB") of the Secretariat for Industrial Assistance and the Reserve Bank of India ("RBI"). Currently, the Industrial Policy permits foreign direct investment in up to 100 per cent. of new shares in an Indian company engaged in the exploration and mining of gold, silver and minerals other than diamonds and precious stones, and their metallurgy and processing under an exemption called the "automatic route". The "automatic route" is administered by the RBI and enables Indian companies in specified industries to issue shares to persons resident outside India and to obtain external commercial borrowings ("ECBs") from persons resident outside India without prior permission from the RBI, subject to certain conditions specified in the relevant regulations. However, in the absence of certain conditions the "automatic route" is not open for those non-resident investors who have or had a previous financial, technical or trademark collaboration with or in an existing domestic company engaged in the same activity.

Debt. Prior approval of the Government of India or the RBI may be required in the event an Indian company wishes to obtain ECBs from persons resident outside India. ECBs include commercial bank loans, buyers credit, suppliers credit, floating rate notes, fixed rate bonds, credit from official export credit agencies and commercial borrowings from the private sector window of multilateral financial institutions. Intragroup loans from non-Indian companies in the Group will also constitute ECBs. ECBs are regulated by the consolidated guidelines issued by the Government of India in July 2004 as updated from time to time. The Government of India has recently decided to permit ECBs of up to US$500 million under the "automatic route", thereby permitting an Indian company to obtain ECBs of up to US$500 million without any approval from the Government of India and the RBI, subject to certain conditions specified by the Government of India. ECBs for amounts in excess of US$500 million shall require only RBI approval. This limit is applied on a per company basis by aggregating all ECBs of that company in any one financial year.

Presently, ECBs can be raised only for (i) investment (such as import of capital goods, new projects, modernization/expansion of existing production units) in industrial sectors including small and medium enterprises and the infrastructure sector in India (as specifically defined by the Government of India), (ii) overseas direct investment in joint ventures/wholly owned subsidiaries subject to the guidelines on Indian direct investment in joint ventures/wholly owned subsidiaries abroad and (iii) in the initial acquisition of shares and mandatory public offer in the Government of India's disinvestment process.

Further, utilisation of ECB proceeds is not permitted for (i) on-lending or investment in the capital market by corporates, (ii) real estate and (iii) working capital, general corporate purposes and repayment of existing Rupee loans.

The RBI has recently permitted conversion of ECBs into equity shares, subject to fulfilment of certain conditions.

Foreign exchange remittance from India

Dividends. The Government of India's dividend policy previously contained a requirement that the payment of dividends be commensurate with export earnings over a period of time. Currently, dividends received by foreign investors on shares of an Indian company are freely repatriable in foreign exchange. Dividend payments by Indian companies are subject to a dividend distribution tax which is payable by the company. This is currently fixed at 12.8125 per cent. (including a surcharge of 2.5 per cent. of 12.5 per cent.). The Finance Act (2 of 2004) has levied an additional surcharge (known as "education cess") at the rate of 2 per cent. of the total dividend distribution tax payable (including surcharge).

Capital gains. Repatriation of capital gains on the sale of shares in unlisted Indian companies continues to be regulated by the RBI. Unless the gain is exempt or treaty protected, withholding tax on the gain is deducted at rates varying between 10 to 40 per cent. before a shareholder resident outside India can remit from India amounts representing consideration for the disposal of shares in an Indian company or capital gains on such shares. The Finance Act 2004 exempts long term capital gains from the sale of securities on recognised exchanges from capital gains tax. It also reduces the short term capital gains tax rate to 10 per cent. Repatriation of capital gains on the sale of shares of listed companies through a stock exchange in India does not need RBI approval.

Royalties. Under the Industrial Policy, foreign technology collaboration agreements and agreements for the use of trademarks and brand names receive automatic approval from the RBI upon satisfaction of certain requirements. Payments under foreign technology collaboration agreements, subject to the prescribed limits, do not require approval. Payments above the prescribed limits require the prior approval of the FIPB.

Interest on ECBs. The Government of India guidelines regulating ECBs prescribe "all-in-cost ceilings" of 200 basis points over six months LIBOR for a minimum average maturity period of three years and up to five years and 350 basis points over six months LIBOR for a minimum average maturity period of more than five years, depending on the currency in which the loan is being raised or applicable benchmark(s), as the case may be. Interest payments on ECBs are subject to a withholding tax, at rates largely dependent on double tax treaties between India and the country where the loan is made, but on average ranges from 10.45 per cent. to 20.91 per cent. (including surcharge). The Finance Act (2 of 2004) has levied an additional surcharge (known as "education cess") at the rate of 2 per cent. of the total tax payable (including surcharge).

Prepayment of ECBs. Prepayment of ECBs of up to US$100 million is permitted without prior approval of RBI, subject to compliance with the stipulated minimum average maturity period as applicable for the loan.

Competition Act, 2002

The Competition Act, 2002, which will replace the Monopolies and Restrictive Trade Practices Act, 1969, has been passed by the Indian Parliament and has received the assent of the President of India. The Central Government has ratified the enforcement dates for certain provisions of the Competition Act, 2002. These provisions relate to the establishment of the Competition Commission of India. The substantive provisions of the Competition Act, 2002 are yet to be ratified by the Central Government.

The Competition Act, 2002 seeks to ensure fair competition in India by prohibiting trade practices which cause an appreciable adverse effect on markets in India. The Competition Act, 2002 seeks to prohibit anti-competitive agreements and abuses of dominant positions and regulates combinations through the establishment of a quasi-judicial body called the Competition Commission of India.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Regulation S Bonds or the Rule 144A Bonds.

This offering is being made in reliance on Rule 144A under the Securities Act and Regulation S under the Securities Act. The New Bonds have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any State in the United States or any other jurisdiction, and may only be offered or sold (a) within the United States to qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (b) outside the United States (as defined in Regulation S) in offshore transactions in reliance on Regulation S, and in each case in accordance with any other applicable law.

Rule 144A Bonds

Each purchaser of the New Bonds within the United States pursuant to Rule 144A, by accepting delivery of this Offering Circular, will be deemed to have represented, agreed and acknowledged that it has received such information as it deems necessary to make an investment decision and that:

(1) It is (a) a qualified institutional buyer within the meaning of Rule 144A ("QIB"), (b) acquiring such New Bonds for its own account or for the account of one or more QIBs, (c) not acquiring the New Bonds with a view to further distribute such New Bonds, and (d) aware, and each beneficial owner of such New Bonds has been advised, that the sale of such New Bonds to it is being made in reliance on Rule 144A.

(2) It understands that such New Bonds have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that the holder and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with all applicable securities laws of the States of the United States.

(3) It acknowledges that the New Bonds offered and sold hereby in the manner set forth in paragraph (1) above are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, are being offered and sold in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of the New Bonds.

(4) It understands that any offer, sale, pledge or other transfer of the New Bonds made other than in compliance with the above-stated restrictions may not be recognised by the Company.

(5) It understands that such New Bonds, unless otherwise agreed between the Company and the Trustee in accordance with applicable law, will bear a legend to the following effect:

THIS BOND HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT (2) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO RULE

144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS BOND.

(6) The Company, the Registrar, the Managers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements. If it is acquiring any New Bonds for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make (and does make) the foregoing acknowledgments, representations and agreements on behalf of each such account.

(7) It understands that the New Bonds offered in reliance on Rule 144A will be represented by the Restricted Global Certificate. Before any interest in the Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the New Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Bonds

Each purchaser of New Bonds offered hereby in reliance on Regulation S, if any, by accepting delivery of this Offering Circular and the New Bonds, will be deemed to have represented, agreed and acknowledged that it has received such information as it deems necessary to make an investment decision and that:

(1) It understands that such New Bonds have not been and will not be registered under the Securities Act, and such New Bonds are being offered and sold in reliance on Regulation S.

(2) It is, or at the time the New Bonds are purchased will be, the beneficial owner of such New Bonds and (a) it is purchasing the New Bonds in an offshore transaction (within the meaning of Regulation S) and (b) it is not an affiliate of the Company or a person acting on behalf of such an affiliate.

(3) It will not offer, sell, pledge or transfer New Bonds, except in accordance with the Securities Act and any applicable laws of the states of the United States and any other jurisdiction.

(4) The Company, the Registrar, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

(5) It understands that the New Bonds offered in reliance on Regulation S will be represented by the Unrestricted Global Certificate. For the period until and including the 4th day after the commencement of the offering of the New Bonds, any interest in the Unrestricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Restricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

TAXATION

United Kingdom Taxation

The following is a general description of certain UK tax considerations relating to the New Bonds based on current law and practice in the UK as at the date of this Offering Circular. It does not purport to be a complete analysis of all tax considerations relating to the New Bonds. It relates to the position of persons who are the absolute beneficial owners of New Bonds and some aspects do not apply to certain classes of taxpayer (such as dealers and beneficial owners who are, or who are EU permanent establishments of, EU associated companies of the Company and/or Bondholders who are connected with the Company for relevant tax purposes). Prospective Bondholders who may be subject to tax in a jurisdiction other than the UK or who may be unsure as to their tax position should seek their own professional advice.

Interest on the New Bonds

The New Bonds will constitute "quoted Eurobonds" within the meaning of section 349 of the Income and Corporation Taxes Act 1988 (the "Act") as long as they are and continue to be listed on a "recognised stock exchange" within the meaning of section 841 of the Act. In the case of the New Bonds to be traded on the London Stock Exchange, which is a recognised stock exchange, this condition will be satisfied if the New Bonds are admitted to listing on the Official List and to trading on the London Stock Exchange's market for listed securities. Provided, therefore, that the New Bonds remain so listed, payments of interest on the New Bonds may be made without withholding on account of UK income tax.

In all other cases an amount must be withheld on account of income tax at the lower rate (currently 20 per cent.), subject to any direction to the contrary by the Inland Revenue under an applicable double taxation treaty, and except that the withholding obligation is disapplied in respect of payments to Bondholders who the Company reasonably believes are either a UK resident company or a non-UK resident company carrying on a trade in the UK through a branch or agency (or through a UK permanent establishment, as regards accounting periods commencing on or after 1 January 2003) which is within the charge to corporation tax, or fall within various categories enjoying a special tax status (including charities and pension funds), or are partnerships consisting of such persons (unless the Inland Revenue directs otherwise).

Interest on the New Bonds constitutes UK source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding. However, interest with a UK source received without deduction or withholding on account of UK tax will not be chargeable to UK tax in the hands of a Bondholder who is not resident for tax purposes in the UK unless that Bondholder: (i) carries on a trade, profession or vocation in the UK through a UK branch or agency or for holders who are companies through a UK permanent establishment, in connection with which the interest is received or to which the New Bonds are attributable; or (ii) is a trustee of a trust with a UK beneficiary. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers).

The Inland Revenue has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the UK who either pays interest to or receives interest for the benefit of an individual. Information so obtained may, in certain circumstances, be exchanged by the Inland Revenue with the tax authorities of the jurisdiction in which the Bondholder is resident for tax purposes.

Transfer of the New Bonds

UK corporation taxpayers

In general Bondholders which are within the charge to UK corporation tax (other than investment trusts, venture capital trusts, authorised unit trusts and open-ended investment companies) will be treated for tax purposes as realising profits, gains or losses (including exchange gains and losses) in respect of the New Bonds on a basis which is broadly in accordance with their statutory accounting treatment so long as the accounting treatment is in accordance with a mark-to-market basis or an accruals basis which is authorised for tax purposes or for accounting periods beginning on or after 1 January 2005 generally accepted accounting practice as that term is defined for tax purposes. Such profits, gains and losses will be taken into account in computing taxable income for corporation tax purposes. Bondholders that are investment trusts, venture capital trusts, authorised unit trusts or open ended investment companies will be subject to the same taxation treatment in respect of the New Bonds as other Bondholders that are within the charge to UK corporation tax, other than with respect to profits, gains and losses carried to or sustained by a capital reserve in the case of investment trusts and venture capital trusts, and other than with respect to profits and losses of a capital nature in respect of the New Bonds in the case of authorised unit trusts and open-ended investment companies.

Other UK taxpayers

Taxation of Chargeable Gains

The disposal (including redemption) of a New Bond by a holder (other than a company) who is resident or ordinarily resident for tax purposes in the UK or who carries on a trade, profession or vocation in the UK through a branch or agency to which the New Bond is attributable may give rise to a chargeable gain or allowable loss for the purposes of UK tax on capital gains (calculated to include currency exchange rate differences calculated by ascertaining the difference between the pound sterling equivalent at the date of acquisition of the consideration given for the bonds and the pound sterling equivalent at the date of disposal of the proceeds received on disposal of those bonds), depending on individual circumstances and subject to any taper relief which may be due.

Accrued Income Scheme

The provisions of the accrued income scheme (the "Scheme") may apply to certain Bondholders who are not subject to corporation tax, in relation to a transfer of the New Bonds. On a transfer of securities with accrued interest the Scheme usually applies to deem the transferor to receive an amount of income equal to the accrued interest and to treat the deemed or actual interest subsequently received by the transferee as reduced by a corresponding amount. Generally, persons who are neither resident nor ordinarily resident in the UK and who do not carry on a trade in the UK through a branch or agency to which the bonds are attributable will not be subject to the provisions of these rules.

Stamp Duty and SDRT

No stamp duty or stamp duty reserve tax should be payable on issue, transfer or redemption of the New Bonds.

Proposed EU Directive on the taxation of savings income

The EU has adopted a Directive regarding the taxation of savings income. Subject to a number of important conditions being met it is proposed that Member States will be required from a date not earlier than 1 July 2005 to provide to the tax authorities of other Member States details of payments of interest or other similar income paid by a person within its jurisdiction to or for an individual in another Member State, except that Austria, Belgium and Luxembourg will instead impose a withholding system, for a transitional period unless during such period they elect otherwise. The transitional period will end after agreement on exchange of information is reached between the European Union and certain non-European Union states. No withholding will be required where the Bondholder authorises the person making the payment to report the payment or presents a certificate from the relevant tax authority establishing exemption therefrom.

United States Federal Income Tax Considerations

The following discussion is a summary based on present law of certain US federal income tax considerations relevant to the purchase, ownership and disposition of the New Bonds. This discussion addresses only U.S. Holders (and, in the paragraph "Information reporting and backup withholding" both US Holders and Non-US Holders) who purchase New Bonds in this supplemental offering at the issue price named herein, hold the New Bonds as capital assets and use the US dollar as their functional currency. This discussion is not a *complete description of all US tax considerations relating to the New Bonds. It does not address the tax treatment of prospective purchasers that will hold the New Bonds in connection with a permanent establishment in the United Kingdom. It also does not address the tax treatment of prospective purchasers subject to special rules, such as banks, dealers, traders that elect to mark to market, insurance companies, investors liable for the alternative minimum tax, US expatriates, tax-exempt entities or persons holding the New Bonds as part of a hedge, straddle, conversion or other integrated financial transaction. The discussion assumes that the New Bonds will be treated as debt for US federal income tax purposes.*

EACH PROSPECTIVE PURCHASER IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE U.S. FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF THE NEW BONDS.

For purposes of this discussion, a "US Holder" is a beneficial owner that for purposes of US federal income taxation is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other business entity created or organized under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of a US person and the primary supervision of a US. court or (iv) an estate the income of which is subject to US federal income taxation regardless of its source. A "Non-US Holder" is any beneficial owner that is not a US Holder.

If a partnership acquires or holds the New Bonds, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner of a partnership that acquires or holds the New Bonds should consult its own tax advisors.

If a substantial amount of the New Bonds is sold to the public for more than 98.75% of their par value, the New Bonds will be part of the same issue of bonds as the Original Bonds. The New Bonds therefore will have the same issue date and the same issue price as the Original Bonds for US federal income tax purposes. In determining the price at which a New Bond is sold, the Company will treat the amount attributable to accrued interest as having been paid for the accrued interest rather than for the New Bond.

Interest

Stated interest paid on the New Bonds will be included in the gross income of a US Holder in accordance with the holder's regular method of tax accounting. A US Holder may subtract the amount paid for accrued interest on a New Bond from the amount otherwise includible on account of the first interest payment received on the New Bond. The interest and any original issue discount ("OID") accrued on the New Bonds will generally be ordinary income from sources outside the United States.

A US Holder of a New Bond issued with OID must accrue the OID into income on a constant yield to maturity basis whether or not it receives cash payments. A New Bond will have OID to the extent its stated redemption price at maturity exceeds the issue price of the Original Bonds. However, a US Holder will not be required to accrue OID if the stated redemption price exceeds the issue price by less than ¼ of 1 per cent. of the stated redemption price multiplied by the number of complete years to maturity ("*de minimis* OID"). The issue price of a New Bond is the issue price of the Original Bonds. The stated redemption price at maturity is the total of all payments due on a New Bond other than payments of stated interest.

A US Holder may elect to recognise all yield on the New Bond (including *de minimis* OID) using a constant yield method. The constant yield election generally will apply only to the New Bond with respect to which it is made, and it may not be revoked without the consent of the US Internal Revenue Service.

Disposition

A US Holder will recognize gain or loss on the sale, redemption or other disposition of a New Bond in an amount equal to the difference between the US dollar value of the amount realized (less any accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and the US Holder's adjusted tax basis in the New Bond. A U.S. Holder's adjusted tax basis in a New Bond generally will be the amount the US Holder paid for the New Bond increased by any OID included in the US Holder's income with respect to the New Bond.

Gain or loss on disposition of a New Bond generally will be US source capital gain or loss. A US Holder will have long-term capital gain or loss if it has held the New Bond for more than one year. The long-term capital gains of non-corporate US Holders may be taxed at lower rates. Deductions for capital losses are subject to limitations.

Information reporting and backup withholding

Payments of principal and interest on and proceeds from the sale, redemption or other disposition of a New Bond by a US paying agent or other US intermediary will be reported to the US Internal Revenue Service unless the holder (i) is a corporation, (ii) provides a properly executed US Internal Revenue Service Form W-8BEN or (iii) otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or fails to report all interest and dividends required to by shown on its US federal income tax returns. A holder can claim a credit against its US federal income tax liability for the amount of any backup withholding tax and a refund of any excess. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

PLAN OF DISTRIBUTION

Barclays Bank PLC and Deustche Bank AG London ("the Managers") have, pursuant to a Subscription Agreement dated 26 January 2005 agreed with the Company, subject to the satisfaction of certain conditions, to subscribe for the principal amount of the New Bonds at 99.463 per cent. of their principal amount plus accrued interest, if any.

Managers	Principal Amount
Barclays Bank PLC	US$75,000,000
Deutsche Bank AG London	US$25,000,000
	US$100,000,000

The Company has agreed to pay to the Managers a combined management and underwriting commission of 0.4 per cent. of such principal amount. In addition, the Company has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the New Bonds. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Company. The Company has in the Subscription Agreement agreed to indemnify the Managers against certain liabilities.

Neither the Company, nor any of its subsidiaries or other affiliates over which it exercises management or voting control, nor any person acting on its or their behalf will, for a period of 60 days after the date of this Offering Circular, without the prior written consent of the Managers, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal) debt securities issued or guaranteed by the Company and having a maturity of more than one year from the date of issue.

Certain of the Managers and their affiliates have, in the past, performed investment banking and advisory services for the Company and the Group for which they have received customary fees and expenses. Any or all of the Managers and their affilliates may, from time to time, engage in further transactions with, and perform services for, the Company and the Group in the ordinary course of their respective businesses.

General

No action has been or will be taken in any jurisdiction by the Managers or the Company that would permit a public offering of the New Bonds, or possession or distribution of the Offering Circular (in preliminary, proof or final form) or any other offering or publicity material relating to the New Bonds, in any country or jurisdiction where action for that purpose is required.

It is expected that delivery of beneficial interests in the New Bonds will be made through the facilities of DTC on or about 26 January 2005. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise.

United States

The New Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Any New Bonds offered and sold outside of the United States will be offered and sold in reliance on Regulation S. The Subscription Agreement provides that the Managers may directly or through their US affiliate broker dealers who are registered as such under the Exchange Act arrange for the offer and resale of the New Bonds within the United States only to qualified institutional buyers in reliance on Rule 144A. Terms used in this paragraph shall have the same meaning given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of the New Bonds, an offer or sale of the New Bonds within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

Each Manager has represented, warranted and agreed that:

(i) it has not offered or sold and, prior to the expiry of a period of six months from the Closing Date, will not offer or sell any New Bonds to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any New Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Company; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the New Bonds in, from or otherwise involving the United Kingdom.

Hong Kong

Each of the Managers has severally represented and agreed that: (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any New Bonds other than (a) to "professional investors", as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance, or (b) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong; and (ii) it has not issued or had in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the New Bonds which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance and any rules made thereunder.

Japan

The New Bonds have not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law"). Accordingly, each Manager has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any New Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and other relevant laws and regulations of Japan.

Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented, warranted and agreed that this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the New Bonds may not be circulated or distributed, nor may the New Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor specified in Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Netherlands

The offer in the Netherlands of the New Bonds included in this offering is exclusively limited to persons who trade or invest in securities in the conduct of a profession or business (which includes banks, stockbrokers, investment institutions, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises).

Republic of Italy

The offering of the New Bonds has not been registered with the *Commissione Nazionale per la Societa’ e la Borsa* (“CONSOB”) (the Italian securities exchange commission) pursuant to the Italian securities legislation and, accordingly, each Manager has represented and agreed that it has not offered, sold or delivered any New Bonds nor distributed any copies of this Offering Circular or any other document relating to the New Bonds, and will not offer, sell or deliver any New Bonds or distribute any copies of this Offering Circular or any other document relating to the New Bonds in the Republic of Italy (“Italy”) in a solicitation to the public at large (*sollecitazione all’investimento*), and that (i) sales of the New Bonds in Italy shall only be made to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph of CONSOB Regulation No 11522 of 1 July 1998 (the “Regulation No 11522”), as amended, and effected in compliance with the terms and procedures provided therein; (ii) the New Bonds shall only be offered or sold in circumstances which are exempted from the rules of solicitation of investments pursuant to Article 100 of Legislative Decree No 58 of 24 February 1998 (the “Financial Services Act”) and Article 33, first paragraph, of CONSOB Regulation No 11971 of 14 May 1999 (the “Regulation No 11971”), and shall in any event be effected in accordance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations; and (iii) the New Bonds cannot be offered, sold and/or delivered, either in the primary or in the secondary market, to individuals in Italy.

Moreover and subject to the foregoing, each Manager has represented and agreed that the New Bonds may not be offered, sold or delivered and neither this Offering Circular nor any other material relating to the New Bonds may be distributed or made available in Italy unless such offer, sale or delivery of New Bonds or distribution or availability of copies of this Offering Circular or any other material relating to the New Bonds in Italy is: (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No 385 of 1 September 1993 (the "Italian Banking Act"), the Regulation No 11522, the Regulation No 11971 and any other applicable laws and regulations; and (b) in compliance with Article 129 of the Italian Banking Act and the implementing instructions of the Bank of Italy, pursuant to which the issue, trading or placement of securities (e.g. bonds) in Italy is subject to prior notification to the Bank of Italy, unless an exemption, depending *inter alia* on the amount of the issue and the characteristics of the securities, applies.

Germany

The New Bonds have not been and will not be publicly offered in Germany and, accordingly, no securities sales prospectus (*Verkaufsprospekt*) for a public offering of the New Bonds in Germany in accordance with the Securities Sales Prospectus Act of 9 September 1998, as amended (*Wertpapier-Verkaufsprospektgesetz*, the “Prospectus Act”), has been or will be published or circulated in the Federal Republic of Germany. Each Manager has represented and agreed that it has only offered and sold and will only offer and sell the New Bonds in the Federal Republic of Germany in accordance with the provisions of the Prospectus Act and any other laws applicable in the Federal Republic of Germany governing the issue, sale and offering of securities. Any resale of the New Bonds in the Federal Republic of Germany may only be made in accordance with the provisions of the Prospectus Act and any other laws applicable in the Federal Republic of Germany governing the sale and offering of securities.

France

Each of the Managers and the Company has represented, warranted and agreed that, in connection with their initial distribution, (i) it has not offered or sold and will not offer or sell, directly or indirectly, any New Bonds to the public in the Republic of France and (ii) offers and sales of New Bonds will be made in the Republic of France only to qualified investors as defined and in accordance with Articles L.411-1 and L.411-2 of the French *Code monétaire et financier* and Decree No. 98-880 dated 1 October 1998 relating to offers to qualified investors.

In addition, each of the Managers and the Company has represented, warranted and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France, this Offering Circular or any other offering material relating to the New Bonds other than to investors to whom offers and sales of New Bonds in the Republic of France may be made as described above.

SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN UK GAAP AND US GAAP

The consolidated financial information of the Group is presented in accordance with generally accepted accounting principles in the United Kingdom ("UK GAAP"), which differ in certain significant respects from generally accepted accounting principles in the United States of America ("US GAAP"). The Group has not prepared the Accounts in accordance with US GAAP or prepared a reconciliation of its Accounts to US GAAP and, accordingly, cannot offer any assurances that the differences described below would, in fact, be the accounting principles creating the greatest differences between the Accounts of the Group prepared under US GAAP and under UK GAAP. In addition, the Group cannot estimate the net effect that applying US GAAP would have on its results of operations or financial position, or any component thereof, in any of the presentations of financial information in this Offering Circular. However, the effect of such differences may be material and, in particular, it may be that the total shareholders' equity and net income prepared on the basis of US GAAP would be materially different due to these and other differences. The following summary does not include all differences that exist between UK GAAP and US GAAP.

The following paragraphs summarise certain significant differences between UK GAAP and US GAAP as of 31 March 2004 and not differences that may have existed throughout the period covered by the Accounts. The organisations that promulgate UK and US GAAP have projects ongoing that could have a significant impact on future comparisons such as this. This description is not intended to provide a comprehensive listing of all such differences specifically related to the Group or the industries in which it operates. US GAAP is generally more restrictive and comprehensive than UK GAAP regarding recognition and measurement of transactions, account classification and disclosure requirements. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the Accounts or the notes thereto.

The following UK standards that have been issued but which are not mandatory for the year/period ended 31 March 2004 could result in further significant differences between US GAAP and UK GAAP:

- *FRS 20, "Share-based Payments"* [1],
- *FRS 21, "Events after the Balance Sheet Date*"[2], and
- *UITF Abstract 38, "Accounting for ESOP Trusts"*[3].

There are various US standards that have been issued but which are not mandatory for the year/period ended 31 March 2004 could result in further significant differences between US GAAP and UK GAAP. They include these:

- *Emerging Issues Task Force Abstract No. ("EITF") 02-14, "Whether an Investor Should Apply the Equity Method Of Accounting to Investments Other than Common Stock"*[4],
- *EITF 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments"*[5],
- *EITF 03-6, "Participating Securities and the Two-Class Method under FASB Statement No. 128, Earnings per Share"*[6],
- *EITF 04-2, "Whether Mineral Rights are Tangible or Intangible Assets"*[7],
- *EITF 04-3, "Mining Assets: Impairment and Business Combination"*[8],

1. A listed entity shall adopt this Standard for annual accounting periods beginning on or after 1 January 2005; and an unlisted entity shall apply it for accounting periods beginning on or after 1 January 2006. In both cases earlier application is encouraged. Early adoption must be disclosed.
2. An entity shall apply this Standard for annual accounting periods beginning on or after 1 January 2005.
3. The accounting treatment required by this Abstract should be adopted in financial statements relating to accounting periods ending on or after 22 June 2004. Early adoption is encouraged.
4. For reporting periods commencing after 15 September 2004.
5. For reporting periods commencing after 15 June 2004.
6. Effective in fiscal periods beginning after 31 March 2004.
7. For accounting periods beginning after 31 March 2004, but early application is permitted for financial statements not yet issued.

- *FASB Interpretation No. 46 (R), "Consolidation of Variable Interest Entities"*[9]*,*

- *FASB Staff Position ("FSP") 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003"*[8]*,*

- *FSP SFAS 141-1 and SFAS 142-1, "Interaction of FASB Statements No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, and EITF Issue No. 04-2, "Whether Mineral Rights Are Tangible or Intangible Assets"*[10.]

- *EITF 03-13, Applying the Conditions in Paragraph 42 of FASB Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, in Determining Whether to Report Discontinued Operations*[11]*,*

- *EITF 04-1, Accounting for Preexisting Relationships between the Parties to a Business Combination*[12]*,*

- *EITF 04-8, The Effect of Contingently Convertible Instruments on Diluted Earnings per Share*[13]*, and*

- *EITF 04-10, Determining Whether to Aggregate Operating Segments That Do Not Meet the Quantitative Thresholds*[14]*.*

Business combinations—accounting method

UK GAAP requires the use of merger accounting for a business combination if certain specified criteria are met.

Under US GAAP, merger accounting is prohibited.

Business combinations—determination of cost of acquisition

UK GAAP requires that where the amount of purchase consideration is contingent on one or more future events, the cost of acquisition should include a reasonable estimate of the fair value of amounts expected to be payable in the future.

Under US GAAP contingent purchase consideration is usually only included in the measurement of purchase price, and hence goodwill, when the contingency is resolved and consideration becomes payable. In addition, US GAAP addresses when consideration paid to a vendor should be treated as employment compensation rather than purchase price.

Under UK GAAP, the fair value of shares issued for consideration in a business combination is generally determined as their market value as at the date of the acquisition.

Under US GAAP, the fair value of publicly traded shares issued for consideration in a business combination is generally determined based on the fair market value for a reasonable period before and after the date the terms of the acquisition are agreed to and announced.

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8. Effective for the first interim or annual period beginning after 15 June 2004.
9. Adoption is required in financial statements of public entities that have interests in variable interest entities or potential variable interest entities commonly referred to as special-purpose entities for periods ending after December 15, 2003. Application by public entities (other than small business issuers) for all other types of entities is required in financial statements for periods ending after March 15, 2004.
10. Applicable to reporting periods beginning after 29 April 2004.
11. Applicable to enterprises that are either disposed of or classified as held for sale in fiscal periods beginning after 15 December 2004.
12. Applicable to business combinations consummated and goodwill impairment tests performed in reporting periods beginning after 13 October 2004.
13. Applicable to reporting periods ending after the effective date which will revise SFAS 128, which is expected to be 15 December 2004.
14. Applicable to fiscal years ending after 13 October 2004. Additionally, the corresponding information for earlier periods, including interim periods, should be restated unless it is impractical to do so.

Business combinations—determination of fair values

Under UK GAAP, where it is not possible to complete the determination of fair values by the date on which the first post-acquisition financial statements are approved, a provisional assessment of fair values is made and any adjustments required to those provisional fair values, and the corresponding adjustments to purchased goodwill, are incorporated in the financial statements for the first full financial year following the acquisition.

Under US GAAP, adjustments are likewise permitted subsequent to consummation of the acquisition, but the "allocation period" should usually not exceed one year from the consummation of a business combination.

Business combinations—negative goodwill

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

Under US GAAP, for business combinations initiated after 30 June 2001, where the sum of the amounts assigned to assets acquired and liabilities assumed exceeds the cost of the acquired entity, that excess is allocated as a pro rata reduction of the amounts that otherwise would have been assigned to all of the acquired assets except (a) financial assets other than investments accounted for by the equity method, (b) assets to be disposed of by sale, (c) deferred tax assets, (d) prepaid assets relating to pension or other postretirement benefit plans, and (e) any other current assets. If any excess remains after reducing to zero the amounts that otherwise would have been assigned to those assets, that remaining excess is recognised as an extraordinary gain. Any unamortized negative goodwill relating to earlier business combinations was required to be written off and recognised as the cumulative effect of a change in accounting principle on adoption of SFAS 142, "Goodwill and other intangible assets".

Business combinations—amortisation and impairment of goodwill

Under UK GAAP, positive purchased goodwill should be capitalised as an asset. If it is regarded as having a limited useful life it should then be amortised over that useful life which is generally presumed not to exceed 20 years. If goodwill is regarded as having an indefinite useful life it should not be amortised. Goodwill that is not amortised or amortised over a useful life exceeding 20 years should be tested for impairment at the end of each reporting period and, if necessary, written down.

Under US GAAP, for fiscal years beginning after 31 December 2001, positive goodwill is no longer amortised but instead must be tested for impairment annually.

Under UK GAAP, a review for impairment is carried out if events or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable. Impairment of goodwill is measured by comparing the carrying amount of goodwill for each income generating unit with the higher of its net realizable value or its discounted expected future cash flows. Income generating units are those with income streams which management monitors and makes decisions about continuing or closing the different lines of business of the entity.

Under US GAAP, goodwill is tested for impairment on an annual basis or on an interim basis if an event occurs or circumstances change that would reduce the fair value of a reporting unit to a value below its carrying value. The goodwill test for impairment consists of a two-step process that begins with an estimation of the fair value of a reporting unit. A reporting unit is an operating segment or one level below an operating segment. The first step is a screen for potential impairment and the second step measures the amount of impairment, if any, by determining the implied fair value of goodwill and comparing that to the amount of goodwill allocated to an individual reporting unit. The implicit fair value of goodwill is determined by allocating the estimated fair value of the reporting unit via a hypothetical purchase price allocation.

US GAAP prohibits the reversal of an impairment loss of goodwill. UK GAAP does permit this.

Business combinations—recognition of intangible assets other than goodwill

UK GAAP requires that intangible assets be separately recognised in a business combination only if they can be disposed of separately without disposing of the business of the entity and if their value can be measured reliably on initial measurement.

Under US GAAP, intangible assets in a business combination should be recognised if (a) they arise from contractual rights or other legal rights (regardless of whether those rights are transferable or separable from the acquired entity or from other legal rights or obligations) or (b) they are capable of being separated or divided from the acquired entity and sold, transferred, licensed, rented or otherwise exchanged.

Business combinations—recognition of deferred taxes

Under UK GAAP, deferred taxes on the differences between the fair value of the net assets acquired and their carrying values are not recognised where the tax base is unaffected.

Under US GAAP, deferred taxes are recognised for the difference between the fair values allocated and the tax bases of the assets and liabilities. Any deferred tax assets, for which a valuation allowance is established at the date of acquisition, are recorded as a decrease in goodwill when the benefit is first recognised.

Business combinations—foreign currency translation of goodwill

Under US GAAP, goodwill arising on the acquisition of foreign entities is translated at the actual exchange rate at the end of the period. UK GAAP does not address the issue.

Accounting for investments in associates

UK GAAP requires an interest in net liabilities of an associate to be recognised unless there is evidence of the investor's irreversible withdrawal from its investee as its associate.

Under US GAAP, use of the equity method ceases when the carrying value of the investment in the associate is reduced to zero, unless the investor has guaranteed the losses of the associate, and incurred obligations or made payments on behalf of the associate. If the associate subsequently reports net income, the application of the equity method is only resumed after the share in the net income equals the share in net losses not recognised during the period that the equity method was suspended.

Revenue recognition

According to Application Note G to FRS 5, which is effective for accounting periods ending on or after 23 December 2003, revenue is measured at the fair value of the right to consideration and recognised when the seller obtains the right to consideration in exchange for its performance. Right to consideration is defined as a seller's right to the amount received or receivable in exchange for its performance. Subject to certain provisions within Application Note G or other evidence to the contrary, fair value to the right to consideration is normally the price specified in the contractual arrangement, net of discounts, value added tax and similar sales taxes.

Application Note G further provides specific guidance for separation and linking contractual arrangements, according to which a contractual arrangement should be accounted for as two or more separate transactions only where the commercial substance is that the individual components operate independently of each other. 'Operating independently' means that a component represents a separable good or service that the seller can provide to the customers, either on a stand alone basis or as an optional extra. Where various components are to be unbundled, a reliable fair value should be able to be attributed to every component, or to either the completed components or uncompleted component(s). If reliable fair values cannot be attributed to individual completed or uncompleted components, revenue for the components should be recognised as a single, unbundled contractual arrangement.

US GAAP has more detailed guidance relating to aspects of revenue recognition in general and in particular industries. The SEC Staff has issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial

Statements" ("SAB 101") as amended by SAB 104. Under SAB 101 revenue is recognised when the following four criteria are all met:

(a) persuasive evidence of an arrangement exists;

(b) delivery has occurred or services have been rendered;

(c) the sales price to the buyer is fixed or determinable; and

(d) collectibility is reasonably assured.

Furthermore, EITF 00-21 "Revenue Arrangements with Multiple Deliverables" is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. A multiple deliverables arrangement generally involves the delivery or performance of multiple products and/or services at different points in time or over different periods of time. The principles that should be applied are as follows:

(a) In revenue arrangements with multiple deliverables, the delivered elements should be considered separate units of accounting if (i) the delivered items have value to the customer on a standalone basis, (ii) there is objective and reliable evidence of the fair value of the undelivered items and (iii) the arrangement includes a general right of return relative to the undelivered item, delivery or performance of the undelivered items is considered probable and substantially in control of the vendor.

(b) Arrangement consideration should be allocated among the separate units of accounting as follows. If there is objective and reliable evidence of fair value for all units of accounting, the arrangement consideration should be allocated to the separate units of accounting based on their relative fair value. Where there is objective and reliable evidence of the fair value of undelivered items in an arrangement but no such evidence for the delivered items, the residual method should instead be used under which the amount of arrangement consideration allocated to the delivered items equals the total arrangement consideration less the fair value of the undelivered elements. However, the amount allocable to a delivered item is limited to the amount that is not contingent upon delivery of additional items or meeting other specified performance conditions.

(c) Applicable revenue recognition criteria should be considered separately for separate units of accounting.

Defined benefit pension schemes

Under UK GAAP, there are two methods of accounting by an employer for defined benefit pension arrangements: SSAP 24 "Accounting for pension costs" and FRS 17 "Retirement benefits". The adoption of the recognition and measurement provisions of FRS 17 is not yet mandatory in the UK and the Group therefore applies the provisions of SSAP 24.

Under SSAP 24, the accounting objective is to recognise the cost of providing pensions on a systematic and rational basis over the period during which the Group benefits from employees' services.

SSAP 24 does not specify a particular actuarial method for attributing the expected cost of pension benefits provided to employees to individual years of service. US GAAP requires the use of the projected unit credit method for final salary schemes.

SSAP 24 requires that the actuarial assumptions taken as a whole should be compatible and result in the actuary's best estimate of pension cost. US GAAP requires that each individual assumption should be the best estimate regarding that assumption.

Under SSAP 24, the liabilities are discounted using the expected return on assets to estimate the funding burden and changes in the investment would affect the liability measurement. US GAAP specifically require liabilities to be discounted at a "risk free" bond-yield discount rate, so the liability does not depend on how or whether the plan is funded.

Under SSAP 24, actuarial gains and losses are spread over the expected remaining service lives of current employees in the scheme. US GAAP does not require recognition of actuarial gains and losses that are within a specific corridor. Gains and losses in excess of the corridor must at a minimum be amortised over average remaining service lives.

SSAP 24 normally requires that past service costs arising as a result of increases in the pension liability relating to employee service in prior periods due to the introduction or improvement of benefits beyond that to which the employer is already statutorily, contractually or implicitly committed be written off over the remaining service lives of employees. Similarly, US GAAP requires that prior service costs generally be recognised during the future service periods of those employees active at the date of the amendment who are expected to receive benefits under the plan.

Under US GAAP, a minimum pension liability must be recorded for the amount by which a plan is under funded (ignoring projected future salary increases). There is no such requirement under UK GAAP.

Deferred taxes

Under UK GAAP deferred tax is recognised in respect of all timing differences (not a permanent difference) that have originated but not reversed at the balance sheet date, with the following exceptions:

(a) Where fixed assets have been revalued, provision is made for deferred tax only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

(b) Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivables discussion on distributable earnings of Indian companies is given below; and

(c) Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. The concept of 'more likely than not' is not explicitly defined and therefore subject to interpretation.

Under US GAAP, all deferred tax liabilities and assets resulting from temporary differences in financial and tax reporting are recognised together with deferred tax assets relating to tax losses carried forward subject to certain limited exceptions which include unremitted earnings of overseas subsidiaries that are essentially "permanent". Deferred tax assets are reduced by a valuation allowance if it is more likely than not (a likelihood of more than 50 percent) that some portion or all of the deferred tax assets will not be realised.

Under UK GAAP, it is permitted to recognise deferred tax on a discounted basis. However, the group does not recognise deferred tax balances on an undiscounted basis. US GAAP does not permit discounting for deferred tax balances.

Under UK GAAP, deferred tax is measured based on tax rates and laws enacted or substantively enacted at the balance sheet date. Under US GAAP deferred tax is based on rates that have been enacted.

When distributing earnings, Indian companies are subject to an additional tax, currently 12.8125 per cent., on all declared dividends ("secondary tax").

The deferred tax rate used by the Group for the year ended 31 March 2004 is 35.875 per cent., which comprises the statutory income tax rate of 35 per cent., plus a surcharge of 2.5 per cent of 35 per cent. This does not include the effect of the secondary tax.

Under US GAAP, taxes (both current and deferred) should generally be calculated using the effective distributed tax rate which takes into consideration the effects of the secondary tax rate.

Foreign currency

Under UK GAAP, transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if hedged, at the forward contract rate.

Under US GAAP, transactions in foreign currencies are translated at the exchange rate in effect at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

US GAAP requires the profit and loss account of a foreign subsidiary to be translated at the average rate of exchange for the period. UK GAAP allows the closing rate to be used.

Derivative instruments

Under UK GAAP, there is no authoritative literature regarding the recognition and measurement of derivative instruments other than in the financial sector.

The Group records derivative instruments used to reduce exposure to foreign exchange rates as hedges if certain criteria are met:

(a) The instrument is related to a recognised foreign currency asset or liability or probable commitment and whose characteristics have been identified;

(b) It involves the same currency as the hedged item; and

(c) It reduces the risk of foreign currency exchange movements on operations.

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

For interest rate swaps to be treated as hedges, the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts. Where commodity option contracts hedge anticipated future production or purchases, the option premiums paid are amortised over the life of the option and any realised gains and losses on exercise, in the period in which the hedged production is sold or commodity purchases are made, are recognised. If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss is recognised at that time.

US GAAP requires that all derivative instruments be recorded in the balance sheet as either an asset or liability measured at fair value and that changes in fair value be recognised currently in earnings, unless specific hedge accounting criteria are met. Those criteria are significantly more onerous than the criteria adopted under UK GAAP.

Under US GAAP, hedge accounting is permitted for certain hedging instruments and hedged items, only if the hedging relationship is highly effective and only prospectively from the date a hedging relationship is documented formally. The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation as follows:

(a) For a derivative designated as hedging the exposure to changes in the fair value of a recognised asset or liability or a firm commitment (referred to as a fair value hedge), the gain or loss is recognised in earnings in the period of change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. The effect of that accounting is to reflect in earnings the extent to which the hedge is not effective in achieving offsetting changes in fair value.

(b) For a derivative designated as hedging the exposure to variable cash flows of a forecasted transaction (referred to as a cash flow hedge), the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income (outside earnings) and subsequently reclassified into earnings when the forecasted transaction affects earnings. The ineffective portion of the gain or loss is reported in earnings immediately.

(c) For a derivative designated as hedging the foreign currency exposure of a net investment in a foreign operation, the gain or loss is reported in other comprehensive income (outside earnings) as part of the cumulative translation adjustment.

The accounting for a fair value hedge described above applies to a derivative designated as a hedge of the foreign currency exposure of an unrecognised firm commitment or an available-for-sale security. Similarly, the accounting for a cash flow hedge described above applies to a derivative designated as a hedge of the foreign currency exposure of a foreign-currency-denominated forecasted transaction.

US GAAP also defines "embedded" derivative instruments-implicit or explicit terms that affect some or all of the cash flows or the value of other exchanges required by the contract in a manner similar to a derivative instrument. Contracts, such as bonds, insurance policies and leases that do not in their entirety meet the definition of a derivative instrument may contain "embedded" derivative instruments. An embedded derivative instrument shall be separated from the host contract and accounted for as a derivative instrument pursuant to the relevant US GAAP if, and only if, the following criteria are met:

(a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract;

(b) the contract ("the hybrid instrument") that embodies both the embedded derivative instrument and the host contract is not remeasured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur; and

(c) a separate instrument with the same terms as the embedded derivative instrument would be a derivative instrument subject to the requirements of US GAAP.

Convertible debts

Under UK GAAP, capital instruments that are issued at the same time in a composite transaction are accounted for as a single instrument unless they are capable of being transferred, cancelled or redeemed independently of each other. Convertible debts are reported within liabilities.

Under US GAAP, the proceeds received from an issue of convertible debt are all credited to a liability account, as an allocation of the proceeds to the conversion option is not permitted due to the inseparability of the debt and the conversion option. However, where the debt is issued with a non-detachable conversion feature that is in-the-money at the commitment date (a beneficial conversion feature), the beneficial conversion feature should be recognised separately at issuance by allocating a portion of the proceeds equal to the intrinsic value of the feature to additional paid-in capital. The intrinsic value should be measured as the difference between the conversion price and the fair value of the stock or securities into which the debt is convertible.

Capitalisation of interest costs and foreign exchange gains or losses

UK GAAP permits an entity to choose to capitalise finance costs that are directly attributable to the construction of tangible fixed assets or to expense such costs as incurred. The Group capitalises interest payable on borrowings and foreign exchange gains or losses from hedging activities related to construction or development projects.

Under US GAAP, exchange differences arising from foreign currency borrowings may be included and capitalised as borrowing costs to the extent that they are regarded as an adjustment to interest costs.

Revaluations of fixed assets

Under UK GAAP, revaluation of fixed assets to fair value is permitted in accordance with specified criteria. US GAAP does not permit the upward revaluation of fixed assets.

Impairment of long-lived assets other than goodwill

UK GAAP requires that a review of the possible impairment of long-lived assets be performed when events or changes in circumstances indicate possible impairment. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount which is the higher of net realisable value and value in use. The latter is determined using the sum of the expected future discounted cash flows. Cash flows relating to central assets and functions are required to be allocated to the cash flows of other asset groups on a logical and systematic basis. If the carrying amount of the asset exceeds the recoverable amount, an impairment loss exists and a write-down is recognised to record the long-lived asset at its recoverable amount. Impairment losses may be written back in certain circumstances if it is determined subsequently that the asset is not impaired.

Under US GAAP, a review of the possible impairment of long-lived assets held for use is required when events or changes in circumstances indicate possible impairment. The sum of expected future cash flows, undiscounted and without interest charges, related to the fixed asset being measured, is compared to the carrying amount of the respective assets. Estimates of future cash flows used to test the recoverability of a long-lived asset group should include only the future cash flows that are directly associated with and are expected to arise as a direct result of the use and eventual disposition of that asset group. If the carrying amount of the asset exceeds this value, an impairment loss exists and a write-down is necessary. Fair value is measured using discounted cash flows. Impairment losses cannot be written back.

Government grants

The Group treats government grants relating to tangible fixed assets as deferred income and release them to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

There are currently no accounting pronouncements under US GAAP that specifically address government grants.

Derecognition of assets

Under UK GAAP, where the Group has retained no significant benefits and no significant risks relating to the assets, the assets should be removed from its balance sheet, and no liability shown in respect of the proceeds received. A profit or loss should be recognised, calculated as the difference between the carrying amount of the assets and the proceeds received. The presence of all of the following indicates that the Group has not retained significant benefits and risks, and derecognition is appropriate:

(a) The transaction takes place at an arm's length price for an outright sale;

(b) The transaction is for a fixed amount of consideration and there is no recourse whatsoever, either implicit or explicit, to the Group for losses from whatever cause; and

(c) The Group will not benefit or suffer if the assets perform better or worse than expected.

Under US GAAP, a transfer of financial assets in which the transferor surrenders control over those assets is accounted for as a sale to the extent that consideration other than beneficial interests in the transferred assets is received in exchange. The transferor has surrendered control over transferred assets if and only if all of the following conditions are met:

(a) The transferred assets have been isolated from the transferor - put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership.

(b) Each transferee (or, if the transferee is a qualifying special-purpose entity ("QSPE"), each holder of its beneficial interests) has the right to pledge or exchange the assets (or beneficial interests) it received, and no condition both constrains the transferee (or holder) from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the transferor.

(c) The transferor does not maintain effective control over the transferred assets through either (1) an agreement that both entitles and obligates the transferor to repurchase or redeem them before their maturity or (2) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call.

After a transfer of financial assets, the Group recognises the financial and servicing assets it controls and the liabilities it has incurred, derecognises financial assets when control has been surrendered, and derecognises liabilities when extinguished.

US GAAP also provides guidance for assessing isolation of transferred assets, conditions that constrain a transferee and conditions for an entity to be a QSPE. If the transferee is a QSPE, the Group does not consolidate it. However, if the transferee is not a QSPE, the normal consolidation guidance shall be followed. UK GAAP requires the consolidation of a special purpose vehicle if it meets the definition of a subsidiary under the relevant UK GAAP and the relevant provisions of the companies legislation. Where the special purpose vehicle is not a subsidiary, the provisions regarding quasi-subsidiaries are to be considered.

Lease classification

Under UK GAAP, a lease is classified as a finance lease if the risks and rewards of ownership lie with the lessee. There is a rebuttable presumption that if the present value of the minimum lease payments discounted at the interest rate implicit in the lease, is greater than 90 per cent. of the fair value of the asset at the inception of the lease then the risks and rewards of ownership have passed to the lessee.

Under US GAAP, if any one of the following four criteria applies to a lease agreement, then the lease must be classified as a capital lease by the lessee:

(a) The lease transfers ownership of the leased assets to the lessee at the end of the lease term.

