Zambia Copper Investments Limited

Annual Report
2004

Chairman's report

I wish to advise at the outset that the Board of ZCI sincerely regrets the delays associated with the production of these accounts, which led to the suspension of the share on the Johannesburg and Paris exchanges. The delay in production of the accounts has largely been as a result of difficulties experienced in receiving accurate information from Konkola Copper Mines plc ("KCM"), which have arisen from *inter alia* changes in the accounting policies and the financial year-end of KCM, which were required to align KCM with the group accounting and reporting requirements of Vedanta Resources plc ("Vedanta").

ZCI has in the past, included substantial impairments on the fixed asset values appearing in KCM's accounts. In order to comply with IFRS requirements, ZCI has maintained these impairments, where appropriate, in its 31 December 2004 accounts, to remain consistent with previous years. The present delays were largely related to ZCI's attempts to obtain specific information on KCM's Fixed Asset Register values. Vedanta has however, and to the knowledge of the ZCI Board, not recorded any impairment to the KCM results.

Turning now to the period under review, the 2004 financial year was characterised by the focus on the completion of the Strategic Equity Partner ("SEP") process that was initially prescribed by the contractual provisions governing the Company's restructuring in 2002.

On the 26th of October 2004, the Company's shareholders met in Paris and, after an extensive debate, voted to approve the appointment of Vedanta as the new majority shareholder of KCM. The transaction was concluded on 5 November 2004 and from that date ZCI's shareholding in KCM reduced from 58% to 28.4% and Vedanta became the 51% majority shareholder of KCM.

This being now an accomplished fact, the Directors of ZCI will devote their best efforts to seeing that Vedanta lives up to all the hopes the promoters had when negotiating this major transaction, which represents a momentous sacrifice for our company and its shareholders.

The changes to ZCI's shareholding in KCM during 2004 have meant that the presentation of our results for the period has been adjusted to reflect ZCI as the majority shareholder in KCM for the initial ten months of the year, for which period the results are consolidated, after which, the results for the remaining two months are unconsolidated and are prepared along simple equity accounting lines.

Due to consistently elevated copper prices throughout the period, KCM returned strong results for the year. As a result, ZCI recorded a consolidated net profit of $57.4 million for the year ending 31 December 2004 compared to a restated consolidated net loss of $6.9 million in 2003. However, it must be borne in mind that KCM is now a profitable investment due to the ongoing exceptionally high prices of copper and the anticipated gradual positive input of Vedanta. Therefore ZCI's balance sheet should consequently be strengthened, as will be noted by the increase in net asset value (per ordinary share) to $0.6730 from the restated $0.2141 in 2003.

As you will have noted from earlier Company announcements, the ZCI Board has welcomed two new directors to the Board, namely Thomas Kamwendo, who is also the Chairman of the Copperbelt Development Foundation, the Company's single largest shareholder, and myself. During March 2005, your former Chairman, Barrie Ireton, tendered his resignation from the Board of ZCI. The Board has thanked him for his contribution regretting his departure and wishes him success in his future endeavours.

The Board elected me as Chairman with effect from 15 March 2005 and I look forward to working closely with my fellow directors as ZCI settles into its new difficult role as a minority shareholder of KCM but we must now look to the future, plan and work hard towards an harmonious development of our company in the interest of all the shareholders.

Jean-Pierre Rozan

Chairman

Report of the directors

Nature of business

ZCI is Bermudian registered with its primary listing on the JSE Securities Exchange SA (the "JSE"). It has a secondary listing on the Paris Bourse. ZCI's additional secondary listing on the London Stock exchange ended in December 2004 as a result of the sale of the Company's majority shareholding in KCM, which is dealt with in more detail elsewhere in this report. The Company's major asset is it's holding of 28.4% of the share capital of KCM, a Zambian registered mining company.

Going concern

The directors have reviewed the audited consolidated accounts prepared by KCM for the year ending 31 December 2004 and are of the view that these indicate that sufficient funding, ownership and management arrangements have been secured to enable KCM and the Company to continue in operation as going concerns for the foreseeable future. The directors, therefore, consider that the preparation of the financial statements on a going concern basis is appropriate.

Provisional results

The format of the statement of changes to equity has been changed from the presentation used in the 31 December 2004 provisional results released on 3 August 2005. The restatement as described in note 4 is fully reflected in the balance of accumulated deficit at 31 December 2002. Additionally, slight amendments with a net effect of USD 30,000 have been included in the statement of earnings for the year ended 31 December 2003 as restated.

Sale of investment in KCM

As stated in the circular to shareholders dated 11 October 2004, the terms of the transaction that installed Vedanta as the new majority shareholder of KCM were described as follows:

*"**Terms of the KCM rights offer***

KCM will offer 560,325,511 new KCM shares to its current shareholders by way of a rights offer. Its current shareholders, including ZCI will renounce their rights in favour of Vedanta. Vedanta will subscribe for 560,325,511 new KCM shares for an amount of $25 million such that Vedanta obtains a 51% interest in KCM. Accordingly, ZCI will reduce its shareholding and voting interest in KCM from 58% to 28.4% and ZCCM-IH will reduce its shareholding and voting interest in KCM from 42% to 20.6%.

Following the subscription, there will be 1,098,677,473 ordinary KCM shares, 60,000,000 deferred KCM shares and the special share in issue. Vedanta will be the registered owners of 560,325,511 ordinary KCM shares comprising 51% of the issued share capital of KCM. ZCI will be the holder of ordinary KCM shares representing 28.4% of KCM. ZCCM-IH will be the holder of ordinary KCM shares representing 20.6% of KCM.

ZCI and ZCCM-IH will remain the registered holders of 80% and 20% of the deferred KCM shares respectively.

Deferred consideration

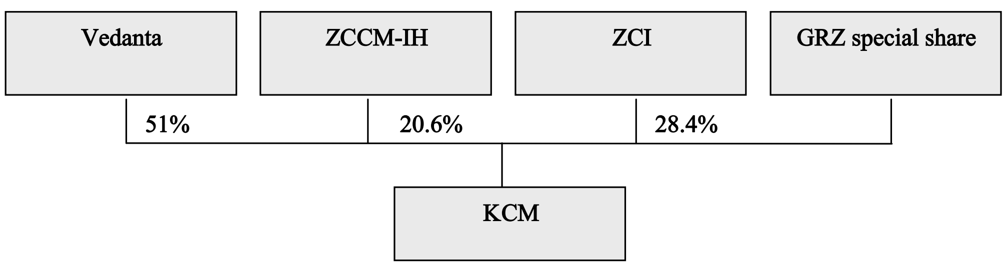
In order to enable Vedanta to subscribe for new KCM shares, ZCI and ZCCM-IH will waive their pre-emptive subscription rights. As consideration for this waiver, ZCI will receive a deferred consideration of $23.2 million from Vedanta, payable over a period commencing on the completion date of the Vedanta investment and ending on 31 December 2008. The schedule of deferred payments is as follows:

- *$2,320,000 on fulfilment of all the conditions precedent to the transaction;*
- *$5,220,000 on 31 December 2005;*
- *$5,220,000 on 31 December 2006;*
- *$5,220,000 on 31 December 2007; and*
- *$5,220,000 on 31 December 2008.*

While ZCCM-IH will not receive a deferred consideration from Vedanta, in order for ZCCM-IH to be in an equivalent position, ZCCM-IH will receive $16.8 million by way of a debt cancellation arrangement with the GRZ, whereby the GRZ will cancel debt owed by ZCCM-IH to the GRZ.

Ownership structure of KCM post the transaction

The resulting ownership structure of KCM subsequent to the Vedanta investment will be as follows:



KCM board of directors

- *Reconstitution of the KCM board of directors*

  At present, the board of directors of KCM consists of three ZCI appointed directors, two ZCCM-IH appointed directors and one GRZ appointed director (with limited voting rights). On completion of the Vedanta investment, the board of KCM will be reconstituted and consist of five Vedanta appointed directors, two ZCI appointed directors, namely Steven Georgala and Barrie Ireton, two ZCCM-IH appointed directors and one GRZ appointed director (with limited voting rights).