(b) The lease contains a bargain purchase option.

(c) The lease term is greater than or equal to 75 per cent. of the economic useful life of the leased asset.

(d) The present value of the minimum lease payments is greater than or equal to 90 per cent. of the fair value of the leased asset.

Inventories

Under UK GAAP, inventories are stated at the lower of cost and net realisable value ("NRV"). NRV is the actual or estimated selling price less all further costs to completion and all costs to be incurred in marketing, selling and distributing. Provisions for diminution in value of stocks that are no longer required should be written back.

Under US GAAP, inventories are carried at the lower of cost and market value. Market value is the current replacement cost subject to an upper limit of net realisable value and a lower limit of net realisable value less a normal profit margin. Reversals of write-downs are prohibited.

Employee stock compensation

Under UK GAAP, the estimated cost of employee share awards is charged to the profit and loss account over the relevant performance period. The estimated cost of awards is the market value of shares awarded or the intrinsic value of the awards (being the difference between the exercise price of the award and the market price at the date of grant) adjusted to reflect any applicable performance conditions.

Under US GAAP, companies may elect to follow the accounting prescribed by Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees" ("APB 25") or SFAS 123, "Accounting for Stock Based Compensation" ("SFAS 123"). Under US GAAP, compensation is recorded for the cost of providing the warrants and options to the employee over the relevant service period. The costs can be determined based on either the intrinsic value method (APB 25) or the fair value method (SFAS 123). Under the intrinsic value method, the compensation cost is the difference between the market price of the stock at the measurement date and the price to be contributed by the employee ("exercise price"). Under the intrinsic method, the measurement date is the first date on which the employee knows the number of shares that such employee is entitled to receive and the exercise price. The measurement date is often the grant date; however, it may be later than the grant date in plans with variable terms that depend on events which occur after the grant date. Under the fair value method, the cost associated with the warrants and options is based on the fair value at the date of grant. Cost is estimated using an option-pricing model such as Black-Scholes. If an entity chooses to follow the intrinsic value method, it must make pro-forma disclosures of net income and earnings per share as if the fair value method had been applied.

Environmental remediation costs, restructuring costs, post employment benefits and asset retirement obligations

Under UK GAAP, a provision is required to be recognised when an entity has a present obligation either legal or constructive as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Unless these conditions are met, no provision should be recognised. Provisions should be reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision should be reversed. Consequently, provisions would ordinarily be recognised where an obligation existed for costs arising from site closure, asset retirements, removal and rehabilitation. These would be accounted for using the full liability method under which the liability is recognised at the present value of the expected cash outflows when the obligation is incurred. An obligation to incur restoration, rehabilitation and environmental remediation costs also arises when environmental disturbance is caused by the development or ongoing production of a mine. Costs arising from the installation of plant and other site preparation work, discounted to net present value, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged to the profit and loss account over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site damage which is caused on an ongoing basis during production are provided for at their net present values and charged to the profit and loss account as extraction progresses. Where the costs of site restoration are not anticipated to be material they are expensed as incurred.

Under US GAAP, AICPA Statement of Position ("SOP") 96-1 deals with environmental remediation liabilities which are those liabilities relating to pollution from some past improper act and for which litigation has commenced or a claim or an assessment has been asserted or is likely and it is probable that the outcome will be unfavourable. Such liabilities should be recognised but would only be discounted where the timing and amounts of payments are fixed and reliably determinable.

SFAS 143, "Accounting for Asset Retirement Obligations" is effective for fiscal years beginning after 15 June 2002. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction or development or normal operation of a long-lived asset except for certain obligations of lessees. It requires that the fair value of a legal liability for an asset retirement obligation be recognised in the period in which it is incurred if a reasonable estimate of fair value can be made. The liability is discounted and accretion expense is recognised using the credit-adjusted risk-free interest rate in effect when the liability was initially recognised. Unlike UK GAAP, the provision is not remeasured at each balance sheet date using the current discount rate.

SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities" requires that a liability for a cost associated with an exit or disposal activity be recognised when the liability is incurred. It also concludes that an entity's commitment to a plan, by itself, does not create a present obligation to others that meets the definition of a liability. Under SFAS 146, fair value is the objective for initial measurement of the liability.

In respect to other exit costs, liabilities are recognised when they are incurred, which is normally when the goods or services associated with the activity are received.

SFAS 112, "Employers' Accounting for Postemployment Benefits" requires postemployment benefits that would not have otherwise been available to employees concerned under any of the entity's pre-existing plans, or the occurrence of a specific event that causes employees' services to be terminated involuntary, be accounted for as follows:

(a) by the service approach when (i) the employees' right to receive the benefits are attributable to services already rendered; (ii) the employees' rights either vest or accumulate; (iii) payment is probable; and (iv) the expected cost can be reasonably estimated; or

(b) by the event approach when (i) information available prior to issuance of financial statements indicates that it is probable that a liability has been incurred at the balance sheet date; and (ii) the cost of benefit can be reasonably estimated.

Investments in securities

Under UK GAAP, fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

Under US GAAP, securities within the scope of SFAS 115, "Accounting for certain investments in debt and equity securities" are classified as trading, available for sale, and held to maturity and accounted for as follows:

(a) Debt securities that the enterprise has the positive intent and ability to hold to maturity are classified as *held-to-maturity securities* and reported at amortized cost. Cost is reduced for any impairment in value other than temporary impairment.

(b) Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as *trading securities* and reported at fair value, with unrealized gains and losses included in earnings.

(c) Debt and equity securities not classified as either held-to-maturity securities or trading securities are classified as *available-for-sale securities* and reported at fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of shareholders' equity.

For individual securities classified as held-to-maturity or available-for-sale, a decline in fair value below amortised cost that is other than temporary is recorded through earnings.

Equity minority interests

Under UK GAAP, the amount attributable to equity minority interests is the proportionate share of net identifiable assets of the subsidiary in the group accounts. Equity minority interests are recognised at the date of acquisition based on the fair values of the net assets of the subsidiary. The amount of equity minority interests does not include any share of goodwill arising on acquisition.

Under US GAAP, minority interests are presented in the consolidated balance sheet at their share of the book value of the subsidiary's net assets. When consolidating the assets and liabilities of the subsidiary that is not wholly owned, the fair value adjustments are limited to the amount attributable to the parent company's ownership percentage.

Dividends

Under UK GAAP dividends are recognised when proposed. Under US GAAP dividends are charged to shareholders' equity when declared.

Cash flows

Under UK GAAP, the cash flow statement is based on changes in cash, which represents cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Under US GAAP, the cash flow statement is based on changes in cash and cash equivalents, which are short-term highly liquid investments. Changes in overdrafts are excluded as these represent financing flows.

In addition to the differences in measurement above, there are differences in the presentation of cash flows under UK GAAP and US GAAP.

Accounting for mining activities

Under UK GAAP, there is no authoritative literature relating to the mining industry. Under US GAAP, there is relatively little authoritative literature relating to the mining industry as such.

Business combinations – determination of fair values

For fiscal years ending on or after 31 March 2005, EITF 04-3, "*Mining Assets: Impairment and Business Combinations*", requires that an entity include the effects of the value beyond proven and probable reserves ("VBPP") and anticipated future market price of minerals in determining the fair value of mining assets in a purchase price allocation in a manner that is consistent with the expectations of marketplace participants. Early application is permitted in periods for which financial statements have not been issued. UK GAAP does not provide authoritative literature on this subject.

Business combinations - recognition of intangible assets

To the extent that excess purchase consideration relates to the acquisition of mining properties and leases, the Group capitalises that amount within tangible assets under UK GAAP and excess purchase consideration relating to the acquisition of subsidiaries is capitalised by the Group as goodwill within intangible assets.

Under US GAAP, excess purchase consideration over the fair value of the assets acquired in a business combination, including that relating to the acquisition of mining properties, should be capitalised as goodwill, and allocated to reportable units. Classification of mineral rights as tangible assets or intangible assets varies in practice. For fiscal years ending on or after 31 March 2005, EITF 04-2, "Whether Mineral Rights Are Tangible or Intangible Assets" requires mineral rights to be classified as tangible assets which is consistent with the Group's classification under UK GAAP. Early application of this consensus is permitted in periods for which financial statements have not been issued.

Impairment of long-lived assets

For fiscal years ending on or after 31 March 2005, EITF 04-3, "*Mining Assets: Impairment and Business Combinations*", requires that an entity include the effects of the value beyond proven and probable reserves ("VBPP") and anticipated future market price of minerals in estimates of future cash flows (both undiscounted and discounted) used for determining whether a mining asset is impaired. Early application is permitted in periods for which financial statements have not been issued. UK GAAP does not provide authoritative literature on this subject. The Group estimates future cash flows used for determining whether mining assets are impaired in a manner consistent with that required under EITF 04-3.

Reserves determination

The determination of reserves is critical for the determination of future cash flows, which is relevant in an accounting context for impairment testing. It is also relevant for depreciation and amortisation methods based on the unit of production methodology. For SEC registrants, reserves should be determined in accordance with Securities Act and Exchange Act Industry Guide 7, *Description of Property by Issuers Engaged or To Be Engaged in Significant Mining Operations* ("Industry Guide 7"). The SEC Staff has noted that reserves contained in ore in stockpiles should not be included in proven and probable reserve quantities used for financial accounting and reporting purposes, unless management has reasonable certainty that these reserve quantities will actually be processed. This is the case, even though it is possible that these reserve quantities may meet the Industry Guide 7 criteria to be classified as proven and probable reserves if it is expected they will be economic to process.

Exploration costs

The SEC has taken the position that the recovery of capitalised exploration costs cannot be supported under SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144") as estimates of future cash flows cannot be made before it is established that a mining property has a commercially mineable deposit (as that term is defined in Industry Guide 7). A commercially mineable deposit is generally established by completing a supporting feasibility study.

The SEC has therefore taken the view that all costs incurred to that point (including the costs of the feasibility study) should be expensed as incurred. Generally, costs incurred after this point are considered development costs for which the appropriate accounting is discussed below.

Development costs

US GAAP provides for the capitalisation of development and construction costs. Such costs are subject to the recoverability provisions of SFAS 144. Development costs may include incremental overhead costs that are specifically identifiable to the development project.

Deferred stripping costs

In the mining industry, companies that use open pit mining methods are required to remove overburden and other waste materials to access mineral deposits. The costs of removing waste materials are referred to as "stripping costs". During the development of a mine, before production commences, it is generally accepted that stripping costs are capitalised as part of the depreciable cost of building and constructing the mine.

The mining company must continue to remove waste materials as it mines the mineral deposits during the production stage of the mine. Variation exists in the accounting for these post-production stripping costs and thus the Emerging Issues Task Force has been considering the following three alternatives as part of EITF 04-6, "*The Accounting for Post-production Stripping Costs in the Mining Industry*":

(a) deferral of stripping costs: Costs are deferred when the actual stripping ratio exceeds the average life of mine stripping ratio, and accrued or amortised when the actual stripping ratio is below the average life of mine ratio. Changes in the average life of mine stripping ratio are accounted for prospectively as a change in accounting estimate. This method is commonly used for open pit operations where the stripping ratio varies significantly throughout the life of the mine;

(b) expense costs as incurred: When the stripping ratio over the life of the mine is fairly uniform, costs are generally expensed as incurred; and

(c) capitalize as mineral inventory cost: When costs incurred to remove waste material are a direct cost incurred to bring the mineral reserves to a condition and location that provides future value to the entity.

Under the deferred stripping accounting model, because the concentration of the mineral deposits is not evenly distributed throughout the mine, there are periods during the life of the mine where more (or better quality) reserves are being mined as the waste is removed. There are also periods during the life of the mine where lesser (or lower quality) reserves are being mined as the waste is removed. As a result, the amount that is charged against earnings in a given period (based on the stripping ratio) will not, necessarily, equate to the actual production costs during the period. A deferred stripping cost asset (when the actual costs incurred to date exceed the normalised costs to date) or a deferred stripping cost liability is recorded (when the normalized costs to date exceed the actual costs incurred to date).

A consensus has not yet been reached by the EITF on EITF 04-6.

The SEC Staff has recently indicated that it is currently evaluating the accounting for postproduction stripping costs and expects companies engaged in mining activities and filing with the SEC to include extensive disclosures in their financial statements, management's discussion and analysis, and critical accounting policies.

Depreciation and depletion

US GAAP requires that the costs associated with capital assets be allocated rationally over the estimated useful lives of such assets. Typically, mining companies depreciate plant and equipment that is tangible such as buildings, machinery and equipment. Capitalised intangible mine costs such as deferred development and acquisition costs are generally subject to depletion based upon estimates of recoverable reserves. The useful lives of assets subject to depreciation should not exceed the expected life of the mine unless the assets can otherwise be utilised. Depletion of capitalised mine costs generally begins when production commences.

While there is no authoritative literature that specifically addresses the amortization method to be used by mining companies, the SEC requires that amortisation be calculated based on proven and probable reserves. Inclusion of possible reserves in the calculation of depreciation and depletion or in the determination of future cash flows in connection with SFAS 144 impairment testing is generally not considered appropriate by the SEC.

Development during the production phase

Development expenditures incurred after production has commenced may be capitalised if the expenditures relate to accessing or developing mineral reserves for future production. Costs relating to current production should be expensed as incurred.

SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN UK GAAP AND IFRS

The consolidated Accounts of the Group have been presented in accordance with generally accepted accounting principles in the United Kingdom ("UK GAAP"), which differ in certain significant respects from International Financial Reporting Standards ("IFRS"). The Group has not prepared Accounts in accordance with IFRS or prepared a reconciliation of its Accounts to IFRS and, accordingly, cannot offer any assurances that the differences described below would, in fact, be the accounting principles creating the greatest differences between the Accounts of the Group prepared under IFRS and under UK GAAP. In addition, the Group cannot estimate the net effect that applying IFRS would have on its results of operations or financial position, or any component thereof, in any of the presentations of financial information in this Offering Circular. However, the effect of such differences may be material, and in particular, it may be that the total shareholders' equity, and net income prepared on the basis of IFRS would be materially different due to these and other differences. The following summary may not include all differences that exist between UK GAAP and IFRS.

The following paragraphs summarize certain significant differences between UK GAAP and IFRS as of 31 March 2004 and not differences that may have existed throughout the period covered in the Accounts. The organisations that promulgate UK GAAP and IFRS have projects ongoing that could have a significant impact on future comparisons such as this. This description is not intended to provide a comprehensive listing of all such differences specifically related to the Group or the industries in which it operates. IFRS is generally more restrictive and comprehensive than UK GAAP regarding recognition and measurement of transactions, account classification and disclosure requirements. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the Accounts or the notes thereto.

IFRS Convergence

On 12 March 2002, the European Parliament endorsed the European Commission's proposal that all EU listed companies must follow standards issued by the International Accounting Standards Board ("IASB") in their consolidated financial statements starting no later than 2005.

All EU listed groups will be affected. Those companies aspiring to list will need to report in accordance with IFRS rather than UK standards. However, the impact may be even more significant as member states will have an option to mandate or allow IFRS for listed single companies and all unlisted groups and single companies. The Accounting Standards Board within the United Kingdom has been working on a phased programme to ensure greater convergence between IFRS and UK GAAP. Therefore, while IFRS is continuing to evolve, there are a number of initiatives to bring UK GAAP closer in line with IFRS from 2005.

The summary provided herein should therefore be considered within the context of an overall programme of convergence and amendment to existing UK and international accounting standards.

The following UK standards that have been issued but which are not mandatory for the year/period ended 31 March 2004 could result in fewer differences between UK GAAP and IFRS:

- *FRS 20, "Share-based Payments"*[1],
- *FRS 21,"Events after the Balance Sheet Date"*[2],
- *UITF Abstract 38, "Accounting for ESOP Trusts"*[3].

1. A listed entity shall adopt this Standard for annual accounting periods beginning on or after 1 January 2005; and an unlisted entity shall apply it for accounting periods beginning on or after 1 January 2006. In both cases earlier application is encouraged. Early adoption must be disclosed.
2. An entity shall apply this Standard for annual accounting periods beginning on or after 1 January 2005.
3. The accounting treatment required by this Abstract should be adopted in financial statements relating to accounting periods ending on or after 22 June 2004. Early adoption is encouraged.

The following IFRS standards:

- *IFRS 2, "Share-based Payment",*
- *IFRS 3, "Business Combinations",*
- *IFRS 5, "Non-current Assets Held for Sale and Discounted Operations"*

have been issued but are not mandatory for the year/period ended 31 March 2004 and the revised versions of the following standards issued as part of the IASB improvements project and published in December 2003:

- *International Accounting Standards ("IAS") No. 1, "Presentation of Financial Statements",*
- *IAS 2, "Inventories",*
- *IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors",*
- *IAS 10, "Events after the Balance Sheet Date",*
- *IAS 16, "Property, Plant and Equipment",*
- *IAS 17, "Leases",*
- *IAS 21, "The Effects of Changes in Foreign Exchange Rates",*
- *IAS 24, "Related Party Disclosures",*
- *IAS 27, "Consolidated and Separate Financial Statements",*
- *IAS 28, "Investments in Associates";*
- *IAS 31, "Interests in Joint Ventures",*
- *IAS 32, "Financial Instruments: Disclosure and Presentation",*
- *IAS 33, "Earnings per Share",*
- *IAS 36, "Impairment of Assets",*
- *IAS 38 "Intangible Assets",*
- *IAS 39, "Financial Instruments: Recognition and Measurement"* and
- *IAS 40, "Investment Property*"

could result in further significant differences between UK GAAP and IFRS.

Business combinations – accounting method

UK GAAP requires the use of merger accounting for a business combination if certain specified criteria are met.

IFRS allows business combinations to be accounted for using the uniting of interests method, which is similar to the pooling of interests or merger accounting, if the acquirer cannot be identified. Otherwise, purchase acquisition accounting must be used.

Business combinations – negative goodwill

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

Under IFRS, negative goodwill must be measured and initially recognised as the full difference between the acquirer's interest in the fair values of the identifiable assets and liabilities acquired less the cost of acquisition. To the extent that it relates to expected future losses and expenses that are identified in the acquirer's acquisition plan, the negative goodwill is recognised as income when the future losses and expenses are recognised. An excess of negative goodwill up to fair value of acquired identifiable nonmonetary assets is recognised in income over the average life of those nonmonetary assets. Any remaining excess is recognised as income immediately.

Business combinations – amortisation and impairment of goodwill

Under UK GAAP, positive purchased goodwill should be capitalised as an asset. If it is regarded as having a limited useful life it should then be amortised over that useful life which is generally presumed not to exceed 20 years. If goodwill is regarded as having an indefinite useful life, it should not be amortised. Goodwill that is not amortised or amortised over a useful life exceeding 20 years should be tested for impairment at the end of each reporting period and, if necessary, written down.

For goodwill having a useful life of 20 years or less, a review of impairment is carried out if events or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable.

Under IFRS, goodwill is capitalised and amortised over its estimated useful life, which is presumed to be 20 years or less. An enterprise should assess at each balance sheet date whether there is an indication that the goodwill is impaired.

Business combinations – recognition of intangible assets other than goodwill

UK GAAP requires that intangible assets be separately recognised in a business combination only if they can be disposed of separately without disposing of the business of the entity and if their value can be measured reliably on initial measurement.

Under IFRS, separate intangible assets are recorded if and only if the asset is identifiable, future economic benefits will flow from its use and the cost can be measured reliably.

Otherwise, intangible assets are subsumed within goodwill.

Business combinations – recognition of deferred taxes

Under UK GAAP, deferred taxes on the differences between the fair value of the net assets acquired and their carrying values are not recognised at the time of a business combination where the tax base is unaffected.

Under IFRS, deferred taxes are recognised for the fair value adjustments in business combinations, where carrying values are adjusted but the tax base is unaffected. When an acquirer did not recognise a deferred tax asset of the acquiree as an identifiable asset at the date of a business combination and the deferred tax asset is subsequently recognised in the acquirer's consolidated financial statements, the resulting deferred tax income is recognised in the income statement and the acquirer:

(a) adjusts the gross carrying amount of the goodwill and the related accumulated amortisation to the amounts that would have been recorded if the deferred tax asset had been recognised as an identifiable asset at the date of the business combination; and

(b) recognises the reduction in the net carrying amount of the goodwill as expense.

This however does not create negative goodwill nor does it increase the carrying amount of negative goodwill.

Business combinations – foreign currency translation of goodwill

IFRS requires goodwill to be treated as an asset of the foreign operation and translated at the closing rate. UK GAAP does not address the issue.

Accounting for investments in associates

UK GAAP requires an interest in net liabilities of an associate to be recognised unless there is evidence of the investor's irreversible withdrawal from its investee as its associate before or at the balance sheet date.

Under IFRS, use of the equity method ceases when the carrying value of the investment in the associate is reduced to zero. If the associate subsequently reports net income, the application of the equity method is only resumed after the share in the net income equals the share in net losses not recognised during the period that the equity method was suspended.

Revenue recognition

Under UK GAAP, revenue is measured at the fair value of the right to consideration and is recognised when the seller obtains the right to consideration in exchange for its performance. Right to consideration is defined as a seller's right to the amount received or receivable in exchange for its performance.

Under IFRS, revenue is measured at the fair value of the consideration receivable in an exchange of items dissimilar in nature and value. Revenue from the sale of goods is recognised when the following criteria have been met:

(a) the seller has transferred to the buyer the significant risks and rewards of ownership,

(b) the seller retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,

(c) the amount of revenue can be measured reliably,

(d) it is probable that the economic benefits associated with the transaction will flow to the seller, and

(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Application Note G to FRS 5 further provides specific guidance for separation and linking contractual arrangements, according to which a contractual arrangement should be accounted for as two or more separate transactions only where the commercial substance is that the individual components operate independently of each other. 'Operating independently' means that component represents a separable good or service that the seller can provide to the customers, either on a stand alone basis or as an optional extra. Where various components are to be unbundled, a reliable fair value should be able to attributable to every component, or to either the completed components or uncompleted component(s). If reliable fair values cannot be attributed to individual completed or uncompleted components, revenue for the components should be recognised as a single, unbundled contractual arrangement. IFRS does not specifically address the issue.

Defined benefit pension schemes

Under UK GAAP, there are two methods of accounting by an employer for defined benefit pension arrangements: SSAP 24 "Accounting for pension costs" and FRS 17 "Retirement benefits". The adoption of the recognition and measurement provisions of FRS 17 is not yet mandatory in the UK and the Group therefore applies the provisions of SSAP 24. Under SSAP 24, the accounting objective is to recognise the cost of providing pensions on a systematic and rational basis over the period during which the Group benefits from employees' services.

SSAP 24 does not specify a particular actuarial method for attributing the expected cost of pension benefits provided to employees to individual years of service. IFRS requires the use of the projected unit credit method.

SSAP 24 requires that the actuarial assumptions taken as a whole should be compatible and result in the actuary's best estimate of pension cost. IFRS requires that the assumptions used should be unbiased and mutually compatible.

Under SSAP24, the liabilities are discounted using the expected return on assets to estimate the funding burden and changes in the investments would affect the liability measurement. IFRS specifically require liabilities to be discounted at a "risk free" bond-yield discount rate, so the liability measure does not depend on how or whether the plan is funded.

SSAP 24 normally requires that past service costs arising as a result of increases in the pension liability relating to employee service in prior periods due to the introduction or improvement of benefits beyond that to which the employer is already statutorily, contractually or implicitly committed be written off over the remaining service lives of employees.

IFRS requires that prior service costs be recognised on a straight-line basis over the average period until the amended benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, an enterprise should recognise past service cost immediately.

Under SSAP 24, actuarial gains and losses are spread over the expected remaining service lives of current employees in the scheme. IFRS does not require recognition of actuarial gains and losses that are within a specific corridor. Gains and losses in excess of the corridor must, at a minimum, be amortised over the expected average remaining working lives of the participating employees.

Deferred taxes

Under UK GAAP, deferred tax is recognised in respect of all temporary timing differences (not a permanent difference) that have originated but not reversed at the balance sheet date, with the following exceptions:

(a) where fixed assets have been revalued, provision is made for deferred tax only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

(b) provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivables (discussion on distributable earnings of Indian companies is given below); and

(c) deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Under IFRS, deferred tax liabilities are recorded on all taxable temporary differences, with the following exceptions:

(a) goodwill for which amortisation is not deductible for tax purposes;

(b) the initial recognition of an asset/liability other than in a business combination which, at the time of the transaction, does not affect either the accounting or the taxable profit; and

(c) undistributed profits from investments where the enterprise is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.

Under IFRS, a deferred tax asset is recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised, unless the deferred tax asset arises from initial recognition of an asset/liability other than in a business combination which, at the time of the transaction, does not affect the accounting or the taxable profit.

The concept of "more likely than not" used in UK GAAP and the corresponding "probable" used in IFRS are not explicitly defined and are therefore subject to interpretation.

Under UK GAAP, it is permitted to recognise deferred tax on a discounted basis. However, the Group does not recognise deferred tax balances on an undiscounted basis. IFRS does not permit discounting for deferred tax balances.

Under UK GAAP, deferred tax is measured based on tax rates and laws enacted or substantively enacted at the balance sheet date. Under IFRS deferred tax is based on rates that have been enacted.

When distributing earnings, Indian companies are subject to an additional tax, currently 12.8125 per cent., on all declared dividends ("secondary tax").

The deferred tax rate used by the Group for the year ended 31 March 2004 is 35.875 per cent., which comprises the statutory income tax rate of 35 per cent., plus a surcharge of 2.5 per cent. on 35 per cent. This does not include the effect of the secondary tax.

IFRS explicitly states that the undistributable tax rate, which excludes the effects of the secondary tax rate, should be used in calculating taxes (both current and deferred).

Foreign currency

IFRS requires the profit and loss account of a foreign subsidiary to be translated at the average rate of exchange for the period. UK GAAP allows the closing rate to be used.

IFRS requires that when a foreign operation is disposed of, exchange differences previously recognised in equity are released to the profit and loss account in the same period as the gain or loss arising on sale. UK GAAP does not permit this.

Derivative instruments

Under UK GAAP, there is no authoritative literature regarding the recognition and measurement of derivative instruments other than in the financial sector. The Group records derivative instruments used to reduce exposure to foreign exchange rates as hedges if certain criteria are met:

(a) The instrument is related to a recognised foreign currency asset or liability or probable commitment and whose characteristics have been identified;

(b) It involves the same currency as the hedged item; and

(c) It reduces the risk of foreign currency exchange movements on operations.

Gains and losses arising on these contracts are deferred and recognised in the profit and loss account, or as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in the financial statements. The rates applicable to such contracts are used to record the hedged item. For interest rate swaps to be treated as hedges, the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts. Where commodity option contracts hedge anticipated future production or purchases, the option premiums paid are amortised over the life of the option and any realised gains and losses on exercise, in the period in which the hedged production is sold or commodity purchases are made, are recognised. If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss is recognised at that time.

IFRS requires that all derivative instruments be recorded in the balance sheet as either an asset or liability measured at fair value and that changes in fair value be recognised currently in earnings, unless specific hedge accounting criteria are met.

Under IFRS, hedge accounting is permitted only for certain hedging instruments and hedged items, only if the hedging relationship is highly effective and only prospectively from the date a hedging relationship is documented formally. The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation.

(a) For a derivative designated as hedging the exposure to changes in the fair value of a recognised asset or liability (referred to as a fair value hedge), the gain or loss is recognised in earnings in the period of change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. The effect of that accounting is to reflect in earnings the extent to which the hedge is not effective in achieving offsetting changes in fair value.

(b) For a derivative designated as hedging the exposure to variable cash flows of a forecasted transaction or a firm commitment (referred to as a cash flow hedge), the effective portion of the derivative's gain or loss is recognised directly in equity through the statement of changes in equity. The ineffective portion of the gain or loss is reported in earnings if the hedging instrument is a derivative, or, in limited circumstances in which the hedging instrument is not a derivative, the gain or loss is recognised directly in equity until the financial asset is sold, collected, or otherwise disposed of, or until the financial asset is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity should be included in earnings for the period.

(c) For a derivative designated as hedging the foreign currency exposure of a net investment in a foreign operation, the effective portion of the gain or loss is recognised in equity through the statement of changes in equity as part of the foreign currency translation gain or loss. The ineffective portion of the gain or loss is reported in earnings if the hedging instrument is a derivative, or if the hedging instrument is not a derivative, the total gain or loss on translation of that hedging instrument to be taken directly to equity and there is no need to report any ineffectiveness in the profit and loss account.

IFRS also defines "embedded" derivative instrument as a component of a hybrid instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative instrument. Contracts, such as bonds, insurance policies, leases that do not in their entirety meet the definition of a derivative instrument may contain "embedded" derivative instruments. An embedded derivative instrument shall be separated from the host contract and accounted for as a derivative instrument pursuant to the relevant IFRS if, and only if, the following criteria are met:

(a) the economic characteristics and risks of the embedded derivative instrument are not closely related to the economic characteristics and risks of the host contract.

(b) a separate instrument with the same terms as the embedded derivative instrument would meet the definition of a derivative instrument.

(c) the hybrid instrument is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative instrument that is embedded in a financial asset or financial liability at fair value through profit or loss is not separated).

Convertible debts

Under UK GAAP, capital instruments that are issued at the same time in a composite transaction are accounted for as a single instrument unless they are capable of being transferred, cancelled or redeemed independently of each other. Convertible debts are reported within liabilities.

Under IFRS, bonds or similar instruments that are convertible into common shares of the issuer should be split into an equity element and a liability element. Initially the equity element and liability element are recognised at their respective fair values. After initial recognition, the allocation to equity and liability components of a convertible instrument are not revised because of changed circumstances.

Capitalisation of interest costs and foreign exchange gains or losses

UK GAAP permits an entity to choose to capitalise finance costs that are directly attributable to the construction of tangible fixed assets or to expense such costs as incurred. The Group capitalises interest payable on borrowings and foreign exchange gains or losses from hedging activities related to construction or development projects.

For assets that are constructed or otherwise produced for an enterprise's own use, US GAAP requires the interest cost incurred during that period as a result of expenditures for the asset to be capitalised as a part of the historical cost of acquiring the asset. US GAAP does not permit the capitalisation of foreign exchange gains or losses related to construction or development projects.

Revaluations of fixed assets

Revaluation losses in some cases are reported differently under UK GAAP and IFRS. Some losses that are reported in the statement of total recognised gains and losses under UK GAAP are reported in the profit and loss account under IFRS while some losses that are presented as changes in equity under IFRS are charged to the profit and loss account under UK GAAP.

Where a policy of revaluation is adopted, IFRS has fewer details relating to the basis of valuation than UK GAAP.

Impairment of long-lived assets other than goodwill

UK GAAP requires that a review of the possible impairment of long-lived assets be performed when events or changes in circumstances indicate possible impairment. Goodwill and intangible assets that are amortised over a period exceeding 20 years from the date of acquisition or are not amortised are required to be reviewed for impairment at the end of each reporting period. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount which is the higher of net realisable value and value in use. The latter is determined using the sum of the expected future discounted cash flows. Cash flows relating to central assets and functions are required to be allocated to the cash flows of other asset groups on a logical and systematic basis. If the carrying amount of the asset exceeds the recoverable amount, an impairment loss exists and a write-down is recognised to record the long-lived asset at its recoverable amount.

IFRS requires a review of all assets for indication that an asset may be impaired at each balance sheet date. If there is an indication that an asset may be impaired, the recoverable amount is calculated to determine the impairment loss, if any. The recoverable amounts of the following types of intangible assets are required to be measured annually whether or not there is any indication that it may be impaired:

(a) an intangible asset with an indefinite useful life;

(b) an intangible asset not yet available for use; and

(c) goodwill acquired in a business combination.

Under IFRS, the recoverable amount is the higher of fair value less costs to sell and value in use. The latter is measured as the present value of the future cash flows expected to be derived from the asset. Recoverable amount is determined for each individual asset, if possible. If it is not possible to determine the recoverable amount for an individual asset, recoverable amount is determined for the asset's cash-generating unit. If the carrying amount of the unit exceeds the recoverable amount of the unit, an impairment loss exists and is allocated to reduce the carrying amount of the assets of the unit in the following order: (a) first, reduce the carrying amount of any goodwill allocated to the cash generating unit; and (b) then, reduce the carrying amounts of the other assets of the unit on a pro rata basis.

Under UK GAAP, impairment losses may be written back in certain circumstances if it is determined subsequently that the asset is not impaired. The reversal of impairment loss is recognised to the extent that it increases the carrying amount of the asset up to the amount that it would have been had the original impairment not occurred.

Under IFRS, impairment losses may be reversed if the circumstances giving rise to the original impairment no longer exist. The increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognised.

IFRS permits the reversal of an impairment loss recognised in prior periods if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. In this case, subject to certain restrictions, the carrying amount of the asset shall be increased to its recoverable amount.

Lease classification

UK GAAP requires the total gross earnings under a finance lease be allocated to accounting periods to give a constant periodic rate of return to the lessor's net cash investment in the lease in each period.

Under IFRS, lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Employee stock compensation

Under UK GAAP, the estimated cost of employee share awards is charged to the profit and loss account over the relevant performance period. The estimated cost of awards is the market value of shares awarded or the intrinsic value of the awards (being the difference between the exercise price of the award and the market price at the date of grant) adjusted to reflect any applicable performance conditions.

IFRS requires disclosure of stock based compensation plans but does not provide guidance on the recognition and measurement of compensation expenses.

Investments in securities

Under UK GAAP, fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

Under IFRS, securities are classified as held for trading, available for sale, or held to maturity and accounted for as follows:

(a) Debt securities and purchased loans that the enterprise has the positive intent and ability to hold to maturity are classified as *held-to-maturity securities* and reported at amortised cost. Cost is reduced for any impairment in value other than temporary impairment.

(b) Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as *held for trading securities* and reported at fair value, with unrealised gains and losses included in earnings.

(c) Debt and equity securities not classified as either held-to-maturity securities or trading securities are classified as *available-for-sale securities* and reported at fair value, with unrealised gains and losses excluded from earnings and reported in a separate component of shareholders' equity.

Equity minority interests

Under UK GAAP, the amount attributable to equity minority interests is the proportionate share of net identifiable assets of the subsidiary in the group accounts. Equity minority interests are recognised at the date of acquisition based on the fair values of the net assets of the subsidiary. The amount of equity minority interests does not include any share of goodwill arising on acquisition.

Under IFRS, minority interests represent either the minority interests' proportion of (1) the pre-acquisition carrying amount of the subsidiary's identifiable assets and liabilities or (2) the fair value of the subsidiary's identifiable assets and liabilities. In the latter case, the assets and liabilities are stated at fair value in the group accounts, while in the former case, the assets and liabilities are valued based on a mix of historical costs and fair values.

Dividends

Under UK GAAP dividends are recognised when proposed.

Under IFRS, dividends are charged to shareholders' equity when declared. Dividends declared after the balance sheet date are not recognised as a liability at the balance sheet date.

Cash flows

Under UK GAAP, the cash flow statement is based on changes in cash, which represents cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Under IFRS, the cash flow statement is based on changes in cash, which represents cash in hand and deposits repayable on demand, and cash equivalents, which are short-term highly liquid investments, less overdrafts repayable on demand which form an integral part of an enterprise's cash management.

Accounting for mining activities

Under UK GAAP, there is no authoritative literature relating to accounting for mining costs. Similarly, under IFRS, there is no authoritative literature. However Exposure Draft 6 "Exploration for and Evaluation of Mineral Resources" was issued in January 2004.

The proposed IFRS would exempt entities from some requirements of other IFRSs and the IASB Framework. Instead of requiring entities engaged in the exploration for and evaluation of mineral resources to consider the various sources of authoritative requirements and guidance in developing an accounting policy for such activities, the proposed IFRS would permit those entities the alternative of continuing their existing accounting treatment in specified circumstances. In particular, an entity could continue to account for exploration and evaluation assets in accordance with the accounting policies applied in its most recent annual financial statements. In addition, it would permit an entity to use an alternative level of aggregation for exploration and evaluation assets when testing such assets for impairment in accordance with the revision of IAS 36, Impairment of Assets.

The definition of exploration for and evaluation of mineral resources distinguishes exploration and evaluation expenditures from other expenditures that may be regarded as similar (for example, research expenditures). General and administrative expenses cannot be included in the initial measurement of exploration and evaluation assets.

Depreciation/Amortisation

The depreciable amount would be cost less residual value. IAS 16 would require a 'component asset' approach to recognising and depreciating property, plant, and equipment, and would not permit future costs to be included in the depreciable amount.

Impairment

The proposals would permit an entity that has recognised an exploration and evaluation asset to test that asset for impairment on the basis of a 'cash-generating unit for exploration and evaluation assets' rather than the cash-generating unit that might otherwise be required by IAS 36. Alternatively, the IAS 36 approach may be followed. In either case, however, entities are not necessarily permitted to continue existing practices with respect to the impairment test itself.

The Exposure Draft sets out indicators of impairment for exploration and evaluation assets. These are to be considered in addition to the external and internal sources of information in IAS 36 to be used by entities when identifying whether such assets might be impaired.

Removal and restoration costs

IAS 37 requires the recognition of a provision, measured on a discounted present value basis, when a present obligation arises. This amount can be capitalised into the asset in some cases.

GENERAL INFORMATION

Responsibility

This Offering Circular comprises listing particulars given in compliance with the listing rules made under Section 74 of the FSMA by the UK Listing Authority for the purpose of giving information with regard to the Company, the Group and the New Bonds. The Company accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Company (which has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Any reference in this Offering Circular to listing particulars means this Offering Circular excluding all information incorporated by reference. The Company has confirmed that any information incorporated by reference, including any such information to which readers of this Offering Circular are expressly referred, has not been and does not need to be included in the listing particulars to satisfy the requirements of the FSMA or the Listing Rules made under Section 74 of the FSMA by the UK Listing Authority. The Company believes that none of the information incorporated herein by reference conflicts in any material respect with the information included in this Offering Circular.

Listing

The admission of the New Bonds to the Official List, subject to the issue of the New Bonds, will be expressed in US dollars as a percentage of their principal amount (excluding accrued interest). Transactions will normally be effected for settlement in US dollars and, under current practice, for delivery on the third business day after the date of the transaction. It is expected that admission to the Official List and to trading on the London Stock Exchange's market for listed securities will be granted for the New Bonds on or about 1 February 2005. Prior to official listing and admission to trading, dealings in the New Bonds will be permitted by the London Stock Exchange in accordance with its rules.

Clearing

The Rule 144A Bonds have been accepted for clearance through the facilities of DTC. The CUSIP number for the Rule 144A Bonds is 92241TAA0. The Regulation S Bonds have been accepted for clearance through the facilities of Euroclear and Clearstream, Luxembourg. The International Security Identification Number (ISIN) is XS0206424672 and the Common Code is 020642467.

Incorporation

The Company was incorporated and registered in England and Wales as a private company limited by shares under the name Angelchange Limited on 22 April 2003 and with registered number 04740415. On 26 June 2003, the Company changed its name to Vedanta Resources Limited. On 20 November 2003, the Company re-registered as a public limited company under the Companies Act and changed its name to Vedanta Resources plc. The principal legislation under which the Company operates is the Companies Act.

The registered office of the Company is Hill House, 1 Little New Street, London EC4A 3TR.

The head office of the Company is 16 Berkeley Street, Mayfair, London W1J 8D2

Authorisation

The Company has obtained all necessary consents, approvals and authorisations in England and Wales in connection with the issue and performance of the New Bonds. The issue of the New Bonds was authorised by resolution of the Board of Directors of the Company passed on 24 November 2004.

Directors

The full names of the Directors and their principal functions are as follows:

Name	***Principal Function***
Michael Fowle	Non-Executive Chairman
Anil Agarwal	Chief Executive Officer
Navin Agarwal	Deputy Chief Executive Officer
Peter Sydney-Smith	Finance Director
Naresh Chandra	Non-executive Director
Aman Mehta	Non-executive Director
Jean-Pierre Rodier	Non-executive Director
Shailendra Kumar Tamotia	Non-executive Director

The business address of each of the Directors is 16 Berkeley Street, Mayfair, London W1J 8D2.

See Note 5 to the Accounts for the directors' remuneration details.

Directors and Executive Committee

The current directorships (if any) of the Directors and members of the Executive Committee are as follows:

Name of Director/ Executive Committee member	**Position**	**Company**
Anil Kumar Agarwal	Chief Executive Officer	Bharat Aluminium Company Limited Copper Mines of Tasmania Pty Ltd Hindustan Zinc Limited Sterlite Copper Limited Sterlite Gold Ltd Sterlite Industries (India) Limited Sterlite Opportunities and Ventures Limited Sterlite Paper Limited Sterlite Shipping Ventures Private Limited Thalanga Copper Mines Pty Ltd Vedanta Alumina Limited Vedanta Resources Holdings Limited
Navin Agarwal	Deputy Chief Executive Officer	Bharat Aluminium Company Limited Hindustan Zinc Limited India Foils Limited Konkola Copper Mines plc Madras Aluminium Company Ltd Optical Link Limited Sterlite Copper Limited Sterlite Industries (India) Limited Sterlite Optical Technologies Limited Sterlite Paper Ltd Sterlite Shipping Ventures Pvt Ltd Sterlite Telecables Limited Sterlite Telecom Limited Sterlite Telelink Limited Vedanta Alumina Limited
Peter Edward Sydney-Smith	Finance Director	Konkola Copper Mines plc Twinstar Holdings Ltd Vedanta Resources Finance Limited Vedanta Resources Cyprus Limited

Name of Director/ Executive Committee member	Position	Company
William Michael Thomas Fowle CBE	Non-executive Director	ICICI Bank U.K. Limited Norwich and Peterborough Building Society Rugby School Rugby School Enterprises Limited The Place2Be The Joined-Up Action Company Limited The Penguin Collectors Society The Prince's Drawing School
Naresh Chandra	Non-executive Director	Associated Cement Company Limited Bajaj Auto Ltd Balrampur Chini Mills Ltd Electrosteel Castings Ltd Haldia Petro-Chemicals Ltd Hindustan Motors Ltd Media Content & Communications Ltd Tata Consultancy Services Ltd
Jean-Pierre Rodier	Non-executive Director	Entreprise et personnel
Aman Mehta	Non-executive Director	Jet Airways (India) Pvt Limited Indian Council for Research on International Economic Relations PCCW Limited Raffles Holdings Limited Tata Consultancy Services Limited Wockhardt Limited
Shailendra Kumar Tamotia	Non-executive Director	Central Tool Room & Training Centre Industrial Infrastructural Development Corporation of Orissa Ltd Industrial Promotion and Investment Corporation of Orissa Ltd West Bengal Electronics Industry Development Corporation Ltd
Kuldip Kumar Kaura	Chief Operating Officer, Vedanta Resources and Managing Director, Sterlite	Copper Mines of Tasmania Pty Ltd Hindustan Zinc Limited Konkola Copper Mines plc Thalanga Copper Mines Pty Ltd Vedanta Alumina Ltd
Tarun Jain	Director, Sterlite	Bharat Aluminium Company Limited Hindustan Zinc Limited India Foils Limited Madras Aluminium Company Ltd Sterlite Industries (India) Limited Sterlite Gold Limited Sterlite Opportunities and Ventures Limited Sterlite Shipping Ventures Private Limited Twinstar Holdings Ltd Vedanta Alumina Ltd
Aditya Narayan	Managing Director, HZL	Hindustan Lever Limited Hindustan Zinc Limited ICI (India) Limited Quest International (India Limited)
Tirunelveli Lakshmanaswamy Palani Kumar	Managing Director, BALCO	Bharat Aluminium Company Limited Carborundum Universal Limited Vedanta Alumina Ltd

Ramesh Venkat	Group Chief Financial Officer, Sterlite Group	DIL Limited (formerly Duphar Interfran Limited) Foundation for Advancement of Children in Education Sterlite Opportunities Ventures Limited Sterlite Shipping Ventures Private Limited Vedanta Resources Finance Limited Vedanta Resources Cyprus Limited

Sterlite has been subject to a claim for wrongful and unfair dismissal brought by Mr Rajat Bhatia in the Employment Tribunal in London. Mr Bhatia claimed that he had been wrongfully and unfairly dismissed because he had made "protected disclosures" for the purpose of the Employment Rights Act 1996. Mr Bhatia claimed that he had made protected disclosures about the inclusion in a presentation of Sterlite's optical fibre business to its financial advisers of a line of business, which it did not at the time have, in connection with a then proposed listing of the optical fibre business. Mr Bhatia also claimed that he had made protected disclosures in relation to Sterlite's intended conduct in connection with commitments made by him on its behalf in relation to a proposed acquisition of an Australian company (which did not proceed). Sterlite denies Mr Bhatia's allegation that he made protected disclosures. In 2001 the Employment Tribunal found Mr Anil Agarwal's evidence to be unreliable and preferred Mr Bhatia's evidence holding that Mr Bhatia had been wrongfully and unfairly dismissed. The quantum of Mr Bhatia's compensation is still subject to adjudication following a successful appeal by Sterlite in March 2003 against the initial award. The hearing to determine the quantum of the award has been postponed until February 2005.

Share capital

The Company's authorised share capital as at 30 September 2004 was US$40,000,000 and £50,000, comprising 400,000,000 ordinary shares of US$0.10 each in the Company and 50,000 deferred shares respectively. The Company's issued share capital as at that date was 50,000 deferred shares, one of which has been fully paid and 49,999 of which have been paid up as to one-quarter of their nominal value and 286,388,000 ordinary shares of US$0.10 each in the Company each credited as fully paid.

As at 25 January 2005, there had been no other change to the authorised and issued share capital since 30 September 2004.

Dividend policy

The Group has a progressive dividend policy which takes into account the underlying growth in earnings of the Group, as well as the capital requirements and cash flows of the Group, whilst maintaining an appropriate level of dividend cover.

A dividend of 5.5 cents per Ordinary Share in respect of the financial year ending 31 March 2004 was paid to the shareholders of Vedanta Resources in August 2004. An interim dividend of 5.5 cents per Ordinary Share was paid to the shareholders of Vedanta Resources on 14 January 2005.

The Directors intend that interim and final dividends will be paid in January and August in the approximate proportions of one-third and two-thirds of the total annual dividend, respectively.

Dividends will be declared and paid by the Company in US Dollars unless the shareholder elects to receive dividends in pounds sterling.

Material contracts

The following contracts directly concerning the issue of the New Bonds have been entered into by a member of the Group immediately preceding the publication of this Offering Circular or will, shortly after the date of this Offering Circular, be entered into by a member of the Group and are, or may be, material:

(a) the Supplemental Trust Deed expected to be dated 26 January 2005 between the Company and Deutsche Trustee Company Limited as Trustee, inter alia, constituting the Bonds and appointing the

Trustee to act in that capacity and under which such commission in respect of the services of the Trustee as shall be agreed between the Company and the Trustee are to be paid;

(b) the Supplemental Paying Agency Agreement expected to be dated 26 January 2005 between the Company, Deutsche Bank AG, acting through its London branch, the Trustee and Deutsche Bank Trust Company Americas and others setting out, inter alia, the terms of appointment and duties of Deutsche Bank AG, acting through its London branch, in its capacity as Principal Agent and under which such commissions in respect of the services of the agents as shall be agreed between them and the Company are to be paid; and

(c) the Subscription Agreement, the principal terms of which are summarised in "Plan of Distribution".

Litigation

Except as described below, no member of the Group (which for the purposes of the section below includes KCM) is or has been involved in nor, so far as the Group is aware, has pending or threatened by or against it, any legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position:

(a) Sterlite is the defendant in three writ petitions which were filed in the High Court of Madras by the National Trust for Clean Environment, V Gopalsamy and K Kanagaraj on 16 October 1996, 19 April 1997 and 19 October 1998 respectively in relation to the Tuticorin smelting plant located at Tuticorin in the state of Tamil Nadu, India and are currently pending. The three petitions are being heard together and allege that sulphur dioxide emissions from the copper smelting are causing pollution and damage to the marine ecosystem and the lives of people living in and around Tuticorin. The petitioners are seeking an order from the court stopping the current operations at Tuticorin and cancelling the environmental permits currently granted to Sterlite by the Tamil Nadu Pollution Control Board and the Ministry of Environment and Forests in relation to the Tuticorin plant. An independent report has been commissioned by the court but has not yet been submitted. The potential liability associated with this litigation is unquantifiable, however, having taken professional advice, the Directors do not currently expect that the Group will suffer a material liability in connection with this matter and accordingly no provision has been made in the accounts.