- *Appointment of Chairman and CEO*

  Vedanta will have the right to appoint the Chairman and the Chief Executive Officer, each of whom will be a Vedanta director.

- *Voting rights*

  Each board member will have one vote except for the GRZ director who will have no vote (except under certain predefined circumstances). The Chairman will not have a casting vote.

Undertakings by Vedanta

- *Shortfall funding commitment*

  In the event that the free cash flow (after sustaining project capital expenditures) of KCM is negative at any time during a period of nine years after the completion date of the transaction, then Vedanta will guarantee and be responsible for providing or securing the necessary additional funding required by KCM to immediately fund, to the extent of the negative cash flow, up to, but not exceeding, a cumulative amount of $220 million. Should this shortfall funding commitment be provided by Vedanta in the form of equity, it will be non-dilutive to existing shareholders.

- *Konkola Ore Body Extension Project feasibility study*

  An undertaking has been given by Vedanta to have KCM complete a feasibility study on the extension of the Konkola ore body by no later than 31 December 2006. Vedanta will contribute $1 million towards the cost of the feasibility study.

- *Konkola Ore Body Extension Project*

  Should the KCM board decide to proceed with the Konkola Ore Body Extension Project, Vedanta will secure the funding necessary for the project once approved. This may be in the form of debt or equity finance. If necessary, Vedanta will be required to contribute whatever equity is required by KCM to secure the debt funding. ZCI and ZCCM-IH will be able to follow their rights of any equity contribution required, but should they decline to do so, the additional equity will be contributed by Vedanta on a dilutive basis.

- *Environmental and terminal benefit provisions in KCM*

  Vedanta has agreed that KCM will set aside a portion of its future annual free cash flow to create a cash reserve so that the shareholders and the GRZ have assurance that as cash is accumulated in the reserve, KCM has dedicated funds available to fund its environmental and terminal benefit obligations.

Call option agreements

Pursuant to the Vedanta investment, ZCI, ZCCM-IH and Vedanta will enter into the following call option arrangements:

- *Vedanta Call Option Deed*

  Vedanta will have a call option over ZCI's shares in KCM, exercisable on either a positive development decision on the Konkola Ore Body Extension Project or the achievement by Konkola mine, a division of KCM, of 3 million tpa of ore production for four consecutive quarters. The exercise price will be the prevailing fair market value of ZCI's KCM shares as agreed to between ZCI and Vedanta or, failing agreement, as determined by an independent international investment bank.

- *ZCI / ZCCM-IH Call Option Deed*

  If the KCM board of directors decides not to proceed with the Konkola Ore Body Extension Project, then ZCI and ZCCM-IH will have a call option over Vedanta's shares in KCM, exercisable on or after 31 December 2009 at the prevailing fair market value of such shares. However, if Vedanta can demonstrate, at any time before the exercise date of the call option, that an additional five years production for the period from 2013 to 2017, at 175,000 tpa of produced finished copper utilising the areas covered by the existing KCM mining licences (together with the adjacent areas) is achievable, then the exercise date of the call option will be *deferred for a period of five years, such that it may not be exercised prior to 31 December 2014.*

Restrictions on sale of KCM shareholding

Vedanta will contractually undertake in the new KCM Shareholders Agreement not to exit KCM prior to 1 January 2008. Thereafter if it wishes to exit, Vedanta is required to provide a twelve month notice period during which time it will provide management to KCM and it will pay an exit fee equivalent to the following years budgeted capital expenditure (as adjusted for any over or under spending of capital expenditure in prior financial periods), with its shortfall funding commitment terminating on the exit date.

Undertakings by the GRZ

On the basis of Vedanta becoming the new controlling shareholder of KCM, the GRZ has also agreed the terms of the KCM Development Agreement with KCM, 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, the development agreement also has certain incentives which will benefit KCM if the KCM board decides to proceed with the further development of the Konkola orebody.

Voting rights

- *Ordinary KCM shares*

  Each ordinary KCM share will have one vote and, accordingly the new KCM shares issued will rank pari passu with the ordinary KCM shares issued.

- *Deferred KCM shares*

  The deferred KCM shares have no voting rights.

- *KCM special share*

  The GRZ will continue to own one special share in KCM which will not have any economic participation rights but will allow the GRZ to vote at KCM shareholder meetings under certain circumstances as specified in the new KCM articles of association, which will become effective on completion. For example, the consent of the GRZ shall be required for any material change in the nature of the business of KCM."

Dividends

No dividends were paid or proposed by ZCI in respect of the year ended December 31, 2004.

Directors and officers

During the year the following changes to the composition of the Board occurred:

Resignations
R Alley (Resigned 29 January 2004)

Appointments
J P Rozan (Appointed 26 October 2004)
T Kamwendo (Appointed 26 October 2004)

Directorate
The directors of the Company as at 31 December 2004 were:

Non-Executive
B. Ireton (Chairman)
D. Rodier
S. Georgala
JP. Rozan
T. Kamwendo

Mr B Ireton resigned as director and chairman on 15 March 2005.

Directors meetings and remuneration

During 2004, the ZCI Board met on thirteen occasions, in addition to the Annual General Meeting, to consider issues of an operational nature, strategy, as well as those having a material effect on ZCI and the Group.

The total remuneration paid to Directors during the year was USD 203,960, which was allocated as follows:

B. Ireton (Chairman)	USD 82,550
R. Alley	USD 1,500
D. Rodier	USD 24,406
S. Georgala	USD 95,504

Report of the directors
Continued

All of the directors retire at the forthcoming annual general meeting in accordance with Bermudian Law and, being eligible, offer themselves for re-election. Subject to such re-election the Board proposes to re-elect JP Rozan as Chairman. A brief profile of the Directors is included hereunder:

Mr J.P. Rozan

Mr Rozan was born on 6 August 1924 Trouville sur Mer, France. Currently, Mr. Rozan holds the positions of, amongst others, Chairman and Managing Director of the *Société Commerciale de Metaux et Minerals* (SCMM), the President of S.N.U.M.M. *Société Nouvelle Union des Metaux Maroc*, which is involved in mining operations and the international trading of ores and metals. He is also the Chairman and Managing Director of SOMEFOR, France (*Société Méridionale de Formulation*) and President of Feni Industries and SILMAK in Macedonia, which produce ferro-nickel and ferro-silicon respectively.

Mr Rozan has been the General Honorary Consul of the Republic of Zambia since June 1995, having started his relationship with Zambia in 1958, initially as an agent of Anglo American plc then Memaco and subsequently ZCCM-IH. He is the President of A.M.Z.C.I., a shareholder association in France.

Mr T. Kamwendo

Mr Kamwendo was born on 14 May 1958 in Mpika Zambia. He has a Bachelor of Science degree in Mechanical Engineering obtained from Brighton Polytechnic in the United Kingdom in 1983.

He has more than 20 years experience in the Zambian mining industry having started his professional career as an engineer in what is today KCM's Nchanga Division. He has been CEO of three engineering companies and is currently managing Partner of his own multidisciplinary consulting firm. He has served on the boards of directors of several companies and is also current chairman of two development financing institutions, and is chairman of the Copperbelt Development Foundation.

He served on a Presidential Commission of Enquiry into university education in Zambia. He has previously chaired the Environmental Council of Zambia and is currently President of the Engineering Institution of Zambia.

<u>David Rodier</u>

David Rodier was born in Montreal, Canada, on June 26, 1943. He obtained a Bachelor's degree in Metallurgical Engineering from McGill University, Montreal, in 1966.

He gained his extensive working experience in the non-ferrous industry, starting with Cominco in British Columbia, (now Teck-Cominco) and later for Noranda Inc., where he was employed for 35 years and where he was involved with zinc and copper recycling. His experience includes a wide group of technical and managerial positions in zinc and copper businesses. His most recent positions were: Senior Vice President, Environment Safety and Health at Noranda between 1998 and 2002; Senior Vice President, Copper & Recycling at Noranda between 1995 and 1997; and President of Canadian Electrolytic Zinc between 1992 and 1995.