(b) Sterlite is a respondent in appeal proceedings brought by SEBI in the Bombay High Court in Mumbai, India. The appeal is against a decision of the Securities Appellate Tribunal ("SAT") in October 2001, overturning an order made by SEBI in April 2001, which prohibited Sterlite from accessing the capital market for two years and ordered the initiation of prosecutions for alleged violations of regulations prohibiting fraudulent and unfair trading practices. SEBI's order was based on its finding that, in connection with an open offer made by Sterlite for the Indian Aluminium Company in 1998, Sterlite had participated in a manipulation of the price of its own shares. SEBI alleged that a loan of INR50 million made by MALCO to Dil Vikas Finance Limited was used to acquire 300,000 Sterlite shares for the account of one of its associated companies and a client. SEBI also alleged that MALCO provided funds of INR117.5 million to El Dorado Guarantee Limited for the purchase of Sterlite shares by its associate Dil Vikas Finance Limited, as part of a connected price manipulation exercise. MALCO's loan of INR50 million to Dil Vikas Finance Limited was made by way of an "Inter Corporate Deposit" for a term of six months at a commercial rate of interest, in order to meet Dil Vikas Finance Limited's requirement for funds as a satellite dealer for Government securities, not in relation to the purchase of Sterlite shares. MALCO made the further loan of INR117.5 million to El Dorado Guarantee Limited for the purchase of Sterlite shares at the request of the Bombay Stock Exchange as a result of concern about a liquidity crisis on the Bombay Stock Exchange due to potential default in payments by a group of brokers on a significant number of trades on the exchange. On appeal, the Securities Appellate Tribunal found that there was no reasonably acceptable evidence of a nexus between Sterlite and the group of brokers allegedly involved in price manipulative share purchases, and that in the absence of such nexus it was not possible to view any alleged price manipulation as involving Sterlite. It also found that El Dorado Guarantee Limited purchased 300,000 Sterlite shares for others and not for Sterlite, or at its behest, and did not agree with SEBI's view that

MALCO provided funds to meet the purchase price of these shares. It was an admitted fact in the appeal that the further funds of INR117.5 million were made available by MALCO to El Dorado Guarantee Limited for the purchase of Sterlite shares but also that those funds were provided on a request by members of the Governing Board of the Bombay Stock Exchange "to avoid a payment crisis and save the market". SEBI filed an appeal against the SAT order on 9 November 2001. The date of hearing has not yet been set. Criminal proceedings were initiated by SEBI against Sterlite, Mr Anil Agarwal, Mr Tarun Jain and the chief financial officer of MALCO at the time of the alleged price manipulation, pursuant to the original SEBI order. SEBI has not presented to Sterlite any new evidence in support of its case against Sterlite and the three individuals and, consequently, Sterlite expects that the criminal proceedings will not be successful. Sterlite has applied for an order for dismissal of the criminal proceedings and in September 2003 SEBI filed their reply to this application. A hearing is scheduled for 17 February 2005. Should Sterlite be unsuccessful in its defence of SEBI's appeal or the criminal proceedings, it and Mr Agarwal and Mr Jain could be subject to further sanction by SEBI.

(c) MALCO is the defendant in appeal proceedings brought by the Tamil Nadu Electricity Board ("TNEB") in the Division Bench of the Madras High Court. TNEB alleges that MALCO has failed to pay the applicable tariffs for electricity supplied to its operations in the period from 21 February 1995 to 20 February 1999. The dispute relates to interpretation of the TNEB/State Electricity Board, which raised bills retrospectively and an order made by the Government of India on 11 December 1997 in which the concessional tariff previously made available to MALCO under the Board of Industrial and Financial Reconstruction scheme was restricted to four years from the date of a government order dated 28 April 1992. In December 1999, MALCO claimed that the four-year period specified in the order should commence from 21 February 1995, being the date on which its operations recommenced and as such continued to pay the concessional tariff during that period. The value of the claim made by TNEB is INR3.1267 billion. MALCO's petition to the High Court of Madras dated December 1997 was favorably disposed in December 1999 quashing the majority of contentions of the State Electricity Board. The case is still pending before the Division Bench of the High Court of Madras. Having taken professional advice, the Directors do not currently expect that the Group will suffer a material liability in connection with this matter and accordingly no provision has been made in the accounts.

(d) MALCO has moved a writ petition before the Madras High Court against the claim by TNEB that MALCO has failed to pay the applicable electricity consumption tax on self-generated power from MALCO's captive power plant at Mettur Dam during the period May 1999 to June 2003. MALCO has made representations to the state government of Tamil Nadu applying for an exemption from the levy of electricity consumption tax. The state government of Tamil Nadu has powers under the Electricity Generation and Consumption Act 1961 to exempt companies from the levy of electricity consumption tax. One criteria for this exemption is the percentage of a company's power costs to its production costs. MALCO produces power intensive products with a power to production cost percentage of 40 to 45 per cent., which exceeds the criteria necessary for the exemption. Nevertheless, MALCO has made representations arguing that it is entitled to an exemption. In the second proceedings TNEB alleges that MALCO has failed to pay applicable electricity duty, tax and additional duty on the surplus power MALCO wheeled to one of its associated undertakings. MALCO have made representations to TNEB asserting that they have no liabilities to TNEB in this regard as the wheeling is done through TNEB only. These representations are under active consideration and on 24 August 2001 the Madras High Court granted a stay order pending its final decision. The claims are valued at INR1,022.7 million in aggregate as at 23 July 2004. Having taken professional advice, the Directors do not currently expect that the Group will suffer a material liability in connection with this matter and accordingly no provision has been made in the accounts.

(e) HZL is a defendant in a writ petition brought against it and the State government of Andhra Pradesh and the Andhra Pradesh Pollution Control Board by a non-governmental organisation, the Andhra Pradesh Pollution Sufferers Forum, in relation to the Vizag zinc smelter in Andhra Pradesh. The petitioner alleges that the smelter is causing pollution and irreparable harm to four surrounding villages. HZL has undertaken to pay INR40 million towards the rehabilitation of the villages and the petitioners claim this amount should be deposited immediately with revenue officials to enable welfare measures to be undertaken. In addition, the petitioner is seeking: (i) the appointment of an expert committee to assess the effects of industrial pollution on the four villages; (ii) to direct the revenue officials to assess damages for loss of agricultural land, life and cattle in the four villages and submit a report to the High Court; and (iii) issue an order to the State government of Andhra Pradesh and the Andhra Pradesh Pollution Control Board to take steps to stop pollution and close down polluting industries in Andhra Pradesh including the zinc smelter. HZL has furnished a bank guarantee for INR22,500,000 to the High Court of Andhra Pradesh. In June 2004, the Company successfully defended this matter in the High Court of Andhra Pradesh, which ordered the release of the bank guarantees provided by HZL. It is, however, still possible for the petitioners to file an appeal. Having taken professional advice, the Directors do not currently expect that the Group will suffer a material liability in connection with this matter and accordingly no provision has been made in the accounts.

(f) HZL is the claimant in a writ petition brought before the High Court of Rajasthan in Jodhpur in relation to a challenge it is making against the Government of Rajasthan regarding royalty payments. HZL has sought a refund of INR251,132,433 of royalties paid under protest. The Government of Rajasthan claims that royalties from the Rampura Agucha, Rajpura Dariba and Zawar mines should be paid on the amount of ore mined rather than the amount of concentrate obtained from processed ore and has therefore demanded increased royalty payments from HZL. HZL has paid the increased royalties demanded but has challenged the validity of the basis on which the increased royalties are calculated by filing three revision petitions with the Secretary of Mines of Rajasthan. In order to expedite the decision of the Secretary of Mines, HZL had also filed a writ before the High Court of Rajasthan in Jodhpur. The High Court of Rajasthan in Jodhpur had remanded the case back to the Central Government Revisional Authority for decision. On 2 July 2003, this revisional authority passed an order confirming the position taken by the Government of Rajasthan. On 11 August 2003, HZL filed a writ petition with the High Court of Rajasthan in Jodhpur appealing against the decision of the revisional authority. The matter is still pending before the High Court of Rajasthan in Jodhpur.

(g) HZL, SOVL, the Government of India and others are defendants in a public interest litigation filed on 5 November 2003 by Rajendra Kumar Razdan before the High Court of Rajasthan in Jodhpur challenging the divestment of shares in HZL by the Government of India. The petition was filed following the decision of the Supreme Court of India dated 16 September 2003, ruling that the proposed divestment of shares in HPC and BPC could not be effected by the Government exercising its executive power, as described more fully in "Risk Factors – Challenge to the Government of India divestments". The Government of India filed a transfer petition requesting the transfer of the case to the Supreme Court of India. The Supreme Court of India passed an order dated 9 February 2004 which stayed further proceedings in the High Court of Rajasthan at Jodhpur. The Supreme Court also ordered that all challenges relating to divestments of government-owned companies will be heard together by a larger bench of the Supreme Court. The matter is currently pending before the Chief Justice of India, and no date has been set for such a hearing.

(h) In December 2001 and January 2002 the Indian Income Tax Department (the "Tax Department") issued block assessment orders for unpaid income tax (including interest) of approximately INR2,292 million against three former Indian subsidiaries of Twin Star in liquidation, which previously held Twin Star's interests in Sterlite and MALCO and which are in the process of being wound up. The primary liability for the block assessment orders lies with the three former Indian subsidiaries of Twin Star in liquidation. As these companies are in liquidation and under the control of the liquidator, they are not controlled by the Group and are not consolidated in the Group's accounts. The Tax Department issued distraint orders to the depositary of the Sterlite and MALCO shares in relation to shares transferred to Twin Star by the three former Indian subsidiaries. The distrained shares represented approximately 38 per cent. of Sterlite's issued share capital and approximately 70 per cent. of MALCO's issued share capital. The orders prohibited the depositary of the Sterlite and MALCO shares from delivering the distrained shares held by them to any person and, on issue of a further notice, would have enabled the Tax Department to satisfy their claim (should the tax assessment be continued) through the sale of sufficient shares to satisfy the income tax claim. The Company has received legal advice that the liquidator of the three companies cannot take back these shares from

Twin Star. The Tax Department lifted the distraint orders on 23 October 2003 in return for Twin Star furnishing bank and corporate guarantees for the amount of the tax claims and interest thereon. The three former Indian subsidiaries appealed the block assessment orders referred to above. On 31 October 2003 and 4 November 2003 the Office of the Commissioner of Income Tax (Appeals) made orders in respect of each of these appeals. The orders disallowed the Tax Department's assessment of undisclosed income totalling approximately INR2,983 million (in respect of which income tax (including interest) of approximately INR2,299 million had been assessed) and allowed the Tax Department's assessment of undisclosed income totalling approximately INR178 million (in respect of which income tax (excluding interest) of approximately INR114.3 million had been assessed). The Tax Department is expected to appeal to the tax tribunal, details of which have not yet been made available to the Group. On 15 January 2004, one of the three former subsidiaries filed an appeal against the orders for partial allowance of the Tax Department's assessment of undisclosed income in respect of which income tax (excluding interest) of approximately INR114.3 million was assessed. The Tax Department is entitled to claim the income tax payable on the part confirmed by the Office of the Commissioner of Income Tax (Appeals) against the bank and corporate guarantees that have been provided. If a claim is made against the bank guarantee, ICICI Bank will be entitled to claim that amount from MALCO who will in turn be entitled to claim that amount from Volcan under the arrangements described below. The Group has requested that, subject to expiry of their right to appeal, the Tax Department return the bank and corporate guarantees provided to secure release of the distraint orders. ICICI Bank has provided guarantees (the "bank guarantee") in favour of the Tax Department under which it undertakes to pay the Government of India INR1,150 million if the three subsidiaries fail to pay any tax and interest determined by the Indian courts to be payable pursuant to the block assessment order. The liability of ICICI Bank is joint and several with each of the three subsidiaries. SOTL (an associate of Volcan outside the Group) has provided guarantees (the "corporate guarantee") in favour of the Tax Department under which it has agreed to pay the Government of India up to INR1,680 million plus interest, on substantially the same terms as the guarantee furnished by ICICI Bank. The bank and corporate guarantees are irrevocable without consent of the Tax Department. If ICICI Bank or SOTL fail to meet their obligations under their respective guarantees, the primary liability for any tax, interest or penalties claimed by the Tax Department pursuant to the block assessment orders will rest with the three former subsidiaries and not within the Group. In return for ICICI Bank issuing the bank guarantee, MALCO agreed to create and maintain a fixed deposit requiring it to deposit INR1,150 million with ICICI Bank by 30 September 2008, in quarterly instalments. MALCO also agreed to grant ICICI Bank a first charge over all its fixed assets. In addition, MALCO has provided ICICI Bank with an omnibus counter-indemnity in respect of all loss or damage ICICI Bank suffers, including legal costs, if the bank guarantee is called upon. There is no limit specified in the omnibus indemnity to the time period in which a claim under the indemnity can be made. Twin Star has agreed not to deal with or dispose of its shareholding in MALCO without the consent of ICICI Bank. Mr Anil Agarwal has agreed to provide a personal guarantee to ICICI Bank for the obligations of MALCO to ICICI Bank in respect of the bank guarantee. In addition, Volcan has agreed to provide MALCO with a counter guarantee for INR1,150 million and MALCO has agreed to assign its rights under this guarantee to ICICI Bank. Under this counter-guarantee Volcan agreed to pay MALCO all amounts payable by MALCO to ICICI Bank in the event of a claim being made by the Government of India under the bank guarantee. Volcan agreed to indemnify MALCO against all liabilities incurred by reason of or in connection with any proceedings taken against MALCO for recovery of the moneys claimed by ICICI Bank from MALCO pursuant to the guarantee facility agreement or omnibus counter-indemnity. Volcan has also agreed to indemnify the Group for tax liabilities arising as a result of the tax claims referred to above and the related security and counter-indemnity arrangements between MALCO and ICICI Bank. In return for SOTL providing the corporate guarantee, Volcan has agreed to provide SOTL a counter guarantee. Based on legal advice obtained by the Company, the Directors believe that the Tax Department is not entitled to reinstate the distraint orders lifted on 23 October 2003 and believe that there is no material risk to the Company, its assets, or the ownership of its assets, arising from reapplication of those distraint orders.

(i) In March 2002 a block assessment order was issued by the Assistant Commissioner of Income Tax which determined that Sterlite had undisclosed income totalling INR445.6 million for the block period from 1 April 1989 to 8 December 1999 and that it was liable to pay tax of INR294.1 million on that sum. The Assistant Commissioner has also indicated that he may seek to charge penalties and interest but he has not done so to date. The order alleges that the costs of the Tuticorin project and other plants were inflated by invoices for "fictitious" purchases of steel and that improper depreciation was claimed on the cost of this steel. The order disallowed this depreciation and assessed Sterlite for undisclosed income. The order also alleged some other instances of undisclosed income resulting from payments made to an employee of an associated trust, unrecorded cash payments to a senior member of Sterlite management, who is also a member of the Executive Committee, and unrecorded credits in favour of members of certain Sterlite directors' families, which were not recorded in the company's financial records, and from payments that are not deductible for income tax purposes.

Sterlite denies that it paid any invoices for "fictitious" materials or that it made any unrecorded payments or gave any unrecorded credits. Sterlite's liability to pay the additional tax demanded by the Assistant Commissioner has been satisfied by a combination of additional direct payments and by the off set of tax refunds which would otherwise have been repaid to the company. However, Sterlite believes it was not liable to pay a sum of INR112.61 million which was set off against tax refunds due to it and it accordingly lodged an appeal against the order on 26 April 2002.

This appeal was decided in Sterlite's favour by the office of the Commissioner of Income Tax (Appeals) on 15 April 2004. However, it is possible that the Assistant Commissioner of Income Tax may appeal this decision further although no such details have been made available to the Group.

(j) In July 2004 an order was issued by the Special Director of Enforcement of the Enforcement Directorate of the Government of India which determined that between 1993 and 1999 Sterlite had acquired and transferred foreign exchange equivalent to INR2,080 million without obtaining the permission of the Reserve Bank of India. The determination relates to the transfer of Sterlite and MALCO from three former Indian subsidiaries of Twin Star in liquidation, which previously held Twin Star's interests in Sterlite and MALCO, to Twin Star. The order imposed a penalty of INR200 million against Sterlite and penalties of INR50 million against each of Mr Anil Agarwal, Mr Navin Agarwal and Mr D P Agarwal, as directors of Sterlite during the period to which the allegations relate (the "Relevant Directors"). Sterlite and the Relevant Directors deny the allegations. On 22 September 2004 Sterlite and the Relevant Directors lodged an appeal against the order before the Appellate Tribunal for Foreign Exchange, Ministry of Law, Justice & Company Affairs, Government of India.

(k) Sterlite and Vedanta Alumina are defendants in a writ petition brought against them and, amongst others, the State of Orissa, the Union of India, the Orissa Mining Corporation ("OMC") and the Industrial Development Corporation of Orissa by a private individual. The petition challenges the grant by the OMC to Sterlite and Vedanta Alumina of a lease to mine bauxite in the State of Orissa. The petition alleges that (i) the grant of the lease violates the Constitution of India, (ii) required consents have not been obtained for the grant of the lease and for the construction activities currently being undertaken and (iii) the contemplated mining and construction activities will have an adverse environmental impact. The petitioner is seeking orders (i) preventing the allotment of lands to Vedanta Alumina and Sterlite, (ii) declaring that a memorandum of understanding entered into by the OMC and Sterlite or Vedanta Alumina is void, (iii) directing that legislation be made prohibiting the transfer of land and/or mines in certain areas to non-tribals, (iv) for the prosecution of officials and employees of Sterlite, Vedanta Alumina and the state government under the Forest Conservation Act, (v) for an unspecified amount of compensation by Sterlite and Vedanta Alumina for damage caused and (vi) for the immediate cessation of construction activities at the site. The court has not yet admitted the matter. Based on professional advice, the Directors do not expect that the Group will suffer a material liability in connection with this matter and accordingly, no provision will be made in the accounts.

(l) KCM is the claimant in an action against its principal insurer, Coromin Limited ("Coromin"), for approximately US$50 million or, alternatively, for approximately US$48 million from its local market insurers on its specific coverage in respect of damages, including damage to property and business losses, which it incurred as a result of an accident in the Nchanga Open Pit in 2001. The action was commenced on 27 May 2004 by KCM and ARH Ltd ("ARH") against Coromin in the High Court of Justice, Queen's Bench Division Commercial Court in London. ARH is a subsidiary of Anglo American plc and is named as a claimant alongside KCM because of the assignment of certain insurance contract rights by KCM to ARH as security for KCM's loan obligations to ARH under a deed entered into with Anglo American on its exit from KCM in 2002. GRZ also has a subsidiary charge over the proceeds of the insurance for its US$8.5 million loan provided under a matched loan facility entered into as part of the same exit arrangements. KCM and ARH allege that the refusal by the insurers to pay out on the claim constitutes a breach of the insurance contract. Coromin has argued that it acted as reinsurer and cannot therefore be liable for all the risk coverage. No final date for trial has yet been specified.

General

Except as disclosed in "The Vedanta Resources Group – Konkola Copper Mines", there has been no significant change in the financial or trading position of the Company or of the Group since 30 September 2004 other than the acquisition of a 51 per cent. interest in KCM which was completed on 5 November 2004, and no material adverse change in the financial position or prospects of the Company or of the Group since 31 March 2004.

The Accounts set out on pages F-1 to F-50 do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985 (the "Act"). Statutory accounts for the financial year ended 31 March 2004 to which such financial information relates have been delivered to the Registrar of Companies in England and Wales.

The annual financial statements for the year ended 31 March 2004 were audited by Deloitte & Touche LLP. The audit report in respect of those financial statements was unqualified.

Consents

CRU International has given and has not withdrawn its written consent to the inclusion in this document of its name, and references to it and the cost curve information produced by it in the form and context in which it appears and have authorised the contents of their reports for the purposes of Regulations 6(1)(e) of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001.

Documents available for inspection

Copies of the following documents may be inspected free of charge at the offices of Freshfields Bruckhaus Deringer, 65 Fleet Street, London EC4Y 1HS during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 14 days from the publication of this Offering Circular:

(a) the Memorandum of Association and Articles of the Company;

(b) the audited consolidated accounts of Vedanta Resources for the financial year ended 31 March 2004;

(c) the unaudited interim results of Vedanta Resources for the period ended 30 September 2004;

(d) this Offering Circular; and

(e) the material contracts (subject to modification) referred to above.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Definitions

The following definitions apply throughout this document unless the context requires otherwise:

"Accounts"	the financial information contained on pages F-1 to F-50 of this Offering Circular
"Agarwal Family"	Anil Agarwal, D P Agarwal and Agnivesh Agarwal, any of their parents, spouses, children, siblings and their children who are at the relevant time employees of the Group, and the families (as defined in sub-paragraph 11.1d(i) of the UK Listing Rules) of any such person
"Aluminium Business"	the business of the Group comprising the aluminium operations as further described in "The Vedanta Resources Group — Aluminium Business"
"associated undertakings"	has the meaning ascribed to it in paragraph 20(1) of Schedule 4A to the Companies Act
"BALCO"	Bharat Aluminium Company Limited, a company incorporated in India
"BML Holdings"	BML Holdings Pty Limited, a company incorporated in Australia
"Board"	the board of directors of the Company
"CMT"	Copper Mines of Tasmania Pty Ltd, a company incorporated in Australia
"Combined Code"	the principles of good governance and code of best practice appended to the UK Listing Rules
"Companies Act"	the United Kingdom Companies Act 1985, as amended
"Company" or "Vedanta Resources"	Vedanta Resources plc, a public company incorporated in England and Wales with limited liability
"Copper Business"	the business of the Group comprising the copper operations as further described in "The Vedanta Resources Group — Copper Business"
"CRU International"	RSI Consulting Limited trading under the name CRU International
"Directors"	the Executive Directors and Non-executive Directors
"EU"	European Union as established by the Treaty on European Union
"Executive Committee"	a committee consisting of such Executive Directors and senior management of the Group as the Chief Executive Officer recommends and the Board approves as further described in "The Vedanta Resources Group — Corporate governance"
"Executive Directors"	the executive directors of the Company
"FIPB"	Foreign Investment Promotion Board of the Secretariat of Industrial Assistance, Government of India
"FSMA"	the United Kingdom Financial Services and Markets Act 2000
"Group"	the Company and its subsidiary undertakings and, where the context requires, its associated undertakings and, except where otherwise indicated, does not include KCM
"GRZ"	the Government of the Republic of Zambia

"Highway Reward"	an underground copper mine in which TCM has a 70 per cent. interest
"HZL"	Hindustan Zinc Limited, a company incorporated in India
"IAS"	International Accounting Standards/International Financial Reporting Standards
"IFL"	India Foils Limited
"India"	Republic of India
"Indian GAAP"	generally accepted accounting principles as used in India
"Indian Takeover Code"	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997
"IPO Listing Particulars"	the listing particulars dated 5 December 2003 issued by the Company in connection with the Listing
"KCM"	Konkola Copper Mines Plc
"Listing"	the listing of the Ordinary Shares on the Official List and admission to trading on the London Stock Exchange's main market for listed securities on 10 December 2003
"London Stock Exchange"	London Stock Exchange plc
"MALCO"	Madras Aluminium Company Ltd, a company incorporated In India
"NALCO"	National Aluminium Company Limited
"Non-executive Directors"	the non-executive directors of the Company
"Official List"	the official list maintained by the UK Listing Authority for the purposes of Part VI of the FSMA
"Ordinary Shares"	ordinary shares of US$0.10 each in the Company
"Qualified Institutional Buyer" or "QIB"	has the meaning given to it under Rule 144A
"Regulation S"	Regulation S under the Securities Act
"Rule 144A"	Rule 144A under the Securities Act
"SEBI"	Securities and Exchange Board of India
"Securities Act"	the US Securities Act of 1933
"SOTL"	Sterlite Optical Technologies Ltd
"SOVL"	Sterlite Opportunities and Ventures Limited
"Sterlite"	Sterlite Industries (India) Limited, a company incorporated in India
"TCM"	Thalanga Copper Mines Pty Ltd, a company incorporated in Australia
"Thalanga"	a copper processing facility in which TCM has a 100 per cent. interest and the Highway Reward mine in which TCM has approximately a 70 per cent. interest
"Twin Star"	Twin Star Holdings Limited, a company incorporated in Mauritius
"UK GAAP"	generally accepted accounting principles as used in the UK

"UK Listing Authority"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of admission to the Official List otherwise than in accordance with Part VI of the FSMA
"UK Listing Rules"	the listing rules of the UK Listing Authority, made under Section 74 of the FSMA
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "US"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
"US GAAP"	generally accepted accounting principles as used in the US
"Vedanta Alumina"	Vedanta Alumina Limited, a company incorporated in India
"Vedanta Resources IPO Listing Particulars"	means the listing particulars published by Vedanta Resources dated 5 December 2003
"Vedanta Resources Long-Term Incentive Plan" or "LTIP"	means the long term incentive plan described in "The Vedanta Resources Group—Employer share schemes"
"Vedanta Resources Share Option Plan" or "Option Plan"	means the share option plan described in "The Vedanta Resources Group—Employer share schemes"
"Volcan"	Volcan Investments Ltd, a company incorporated in the Bahamas
"Zambia"	the Republic of Zambia
"ZCCM"	Zambia Consolidated Copper Mines
"Zinc Business"	the business of the Group comprising the zinc operations as further described in "The Vedanta Resources Group—Zinc Business"
"ZCI"	Zambia Copper Investments Ltd
"ZCIH"	ZCI Holdings S.A.

Glossary of technical terms

The following definitions shall apply to the technical terms used herein:

"alumina"	the calcined product from an alumina refinery containing at least 98 per cent. aluminium oxide (Al_2O_3)
"anode"	the electrode by which current enters the cell. For copper refining, the impure copper is used as an anode. For zinc refining, lead anodes are used. For aluminium refining, a carbon anode is used
"assay"	valuable metals test
"asset capacity"	the maximum throughput of fixed facilities such as a processing plant or material handling system, which can vary over the life of the facility from the initial nameplate capacity
"blister copper"	an impure form of copper produced by blowing air through molten copper matte to oxidise sulphur, iron and other impurities. It is the product of a converting furnace. The copper content is normally about 98 per cent. by weight
"calcine"	the product of heating ore in a roaster or furnace
"cathode"	the cathode is the conductor through which electricity leaves the cell. For copper refining, the cathode is where the refined copper is deposited. For aluminium smelting, the cathode is known as the pot lining
"cells"	cells are the containers in which the electrolytic process for formation of metal takes place. For aluminium smelting, these are known as pots
"concentrate"	material which has been processed to increase the percentage of the valuable mineral to facilitate transportation and downstream processing
"copper concentrate"	a product of the flotation process with a copper content typically ranging between 24 per cent. and 40 per cent.
"debottlenecking"	the removal of a constraint on production by increasing the productivity of one part of an operation
"dilution"	waste or sub-economic mineralised material that is mined with the ore as an undesired consequence of mining
"EC" or "electrical conductor"	aluminium rod used in the electricity conducting industry
"GAMI"	Guiyang Aluminium and Magnesium Institute
"grade"	proportion (by weight) of the valuable element within the mineralised rock
"Inferred Resources"	mineral resource inferred from geoscientific evidence, drill holes, underground openings or other sampling procedures where the lack of data is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability
"ISAPROCESS"	an electrolytic refining process developed by MIM Process Technologies
"ISASMELT"	a lance-based intensive bath smelting technology developed by MIM Process Technologies
"JORC Code"	Report of the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, dated September 1999

"lb"	imperial pound (mass) equivalent to 0.4536 kilogrammes
"leaching"	extracting a soluble metallic compound from an ore by selectively dissolving it in a suitable solvent
"lead concentrate"	product of the flotation process with a lead content typically ranging between 50 per cent. and 70 per cent.
"LME"	London Metal Exchange
"life of mine" or "LoM"	the remaining life of a mine in years' calculated by deducting the scheduled production rates (i.e. the rate at which material will be removed from the mine, from the current defined reserves)
"mineral"	a natural, inorganic, homogeneous material that can be expressed by a chemical formula
"mineral resource"	a tonnage or volume of rock or mineralisation of intrinsic economic interest
"mineralisation"	the process by which minerals are introduced into a rock. More generally, a term applied to accumulations of potentially economic or related minerals in quantities ranging from anomalous to economically recoverable
"Mt"	metric tonnes
"Mtpa"	million tonnes per annum
"MW"	Megawatt
"ore"	a mineral or mineral aggregate containing precious or useful minerals in such quantities, grade and chemical combination to make extraction economic
"plant"	fixed or moveable equipment required in the process of winning or processing the ore
"Probable Reserves"	those measured and/or indicated mineral resources which are not yet "proved", but of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of the determination and under specified economic conditions
"Properzi"	technology for fabricating wire, sheets and ingots sold by Continuous Properzi, Italy
"refining"	the final process of upgrading of the metal quality, although for aluminium, it is the intermediate stage of converting bauxite to alumina
"reserves"	those parts of mineral resources for which sufficient information is available to enable detailed or conceptual mine planning and for which such planning has been undertaken. Reserves are classified as either proved or probable
"resources"	all of the potential minerals in a defined area based on points of observation and extrapolations from those points. Potential minerals are defined as minerals which have been or could be beneficiated to give a quality acceptable for commercial usage in the foreseeable future
"RL"	relative elevation above datum (usually mean sea-level)

"SAMREC Code"	South African Code for Reporting of Mineral Resources and Mineral Reserves.
"smelting"	a thermal process whereby molten metal is liberated from a concentrate, with impurities separating into a lighter slag
"Soderberg cell"	a cell in which the anode material is added as a block which is baked by the heat from the cell rising through it during the process of consumption
"spot price"	the current price of a metal for immediate delivery
"sustaining capital expenditure"	capital expenditure to maintain the Group's operating capacity
"t" or "tonne"	metric tonne equivalent to 2,204.62 pounds
"tailings"	the waste material produced from ore after economically recoverable metals or minerals have been extracted. Changes in metal prices and improvements in technology can sometimes make the tailings economic to process at a later date
"TC"	Treatment charge
"TC/RC"	Treatment Charge/Refining Charge are the terms used to set the smelting and refining costs
"toll smelter"	a smelter that is independent of the concentrate supplier and charges a fee for smelting the concentrate
"tpa"	tonnes per annum
"VRS"	voluntary retirement scheme
"zinc concentrate"	product of flotation process with a zinc content typically ranging between 45 per cent. and 60 per cent.

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Consolidated Profit and Loss Account

	Note	Year ended 31 March 2002 US$ million	Year ended 31 March 2003 (reclassified) US$ million	Year ended 31 March 2004 US$ million
Group and share of associate's turnover		**617.9**	**975.8**	**1,300.6**
Less: associate's turnover		(16.6)	(12.7)	(11.1)
Group turnover	3	**601.3**	**963.1**	**1,289.5**
Cost of sales		(481.4)	(733.7)	(973.9)
Gross profit		**119.9**	**229.4**	**315.6**
Selling and distribution costs		(23.4)	(30.8)	(35.6)
Administrative expenses		(55.4)	(107.2)	(60.1)
– normal		(50.4)	(57.1)	(46.8)
– exceptional	6	(5.0)	(50.1)	(13.3)
Other operating income		17.1	23.2	17.2
Group operating profit	3,4	**58.2**	**114.6**	**237.1**
Operating profit before operating exceptional items	3	63.2	164.7	250.4
Operating exceptional items	6	(5.0)	(50.1)	(13.3)
Share of operating (loss)/profit in associate	14a	0.3	(0.5)	(1.2)
Loss on disposal of fixed assets	6	–	(0.7)	(1.2)
Profit on ordinary activities before interest and taxation		**58.5**	**113.4**	**234.7**
Investment income	7	13.3	14.7	39.7
Interest payable and similar charges	8	(48.6)	(49.7)	(41.0)
Profit on ordinary activities before taxation	3	**23.2**	**78.4**	**233.4**
Tax on profit on ordinary activities	9	(6.7)	(20.5)	(76.0)
Profit on ordinary activities after taxation		**16.5**	**57.9**	**157.4**
Equity minority interests	21	(15.3)	(33.4)	(90.8)
Profit for the financial year		**1.2**	**24.5**	**66.6**
Dividends	11	–	–	(15.8)
Retained profit for the financial year	23	**1.2**	**24.5**	**50.8**
Basic earnings per share (US cents/share)				
Profit for the financial year	10	0.4	8.6	23.3
Underlying Profit for the financial year	10	2.2	11.9	24.5
Diluted earnings per share (US cents/share)				
Profit for the financial year	10	0.4	8.6	23.3
Underlying Profit for the financial year	10	2.2	11.9	24.5

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 ended 31 March 2004 is derived from continuing operations.

Consolidated Balance Sheet

	Note	31 March 2002 US$ million	31 March 2003 US$ million	31 March 2004 US$ million
Fixed assets				
Intangible assets	12	4.0	3.7	3.6
Goodwill	12	13.6	12.5	12.2
Negative goodwill	12	(9.6)	(8.8)	(8.6)
Tangible fixed assets	13	599.4	889.1	1,268.4
Investment in associate	14a	3.8	0.3	2.7
Other investments	14b	13.2	30.1	36.5
		620.4	**923.2**	**1,311.2**
Current assets				
Stocks	15	96.6	170.1	199.9
Debtors	16	85.6	173.5	245.5
Current asset investments	17	89.3	81.7	1,188.5
Cash at bank and in hand		18.7	65.2	52.7
		290.2	**490.5**	**1,686.6**
Creditors: amounts falling due within one year				
Short-term borrowings	19	(161.1)	(220.3)	(295.3)
Loans	19	(161.1)	(220.3)	(245.8)
Convertible bonds	19	–	–	(49.5)
Other current liabilities	18	(122.9)	(277.8)	(586.5)
		(284.0)	**(498.1)**	**(881.8)**
Net current assets/(liabilities)		**6.2**	**(7.6)**	**804.8**
Total assets less current liabilities		**626.6**	**915.6**	**2,116.0**
Creditors: amounts falling due after more than one year	19	(179.6)	(261.4)	(529.9)
Provisions for liabilities and charges	20	(120.3)	(144.0)	(162.9)
Net equity minority interests	21	(4.1)	–	–
Equity minority interests	21	(260.6)	(405.2)	(437.1)
Net assets		**62.0**	**105.0**	**986.1**
Capital and reserves				
Called up equity share capital	22	–	–	28.6
Shares to be issued	22	–	–	–
Share premium account	23	–	–	18.6
Merger reserve	23	–	–	4.4
Other reserves	23	9.3	37.9	8.3
Profit and loss account	23	52.7	67.1	926.2
Equity shareholders' funds		**62.0**	**105.0**	**986.1**

Consolidated Cash Flow Statement

	Note	Year ended 31 March 2002 US$ million	Year ended 31 March 2003 US$ million	Year ended 31 March 2004 US$ million
Net cash inflow from operating activities	24	**123.2**	**233.5**	**496.3**
Returns on investments and servicing of finance				
Interest received and other income		9.0	19.6	34.6
Interest paid		(46.1)	(47.7)	(42.0)
Dividend received from fixed asset investments		–	–	0.8
Dividend paid to minority shareholders		(6.0)	(4.9)	(10.1)
		(43.1)	**(33.0)**	**(16.7)**
Taxation		**(7.8)**	**(25.5)**	**(57.5)**
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets		(43.4)	(45.5)	(349.0)
Proceeds from the sale of tangible fixed assets		2.2	1.4	2.8
Purchase of fixed asset investments		(9.9)	–	(9.2)
Proceeds from sale of intangible fixed assets		2.6	–	–
Proceeds from sale of fixed asset investments		–	0.8	1.8
		(48.5)	**(43.3)**	**(353.6)**
Acquisitions				
Purchase of interest in subsidiary company	26	–	(160.4)	(81.1)
Net cash acquired with subsidiaries		–	11.6	–
Issue of shares to minorities		0.2	0.7	–
Buyback of shares from minorities		(1.1)	(40.8)	–
		(0.9)	**(188.9)**	**(81.1)**
Cash (outflow)/inflow before use of liquid resource and financing		**22.9**	**(57.2)**	**(12.6)**
Management of liquid resources				
(Purchase)/sale of current asset investments	25	5.2	9.8	(1,065.0)
		5.2	**9.8**	**(1,065.0)**
Financing				
Issue of ordinary shares (net of share issue expenses)	23	–	–	825.3
Repayment of share application money pending allotment	23	–	–	(26.2)
Increase in short term borrowings	25	9.8	53.2	141.7
Increase/(decrease) in long term borrowings	25	(31.8)	45.5	120.8
Repayment of non-equity minority interests		(3.1)	(4.1)	–
		(25.1)	**94.6**	**1,061.6**
(Decrease)/increase in cash in the year		**3.0**	**47.2**	**(16.0)**

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

	Note	Year ended 31 March 2002 US$ million	Year ended 31 March 2003 US$ million	Year ended 31 March 2004 US$ million
(Decrease)/increase in cash in the year	25	3.0	47.2	(16.0)
Increase in debt	25	22.0	(98.7)	(262.5)
Cash inflow/(outflow) from management of liquid resources	25	(5.2)	(9.8)	1,065.0
Increase/(decrease) in net cash/(debt) resulting from cash flows		**19.8**	**(61.3)**	**786.5**
Non-cash movements in debt	25	–	(25.6)	–
Loans and finance leases acquired with subsidiary	25	–	(3.8)	–
Foreign exchange differences	25	10.3	(9.5)	(33.1)
Increase/(decrease) in net cash/(debt) for the year		**30.1**	**(100.2)**	**753.4**
Net debt at the beginning of the year	25	(261.0)	(230.9)	(331.1)
Net cash/(debt) at the end of the year	25	**(230.9)**	**(331.1)**	**422.3**

Consolidated Statement of Total Recognised Gains and Losses

	Note	Year ended 31 March 2002 US$ million	Year ended 31 March 2003 US$ million	Year ended 31 March 2004 US$ million
Profit for the financial year				
Group		3.5	26.8	69.9
Associated undertaking	14a	(2.3)	(2.3)	(3.3)
		1.2	**24.5**	**66.6**
Gain on reduction of minority interest due to increase in interest in subsidiary shareholding	23	17.4	25.2	13.0
Repayment of share application funds in Sterlite Opportunities and Ventures Ltd pending allotment	23	–	–	(26.2)
Foreign exchange differences on foreign currency net investments	23	(1.7)	(6.7)	13.2
Total recognised gains relating to the year		**16.9**	**43.0**	**66.6**

Notes to the Historical Financial Information

1. Basis of Preparation

The historical financial information set out herein has been extracted without material change from publicly available information (specifically the Vedanta Resources plc 2004 Annual Report and the Vedanta Resources plc Listing Particulars dated 5 December 2003. The comparative information for certain notes for the year ended 31 March 2002 has not been publicly disclosed. Where this is the case, it is denoted "N/P" (not published).

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

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

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

To provide information which is meaningful to the Company's shareholders, the Directors believe that it is necessary to prepare the accounts on the basis that the Group, excluding the assets sold to Twin Star International Limited, had existed throughout the three-year period beginning 1 April 2001. 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 from the information set out in the Listing Particulars to ensure a consistent presentation in the Group's Accounts. Where reclassifications have occurred, these are disclosed in the relevant notes.

2. Accounting Policies

Basis of Consolidation

The consolidated financial information incorporates the Accounts of the Company and all its subsidiaries, being the companies that it controls. This control is normally evidenced when the Group is able to govern a company's financial and operating policies so as to benefit from its activities or where the Group owns, either directly or indirectly, the majority of a company's equity voting rights.

The principal subsidiaries included in the consolidation are set out in note 35. The abbreviations used throughout these Accounts, in respect of these subsidiaries, are detailed in note 35.

Acquisitions

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

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

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

Notes to the Accounts *continued*

2. Accounting Policies *continued*

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

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

Where it is not possible to complete the determination of fair values by the date on which the first post-acquisition Accounts are approved, a provisional assessment of fair values is made and any adjustments required to those provisional fair values, and the corresponding adjustments to purchased goodwill, are incorporated in the Accounts for the first full financial year following the acquisition.

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

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

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

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

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

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

When a decision is taken that a mining property is viable for commercial production, all further pre-production expenditure is capitalised until the mining property is capable of commercial production. From that point, capitalised mining properties and lease costs are amortised on a unit of production basis over the total estimated remaining commercial reserves of each property or group of properties.

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

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

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

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

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

Notes to the Accounts *continued*

2. Accounting Policies *continued*

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

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

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

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

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

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

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

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

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

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

Cost is determined on the following bases:

- raw materials (including ore and concentrates) and consumables are recorded at cost on a first-in, first-out ("FIFO") basis, except for stores and spare parts which are carried at weighted average cost;
- coal and furnace oil used in the Aluminium Business, and metal and coke stocks are valued at weighted average cost;
- finished products are valued at raw material cost plus costs of conversion, comprising labour costs and an attributable proportion of manufacturing overheads based on normal levels of activity; and
- by-products and scrap are valued at net realisable value.

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

Notes to the Accounts *continued*

2. Accounting Policies *continued*

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

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

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

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

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

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

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

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

Details of the pension schemes are provided in note 29.

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

Provisions for Liabilities and Charges
Provisions are recognised when the Group has a present obligation, as a result of past events, and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle such an obligation. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

Restoration, Rehabilitation and Environmental Costs
An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mine. Costs arising from the installation of plant and other site preparation work, discounted to net present value, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged to the profit and loss account over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision.

Notes to the Accounts *continued*

2. Accounting Policies *continued*

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

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

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

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

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

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

US$ Currency rates	As at 31 March 2001	Average 2001/2002	As at 31 March 2002	Average 2002/2003	As at 31 March 2003	Average 2003/2004	As at 31st March 2004
Indian rupee (INR)	46.66	47.73	48.89	48.49	47.65	45.92	43.39
Euro	1.137	1.130	1.149	1.006	0.926	0.853	0.817
Australian dollar (A$)	2.058	1.942	1.873	1.779	1.663	1.445	1.312
UK pounds sterling (GBP)	0.706	0.698	0.701	0.646	0.635	0.591	0.545

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

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

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

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

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

Notes to the Accounts *continued*

2. Accounting Policies *continued*

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

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

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

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

3. Segmental Analysis

(a) By Class of Business

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

Group Turnover

Class of Business	Year ended 31 March 2002 US$ million	Year ended 31 March 2003 (reclassified) US$ million	Year ended 31 March 2004 US$ million
Aluminium	168.5	220.7	223.4
Copper	379.0	406.7	592.8
Zinc	–	291.1	401.1
Other	53.8	44.6	72.2
	601.3	**963.1**	**1,289.5**

Group Operating Profit/(loss)

Class of Business	Year ended 31 March 2002 US$ million	Year ended 31 March 2003 US$ million	Year ended 31 March 2004 US$ million
Aluminium	(2.2)	29.6	35.4
Copper	67.2	76.4	65.6
Zinc	–	60.4	155.7
Other	(1.8)	(1.7)	(6.3)
Group operating profit before operating exceptional items	**63.2**	**164.7**	**250.4**
Operating exceptional items	(5.0)	(50.1)	(13.3)
Group operating profit/(loss)	**58.2**	**114.6**	**237.1**
Aluminium	(2.2)	15.8	22.1
Copper	67.2	76.4	65.6
Zinc	–	24.1	155.7
Other	(6.8)	(1.7)	(6.3)

Notes to the Accounts *continued*

3. Segmental Analysis *continued*

(a) By Class of Business *continued*

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

Class of Business	Year ended 31 March 2002 US$ million	Year ended 31 March 2003 US$ million	Year ended 31 March 2004 US$ million
Aluminium	10.4	38.3	53.6
Copper	101.4	101.0	94.1
Zinc	–	87.1	179.3
Other	(2.1)	(2.1)	(4.3)
Group EBITDA	**109.7**	**224 .3**	**322.7**
Goodwill amortisation (note 12)	(0.4)	(0.4)	(0.5)
Depreciation (note 13)	(46.1)	(59.2)	(71.8)
Operating exceptional items (note 6)	(5.0)	(50.1)	(13.3)
Group operating profit	**58.2**	**114.6**	**237.1**

Depreciation

Class of Business	Year ended 31 March 2002 US$ million	Year ended 31 March 2003 US$ million	Year ended 31 March 2004 US$ million
Aluminium	12.6	10.8	18.1
Copper	31.9	25.3	28.5
Zinc	–	21.3	23.6
Other	1.6	1.8	1.6
	46.1	**59.2**	**71.8**

Profit on Ordinary Activities Before Taxation

Class of Business	Year ended 31 March 2002 US$ million	Year ended 31 March 2003 US$ million	Year ended 31 March 2004 US$ million
Aluminium	(3.6)	13.9	22.8
Copper	38.1	42.8	37.9
Zinc	–	29.8	163.9
Other	(9.0)	(5.8)	12.1
	25.5	**80.7**	**236.7**
Share of loss in associate before taxation (note 14a)	(2.3)	(2.3)	(3.3)
	23.2	**78.4**	**233.4**

Notes to the Accounts *continued*

3. Segmental Analysis *continued*

(a) By Class of Business *continued*

Net Assets

Class of Business	31 March 2002 US$ million	31 March 2003 US$ million	31 March 2004 US$ million
Aluminium	226.2	187.6	353.9
Copper	262.9	283.6	169.2
Zinc	–	299.3	391.4
Other	64.5	67.1	82.8
Net assets before goodwill net cash/(debt) and minority interests	**553.6**	**837.6**	**997.3**
Goodwill	4.0	3.7	3.6
Net cash/(debt)	(230.9)	(331.1)	422.3
Equity minority interests	(260.6)	(405.2)	(437.1)
Non-equity minority interests	(4.1)	–	–
Net assets	**62.0**	**105.0**	**986.1**

Tangible Fixed Assets

Class of Business	31 March 2002 US$ million	31 March 2003 US$ million	31 March 2004 US$ million
Aluminium	249.1	257.0	433.9
Copper	301.0	302.6	404.4
Zinc	–	277.3	348.9
Other	49.3	52.2	81.2
	599.4	**889.1**	**1,268.4**

Net Current Assets/(Liabilities)

Class of Business	31 March 2002 US$ million	31 March 2003 US$ million	31 March 2004 US$ million
Aluminium	40.8	8.6	92.4
Copper	(38.5)	(92.3)	(311.2)
Zinc	–	69.7	259.7
Other	3.9	6.4	763.9
	6.2	**(7.6)**	**804.8**

Net Cash/(Debt)

Class of Business	31 March 2002 US$ million	31 March 2003 US$ million	31 March 2004 US$ million
Aluminium	(7.0)	(3.2)	(75.8)
Copper	(194.1)	(346.3)	(318.0)
Zinc	–	32.7	43.9
Other	(29.8)	(14.3)	772.2
	(230.9)	**(331.1)**	**422.3**

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

Notes to the Accounts *continued*

3. Segmental Analysis *continued*

(b) By Location
All turnover and operating profit for the Group is derived from India.

Turnover by Destination

Destination	Year ended 31 March 2002 US$ million	Year ended 31 March 2003 US$ million	Year ended 31 March 2004 US$ million
Far East	N/P	50.0	200.3
India	N/P	827.8	980.9
Other	N/P	85.3	108.3
	601.3	**963.1**	**1,289.5**

Net Assets/(Liabilities)

Location	31 March 2002 US$ million	31 March 2003 US$ million	31 March 2004 US$ million
Australia	14.5	14.9	11.9
India	536.3	817.1	1,008.7
Other	2.8	5.6	(23.3)
Net assets before goodwill net cash/(debt) and minority interests	**553.6**	**837.6**	**997.3**
Goodwill	4.0	3.7	3.6
Net cash/(debt)	(230.9)	(331.1)	422.3
Equity minority interests	(260.6)	(405.2)	(437.1)
Non-equity minority interests	(4.1)	–	–
Net assets	**62.0**	**105.0**	**986.1**

4. Group Operating Profit

	Year ended 31 March 2002 US$ million	Year ended 31 March 2003 US$ million	Year ended 31 March 2004 US$ million
Operating profit is stated after charging:			
Depreciation – owned assets (note 13)	46.1	59.2	71.8
Goodwill amortisation (note 12)	0.4	0.4	0.5
Research and exploration costs	0.2	0.7	0.2
Auditors' remuneration for audit services	N/P	0.2	0.7
Operating exceptional items (note 6)	5.0	50.1	13.3

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

	Year ended 31 March 2002			Year ended 31 March 2003			Year ended 31 March 2004		
Audit fees	UK US$ million	Other US$ million	Total US$ million	UK US$ million	Other US$ million	Total US$ million	UK US$ million	Other US$ million	Total US$ million
Deloitte & Touche	N/P	N/P	N/P	–	–	–	0.5	0.1	0.6
Other accountancy firms	N/P	N/P	N/P	–	0.2	0.2	–	0.1	0.1
	N/P	N/P	N/P	–	0.2	0.2	0.5	0.2	0.7

Notes to the Accounts *continued*

4. Group Operating Profit *continued*

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

	Year ended 31 March 2002			Year ended 31 March 2003			Year ended 31 March 2004		
Non-audit fees	UK US$ million	Other US$ million	Total US$ million	UK US$ million	Other US$ million	Total US$ million	UK US$ million	Other US$ million	Total US$ million
Deloitte & Touche	N/P	N/P	N/P	–	–	–	6.4	0.1	6.5
Other accountancy firms	N/P	N/P	N/P	–	0.3	0.3	0.1	0.3	0.4
	N/P	N/P	N/P	–	0.3	0.3	6.5	0.4	6.9

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

5. Directors and Employees

(a) Directors' Remuneration

Period from 10 December 2003 to 31 March 2004

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

	Base salary and fees $000	Annual performance bonus $000	Benefits in kind $000	Total $000
Executive Directors				
AK Agarwal[1]	218	–	–	218
PE Sydney-Smith[1 2]	152	34	–	186
Chairman				
BP Gilbertson	198	–	25	223
Non-executive Directors				
Sir D Gore-Booth	34	–	–	34
P Chidambaram	39	–	–	39
WMT Fowle	42	–	–	42
	684	34	25	743

Notes

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

[2] Mr Sydney-Smith was entitled to a guaranteed retention bonus of $50,761 to reflect his services prior to the Listing in December 2003, and this amount has been included in base salary in the above table.