Mr. Rodier was Noranda's delegate to the World Business Council for Sustainable Development, the International Council for Mining and Metals, the International Zinc Association, the International Copper Association, the Mining Association of Canada and the Canadian Chemical Producers Association. He currently works as Senior Consultant, Sustainability for Hatch Associates, a global engineering company located in Ontario, Canada, which is devoted to the support of the Mining and Metallurgical industries.

<u>Steven Georgala</u>

Steven Georgala was born in Nelspruit, South Africa on 26 April 1957. He obtained a B.Comm. degree from the University of Stellenbosch in 1979 and a LL.B. degree from the same University in 1981. He completed his Articles with Webber Wentzel Bowens and was admitted as an Attorney and Notary in June 1984. In 1984 he obtained a Higher Diploma in Company Law from the University of the Witwatersrand. In December 1984, he was posted to the Luxembourg office of Webber Wentzel Bowens where he became a partner of the firm in 1987. The European offices of Webber Wentzel Bowens became Maitland & Co in 1993 and Mr. Georgala, now resident in Paris, France continues as a principal of Maitland & Co where he specialises in international tax planning.

Directors' interests

At December 31, 2004 and save for JP Rozan, who held 20,000 shares beneficially, the remaining directors held no shares in ZCI, either beneficially or non-beneficially, and did not have any direct or indirect beneficial interests. There are no service contracts granted by ZCI, nor any of its subsidiaries, to any director of ZCI for services as directors, nor were there any contracts or arrangements existing during the financial year which require to be declared in terms of the requirements of the JSE.

Shareholders at December 31, 2004

Pursuant to the listing requirements of the JSE, to the best knowledge of the directors, and after reasonable enquiry, the spread of shareholders at December 31, 2004 was:

	Number of shares	**Percentage holding**
Non-public shareholders		
Copperbelt Development Foundation	55,932,533	44.3%
Trustees of the KCM Employee Share Ownership Trust	10,095,789	8.0%
Public shareholders	60,169,040	47.7%
		100.0%

At December 31, 2004 the number of public shareholders of the Company was 13,093.

According to the information available to the directors, the following are the only registered shareholders holding, directly or indirectly, more than 5% of ZCI's issued ordinary shares:

	Number of shares	**Percentage holding**
Copperbelt Development Foundation	55,932,533	44.3%
Sicovam S.A.	41,621,790	33.0%
Trustees of the KCM Employee Share Ownership Trust	10,095,789	8.0%

Auditors

Deloitte & Touche were reappointed as auditors of ZCI at the annual general meeting held on 5 May 2004. A resolution for the appointment of auditors and the determination of their remuneration will be submitted to the forthcoming annual general meeting.

Annual General Meeting

The annual general meeting will be held at 11h00 on Thursday, 22 September 2005. The notice convening the meeting is set out on page 42/43 of this report.

By Order of the Board

John Mills
Company Secretary
Luxembourg
16 August 2005

Code of corporate practices and conduct

ZCI is committed to the principles of openness, integrity and accountability as advocated in the South African King II Report on Corporate Governance. The directors endorse the Code of Corporate Practices and Conduct (the "Code"), as set out in the King II Report. KCM, both while it remained an operating subsidiary of ZCI as well as thereafter, is also committed to upholding these principles.

Application

Having regard to the fact that the Company has no employees or administrative infrastructure of its own, many of the requirements of the Code are not applicable to it. While the Company was the majority shareholder of KCM, it took appropriate steps to implement procedures to ensure compliance with the Code by its operating subsidiary. The Directors of ZCI are of the view that Vedanta, as KCM's controlling shareholder, will ensure that suitable procedures will be implemented and maintained to ensure that KCM complies insofar as is practical and appropriate, with the UK Combined Code on Corporate Governance, which is largely equivalent to the Code in respect of companies listed on the London Stock Exchange.

Annual financial statements

The directors are responsible for the preparation, integrity and fair presentation of the financial statements and it is the responsibility of the independent auditors to report thereon. In preparing the annual financial statements the Company has used appropriate accounting policies consistently, supported by reasonable and prudent judgement and estimates and has complied with all statutory requirements and all applicable accounting standards, including International Accounting Standards.

The conclusion of the Strategic Equity Partner process in October 2004, which saw Vedanta accepted as the new majority shareholder of KCM will ensure that sufficient funding, ownership and management arrangements have been secured to enable KCM and the Company to continue in operation as going concerns for the foreseeable future.

ZCI's change in status from majority shareholder of KCM during the 2004 financial year has required that the Company's annual accounts are consolidated until the end of October 2004 and equity accounting is used to record the Company's investment in KCM for the remaining two months of the year.

Board of directors

As at 31 December 2004, the Company's board of directors consisted of five non-executive directors. The board retains full and effective control over the Company. To fulfil their responsibilities, the Company's board of directors has access to accurate, relevant and timely information and to the advice and services of the company secretary who is responsible to the board for ensuring the board procedures are followed. In addition, the directors are entitled to obtain independent professional advice at the Company's expense, should they deem this necessary.

The KCM board of directors met on seven occasions during the year to consider issues of operational strategy, capital expenditure, major projects and other matters having a material effect on KCM. Regular presentations on key issues have been made by the Group Management to the Board and, where applicable, to the Shareholders. Post the Vedanta transaction, the Board of KCM was reconstituted to comprise one executive director and up to nine non-executive directors, of which two are appointed by ZCI. The chairman of the KCM board is a non-executive director and the executive director is KCM's chief executive officer. The KCM board reserves to itself a range of key issues and decisions, to ensure that it retains proper direction and control of KCM. Non-executive directors are individuals of high calibre with diverse backgrounds and expertise, which ensures that their views carry significant weight in deliberations and decisions.

To assist the KCM board in discharging its collective responsibility for corporate governance, committees have been established to which certain of the board's responsibilities have been delegated. These committees have specific terms of reference and are accountable to the board.

KCM's Board Committees were reconstituted to accommodate the new Vedanta directors. At 31 December 2004, the composition of the Board Committees was as follows:

Audit Committee

- P Sydney-Smith- VR, (Chairman)
- J M D Patterson, ZCCM-IH
- D A Jhaveri, VR
- CV Krishnan- Chief Executive Officer*
- D Bandyopadhyay- Resident Director*
- J Soko- Chief Financial Officer*
- A Stein – Manager, Internal Audit (Secretary)

- Deloitte & Touche Representative*
  (*In attendance by invitation)

Safety, Health, Environment and Quality Committee

- D Bandyopadhyay, VR - Chairman
- M W Lewanika (Dr) - GRZ
- C V Krishnan - Chief Executive Officer
- S C Mulenga (Dr), VP–SHEQ (Secretary)

Remuneration Committee

- N Agarwal – VR- (Chairman)
- K Kaura - VR
- B Ireton, ZCI
- C V Krishnan- Chief Executive Officer*
- P P M Hamukoma, VP - HR- (Secretary)
- S. Venkatesh- Group President HR- VR*
  (*In attendance by invitation)

SHEQ Committee

The Safety, Health, Environment and Quality ("SHEQ") Committee is responsible for developing framework policies and guidelines for safety, health, environment, social management and quality assurance and ensuring the progressive implementation of the same throughout KCM in working towards internationally accepted standards and best practices. The Committee is also responsible for addressing SHEQ risks and impacts in a systematic, comprehensive and businesslike manner and for promoting good relationships with the communities in which KCM operates.

Audit Committee

The Audit Committee comprising solely of Non-Executive Directors and Alternate Directors is responsible, inter alia, for the review of the procedures and policies of internal control, the review of the measures taken by Management in mitigating risk, the regular review of the adjudication of tenders and award of contracts in ensuring that they comply with the intent of the Shareholders Agreement, the review of any statement on ethical standards for the Company, the review of the accounting principles, policies and practices adopted in the preparation of the statutory financial statements and the consideration of the appointment of external Auditors.