Year ended 31 March 2003 and Period from 1 April 2001 to 9 December 2003

Throughout the period from 1 April 2001 to 9 December 2003, with the exception of Mr Agarwal, none of the Directors were directors of the predecessor group. Mr Agarwal had a service contract with Sterlite which began on 20 October 1999 and terminated on 9 December 2003, following the agreement of his service contract with the Company.

Notes to the Accounts *continued*

5. Directors and Employees *continued*

The pre tax remuneration of Mr Agarwal under his service contract with Sterlite was as follows:

Anil Agarwal	Year ended 31 March 2002 $'000	Year ended Year ended 31 March 2003 $'000	Period from 1 April 2003 to 9 December 2003 $'000
Salary	179	243	162
Bonus	262	283	162
Pension contributions	57	78	56
Other benefits	123	310	186
Total	**621**	**914**	**566**

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

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

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

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

(b) Employees and directors

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

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

Chairman's Fees

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

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

Non-executive Directors' Letters of Appointment

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

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

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

Notes to the Accounts *continued*

5. Directors and Employees *continued*

Individual Service Contract Details

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

External Appointments

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

Equity Dilution resulting from Employee Share Schemes

The dilution limits set out in the rules of the employee share schemes adopted in December 2003 allow up to an aggregate of 10% of the Company's issued share capital to be issued or issuable pursuant to awards under any of the Company's employee share schemes over a period of ten years. Up to 5% of the Company's issued share capital may be used for the Company's discretionary schemes over a ten-year period. As anticipated in the Company's Listing Particulars, shares issued or issuable pursuant to awards made under the Reward Plan are not counted for these purposes. Currently 0.71% of the Company's issued share capital is issuable in respect of outstanding awards under these schemes (including the Reward Plan).

Average number of persons employed by the Group in the year

Class of Business	Year ended 31 March 2002 Number	Year ended 31 March 2003 Number	Year ended 31 March 2004 Number
Aluminium	7,298	5,871	5,531
Copper	900	876	914
Zinc	–	6,015	5,982
Other	26	23	179
	8,224	**12,785**	**12,606**

The principal locations of employment

Location	Year ended 31 March 2002 Number	Year ended 31 March 2003 Number	Year ended 31 March 2004 Number
Australia	N/P	134	132
India	N/P	12,651	12,463
United Kingdom	N/P	–	11
	N/P	**12,785**	**12,606**

Costs incurred during the year in respect of employees and Directors	Year ended 31 March 2002 US$ million	Year ended 31 March 2003 (reclassified) US$ million	Year ended 31 March 2004 US$ million
Wages and salaries	35.2	51.0	73.2
Social security costs	2.5	5.8	7.8
Defined contribution pension scheme costs (note 29)	3.0	5.6	4.2
Defined benefit pension scheme costs (note 29)	1.8	5.6	3.9
	42.5	**68.0**	**89.1**
Voluntary Retirement Scheme ("VRS") costs	–	45.8	13.3
	42.5	**113.8**	**102.4**

Notes to the Accounts *continued*

6. Exceptional Items

Operating exceptional items	Year ended 31 March 2002 US$ million	Year ended 31 March 2003 US$ million	Year ended 31 March 2004 US$ million
Impairment of fixed assets	(5.0)	(4.3)	–
Restructuring and redundancies	–	(45.8)	(13.3)
	(5.0)	**(50.1)**	**(13.3)**
Taxation	–	18.1	4.8
Minority interests	–	22.6	5.6
Net effect of operating exceptional items	**(5.0)**	**(9.4)**	**(2.9)**

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

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

During the year ended 31 March 2002, Twin Star wrote down a fixed asset investment resulting in a loss of US$5.0 million.

Non-operating exceptional items	Year ended 31 March 2002 US$ million	Year ended 31 March 2003 US$ million	Year ended 31 March 2004 US$ million
Profit on sale of fixed asset investment	–	–	0.6
Loss on disposal of tangible fixed assets	–	(0.7)	(1.8)
	–	**(0.7)**	**(1.2)**
Taxation	–	–	0.4
Minority interests	–	0.5	0.1
Net effect of non-operating exceptional items	–	**(0.2)**	**(0.7)**

7. Investment Income

	Year ended 31 March 2002 US$ million	Year ended 31 March 2003 US$ million	Year ended 31 March 2004 US$ million
Interest and other financial income	13.0	14.5	24.8
Foreign exchange gains	–	–	4.2
Share of investment income in associate	–	0.2	–
Dividend income from other financial assets	0.3	–	0.8
Foreign exchange gain on cash and current asset investments	–	–	14.1
Capitalisation of foreign exchange gains	–	–	(4.2)
	13.3	**14.7**	**39.7**

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

8. Interest Payable and Similar Charges

	Year ended 31 March 2002 US$ million	Year ended 31 March 2003 US$ million	Year ended 31 March 2004 US$ million
Bank loans and overdrafts	22.8	25.7	29.3
Other loans	25.8	22.7	14.2
Share of interest payable in associate	2.6	2.0	2.1
Capitalisation of borrowing costs	(2.6)	(0.7)	(4.6)
	48.6	**49.7**	**41.0**

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

Notes to the Accounts *continued*

9. Tax on Profit on Ordinary Activities

(a) Analysis of Charge for the Year

	Year ended 31 March 2002 US$ million	Year ended 31 March 2003 US$ million	Year ended 31 March 2004 US$ million
Tax charge/(credit) for the year			
UK corporation tax (2004: 30%; 2003: 30%; 2002: 30%)	–	–	4.6
Indian corporation tax (2004: 35.88%; 2003: 36.75%; 2002: 35.7%)	0.8	22.6	69.6
Adjustments in respect of prior years	(3.7)	0.7	(4.9)
Minimum alternate tax	4.3	2.8	0.7
Current tax on exceptional items	–	(2.0)	(1.2)
Total current tax	**1.4**	**24.1**	**68.8**
Deferred taxation	5.2	12.5	11.2
Deferred taxation on exceptional items	0.1	(16.1)	(4.0)
Total deferred tax (note 20)	**5.3**	**(3.6)**	**7.2**
Total tax charge	**6.7**	**20.5**	**76.0**
Effective tax rate	28.9%	26.1%	32.6%

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

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

Overview of the Indian Direct Tax Regime

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

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

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

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

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

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

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

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

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

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

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

Notes to the Accounts *continued*

9. Tax on Profit on Ordinary Activities continued

(b) Factors Affecting Current Tax Charge for the Year

	Year ended 31 March 2002 US$ million	Year ended 31 March 2003 US$ million	Year ended 31 March 2004 US$ million
Profit on ordinary activities before taxation	23.2	78.4	233.4
Tax on profit on ordinary activities at 35.88% (2003: 36.75%; 2002: 35.7%)	8.3	28.8	83.7
Effect of timing differences:			
Accelerated capital allowances	0.9	2.6	(2.2)
Utilisation of tax losses	(2.9)	1.2	(3.9)
Other short term timing differences	–	–	(1.0)
Permanent differences:			
Disallowable expenses	3.1	1.7	18.0
Non-taxable income	–	–	(0.7)
Tax holiday and similar exemptions	(8.5)	(14.1)	(18.0)
Impact of tax rate differences	(0.1)	0.4	(2.9)
Minimum alternate tax	4.3	2.8	0.7
Adjustments in respect of prior years	(3.7)	0.7	(4.9)
Current tax charge for the year	1.4	24.1	68.8

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

(c) Factors that may Affect Future Tax Charges

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

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

Notes to the Accounts *continued*

10. Earnings per Ordinary Share

Earnings Per Share Based on Profit for the Year

Basic earnings per share on the profit for the year	**Year ended 31 March 2002**	**Year ended 31 March 2003**	**Year ended 31 March 2004**
Profit for the financial year (US$ million)	1.2	24.5	66.6
Weighted average number of shares of the Company in issue (million)	286.0	286.0	286.0
Earnings per share on profit for the year (US cents/share)	**0.4**	**8.6**	**23.3**

Diluted earnings per share on the profit for the year	**Year ended 31 March 2002**	**Year ended 31 March 2003**	**Year ended 31 March 2004**
Profit for the financial year after dilutive adjustments (US$ million)	1.2	24.5	66.6
Weighted average number of shares of the Company in issue after dilutive adjustments (million)	286.0	286.0	286.2
Diluted earnings per share on profit for the year (US cents/share)	**0.4**	**8.6**	**23.3**

The earnings per share ("EPS") calculation, has assumed that the number of Ordinary Shares in issue immediately after Listing (being 286,000,000) had been in issue from 1 April 2001. The only other issue of shares subsequent to the Listing were 388,000 Ordinary Shares issued pursuant to the exercise of the first tranche of awards under the Vedanta Resources Reward Plan (the "Reward Plan") on 31 March 2004, and the issue of these shares has been used in determining the 2004 weighted average number of shares. The Directors believe that this pro-forma EPS provides a more meaningful comparison of the Group's ongoing business than using the statutory EPS which would only reflect shares issued at the date of Listing.

The second tranche of awards under the Reward Plan and the 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 2002 US$ million	**Year ended 31 March 2003 US$ million**	**Year ended 31 March 2004 US$ million**
Profit for the financial year	**1.2**	**24.5**	**66.6**
Operating exceptional items	5.0	50.1	13.3
Tax effect of operating exceptional items (note 6)	–	(18.1)	(4.8)
Minority interest effect of operating exceptional items (note 6)	–	(22.6)	(5.6)
Non-operating exceptional items	–	0.7	1.2
Tax effect of non-operating exceptional items (note 6)	–	–	(0.4)
Minority interest effect of non-operating exceptional items (note 6)	–	(0.5)	(0.1)
Underlying Profit	**6.2**	**34.1**	**70.2**

Basic earnings per share on Underlying Profit	**Year ended 31 March 2002**	**Year ended 31 March 2003**	**Year ended 31 March 2004**
Underlying Profit for the financial year (US$ million)	6.2	34.1	70.2
Weighted average number of shares of the Company in issue (million)	286.0	286.0	286.0
Earnings per share on Underlying Profit (US cents/share)	**2.2**	**11.9**	**24.5**

Diluted earnings per share on Underlying Profit	**Year ended 31 March 2002**	**Year ended 31 March 2003**	**Year ended 31 March 2004**
Underlying Profit for the financial year after dilutive adjustments (US$ million)	6.2	34.1	70.2
Weighted average number of shares of the Company in issue after dilutive adjustments (million)	286.0	286.0	286.2
Diluted earnings per share on Underlying Profit (US cents/share)	**2.2**	**11.9**	**24.5**

Notes to the Accounts *continued*

11. Dividends

The Directors have proposed a dividend for the year ended 31 March 2004 of 5.5 US cents per Ordinary Share. This equates to a total dividend payable of US$15.8 million for the year ended 31 March 2004 (31 March 2003 and 31 March 2002 – Nil).

12. Goodwill

	31 March 2002 US$ million	31 March 2003 US$ million	31 March 2004 US$ million
Cost			
At beginning of year	**7.6**	**4.8**	**4.9**
Acquisitions	(2.4)	–	–
Foreign exchange differences	(0.4)	0.1	0.5
At end of year	**4.8**	**4.9**	**5.4**
Accumulated amortisation			
At beginning of year	**(0.4)**	**(0.8)**	**(1.2)**
Charge for the year	(0.4)	(0.4)	(0.5)
Foreign exchange differences	–	–	(0.1)
At end of year	**(0.8)**	**(1.2)**	**(1.8)**
Net book value			
At beginning of year	**7.2**	**4.0**	**3.7**
At end of year	**4.0**	**3.7**	**3.6**
Comprising:			
Goodwill	13.6	12.5	12.2
Negative goodwill	(9.6)	(8.8)	(8.6)

Notes to the Accounts *continued*

13. Tangible Fixed Assets

	Mining property and leases US$ million	Long term leasehold land and buildings US$ million	Freehold land and buildings US$ million	Plant and equipment US$ million	Assets under construction US$ million	Other US$ million	Total US$ million
Cost							
At 1 April 2001	**159.6**	**2.6**	**59.3**	**593.3**	**–**	**121.8**	**936.6**
Additions	10.0	0.5	0.1	3.9	–	28.9	43.4
Disposals	(1.6)	–	(0.2)	(1.3)	–	(0.7)	(3.8)
Transfers and other movements	–	–	1.7	43.3	–	(45.0)	–
Foreign exchange differences	(2.3)	(0.2)	(2.5)	(20.4)	–	(4.8)	(30.2)
At 31 March 2002	**165.7**	**2.9**	**58.4**	**618.8**	**–**	**100.2**	**946.0**
Subsidiary acquired	161.8	0.1	2.2	254.1	–	45.5	463.7
Additions	2.0	–	0.1	18.5	–	24.9	45.5
Disposals	–	–	(0.2)	(2.1)	–	(6.1)	(8.4)
Transfers and over movements	–	–	2.5	39.2	–	(41.7)	–
Foreign exchange differences	12.3	0.1	1.6	26.2	–	3.1	43.2
31 March 2003	**341.8**	**3.1**	**64.6**	**954.7**	**61.9**	**64.0**	**1,490.1**
Additions	1.1	–	14.5	13.0	316.6	2.5	347.7
Disposals	–	–	(0.9)	(6.3)	–	(12.2)	(19.4)
Transfers and other movements	(0.6)	6.3	24.4	52.6	(50.5)	(32.2)	–
Foreign exchange differences	42.8	0.7	8.6	105.6	21.8	3.8	183.3
At 31 March 2004	**385.1**	**10.1**	**111.2**	**1,119.6**	**349.8**	**25.9**	**2,001.7**
Accumulated depreciation							
At 1 April 2001	**15.8**	**0.6**	**16.4**	**248.8**	**–**	**26.9**	**308.5**
Charge for the year	15.1	–	1.6	28.0	–	1.4	46.1
Disposals	–	(0.2)	–	(1.1)	–	(0.4)	(1.7)
Foreign exchange differences	3.7	–	(0.8)	(7.8)	–	(1.4)	(6.3)
At 31 March 2002	**34.6**	**0.4**	**17.2**	**267.9**	**–**	**26.5**	**346.6**
Subsidiary acquired	9.6	–	–	146.0	–	26.2	181.8
Charge for the year	13.4	0.1	1.5	42.0	–	2.2	59.2
Disposals	–	–	–	(1.4)	–	(4.9)	(6.3)
Foreign exchange differences	5.0	–	0.5	13.3	–	0.9	19.7
31 March 2003	**62.6**	**0.5**	**19.2**	**467.8**	**–**	**50.9**	**601.0**
Charge for the period	16.7	0.7	2.4	50.2	–	1.8	71.8
Disposals	–	–	(0.6)	(3.4)	–	(10.8)	(14.8)
Transfers and other movements	0.5	3.0	7.2	14.8	–	(25.5)	–
Foreign exchange differences	13.6	0.3	2.4	56.1	–	2.9	75.3
At 31 March 2004	**93.4**	**4.5**	**30.6**	**585.5**	**–**	**19.3**	**733.3**
Net book value							
1 April 2001	**143.8**	**2.0**	**42.9**	**344.5**	**–**	**94.9**	**628.1**
31 March 2002	**131.1**	**2.5**	**41.2**	**350.9**	**–**	**73.7**	**599.4**
31 March 2003	**279.2**	**2.6**	**45.4**	**486.9**	**61.9**	**13.1**	**889.1**
At 31 March 2004	**291.7**	**5.6**	**80.6**	**534.1**	**349.8**	**6.6**	**1,268.4**

At 31 March 2004 land of US$5.7 million (31 March 2003: US$4.9 million, 31 March 2002: US$4.7 million) was not depreciated.

At 31 March 2004 cumulative capitalised interest and foreign exchange gains or losses included within the table above was US$19.7 million (31 March 2003: US$15.6 million, 31 March 2002: US$14.5 million).

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

Notes to the Accounts *continued*

13. Tangible Fixed Assets *continued*

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

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

14. Fixed Asset Investments

(a) Investment in Associate – IFL

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

	31 March 2002 US$ million	31 March 2003 US$ million	31 March 2004 US$ million
Analysis of movements in investment in associate			
At beginning of year	**6.3**	**3.8**	**0.3**
Share of loss for the year	(2.3)	(2.3)	(3.3)
Operating profit/(loss)	0.3	(0.5)	(1.2)
Investment income	–	0.2	–
Interest payable	(2.6)	(2.0)	(2.1)
Other movements	(0.2)	(1.2)	(0.6)
Preference share investment (see below)	–	–	6.3
At end of year	**3.8**	**0.3**	**2.7**
Market value	**1.8**	**1.0**	**1.7**

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

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

Profit and Loss Account – Group's share	Year ended 31 March 2002 US$ million	Year ended 31 March 2003 US$ million	Year ended 31 March 2004 US$ million
Turnover	16.6	12.7	11.1
Loss before taxation	(2.3)	(2.3)	(3.3)
Taxation	–	–	–
Loss after taxation	(2.3)	(2.3)	(3.3)

Notes to the Accounts *continued*

14. Fixed Asset Investments *continued*

(a) Investment in Associate – IFL *continued*

Balance Sheet – Group's share	31 March 2002 US$ million	31 March 2003 US$ million	31 March 2004 US$ million
Fixed assets	18.9	17.5	17.6
Current assets	6.7	6.2	5.3
Liabilities due within one year	(13.5)	(13.4)	(6.5)
Liabilities due after one year	(10.1)	(10.3)	(18.1)

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

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

Fixed assets in IFL were revalued between 1980 and 1994.

(b) Other Investments

Analysis of other investments	31 March 2002 US$ million	31 March 2003 US$ million	31 March 2004 US$ million
Quoted	10.9	12.7	11.6
Unquoted	2.3	17.4	24.9
Carrying value of other investments	**13.2**	**30.1**	**36.5**
Market value of quoted investments	14.3	17.0	62.5

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

Information on the movement in other investments has not been made publicly available and therefore is not disclosed.

Notes to the Accounts *continued*

14. Fixed Asset Investments *continued*

(b) Other Investments *continued*

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

Quoted Investments

	31 March 2002 US$ million	31 March 2003 US$ million	31 March 2004 US$ million
Sterlite Optical Technologies Limited			
Carrying value	1.1	2.3	1.3
Market value	0.3	0.5	1.1
Shares in Sterlite held through the Sterlite Employee Welfare Trust			
Carrying value	7.4	7.6	9.0
Market value	10.8	13.8	59.4
Morgan Stanley Growth Fund			
Carrying value	2.4	2.5	1.3
Market value	3.6	2.4	2.0

Number of Shares	31 March 2002	31 March 2003	31 March 2004
Sterlite Optical Technologies Limited ("SOTL")	100,339	952,709	952,709
Shares in Sterlite held through the Sterlite Employee Welfare Trust	4,168,907	4,144,957	5,049,297
Morgan Stanley Growth Fund	11,948,900	11,948,900	5,217,261

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

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

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

At 31 March 2004, the SEWT held 5,049,297 shares in Sterlite, at a cost of US$9.0 million (31 March 2003: 4,144,957 shares at US$7.6 million, 31 March 2002: 4,168, 907 shares at US$7.9m).

Unquoted Investments

As a result of acquiring an interest in H2L during the year ended 31 March 2003, the Group holds an investment in the equity share capital of the Andhra Pradesh Gas Power Corporation Limited. This holding was 8.1% (with a book value of US$22.7 million) at 31 March 2004, the holding having been 6.8% (with a book value of US$17.4 million) at 31 March 2003. Investments in long term mutual funds held through the SEWT total US$2.2 million at 31 March 2004 (31 March 2003: nil, 31 March 2002: nil).

15. Stocks

	31 March 2002 US$ million	31 March 2003 US$ million	31 March 2004 US$ million
Raw materials and consumables	45.1	85.6	107.6
Work-in-progress	31.1	52.0	60.5
Finished products	20.4	32.5	31.8
	96.6	**170.1**	**199.9**

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

Notes to the Accounts *continued*

16. Debtors

	31 March 2002 US$ million	31 March 2003 US$ million	31 March 2004 US$ million
Trade debtors	43.9	67.1	139.2
Amounts due from associate (note 30)	6.1	5.8	1.9
Amounts due from related companies (note 30)	9.0	0.4	2.3
Other debtors	15.9	65.1	99.5
Prepayments and accrued income	10.7	35.1	2.6
	85.6	**173.5**	**245.5**
Debtors due within one year	81.5	167.0	225.4
Debtors due after one year	4.1	6.5	20.1
	85.6	**173.5**	**245.5**

17. Current Asset Investments

	31 March 2002 US$ million	31 March 2003 US$ million	31 March 2004 US$ million
Bank term deposits	89.3	80.4	362.9
Quoted fixed and floating rate debt securities	–	1.3	–
Short term unit trusts and liquidity funds	–	–	590.1
Other current asset investments	–	–	235.5
	89.3	**81.7**	**1,188.5**

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

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

18. Other Current Liabilities

	31 March 2002 US$ million	31 March 2003 US$ million	31 March 2004 US$ million
Trade creditors	25.3	86.4	157.0
Bills of exchange payable	65.3	93.5	295.4
Taxation and social security	17.4	22.1	14.5
Proposed subsidiary dividend to minority interests	3.5	9.1	–
Proposed dividend to shareholders	–	–	15.8
Other creditors	0.1	47.7	73.5
Accruals and deferred income	11.3	19.0	30.2
	122.9	**277.8**	**586.5**

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

	31 March 2002 US$ million	31 March 2003 US$ million	31 March 2004 US$ million
Bank loans	163.0	208.1	484.9
Other loans	14.8	49.6	38.7
	177.8	**257.7**	**523.6**
Other creditors	1.8	3.7	6.3
	179.6	**261.4**	**529.9**

Notes to the Accounts *continued*

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

Maturity Profile of Financial Liabilities

	31 March 2002 US$ million	31 March 2003 US$ million	31 March 2004 US$ million
Due within one to two years	55.7	161.9	63.2
Due within two to five years	115.2	79.8	287.5
Due after five years	6.9	16.0	172.9
	177.8	**257.7**	**523.6**
Short term borrowings:			
Due within one year	161.1	220.3	295.3
	338.9	**478.0**	**818.9**

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

Sterlite Opportunities and Ventures Limited ("SOVL")

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

Hindustan Zinc Limited

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

Bharat Aluminium Company Limited

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

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

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

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

Notes to the Accounts *continued*

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

Madras Aluminium Company Limited

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

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

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

Sterlite Industries (India) Limited

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

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

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

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

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

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

Notes to the Accounts *continued*

20. Provisions for Liabilities and Charges

	Pension and similar obligations US$ million	Deferred taxation US$ million	Restoration, rehabilitation and environmental US$ million	Other US$ million	Total US$ million
Balance at 1 April 2001	**12.2**	**83.1**	**5.2**	**15.5**	**116.0**
Charged to profit and loss	1.8	5.3	1.8	3.4	12.3
Amounts applied	(2.7)	–	–	(0.6)	(3.3)
Foreign exchange differences	(0.3)	(3.9)	0.4	(0.9)	(4.7)
Balance at 31 March 2002	**11.0**	**84.5**	**7.4**	**17.4**	**120.3**
Subsidiary acquired	7.1	21.9	0.6	1.8	31.4
Charged/(credited) to profit and loss	5.6	(3.6)	0.4	2.0	4.4
Amounts applied	(15.3)	–	(0.7)	(0.4)	(16.4)
Foreign exchange differences	0.3	2.6	1.0	0.4	4.3
Balance at 31 March 2003	**8.7**	**105.4**	**8.7**	**21.2**	**144.0**
Charged/(credited) to profit and loss	3.9	7.2	(0.4)	1.4	12.1
Amounts applied	(8.6)	–	(0.2)	–	(8.8)
Foreign exchange differences	0.6	10.6	2.2	2.2	15.6
Balance at 31 March 2004	**4.6**	**123.2**	**10.3**	**24.8**	**162.9**

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

(b) Deferred Taxation
The Group has accrued significant amounts of deferred tax. The majority of the deferred tax liability represents accelerated tax relief for the depreciation of capital expenditure, net of losses carried forward by MALCO and CMT. No benefit has been recognised for excess losses of CMT, TCM and IFL on the grounds that their successful application against future profits is not probable in the foreseeable future.