Remuneration Committee

The Remuneration Committee of the Board is responsible, inter alia, for considering, reviewing and making recommendations to the Board on remuneration packages and related matters of Executive Management Team members and periodically for reviewing ongoing appropriateness and relevance of remuneration policy for all employees of the Company.

Executive Committee

The Executive Management Team is empowered and responsible for implementing the strategies and policies determined by the Board, managing the business and affairs of the Group, prioritising the allocation of capital, technical and human resources and establishing best management practices.

Internal control

The Internal Audit Department of the Company is empowered by the Audit Committee, as per a Board approved Internal Audit Charter, to report on and make Management aware of the effectiveness of the internal control systems applicable to both operations and finance. The control systems are designed to safeguard the Company's assets, maintain proper accounting records, ensure mitigation of operating risks and ensure the reliability of management and financial information produced by the Company.

The Headline Risk Areas of the Company are reviewed on a bi-annual basis under the Combined Code and appropriate action plans are implemented to mitigate identified high impact and high likelihood risks.

Code of conduct

The Company and KCM require that all directors and employees conduct themselves with honesty and integrity in all business practices to achieve the highest standard of ethical behaviour. In accordance with this objective, KCM has adopted a code of ethics to provide a clear guide as to the behaviour expected of directors and employees.

Consolidated statement of earnings

for the year ended December 31, 2004
expressed in thousands of US Dollars

	Notes	2004	2003 As restated (note 4)
Turnover	5,6	440,649	356,308
Cost of sales		(300,638)	(282,863)
Gross Profit		140,011	73,445
Other operating expenses		(62,020)	(75,282)
Depreciation		(12,412)	(9,840)
Profit / (Loss) from operations		65,579	(11,677)
Other income		2,485	2,011
Interest income		30	11
Interest expense		(1,331)	(1,121)
General and administration expenses		(1,090)	(479)
(Loss) on sale of investment in subsidiary company		(19)	-
Income from associated companies	22	25,093	-
Exceptional item	7	(9,763)	-
Profit / (Loss) before taxation		80,984	(11,255)
Taxation	9	(85)	(166)
Profit / (Loss) after taxation		80,899	(11,421)
(Profit) / Loss attributable to minority interest		(23,510)	4,578
Net Profit / (Loss)		57,389	(6,843)

		per ordinary share in US cents	
Headline profit / (loss) before exceptional items and amortisation and impairment of goodwill	8	53.21	(5.42)
Exceptional items		(7.73)	-
Net profit / (loss)	8	45.48	(5.42)

Consolidated statement of financial position

for the year ended December 31, 2004
expressed in thousands of US Dollars

	Notes	2004	2003 As restated (note 4)
Fixed Assets			
Tangible fixed assets	10	-	116,011
Long term accounts receivable	12	15,660	-
Investment in associated companies			
Investment in Konkola Copper Mines Plc	22	61,282	-
		76,942	116,011
Current assets			
Stocks	13	-	87,864
Accounts receivable	14	5,220	46,924
Cash and short-term investments	15	3,120	4,761
		8,340	139,549
Current liabilities			
Short term loans and bank overdrafts	16	-	(25,933)
Accounts payable and accrued liabilities	17	(356)	(59,778)
		(356)	(85,711)
Net current assets		7,984	53,838
Total assets less current liabilities		84,926	169,849
Long term liabilities			
Long term loans	18	-	(35,142)
Provisions	19	-	(89,429)
Minority interest	29	-	(18,255)
Net assets		84,926	27,023
Capital and reserves			
Capital	21	334,547	508,807
Revaluation reserves		-	1,220
Hedging reserves	20	-	(1,734)
Accumulated deficit		(249,621)	(481,270)
Shareholders' equity		84,926	27,023

Approved by the board of directors, dated August 16, 2005: JP Rozan, director, S. Georgala, director

Consolidated statement of changes to equity

for the year ended December 31, 2004
expressed in thousands of US Dollars

	Share capital	Contributed surplus	Accumulated deficit	Revaluation reserve	Hedging reserves	Total
Balance at December 31, 2002 as restated (note 4)	**30,299**	**478,508**	**(474,427)**	**-**	**-**	**34,380**
Net loss on Cashflow hedges (note 20)	-	-	-	-	(2,989)	(2,989)
Minority Interest on Cashflow Hedges	-	-	-	-	1,255	1,255
Revaluation on Equity Fund Investment	-	-	-	1,220	-	1,220
(Loss) for the year, as restated (note 4)	-	-	(6,843)	-	-	(6,843)
Balance at December 31, 2003, as restated (note 4)	**30,299**	**478,508**	**(481,270)**	**1,220**	**(1,734)**	**27,023**
Reversal of net loss on cashflow hedges transferred to income statement	-	-	-	-	2,989	2,989
Reversal of Minority interest on cash flow hedges	-	-	-	-	(1,255)	(1,255)
Reversal of revaluation on Equity fund investment	-	-	-	(1,220)	-	(1,220)
Change in scope of consolidation (note 2)	-	(174,260)	174,260	-	-	-
Profit for the year	-	-	57,389	-	-	57,389
Balance at December 31, 2004	**30,299**	**304,248**	**(249,621)**	**-**	**-**	**84,926**

Consolidated statement of cash flows

for the year ended December 31, 2004
expressed in thousands of US Dollars

	Notes	2004	2003
Cash flow from operating activities			
Cash received from customers		425,201	355,792
Cash paid to suppliers and employees		(325,967)	(355,253)
Cash generated by operations		99,234	539
Interest received		30	-
Interest paid		(1,020)	(1,150)
Income tax paid		(121)	(256)
Net cash generated / (absorbed) by operating activities		98,123	(867)
Cash flow from investing activities			
Proceeds from disposal of tangible fixed assets		-	11
Proceeds from disposal of short term investment		981	-
Proceeds from partial disposal of investment in subsidiary		2,320	-
Purchase of tangible fixed assets		(46,060)	(54,838)
Cash (absorbed) by investing activities		(42,759)	(54,827)
Cash flow from financing activities			
Lease financing paid		(3,526)	-
Cash (absorbed) by financing activities		(3,526)	-
Change in scope of consolidation*		(26,326)	-
Net increase / (decrease) in cash		25,512	(55,694)
Net (debt) / cash at the beginning of the year		(22,392)	33,302
Net cash / (debt) at the end of the year		3,120	(22,392)
Cash deposits and cash at bank	15	3,120	3,541
Short term loans and bank overdrafts	16	-	(25,933)
Net cash / (debt) at the end of the year		3,120	(22,392)

* Cash attributable to KCM at date of disposal of controlling interest (note 2)

Notes to the consolidated financial statements

for the year ended December 31, 2004
expressed in thousands of US Dollars

1 Incorporation

Zambia Copper Investments Limited ("ZCI" or the "Company') is incorporated as an investments holding company in Bermuda. The company is exempt from Bermuda taxation.

The Company's principal activity is the holding of a 28.4% (2003: 58%) interest in Konkola Copper Mines plc ('KCM'), a company incorporated in the Republic of Zambia. The Group no longer has a controlling interest in KCM. The Group had no direct employees in 2004 (2003: 11,179).

2 Basis of preparation of consolidated financial statements

The consolidated financial statements incorporate the financial results of the majority owned subsidiary KCM up to 31 October 2004. Following the change in majority ownership of KCM as explained in note 23, the results of KCM for November and December are included according to the equity accounting method for associated companies.

Due to the change in scope of consolidation, the Company's income and expenses for the year ended 31 December 2004 include consolidation of KCM income and expenses for the ten-month period 1 January to 31 October 2004. KCM income and expenses for the period 1 November to 31 December are included on an equity basis in income from associated companies. Assets and liabilities of KCM are no longer consolidated into the accounts of the Company at 31 December 2004.

3 Significant accounting policies

Basis of accounting
The financial statements are prepared in accordance with International Financial Reporting Standards. The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

These financial statements are presented in United States Dollars since that is the currency in which the majority of the Group's business is denominated.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

Principles of consolidation
The consolidated financial statements include the financial statements of ZCI and all companies more than 50% owned by ZCI.

The interest of minority shareholders is stated at the minority's proportion of the assets and liabilities recognised. All significant intercompany transactions and balances between group companies are eliminated on consolidation.

Associated companies
The results of associated companies are recorded on an equity accounting basis. Under the equity method, associated companies are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associated company, less any impairment to the value of the individual associated company. Losses of an associated company in excess of the Group's interest in that associated company are not recognised.

Where a Group entity transacts with an associated company, profits and losses are eliminated to the extent of the Group's interest in the relevant associated company.

Acquisitions and goodwill arising thereon
Where an investment in a subsidiary is made, any difference between the purchase price and the fair value of the attributable net assets is recognised as goodwill. Goodwill is amortised over its estimated useful life up to a maximum of 20 years and is included within intangible fixed assets. The unamortised balance is reviewed on a regular basis and, if an impairment in value has occurred, it is written off in the period in which the circumstances are identified.

Negative goodwill is created where the attribute fair value of the net tangible assets acquired exceeds the fair value of the consideration paid, and is recognised in the periods it is expected to benefit.

Turnover
Turnover represents the amounts invoiced, excluding value added tax, in respect of metals and other products despatched to customers during the year.

Tangible Fixed Assets
Mining assets are stated in the balance sheet at cost less accumulated amortisation. Other tangible fixed assets are stated in the balance sheet at cost less depreciation.

Mining assets include the cost of acquiring and developing mining properties.

Expenditure on assets under construction is initially shown as capital work in progress and is transferred to the relevant class of asset when commissioned.

The cost of borrowings utilised for the acquisitions or construction of tangible fixed assets is capitalised during the period to commissioning and shown as part of the cost of fixed assets. Borrowing costs incurred after the date of commissioning are charged to the consolidated statement of earnings.

If the recoverable amount of any of the above assets is less than the carrying value, a provision is made for the impairment in value.

Amortisation and Depreciation
Amortisation is charged to write off the cost of mining properties and leases and mine developments using the unit of production method based on proven and probable reserves.

Amortisation is charged to write off the cost of land and buildings on a straight-line basis up to a maximum of life of mine.

Depreciation is charged to write off the cost of plant, equipment and motor vehicles at varying rates, over the lower of the useful life of the asset and the estimated useful lives of the mines to which they relate or on a straight-line basis over their estimated useful lives.

Capital work in-progress is not depreciated.

Leased assets
Tangible fixed assets held under finance leases are capitalised and depreciated over the shorter of the lease period and their useful economic life. The lease payments are apportioned between a reduction of the outstanding liability and interest is such a way as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Rental costs under operating leases are charged to income statement in equal annual amounts over the leases terms.

Impairment
At each balance sheet date, the Group review the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately. An impairment loss previously recognised in respect of goodwill should be reversed only if the loss was caused by a specific event of an exceptional nature that is not expected to recur.

Deferred Secondary Development Expenditure
The cost of developing access to mine ore bodies during the commercial production stage are normally written off as production costs.

Equity Fund Investments
Equity Fund Investments are recognised on a trade-date basis and are initially measured at cost, including transaction costs. Equity Fund Investments are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in the fair value are recognised directly in equity until the security is disposed of or is determined to be impaired at which time the cumulative gain or loss previously recognised in equity is included in the net profit and loss for the period.

Stocks
Finished and process metal stocks are valued at the lower of cost or estimate net realisable value. Cost represents average production cost and excludes corporate head office and certain administration and selling expenses. Net realisable value represents the estimated selling prices less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Consumable stores are valued at the lower of cost or estimate net realisable value. A provision is made for excess, slow moving and obsolete items. Cost is determined on a weighted average basis and includes all direct costs incurred up to delivery at mine.

Pensions
KCM maintains a defined contribution pension scheme for most of its employees. The costs relating to the scheme are charged against income as they fall due.

Trade receivables
Receivables are stated at their nominal value as reduced by appropriate allowances for estimate irrecoverable amounts.

Bank borrowings
Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Accounts payable
Accounts payable are stated at their nominal value.

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 their 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 against profits over the life of the operation, through the depreciation for the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site damage, which is created on an ongoing basis during production, are provided for and charged against income as extraction progresses.

Taxation
Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Translation of foreign currencies
Transactions denominated in currencies other than United States Dollars are accounted for at the rate of exchange ruling on the date of the transaction. Where the transaction is covered by a forward exchange contract the rate specified in the contract is used.

Monetary assets and liabilities denominated in currencies other than United States Dollars are accounted for at the rates of exchange ruling at the balance sheet date, or at the forward rate determined in forward exchange contracts. Gains and losses arising on translation are included in the profit and loss account for the period.

Hedging transactions
In order to hedge its exposure to commodity price risk, KCM may enter into forward, option and swap contracts. Gains and losses on these contracts are recognised in the period to which the gains and losses of the underlying transactions relate. Where commodity option contracts hedge anticipated future production or purchases, KCM amortises the option premiums paid over the life of the option and recognises any realised gains and losses on exercise in the period in which the hedged production is sold or commodity purchases are made.

4 Change in Accounting policy

During the year, the Company changed its accounting policy in respect of secondary development expenditure. Previously, the cost of developing access to mine ore bodies during the commercial production stage that were deemed significant and identified as benefiting future years were deferred and expensed in the year when the related production was achieved. These costs are now expensed as incurred. The effect of this change has resulted in the write off of deferred expenditure of USD 25,771,000 and a decrease of Minority Interest of USD 10,824,000 as at 31 December 2003. Further, the cost of sales have been decreased by USD 3,388,000 and the minority interest share in the losses was decreased by USD 1,423,000 in the 2003 statement of earnings as a result of the change in accounting policy. Loss per ordinary share for the year ended 31 December 2003 decreased by US cents 1.56.

expressed in thousands of US Dollars

The comparative information for the year ended 31 December 2003 has been restated. The change has been accounted for retrospectively by adjusting the opening revenue reserves, deferred secondary development, and minority interest for 2003 as if the deferred secondary development had always been accounted for according to this policy.

5 Principal activity and segmental information

The principal activity of the Group is the mining and production of copper and cobalt, and toll treatment of copper concentrates. The sales revenue can be analysed as follows:

	2004	2003
Copper	427,815	328,261
Cobalt	9,830	24,291
Other	3,004	3,756
	440,649	356,308

The Group had one reportable segment, its principal activity.

6 Geographical segments

The Group mining operations are located in Zambia. The following table provides an analysis of the Group's sales by geographical market:

	2004	2003
Sales revenues		
Asia	280,320	160,158
Middle East	118,773	119,402
Rest of Africa	31,726	55,592
Europe	9,830	21,156
	440,649	356,308

expressed in thousands of US Dollars

7 Exceptional item

	2004	2003
Write off of insurance claim	9,763	-

KCM raised a claim against its insurers for equipment loss, pit reinstatement and business interruption following the Nchanga Open Pit accident on 8 April 2001. The ultimate re-insurers are yet to accept the claim for settlement, but the matter continues to be pursued through available legal channels. The claim has remained outstanding to date and on this basis, the Directors of KCM consider it prudent to write off the balance.

8 Profit / (Loss) per share

	2004	2003 As restated (note 4)
Net profit / (loss) attributable to shareholders (USD '000)	57,389	(6,843)
Add exceptional expenses:		
Write off of insurance claim	9,763	-
Headline profit /(loss) before exceptional items	67,152	(6,843)
Weighted average number of shares in issue (thousands)	126,197	126,197
Headline profit / (loss) per share (US cents per share)	53.21	(5.42)
Basic net profit / (loss) per share (US cents per share)	45.48	(5.42)

Basic profit / (loss) per share is calculated by dividing the net profit / (loss) attributable to the shareholders by the weighted average number of shares in issue during the year.