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

Provided – Liabilities/(Assets)

	31 March 2002 US$ million	31 March 2003 US$ million	31 March 2004 US$ million
Accelerated capital allowances	109.0	130.7	145.9
Unutilised tax losses	(24.5)	(25.3)	(26.7)
Other timing differences	–	–	4.0
	84.5	**105.4**	**123.2**

Not Provided – Liabilities/(Assets)

	31 March 2002 US$ million	31 March 2003 US$ million	31 March 2004 US$ million
Accelerated capital allowances	–	–	3.3
Unutilised tax losses	(2.9)	(4.7)	(4.1)
Other timing differences	(0.6)	(0.5)	(0.1)
	(3.5)	**(5.2)**	**0.9**

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

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

Notes to the Accounts *continued*

21. Equity Minority Interests

	US$ million
Balance at 1 April 2001	**280.3**
Profit and loss for the year	15.3
Loss due to minority reduction	
– Profit and loss reserves transferred to Group	(17.4)
– increased group holding in Sterlite	(5.3)
Foreign exchange differences	(12.3)
Balance at 31 March 2002	**260.6**
Profit and loss for the year	33.4
Subsidiary acquired	188.3
Loss due to minority reduction	
– Profit and loss reserves transferred to Group	(25.2)
– Sterlite share buy-back	(62.0)
Foreign exchange differences	10.1
Balance at 31 March 2003	**405.2**
Profit and loss for the year	90.8
Reduction in minority interests due to increase in interest in subsidiary shareholding:	
– HZL (note 26a)	(82.4)
– Sterlite (note 26b)	(15.9)
Foreign exchange differences	39.4
Balance at 31 March 2004	**437.1**

22. Called up Equity Share Capital

	31 March 2002		31 March 2003		31 March 2004	
	Number of shares	Value of shares US$ million	Number of shares	Value of shares US$ million	Number of shares	Value of shares US$ million
Authorised						
Ordinary shares of 10 US cents each	–	–	–	–	400,000,000	40.0
Deferred shares of £1 each	–	–	–	–	50,000	0.1
	–	**–**	**–**	**–**	**400,050,000**	**40.1**
Called up and fully paid						
Ordinary shares of 10 US cents each	–	–	–	–	286,388,000	28.6
Deferred shares of £1 each	–	–	–	–	12,500	–
	–	**–**	**–**	**–**	**286,400,500**	**28.6**
Shares to be issued						
Ordinary shares of 10 US cents each	–	–	–	–	388,000	–
	–	**–**	**–**	**–**	**388,000**	**–**

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

The holders of deferred shares do not have the right to receive notice of any general meeting of the Company nor the right to attend, speak or vote at any such general meeting. The deferred shares have no rights to dividends and, on a winding-up or other return of capital, entitle the holder only to the payment of the amounts paid on such shares after repayment to the holders of Ordinary Shares of the nominal amount paid up on the Ordinary Shares plus the payment of £100,000 per Ordinary Share.

Initial Public Offering

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

The Reward Plan

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

Notes to the Accounts *continued*

22. Called up Equity Share Capital *continued*

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

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

LTIP

Awards under the LTIP were granted on 26 February 2004. The exercise price of the awards is 10 US cents per share and the performance period of each award is three years, with no re-testing being allowed. The exercise period is six months from the date of vesting. Further details on the LTIP are found in the Remuneration Report on page 36.

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

23. Consolidated Reconciliation of Movement in Equity Shareholders' Funds

	Share capital US$ million	Share premium account US$ million	Merger reserve US$ million	Other reserves US$ million	Profit and loss account US$ million	Total US$ million
Equity shareholders' funds at 1 April 2001	**–**	**–**	**–**	**0.8**	**44.3**	**45.1**
Profit retained for the year	–	–	–	–	1.2	1.2
Transfers	–	–	–	8.8	(8.8)	–
Gain on change in minority interests	–	–	–	3.9	13.5	17.4
Foreign exchange differences	–	–	–	(4.2)	2.5	(1.7)
Equity shareholders' funds at 31 March 2002	**–**	**–**	**–**	**9.3**	**52.7**	**62.0**
Retained profit for the year	–	–	–	–	24.5	24.5
Net transfer of current year profits to general reserve (see below)	–	–	–	6.5	(6.5)	–
Gain on reduction of minority interest due to increase in interest in subsidiary shareholding	–	–	–	27.6	(2.4)	25.2
Foreign exchange differences	–	–	–	(5.5)	(1.2)	(6.7)
Equity shareholders' funds at 31 March 2003	**–**	**–**	**–**	**37.9**	**67.1**	**105.0**
Retained profit for the year	–	–	–	–	50.8	50.8
Gain on reduction of minority interest due to increase in interest in subsidiary shareholding	–	–	–	–	13.0	13.0
Repayment of share application funds in SOVL pending allotment (see below)	–	–	–	(26.2)	–	(26.2)
Shares issued to Volcan (see below)	15.6	–	4.4	–	(20.0)	–
Shares issued to public shareholders	13.0	863.7	–	–	–	876.7
Share issue costs (see below)	–	(51.4)	–	–	–	(51.4)
Transfer due to capital reduction (see below)	–	(793.7)	–	–	793.7	–
Shares issued/to be issued under Reward Plan (note 22)	–	–	–	–	5.0	5.0
Net transfer of current year profits to general reserve (see below)	–	–	–	(6.0)	6.0	–
Foreign exchange differences	–	–	–	2.6	10.6	13.2
Equity shareholders' funds at 31 March 2004	**28.6**	**18.6**	**4.4**	**8.3**	**926.2**	**986.1**

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

Notes to the Accounts *continued*

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

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

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

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

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

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

	Year ended 31 March 2002 US$ million	Year ended 31 March 2003 US$ million	Year ended 31 March 2004 US$ million
Operating profit	58.2	114.6	237.1
Depreciation	46.1	59.2	71.8
Goodwill amortisation	0.4	0.4	0.5
(Increase)/decrease in stocks	21.5	19.2	(16.1)
Increase in debtors	15.7	(47.5)	(77.2)
Increase in creditors	(10.7)	93.8	263.1
Increase in other long term creditors	(1.0)	1.8	(6.6)
Other non cash items	(7.0)	(8.0)	23.7
Net cash inflow from operating activities	**123.2**	**233.5**	**496.3**

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, US$41.4 million in the year ended 31 March 2003, and US$nil million in the year ended 31 March 2002.

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

Notes to the Accounts *continued*

25. Analysis of Net Cash/(Debt)

	At April 1 2001 US$ million	Cash flow US$ million	Acquisitions (exc. cash and overdrafts) US$ million	Other non-cash changes US$ million	Foreign exchange differences US$ million	At 31 March 2002 US$ million
Cash at bank and in hand	17.4	3.0	–	–	(1.7)	18.7
Debt due after one year	(218.7)	31.8	–	–	9.1	(177.8)
Debt due within one year	(158.7)	(9.8)	–	–	7.4	(161.1)
	(360.0)	**25.0**	**–**	**–**	**14.8**	**(320.2)**
Current asset investments	99.0	(5.2)	–	–	(4.5)	89.3
Net Debt/Cash	**(261.0)**	**19.8**	**–**	**–**	**10.3**	**(230.9)**

	At April 1 2002 US$ million	Cash flow US$ million	Acquisitions (exc. cash and overdrafts) US$ million	Other non-cash changes US$ million	Foreign exchange differences US$ million	At 31 March 2003 US$ million
Cash at bank and in hand	18.7	47.2	–	–	(0.7)	65.2
Debt due after one year	(177.8)	(45.5)	(3.0)	(25.6)	(5.8)	(257.7)
Debt due within one year	(161.1)	(53.2)	(0.8)	–	(5.2)	(220.3)
	(320.2)	**(51.5)**	**(3.8)**	**(25.6)**	**(11.7)**	**(412.8)**
Current asset investments	89.3	(9.8)	–	–	2.2	81.7
Net Debt	**(230.9)**	**(61.3)**	**(3.8)**	**(25.6)**	**(9.5)**	**(331.1)**

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

Notes to the Accounts *continued*

26. Acquisitions

(a) Hindustan Zinc Limited
Effective 11 April 2002, SOVL, a subsidiary of Sterlite, acquired 26 per cent of the ordinary share capital of HZL, a company incorporated in India. This interest represented a controlling interest in HZL. Effective 25 June 2002, SOVL acquired a further 20% interest in the ordinary share capital of HZL. HZL's principal activities comprise zinc mining and smelting and its operations are located primarily in north-western India.

	Net book value US$ million	Fair value adjustment US$ million	Adjusted net book value US$ million
Net assets acquired:			
Fair value – allocated to mining reserves	–	161.8	161.8
Tangible fixed assets	120.1	–	120.1
Other investments	17.1	–	17.1
Stocks	88.8	–	88.9
Debtors	36.7	–	36.7
Cash at bank and in hand	11.6	–	11.6
Other current liabilities	(52.3)	–	(52.3)
Short term borrowings	(0.8)	–	(0.8)
Loans	(3.0)	–	(3.0)
Provisions	(9.5)	–	(9.5)
Deferred tax	(21.9)	–	(21.9)
Minority interests	(103.3)	(85.0)	(188.3)
Satisfied by cash consideration			160.4

Date of acquisition 11 April 2002.

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

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

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

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

27. Operating Lease Commitments

The Group does not have any material operating lease commitments.

Notes to the Accounts *continued*

28. Financial Instruments

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

Derivatives, Financial Instruments and Risk Management

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

Foreign Exchange Risk

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

Interest Rate Risk

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

Counterparty and Concentration of Credit Risk

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

Commodity Price Risk

Aluminium

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

Copper

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

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

Zinc

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

Notes to the Accounts *continued*

28. Financial Instruments *continued*

(a) Interest Rate and Currency Profile

	Total US$ million	Floating rate financial assets US$ million	Fixed rate financial assets US$ million	Equity investments US$ million	Non-interest bearing assets US$ million	Fixed rate financial assets: Weighted average interest rate %	Fixed rate financial assets: Weighted average period for which the rate is fixed (years)
At 31 March 2002							
INR	110.6	–	89.3	5.8	15.5	9.0	0.2
US$	0.5	–	–	–	0.5	–	–
Australian $	2.7	–	–	–	2.7	–	–
Gross financial assets	**113.8**	**–**	**89.3**	**5.8**	**18.7**		
At 31 March 2003							
INR	167.9	53.9	81.7	22.4	9.9	8.0	0.4
US$	–	–	–	–	–	–	–
Australian $	1.6	–	–	–	1.6	–	–
Gross financial assets	**169.5**	**53.9**	**81.7**	**22.4**	**11.5**		
At 31 March 2004							
INR	486.1	248.7	209.8	27.5	–	5.8	0.8
GBP	256.8	256.8	–	–	–	–	–
US$	520.1	520.1	–	–	–	–	–
Australian $	5.7	5.7	–	–	–	–	–
Gross financial assets	**1,268.7**	**1,031.3**	**209.8**	**27.5**	**–**		

At 31 March 2004 financial assets include US$2.9 million (2003: US$6.4 million) (2002: US$3.9 million) of cash held in short term deposit accounts that is restricted in use, as it relates to unclaimed deposits, dividends, interest on debentures, share application monies or monies held by the SEWT.

Financial assets at 31 March 2004 exclude US$9.0 million relating to shares held in Sterlite by the SEWT (2003: US$7.6 million, 2002: US$7.4 million – see note 14b).

	Total US$ million	Floating rate financial liabilities US$ million	Fixed rate financial liabilities US$ million	Non-interest bearing financial liabilities US$ million	Fixed rate financial liabilities: Weighted average interest rate %	Fixed rate financial liabilities: Weighted average period for for which the rate is fixed (years)	Non-interest bearing financial liabilities: Weighted average period until maturity (years)
At 31 March 2002							
INR	377.9	97.2	273.7	7.0	9.8	1.1	7.5
US$	17.6	5.2	12.4	–	6.5	8.2	–
Australian $	8.7	8.5	–	0.2	–	–	12.3
Gross financial liabilities	**404.2**	**110.9**	**286.1**	**7.2**			
At 31 March 2003							
INR	514.3	150.6	355.8	7.9	9.1	1.2	8.6
US$	49.1	49.1	–	–	–	–	–
Australian $	8.1	7.9	–	0.2	–	–	12.7
Gross financial liabilities	**571.5**	**207.6**	**355.8**	**8.1**			
At 31 March 2004							
INR	411.4	30.5	369.1	11.8	7.9	3.0	4.0
US$	664.9	615.2	49.7	–	1.0	4.6	–
Japanese Yen	36.6	36.6	–	–	–	–	–
Australian $	1.4	–	–	1.4	–	–	1.0
Gross financial liabilities	**1,114.3**	**682.3**	**418.8**	**13.2**			

Notes to the Accounts *continued*

28. Financial Instruments *continued*

(b) Fair Value of Financial Assets and Liabilities

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

	Estimated fair value US$ million	Carrying value US$ million
At 31 March 2002		
Cash at bank and in hand	–	18.7
Current asset investments	–	89.3
Long term investments	–	5.8
Gross financial assets	–	113.8
Short term borrowings	–	161.1
Bank loans	–	163.0
Other loans	–	14.8
Bills payable	–	65.3
Gross financial liabilities	–	404.2
At 31 March 2003		
Cash at bank and in hand	65.2	65.2
Current asset investments	81.7	81.7
Long term investments	22.6	22.6
Gross financial assets	**169.5**	**169.5**
Short term borrowings	220.3	220.3
Bank loans	208.1	208.1
Other loans	49.6	49.6
Bills payable	93.5	93.5
Gross financial liabilities	**571.5**	**571.5**
At 31 March 2004		
Cash at bank and in hand	52.7	52.7
Current asset investments	1,188.5	1,188.5
Long term investments	28.0	27.5
Gross financial assets	**1,269.2**	**1,268.7**
Short term borrowings	295.3	295.3
Bank loans	486.6	484.9
Other loans	38.9	38.7
Bills payable	295.4	295.4
Gross financial liabilities	**1,116.2**	**1,114.3**

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

The fair values of derivative financial instruments and financial assets and liabilities for the year ended 31 March 2002 have not been provided in the table above as it is not practicable to estimate the fair values with sufficient reliability.

(c) Undrawn Borrowing Facilities

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

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

Notes to the Accounts *continued*

28. Financial Instruments *continued*

(d) Net Foreign Currency Monetary Assets and Liabilities

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

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

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

Information for the net foreign currency monetary assets/liabilities) have not been made publicly available in the year ended 31 March 2002 and hence has not been disclosed.

(e) Hedging

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

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

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

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

Notes to the Accounts *continued*

29. Pensions

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

(a) Defined Contribution Schemes

Central Provident Fund
The Central Provident Fund relates to all full time Indian employees of the Group. The amount contributed by the Group is a designated percentage of 12% of basic salary, together with an additional contribution of 12% of salary made by the employee.

The benefit is paid to the employee on their retirement or resignation from the Group.

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

Pension Fund
The Pension Fund was established in 1998 and is managed by the Government. The employee makes no contribution to this fund but the employer makes a contribution of 8.33% of salary each month. This must be provided for every permanent employee on the payroll.

At the age of 60 (the statutory retirement age for all non-professional employees), contributions cease and the individual receives a monthly payment based on the level of contribution through the years and on their salary scale at the time they retire, subject to a maximum ceiling of salary level. The Government funds these payments, and thus the Group has no additional liability beyond the contributions that it makes, regardless of whether the central fund is in surplus or deficit.

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

Australian Pension Schemes
The Group also operates defined contribution pension schemes in Australia. The contribution of a proportion of an employee's salary into a superannuation fund is a compulsory legal requirement in Australia.
The employer contributes at least 9% of the employee's gross remuneration into the employee's fund of choice and the employee has the option to make additional voluntary contributions.

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

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

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

(c) Pension Schemes existing within Group Companies

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

Notes to the Accounts *continued*

29. Pensions *continued*

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

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

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

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

As at 31 March 2004 membership across MALCO, BALCO and HZL stood at 10,735 employees (31 March 2003: 11,943, 31 March 2002: 7,952). The deficits and other aspects of these schemes are disclosed in further detail in notes (d) and (e) below.

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

The retirement benefit charge for the year was as follows:

	Year ended 31 March 2002 US$ million	Year ended 31 March 2003 US$ million	Year ended 31 March 2004 US$ million
Defined contribution pension schemes	3.0	5.6	4.2
Defined benefit pension schemes	1.8	5.6	3.9
	4.8	**11.2**	**8.1**

There were no outstanding or prepaid contributions for either the defined contribution or the defined benefit schemes as at 31 March 2004, 31 March 2003 or 31 March 2002.

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

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

The previous full actuarial valuations were carried out as at 30 September 2003, by the same respective consulting actuaries. The results of these valuations have been used as the basis for assessing pension costs for the year ended 31 March 2002.

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

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

Notes to the Accounts *continued*

29. Pensions *continued*

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

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

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

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

Notes to the Accounts *continued*

29. Pensions *continued*

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

FRS17 Profit and Loss Account Disclosure

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

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

Information for the year ended 31 March 2002 has not been presented as it has not been made publicly available.

Statement of Total Recognised Gains and Losses Disclosure

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

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

Information for the year ended 31 March 2002 has not been presented as it has not been made publicly available.

Notes to the Accounts *continued*

29. Pensions *continued*

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

FRS 17 Liability Disclosure

The movement during the years ended 31 March 2004, 2003 and 2002 in the FRS 17 pension liability (before allowance for deferred tax) shown above can be analysed as follows:

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

Information for the year ended 31 March 2002 has not been presented as it has not been made publicly available.

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

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

30. Related Party Transactions

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

(a) Transactions with Senior Management and their Connected Persons

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

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

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

Notes to the Accounts *continued*

30. Related Party Transactions *continued*

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

(b) Corporate Related Party Transactions

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

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

SOTL

	Year ended 31 March 2002 US$ million	Year ended 31 March 2003 US$ million	Year ended 31 March 2004 US$ million
Sales to SOTL	19.7	0.4	–
Re-imbursement of seconded staff salaries	–	–	0.6
Profit and loss impact (before tax)	**19.7**	**0.4**	**0.6**
Amounts receivable at year end	**–**	**0.4**	**1.7**

Volcan

	Year ended 31 March 2002 US$ million	Year ended 31 March 2003 US$ million	Year ended 31 March 2004 US$ million
Amounts receivable at year end	**–**	**–**	**0.6**

Sterlite Gold Limited

	Year ended 31 March 2002 US$ million	Year ended 31 March 2003 US$ million	Year ended 31 March 2004 US$ million
Amounts receivable at year end	**3.0**	**–**	**–**

IFL

	Year ended 31 March 2002 US$ million	Year ended 31 March 2003 US$ million	Year ended 31 March 2004 US$ million
Sales to IFL	–	0.4	12.8
Re-imbursement of seconded staff salaries	–	–	0.1
Net interest received	–	–	0.1
Profit and loss impact (before tax)	**–**	**0.4**	**13.0**
Amounts receivable at year end	**6.1**	**5.8**	**1.9**

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

Loans Receivable

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

- Brockway Inc.
  The Group held a loan due from Brockway Inc., a related party controlled by relatives of Mr Navin Agarwal. The loan bore interest at LIBOR plus 100 basis points. The loan at 31 March 2004 was for US$1.5 million (31 March 2003: US$1.5 million, 31 March 2002: US$ nil) and was repaid in full in October 2003.

- Ararat Gold Recovery Company Limited
  During the year ended 31 March 2004, the Group held a loan due from Ararat Gold Recovery Company Limited of US$0.6 million (31 March 2003 and 31 March 2002: US$ nil). Ararat Gold Recovery Company Limited is a related party by virtue of being controlled by the same ultimate parent company as the Company. This loan was repaid in full in October 2003.

Notes to the Accounts *continued*

30. Related Party Transactions *continued*

Loans payable – Oasis International Trading Corporation
During the three years ended 31 March 2004, the Group held a loan payable to Oasis International Trading Corporation, a related party controlled by relatives of Mr Navin Agarwal. The loan bore interest at 3.5% until 1 April 2003 when the interest rate changed to LIBOR. The balance outstanding at 31 March 2004 was US$2.6 million (31 March 2003: US$9.7 million, 31 March 2002: US$4.1 million).

Transactions with Volcan
- MALCO

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

(b) Corporate Related Party Transactions *continued*
- Twin Star

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

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

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

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

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

Political and Public Awareness Trust
During the year ended 31 March 2004, the Group contributed US$1.2 million to the Political and Public Awareness Trust. This Trust makes contributions to political parties and related causes. The Trust is a related party as it is controlled by members of the Agarwal family.

Sterlite Foundation
During the year ended 31 March 2004, US$0.3 million was paid by BALCO and HZL to the Sterlite Foundation. The Sterlite Foundation is a registered not-for-profit entity engaged in computer education and other related social and charitable activities. The major activity of the Sterlite Foundation is providing computer education for disadvantaged students. The Foundation is a related party as it is controlled by members of the Agarwal family.

Notes to the Accounts *continued*

31. Commitments and Guarantees

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

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

The principal capital commitments of the Group were as follows:

	31 March 2002 US$ million	31 March 2003 US$ million	31 March 2004 US$ million
Contracted but not provided	10.0	103.6	958.7

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

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

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

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

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

32. Contingencies

The Group has the following contingencies. With regard to the claims against Group companies included below, no provision has been made in the Accounts as the Directors believe that it is more likely than not that the claims will not give rise to a material liability.

MALCO Claims
Under the terms of a financial aid package, MALCO was entitled to benefit from reduced tariff electricity for the period from 1995 to 1999. In 1997 MALCO became profitable, and in 1999 the Tamil Nadu Electricity Board ("TNEB") made a claim against MALCO for the difference in value between full price and reduced tariff electricity for the period from 1997 to 1999. The value of this claim was US$72.1 million. The case was heard in November 1999 and the Court found in MALCO's favour. TNEB has appealed the decision and this appeal has not yet been heard.

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

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

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

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

Notes to the Accounts *continued*

32. Contingencies *continued*

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

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

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

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

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

All claims are being vigorously contested by management.

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

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

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

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

33. Share transactions

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

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

Notes to the Accounts *continued*

33. Share transactions *continued*

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

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

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

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

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

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

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

34. Subsequent Events

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

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

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

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

Notes to the Accounts *continued*

35. Principal Subsidiaries

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

		The Company's effective percentage holding				
Subsidiaries	**Principal activities**	**31 March 2002**	**31 March 2003**	**31 March 2004**	**Country of incorporation**	**Immediate holding company**
Bharat Aluminium Company Limited ("BALCO")	Aluminium mining	19.9%	31.0%	33.6%	India	Sterlite
Copper Mines of Tasmania Pty Limited ("CMT")	Copper mining	39.0%	60.8%	65.8%	Australia	MCBV
Hindustan Zinc Limited ("HZL")	Zinc mining and smelting	–	28.0%	42.7%	India	SOVL
Madras Aluminium Company Limited ("MALCO")	Aluminium mining and smelting	80.0%	80.0%	80.0%	India	Twin Star
Monte Cello BV ("MCBV")	Holding company	39.0%	60.8%	65.8%	Netherlands	Sterlite
Monte Cello Corporation NV ("MCNV")	Holding company	100%	100.0%	100.0%	Netherlands Antilles	Twin Star
Sterlite Employee Welfare Trust ("SEWT")*	Employee Trust	39.0%	60.8%	65.8%	India	Sterlite
Sterlite Industries (India) Limited ("Sterlite")	Copper smelting	39.0%	60.8%	65.8%	India	Twin Star
Sterlite Opportunities and Ventures Limited ("SOVL")	Holding company	39.0%	60.8%	65.8%	India	Sterlite
Sterlite Paper Limited ("SPL")	Non-trading	39.0%	60.8%	65.8%	India	Sterlite
Thalanga Copper Mines Pty Limited ("TCM")	Copper mining	39.0%	60.8%	65.8%	Australia	MCBV
Twin Star Holdings Limited ("TSHL")	Holding company	100.0%	100.0%	100.0%	Mauritius	VRHL
Vedanta Alumina Limited (formerly Sterlite Transmissions Ltd) ("VAL")	Alumina mining and smelting	39.0%	60.8%	65.8%	India	Sterlite
Vedanta Resources Holdings Limited ("VRHL")	Holding company	–	100.0%	100.0%	UK	VR plc

*Quasi-subsidiary

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

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

36. Ultimate Controlling Party

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

Glossary and Definitions

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

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

BALCO
Bharat Aluminium Company Limited, a company incorporated in India

Board
The board of directors of the Company

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

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

Capex
Capital expenditure

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

Directors
The directors of the Company

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

EBITDA Margin
EBITDA as a percentage of turnover

EPS
Earnings per share

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

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

Executive Directors
The executive directors of the Company

GAAP
Generally Accepted Accounting Principles

Gearing
Net debt as a percentage of Capital Employed

Government
The Government of the Republic of India

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

HZL
Hindustan Zinc Limited, a company incorporated in India

IPO
Initial Public Offering

LIBOR
London Inter Bank Offered Rate

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

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

LME
London Metal Exchange

London Stock Exchange
London Stock Exchange plc

LTIP
The Vedanta Resources Long Term Incentive Plan

MALCO
Madras Aluminium Company Limited, a company incorporated in India

MIBOR
Mumbai Inter Bank Offered Rate

MT
Metric tonnes

MW
Megawatts of electrical power

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

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

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

Reward Plan
The Vedanta Resources Share Reward Plan

SEBI
The Securities and Exchange Board of India

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

SOTL
Sterlite Optical Technologies Limited, a company incorporated in India

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

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

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

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

tpa
Metric tonnes per annum

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

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

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

Vedanta or Company
Vedanta Resources plc

Volcan
Volcan Investments Limited, a company incorporated in the Bahamas

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

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