9 Taxation

	2004	2003
Current income tax	85	166
	85	166

expressed in thousands of US Dollars

KCM has losses for taxation purposes of approximately USD 624,168,000 (2003: USD 635,8970,000) subject to agreement with the Zambia Revenue Authority. The losses are available to be carried forward, up to a maximum of 20 years, for set off against future profits from the same source. In accordance with the KCM Development Agreement, which KCM has with the GRZ, KCM is not required for 20 years to deduct any withholding tax on payments made for interest, royalties and management fees to its shareholders, affiliates or any lender of money.

Payable in respect of year	85	166
Payable /(Receivable) in respect of previous year	33	123
Paid during year	(120)	(256)
Change in scope of consolidation (note 2)	2	-
Included in Accounts payable (note 17)	-	33

In accordance with the prior year, until 31 October 2004 no deferred tax asset for KCM was included in the accounts of the Company. From 1 November 2004, due to increased profits of KCM resulting from high copper prices and the restructuring as described at note 23, the Directors decided it was appropriate to recognise the deferred tax asset of KCM on an equity accounting basis.

expressed in thousands of US Dollars

10 Tangible fixed assets

	Mining properties and leases and mine developments and equipment	Leasehold land and buildings	Plant, equipment, and other	Capital work in progress	Total
Cost					
At January 1, 2004	10,971	5,736	94,249	82,416	193,372
Reclassifications	-	-	-	-	-
Additions	-	-	22,251	46,021	68,272
Transfers	15,707	1,159	26,320	(43,186)	-
Disposals	-	-	(1,574)	-	(1,574)
Change in scope of consolidation (note 2)	(26,678)	(6,895)	(141,246)	(85,251)	(260,070)
At December 31, 2004	-	-	-	-	-
Accumulated Depreciation					
At January 1, 2004	7,073	4,667	65,621	-	77,361
Charge for period	850	124	11,438	-	12,412
Eliminated on disposal			(102)		(102)
Change in scope of consolidation (note 2)	(7,923)	(4,791)	(76,957)	-	(89,671)
At December 31, 2004	-	-	-	-	-
Net book value					
At December 31, 2004	-	-	-	-	-
At December 31, 2003	3,898	1,069	28,628	82,416	116,011

Other tangible fixed assets include motor vehicles, office furniture and equipment. Expenditure on assets under construction is initially shown as capital work-in-progress and is transferred to the relevant class of asset when commissioned. Additions include USD 22,211,000 for assets purchased under finance leases (2003: nil).

expressed in thousands of US Dollars

11 Impairment adjustments

Impairment adjustments are a result of changes in economic circumstances, including the fall in market prices of KCM's products and the suspension of the Konkola Deep Mining project resulting in a reduction of the economic life of the business. As a result, the directors considered that the carrying amounts of the Group's tangible and intangible fixed assets may not be recoverable. Accordingly, a provision in the amount of USD 248,634,000 for impairment of those assets was recorded in the consolidated financial statements at June 30, 2002 in accordance with the requirements of IAS 36: Impairments of Assets.

The impairment adjustment represented the amount by which the carrying amount of the tangible and intangible assets of the Group at June 30, 2002 exceed their estimated recoverable amount. The Group was considered as a single cash-generating unit for the purpose of the review. The recoverable amount is the value in use, which was determined at a discount rate of 15%.

Due to the historical operating losses within KCM (SmelterCo) Limited and the uncertainty of future profits, the directors considered it prudent to reduce the carrying amounts of the goodwill that arose on the acquisition of KCM (SmelterCo) Limited. Accordingly, a provision of USD 57,801,000 for impairment of the goodwill was raised in accordance with the requirements of IAS 36: Impairment of Assets.

12 Long term accounts receivable

	2004	2003
Receivable from Vedanta	15,660	-

Resulting from the Vedanta transaction (see note 23), the Company will receive consideration of USD 23,200,000 for waiver of their pre-emptive subscription rights to KCM shares. This consideration is receivable over a period from 4 November 2004 to 31 December 2008.

13 Stocks

	2004	2003
Finished and process metal	-	60,938
Consumable stores	-	26,926
	-	87,864

At 31 December 2003, stocks of finished and process copper were stated at cost.

expressed in thousands of US Dollars

Stocks and consumable stores as at 31 December 2003 were stated net of a provision of obsolescence of USD 4,234,000. In relation to the provision for obsolescence, an expense of USD 1,051,000 (2003: USD 660,000 income) has been reflected in the statement of earnings.

14 Accounts receivable

	2004	2003
Trade debtors	-	15,077
Other debtors and prepayments	-	31,503
Receivable from Vedanta	5,220	-
Staff costs	-	344
	5,220	46,924

The Group has credit risk attributable to its trade receivables and other debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group has no significant risk attributable to the amount receivable from Vedanta, as they are a highly capitalised company with substantial assets and earnings worldwide. Vedanta is listed on the London Stock Exchange.

15 Cash and short-term investments

	2004	2003
Call deposits and cash at bank	3,120	3,541
Equity Fund Investment	-	1,220
	3,120	4,761

Cash and cash equivalents include cash in current accounts and cash deposits which mature within three months. The credit risk on cash and liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

All deposits have a floating interest rate and mature within one year.

expressed in thousands of US Dollars

16 Short term loans and bank overdrafts

	2004	2003
Bank overdrafts	-	11,654
Short term loan	-	14,279
	-	25,933

The bank overdrafts at December 31, 2003 were unsecured and repayable on demand. Interest was payable at USD LIBOR plus 1%.

A short term loan facility of USD 35,000,000 was secured during 2003. The amount recognised in the financial statements represents the actual draw down on the facility. The loan is secured on working capital and remains unpaid during the year. The amounts drawn on the facility are repayable as agreed with the lender at time of draw down and are subject to renewal 5 days before expiry of the loan period. Interest was calculated to aggregate USD LIBOR plus 1.25% plus mandatory costs.

17 Accounts payable and accrued liabilities

	2004	2003
Trade creditors	-	19,525
Other creditors and accrued expenses	356	40,220
Taxation payable (note 9)	-	33
	356	59,778

At December 31, 2003 included in other creditors and accrued expenses is an amount payable in respect of expected losses of USD 2,989,000 on forward contracts on the sale of copper metal. The amount relates to forward contracts due to mature in months after the balance sheet date and has been accounted for in reserves in accordance with the requirements of IAS 39: Financial Instruments: Recognition and Measurement.

18 Long term loans

	2004	2003
Loan balance at the beginning of the year	35,142	35,033
Capitalised interest	53	109
Change in scope of consolidation (note 2)	(35,195)	-
	-	35,142

expressed in thousands of US Dollars

	2004	2003
The loans are repayable as follows:		
Between 1 and 5 years	-	21,142
Over 5 years	-	14,000
	-	35,142

Unmatched facility
The aggregate principal amount of the unmatched facility available to be drawn from time to time from the date of 17 September 2002 is USD 18,000,000. With the exception of the security indicated below, each amount drawn under the unmatched facility represents an unsecured obligation for the due and punctual payment of the principal and interest. The rights of ARH Limited S.A. ("ARH"), a subsidiary of Anglo American plc, to receive payment in respect of principal, interest and all other amounts under the unmatched facility, in the event of winding up, are subordinated in right of payment to and after all other unsecured creditors of the Group.

The unmatched facility will terminate with regard to any amounts not disbursed on and following the earlier of:

- all insurance claims being finally settled, compromised or determined; or
- the second anniversary of the date of signing of the Exit Deed

Amounts drawn under the unmatched facility carry interest for each interest period at LIBOR.

The loan is secured on the proceeds, if any, receivable from the Company's insurers in respect of the Nchanga Open Pit accident, which occurred on 8 April 2001.

The unmatched loan amount is to be repaid:

a) Immediately to the extent of any insurance proceeds received by the Company.
b) From the third anniversary of the date of Exit Deed, in which case the aggregate outstanding amount of the loan at the second anniversary shall be repaid together with interest accrued thereon in tranches of 20% of the aggregate of balance. Amounts and all interest accrued thereon as at the seventh anniversary will be repaid on the seventh anniversary.

At December 31, 2003, the facility had been drawn down in full.

Matched facility
The aggregate principal amount of the matched facility available to the Group is USD 8,500,000.
The term and conditions of the matched facility are identical to those of the unmatched facility.
At December 31, 2003, the facility had been drawn down in full.

expressed in thousands of US Dollars

Subordinated term facility
The Government of the Republic of Zambia has extended a loan to the Group in an aggregate amount of USD 8,500,000. The facility is secured under second charge over all the Group's rights, title and interest, present and future, to, and in respect of proceeds arising under the insurance claim described above. The facility was intended for general corporate purpose. Interest is payable at LIBOR. As provided for in the facility the Group has elected to capitalise interest. Interest so capitalised does not constitute accrued and unpaid interest and is considered to be a loan advance.

The facility is repayable in five equal consecutive instalments commencing on the third anniversary of the date of the Anglo Exit Deed of 17 September 2002.

19 Provisions for liabilities and charges

	Terminal benefits	Restoration rehabilitation and environment	Copper and Cobalt price Participation	Total
At December 31,2002	45,378	47,254	-	92,632
Charged to profit and loss	-	1,917	-	1,917
Payments/terminations	(5,120)	-	-	(5,120)
At December 31, 2003	40,258	49,171	-	89,429
Charged to profit and loss	(178)	1,647	14,202	15,671
Payments/terminations	(4,571)	(11)	-	(4,582)
Change in scope of consolidation (note 2)	(35,509)	(50,807)	(14,202)	(100,518)
At December 31, 2004	-	-	-	-

Restoration, rehabilitation and environmental liabilities
The restoration, rehabilitation and environmental provision represents the net present value of the best estimate of the expenditure required to settle the obligation charge to rehabilitate environmental disturbances caused by mining operations. These costs are expected to be incurred over the useful lives of the assets.

The cash flows were discounted at 4% (2003: 4%)

Terminal benefits
On March 31, 2000 KCM assumed responsibility for payment of the accrued terminal benefit liability in respect of the transferring of employees from Zambia Consolidated Copper Mines Limited, now known as ZCCM Investments Holdings Plc ("ZCCM").

Copper and cobalt price participation fees
The Copper and Cobalt price participation fees payable by KCM to ZCCM Investments Holdings Plc (ZCCM-IH) are in accordance with the terms of the Copper and Cobalt Price Participation Agreements between the two companies. The agreement requires KCM to pay ZCCM-IH a Copper and/or Cobalt payment computed as 25% of the product of the quantity in pounds of Copper or Cobalt

expressed in thousands of US Dollars

sales in a financial year and the difference between the weighted average Copper or Cobalt price for such financial year and the trigger price of USD 1.03 for Copper and USD 7.50 for Cobalt. No Copper or Cobalt payment is accrued where the product is zero or negative.

The aggregate of Copper Payments, Accrued Copper Payments, Cobalt Payments and Accrued Cobalt Payments in a financial year is not to exceed an annual limit and an aggregate limit of USD 16 million and USD 125 million respectively.

KCM is not obliged to make a payment to ZCCM-IH, if KCM does not make a distribution to shareholders.

20 Net Loss on Cash Flow Hedges

In accordance with the Group's policy, the net loss on cash flow hedges relating to periods subsequent to the balance sheet date was recognised in equity until the underlying transaction occurs when it was transferred to the income statement.

The Group had the following net simple forward pricing commitments outstanding against future production as at December 31, 2003:

	Copper (metric tons)	Price (US$/lb)
January 2004	3,000	0.88
February 2004	6,000	0.88

21 Capital

	2004	2003
Share capital		
Authorised		
130,000,000 ordinary shares of BD$0.24 each	31,200	31,200
50,000 deferred shares of BD$0.24 each	12	12
	31,212	31,212
	2004	2003
Issued		
126,197,362 ordinary shares of BD$0.24 each	30,287	30,287
50,000 deferred shares of BD$0.24 each	12	12
	30,299	30,299
Contributed surplus	304,248	478,508
Total Capital	334,547	508,807

expressed in thousands of US Dollars

Ordinary shares

The ordinary shares have full voting rights and rights to dividends, and will be entitled on a winding up to a distribution equal to their par value and share premium created on their issue.

Deferred shares

The deferred shares do not have any voting rights or right to participate in the profits or assets of the Company, other than the right to receive on the winding up of the Company the amount paid up, up to the amount of 24 Bermudian cents only, after all ordinary shares have received a distribution equal to their par value and any share premium which remains distributable to them.

Reconciliation of changes in contributed surplus

	2004	2003
Contributed surplus as at 1 January	478,508	478,508
Change in scope of consolidation (Note 2)	(174,260)	-
Contributed surplus as at 31 December	304,248	478,508

22 Subsidiaries and associated companies

Details of the Company's subsidiaries and associated companies at 31 December 2004 are as follows:

	Place of incorporation and operation	Proportion of ownership interest (%)	Principal activity
Name of subsidiary			
ZCI Holdings S.A.	Luxembourg	100 %	Holding company
ZCI Holdings Limited	Liberia	100%	Holding company
Zambia Copper Investments (Luxembourg) Limited	Luxembourg	100%	Holding company
Name of associated company			
Konkola Copper Mines Plc	Republic of Zambia	28.4 %	Mining
KCM (SmelterCo) Limited	Republic of Zambia	28.4 %	Ore processing

expressed in thousands of US Dollars

Summarised financial information in respect of the Group's associated companies is set out below:

	2004	2003
Total assets	447,605	-
Total liabilities	(231,822)	-
Net assets	215,783	-
Group's share of associated companies' net assets	61,282	-
Turnover	108,839	-
Profit for the period	88,356	-
Group's share of associated companies' profit for the period	25,093	-

The turnover and profit relate to period from November 1, 2004 to December 31, 2004 (see note 2). The group's share of profit for the period includes USD 19,323,000 in relation to the initial recognition and subsequent partial release of the deferred tax asset as described in note 9.

23 Restructuring

With effect from 5 November 2004, the Company entered into an agreement with Vedanta Resources Plc (Vedanta), which resulted in dilution of the Company's interest in KCM

The key terms of the Vedanta investment that the Parties have agreed to are as follows:

- the subscription by Vedanta for sufficient new KCM ordinary shares for an amount of US$25 million such that Vedanta obtained a 51% interest in KCM. Accordingly, ZCI reduced its interest in KCM from 58% to 28.4% and ZCCM-IH reduced its interest in KCM from 42% to 20.6%;
- Vedanta subscribed for KCM shares, ZCI and ZCCM-IH waived their pre-emptive subscription rights. As consideration for this waiver, ZCI received a deferred consideration of US$23.2 million from Vedanta, payable over a period commencing on the completion date of the Vedanta investment and ending on 31 December 2008. The schedule of deferred payments is as follows:
- two million, three hundred and twenty thousand US dollars (US$2,320,000) on the Completion Date;
- five million, two hundred and twenty thousand US dollars (US$5,220,000) on 31 December 2005;
- five million, two hundred and twenty thousand US dollars (US$5,220,000) on 31 December 2006;

expressed in thousands of US Dollars

- five million, two hundred and twenty thousand US dollars (US$5,220,000) on 31 December 2007; and
- five million, two hundred and twenty thousand US dollars (US$5,220,000) on 31 December 2008;
- similarly, while ZCCM-IH did not receive a deferred consideration from Vedanta, ZCCM-IH received, as consideration for their waiver, US$16.8 million by way of a debt cancellation arrangement with GRZ, whereby GRZ cancelled debt owed by ZCCM-IH to GRZ;

In the event that the free cash flow (after sustaining and project capital expenditures) of KCM is negative at any time during a period of nine years after the completion date of the Vedanta investment, then Vedanta will guarantee and be responsible for providing or securing the necessary additional funding required by KCM to immediately fund to the extent of the negative cash flow up to but not exceeding a cumulative amount of US$220 million ("standby funding commitment"). Should this standby funding commitment be provided by Vedanta in the form of equity, it will be non-dilutive to existing shareholders.

Vedanta has contractually undertaken not to exit KCM prior to 1 January 2008. Thereafter if it wishes to exit, Vedanta is required to provide a twelve month notice period during which time it will provide management to KCM and it will pay an exit fee equivalent to the following years budgeted capital expenditure (as adjusted for any over or under spending of capital expenditure in prior financial periods), with its standby funding commitment terminating on the exit date;

- Vedanta has agreed that KCM will set aside a portion of its future annual free cash flow to create a cash reserve so that the shareholders and GRZ have assurance that as cash is accumulated in the reserve, KCM has dedicated funds available to fund its environmental and terminal benefit obligations;
- an undertaking has been given by Vedanta to support a feasibility study on the extension of the Konkola ore body by no later than 31 December 2006. Vedanta will contribute US$1million towards the cost of the feasibility study;

Should the KCM board determine to proceed with further development of the Konkola ore body, Vedanta will be responsible for securing the debt finance necessary in accordance with typical market practices for similar projects. In addition, Vedanta will be required to contribute whatever equity is required by KCM to secure the debt funding. ZCI and ZCCM-IH will be able to follow their rights but should they decline to do so, the additional equity will be contributed by Vedanta on a dilutive basis.

24 Capital commitments

	2004	2003
Contracted but not provided	-	11,934

The funds required to meet the capital commitments were to be generated from the trading activities of the Group, and finance from lenders.

expressed in thousands of US Dollars

25 Contingencies

Vedanta call option deed
Vedanta will have a call option over ZCI's shares in KCM, exercisable on either a positive development decision on the Konkola Ore Body Extension Project or the achievement by Konkola mine, a division of KCM, of 3 million tone per annum (tpa) of ore production for four consecutive quarters. The exercise price will be the prevailing fair market value of ZCI's KCM shares as agreed to between ZCI and Vedanta or, failing agreement, as determined by an independent investment bank.

ZCI / ZCCM-IH call option deed
If the KCM board determines not to proceed with the further development of the Konkola ore body, then ZCI and ZCCM-IH will have a call option over Vedanta's shares in KCM, exercisable on or after 31 December 2009 at the prevailing fair market value of such shares. However, if Vedanta can demonstrate, at any time before the exercise date of the call option, that an additional five years production for the period from 2013 to 2017, at 175 000 tpa of produced finished copper utilising the existing KCM mining licences and adjacent areas is achievable, then in those circumstances the exercise date of the call option will be deferred for a period of five years, such that it may not be exercised prior to 31 December 2014.

The Board of Directors has determined that a reliable value can not be assigned to these call options at 31 December 2004.

26 Related party transactions

The Company has no employees and in consequence utilises the administrative services of Maitland Management Services, SA, which is part of the Maitland Group. Steven Georgala is a director of the Maitland Group. The Maitland Group received fees of USD 420,027 (2003: USD 207,625).

The directors of the Company received fees of USD 72,750 (2003: USD 63,200) for their services. In addition, they received 95,300 for additional work specific to the Vedanta transaction (2003: USD nil), and expenses of USD 35,910 (2003: USD 20,828). The Company and KCM shared certain common directors; in 2004 B Ireton, D Rodier, and S Georgala received fees and expenses of USD 32,225 from KCM (2003: USD 34,419). All directors fees payable to S Georgala are payable to the Maitland Group.

27 Pension costs

KCM operates a defined contribution pension scheme for certain of its employees. The total contributions charged to the income statement in respect of the scheme operated by the KCM was as follows:

	2004	2003
Pension costs charged to operating expenses	2,003	2,072

expressed in thousands of US Dollars

28 Operating Lease Arrangements

	2004	2003
Lease payments paid under operating leases	311	2,192

29 Minority Interest

Until 31 October 2004, the minority interest represented 42% of the restructured capital and reserves of KCM. Since 1 November 2004, the Company no longer has a controlling interest in KCM (see note 23).

30 Subsequent events

The board of KCM has approved the feasibility study relating to the Konkola Ore Body Extension Project and subsequently approved the project itself. The Government of the Republic of Zambia has also given its approval to this project to the extent required. To the knowledge of the board, no decision has been taken as to whether or not the Vedanta Call Option Deed will be exercised.

31 Holding company

There is no ultimate holding company.

Report of the auditors

To the shareholders of Zambia Copper Investments Limited

We have audited the consolidated statement of financial position of Zambia Copper Investments Limited as at December 31, 2004 and the consolidated statements of earnings, changes to equity, and cash flows for the year then ended as set out on pages 17 to 40. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements' presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the group as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte and Touche
Chartered Accountants

Hamilton, Bermuda

August 16, 2005

Notice of Annual General Meeting

Notice is hereby given that the thirty-fifth annual general meeting of the shareholders of Zambia Copper Investments Limited will be held at the offices of Maitland Luxembourg SA, 6 rue Adolphe Fischer, Luxembourg, on Thursday September 22, 2005 at 11h00 for the following business:

1. To consider the financial statements and the reports of the directors and auditors for the year to December 31, 2004.

2. To propose the change of the Company's financial year end from 31 December to 31 March during the current financial year.

3. To propose the re-election of JP Rozan, who retires in terms of the Bye-Laws of the company, and being eligible, recommended and available has offered himself for re-election.

4. To propose the re-election of D.D. Rodier, who retires in terms of the Bye-Laws of the company, and being eligible, recommended and available has offered himself for re-election.

5. To propose the re-election of S. Georgala, who retires in terms of the Bye-Laws of the company, and being eligible, recommended and available has offered himself for re-election.

6. To propose the re-election of T. Kamwendo, who retires in terms of the Bye-Laws of the company, and being eligible, recommended and available has offered himself for re-election.

7. To ratify and approve all actions taken by the directors of ZCI to the date of this Annual General Meeting.

8. To approve the remuneration of the directors for 2004.

9. To appoint auditors and to fix their remuneration.

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a member. Proxy forms should be forwarded to reach the company's transfer secretaries, Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 or posted to the transfer secretaries at P O Box 61051, Marshalltown, 2107, South Africa, so as to be received by not more than 48 hours before the time fixed for the holding of the meeting at 11h00 on 22 September 2005. Proxy forms should only be completed by members who have not dematerialised their shares or who have dematerialised their shares with "own name" registration.

On a show of hands, every member of the company present in person or represented by proxy shall have one vote only. On a poll, every member of the company shall have one vote for every share held in the company by such member.

Members who have dematerialised their shares, other than those members how have dematerialised their shares with "own name" registration should contact their Central Securities Depository Participant (CSDP) or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

A form of proxy is enclosed with this annual report.

By order of the board of directors

John B. Mills
Secretary

Dated: 16 August 2005

Company details

Directors
JP Rozan *(Chairman)*
D D Rodier
S Georgala
T Kamwendo

Secretary
J B Mills

Registered Office
Clarendon House
2 Church Street
Hamilton
Bermuda

Website
www.zci.lu

Transfer Secretaries

In South Africa
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70 Marshall Street, Johannesburg 2001
South Africa
(P O Box 61051
Marshalltown 2107)

In the United Kingdom
Computershare Investor Services PLC
P O Box 82, The Pavilions
Bridgwater Road
Bristol BS99 7NH
United Kingdom

French Listing agent
Euro Emetteurs Finance
48 Boulevard des Batignolles
75850 Paris Cedex 17
France

South African Sponsor
Rand Merchant Bank, A division of
FirstRand Bank Limited
Corporate Finance, 1 Merchant Place,
Cnr Fredman Drive & Rivonia Road
Sandton, 2146, South Africa

Auditors
Deloitte & Touche
Corner House
Church and Parliament Streets
Hamilton HMFCC
Bermuda